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 balanced approach to the management of a client's overall portfolio. The Firm's flagship Value Plus Equity Strategy governs the portfolio's large capitalization Value equities, a TPM portfolio's largest component, or can serve on a stand alone basis. In all cases, multiple sets of selection disciplines deliver a consistent pattern of benchmark-beating investment returns.

Commitment. Focus. Discipline. Multiple Processes and Consistency.

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NOTTINGHILL
INVESTMENT ADVISERS, Ltd.

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An Update

SCORECARD	**2014 QI**	**One Year**	**Three Years**	**Five Years**	**10 Years**
TPM Baseline	**1.77%**	**11.17%**	**8.73%**	**17.19%**	**8.44%**
Value Plus	**0.74**	**24.04**	**15.75**	**23.69**	**8.48**
S&P 500 Index	1.81	21.86	14.66	21.15	7.42
10-Year Treasury Note	3.62	-3.82	5.76	4.03	5.10
Gold	8.93	-19.12	-3.51	7.11	11.79

All multi-year returns are annualized, and all returns are associated with time periods ending March 31, 2014; please see the disclosure language associated with these Nottinghill strategies

The Economy and the Markets - Slow, Steady, Quiet

Slowly but surely, the U.S. economy continued to forge ahead in early-2014, and the progress seemed to be widespread. The consumer? Yes, there were and continue to be winners and losers in the world of retail, but consumer spending in the aggregate has been just fine. Capital spending? What once was something of a problem clearly has become better, which ultimately bodes well for employment. Manufacturing? The numbers may not be China-like, but domestic manufacturing finally is back in the conversation as productivity rises and overseas wages become higher. In fact, the trends practically everywhere continue to be our friends. Practically everywhere because public sector spending remains a non-contributor, which many on both sides of the political aisle would say is not such a bad thing.

After a strong fourth quarter and 2013 in general, the U.S. stock market took a breather in 2014's first quarter. The broadly based S&P 500 Index provided a total investment return of 1.81%, with the value-oriented indexes such as our own Russell 1000 Value Index generally doing better than their growth-oriented brethren. On the interest rate front, yields all along the maturity curve defied the skeptics once again, and actually went down. Our proxy for the bond market is a Treasury note maturing in 10 years, and that total investment return was 3.62%. The 90-day Treasury bill return as usual was negligible, while gold (Engelhard industrial bullion up 8.93%) rebounded after a very lackluster 2013.

Outlook - A Fairly Valued Stock Market, but Little Competition and Opportunities

Making large-scale asset allocation shifts in response to perceived market conditions is not part of our investment process. But, we do keep track of several meaningful numbers, of which three stand out:

- **The Price/Earnings Ratio of the S&P 500 Index**
  On March 31, the Index sold at 19.84x the earnings of its component companies. The Index, therefore, is not a 2009-like bargain, but we do call it "fairly valued." Stocks in general are not overly expensive, and we note as well that the corporate sector is very liquid and the aggregate corporate balance sheet is very strong.
- **The Current Yield of Value Plus' 10-Stock Yield Group**
  Within this fairly valued market, however, there continue to be attractive stocks. Many of the downtrodden and mispriced are in our Yield Group, which had an average current yield of 3.56% on March 31. Good opportunity in some quarters, at the very least.
- **The Yield of a 10-Year Treasury**
  Any quantitative analysis of the stock market must include the relative attractiveness of its main competitor. On March 31, the competition at 2.69% continued to come up short. Yes, everyone expects interest rates to go up; but, until that day comes and until this particular yield goes up quite a bit, equities will continue to grade very well versus the competition.

So, the U.S. stock market in the aggregate is fairly valued, but opportunities clearly remain; the competition for investable dollars continues to be weak. There are precious few guarantees in the world of investing, but we do like the (equity) odds.

What about the bond market? Frankly "fairly valued" is not the phrase we would use, however, bonds do have a place in a well-diversified portfolio. In times of stress, they provide stability and a measure of sanctuary.

Gold and the other Alternatives? All three appear to represent good long-term value, and, as a group, they do not perform in lock step with either equities or fixed income securities. In other words, one more layer of diversification.

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Now, let's take a look at Value Plus and TPM in a little more detail.

The Value Plus Equity Strategy

The flagship Value Plus Equity Strategy, upon which Nottinghill was founded, was designed to provide benchmark-beating investment returns in all phases of the stock market cycle. A Large Capitalization Value strategy, Value Plus governs stand alone equity portfolios, or the largest component in our Total Portfolio Management, or TPM, portfolios.

Investment Process - Disciplined, Repeatable

Value Plus portfolios typically consist of 20 stocks in three independently managed groups: Yield Group, Contrarian Group, and Momentum Group. Yield Group stocks are selected from the 75-candidate LARGCAP Universe on the basis of high dividend yield; each stock then is sold only when its yield is no longer competitive. The Contrarian Group also is selected from the LARGCAP Universe, on the basis of multi-year underperformance. The Group then is held for a multi-year period of recovery. Finally, Momentum Group stocks are selected from the S&P 500 on the basis of superior performance, held for a specific period of time, and then are sold. Each Group has a role to play. The Yield Group is the Downside Protectors, which are expected to perform well in difficult markets. The Contrarian and Momentum Groups are the Performance Drivers, and are expected to perform well in favorable markets. The result of using multiple sets of buy/sell disciplines to select portfolio equities is a consistent pattern of superior investment returns, in all phases of the stock market cycle.

QI 2014 - Momentum Again, Season's Greetings

Value Plus got off to its customary, somewhat slow start. Let's review the three portfolio groups.

The five-stock Momentum Group, in what now has become a multi-year run, again took top prize. This despite one notable underperformer, which disappointed Wall Street and was taken to the woodshed in dramatic fashion. Led by our favorite airline, the other four stocks more than picked up the slack, however, and the result was good Group performance in a flat market.

The 10-stock Yield Group finally took its own breather in the first quarter. Even so, two of the Group's Big Pharma stocks did particularly well as investors continued to clamor for more of the value-creating break ups that have characterized pharmaceuticals in recent years. The Cyclicals were the issue, however, and we once again note the seasonal tendency of these stocks to underperform early in the year. The offset is that dividends are growing, and the yields here are very appealing.

The Contrarians? Likewise, their customary fourth quarter strength typically is followed by Wall Street's version of the shun in the new year's first quarter. Such was the case with four of the five Contrarian stocks, while the fifth, flat last year in the midst of a +30% stock market, benefited from the aforementioned strength in Big Pharma. This stock did well, and provided all concerned with the kind of well above-average yield that we like.

Momentum again, with the Yield and Contrarian Groups remaining faithful to the seasonal pattern.

Performance - A Solid Record of Achievement

	2014 QI	One Year	Three Years	Five Years	10 Years	Life of the Strategy*
Value Plus	**0.74%**	**24.04%**	**15.75%**	**23.69%**	**8.48%**	**9.42%**
S&P 500 Index	1.81	21.86	14.66	21.15	7.42	7.47
Russell 1000 Value Index	3.02	21.57	14.80	21.76	7.58	8.34

**Strategy inception is January 1, 1997*

Nottinghill Investment Advisers, Ltd., is an independent, registered investment adviser utilizing a number of large capitalization equity and widely diversified balanced investment strategies. The above Value Plus performance data are provided net-of-the management fee. All multi-year returns have been annualized, and all returns are associated with time periods ending March 31, 2014. To receive a complete, more detailed description and presentation of the Value Plus performance data and/or a complete list and description of all Nottinghill performance composites, please contact Nottinghill Investment Advisers, Ltd. Past performance is no guarantee of future results.

Now, how about TPM?

Total Portfolio Management

Total Portfolio Management, or TPM, is our approach to the management of a taxable individual's or tax-exempt institution's overall portfolio. The objectives are inflation- and benchmark-beating investment returns, as well as the investment return stability that comes with a balanced portfolio structure.

Investment Process - The Complete Answer

Nottinghill's Value Plus Equity Strategy governs the portfolio's large capitalization Value equities, a TPM portfolio's largest component, while investments in two smaller capitalization equity classes (U.S.) and emerging markets (international) equities add to investment return potential, at different risk levels. U.S. fixed income securities governed by the Select Four Bond Strategy help stabilize the pattern of investment returns; and finally, positions in three alternative asset classes add yet another layer of diversification. The complete answer. One destination for all of the taxable individual's or tax-exempt institution's investment needs.

QI 2014 - U.S. Equities (Again), Defying the Skeptics, Alternatives Snap Back

After 2013, equities across the land and around the world for the most part took something of a breather. That clearly was the case with our emerging markets equities, which once again trailed our Value Plus large-company stocks and (particularly) the market-leading U.S. smaller capitalization stocks. Bonds? They continued to defy the skeptics. Yields went down, not up, and our Select Four approach made a solid contribution to our TPM portfolios. The Alternatives Group did even better as the three asset classes, laggards in 2013, snapped back. All in all, a decent start to 2014.

Performance - Consistent Value-Added, the Stability of a Balanced Structure

	2014 QI	One Year	Three Years	Five Years	10 Years	Life of the Composite*
TPM Baseline	**1.77%**	**11.17%**	**8.73%**	**17.19%**	**8.44%**	**8.92%**
Balanced Index **	1.61	10.56	8.43	15.16	7.63	7.70

**Composite inception for discussion purposes is January 1, 2002*

***Weighted 50% Russell 3000 Index, 15% FTSE Emerging Markets Index, 35% Barclays Capital US Aggregate Bond Index*

Nottinghill Investment Advisers, Ltd., is an independent, registered investment adviser utilizing a number of large capitalization equity and widely diversified balanced investment strategies. The Total Portfolio Management performance data, which are provided net-of-the management fee, are a combination of the actual investment returns associated with Nottinghill's Value Plus Equity Strategy, three equity and fixed income mutual funds/ETFs, a Treasury ladder, gold bullion/an ETF tracking the price of gold, and, after January 1, 2014, two alternatives indexes/ETFs. The investment returns are actual; however, the combination is simulated, and such simulated data have certain inherent limitations. First, unlike an actual performance record, simulated results 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. All multi-year returns have been annualized, and all returns are associated with time periods ending March 31, 2014. To receive details regarding the calculation and the presentation of the Total Portfolio Management data series and/or a complete list and description of all Nottinghill performance composites, please contact Nottinghill Investment Advisers, Ltd. Whether simulated or actual, past performance is no guarantee of future results.

The other certainty? Details on the next page.

Editor's Note: With this piece, we continue the practice of updating and resubmitting an earlier piece on a particularly important subject. The subject this time is capital gains taxes, more specifically how we view them and what we try to do to control them.

The Other Certainty (II)

"Let me tell you how it will be,
There's one for you, 19 for me."

Should 5% appear to small,
Be thankful I don't take it all."

-- "Taxman,"
The Beatles (1966)

Benjamin Franklin's famous line about death and taxes is even more profound in 2014 than it was in 1789. For indeed, if most tax rates don't approach the Beatles' 95%, the burden in many cases is heavy. But — and this is one piece of good news — when financial assets are sold, some degrees of the resultant capital gains pain are lower than others.

Taxable Value Plus and TPM investors make up about half of our business, and we manage these portfolios with taxes in mind. Two requirements. First, we pay strict attention to how long each security has been held, and second, we engage in some form of "tax management" at year-end. The twin goals are to hold winning securities for more than one year so that any realized gain qualifies for preferential tax treatment and to offset some or all of the year's realized gain total with realized losses. How about a few of the particulars?

First and most important, we start from a high plane. Value Plus as a stand alone and TPM, which includes a Value Plus component and ETFs, are what we call "tax-friendly" strategies. That does not mean our taxable clients pay no capital gains taxes. In fact, they do because — and we'll focus upon Value Plus for now — the most basic, most fundamental objective around here is to pick winning stocks, not losers. What "tax-friendly" does mean is that portoflio turnover is relatively low and that a significant majority of those winning stocks are held longer than one year. Granted, because of the 2012 changes we made to the Momentum Process, the percentage of long-term capital gains (Figure 1) has gone down the last two years, but still, long-term capital gains were (more than) the norm. Given the nature of Value Plus' buy/sell disciplines, that should continue to be the case in the years ahead. (Please note that the data of Figure 1 apply to the Value Plus model and a strict application of those disciplines — the actual experience of any client over this period depended upon the timing and size of any necessary cash withdrawals, the need to rebalance successful holdings, and several other factors.)

Figure 1

Realized Capital Gain Summary
2009-2013

	2009	2010	2011	2012	2013
Long-Term	100%	96%	100%	89%	79%
Short-Term	0	4	0	11	21

*The gross realized gains associated with the sale of all indicated Value Plus stocks held for at least one year; assumed equal-weighted positions at purchase

**The gross realized gains associated with the sale of all indicated Value Plus stocks held for less than one year; assumed equal-weighted positions at purchase

So, a lot of data tell us that Value Plus inherently is a "tax-friendly" strategy. But, we don't let the chips fall where they may. The year-end Winter Program, in which seven or eight stocks may be replaced, is by far our largest of the year. That program — and this is one of our new favorite words — is what we call a "bifurcated" program. Divided for our taxable clients into a late-December program in which portfolio losers are sold and an early-January program in which portfolio winners are sold. Not exactly splitting the atom in terms of logic or technique, but this simple bifurcation of the sell list does help offset some of the current year's tax burden and postpone's the winners' Day of Reckoning. These are good things.

And, as they say on "The Price Is Right," that's not all. Occasionally, a client may have a tax problem outside the portoflio we manage, or maybe is just more tax-sensitive than others. What we may do in these cases is sell portfolio losers even though they are not on our regular sell list. These realized losses help solve the client's tax problem, and then the positions are bought back no fewer than 31 days later, as required.

Judgment call because having to pay up to re-establish these positions easily can offset the tax benefits. In fact, many studies have highlighted the very real risk here because many of these losers have been under selling pressure for awhile and, therefore, are prime candidates for big-time snap backs once the tax-related selling subsides.

So, let's sum things up. First, most of our taxable clients enjoy the blessings of Value Plus in either stand alone portfolios or the largest part of a TPM portfolio, in the normal course of business. Value Plus generally is "tax-friendly," and a lot of year-end flexibility makes it even friendlier. But second, a much smaller number of our taxable clients regard capital gains taxes as more than a nuisance or cost of doing business, and want us to act more aggressively even though the ultimate cost may outweigh the benefit. This we can and will do. Any way you slice it, though, it's not what you earn, it's what you keep. We want our taxable Value Plus and TPM clients to keep as much as possible.

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Try as we might, however, occasionally there's little we can do to lessen the capital gains tax burden. Last year was about as good as it gets from an investment standpoint. The overall stock market return was about 32%, and the composite Value Plus return was about 37%. And this on top of a four-year advance from the 2009 stock market lows. Not too many rotten apples in the barrel. In fact, no year-end losses to offset gains generated throughout the year. High-class problem? To be sure, but we have to admit, when it comes to a client's capital gains tax burden, less is better than more.