About the Firm

Nottinghill Investment Advisers, Ltd., is a registered investment adviser founded in May 1996.

Nottinghill is owned by the seasoned professionals serving its clients, and effectively managing the assets of those clients, taxable as well as tax-exempt, is the Firm's only business. The twin results are commitment and focus.

Total Portfolio Management, or TPM, is Nottinghill's largely passive, balanced approach to the management of a client's overall portfolio, and Indexed Total Portfolio Management, or ITPM, is the totally passive variation. In both cases, portfolios contain three sectors: Equities, U.S. Fixed Income, and the Alternatives Group. TPM and ITPM are two complete, widely diversified answers to any client's investment needs.

Seasoned investment professionals. Commitment and focus. Two complete, widely diversified answers. Nottinghill is your ideal partner.

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NOTTINGHILL
INVESTMENT ADVISERS, Ltd.

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An Update

SCORECARD

	2021 QI	One Year	Three Years	Five Years	10 Years
S&P 500 Index	**6.17%**	**56.35%**	**16.78%**	**16.29%**	**13.91%**
10-Year Treasury Note	**-6.91**	**-6.89**	**5.03**	**2.31**	**4.20**
Gold	**-11.06**	**5.10**	**8.39**	**6.35**	**1.59**

All multi-year returns are annualized, and all returns are associated with time periods ending March 31, 2021

2021 QI — Economies and Stocks on the Mend, Bonds Part Company

We know so well that the Year of COVID actually did take place, that the public health and economic hardships were severe, and that there clearly still is work to be done. But, thanks to a growth-inducing tax climate and a great deal of fiscal stimulus, all accompanied by a friendly Fed, we appear to be making a rapid return to pre-COVID days, at least in the aggregate. Production and corporate profits are up; unemployment is down. No one ever will forget the damage the virus did; but, the public health and economic patient recovered in the wake of the 1918-1919 pandemic, and the patient appears to be on the mend this time as well.

The U.S. stock market could not match the heady performance of 2020 QIV, but this year's first quarter was more than decent. The broadly based S&P 500 Index provided an investment return of 6.17%. One standout feature was a long-awaited rotation from the Growth style of investing to the Value style that we prefer. Whether this rotation becomes a long-term phenomenon or not, for now we intend to enjoy the moment — the wait for Godot was small potatoes compared to the wait for some sort (any sort) of Value revival.

The economy and the stock market did just fine in the first quarter, but the resurgence of economic growth and the prospect of an uptick in inflation caused the bond market to part company. The yield on a Treasury note maturing in 10 years went from the 0.92% of early-January to the 1.73% of March 31. That translates into a total investment return of -6.91%, and a 30-year Treasury bond did even worse. Gold? After a +24% 2020, investors shrugged off thoughts of an uptick in inflation, and took profits. First quarter performance (Engelhard industrial bullion) -11.06%.

As usual, we have a few thoughts on the state of affairs at quarter-end.

- **Worldwide Economy**
  In the February Update, we wrote about the second COVID wave and the race between that wave and the vaccines arriving to counter it. Since that time, many millions around the world have been vaccinated, and, despite a few setbacks (India chief among them), economies generally are headed toward business-as-(kind of) usual. Progress toward that goal and a return to 2019-like times should continue as those remarkable vaccines work their magic.
- **Equities**
  Guilty as charged — we have belabored the Growth vs. Value issue for far too long. Now, there are signs that more of an equilibrium is being restored. If true and the trend continues, that benefits what we do and, maybe even more important, stock market health in general. Valuations in some stock market sectors are stretched; but, in others, many bargains with well above-average yields remain, and emerging markets equities also remain attractively priced.
- **Interest Rates**
  The first quarter's rise in longer-term rates was noticeable, and most of the blame was heaped on the unnecessarily large and unfocused fiscal stimulus package just passed and possible inflationary pressures down the road. Maybe, but we still are talking historically low interest rates all along the two- to 10-year part of the maturity curve and a Fed that continues to have its heels dug in at the short end. Hardly a time to panic.

A worldwide economy on the mend. A not undiscovered, but seemingly healthier stock market. Longer-term interest rates on the rise, but calmness at the short end. Not quite the adventure of one year ago, we are very happy to report.

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And now, let's take a look at the final chapter of a sad story and balanced investment strategies.

Shenanigan

Epilogue

"He's a well-respected man about town,
Doing the best things so conservatively."
-The Kinks (1966)

"Trust everybody, but cut the cards."
-Finley Peter Dunne

Bernie Madoff died on April 14. You remember Bernie...Ponzi schemer extraordinaire whose multi-decade career as a well-respected New York money manager was revealed to be a total sham. We've written about Bernie and the lessons to be learned on two other occasions in this space. Now, with Bernie having departed, the time is right to bring at least part of this sordid matter to a close.

The place of Bernie's death is a North Carolina federal prison where he was serving a 150-year sentence. What exactly did he do? What any self-respecting Ponzi schemer does: Present enticing but fictitious investment returns, and then pay off older investors with the funds provided by newer investors. The miraculous, black-box methodology in fact did not exist; portfolio trades were entirely fictitious; the "auditing" was being done by a couple of people in a strip mall. Even now, no one is quite sure how much money was lost, but $18 billion is the amount that keeps popping up. The financial health of numerous prominent people and numerous well-known institutions was harmed irreparably.

This epilogue begins on December 10, 2008, when Bernie's two sons, who did not work on the asset management side of the business, were told by their father that the asset management side was "one big lie." Andrew and Mark Madoff promptly contacted an attorney who put them in touch with federal prosecutors and the FBI. The next day, Bernie was arrested, and charged with securities fraud. Over the next few months, as the onion gradually was pealed back, the enormity of the fraud became all-too-apparent.

As always, we encourage you to compare the information we are providing to the information provided by your third-party custodian, and to investigate any discrepancies.

And, all-too-shocking since the SEC had conducted multiple investigations of Madoff's business practices and at least two huge red flags had been raised over the years. The first of these was raised by the well-known financial analyst, Harry Markopolos, who began badgering the SEC in 1999. At that time, he told the SEC that, in his opinion, delivering the investment returns that Madoff claimed to deliver was legally and mathematically impossible. Markopolos was ignored. He also was ignored by the SEC's Boston office in 2001 and 2002, and then by the SEC's New York office in 2005 and 2007 when he presented even further evidence. The second red flag? In a 2001 Barron's piece, Erin Arvedlund reported that certain learned observers had no idea how Madoff's investment strategy, as described, could have produced the investment returns that he claimed.

Despite these warnings, the scheme went on and on until that fateful two-day period when Madoff's sons talked to federal authorities and the FBI showed up at his door. Game over. Bernie got the max: 150 years; his brother Peter got 10 years; others went to prison, or were sentenced to home incarceration, for varying terms. Mark and Andrew Madoff? Despite spilling the beans, they were investigated relentlessly by federal prosecutors, and hounded by the media. Two years to the day after Bernie's arrest, Mark committed suicide. He was 46. Andrew, diagnosed with lymphoma in 2003, blamed his cancer's 2011 recurrence on the stress surrounding the scandal. He died in 2014 at the age of 48. Sad, sad stories among many sad Madoff stories. Bernie ended up spending 12 somewhat tumultuous years in prison, and died on April 14, 2021, of renal failure. As he drew his last breath, several billions had been recovered, however, that part of the Madoff affair isn't over yet.

But, this epilogue piece will wrap it up from our standpoint. As part of the epilogue, we once again will go over two key lessons that the Madoff affair should have taught us.

1) Have some understanding of the investment strategy being employed on your behalf

In our view, discretionary authority is a necessary ingredient in a successful money manager/client relationship. But, unsupervised discretionary authority is risky business. At Nottinghill, our investment strategies are well-defined and easily explained; the focus is on undervalued securities known to just about everyone. Madoff? With few questions asked, he evidently was allowed to employ a mysterious approach with the freedom to go anywhere and do anything with his investors' assets. Such freedom is not warranted in a money manager/client relationship. Give the manager the authority to do what he/she does best, and then, make sure you have a general familiarity with how your assets are being managed and some assurance that the investment strategy you bought in fact is what's being provided.

2) Verify, verify

Fortunately, the Madoffs and other Ponzi schemers out there constitute a very small minority within our profession. The rest of us continually give it our best shot in good times and bad, routinely report what we do and why, and are quite comfortable looking at ourselves in the mirror. Still, when the dealer passes the deck, cut the cards anyway. Insist on independent verification of the assets being held on your behalf and what's being done with those assets. Then, as the above, italicized language states, examine those third-party verifications, and make sure that any and all discrepancies are investigated. Incidentally, that italicized language appears at the end of every client report we send out. In other words, we walk the walk.

So, transparency regarding the investment strategy being employed and independent verification of assets and transactions. Neither existed in the relationship between Madoff and his clients; both exist in the relationship between Nottinghill and its clients.

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To repeat, the Madoff story is a sad one with victims as far as the eye can see, and still with a lot of unanswered questions. Will the lost assets ever be fully recovered? Why was the regulatory oversight so lax, particularly in the midst of several giant red flags? How were so many knowledgeable people deceived to such an extent for so long? Even after 13 years, mysteries remain. The lessons, however, are there for all to see.

Total Portfolio Management

Portfolio Structure

Total Portfolio Management, or TPM, is a largely passive, balanced approach to the management of a taxable individual's or tax-exempt institution's overall portfolio. TPM portfolios consist of three sectors: Equities, U.S. Fixed Income, and the Alternatives Group. An active approach governs the large company component of the Equities sector, which also includes three other, passively managed ETF components. The U.S. Fixed Income sector is a combination of three actively managed bond mutual funds and intermediate Treasuries. And finally, positions in three alternative asset classes (ETFs) constitute an Alternatives Group that adds yet another layer of diversification. The result: a complete, largely passive destination for all of the taxable individual's or tax-exempt institution's investment needs.

Investment Objectives

- **A positive inflation-adjusted investment return** — A Life of the Strategy investment return greater than the inflation rate of the overall U.S. economy
- **A structure-consistent investment return** — A Life of the Strategy investment return consistent with the component investment returns weighted in accordance with the portfolio's asset allocation structure
- **Low, structure-consistent volatility** — Life of the Strategy investment return volatility consistent with that of a low-volatility structure and one weighted in accordance with the portfolio's asset allocation structure

Investment Return Summary

	2021 QI	2010-2021
TPM Baseline*	**5.55%**	**10.44%**
S&P 500 Value Index	10.14	11.80
Bloomberg Barclays US Aggregate Bond Index	-3.37	3.67

*65% equities

Nottinghill Investment Advisers, Ltd., is an independent investment adviser utilizing a number of large capitalization equity and widely diversified balanced strategies. The above Total Portfolio Management - Baseline performance data are associated with the Total Portfolio Management - Baseline model portfolio. While the data associated with the strategy incorporate the model and actual investment returns associated with strategy components, such data, even when combined in accordance with the Baseline structure, do have certain inherent limitations. First, unlike an actual performance record, such data do not reflect actual trading. Second, since trades have not actually been executed, results may contain an under– or over-compensation for the impact, if any, of certain market factors. These data are provided net-of-assumed transaction costs and net-of-assumed management fees. Furthermore, the data are associated with time periods ending March 31, 2021, are annualized for the multi-year period, are expressed in U.S. Dollars, and are compared to the value-oriented, all equity S&P 500 Value Index and the all-fixed income Bloomberg Barclays US Aggregate Bond Index. Whether simulated or actual, past performance is no guarantee of future results. A complete list of Nottinghill performance composites and model portfolios and additional information regarding the calculation and reporting of Nottinghill performance are available upon request.

Investment Strategy Advantages

- A seasoned team of investment professionals
- The complete, largely indexed answer
- Low, fully disclosed investment expenses
- Solid performance at a low level of risk

Now, ITPM...

Indexed Total Portfolio Management

Portfolio Structure

Indexed Total Portfolio Management, or ITPM, is a totally passive, balanced approach to the management of a taxable individual's or tax-exempt institution's overall portfolio. ITPM portfolios consist of three sectors: Equities, U.S. Fixed Income, and the Alternatives Group. A total of nine components within those sectors, and all nine consist of ETF positions performing in line with an associated equity market index, bond market index, or commodity price. ITPM portfolios combine the traditional performance advantages of passive management, along with ultra-low transaction costs and management fees. The result: a complete, totally passive destination for all of the taxable individual's or tax-exempt institution's investment needs.

Investment Objectives

- **A positive inflation-adjusted investment return** — A Life of the Strategy investment return greater than the inflation rate of the overall U.S. economy
- **A structure-consistent investment return** — A Life of the Strategy investment return consistent with the component investment returns weighted in accordance with the portfolio's asset allocation structure
- **Low, structure-consistent volatility** — Life of the Strategy investment return volatility consistent with that of a low-volatility structure and one weighted in accordance with the portfolio's asset allocation structure

Investment Return Summary

	2021 QI	**2010-2021**
ITPM Baseline*	**5.79%**	**8.38%**
S&P 500 Value Index	10.14	11.80
Bloomberg Barclays US Aggregate Bond Index	-3.37	3.67

*65% equities

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- Solid performance at a low level of risk

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