Nottingham Monthly Market Wrap
April 30, 2014

Nottingham Advisors

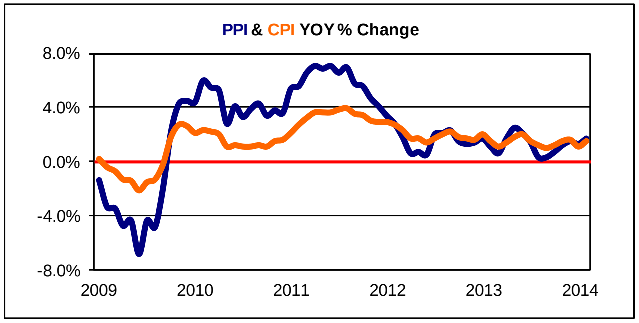
Economic Overview

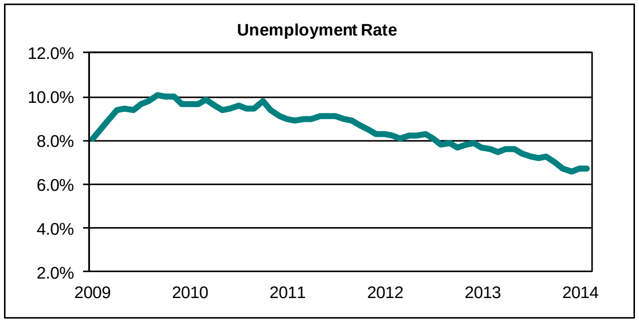
We began last month's Market Wrap by asking the question, "*How much economic damage was caused by this year's long cold winter?*" At the time, the musing was more existential in nature as we didn't have much hard evidence to support any one conclusion. After yesterdays Q1 GDP report, however, we're comfortable answering that question with, **"A LOT!"** Although it's only the initial estimate of the first quarter's production of goods and services here in the USA, QoQ GDP growth of a measly +0.1% came in far below already diminished expectations for a +1.2% annualized rate of growth.

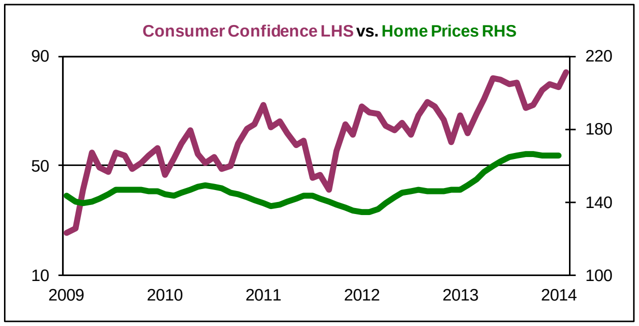
Nearly every explanation we've read concerning the weak GDP report mentioned harsh winter weather as the main culprit. This includes the Fed's own assessment of things resulting from its April 30 FOMC meeting. With recent increases in both Personal Income (+0.5% in March versus estimates for +0.4%) and Personal Consumption (+3.0% in Q1 versus estimates of +2.0%), continued low interest rates and positive trends on the labor and employment front, the stage is set for solid growth in the back half of the year. As evidenced by the market's reaction to yesterday's lousy growth number (the Dow hit a new all-time high), investors are clearly giving the benefit of the doubt to the "weather effect" theory…for now.

The Unemployment Rate for March held steady at +6.7%, slightly above expectations, as +192k jobs were added to non-farm payrolls. The Labor Force Participation Rate ticked up slightly to 63.2% while the Underemployment Rate came in slightly higher at +12.7%. Average Hourly Earnings were unchanged in the month of March and are up +2.1% YoY. Average Weekly Hours held steady at 34.5.

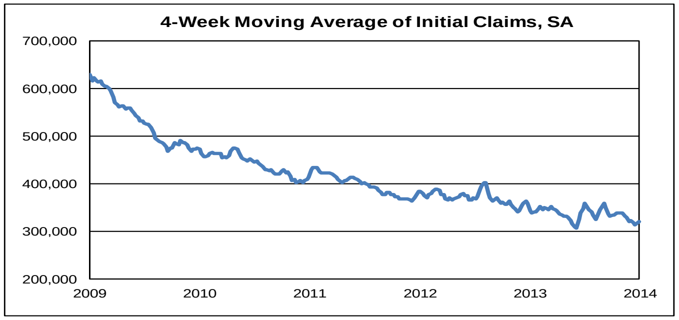
Housing continued its sporadic recovery with the S&P/CaseShiller 20-City composite rising +0.76% in February for a +12.86% YoY increase. Hot housing markets in San Francisco, Boston and Miami are overshadowing less robust growth in many other smaller cities and rural areas of the country. The overall level of homeownership continues to decline, despite a historically favorable financing environment. The Fed is likely to keep interest rates (and, by extension, mortgage rates) low until the housing recovery is more broad-based.

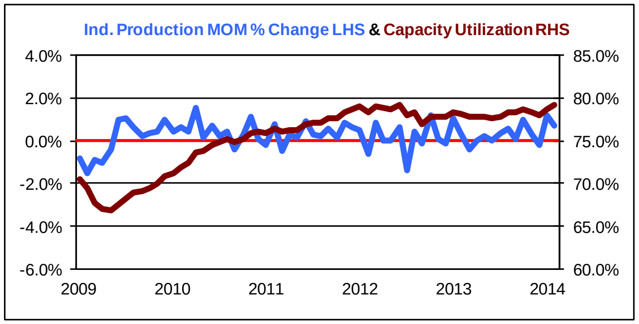






Key Data Points				
Name	**Current**	**For**	**Previous**	**For**
Retail Sales ex. Autos MOM %	0.70%	March	0.40%	February
Housing Starts	946K	March	920K	February
Factory Orders MOM %	1.60%	February	-1.00%	January
Leading Indicators MOM %	0.80%	March	0.50%	February
Unit Labor Costs	-0.10%	Q4 2013	-2.10%	Q3 2013
GDP QOQ (Annualized)	0.10%	Q1 2014	2.60%	Q4 2013
Wholesale Inventories	0.50%	February	0.70%	January
MBA Mortgage Applications	-5.90%	April	-1.20%	March





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Equity Markets

April is in the books and while investors pocketed a decent gain on the month, it was certainly a volatile ride. The S&P 500 Index finished April up +0.74%, but not before a hiccup in the middle of the period first pushed the flagship index down to a -2.95% return on the month. Decent-but-not-great earnings helped spur the intra-month rebound; through April 25th, 240 of the companies in the S&P 500 had reported first quarter earnings with 68% of them beating estimates. While that might sound positive, it falls just slightly above the 15-year average of 65% with still about half of the companies left to report.

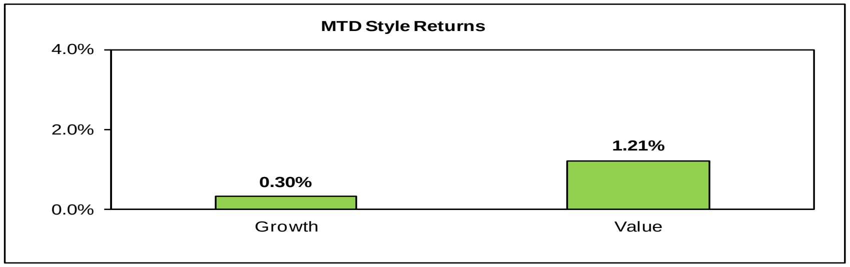
While large-cap equities bounced back to end in the green, mid- and small-caps did not fare nearly as well, dropping -1.56% and -2.79%, respectively. Additionally, value again outpaced growth, +1.21% to +0.30%. Growth has been mired by recently volatile “momentum” names. Particularly, biotech and social media equities continued to struggle.

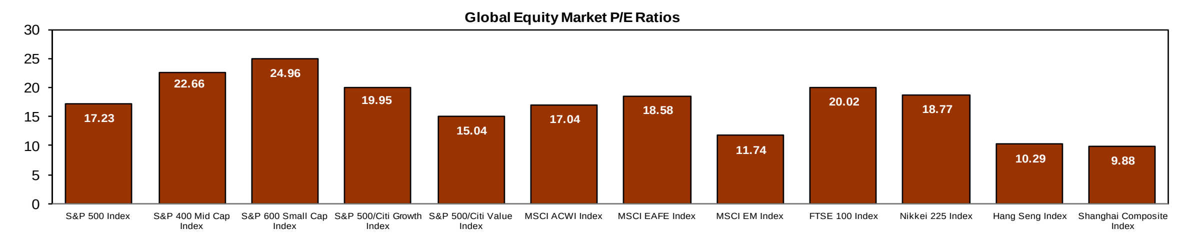
Internationally, developed and emerging equities both rallied with the MSCI EAFE and MSCI EM Indexes returning +0.37% and +1.51%, respectively. On the year, the MSCI EAFE Index is now up +2.36%, while the MSCI EM Index is still in the red, down -0.16%. While international markets broadly trail the S&P 500’s year-to-date gain (+2.56%), certain regions have shined thus far in 2014 to outpace U.S. equities. The Eurozone has been particularly strong with the MSCI EMU Index posting a +4.51% gain on the year.

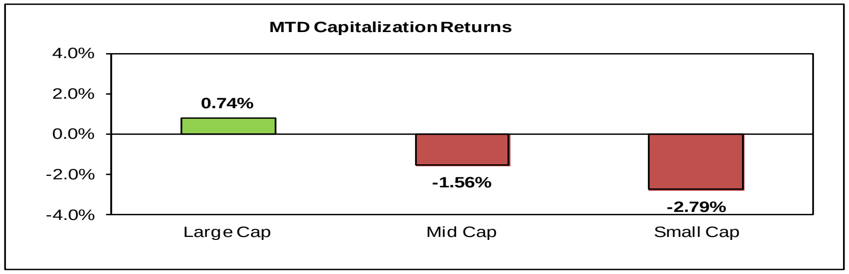
This may be a sign that investors are beginning to rotate away from the United States, where recovery efforts are further along, and into other developed markets like the Eurozone, where reflation is in (relatively) earlier stages. Events in April certainly painted a stark contrast between the current monetary policy outlook of the Federal Reserve and that of the European Central Bank. The Fed’s meeting on the last day of the month ended with another $10 billion taper of monthly bond purchases as the central bank looks to continue to wind down its quantitative easing (QE) program. At the same time, the ECB made it clear this month at the IMF’s spring meetings in Washington that QE is indeed on the table as one of its options to combat declines in inflation.

Equity Returns

Name	MTD	QTD	YTD	1 Year	3 Year	5 Year
S&P 500 Index	0.74%	0.74%	2.56%	20.43%	13.79%	19.12%
S&P 400 Mid Cap Index	-1.56%	-1.56%	1.42%	18.57%	11.71%	21.02%
S&P 600 Small Cap Index	-2.79%	-2.79%	-1.70%	24.57%	13.85%	21.50%
S&P 500/Citi Growth Index	0.30%	0.30%	1.70%	20.99%	14.20%	19.24%
S&P 500/Citi Value Index	1.21%	1.21%	3.50%	19.84%	13.42%	19.06%
MSCI ACWI Index	1.00%	1.00%	2.23%	15.10%	8.13%	16.14%
MSCI EAFE Index	1.51%	1.51%	2.36%	14.10%	6.36%	14.31%
MSCI EM Index	0.37%	0.37%	-0.16%	-1.51%	-3.40%	11.48%
FTSE 100 Index	3.12%	3.12%	1.92%	9.69%	8.04%	14.28%
Nikkei 225 Index	-3.53%	-3.53%	-11.53%	4.85%	15.37%	12.17%
Hang Seng Index	0.01%	0.01%	-4.54%	0.93%	1.16%	10.92%
Shanghai Composite Index	-0.31%	-0.31%	-4.20%	-4.10%	-9.15%	-1.88%

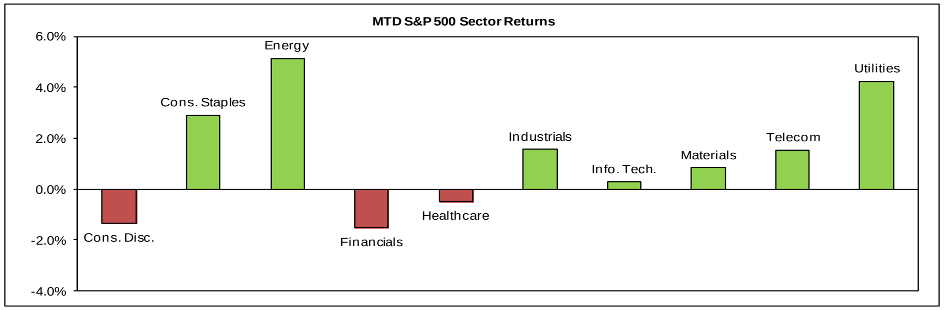






S&P 500 Sector Returns

Sector	MTD	QTD	YTD	1 Year	3 Year	5 Year	% of S&P 500
Consumer Discretionary	-1.36%	-1.36%	-4.12%	18.76%	18.30%	24.43%	11.72%
Consumer Staples	2.92%	2.92%	3.44%	10.46%	15.12%	18.50%	10.66%
Energy	5.15%	5.15%	5.98%	21.33%	6.97%	16.48%	10.40%
Financials	-1.53%	-1.53%	1.04%	19.61%	12.36%	17.14%	15.85%
Healthcare	-0.50%	-0.50%	5.28%	24.98%	20.68%	21.69%	12.96%
Industrials	1.56%	1.56%	1.70%	30.25%	13.60%	21.91%	10.72%
Information Technology	0.29%	0.29%	2.57%	24.81%	13.27%	18.73%	18.74%
Materials	0.84%	0.84%	3.72%	23.49%	8.16%	16.81%	3.48%
Telecommunications	1.54%	1.54%	2.02%	-2.88%	10.23%	14.00%	2.37%
Utilities	4.25%	4.25%	14.77%	8.51%	13.84%	15.71%	3.10%



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April 30, 2014

Fixed Income

By nearly all measures, the bond market appears less than convinced that the U.S. economy is on any sort of strong road to recovery. Perhaps anticipating this week's lackluster GDP report, 10-year Treasury yields dropped to 2.67%, and despite the continued withdrawal of the Fed from the bond-buying universe, downward pressure on yields remains strong. With yesterday's FOMC meeting behind it, the Fed will now be buying $45 billion per month in Treasury and MBS ($25 billion in Treasury securities and $20 billion in MBS per month) and expectations are for QE to be fully discontinued by year-end.

Emerging market debt continued to make a comeback from a desultory 2013 as the ML USD Emerging Market Sovereign & Credit Index gained 2.07% in April and is now up +5.16% for the year. Despite China's slowdown and increasing geo-political turmoil, investor demand for yield of any kind remains strong and institutional memory short. Muni's were the next best performer in April as the ML Municipal Master Index gained +1.30%, nearly matching EM's YTD gain with it's 5.15% return. As with EM, investor fears evident in 2013 appear placated despite the lack of any resolution to Puerto Rico's problems. A drop-off in supply thus far in 2014 has also contributed to the rally in muni debt, although that could change over the months ahead.

Corporations continue to take advantage of the benign funding environment, with Apple, Inc. the latest company to benefit from low interest rates/spreads and strong investor demand. Apple sold $12 billion in debt this week with yields ranging from 2.10% for five years out to 4.45% for thirty years. The country of Canada also came to market interestingly, selling $1.5 billion in 50-year sovereign bonds yielding a paltry 2.96%. Needless to say, the demand for long-duration debt from many pension funds would have allowed the country to sell much more had it chosen to.

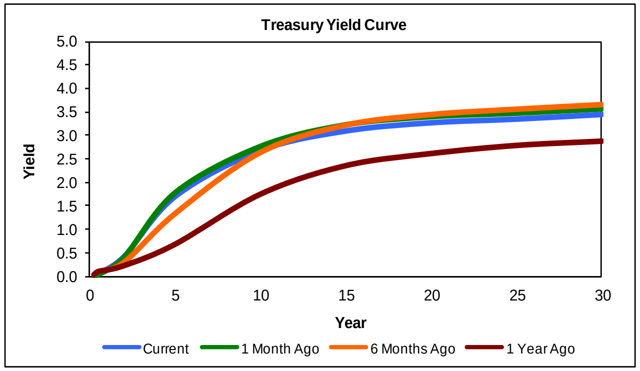
With long-dated sovereign debt returns exceeding equity market returns thus far in 2014, it's fair to say many investors have been caught off guard. The combination of weak domestic growth and an increasingly transparent Fed has emboldened investors to reach for duration and embrace credit risk, seemingly ignoring some of the more important lessons from history. Time will tell if indeed this time is different; however, we're not willing to take that bet!

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%	0.50%	0.75%
Bank of England Official Bank Rate	0.50%	0.50%	0.50%	0.50%

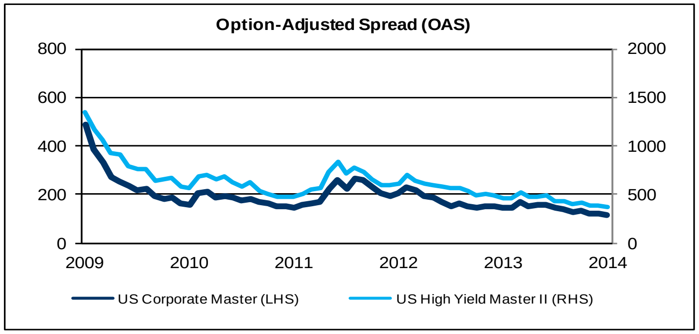
Fixed Income Returns

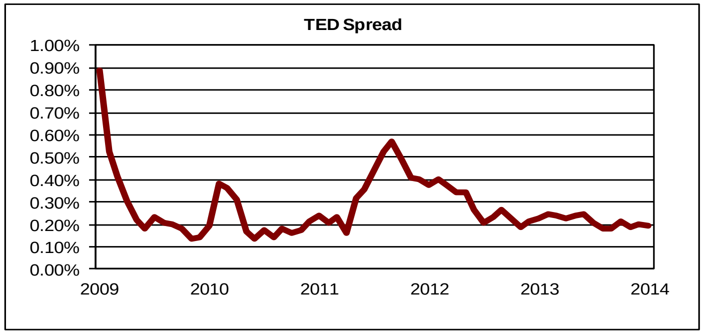
Name	MTD	QTD	YTD	1 Year
ML U.S. Treasury/Agency Master Index	0.62%	0.62%	2.23%	-1.82%
ML U.S. Broad Market Index	0.84%	0.84%	2.80%	-0.45%
ML U.S. Corporate Master Index	1.17%	1.17%	4.18%	0.89%
ML U.S. High Yield Master II Index	0.69%	0.69%	3.71%	6.30%
ML USD Emerging Market Sovereign & Credit Index	2.07%	2.07%	5.16%	2.38%
ML Global Government Bond II Index	0.59%	0.59%	2.72%	0.53%
ML Municipal Master Index	1.30%	1.30%	5.15%	0.45%

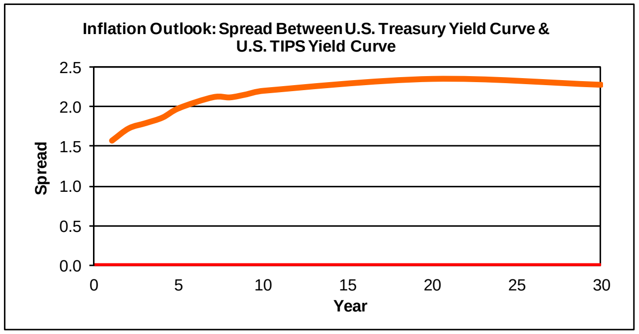


U.S. Treasury Yields

Period	3 Month	6 Month	2 Year	5 Year	10 Year	15 Year	20 Year	25 Year	30 Year
Current	0.03%	0.05%	0.41%	1.69%	2.67%	3.09%	3.26%	3.34%	3.44%
1 Month Ago	0.01%	0.05%	0.40%	1.78%	2.76%	3.22%	3.39%	3.46%	3.55%
6 Months Ago	0.03%	0.10%	0.29%	1.33%	2.63%	3.21%	3.43%	3.55%	3.64%
1 Year Ago	0.02%	0.09%	0.22%	0.68%	1.75%	2.36%	2.62%	2.80%	2.89%







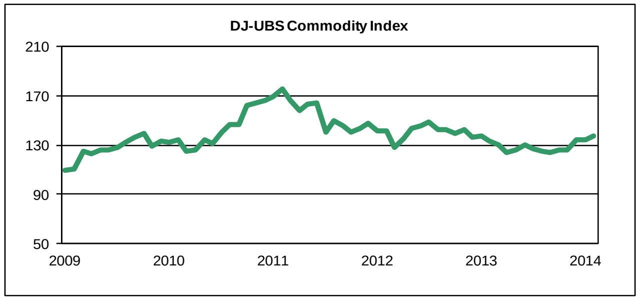
Alternative Investments

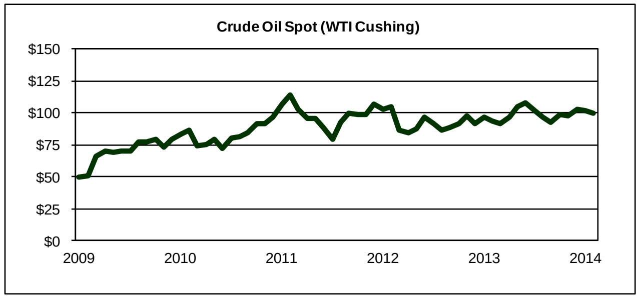
Alternative investments performed well in April, led by REITs, Commodities, and Gold, while Currencies proved to be a mixed bag. Gold rose +0.6% during the month to close at $1,292/oz. The precious metal has regained some favor so far this year, rising +7.1% YTD. Real Estate, as measured by the FTSE NAREIT All-REIT Index, rose +2.7% on the month, and is up a solid +10.4% YTD. REITs have benefitted from a continued low interest rate environment and have been supported more recently by a 10-year U.S. Treasury that has remained range bound. The 10-year Treasury note closed April yielding 2.67%.

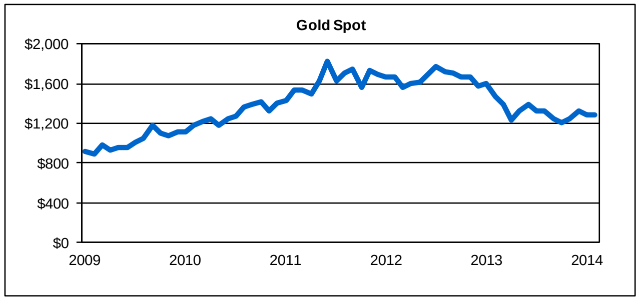
Commodities, as measured by the DJ-UBS Commodities Index, continued their "stealth rally," rising +2.4% in April for their fifth straight month of gains. The Index is now +9.6% YTD, after losing the same amount in all of 2013. West Texas Intermediate (WTI) crude oil slipped -1.8% on the month, closing at $99.74 on the NYMEX. WTI has gained +1.3% so far this year, but is down -7.3% from its late-summer peak in August 2013. WTI has continued to trade at elevated prices even as domestic oil production has climbed to a record high of over 8 million bbl/day.

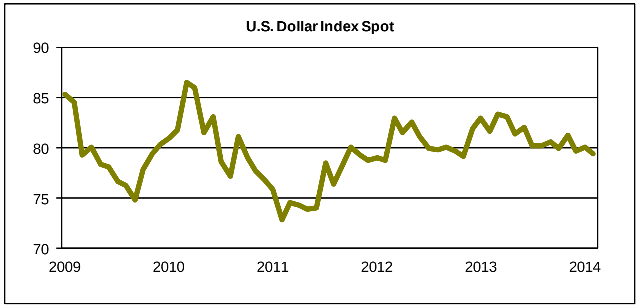
On the currency front, the Dollar Index retreated -0.8% on the month, and has remained relatively flat so far this year as interest rates have remain subdued. Moving forward, continued economic strength in the U.S., improvements in the labor market, and rising interest rates should be supportive of a strengthening dollar in the future. We remain bullish on the USD in the intermediate term, as we expect the aforementioned criteria for dollar strength to continue to improve over time. As for other major international currencies, the Yen strengthened slightly against the Dollar, falling to 102.24 JPY/USD, and has remained largely unchanged YTD. The Pound strengthened +1.3% against the Dollar in April to $1.69 USD/GBP, as continued strength in the U.K. economy, including robust retail sales and falling unemployment, have buoyed the Pound higher. The strength in the Pound is even more profound when taken over the last year, with the Pound up +8.6% against the Dollar over that time. The Euro remains elevated at $1.39 USD/EUR as the bloc continues on its road to economic recovery.

Lastly, Hedge Funds trailed the broader S&P 500 in April, with 8 of 10 strategies posting negative returns, and all 10 strategies trailing the S&P 500's +0.74% return on the month.





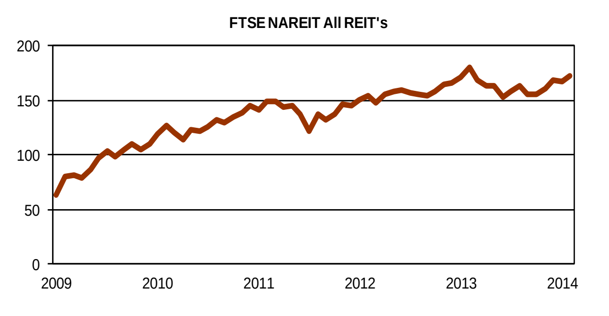




Hedge Funds

Name	MTD	QTD	YTD	1 Year	3 Year	5 Year
Global Hedge	-0.74%	-0.74%	0.37%	3.21%	0.05%	3.33%
Convertible Arbitrage	-0.91%	-0.91%	1.21%	5.46%	3.97%	9.52%
Distressed Securities	-0.40%	-0.40%	2.93%	6.06%	-0.68%	1.63%
Equity Hedge (L/S)	-1.51%	-1.51%	-0.27%	4.83%	-0.85%	2.47%
Equity Market Neutral	0.29%	0.29%	2.39%	3.09%	-1.97%	-0.56%
Event Driven	-0.68%	-0.68%	2.12%	9.38%	4.24%	5.94%
Macro	-0.54%	-0.54%	-1.58%	-3.86%	-3.84%	-3.65%
Merger Arbitrage	0.04%	0.04%	0.49%	2.86%	0.28%	3.17%
Relative Value Arbitrage	-0.13%	-0.13%	0.81%	1.60%	0.33%	7.82%
Absolute Return	-0.30%	-0.30%	1.01%	3.74%	0.34%	-0.23%

Note: Price Return, Returns as of 04/29/14



Spot Rates

Description	Current	1 Month Ago	3 Months Ago	6 Months Ago	1 Year Ago
CAD / USD	1.10	1.11	1.11	1.04	1.01
JPY / USD	102.24	103.23	102.04	98.36	97.45
USD / GBP	1.69	1.67	1.64	1.60	1.55
USD / EUR	1.39	1.38	1.35	1.36	1.32

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

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