NOTTINGHAM ADVISORS

Nottingham Monthly Market Wrap

May 31, 2014

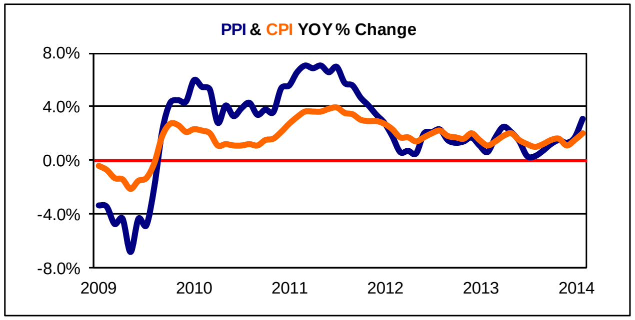
Economic Overview

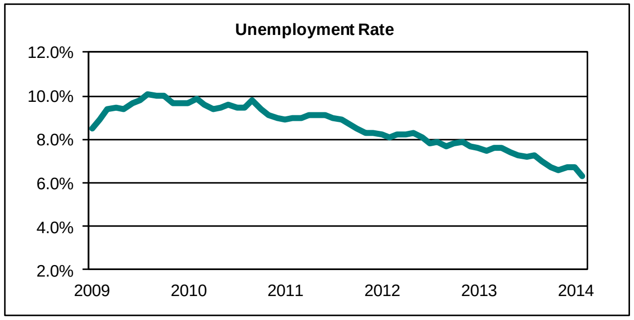
The initial revision to the first quarter measure of U.S. gross domestic product revealed an economy that actually contracted at a -1.0% annualized rate, faring slightly worse than analyst expectations. While April's initial reading of a +0.1% gain raised the bar for expectations of second-half growth, the sharp decline is forcing many to question the overall health of the U.S. marketplace. While "winter weather" was the most oft-cited excuse for lackluster results (according to Strategas Research, 40% of U.S. companies cited bad winter weather while announcing Q1 earnings), numerous other economic data sent mixed signals with respect to the U.S. economy.

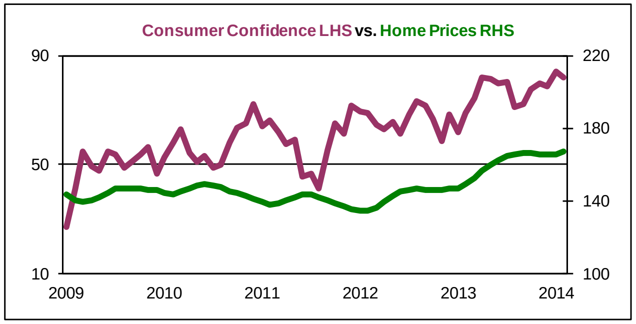
The employment report for April revealed a better than expected +273k gain in nonfarm payrolls (against estimates for a gain of +215k and versus prior month gains of a revised +202k). The Unemployment Rate dropped to 6.3% while the Underemployment Rate fell to 12.3%. The Labor Force Participation Rate continued to shrink, registering just 62.8% in April, down from the prior month's reading of 63.2%. Weekly Initial Jobless Claims trended lower during May, ending the month at +300k. Overall, the employment picture continues to improve.

Housing remains a concern for the Fed, despite a robust reading from the S&P/CaseShiller Home Price Index, which registered a +10.35% YoY gain. The 20-City Composite showed a +12.37% YoY increase, largely driven by robust demand in a few major metropolitan areas. Housing Starts and Building Permits both came in better than expected, while Existing Home Sales and New Home Sales both missed the mark versus estimates. With mortgage rates once again near all-time lows, yet bank lending still somewhat constrained, the housing market remains somewhat bifurcated, with qualified buyers having access to easy credit while those less well-off remain shut out.

Inflation remains subdued with CPI posting a +0.3% MoM (+2.0% YoY) gain while core consumer prices gained +0.2% MoM (+1.8% YoY). The PCE Deflator for April registered a +0.2% MoM gain and +1.6% YoY rise. Producer prices remained in check as well with PPI rising a higher than expected +0.6% MoM, though just a +2.1% gain YoY. With little wage inflation to speak of, the general level of prices will likely remain subdued despite the Fed's robust money printing activity.

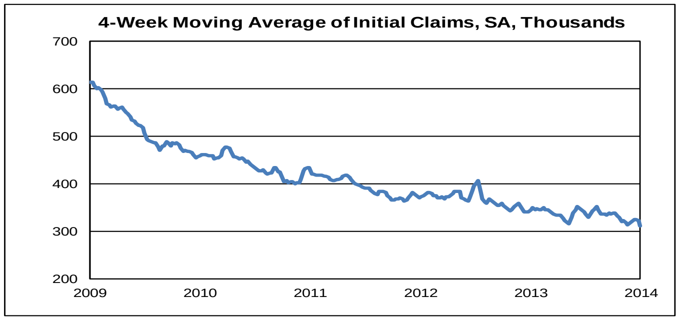


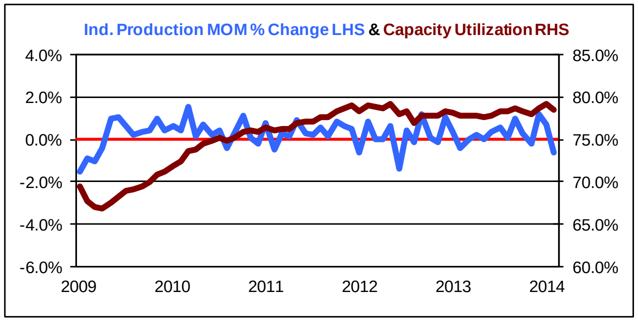




Key Data Points

Name	Current	For	Previous	For
Retail Sales ex. Autos MOM %	0.00%	April	1.00%	March
Housing Starts	1,072K	April	947	March
Factory Orders MOM %	0.90%	March	1.70%	February
Leading Indicators MOM %	0.40%	April	1.00%	March
Unit Labor Costs	4.20%	Q1 2014	-0.40%	Q4 2013
GDP QOQ (Annualized)	-1.00%	Q1 2014	2.60%	Q4 2013
Wholesale Inventories	1.10%	March	0.70%	February
MBA Mortgage Applications	-1.20%	May	-5.90%	April





Nottingham Monthly Market Wrap
May 31, 2014

Equity Markets

After mixed results in April, global equities saw gains across the board in May with all major indices finishing the period in the green. The S&P 500 Index finished the month up +2.35%, finishing the period at an all-time high of 1,924. However, some investors question the level of conviction of the rally as the bulk of the gain came on lighter volume during the second half of the month (the week before and after Memorial Day weekend).

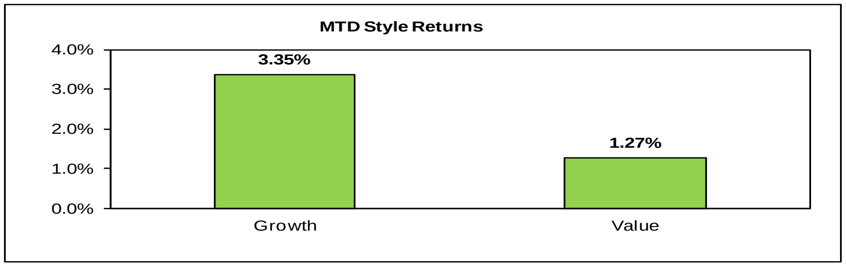
Regardless if the rally has any staying power, mid- and small-cap equities followed suit, gaining +1.77% and +0.27%, respectively. The S&P 500 Index is now up +4.96% YTD, while the S&P 600 Small Cap Index is down -1.43% YTD. In a nod to the notion that valuations do still matter, remember that small-caps have been trading at markedly richer levels since the start of the year; December's NMMW showed the S&P 500 Index trading at 17.4 times earnings and the S&P Small Cap 600 Index trading at 26.7 times earnings.

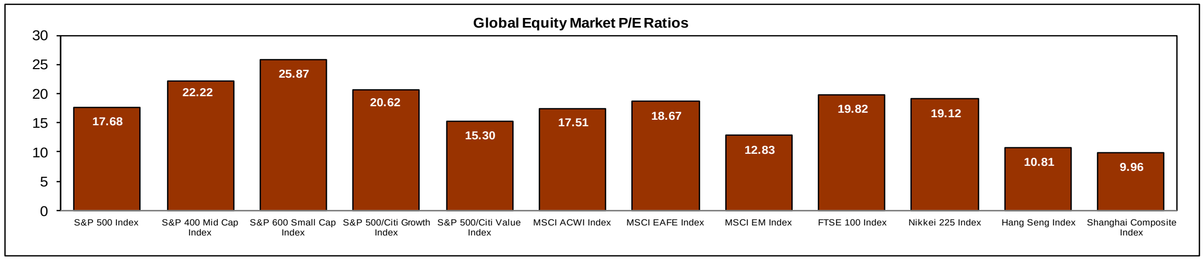
Growth equities came roaring back in May after being hobbled by the breakdown in "momentum names" (biotech, social media, etc.) for a significant portion of the year. The S&P 500/Citi Growth Index outpaced the S&P 500/Citi Value Index, +3.35% to +1.27%. On the back of this month's performance, growth now leads on the year, +5.11% to +4.81% YTD. At the sector level, nine out of ten sectors finished in the green. Information Technology (+3.78%) led the way, while Utilities took a breather, finishing down -1.05%. However, Utilities still firmly remain the best performing sector on the year, up +13.57%. Interestingly, Telecom was the second best performer during the month, increasing +3.39%. The sector still ranks towards the middle of the pack for the year and dead last for the past 12 months, but one has to wonder if reasonable valuations and attractive yields are starting to shift investors' sentiment on the space.

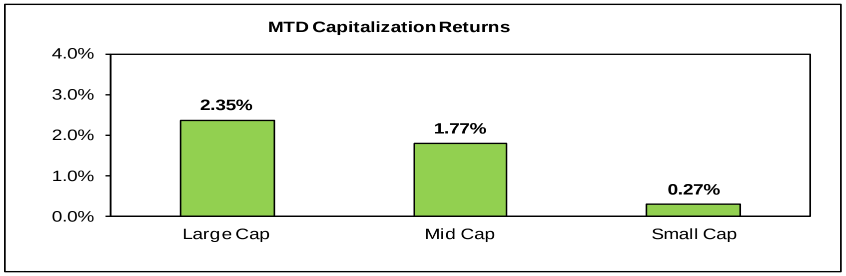
Internationally, MSCI EAFE Index finished the month up +1.77%, while the MSCI EM Index finished up +3.51%. Developed equities were helped higher on dovish rhetoric from ECB officials regarding the possibility for quantitative easing within the Eurozone, while emerging markets were sparked higher following Narendra Modi's PM win in India.

Equity Returns

Name	MTD	QTD	YTD	1 Year	3 Year	5 Year
S&P 500 Index	2.35%	3.10%	4.96%	20.44%	15.14%	18.37%
S&P 400 Mid Cap Index	1.77%	0.18%	3.21%	18.01%	12.90%	20.78%
S&P 600 Small Cap Index	0.27%	-2.53%	-1.43%	19.70%	14.33%	21.16%
S&P 500/Citi Growth Index	3.35%	3.66%	5.11%	22.36%	15.67%	18.86%
S&P 500/Citi Value Index	1.27%	2.49%	4.81%	18.41%	14.63%	17.89%
MSCI ACWI Index	2.22%	3.24%	4.51%	17.87%	9.70%	14.42%
MSCI EAFE Index	1.77%	3.31%	4.21%	18.86%	8.02%	12.14%
MSCI EM Index	3.51%	3.90%	3.35%	4.59%	-1.43%	8.73%
FTSE 100 Index	1.37%	4.54%	3.32%	8.12%	8.89%	13.53%
Nikkei 225 Index	2.29%	-1.32%	-9.44%	8.00%	16.94%	11.00%
Hang Seng Index	5.44%	5.45%	0.65%	7.36%	2.74%	8.39%
Shanghai Composite Index	0.81%	0.49%	-3.43%	-8.63%	-7.12%	-2.93%

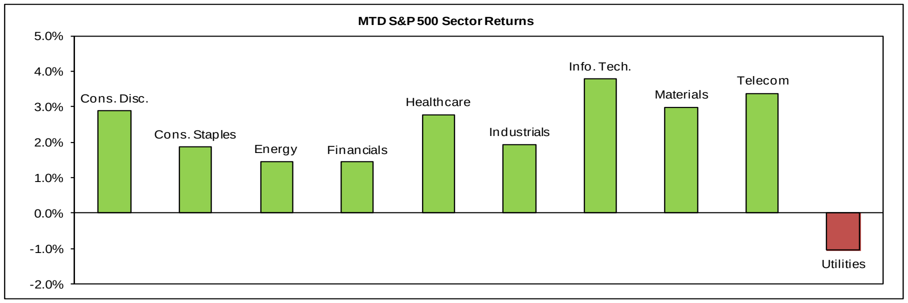






S&P 500 Sector Returns

Sector	MTD	QTD	YTD	1 Year	3 Year	5 Year	% of S&P 500
Consumer Discretionary	2.88%	1.49%	-1.36%	18.85%	19.59%	25.37%	11.84%
Consumer Staples	1.88%	4.85%	5.38%	15.14%	14.91%	17.63%	10.51%
Energy	1.46%	6.68%	7.52%	20.08%	9.06%	14.46%	10.28%
Financials	1.44%	-0.12%	2.49%	14.37%	14.16%	14.58%	15.70%
Healthcare	2.78%	2.27%	8.22%	26.38%	20.86%	20.73%	13.02%
Industrials	1.94%	3.52%	3.67%	26.54%	15.41%	21.63%	10.68%
Information Technology	3.78%	4.08%	6.45%	23.89%	15.33%	18.99%	19.06%
Materials	2.99%	3.86%	6.83%	24.84%	10.26%	16.17%	3.51%
Telecommunications	3.39%	4.98%	5.47%	8.39%	10.88%	15.05%	2.40%
Utilities	-1.05%	3.16%	13.57%	18.08%	12.68%	14.62%	3.00%



Fixed Income

The bond market continued to flummox investors during May, with the so-called "pain-trade" still very much on track (this trade involves a steady grind higher in prices/lower in yields against a backdrop of short-duration bets as well as outright heavy short interest against rates). There are many theories popping up as to why rates are once again plumbing the depths of this recent cycle. The folks at Strategas Research came up with the following "Top 10" list:

1) A flight to quality after the Russia/Ukraine stand-off
2) China's currency decline
3) The ECB is set to ease aggressively
4) Liability driven investment / demographics
5) The shrinking U.S. budget deficit
6) The lack of mortgage activity / securitization
7) Former Fed Chair Bernanke on the lecture circuit speaking to low interest rates ahead
8) NY Fed President Dudley commenting the long-run fed funds rate "likely to be well below the 4.25% average level"
9) The Michael Lewis book throwing off high speed traders
10) Growth forecasts are wrong (for a rebound after a weak Q1)

Whatever the case may be, the Fed continues to buy fewer Treasury and MBS and rates keep heading lower. EM & U.S. municipal debt lead the way so far this year, with the ML USD Emerging Market Sovereign & Credit Index up +8.11% and the ML Municipal Master Index up +6.59%. U.S. corporate bonds continue their strong run as the ML U.S. Corporate Master Index is up +5.77% YTD while the ML U.S. High Yield Master II Index has gained +4.75%.

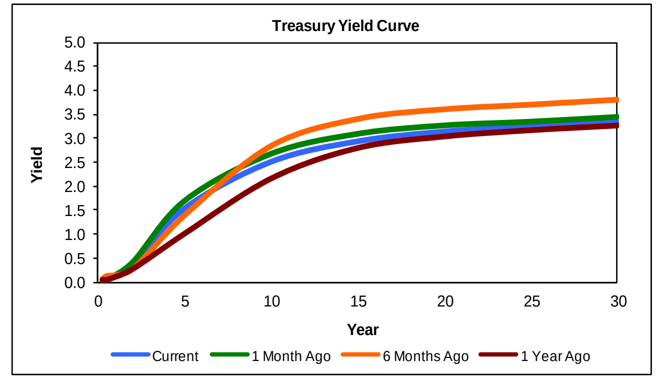
As of this publication, the 10-year Treasury note was yielding 2.50%, down from 3.03% at the beginning of the year, while the 30-year Treasury bond yielded 3.35%, down from 3.97% on January 1st. This move has been a boon to home owners as housing prices rise, potential home owners as mortgage rates remain low, and the Federal Government, which continues to fund its operating budget via debt. As with all good things, however, it too will end. And as with too much of any good thing, there will likely be repercussions.

Central Bank Activity

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

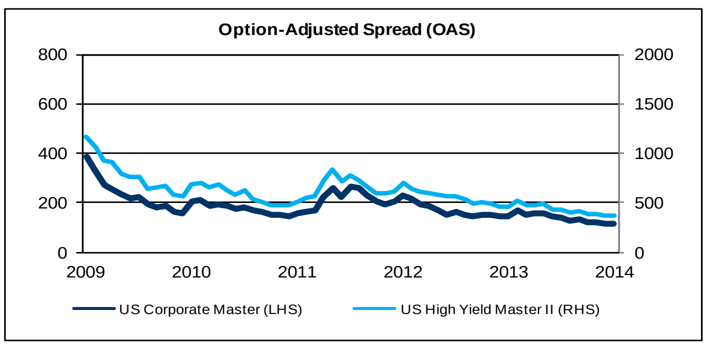
Fixed Income Returns

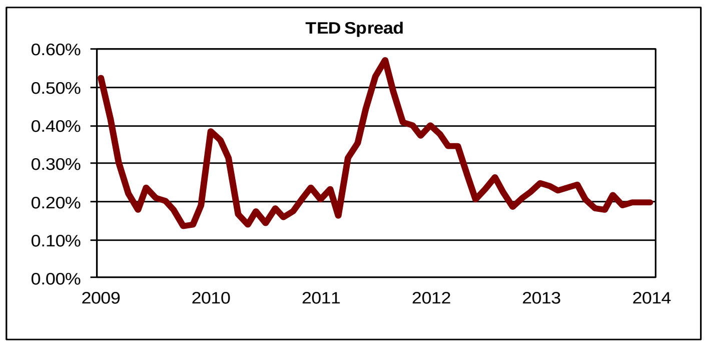
Name	MTD	QTD	YTD	1 Year
ML U.S. Treasury/Agency Master Index	1.06%	1.69%	3.32%	1.19%
ML U.S. Broad Market Index	1.23%	2.07%	4.06%	2.71%
ML U.S. Corporate Master Index	1.53%	2.70%	5.77%	4.83%
ML U.S. High Yield Master II Index	1.01%	1.70%	4.75%	7.94%
ML USD Emerging Market Sovereign & Credit Index	2.80%	4.87%	8.11%	7.40%
ML Global Government Bond II Index	0.85%	1.45%	3.59%	3.09%
ML Municipal Master Index	1.37%	2.67%	6.59%	3.14%

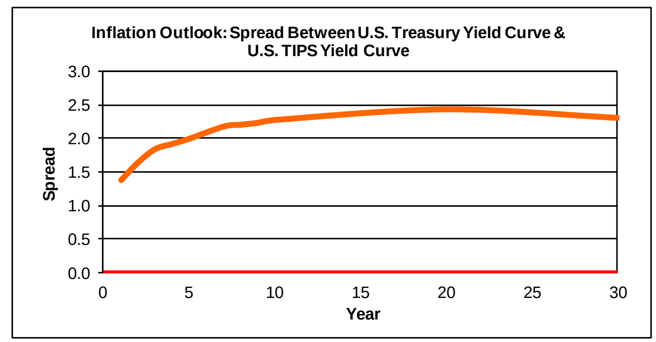


U.S. Treasury Yields

Period	3 Month	6 Month	2 Year	5 Year	10 Year	15 Year	20 Year	25 Year	30 Year
Current	0.05%	0.06%	0.38%	1.54%	2.51%	2.94%	3.14%	3.24%	3.32%
1 Month Ago	0.03%	0.05%	0.41%	1.69%	2.67%	3.09%	3.26%	3.34%	3.44%
6 Months Ago	0.05%	0.12%	0.27%	1.39%	2.85%	3.41%	3.61%	3.71%	3.81%
1 Year Ago	0.06%	0.06%	0.28%	1.02%	2.16%	2.80%	3.04%	3.17%	3.27%







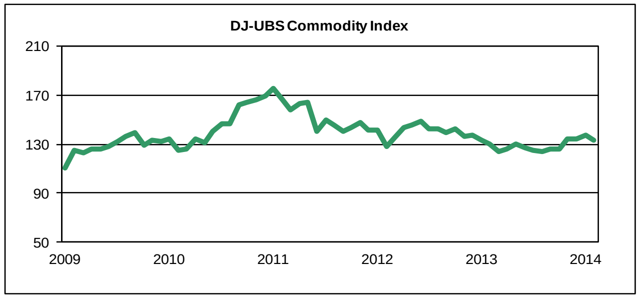
Alternative Investments

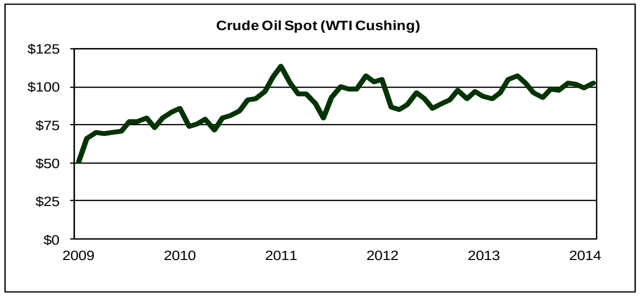
Alternative investments were again a mixed bag in May. Commodities, as measured by the DJ UBS Commodities Index, lost -2.9%, even as West Texas Intermediate (WTI) crude oil closed the month at $102.71/bbl, up +3.0% on the month. Interest rates again were a key driver of most alternative investment returns, with lower rates helping REITS, as measured by the FTSE NAREIT Index, which rose +2.5% on the month. REITs have gained +13.1% so far this year, after *losing* -1.2% last year.

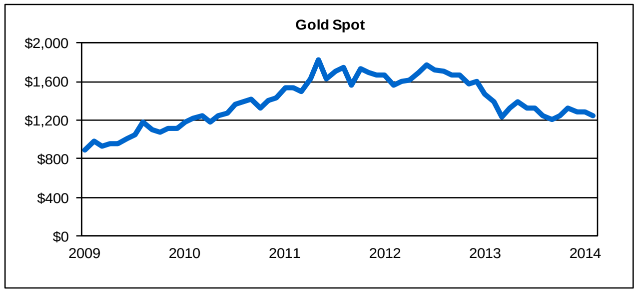
Gold closed the month at $1,250/oz, down -3.2% on the month, essentially cutting this year's gain in half (gold is now up +3.7% YTD). Inflation expectations remain the key driver of gold prices, and with expectations well anchored, it's no wonder that the precious metal is down -31.5% from its monthly closing high of $1,825.72/oz in August of 2011. However, last month's reading of the Consumer Price Index (CPI) showed inflation picking up slightly. April's headline CPI rose +2.0% Y/Y, in line with market expectations, while core CPI (excluding the more volatile food and energy components) rose +1.8% Y/Y, slightly ahead of the market's +1.7% expectation. With no meaningful inflation in sight, subdued inflation expectations should keep a lid on gold prices for the foreseeable future.

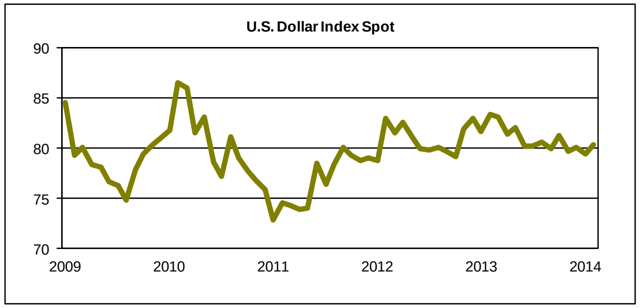
The Dollar, as measured by the DXY Index, rose +1.1% on the month, largely driven by Euro weakness. With European Central Bank (ECB) President Mario Draghi signaling the ECB's willingness and ability to act at its June 5 meeting, the Euro weakened from $1.39 USD/EUR to $1.36 USD/EUR, a drop of nearly -2.0%. Furthermore, the Dollar lost ground against both the Canadian Loonie and the Japanese Yen. The Dollar weakened to $1.08 CAD/USD, down from $1.10 CAD/USD last month, but noticeably stronger than the $1.04 CAD/USD one year ago. The Dollar fared similarly against the Yen, with the Dollar weakening to 101.77 JPY/USD in May, from 102.24 JPY/USD in April, and essentially flat from a year ago when the spot rate was 100.45 JPY/USD. It remains to be seen whether or not the Bank of Japan will need additional stimulus after its recent sales tax increase, as recent data points remain highly volatile in its aftermath.

Lastly, on a gross basis, our Real Return Strategy gained +1.07% in May and has gained +4.29% YTD (our best performing strategy). The Real Return Strategy includes an equal weighting (25% each) to equities, commodities, fixed income, and alternatives, with a sub-allocation within each asset class. For more information on the Real Return Strategy please contact our office and we would be glad to discuss the strategy in more detail.





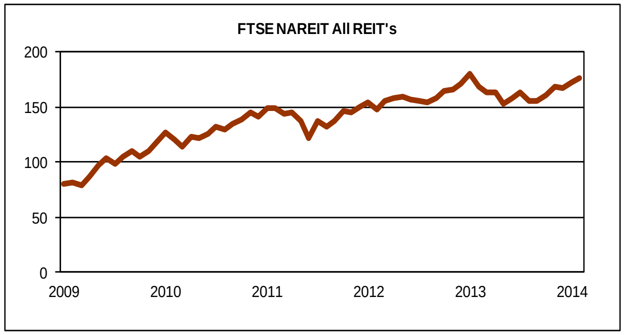




Hedge Funds

Name	MTD	QTD	YTD	1 Year	3 Year	5 Year
Global Hedge	0.46%	-0.27%	0.84%	2.93%	0.68%	2.79%
Convertible Arbitrage	-0.09%	-1.42%	0.69%	2.07%	3.94%	8.56%
Distressed Securities	0.90%	0.70%	4.07%	5.57%	-0.13%	2.16%
Equity Hedge (L/S)	-0.11%	-1.54%	-0.31%	3.93%	0.03%	1.57%
Equity Market Neutral	-1.68%	-1.14%	0.93%	1.42%	-2.27%	-1.12%
Event Driven	0.62%	-0.06%	2.75%	7.73%	4.68%	5.57%
Macro	0.96%	0.40%	-0.65%	-2.02%	-2.85%	-3.27%
Merger Arbitrage	0.14%	0.24%	0.70%	2.69%	0.61%	2.93%
Relative Value Arbitrage	0.53%	0.38%	1.32%	1.37%	0.60%	6.51%
Absolute Return	0.10%	-0.16%	1.15%	2.98%	0.63%	-0.12%

Note: Price Return, Returns as of 05/29/14



Spot Rates

Description	Current	1 Month Ago	3 Months Ago	6 Months Ago	1 Year Ago
CAD / USD	1.08	1.10	1.11	1.06	1.04
JPY / USD	101.77	102.24	101.80	102.44	100.45
USD / GBP	1.68	1.69	1.67	1.64	1.52
USD / EUR	1.36	1.39	1.38	1.36	1.30

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 Stardard (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, Australiasia, 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 investibility 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 subindexes: 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, *V.P./Portfolio Manager* – nick.verbanic@nottinghamadvisors.com
Christopher Hugar, CFA, *Portfolio Manager* – christopher.hugar@nottinghamadvisors.com
Matthew Krajna, *Associate Portfolio Manager* – matthew.krajna@nottinghamadvisors.com
Amy Fogle, *Trading Specialist* – amy.fogle@nottinghamadvisors.com