Nottingham Monthly Market Wrap

May 31, 2017

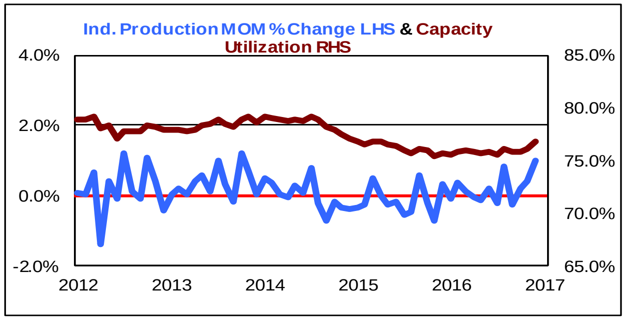
Economic Overview

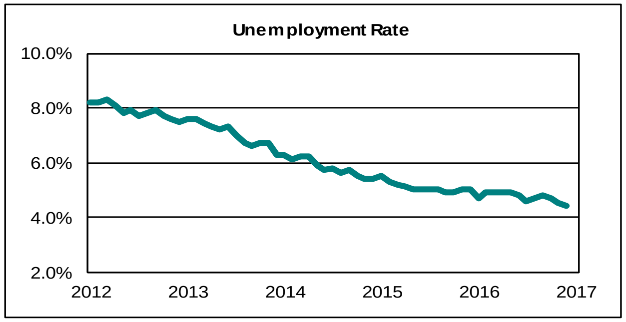
The Citigroup Economic Surprise Index fell in May to levels last seen in early 2016. While not a reliable forecasting tool, the index does merit notice as a broader longer-term coincident indicator. Over the past 10 years, S&P 500 forward P/E multiples have loosely corresponded to a higher Surprise Index, contracting during periods of time when the index fell. Perhaps a stronger and more telling correlation exists between the Index and 10-year Treasury yields, which might help explain the current drop in the 10-year yield to 2.19% from a March high of 2.62%. Certainly a slowdown in positive economic surprises should cast some warning signs that perhaps the US economy is finally cooling off after 8 years of expansion?

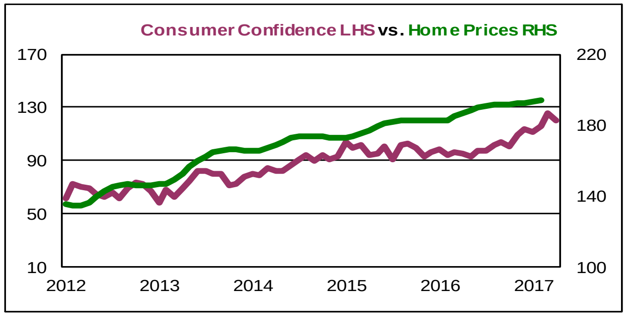
While a 25 basis point move by the Federal Reserve is already priced in to markets, additional tightening in 2017 is more suspect as the latest inflation data favored by the Fed came in more benign than anticipated. The Personal Consumption Expenditure (PCE) Deflator for April closed down from the prior month, registering a +1.7% YoY rise in prices versus the prior month's +1.9%. Ex food and energy, the PCE rose just +1.5%, falling from +1.6% the month before. April CPI came in at +2.2% YoY (down from +2.4% in March) while PPI rose +2.5% YoY, exceeding estimates.

Consumers remain buoyant as the Conference Board Consumer Confidence survey remains near post-recession highs and the Univ of Michigan Consumer Sentiment Index posted its highest reading since 2007. With consumers accounting for roughly 70% of GDP, continued confidence will be critical in order to achieve 3% GDP growth in the years ahead. The second reading of Q1 GDP was revised up to +1.2% SAAR, from the initial estimate of just +0.7%.

As Washington fiddles, the air is slowly seeping out of the balloon inflated by the 2016 presidential election. Substantive issues such as tax reform, deregulation and infrastructure spending are being seemingly lost in the noise surrounding President Trump. Absent these growth drivers, it would appear doubtful that the US economy could grow much beyond today's 1-2% annualized rate. The bond market appears to be pricing the disappoint in much more quickly than the stock market, with yields on risk-free bonds falling while equities approach new highs. Time will tell, but this time around, we wouldn't bet against fixed-income investors.

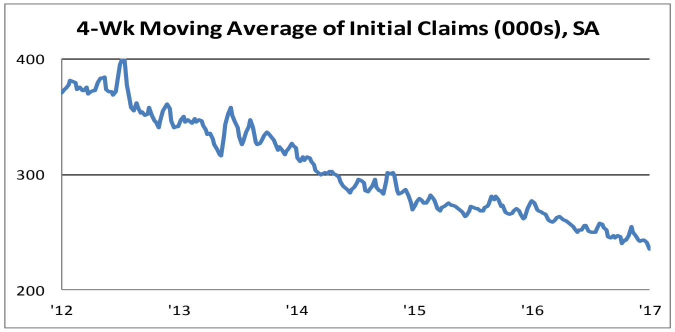


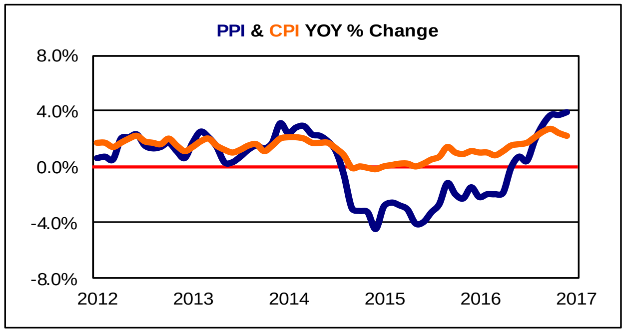




Key Data Points

Name	Current	For	Previous	For
Retail Sales ex. Autos MOM %	0.30%	April	0.30%	March
Housing Starts	1,172K	April	1,203K	March
Factory Orders MOM %	0.50%	March	0.80%	February
Leading Indicators MOM %	0.30%	April	0.30%	March
Unit Labor Costs	3.00%	Q1 2017	1.30%	Q4 2016
GDP QOQ (Annualized)	1.20%	Q1 2017	2.10%	Q4 2016
Wholesale Inventories	-0.30%	April	0.10%	March
MBA Mortgage Applications	-3.40%	May	-0.10%	April





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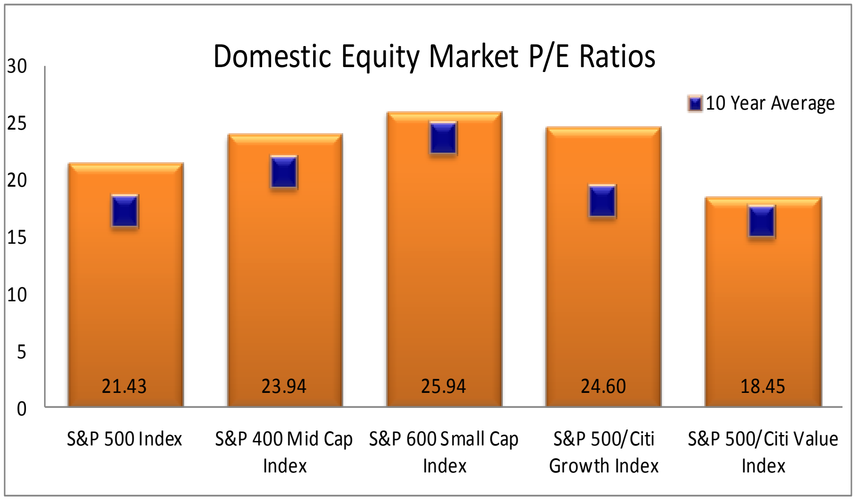
Domestic Equity

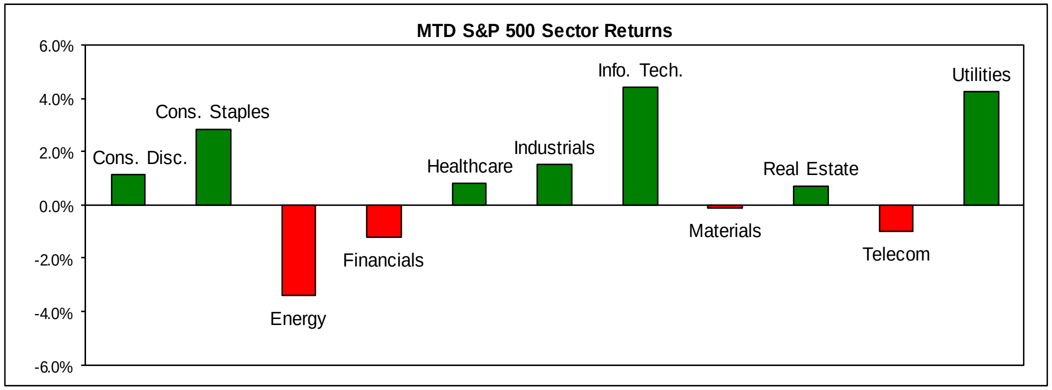
Large-Cap U.S. equities, as measured by the benchmark S&P 500 Index, finished the month of May in positive territory, up +1.41%. Mid- and Small-Caps, as measured by the S&P 400 and S&P 600 Indices lagged, posting negative returns of -0.49% and -2.13%, respectively on the month. Large-Cap equities continue to power the market rally, helped specifically by Growth stocks, as measured by the S&P 500/Citi Growth Index, which returned +2.83% in May and is now up +13.78% for the year. Growth stocks have handily outpaced the broader S&P 500, which is up a respectable +8.66% for the year, but perhaps more noticeably have trumped (pun intended) Value stocks, as measured by the S&P 500/Citi Value Index, by more than 10 full percentage points (+10.89% to be exact). This outperformance can be viewed through two different lenses: First, the outperformance of Growth over Value represents a reversal of the "Trump Trade" that took off post-election, when Value stocks outpaced Growth stocks by 450 basis points into the end of the year. The second lens of Growth over Value can be directly attributed to the "FAANG" trade – otherwise known as Facebook (+31.65% YTD), Apple (+33.00% YTD), Amazon (+32.64% YTD), Netflix (+31.72% YTD), and Google (+24.56% YTD). These five companies have a combined weight of nearly 20% of the S&P 500 Growth Index, and a combined market capitalization of more than $3 Trillion (yes, trillion!). Taken in that light, these five FAANG stocks still represent a "relatively" small portion of Large-Cap Growth stocks, and the overall U.S. equity market, but nonetheless continue to drive the market higher and help Growth stocks outperform.

From a sector perspective, Growth sectors continued to perform strongly, with Information Technology up +4.40% during the month, adding to its market-leading +20.49% return YTD. Continuing the FAANG discussion from above, only Facebook, Apple, and Google are a part of the Technology sector, but have a combined weighting of nearly 33% of the sector. Additionally, Utilities and Consumer Staples rallied sharply, gaining +4.24% and +2.85%, respectively, as yields continued to fall. These two aforementioned bond proxies have outperformed the broader market by a wide margin for the year. Lastly, notable laggards for the year have been Financials, which lost -1.21% on the month, and are nearly flat on the year thanks to falling bond yields. Telecoms and Energy continue to perform poorly, losing -0.98% and -3.40%, respectively in May. The sectors are down -8.06% and -12.46%, respectively for the year, handily underperforming the broader S&P 500. Energy has now given back all of its 2016 outperformance as the oil market remains in flux.



Domestic Equity Returns

Name	MTD	QTD	YTD	1 Year	3 Year	5 Year
S&P 500 Index	1.41%	2.45%	8.66%	17.46%	10.11%	15.40%
S&P 400 Mid Cap Index	-0.49%	0.35%	4.30%	17.16%	9.39%	14.94%
S&P 600 Small Cap Index	-2.13%	-1.24%	-0.21%	19.52%	9.86%	15.69%
S&P 500/Citi Growth Index	2.83%	4.83%	13.78%	19.33%	11.91%	16.14%
S&P 500/Citi Value Index	-0.32%	-0.39%	2.89%	14.70%	7.82%	14.42%



S&P 500 Sector Returns

Sector	MTD	QTD	YTD	1 Year	3 Year	5 Year	% of S&P 500
Consumer Discretionary	1.12%	3.59%	12.34%	16.92%	13.38%	18.13%	12.81%
Consumer Staples	2.85%	3.91%	10.52%	10.89%	10.94%	13.94%	10.42%
Energy	-3.40%	-6.19%	-12.46%	-0.82%	-8.96%	2.80%	5.88%
Financials	-1.21%	-2.05%	0.43%	23.07%	10.87%	17.64%	13.25%
Healthcare	0.82%	2.37%	10.94%	8.60%	10.13%	18.11%	13.64%
Industrials	1.51%	3.29%	8.01%	21.76%	9.81%	16.57%	10.05%
Information Technology	4.40%	7.03%	20.49%	33.82%	17.88%	18.50%	23.00%
Materials	-0.10%	1.29%	7.23%	15.40%	4.68%	11.73%	2.80%
Real Estate	0.72%	0.82%	4.39%	2.87%	5.71%	7.63%	2.87%
Telecommunications	-0.98%	-4.26%	-8.06%	-0.56%	4.65%	7.63%	2.15%
Utilities	4.24%	5.05%	11.77%	13.54%	11.97%	12.66%	3.14%

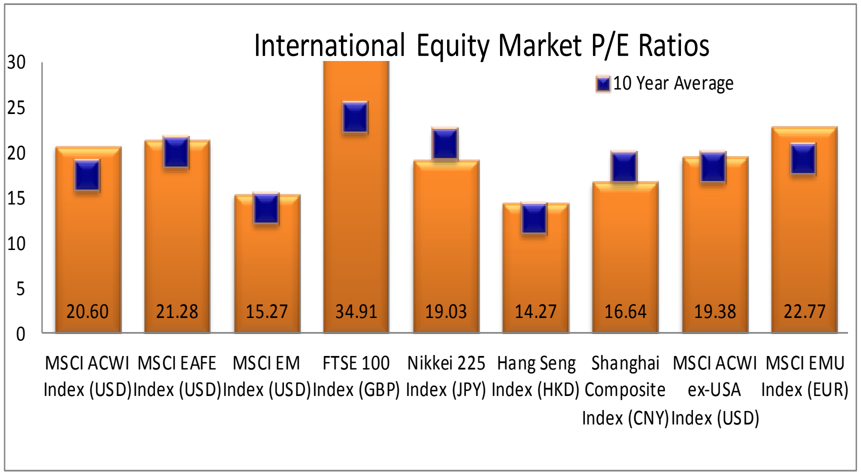
International Equity

Major International equity markets continued to post strong returns in May, handily outpacing U.S. equities. Developed market equities, as measured by the MSCI EAFE Index, returned +3.76% in May on the back of better than expected economic data and momentum from major currencies strengthening against the U.S. Dollar. Emerging Markets equities also performed strongly , gaining +2.97% during the month. For the year, International equities have performed exceptionally well, reversing many years of mixed performance, in stark contrast to the S&P 500 which is in the eighth year of a bull market. Developed International equities have returned +14.39% for the year, while Emerging Markets are up an even more impressive +17.32%.

At the regional level, Europe continues to act well. The United Kingdom, as measured by the FTSE 100 Index, gained +4.91% on the month (in local currency) and is up +7.32% for the year. In USD terms, the FTSE 100 has risen +12.06% for the year. More specifically within Europe, the Eurozone, as measured by the MSCI EMU Index (all countries use the Euro common currency), gained +1.86% on the month, and is up +11.86% for the year, all in Euro terms. Furthermore, in U.S. Dollar terms the Eurozone is up even more sharply (thanks to a strengthening Euro), rising +19.18% YTD.

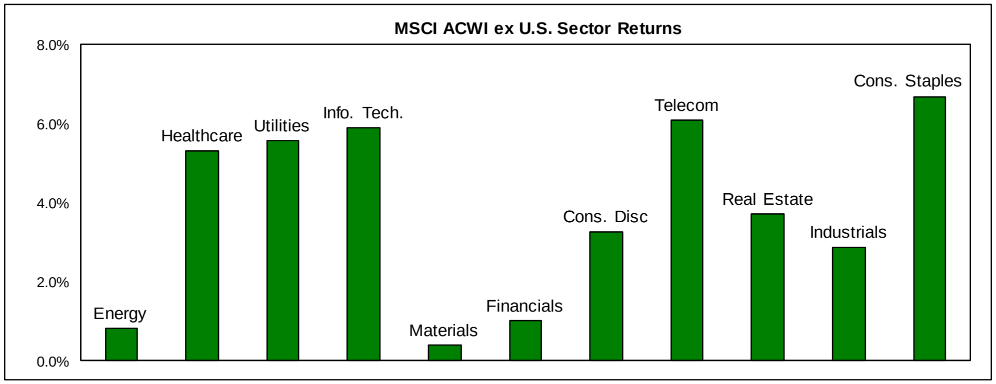
At the country level, notable performers include Japan, as measured by the Nikkei 225 Index, which gained +2.36% in May in Yen terms, and has gained +3.65% for the year. Year to date performance jumps to +9.24% when looked at in Dollar terms. Japan continues to stealthily perform well as economic data slowly improves. The Citi Economic Surprise Index for Japan, a measurement of whether or not key economic data releases are beating market expectations, rose to 31.4 in May, and has risen steadily since the end of March, signaling economic data coming in better than expectations.

Finally, international sector returns were all positive in May, led by Consumer Staples, Telecoms, Tech, and Utilities. Defensive bond proxies continue to perform well as interest rates have remained subdued, while Technology has gotten a boost from international juggernauts such as Tencent and Alibaba.



International Equity Returns

Name	MTD	QTD	YTD	1 Year	3 Year	5 Year
MSCI ACWI Index (USD)	2.28%	3.92%	11.26%	18.20%	5.92%	12.15%
MSCI EAFE Index (USD)	3.76%	6.47%	14.39%	17.09%	2.11%	10.82%
MSCI EM Index (USD)	2.97%	5.25%	17.32%	27.88%	1.96%	4.88%
FTSE 100 Index (GBP)	4.91%	3.52%	7.32%	25.53%	7.17%	11.30%
Nikkei 225 Index (JPY)	2.36%	3.92%	3.65%	16.21%	12.30%	20.27%
Hang Seng Index (HKD)	4.75%	6.98%	17.83%	27.76%	7.28%	10.47%
Shanghai Composite Index (CNY)	-1.06%	-3.10%	0.63%	9.09%	17.83%	8.25%
MSCI ACWI ex-USA Index (USD)	3.31%	5.58%	14.05%	18.86%	1.80%	8.95%
MSCI EMU Index (EUR)	1.86%	4.31%	11.86%	21.45%	8.78%	16.31%



MSCI ACWI Ex U.S. Sector Returns

Sector	MTD	QTD	YTD	1 Year	3 Year	5 Year	% of ACWI Ex. USA
Energy	0.80%	0.10%	-0.69%	16.58%	-7.80%	-0.04%	6.62%
Healthcare	5.30%	7.86%	16.88%	6.38%	2.41%	12.57%	6.52%
Utility	5.56%	6.10%	13.67%	12.30%	4.75%	9.02%	6.09%
Information Technology	5.88%	9.62%	25.68%	38.79%	11.43%	15.33%	9.90%
Materials	0.37%	0.71%	9.31%	28.38%	-0.95%	1.65%	6.95%
Financials	1.00%	3.15%	11.07%	22.97%	1.30%	10.73%	20.62%
Consumer Discretionary	3.25%	6.83%	14.19%	18.30%	2.85%	11.24%	11.82%
Telecommunications	6.07%	6.50%	12.98%	5.93%	0.54%	8.27%	5.95%
Real Estate*	3.69%	6.10%	N/A	N/A	N/A	N/A	3.50%
Industrials	2.86%	6.56%	16.81%	20.27%	3.57%	10.37%	11.57%
Consumer Staples	6.68%	9.45%	18.92%	11.16%	4.75%	10.19%	10.47%

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Fixed Income

U.S. first quarter GDP was revised higher in May, from a +0.7% QoQ SAAR to +1.2% QoQ SAAR, signaling U.S. economic growth remains subdued. Muted economic growth, despite overly rosy predictions for 3.0%+ growth, continues to put a lid on bond yields. Coupled with falling measures of inflation and it should come as no surprise that bond prices are moving higher, and yields are moving lower. The yield on the benchmark 10-year U.S. Treasury closed at 2.20% in May, up slightly from a low of 2.17% in April, and a far cry from the 2.66% yield at the end of November. Short term rates look poised to move higher from the current 1.30% yield on the 2-year Treasury note with the Federal Reserve signaling a June rate hike is imminent. According to data compiled by Bloomberg, the probability of a rate hike in June was 88% at the end of May, and has edged higher to 94% as of publication, making market expectations all but certain that the Fed raises rates at its June 13-14 meeting.

Domestic spreads continued to tighten in May, with the option adjusted spread (OAS) on the ML U.S. Corporate Master Index falling to 119bps, the lowest monthly closing level since August 2014. Continued spread tightening, falling interest rates, and a stable economic backdrop helped corporate bonds return +1.16% in May, and +3.62% on a year to date basis. Moving into riskier high yield corporate debt, or junk bonds, spreads also tightened in May, falling to 374bps, the richest valuations since oil prices began to plummet (and spreads blew out) in June 2014. Spread compression helped the ML U.S. High Yield Master II Index gain +0.89% in May, and +4.80% YTD.

Strength in risk assets, notably international equities, lent a bid to Emerging Market debt, as measured by the ML USD Emerging Market Sovereign & Credit Index, which gained +0.48% in May and has returned +6.92% for the year. EM debt has been the best performer over the past year, up +14.67%.

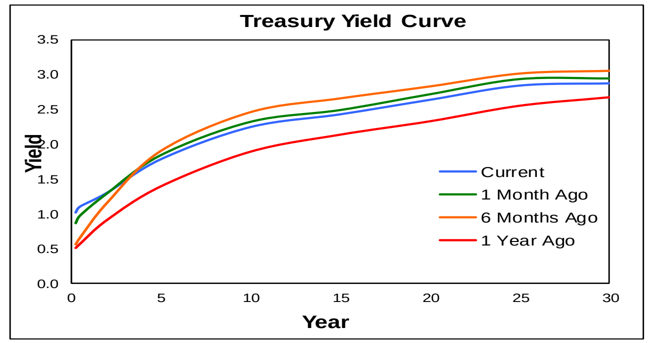
Even with the Fed all but certain to raise rates in two weeks, the continued low growth environment, coupled with stable (and falling) measures of inflation, should continue to put a ceiling on how high 10-year Treasury yields can go. Add in foreign government buying (thanks to a relative yield advantage) and the U.S. economy will likely need a pick up in growth or accelerating measures of inflation to crack through 2.50% on 10-year Treasuries.

Central Bank Activity

Name	Current	1 Month Ago	6 Months Ago	1 Year Ago
Fed Funds Rate	1.00%	1.00%	0.50%	0.50%
Bank of Japan Target Rate	0.10%	0.10%	0.10%	0.10%
European Central Bank Rate	0.00%	0.00%	0.00%	0.00%
Bank of England Official Bank Rate	0.25%	0.25%	0.25%	0.50%

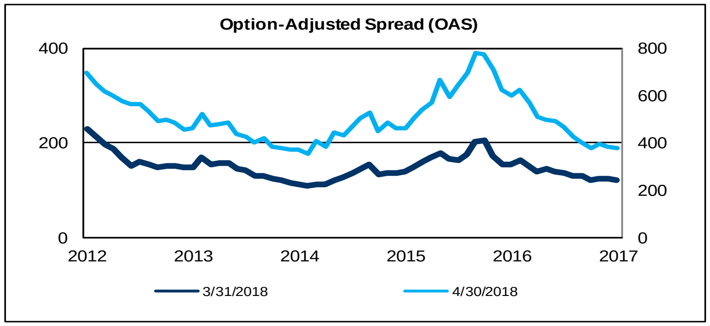
Fixed Income Returns

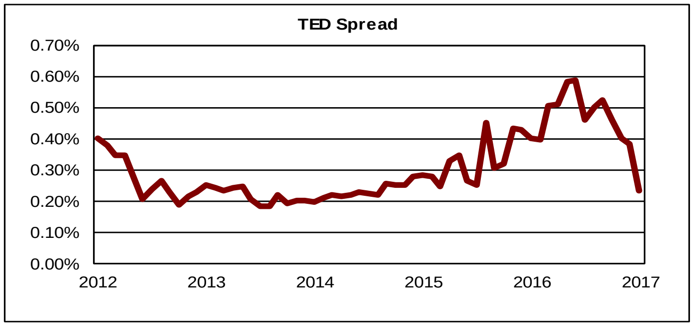
Name	MTD	QTD	YTD	1 Year
ML U.S. Treasury/Agency Master Index	0.66%	1.35%	2.05%	0.02%
ML U.S. Broad Market Index	0.79%	1.54%	2.43%	1.56%
ML U.S. Corporate Master Index	1.16%	2.16%	3.62%	4.31%
ML U.S. High Yield Master II Index	0.89%	2.03%	4.80%	13.85%
ML USD Emerging Market Sovereign & Credit Index	0.48%	2.63%	6.92%	14.67%
ML Global Government Bond II Index	0.38%	0.97%	0.84%	-0.29%
ML Municipal Master Index	1.48%	2.20%	3.63%	1.31%
ML Municipal High Yield Index	-0.23%	0.84%	3.45%	5.31%

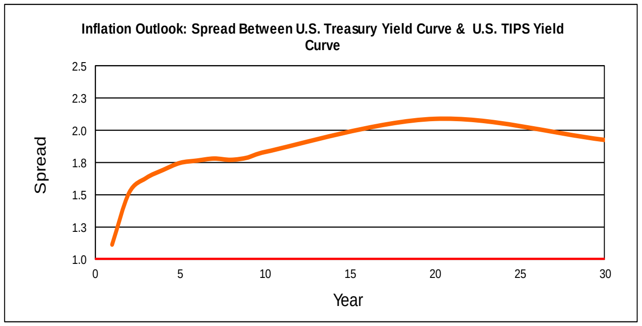


U.S. Treasury Yields

Period	3 Month	6 Month	2 Year	5 Year	10 Year	15 Year	20 Year	25 Year	30 Year
Current	1.02%	1.10%	1.30%	1.78%	2.24%	2.43%	2.63%	2.84%	2.87%
1 Month Ago	0.86%	0.98%	1.29%	1.84%	2.32%	2.49%	2.71%	2.93%	2.94%
6 Months Ago	0.56%	0.66%	1.16%	1.90%	2.46%	2.66%	2.83%	3.01%	3.05%
1 Year Ago	0.51%	0.57%	0.91%	1.39%	1.89%	2.13%	2.33%	2.55%	2.67%







Alternative Investments

Alternative investments were mostly negative performers in May, even as interest rates fell slightly. The U.S. Dollar, as measured by the DXY Index, was the group's worst performer, losing -2.1% on the month. The Dollar has weakened significantly on a year to date basis, falling by -5.2% against a basket of currencies. More importantly, even as the Fed gets set to raise interest rates in June (88% probability as of 5/31), the Dollar continues to weaken. Some of the weakness can be explained by U.S. economic data that continues to miss expectations. The Citi U.S. Economic Surprise Index, a measurement of whether or not key economic data releases are beating market expectations, fell to -36.1 at the end of May, a long fall from the 57.9 reading on March 15th. While U.S. GDP was revised higher in Q1, the U.S. economy is only growing at a +1.2% annualized rate. Furthermore, inflation is slowing, which has put downward pressure on bond yields. Lastly, major currencies such as the Euro have appreciated mightily against the Dollar due to improving economic data and strong inflows into Euro denominated assets. The Euro has appreciated by more than +6% against the Dollar in the past six months, to $1.12 USD/EUR.

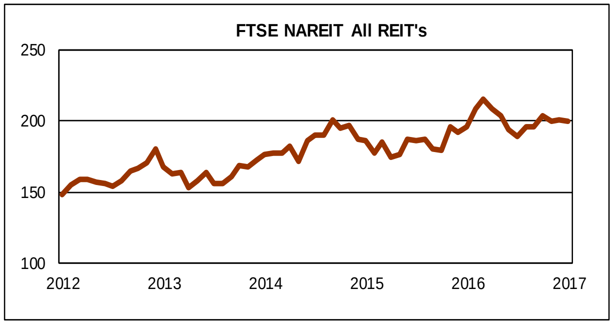
In other currency news, the Yen remained largely unchanged versus the Dollar over the past year at 110.78 JPY/USD, which helps to explain the price movements of Gold, another safe haven asset. Gold rose +0.1% in May, and has risen +10.1% on the year. Gold has gotten a bid as a hedge against high equity valuations, low levels of volatility, and interest rates that have trended lower. However, even as rates get set to move higher in June, Gold may continue to perform well and serve as a portfolio hedge against geopolitical risk factors, or a return of volatility to the equity markets.

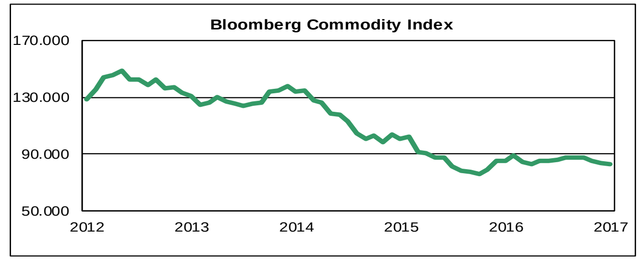
Finally, West Texas Intermediate (WTI) crude oil fell -2.0% in May to close just above $48/bbl, as investors sold on the news of continued OPEC production cuts. While these cuts may limit OPEC's supply of the oil market, it does little to contain the outside production of non-OPEC countries, especially the U.S., where a return to shale drilling has increase U.S. production significantly. Moreover, the oil futures curve remains in contango, meaning that future prices are greater than current spot prices, allowing U.S. shale producers to sell oil in the future at higher prices than today's spot market, fueling increased U.S. oil production.

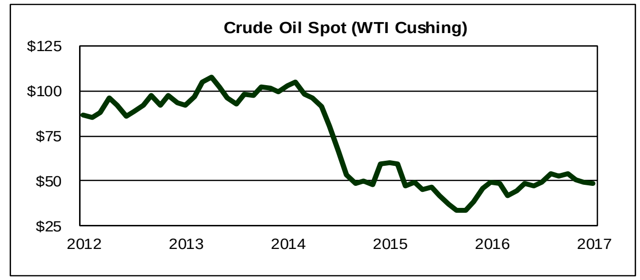
Hedge Funds

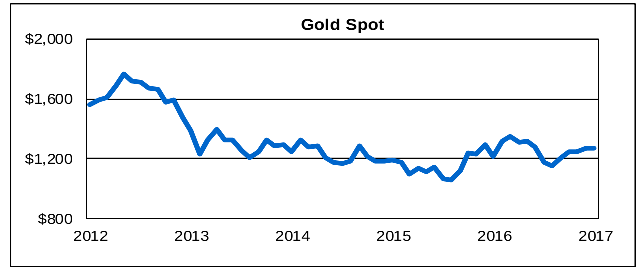
Name	MTD	QTD	YTD	1 Year	3 Year	5 Year
Global Hedge	0.15%	0.58%	2.25%	5.89%	-0.14%	1.78%
Convertible Arbitrage	0.41%	1.18%	3.70%	8.59%	-0.38%	2.64%
Distressed Securities	-0.17%	0.42%	2.01%	15.80%	1.49%	2.25%
Equity Hedge (L/S)	-0.59%	0.12%	2.82%	5.55%	0.73%	3.36%
Equity Market Neutral	-1.39%	-1.28%	0.21%	-0.94%	1.04%	0.89%
Event Driven	0.73%	1.43%	4.43%	13.89%	0.25%	3.82%
Macro	0.23%	0.17%	-0.59%	-2.22%	0.12%	-0.55%
Merger Arbitrage	0.26%	0.71%	0.81%	2.71%	4.95%	3.79%
Relative Value Arbitrage	0.33%	0.53%	1.56%	4.72%	-1.67%	0.12%
Absolute Return	0.30%	0.60%	1.26%	1.63%	1.35%	1.92%

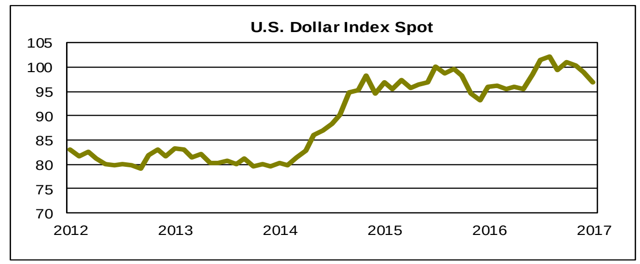
Note: Price Return, Returns as of 5/30/17











Spot Rates

Description	Current	1 Month Ago	3 Months Ago	6 Months Ago	1 Year Ago
CAD / USD	1.35	1.37	1.33	1.34	1.31
JPY / USD	110.78	111.49	112.77	114.46	110..73
USD / GBP	1.29	1.30	1.24	1.25	1.45
USD / EUR	1.12	1.09	1.06	1.06	1.11

S&P 500 Index (SPX) – Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

S&P 500 Sector Indices (S5COND, S5CONS, S5ENRS, S5FINL, S5HLTH, S5INDU, S5INFT, S5MATR, S5TELS, S5UTIL) – The S&P 500 is broken down into ten sub-indices according to the Global Industry Classification Standard (GICS) sectors. These ten sectors include Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Telecommunication Services, and Utilities.

S&P 400 Mid Cap Index (MID) – Standard and Poor's Mid Cap 400 Index is a capitalization-weighted index, which measures the performance of the mid-range sector of the U.S. stock market.

S&P 600 Small Cap Index (SML) – Standard & Poor's Small Cap 600 Index is a capitalization-weighted index that measures the performance of selected U.S. stocks with a small market capitalization.

S&P 500/Citigroup Growth Index (SGX) – The S&P 500/Citigroup Growth Index is a market capitalization-weighted index. All the stocks in the underlying parent index are allocated into value or growth. Stocks that do not have pure value or pure growth characteristics have their market caps distributed between the value & growth indices.

S&P 500/Citigroup Value Index (SVX) – The S&P 500/Citigroup Value Index is a market capitalization-weighted index. All the stocks in the underlying parent index are allocated into value or growth. Stocks that do not have pure value or pure growth characteristics have their market caps distributed between the value & growth indices.

MSCI AC World Index (MXWD) – The MSCI AC World Index is a free float-weighted equity index. The index includes both emerging and developed world markets.

MSCI EAFE Index (MXEA) – The MSCI EAFE Index is a capitalization-weighted index that monitors the performance of stocks from developed markets in Europe, Australia-Asia, and the Far East.

MSCI Emerging Market Index (MXEF) – The MSCI Emerging Market Index is a free-float weighted index that is designed to measure the equity performance of international emerging markets.

FTSE 100 Index (UKX) – The FTSE 100 Index is a capitalization-weighted index of the 100 most highly capitalized companies traded on the London Stock Exchange. The equities use an investability quotient weighting in the index calculation.

Nikkei 225 Stock Average Index (NKY) – The Nikkei-225 Stock Average is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange.

Hang Seng Index (HSI) – The Hang Seng is a free-float capitalization-weighted index of selected companies from the Stock Exchange of Hong Kong. The components of the index are divided into four sub-indexes: Commerce and Industry, Finance, Utilities, and Properties.

Shanghai Stock Exchange Composite Index (SHCOMP) – The Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

S&P Global 1200 Index (SPGLOB) – The S&P Global 1200 Index is a composite index, comprised of seven regional and country indices – S&P 500, S&P Europe 350, S&P/TOPIX 150 (Japan), S&P TSX 60 (Canada), S&P/ASX 50 (Australia), S&P Asia 50, and S&P Latin America 50. The S&P Global 1200 is calculated in US dollars. The index is market-cap weighted.

ML U.S. Treasury & Agency Index (G0A0) – The Merrill Lynch U.S. Treasury and Agency Index tracks the performance of U.S. dollar denominated U.S. Treasury and non-subordinated U.S. agency debt issued in the U.S. domestic market.

ML U.S. Broad Market Index (US00) – The Merrill Lynch U.S. Broad Market Index tracks the performance of U.S. dollar denominated investment grade debt publicly issued in the U.S. domestic market, including U.S. Treasury, quasi-government, corporate, securitized, and collateralized securities.

ML U.S. Corporate Index (C0A0) – The Merrill Lynch U.S. Corporate Index tracks the performance of U.S. dollar denominated investment grade corporate debt publicly issued in the U.S. domestic market.

ML U.S. High Yield Index (H0A0) – The Merrill Lynch U.S. High Yield Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market.

ML Global Government Index (W0G1) – The Merrill Lynch Global Government Index tracks the performance of investment grade sovereign debt publicly issued and denominated in the issuer's own domestic market and currency.

ML U.S. Municipal Securities Index (U0A0) – The Merrill Lynch U.S. Municipal Securities Index tracks the performance of U.S. dollar denominated investment grade tax-exempt publicly issued by U.S. states and territories, and their political subdivisions, in the U.S. domestic market.

FTSE NAREIT All REITs Index (FNAR) – The FTSE NAREIT All REITs Index is a free float adjusted market capitalization-weighted index that includes all tax qualified REITs listed in the NYSE, AMEX, and NASDAQ National Market.

Dow Jones UBS Commodity Index (DJUBS) – The Dow Jones UBS Commodity Index is composed of futures contracts on 19 physical commodities. It reflects the return of underlying commodity futures price movements only. Previously, the index was the Dow Jones AIG Commodity Index.

U.S. Dollar Index (DXY) – The U.S. Dollar Index (USDX) indicates the general int'l value of the USD. The USDX does this by averaging the exchange rates between the USD and 6 major world currencies. The ICE US computes this by using the rates supplied by some 500 banks.

HFRX Global Hedge Fund Index (HFRXGL) – The HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies.

HFRX Convertible Arbitrage Index (HFRXCA) – The HFRX Convertible Arbitrage Index is designed to reflect the general performance of strategies in which the investment thesis is predicated on realization of a spread between related instruments in which one or multiple components of the spread is a convertible fixed income instrument.

HFRX Distressed Securities Index (HFRXDS) – The HFRX Distressed Securities Index is designed to reflect the general performance of strategies focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance of obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings.

HFRX Macro Index (HFRXM) – The HFRX Macro Index reflects the general performance of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency, and commodity markets.

HFRX Equity Hedge Index (HFRXEH) – The HFRX Equity Hedge Index is designed to reflect the general performance of strategies that maintain both long and short positions in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques. Strategies can be broadly diversified or narrowly focused.

HFRX Equity Market Neutral Index (HFRXEMN) – The HFRX Equity Market Neutral Index is designed to reflect the general performance of strategies that employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities.

HFRX Event Driven Index (HFRXED) – The HFRX Event Driven Index reflects the general performance of strategies that maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including, but not limited to, mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance, or other capital structure adjustments.

HFRX Merger Arbitrage Index (HFRXMA) – The HFRX Merger Arbitrage Index reflects the general performance of strategies which employ an investment process primarily focused on opportunities in equity and equity related instruments of companies which are current engaged in a corporate transaction.

HFRX Relative Value Arbitrage Index (HFRXRVA) – The HFRX Relative Value Arbitrage Index reflects the general performance of strategies that maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities.

Economic Data Sources:
PPI & CPI – Bureau of Labor Statistics
Unemployment Rate – Bureau of Labor Statistics
Consumer Confidence – Conference Board
S&P/Case-Shiller Composite 20 – Case-Shiller
Industrial Production – Federal Reserve
Capacity Utilization – Federal Reserve
Retail Sales – U.S. Census Bureau
Housing Starts – U.S. Department of Commerce
Factory Orders – U.S. Census Bureau
Leading Indicators – Conference Board
Unit Labor Costs – Bureau of Labor Statistics
GDP – Bureau of Economic Analysis
Wholesale Inventories – U.S. Census Bureau
MBA Mortgage Applications – Mortgage Bankers Association
4-Week Moving Average of Initial Claims, SA – Bureau of Labor Statistics

If you have any questions or comments, please feel free to contact any member of our investment team:

Tom Quealy, *Chief Executive Officer* – tom.quealy@nottinghamadvisors.com
Larry Whistler, CFA, *President/Chief Investment Officer* – larry.whistler@nottinghamadvisors.com
Nick Verbanic, CFP® *V.P./Portfolio Manager* – nick.verbanic@nottinghamadvisors.com
Matthew Krajna, CFA, *Senior Portfolio Manager* – matthew.krajna@nottinghamadvisors.com