

**ABOUT  
THE FIRM**

Nottingham Investment Advisers, Ltd., is a registered investment adviser founded in May 1996. A long history of achievement.

Nottingham is a team of seasoned professionals serving taxable and tax-exempt investors, as well as other investment advisers. Asset management and otherwise serving asset management clients are the Firm’s only business. The twin results: commitment and focus.

Nottingham is a manager of large capitalization equity and widely diversified balanced portfolios. The Firm can serve in a specialized role, or as a client’s sole adviser.

Nottingham’s equity and balanced investment strategies constitute the Firm’s Yield Plus Approach to investing. The Yield Plus Approach is a straightforward, all-encompassing investment philosophy and a set of well-defined investment processes. Precision and discipline.

A long history of achievement. Commitment and focus. Specialization, or single-manager responsibility. Precision and discipline.

Nottingham is your ideal partner as you go down the financial path ahead.

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**Quarterly Update**

**SCORECARD**

	2023 QI - QIII	One Year	Three Years	Five Years	10 Years
<b>S&amp;P 500 Index</b>	13.07%	21.62%	10.15%	9.92%	11.92%
<b>10-Year Treasury Note</b>	-2.20	-1.71	-7.85	-0.03	0.98
<b>Gold</b>	3.02	12.53	-0.34	9.52	3.53

All multi-year returns are annualized, and all returns are associated with time periods ending September 30, 2023

**2023 QI-QIII — The Perils of Forecasting**

We end many of our missives by saying that we are not forecasters, because neither we nor anyone else can forecast the economy or the markets with any degree of accuracy. Cannot be done, and the perils have been on full display over the past few years. Remember when the money being pumped into the economy would not be inflationary? Remember when inflation arrived, but price pressures would be only transitory? Remember when those interest rate hikes would sink the housing market, and make a 2023 recession inevitable? To repeat, we are not forecasters and for a good reason. But we can and do comment on the here and now. The “here and now,” as we head toward the 2023 finish line, is still-decent economic and profit growth, and continued progress on the inflation front, but a consumer sector in which cracks are starting to appear. The latter is significant and suggests that the much-anticipated 2023 recession may be pushed out and have to be renamed.

The third quarter is in the seasonally weak part of the stock market year, and 2023 QIII followed the usual pattern. There was little difference between the Growth and Value styles of investing, between large company stocks and small company stocks, even between stocks and bonds. Most of the popular stock market indexes were off 3-4% including dividends, while the total return of a Treasury note maturing in 10 years was -4.82%, bringing the year-to-date return to -2.20%. Even gold, still a 2023 winner – but barely so – declined 1.98%.

**THE CURRENT SITUATION — Is the Consumer Finally Blinking?**

• **Worldwide Economy**

The Fed may have a so-called dual mandate, i.e., fostering growth and combating inflation, but only one mandate has been on the Fed’s radar screen over the last 18 months or so. Post-COVID, Washington’s wide-open fiscal spigot gave us too many dollars chasing too few goods and a resultant, predictable inflation problem. The remedy is tight money and higher interest rates, and that is what we have been witnessing. Still, the economy has been resilient, at least until now. The consumer is starting to show signs of fatigue, and, as we stated in the last update, the consumer rules in the industrial world.

• **Equities**

In 2023’s first quarter and most of the second, Growth/Tech was the only game in town, but then participation in the advance began to broaden. The third quarter? A less hospitable environment as the impact of a wide-open fiscal spigot ran out and higher interest rates began to bite. A continuation of this rough patch would not surprise us. So much depends on the consumer and...

• **Interest Rates**

The inflation problem of the last couple of years was created largely by those holding the purse strings in Washington. The Fed’s job has been to clean up the mess, and Chairman Powell et al. have made it clear that the mess will be cleaned up. The interest rate path of least resistance is up, but seriously damaging the economy probably is not in the cards. In other words, we stand by our July assertion that the Fed’s work probably is close to being done.

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America-in-decline? Really?

## “Be-Bop-a-Lula”

“The best is yet to come, and won’t that be fine.  
You think you’ve seen the sun, but you ain’t seen it shine.”  
-Tony Bennett, 1962

America, some believe, is in fundamental economic and political decline. Really? We don’t believe it for a second. Want proof? How about a funny, thought-provoking mid-90s story that just as easily could be a 2023 story, and then let’s talk about Nobel Prizes.

According to the English writer, A.A. Gill, in the mid 90s he participated in a debate at the Hay Literary Festival, and spoke in favor of a motion stating that American culture was far too pervasive and should be “resisted.” His partner in the four-person debate preceding the vote was the historian Norman Stone, and on the other side were a writer from *The New Yorker* and the celebrated author, Salman Rushdie. After Gill and his partner had ranted and the writer from *The New Yorker* had defended our honor, Rushdie, according to Gill, stepped up to the mic, leaned in, paused for a moment, looked out on the packed theater, and said soft and clear, “Be-Bop-a-Lula, she’s my baby, / Be-Bop-a-Lula, I don’t mean maybe. / Be-Bop-a-Lula, she’s my baby love.” Then, he sat down.

What Gill referred to as a bookish audience evidently sat in stunned silence and then burst into riotous applause. To Gill, Rushdie’s reference to good old American rock ‘n’ roll, beloved the world over, in essence was a grand argument that, by itself, had turned the tables completely. Sure, these classic lines are hardly prima facie evidence of ongoing American greatness. But, Rushdie in some small way was saying, “Get a grip. American energy and creativity have been facts of life for a long time, and will continue to be for a long time.” Game Over.

Gill regrets to this day his participation in the Hay debate, and has gone on to become a true believer in the greatness of America and its people. He ended his July 2013 *Vanity Fair* article, in which the Rushdie anecdote was told, with the following:

“There is in Europe another popular snobbery about the parochialism of America, the unsophistication of its taste, the limit of its inquiry. This, we’re told, is proved by ‘how few Americans travel abroad.’ Apparently, so we’re told, only 35% of Americans have passports. Whenever I hear this, I always think, My gosh, really? That many? Why would you go anywhere else? There is so much of America to wonder at. So much that is the miracle of a newly minted civilization. And anyway, European kids only get passports because they all want to go to New York.”

America-in-decline? Don’t bet on it.

Now, let’s look at things in a more serious vein; and, for this, we want to give credit where credit is due and cite (also update) a few facts and figures originally presented by Bret Stephens, formerly of the *Wall Street Journal*. He began his 2013 article by saying that Washington shenanigans had inspired the usual America-in-Degradation op-ed pieces (which haven’t declined in popularity in recent years). But then, Stephens began discussing Nobel Prizes. (We’ve updated his facts and figures through 2023.) Let’s start with China.

**China.** A beautiful country with 1.3 billion people, China has produced a grand total of nine Nobel Prize winners. Seven of them live abroad, three

in the U.S. One who does not live abroad instead lives in a Chinese prison. With all those people, is China the Nobel land of the future? Maybe, but maybe it always will be.

**Russia.** Now down-sized from the old Soviet days, Russia has 150 million people and five living Nobel Prize winners. As Stephens said, “So much for the land of Pasternak and Sakharov.”

**Israel.** People identifying themselves as Jewish constitute 0.2% of the world’s population, yet Jewish scientists, authors, and statesmen have won almost 20% of all Nobel Prizes. The Jewish state itself? Nine living winners, three of whom live and teach primarily in the U.S. Why? It’s not enough to produce geniuses; countries also have to figure out how to employ them.

**Europe.** France has 20 living laureates; Germany 36 (12 of whom live in the U.S.); the UK has about the same as Germany. In fact, not many for a continent with 500 million people. Why? The Holocaust certainly was (is) a factor, but Cambridge and Oxford aside, Stephens also blamed what he called the pervasive mediocrity of Europe’s higher education, much of which he regarded as overcrowded and underfunded.

Which brings us to...

**The U.S.** Since 2000, we Americans have won 27 of the 66 physics Prizes, 29 of the 55 Prizes in medicine, 31 of the 61 chemistry Prizes, and 38 of the 48 Prizes in economics. Not bad for a country of failing schools, no science and math grads, and international test scores below those of Singapore, South Korea, Finland et al. So, what gives?

In his original *WSJ* article, Stephens cited three reasons for America’s success at the Nobel podium. First, a welcoming immigration culture. Maybe a little too welcoming at the moment, but no question, there’s been a fair amount of untapped talent in the huddled masses of prior decades. Second, a mostly private, lavishly endowed university system with considerable federal funding for even the most basic research. And third, a culture of individualism and an appreciation for outside-the-box thinking.

To those, we’ll add a fourth: We Americans always have had a passion for the pursuit of opportunities, and have been able to pursue them in a free, open, free-wheeling system. For the most part, the individual immigrant or already-here American, has been allowed to take what those great universities have had to offer, and then create and achieve in a system that traditionally has celebrated and rewarded that creativity and achievement.

What does all this have to do with Nottinghill Investment Advisers? A lot. The structures and traits that allowed us to confront and overcome our problems and to excel on the Nobel podium still exist. That is a comforting thought because U.S. equities, to a large extent representative of our accomplishments and national character, are the primary work of this firm. The best really is yet to come. Indirectly, of course, maybe that’s what Salman Rushdie, countering simply with “Be-Bop-a-Lula” (Gene Vincent and His Blue Caps, 1956), is all about. Today’s problems? Pebbles in the road. The best is yet to come, and won’t that be fine.

### Nobel Prize Winners — 2023

	Born	Lives
<b>Chemistry</b>		
Moungi Bawendi	FRA	USA
Louis Brus	USA	USA
Aleksey Yekimov	RUS	USA
<b>Economics</b>		
Claudia Goldin	USA	USA
<b>Literature</b>		
Jon Fosse	NOR	NOR
<b>Medicine</b>		
Katalin Kariko	HUN	USA
Drew Weissman	USA	USA
<b>Physics</b>		
Pierre Agostini	TUN	USA
Ferenc Krausz	HUN	GER
Anne L’Huillier	FRA	SWE