

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.

Southampton Square
7414 Jager Court
Cincinnati, Ohio 45230
Tel: 513.624.3000

Quarterly Update

SCORECARD	2025	Three Years	Five Years	10 Years
S&P 500 Index	17.88%	23.01%	14.43%	14.82%
10-Year Treasury Note	8.47	3.98	-1.81	1.43
Gold	66.18	33.59	18.00	15.11

All multi-year returns are annualized, and all returns are associated with time periods ending December 31, 2025

2025 — Six Happenings/Trends That Mattered

Coming up with the most significant economic and market happenings/trends of 2025 is a challenge, but let's give it a try.

Inauguration Day. A peaceful transfer of power. Actually, the republic's batting average here is very high, but not quite 1.000. This time, the system worked, and we prepared ourselves (or, depending on one's point of view, steeled ourselves) for the GOP orthodoxy of generally lower taxes, less regulation, and free trade.

Tariffs. Free trade? The winds of change began blowing on Inauguration Day and culminated in an elaborate Rose Garden ceremony announcing what other countries would be paying to access our markets. The date was April 2, "Liberation Day." U.S. equities suffered a bit of a jolt but soon recovered as estimates regarding the extent of the tariff hit to the economy began to be pared back. Still, the signals have been mixed and confusing, while the ghost of Smoot-Hawley hovers.

One Big Beautiful Bill. Democracy is messy, as they say, and the run up to the July 4 OBB bill signing ceremony was a case in point. Job One within this tax legislation was to make sure the 2017 tax cuts did not expire, and that mission was accomplished. We said at the time, however, that too many cooks had labored over the tax soup this time, and the result was a less efficient, less focused effort, i.e., more of a hodge podge. But the OBB bill did save the best of 2017, and the importance of that cannot be overstated.

Godot Finally Arrives. Nothing took up more 2025 business channel air time than the endless chatter regarding when and by how much the Fed would cut short-term interest rates. The chatter started in January and never let up. Finally, on September 17, Chairman Powell blinked regarding the Fed's 2% inflation target (that target has not been achieved), and he and the rest of the Board gave in. Two more cuts followed, but the interest rate chatter, now concerning 2026, continues.

AI Goes Mainstream. What exactly is it? How many and what kinds of jobs will it replace? Can we afford the necessary infrastructure spending? The tech world and the stock market caught on early, but overall public awareness of AI increased by leaps and bounds in 2025. Still far more questions than answers, however, the transformative potential of AI in the years ahead is undeniable. Who will be the winners and losers?

Gold. The stock market had another good year (+15-16%), as did the bond market (+8-9%), but nothing among the major asset classes topped the barbarous relic. The reason: Central bankers decided in unison that diversifying the reserves (dollars) in their vaults made great sense, and off to the side stood gold, that most ancient of vault-appropriate reserves. As all the central bankers scrambled to one side of the boat, the price of gold increased by over 66%, the most since that long-ago oil shock year of 1979.

Six happenings/trends that mattered to the markets in 2025. What are the five or six that will matter in 2026? Stay tuned. Never a dull moment, as the saying goes, and the stock and bond markets typically do not disappoint

THE SITUATION AT YEAR END — Many of the Right Boxes Were Checked

Worldwide Economy

In the third quarter report, we mentioned that the backdrop is reasonably healthy. That remains the case. Inflation is not quite at the 2% annual rate that the Fed would like to see, but the trend is in the right direction. At the same time, tariffs have yet to become the growth-stifling impediment that many thought they would be, and corporate profits are doing well. The two concerns, if we can call them that, are a softening labor market and what must be the socio-economic word of 2025: “affordability.” Questions regarding the latter will have a large impact on the events of 2026.

Equities

Here in the U.S., many stock market indexes provided yet another year of double-digit gains, and many international markets performed even better, in some cases considerably better. Still, overseas valuations, particularly within emerging markets, suggest that this is where the real potential exists. The same goes for smaller company stocks. What about AI powered large company stocks? Some exposure required, but see the above comments regarding the sorting out process to come.

Interest Rates

Unless the Fed is on a rescue mission (see 2001-2002 and 2008-2009), declining short-term interest rates are among the investor’s best friends. In 2025, the Fed was not on a rescue mission and lowered short rates three times. Keynes referred to credit as “the slick pavement upon which all commerce travels.” As we enter 2026, credit is abundant, and the price of credit has come down. Both ensure that the pavement will remain slick. The interest rate trend is our friend.

One year ago, we closed the 2025 client letter by saying that everyone has a wish list. Ours at the time consisted of three items: targeted tariffs, more participation by the stock market’s rank-and-file, and then-quiescent inflation remaining so. Well, the full tariff story has yet to be written, but a more targeted approach does not appear to be in the cards. Regarding market participation, at times during the year, the rank-and-file did keep pace with the recognized market leaders, however, investor infatuation with Growth/Tech/AI clearly did not go away. And finally, inflation did remain quiescent, but we still have not reached the Fed’s 2% target. More work to be done, but many of the right boxes were checked in 2025. May that continue to be the case in 2026.

Now, life can be complicated. Maybe a few examples of the profound and witty can make it less so. Check out the February Perspective.