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, either passively managed or governed by the Firm's Value Plus Equity Strategy; U.S. Fixed Income, either passively managed or governed by the Firm's Select Four Bond Strategy; and the totally passive 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

	2017 QI-QIII	One Year	Three Years	Five Years	10 Years
S&P 500 Index	**14.24%**	**18.60%**	**10.81%**	**14.22%**	**7.43%**
10-Year Treasury Note	**2.93**	**-3.31**	**2.96**	**1.60**	**5.30**
Gold	**11.13**	**-1.79**	**1.96**	**-6.24**	**5.64**

All multi-year returns are annualized, and all returns are associated with time periods ending September 30, 2017

QIII 2017 — Slow and Steady With An Upward Tilt

Last time, we wrote that politics and Growth investing ruled the year's first six months. We now can extend that to the year's first nine months. This has been a truly remarkable period in so many ways, but none more than the way politics have become a focus of our attention. The key question: Has this been a function of the personalities involved, or are we witnessing a fundamental upending of the traditional? Hard to say for now, but we do know how the overall economy and the U.S. equity market have been performing through it all. Slow and steady, with a notable upward tilt.

Focusing on equities, that notable upward tilt provided us with another good quarter, and (again) the Growth style of investing handily outperformed Value. So much so that the current performance gap rivals that of the late-1990s when investors everywhere were enamored with the newly hatched world of NASDAQ Internet. Now, as then, one way to show this Growth/Value disparity is to compare the performance of the growth-oriented S&P 500 Index to that of our own Russell 1000 Value Index. The respective third quarter investment returns are 4.48% and 3.11%, which means that the respective nine-month investment returns are 14.24% and 7.92%. Quite a gap.

Bonds also performed reasonably well in third quarter. Our proxy is a Treasury note maturing in 10 years, and that investment return was 0.44% (2.93% for the nine-month period). Gold? Our proxy is Engelhard industrial bullion, which rode North Korean saber rattling and a weakening U.S. dollar to a third quarter gain of 3.62%. The nine-month investment return, therefore, is a respectable 11.13%.

In summary, as someone once said, a well-diversified portfolio always contains something that is not performing well (the original quote is a little more colorful, but you get the point). The corollary, of course, is that a well-diversified portfolio always contains something that is doing particularly well. In the third quarter, there were two of those latter somethings, and they happened to be Large Capitalization Equities and Emerging Markets Equities. That made for a very good quarter, and contributed mightily to healthy year-to-date investment returns. So far, so good.

Where do things stand now?

- **The Price/Earnings Ratio of the S&P 500 Index**
  Once again, this valuation metric ticked down over the course of the third quarter (25.63X TO 25.12X). Since the Index appreciated in value, that means, of course, that the earnings of the S&P's component companies increased even faster. A healthy trend, which we would like to see continue.
- **The Average Yield Within the 10-Stock Yield Group**
  The Yield Group performed very well in the third quarter, and the stock's average yield went from 3.75% to 3.52%. Boeing and HP, Inc., brought the average down quite a bit, while several other large, well-known companies continue to offer very generous dividends. In other words, opportunities still exist, and that is a cause for optimism.
- **The Yield of a Treasury Note Maturing in 10 Years**
  At 2.31%, the yield of this stock market rival essentially was unchanged during the quarter, and remains below the note's yield at the beginning of the year (2.44%). Still unattractive, and still an unworthy rival.

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The beat goes on, as they say. The overall stock market does not represent compelling value; but, business conditions are generally good, and the optimism out there is healthy, i.e., far from unbridled. At the same time, attractive dividends are not that difficult to find, and the 10-year Treasury note, the stock market's principal competitor for investor funds, remains a weak competitor at a yield of 2.31%. Our advice as always: Stay the course, with Value equities as the overall portfolio's centerpiece, but stay diversified.

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And now, the balanced strategies…

Total Portfolio Management

Total Portfolio Management, or TPM, is our largely passive, uber-balanced 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 multi-asset class portfolio structure.

Investment Process - The Complete, Largely Passive Answer

TPM portfolios consist of three sectors: Equities, U.S. Fixed Income, and the Alternatives Group. The Firm's Value Plus Equity Strategy, an active strategy, governs the U.S. large capitalization component of the Equities sector, which also includes three other, passively managed Exchange-Traded Fund (ETF) components. The U.S. Fixed Income sector is governed by the Firm's Select Four Bond Strategy, a combination of three actively managed bond mutual funds and intermediate Treasuries. And finally, positions in three alternative asset classes (three ETF positions) constitute an Alternatives Group that adds yet another layer of diversification. The complete, largely passive answer. One destination for all of the taxable individual's or tax-exempt institution's investment needs.

Third Quarter Summary — The Big Two Came Through

Large Capitalization Equities (U.S.) and Emerging Markets Equities, the two largest of a TPM portfolio's 11 components, were the place to be in the third quarter. As stated, that made for a very good quarter. No complaints so far.

Investment Returns

	2017 QI-QIII	One Year	Three Years	Five Years	10 Years	Life of the Strategy**
TPM Baseline*	**10.98%**	**10.36%**	**5.24%**	**7.70%**	**5.60%**	**8.13%**

**65% equities*
*** Strategy inception for discussion purposes is January 1, 2002*

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 four fixed income mutual funds/ETFs, 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 investment returns have been annualized, and all investment returns are associated with time periods ending September 30, 2017. To receive details regarding the calculation and the presentation of any Nottinghill performance data series and/or a complete description of all Nottinghill performance composites, please contact Nottinghill Investment Advisers, Ltd. Whether simulated or actual, past performance is no guarantee of future results.

Now, let's continue the focus on balanced portfolio investing, and talk about ITPM in the third quarter. Details on the next page.

Indexed Total Portfolio Management

Indexed Total Portfolio Management, or ITPM, is our totally passive, uber-balanced approach to the management of a taxable or tax-exempt investor's overall portfolio. Once again, the objective is inflation-beating investment returns; but this time, they are expected to be in line with the passive indexes, and expenses are expected to be ultra-low.

Investment Process - The Complete, Totally Passive Answer

ITPM portfolios also consist of an Equities, a U.S. Fixed Income, and an Alternatives Group sector. A total of nine components within those sectors, and all nine consist of Exchange-Traded Fund (ETF) positions (average expense ratio 0.24%) performing in line with an associated equity market index, bond market index, or commodity price. The result: the traditional performance advantages of passive management, along with ultra-low transaction costs and management fees. The complete, totally passive answer. As with TPM, one destination for all of the individual or tax-exempt investor's investment needs.

Third Quarter Summary — The Big Two (and One More) Came Through

Large capitalization Equities (U.S.) and Emerging Markets Equities came through in ITPM portfolios as well, and were joined in this case by U.S. Micro Cap Equities. May these trends remain friends.

Investment Returns

	2017 QI-QIII	One Year	Three Years	Five Years	10 Years	Life of the Strategy**
ITPM Baseline*	**9.42%**	**10.55%**	**6.20%**	**7.07%**	**4.81%**	**7.23%**

**65% equities*
***Strategy inception for discussion purposes is January 1, 2002*

Nottinghill Investment Advisers, Ltd., is an independent, registered investment adviser utilizing a number of large capitalization equity and widely diversified balanced investment strategies. The Indexed Total Portfolio Management performance data, which are provided net-of-the management fee, are a combination of the actual investment returns associated with certain indexed mutual funds/ETFs or the indexes upon which those indexed mutual funds/ETFs are based and the actual investment returns associated with gold bullion or an ETF tracking the price of gold. The investment results 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 investment returns have been annualized, and all investment returns are associated with time periods ending September 30, 2017. To receive details regarding the calculation and the presentation of any Nottinghill performance 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.

Time to keep score. Check out the back page.

Keepin' Score

"However beautiful the strategy, you occasionally should look at the results ."
- Winston Churchill

A few weeks to go, but all-too-soon 2017 will be in the books. At that point, our all-equity Value Plus strategy will have a 21-year track record, long by anyone's standards and, we might add, pretty good by most standards. The same goes for other work that we do, and that's a perfect segue into the frequently arcane subject of investment performance. More specifically, we'll discuss a couple of ways in which performance is viewed and presented, a few of the industry norms, and the people who keep our competitors and us on the straight and narrow.

Absolute vs. Relative Performance

Many people make a good living slicing and dicing performance data, but, at the most basic level, there are only two ways to view portfolio performance. The first is the way the manager's older brother, who has turned over his life savings to the manager, views it: How much did we make? His main interest by far is absolute performance — he's only mildly interested in those pesky details regarding benchmarks, the environment, etc. Others, including investment managers, see things differently. More of their focus is on relative performance. The race, as the manager sees it, is more of a marathon than a sprint, and his/her job is to run that marathon faster than the agreed upon benchmark. If the manager is successful and the economy continues to grow, the absolute performance issue will take care of itself. But, managers — and we count ourselves among them — not only show clients their investment returns, managers also answer the old Rodney Dangerfield question: "compared to what?"

Gross– vs. Net-of-Fee Performance

In "Rebel Without a Cause," James Dean laments the fact that Parent A frequently tells him one thing about a certain subject, Parent B tells him something else, and then Parent A comes back with something entirely different. So it is in our business. The investment professionals who evaluate us are interested primarily in how the strategy is doing, and therefore, want performance data gross-of-the management fee. Most clients and the regulators, on the other hand, believe that the true measure of a manager's worth requires a deduction of the fee charged. As a result, we keep two sets of data (the client receives both sets), and generally are careful about which set goes where. Of course, there are no client rules and regulations, and we understand that clients are more interested in what they keep than in what they earned. The rules and regulations elsewhere, however, are a little fuzzier. So, we bend over backward to give everybody exactly what he/she wants.

The Global Investment Performance Standards (GIPS®)

Make no mistake, in the calculation and presentation of portfolio performance, chaos once reigned. A group of Wise Ones decided to do something about the problem, and the result was the AIMR Performance Presentation Standards, in general a welcome relief. Those original Standards morphed into today's GIPS®, and any manager claiming compliance is saying that his/her calculations and their presentation are in accordance with certain strict standards and conventions regarding methodology, completeness, etc. A full discussion of the GIPS® takes many pages, but we will mention the Standards' focal point: the account or portfolio performance composite. Way back when, a prospective client might ask a manager about performance, and guess what, the records of his/her five best-performing accounts would find their way into the prospect's hands. No more. Under the GIPS®, every account governed by the same investment strategy must be contained in that strategy's portfolio composite. An average investment return, weighted by portfolio size, is computed, and voilà, that strategy has a specific investment return for a specific period of time. Other aspects of the GIPS® also are important, but the idea that one performance number or multi-year record can be associated with each investment strategy makes things a lot easier for everybody. We at Nottinghill fully support both the spirit and the letter of the GIPS®. If we were on the other side of the table and a manager was not in compliance, the first question: Why not?

Examination and Verification

And, any manager's full support of and adherence to the GIPS® can be verified by what's called a third-party attestation firm. The CPAs descend on World Headquarters, ask a lot of tough questions, test the manager's accounting and performance measurement systems, and generally make sure that the Standards were and are being satisfied. Then, the all-important letter certifying compliance with the GIPS® is issued, and the manager is free to show that letter to prospective clients and referral sources. We actually went through this process 10 times. Following the 2010 exam, however, we elected to suspend the practice. All of the systems and procedures that passed muster all those times, of course, were maintained, but sadly in a sense, there seemed to be little demand out there for this kind of intense attestation. If and when the marketplace begins to demand it, we gladly will crank up the effort once again.

The Regulators

Since performance can be such a large part of marketing and client retention, no performance discussion would be complete without mentioning the regulators, federal and state. To help protect the public, the SEC, the Ohio Division of Securities et al. carry some very big sticks, and few areas attract their attention more than performance calculation and advertising. King's English disclosure language is something the regulators like. A few things they don't like when a manager markets his/her services are the widespread distribution of gross-of-fee data, testimonials without a lot of fine print, allusions to always-successful past recommendations, and "gee-whiz" performance charts. The rules can be burdensome and vague, but the intent is noble. The existing and prospective clients of investment managers deserve to know in the clearest terms what has been delivered in the past and what makes a manager worthy of consideration for the future.

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Manager performance, whether thought of in an absolute or relative sense or examined gross– or net-of-the management fee, is a very important evaluation tool. The record is the evidence part of the equation, and a good track record, along with a culture of integrity, a well thought out Investment Philosophy, and a disciplined Investment Process, constitutes just about all of a very good package.