Nottingham Monthly Market Wrap

January 31, 2015

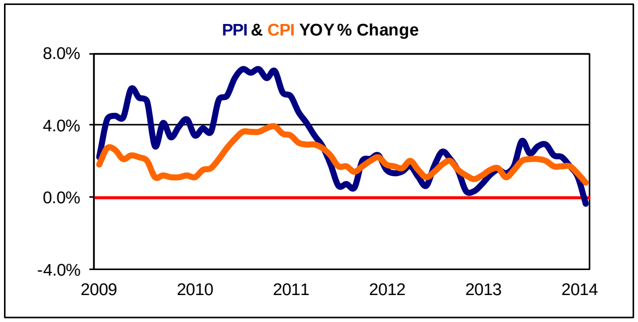
Economic Overview

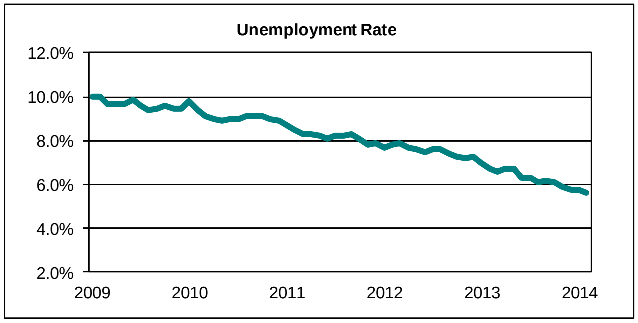
January's economic calendar produced a mixed bag of data showing a generally strong economy tempered by signs of a consumer pull-back. While low interest rates have provided a spark to the U.S. economy over the past few years, the continued decline in rates has sparked fears of deflation, primarily abroad, but more recently here in the U.S. Further declines in the price of oil will only give the Fed more reason to delay a rate hike, with estimates now moving into 2016 before the Fed Funds rate is moved off it's 0.00% - 0.25% boundary.

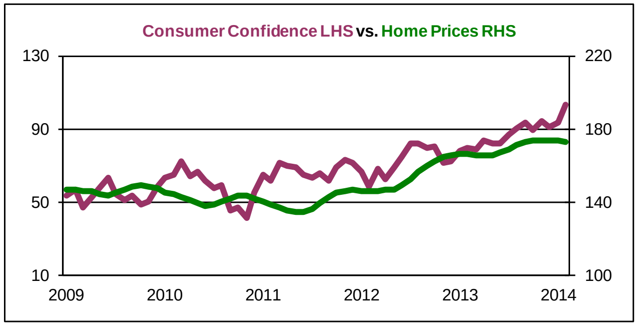
The Consumer Price Index fell -0.4% in the month of December and is now showing a modest +0.8% YoY increase. Ex Food and Energy, consumer prices were flat in December while up +1.6% YoY. The Fed's preferred measure of consumer inflation, the PCE Deflator, declined -0.2% in December and is up a scant +0.7% YoY. Producer prices were likewise soft with PPI down -0.3% MoM (+1.1% YoY), while Core PPI rose +0.3% MoM and +2.1% YoY.

With the price of oil having fallen by over 50% in just the past 6 months, it's likely that significant downward pressure on overall prices will remain as early signs are that consumers are electing to save their "energy windfall" rather than spend it. Time will tell if energy savings will translate into an unexpected bump in GDP, (most estimates are for a +0.5 to +1.0% increase), however, early signs are pointing to increased savings and debt reduction.

The first reading for Q4 GDP came in at the end of January and it showed the U.S. economy grew at a +2.6% annual rate, falling short of estimates for a +3.0% increase and down from the prior quarters reading of +5.0% growth. Despite the Unemployment Rate trending lower (+5.6% in December), Retail Sales and Durable Goods orders both unexpectedly declined in December, as did Factory Orders (-0.7% vs. -0.5% expected) and Industrial Production (-0.1%). Although the housing market generally held steady during December and January, given the continued decline in interest rates and hence mortgage rates, we would expect to see a surge in mortgage refinancing's as well as first-time home buying as Spring approaches.

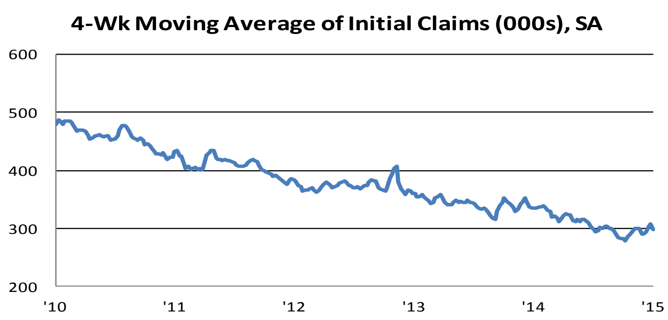


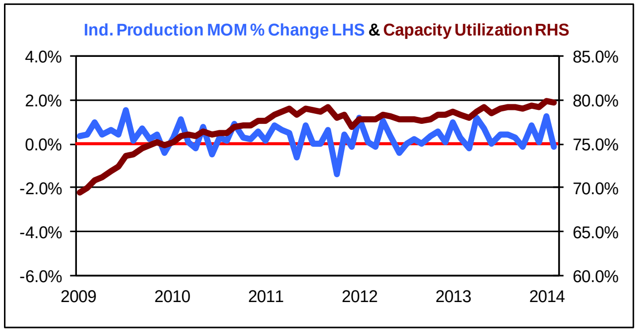




Key Data Points

Name	Current	For	Previous	For
Retail Sales ex. Autos MOM %	-1.00%	December	0.10%	November
Housing Starts	1,089K	December	1,043K	November
Factory Orders MOM %	-0.70%	November	-0.70%	October
Leading Indicators MOM %	0.50%	December	0.40%	November
Unit Labor Costs	-1.00%	Q3 2014	-3.70%	Q2 2014
GDP QOQ (Annualized)	2.60%	Q4 2014	5.00%	Q3 2014
Wholesale Inventories	0.80%	November	0.60%	October
MBA Mortgage Applications	-3.20%	January	-18.20%	December





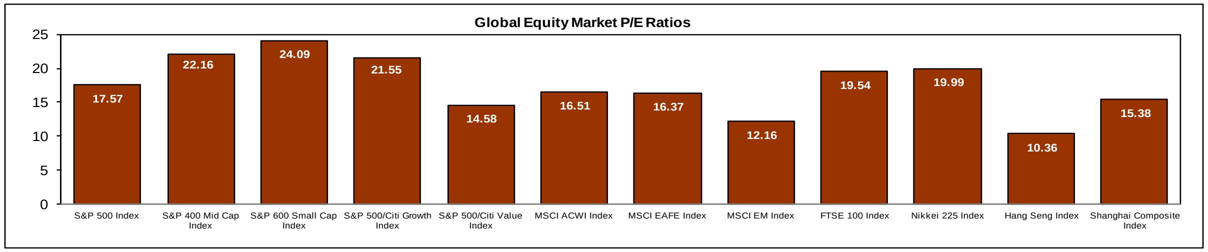
Equity Markets

2015 is off to the races and U.S. equities have jumped out of the gate with a whimper. After closing last year up +13.7%, the S&P 500 fell -3.0% as a market increasingly appearing "priced for perfection" responded to economic and earnings results that have been anything but. Fourth quarter earnings can be classified as "mixed" thus far and January's economic data has been somewhat disappointing.

According to Strategas Research Partners, 229 companies in the S&P 500 have reported earnings for the fourth quarter (a/o 01/30/15). Of that, 73% have beaten estimates – not too shabby. However, there has been some distinct weakness in certain sectors, namely Financials. Even though the majority of individual companies that have reported within the sector have beat (59%), the sector's aggregate earnings came up well short of estimates (-2%). This means that a few large names at the top of the sector missed earnings materially. The guilty party? Big banks. Companies like Bank of America, Citigroup, and J.P. Morgan Chase missed estimates as they all struggled with falling trading revenues and rising legal costs.

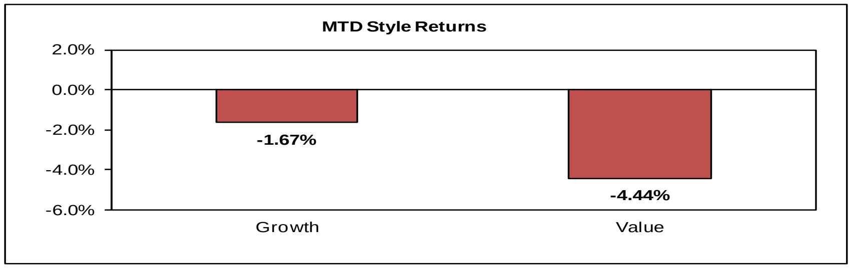
Moreover, economic data did very little to quell investors' concerns over mediocre earnings. As mentioned in the previous section, the first reading of Q4 GDP came in below expectations and December's Retail Sales and Durable Goods Orders came in soft. Outside of the headline performance on the S&P 500, there were a few other notable moves. Mid-caps hung in nicely (down only -1.12%), growth started to separate itself from value (-1.67% vs. -4.44%), and Financials were the big loser (-7.0%, see above).

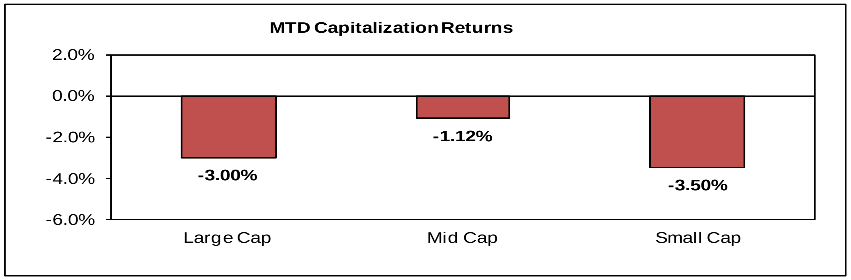
While U.S. equities finished in the red, the majority of the rest of the world actually ended the month higher. The MSCI EAFE Index (developed countries) and the MSCI EM Index (emerging countries) returned +0.5% and +0.6%, respectively. After falling in the early part of the month, international equities trended higher for the remainder as market participants first anticipated and then digested the announcement of a quantitative easing (QE) program by the European Central Bank (ECB). Last year's performance gap (almost 18%) between the U.S and international developed equities was the largest it's been since 1997 and many are starting to wonder if this trend might reverse with international equities falling back into favor. If January is any indication, it's a distinct possibility.



Equity Returns

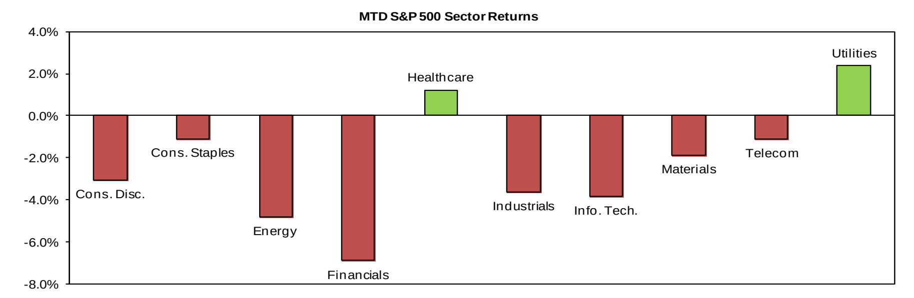
Name	MTD	QTD	YTD	1 Year	3 Year	5 Year
S&P 500 Index	-3.00%	-3.00%	-3.00%	14.22%	17.46%	15.57%
S&P 400 Mid Cap Index	-1.12%	-1.12%	-1.12%	10.86%	16.97%	16.99%
S&P 600 Small Cap Index	-3.50%	-3.50%	-3.50%	6.14%	16.32%	17.21%
S&P 500/Citi Growth Index	-1.67%	-1.67%	-1.67%	16.41%	18.18%	16.86%
S&P 500/Citi Value Index	-4.44%	-4.44%	-4.44%	11.84%	16.69%	14.26%
MSCI ACWI Index	-1.54%	-1.54%	-1.54%	7.48%	12.11%	10.48%
MSCI EAFE Index	0.52%	0.52%	0.52%	0.30%	10.08%	7.10%
MSCI EM Index	0.59%	0.59%	0.59%	5.51%	0.91%	3.43%
FTSE 100 Index	2.90%	2.90%	2.90%	7.69%	10.22%	9.58%
Nikkei 225 Index	1.29%	1.29%	1.29%	20.49%	28.50%	13.72%
Hang Seng Index	3.82%	3.82%	3.82%	15.64%	10.72%	7.68%
Shanghai Composite Index	-0.74%	-0.74%	-0.74%	63.17%	15.23%	3.98%





S&P 500 Sector Returns

Sector	MTD	QTD	YTD	1 Year	3 Year	5 Year	% of S&P 500
Consumer Discretionary	-3.06%	-3.06%	-3.06%	13.01%	21.19%	21.31%	12.08%
Consumer Staples	-1.10%	-1.10%	-1.10%	20.90%	17.62%	16.06%	10.81%
Energy	-4.81%	-4.81%	-4.81%	-6.33%	4.19%	8.66%	8.18%
Financials	-6.90%	-6.90%	-6.90%	11.25%	20.07%	12.02%	15.62%
Healthcare	1.23%	1.23%	1.23%	25.70%	27.08%	19.53%	14.69%
Industrials	-3.63%	-3.63%	-3.63%	10.78%	17.07%	16.92%	10.29%
Information Technology	-3.85%	-3.85%	-3.85%	18.47%	16.53%	15.96%	19.55%
Materials	-1.89%	-1.89%	-1.89%	9.91%	10.86%	12.80%	3.23%
Telecommunications	-1.11%	-1.11%	-1.11%	5.15%	11.37%	13.07%	2.24%
Utilities	2.37%	2.37%	2.37%	28.20%	16.26%	15.02%	3.32%



Fixed Income

In perhaps the most-missed trade of 2014, long U.S. Treasury bonds returned nearly 30% on the year as the yield on the 30-year Treasury bond fell from 3.97% at the start of the 2014 to 2.75% by Dec. 31st. Declining global growth and deflationary pressures in both Japan and the Euro area conspired to bring foreign investors into the safe haven of U.S Treasury debt, despite seemingly unattractive absolute yields.

What many investors failed to appreciate, however, was the relative attractiveness of U.S. yields versus those available in Germany, France, Japan and elsewhere. Even today U.S. rates look marginally more attractive than equivalent sovereign debt, with yields grinding noticeably tighter since early 2014.

Sovereign 10-year yields	**12/31/13**	**1/31/15**
Japan	.73%	.36%
Germany	1.92%	.34%
France	2.55%	.57%
Swiss	1.05%	-.17%
U.S.	**3.03%**	**1.64%**

Against this global backdrop, and given the benefit of hindsight, it becomes clear that U.S. domestic debt, both high-grade corporate and Treasury issued, would be in high demand from global investors. The broad ML U.S. Treasury/Agency Master Index returned +2.81% in January, following 2014's +5.88% return. Investment-grade corporate bonds finished in 2nd place with the ML U.S. Corporate Master Index returning 2.74% for the month. Global sovereigns and U.S. municipal debt followed in 3rd and 4th place, again continuing trends from 2014. Emerging market debt stumbled out of the gates in 2015 as the recent oil-price decline begins to impact various countries heavily reliant on higher energy prices.

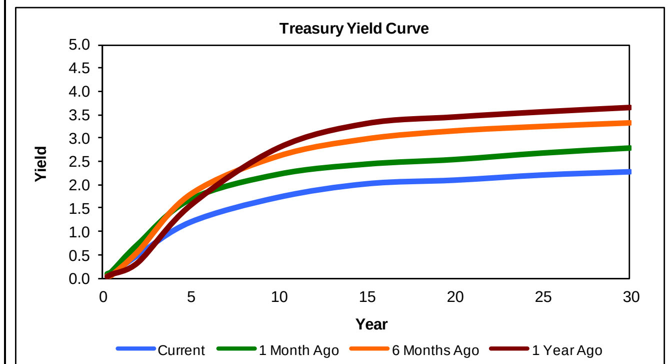
The Federal Reserve met in January and again issued a somewhat dove-ish statement on the U.S. economy, enough so that many forecasters have pushed off initial interest rate hikes into late 2015/early 2016 – our call as well.

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	0.05%	0.05%	0.15%	0.25%
Bank of England Official Bank Rate	0.50%	0.50%	0.50%	0.50%

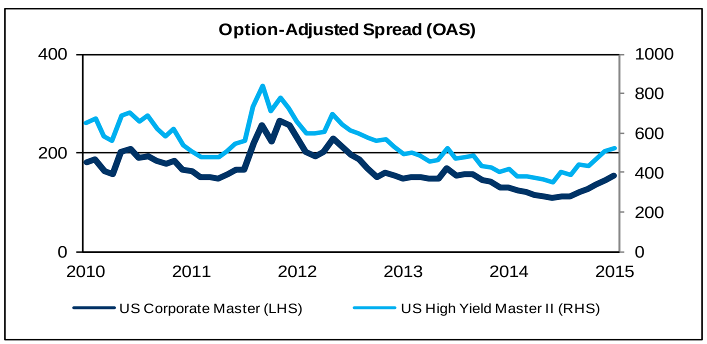
Fixed Income Returns

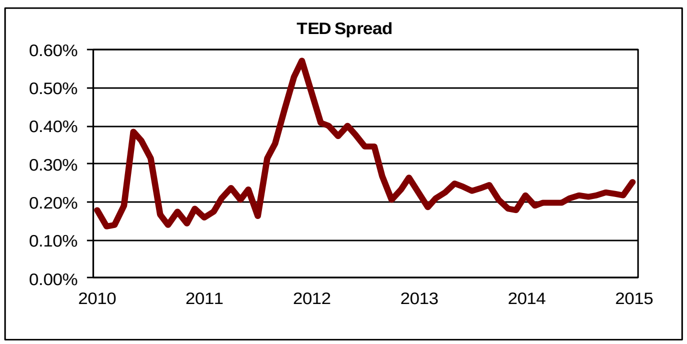
Name	MTD	QTD	YTD	1 Year
ML U.S. Treasury/Agency Master Index	2.81%	2.81%	2.81%	7.18%
ML U.S. Broad Market Index	2.21%	2.21%	2.21%	6.95%
ML U.S. Corporate Master Index	2.74%	2.74%	2.74%	8.52%
ML U.S. High Yield Master II Index	0.69%	0.69%	0.69%	2.45%
ML USD Emerging Market Sovereign & Credit Index	-2.49%	-2.49%	-2.49%	-1.63%
ML Global Government Bond II Index	2.18%	2.18%	2.18%	8.96%
ML Municipal Master Index	1.80%	1.80%	1.80%	9.27%
ML Municipal High Yield Index	1.53%	1.53%	1.53%	10.30%

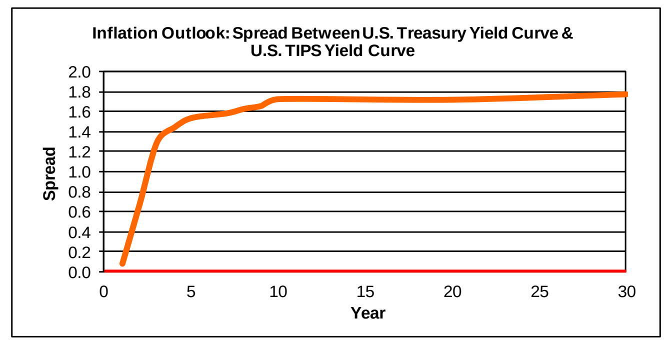


U.S. Treasury Yields

Period	3 Month	6 Month	2 Year	5 Year	10 Year	15 Year	20 Year	25 Year	30 Year
Current	0.06%	0.09%	0.49%	1.20%	1.73%	2.02%	2.09%	2.20%	2.27%
1 Month Ago	0.10%	0.15%	0.74%	1.70%	2.24%	2.45%	2.55%	2.69%	2.80%
6 Months Ago	0.05%	0.07%	0.57%	1.79%	2.61%	2.97%	3.14%	3.24%	3.31%
1 Year Ago	0.02%	0.07%	0.33%	1.56%	2.79%	3.31%	3.44%	3.55%	3.65%







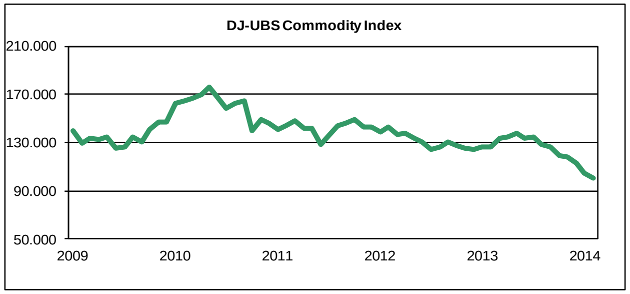
Alternative Investments

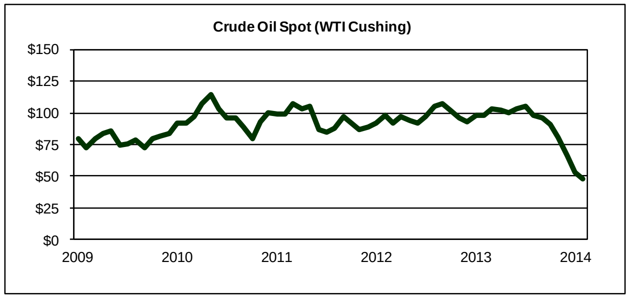
Alternative investments continued to be a mixed bag in January, as oil and commodities moved lower, gold (+8.3%) and REITs (+5.5%) moved higher, and the U.S. Dollar surged. Currencies were one of 2014's top stories, as the Euro and Yen weakened versus the Dollar, helping the DXY Index gain +12.8%. So far in 2015, the story remains quite the same, with global currencies playing an outsized role in influencing alternative investment returns.

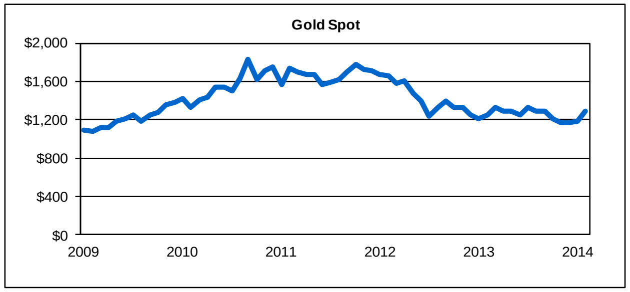
King Dollar reigned supreme once again in January, as the benchmark DXY Index rose +5.0% on the month to 94.8, its highest monthly close since August 2003. The Dollar has continued to move higher with improving U.S. economic fundamentals, including strong labor market metrics, and relatively strong growth in gross domestic product (GDP). Furthermore, external forces such as the European Central Bank's (ECB) announcement of a $1 trillion+ dollar quantitative easing (QE) program this month have weakened global currencies markedly. The anticipation (and eventual follow through) of European-style QE drove the Euro lower (to $1.13) against the Dollar, a level not seen in more than a decade. The Euro lost -6.7% against the Dollar in January, and is now down more than -16.3% against the greenback in the past year. Couple Europe's QE announcement with the Bank of Japan's (BoJ) money printing, and a plethora of other global central banks weakening their currencies, and you simply have a "race to the bottom."

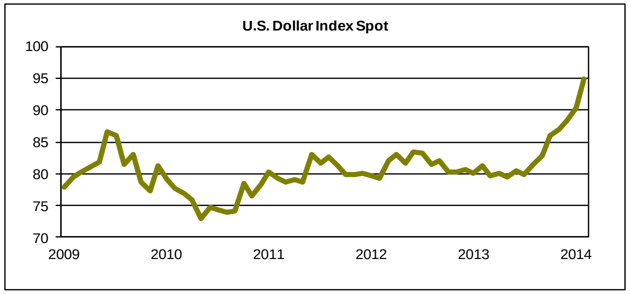
In a global economic landscape dominated by countries weakening their currencies (export nations such as Japan and Germany should benefit), the Dollar has continued to charge higher. Thus, the strong Dollar has hurt commodities priced in USD, such as West Texas Intermediate (WTI) crude oil, which has helped lead a broad basket of commodities lower (the DJ UBS Commodities Index lost -3.3% on the month). Increased global production, especially from the United States, combined with muted global demand, have kept oil in ***disequilibrium*** for some time. And of course a strong Dollar hasn't helped either. WTI lost -9.4% on the month, to close at $48.42/bbl, bringing its decline to -54.2% over the past seven months since closing at $105.37/bbl at the end of June 2014. While WTI's plunge in January comes with some sticker shock, the price actually fell nearly *ten percent lower* intra-month, before rebounding into month-end. With global oil companies continuing to ramp up production, it is likely that WTI will remain under pressure until production is curtailed. Without a pick up in demand, an ever increasing global supply glut is likely to keep a ceiling on WTI prices in the near term. In the long term, however, it remains anyone's guess as to where oil prices will stabilize, as analyst estimates vary significantly.

Lastly, there are many options to hedge against foreign currency exposure that arise from ownership of international equities, many of which can be found within our ETF strategies. For example, the WisdomTree Bloomberg US Dollar Bullish ETF (ticker: USDU) remains a Nottingham favorite, having risen +13.3% since being added to our Equity, All-Asset, and Balanced portfolios. Additionally, many geographic currency hedged equity ETFs allow for tailored exposures without the impact of currency fluctuations.





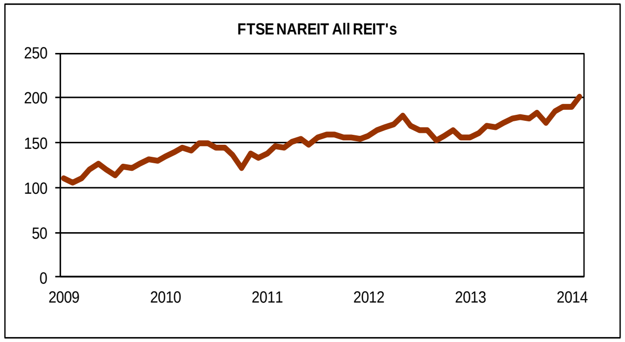




Hedge Funds

Name	MTD	QTD	YTD	1 Year	3 Year	5 Year
Global Hedge	-0.20%	-0.20%	-0.20%	-0.53%	2.52%	1.00%
Convertible Arbitrage	-0.56%	-0.56%	-0.56%	-10.43%	1.47%	2.32%
Distressed Securities	-1.57%	-1.57%	-1.57%	-2.14%	0.68%	0.66%
Equity Hedge (L/S)	-0.28%	-0.28%	-0.28%	2.16%	4.89%	0.92%
Equity Market Neutral	0.32%	0.32%	0.32%	3.22%	0.14%	0.19%
Event Driven	-1.47%	-1.47%	-1.47%	-5.84%	3.52%	1.90%
Macro	1.94%	1.94%	1.94%	7.35%	1.38%	-0.14%
Merger Arbitrage	1.24%	1.24%	1.24%	3.37%	2.63%	2.31%
Relative Value Arbitrage	-0.30%	-0.30%	-0.30%	-3.25%	0.42%	0.93%
Absolute Return	0.65%	0.65%	0.65%	0.76%	1.77%	0.36%

Note: Price Return, Returns as of 01/29/15



Spot Rates

Description	Current	1 Month Ago	3 Months Ago	6 Months Ago	1 Year Ago
CAD / USD	1.27	1.16	1.13	1.09	1.11
JPY / USD	117.49	119.78	112.32	102.80	102.04
USD / GBP	1.51	1.56	1.60	1.69	1.64
USD / EUR	1.13	1.21	1.25	1.34	1.35

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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