Nottingham Monthly Market Wrap
February 28, 2014

Economic Overview

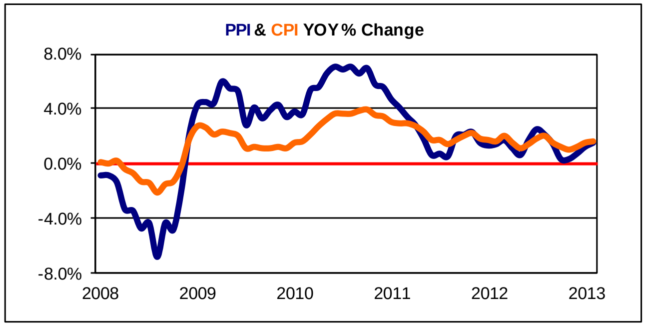
Although February's economic data was decidedly mixed on the month, it didn't deter the S&P 500 from reaching a new high. With inclement weather plaguing much of the United States this winter, a skeptical eye toward much of this winter's data may be warranted. Certainly lackluster employment gains may be attributed to the unusually wintery conditions throughout much of the Mid-Atlantic and Southern U.S.

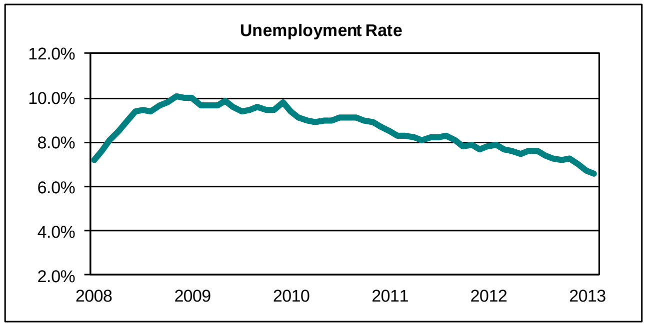
The Unemployment Rate for January fell to 6.6%, slightly below consensus forecasts of 6.7%. This decline came despite a lackluster +113k change in nonfarm payrolls, far below estimates for an increase of +185k. Average Hourly Earnings rose +0.2% MoM and are now up +1.0% YoY while the average work week came in as forecast at 34.4 hours. Weekly Initial Jobless Claims hovered around+335k throughout February.

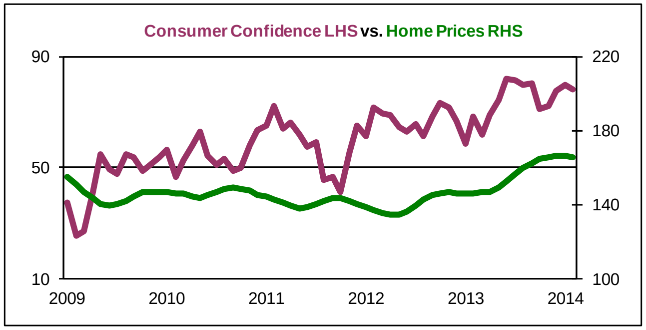
The housing market appeared to be the most impacted by the weather as Housing Starts declined -16.0% MoM in January while Building Permits fell -5.4% MoM and Existing Home Sales dropped -5.1% MoM. The S&P/CS 20 City Index rose +0.76% in December and is up +13.4% YoY, a sign the housing recovery remains firmly on track. We would expect starts and sales numbers to normalize as Spring approaches and the traditional "buying season" for housing begins. Continued low mortgage interest rates should make affordability a non-issue for credit-worthy buyers.

Factory Orders in December declined by -1.5% MoM, not quite as bad as analysts estimated, while Durable Goods Orders in January fell -1.0%, also better than estimated. Industrial Production fell -0.3% MoM while Capacity Utilization declined from 79.3% to 78.5%. Once again, weather may have played a part in manufacturing weakness and we'll be watching for an improvement in these numbers over the months ahead.

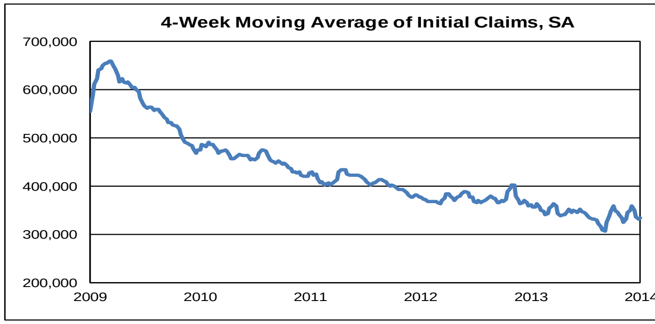
Inflation remains subdued as the CPI rose +1.6% YoY in January (+0.1% MoM) while PPI rose just +1.2% YoY (+0.2% MoM). Core CPI rose +1.6% YoY while core PPI gained +1.3% YoY.

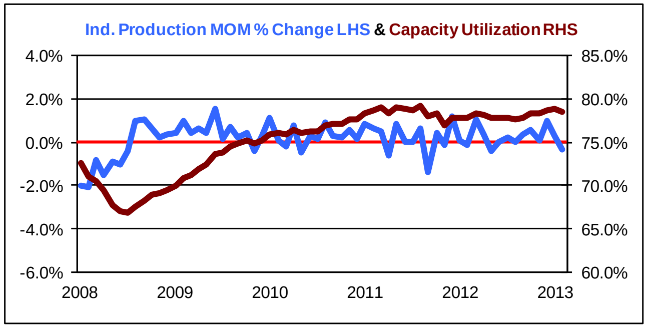






Key Data Points				
Name	**Current**	**For**	**Previous**	**For**
Retail Sales ex. Autos MOM %	0.00%	January	0.30%	December
Housing Starts	880	January	1048K	December
Factory Orders MOM %	-1.50%	December	1.50%	November
Leading Indicators MOM %	0.30%	January	0.00%	December
Unit Labor Costs	-1.60%	Q4 2013	-2.00%	Q3 2013
GDP QOQ (Annualized)	2.40%	Q4 2013	4.10%	Q3 2013
Wholesale Inventories	0.30%	December	0.50%	November
MBA Mortgage Applications	-8.50%	February	0.40%	January





Nottingham Monthly Market Wrap
February 28, 2014

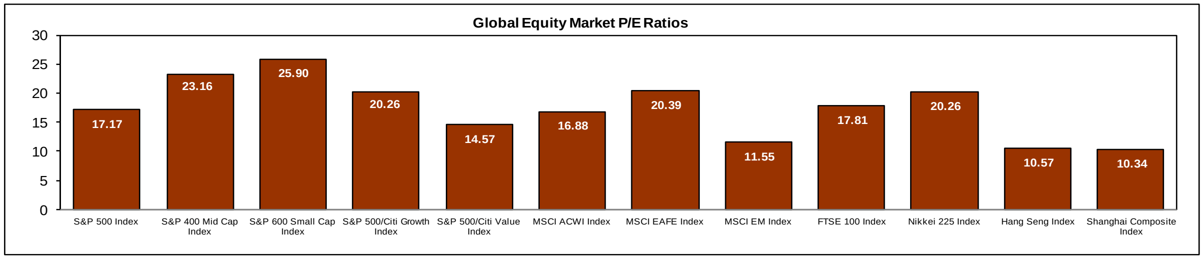
Equity Markets

Following a disappointing kickoff to 2014, equities bounced back in February to push most major indices into the green for the year. While it is difficult to identify a broad theme behind the move higher, the overall lack of bad news likely played a role in the rebound (headline risk). However, escalation of Russian military action, culminating in the invasion of the Ukrainian peninsula of Crimea at the end of the month, threatened to quickly undo equities' broad advancement in February.

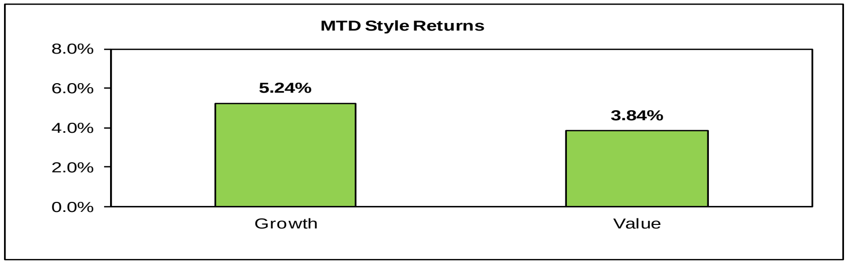
The S&P 500 increased +4.57% during the month, finishing the period at a record closing high of 1,859. Following its best performance since October, the index is now in positive territory on the year, up +0.96% year-to-date. The gain in the S&P 500 was broad based with nine out of ten economic sectors posting gains during the month. Healthcare (+6.17%) and Utilities (+3.4%) again posted solid gains during the period and the two sectors remain the best performers of 2014 thus far with year-to-date gains of +7.17% and +6.5%, respectively.

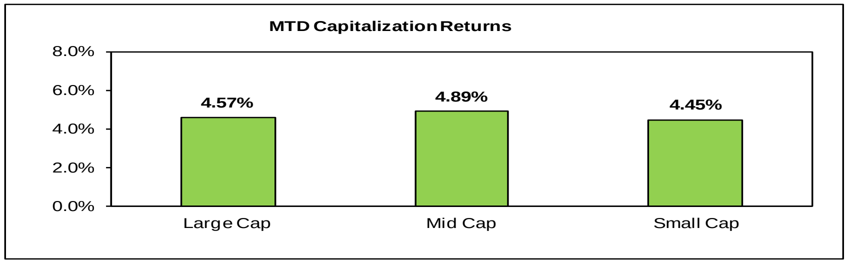
Growth stocks outperformed value stocks during the period, +5.24% versus +3.84%, and through the first two months of the year, growth stocks have outpaced value stocks by 235 basis points. The divergence in performance is a stark contrast from last year when the two style classes finished just 78 basis points apart despite gains of roughly +30.0%.

Internationally, equities also rallied during the month. In fact, the MSCI EAFE was the best performing major index during the period, up +5.61%. Within developed markets, strong performance in Europe was partially offset by weakness in Japan. Japan struggled as some are starting to question the effectiveness of "Abenomics" and the Nikkei 225 was the only major index to finish the month in the red, down -0.43% (-8.84% YTD). Finally, the MSCI EM Index showed signs of hope, finishing the period up +3.26%. However, geopolitical risk remains high and Russia makes up approximately 5.5% of the index. As a result, emerging markets investors are likely to remain keenly focused on the situation in Crimea.

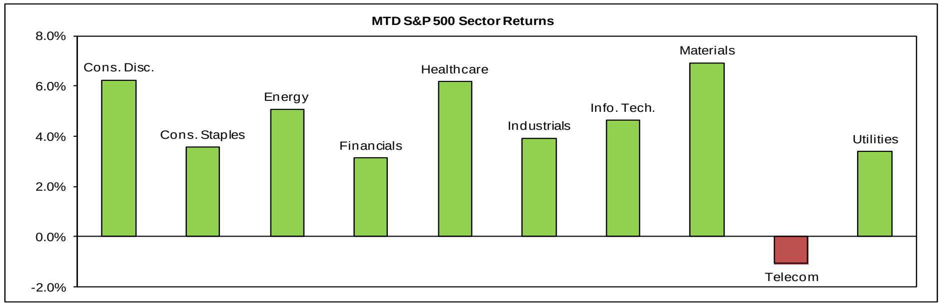


Equity Returns						
Name	**MTD**	**QTD**	**YTD**	**1 Year**	**3 Year**	**5 Year**
S&P 500 Index	4.57%	0.96%	0.96%	25.36%	14.33%	22.97%
S&P 400 Mid Cap Index	4.89%	2.66%	2.66%	26.53%	14.10%	26.89%
S&P 600 Small Cap Index	4.45%	0.43%	0.43%	32.30%	16.81%	27.99%
S&P 500/Citi Growth Index	5.24%	2.14%	2.14%	28.71%	15.77%	23.09%
S&P 500/Citi Value Index	3.84%	-0.31%	-0.31%	21.87%	12.88%	22.95%
MSCI ACWI Index	4.88%	0.71%	0.71%	18.89%	9.05%	20.33%
MSCI EAFE Index	5.61%	1.40%	1.40%	20.08%	7.33%	18.37%
MSCI EM Index	3.26%	-3.51%	-3.51%	-5.71%	-1.65%	17.27%
FTSE 100 Index	5.08%	1.45%	1.45%	11.33%	8.63%	16.75%
Nikkei 225 Index	-0.43%	-8.84%	-8.84%	30.54%	14.01%	16.57%
Hang Seng Index	3.70%	-1.96%	-1.96%	2.80%	2.78%	16.00%
Shanghai Composite Index	1.15%	-2.82%	-2.82%	-10.40%	-8.64%	1.88%





S&P 500 Sector Returns							
Sector	**MTD**	**QTD**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**% of S&P 500**
Consumer Discretionary	6.24%	-0.04%	-0.04%	33.79%	21.33%	32.85%	12.46%
Consumer Staples	3.57%	-1.75%	-1.75%	13.46%	15.74%	19.00%	10.23%
Energy	5.07%	-1.55%	-1.55%	13.90%	5.43%	16.72%	9.85%
Financials	3.13%	-0.59%	-0.59%	25.61%	10.80%	25.63%	15.66%
Healthcare	6.17%	7.17%	7.17%	39.26%	24.77%	23.46%	13.39%
Industrials	3.92%	-0.73%	-0.73%	28.91%	14.40%	27.60%	10.68%
Information Technology	4.63%	2.00%	2.00%	28.37%	13.17%	24.13%	18.89%
Materials	6.92%	2.03%	2.03%	25.27%	9.01%	23.19%	3.51%
Telecommunications	-1.04%	-4.15%	-4.15%	0.92%	10.48%	14.71%	2.43%
Utilities	3.40%	6.50%	6.50%	12.46%	12.62%	14.70%	2.91%



Fixed Income

As the Janet Yellen era formally began, bond prices surged and yields dropped. So far 2014 has played out in opposite fashion to the consensus call for this year. Few would have bet that bond yields would fall in the face of Fed tapering policies, although weak U.S. economic data, as well as political unrest around the globe may have more to do with the current state of bond yields than simply supply and demand.

After a rough 2013, emerging market debt has started to recover. The ML USD Emerging Market Sovereign & Credit Index rose +3.58% in February, bringing it back to virtually unchanged on the year. High-yield debt continued to rally despite tighter spreads to investment-grade bonds, with the ML U.S. High Yield Master II Index gaining +2.0% last month. Muni's continued their rebound from a desultory 2013 as the ML Municipal Master Index rose +1.34%. The municipal index is now up +3.63% thus far in 2014. The ML U.S. Corporate Master Index gained +1.1% in February and is up +2.9% on the year. Corporate spreads remain suppressed and we would expect to see some widening occur if and when rates trend higher.

As the 10-year yield grinds back toward 2.50%, those fixed-income investors who haven't already done so might think about taking profits on longer-duration bonds and re-allocating proceeds to the 3-5 year sector. The yield curve still remains steep on the front end and the impact from rising rates will be much more muted. With geo-political tensions rising, the U.S. economy slowing somewhat and inflation still barely visible, we could see rates stay low longer than many anticipated. This would bode well for higher yielding sectors like bank loans and high yield, although at some point soon the risk / reward trade-off in the these sectors won't make sense.

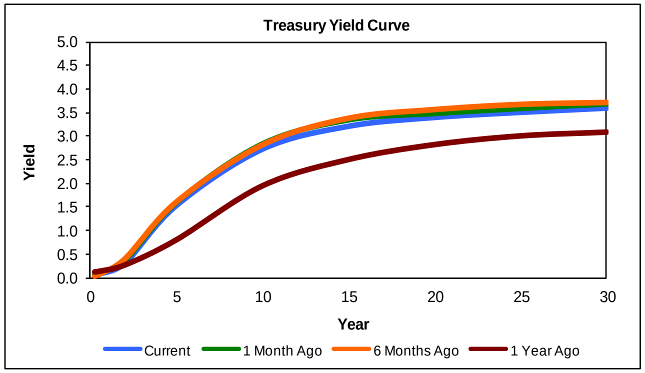
Bond investors will be watching closely the ECB this week as European policy-makers meet on March 6th. Improving economic data in the EU suggest that rates may be left unchanged, somewhat contrary to previous reports that the ECB may indeed cut interest rates further. Any signs of growth in Europe would be most welcomed by investors of all stripes and would further encourage the ECB in their efforts.

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%

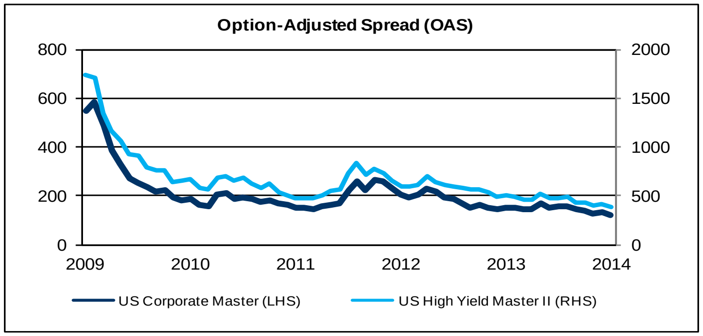
Fixed Income Returns

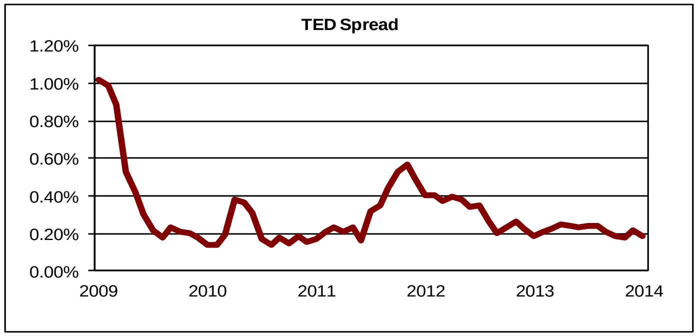
Name	MTD	QTD	YTD	1 Year
ML U.S. Treasury/Agency Master Index	0.31%	1.87%	1.87%	-1.08%
ML U.S. Broad Market Index	0.57%	2.13%	2.13%	0.04%
ML U.S. Corporate Master Index	1.10%	2.90%	2.90%	1.42%
ML U.S. High Yield Master II Index	2.00%	2.76%	2.76%	8.38%
ML USD Emerging Market Sovereign & Credit Index	3.58%	0.26%	0.26%	-1.04%
ML Global Government Bond II Index	0.38%	2.01%	2.01%	1.59%
ML Municipal Master Index	1.34%	3.63%	3.63%	-0.47%

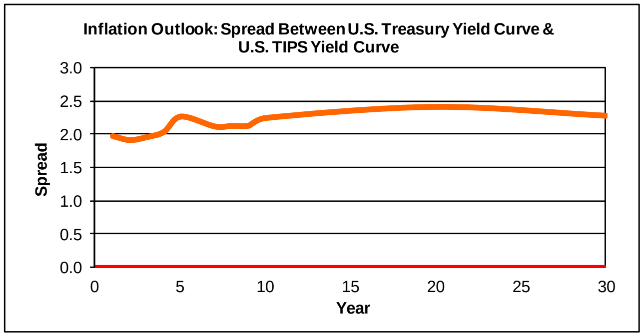


U.S. Treasury Yields

Period	3 Month	6 Month	2 Year	5 Year	10 Year	15 Year	20 Year	25 Year	30 Year
Current	0.04%	0.08%	0.31%	1.53%	2.72%	3.21%	3.39%	3.50%	3.59%
1 Month Ago	0.06%	0.10%	0.37%	1.60%	2.84%	3.35%	3.48%	3.59%	3.69%
6 Months Ago	0.03%	0.07%	0.40%	1.61%	2.82%	3.39%	3.57%	3.68%	3.72%
1 Year Ago	0.11%	0.12%	0.26%	0.79%	1.94%	2.50%	2.81%	3.00%	3.08%







Alternative Investments

Alternative investments fared extremely well in February, largely outperforming the advance of the broader U.S. equity market. Gold led the alternative basket higher, gaining +6.6% in February, and is now the best performing asset class so far YTD (+10.0%). This is a total reversal for an asset class that was basically left for dead at the end of 2013, having lost -28.0%. The next best performer in February was commodities, as measured by the DJ UBS Commodities Index, which gained +6.2%, helped higher by West Texas Intermediate (WTI) crude oil, which gained +5.2% on the month. Lastly, as U.S. Treasury prices continued to rise (resulting in falling yields), rate-sensitive stocks such as REITs regained favor in February with the FTSE NAREIT All REIT index gaining +4.4%

On the currency front the Dollar was a notable laggard, falling -2.0% on the month. Other major currencies also encountered notable moves, with the Euro and Pound strengthening +2.2% and +1.8% against the Dollar, respectively, while both the Canadian Loonie and Japanese Yen remaining largely unchanged.

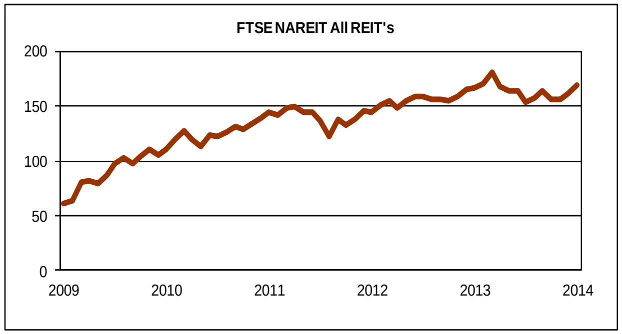
As for the Hedge Fund industry, returns were largely mixed during the month. Equity Hedge strategies, also known as long/short funds, were the best performing strategy, gaining +2.34%, followed closely by Event Driven strategies, which returned +2.27% on the month. Notable negative performing strategies included Macro and Merger Arbitrage, which lost -0.57% and -0.12%, respectively. It is interesting to note that Macro strategies were negative performers during a month in which nearly all major world equity indices posted strong positive returns. The only major world index that was negative was Japan's Nikkei, which lost -0.43% on the month. With that being said, it is safe to assume most Macro strategies were caught off guard in February and were not positioned for a rally in global equity markets. This is not surprising considering the start we've seen to 2014, one in which the 10-year U.S. Treasury yield has **fallen nearly 40bps.**

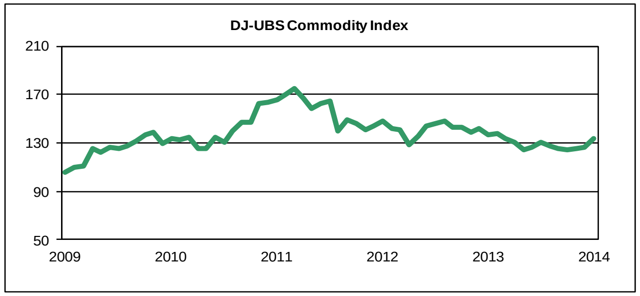
Looking ahead to the rest of the year, it is hard to predict how each individual alternative asset class will perform; however, it is months like January and February that remind us why alternatives hold an important allocation in one's portfolio – as diversified hedges against global equity market volatility.

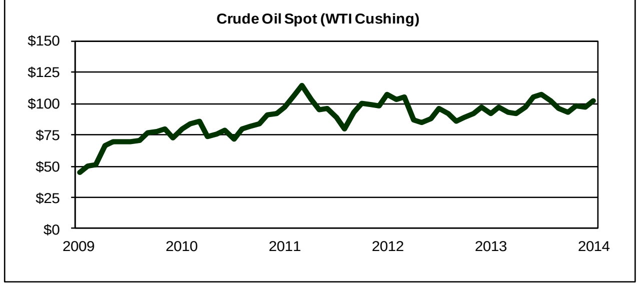
Hedge Funds

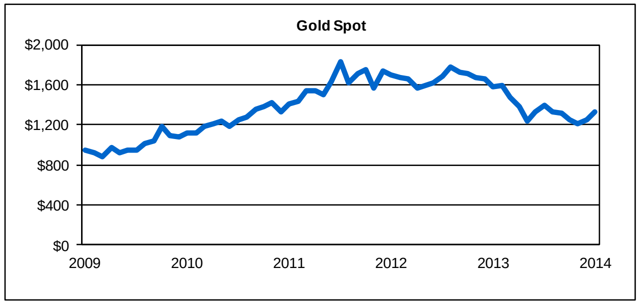
Name	MTD	QTD	YTD	1 Year	3 Year	5 Year
Global Hedge	1.48%	1.23%	1.23%	5.50%	0.20%	3.83%
Convertible Arbitrage	1.63%	2.28%	2.28%	10.26%	4.32%	10.93%
Distressed Securities	1.54%	2.64%	2.64%	7.15%	-0.63%	1.04%
Equity Hedge (L/S)	2.34%	1.30%	1.30%	8.41%	-1.54%	3.60%
Equity Market Neutral	0.62%	1.34%	1.34%	2.50%	-1.95%	-1.36%
Event Driven	2.27%	2.67%	2.67%	12.58%	4.83%	6.65%
Macro	-0.57%	-0.64%	-0.64%	-2.43%	-3.13%	-4.07%
Merger Arbitrage	-0.12%	-0.03%	-0.03%	3.45%	0.37%	3.11%
Relative Value Arbitrage	1.39%	1.19%	1.19%	2.54%	0.62%	8.47%
Absolute Return	0.38%	1.07%	1.07%	4.10%	0.39%	-0.44%

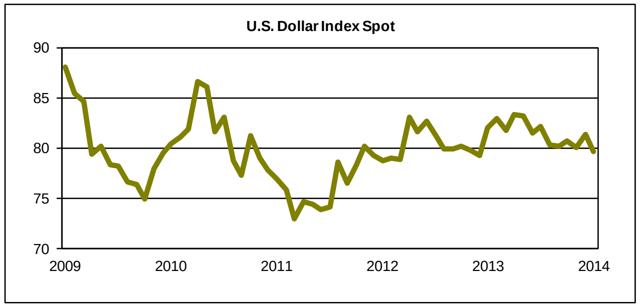
Note: Price Return, Returns as of 02/27/14











Spot Rates

Description	Current	1 Month Ago	3 Months Ago	6 Months Ago	1 Year Ago
CAD / USD	1.11	1.11	1.06	1.05	1.03
JPY / USD	101.80	102.04	102.44	98.17	92.56
USD / GBP	1.67	1.64	1.64	1.55	1.52
USD / EUR	1.38	1.35	1.36	1.32	1.31

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