

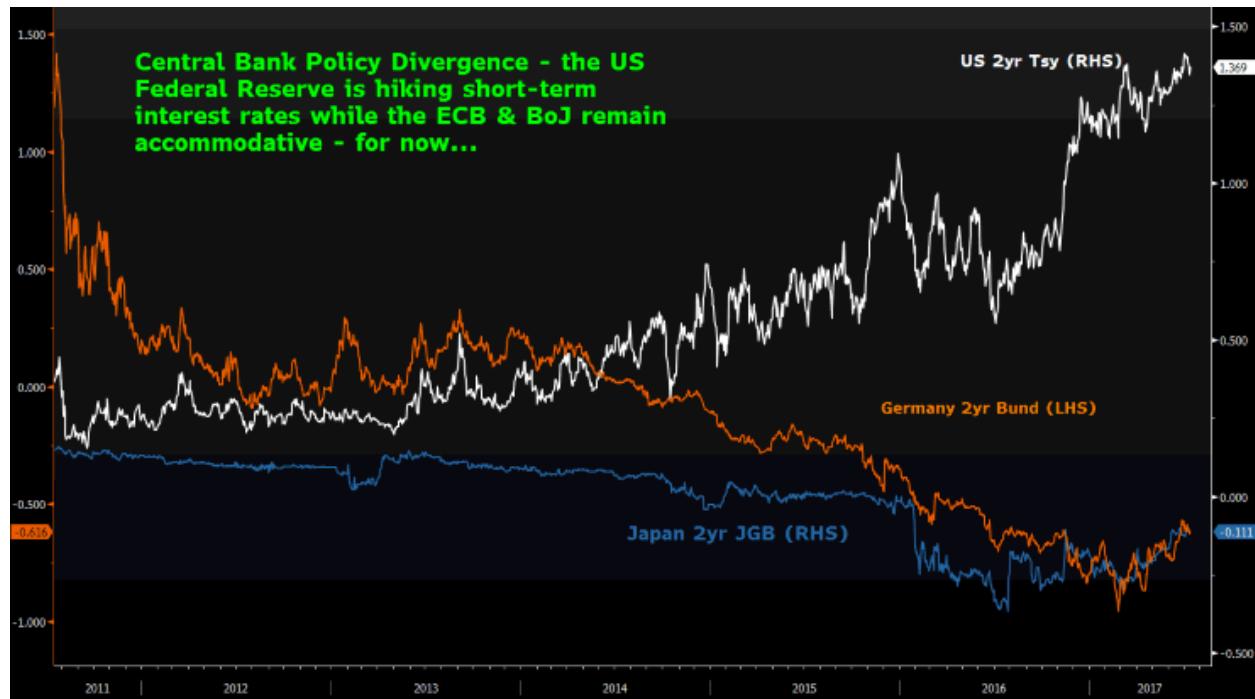


2017 Mid-Year Review

"The job of the Federal Reserve is to take away the punch bowl just as the party gets going."
 -William McChesney Martin

It's often been said that bull markets don't die of old age, but rather they're killed by the Federal Reserve. This time would appear no different. Having raised the Federal Funds rate 25 basis points in June, after having hiked 25 bps in Q1, the Fed appears intent on "normalizing" the cost of money here in the US, despite the distinct absence of general price inflation (as opposed to asset price inflation, which we've discussed in past letters) in our economy.

BCA Research recently wrote, "*US stocks will continue to reach all-time highs if inflation remains low, the economic backdrop fosters EPS (corporate earnings-per-share) growth and the Fed only gradually raises rates.*" Despite the US being at what the Fed would consider "full employment", both consumer and producer prices remain well behaved, while the real driver of inflation, wages, are growing at a modest rate. As we've mentioned in the past, if there is a risk to this current Goldilocks environment we find ourselves in, an inflation scare is near the top of the list.

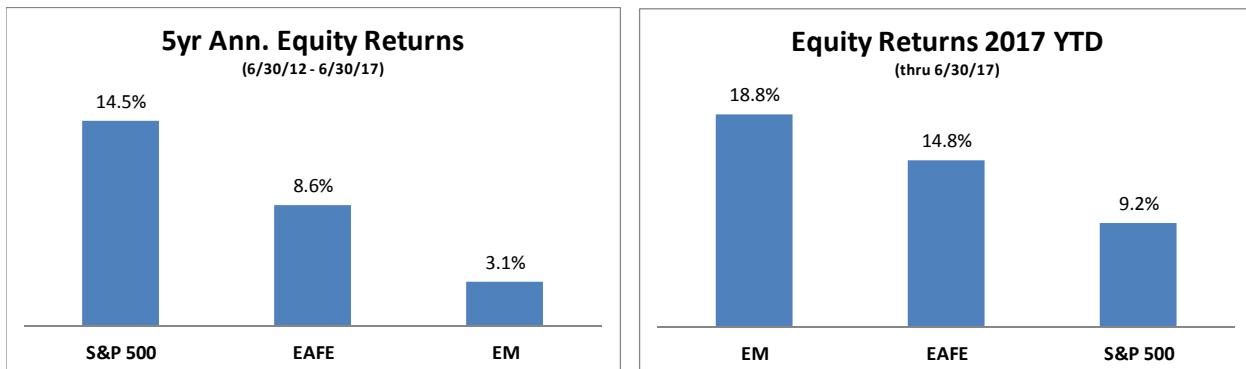


Source: Bloomberg

As can be seen in the above chart, we're beginning to see a real divergence in interest rates across the US, Euro area and Japan. With the US Federal Reserve (the Fed) actively pursuing a more hawkish interest rate policy, the

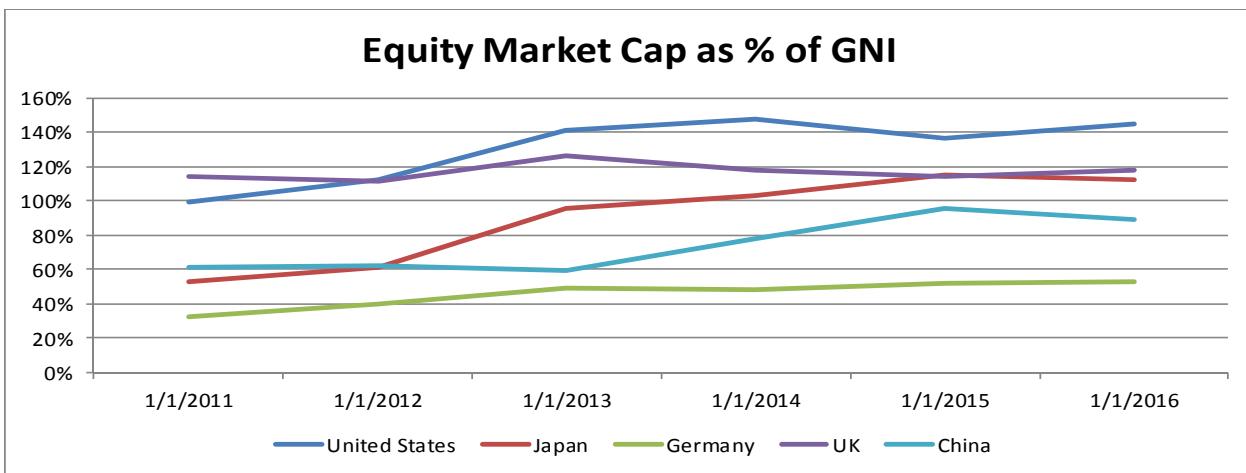
European Central Bank (ECB) has only recently hinted at an end to its quantitative easing (QE – aka money-printing!) efforts while the Bank of Japan (BoJ) remains firmly dovish while promoting Abenomics.

In May of this year, ECB President Mario Draghi acknowledged what many of us already knew, that the Euro area was recovering nicely and was poised for further growth. Nottingham's steadfast belief in global diversification was finally rewarded as foreign markets rallied strongly in the first half of 2017, easily outpacing the robust gains realized here in the US.



Source: Nottingham Advisors, Inc.

With returns having lagged those in the US consistently since the Great Recession, we think foreign markets have a long runway ahead. Despite the political rhetoric over Brexit and the still precarious financial position of some of the southern countries in the Eurozone, most valuation measures we look at favor international over domestic equities. As the chart below illustrates, based on the relationship between a country's total stock market value to the value of the goods and services it produces, the US is trading far richer than many other areas around the world, despite, and in part due to, the lackluster domestic growth we've witnessed over the past few years.



Source: Siblis Research

Most, if not all of the domestic catalysts we envisioned for 2017-18 have yet to be realized as they all stem from Washington. And whenever politics are involved, the path is sure to be tortuous. Tax reform, infrastructure spending and widespread deregulation were thought to be real economic drivers for the US going forward. Instead, a lot of time, energy and political capital are being spent trying to repeal Obamacare. Regardless of one's political stripes, Obamacare is doomed to implode absent some fixes. Its fundamental premise – that plenty of young healthy people will sign up – is flawed. They haven't; but the sick have. Therein lays the problem.

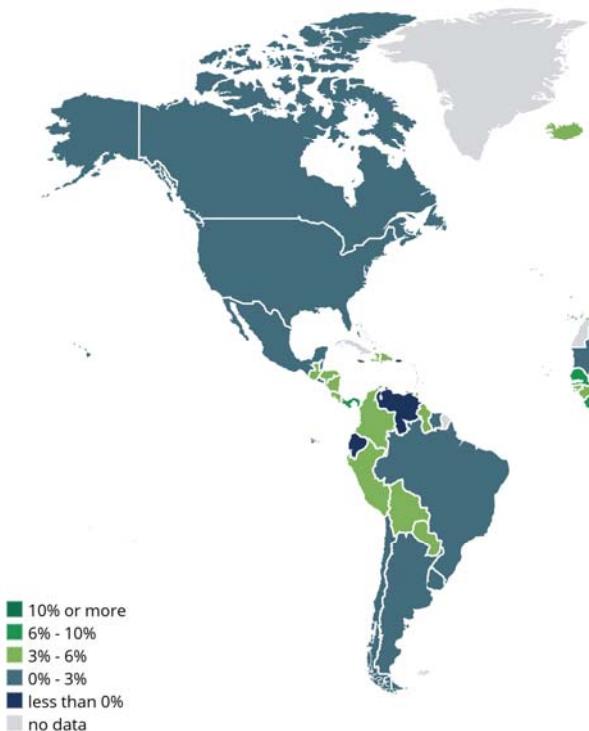
While there are plenty of risks to our international thesis – China being the primary one – we think a lot of bad news is already priced in and with growth prospects improving in many foreign countries, and interest rates still

very accommodative, the chances for continued gains are good. Should the Chinese government allow for a disorderly unwind of the credit bubble currently underway in mainland China, letting corporate bankruptcy occur and housing prices to correct meaningfully, it's highly likely that other EM countries will feel that pain. However, it's our bet that the powers that be will do whatever it takes to ensure their own survival and the one-party rule that began in its current form in 1949.

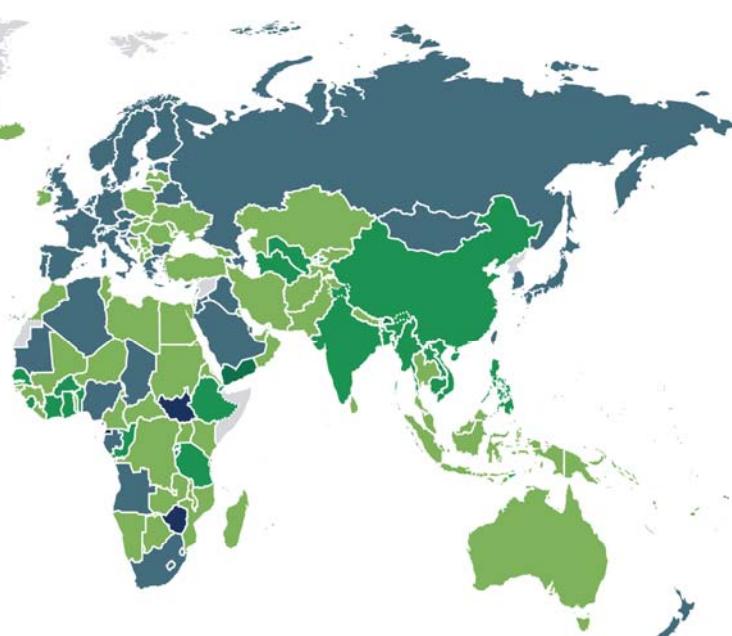


Source: Nottingham Advisors Monthly Market Wrap – June 2017

IMF DataMapper



Real GDP growth (Annual percent change, 2018)



©IMF, 2017, Source: World Economic Outlook (April 2017)

Upon being captured in 1952, notorious bank robber Willie Sutton was asked why he did what he did. His response was, "I rob banks because that's where the money is." Well, looking at the IMF chart above, where should one invest? Go where the growth is. It's a simplistic thesis in and of itself; however, in all investment analysis, there is a growth rate to be factored in. Developing countries are still experiencing population growth, with economies that

are becoming more capitalistic and competitive with each passing year. And perhaps most importantly, consumerism is gaining ground rapidly in countries like India, Pakistan, China and many countries in Africa.

Most of Nottingham's strategies have seen a shift take place over the past year, increasing exposure to non-US markets. The US Dollar continues to vacillate in the face of hawkish Fed-speak and political rhetoric out of D.C. Rising rates in the US have historically been tough on emerging markets. This time would appear to be different in the deliberate and gradual approach to hikes adopted by the Fed. As we look out over the next 5 to 7 years, we think there's a good chance we'll see strong emerging market growth and equity markets which reflect that.

Summary

There are times in our business when we feel that caution is the better part of valor. As we conclude year 8 of this Great Bull Market, born from the ashes of the Great Credit Bust, this would appear to be one of those moments. In a nutshell, we are moderately cautious on US equities, very cautious on US bonds, moderately bullish on international equities, and increasingly fond of cash, despite its meager return. While we don't envision any calamities on the horizon and will readily admit to the possibility of the US bull market marching on, we feel it's time we took a little profit domestically and ventured overseas for better opportunities. That's been the focus of our research efforts over the past year and it's gratifying to see some of that work pay off. Thanks once again for your commitment to Nottingham, and please feel free to reach out to us anytime with questions or simply to share your thoughts. We would look forward to speaking with you.

Happy summer,

Larry Whistler, CFA
President/Chief Investment Officer
July 2017

Nottingham Advisors, LLC ("Nottingham") is an SEC registered investment adviser located in Amherst, New York. Registration does not imply a certain level of skill or training. Nottingham and its representatives are in compliance with the current registration and notice filing requirements imposed upon SEC registered investment advisers by those states in which Nottingham maintains clients. Nottingham may only transact business in those states in which it is registered, notice filed, or qualifies for an exemption or exclusion from registration or notice filing requirements. For information pertaining to the registration status of Nottingham, please contact Nottingham or refer to the Investment Advisor Public Disclosure Website (www.adviserinfo.sec.gov). Any subsequent, direct communication by Nottingham with a prospective client shall be conducted by a representative that is either registered or qualifies for an exemption or exclusion from registration in the state where the prospective client resides.

This newsletter is limited to the dissemination of general information pertaining to Nottingham's investment advisory services. As such nothing herein should be construed as the provision of personalized investment advice. The information contained herein is based upon certain assumptions, theories and principles that do not completely or accurately reflect your specific circumstances. Information presented herein is subject to change without notice and should not be considered as a solicitation to buy or sell any security. Adhering to the assumptions, theories and principles serving the basis for the information contained herein should not be interpreted to provide a guarantee of future performance or a guarantee of achieving overall financial objectives. As investment returns, inflation, taxes and other economic conditions vary, your actual results may vary significantly. Furthermore, this newsletter contains certain forward-looking statements that indicate future possibilities. Due to known and unknown risks, other uncertainties and factors, actual results may differ materially from the expectations portrayed in such forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of their dates. As such, there is no guarantee that the views and opinions expressed in this article will come to pass. This newsletter should not be construed to limit or otherwise restrict Nottingham's investment decisions.

This newsletter contains information derived from third party sources. Although we believe these third party sources to be reliable, we make no representations as to the accuracy or completeness of any information prepared by any unaffiliated third party incorporated herein, and take no responsibility therefore. Some portions of this newsletter include the use of charts or graphs. These are intended as visual aids only, and in no way should any client or prospective client interpret these visual aids as a method by which investment decisions should be made. We have provided performance results of certain market indices for illustrative purposes only as it is not possible to directly invest in an index. Indices are unmanaged, hypothetical vehicles that serve as market indicators and do not account for the deduction of management fees or transaction costs generally associated with investable products, which otherwise have the effect of reducing the performance of an actual investment portfolio. It should not be assumed that your account performance or the volatility of any securities held in your account will correspond directly to any benchmark index. A description of each index is available from us upon request. Investing in the stock market involves gains and losses and may not be suitable for all investors. Past performance is no guarantee of future results.

For additional information about Nottingham, including fees and services, send for our Disclosure Brochure, Part 2A or Wrap Brochure, Part 2A Appendix 1 of our Form ADV using the contact information herein.

www.nottinghamadvisors.com

NEW YORK OFFICE : 100 Corporate Parkway : Suite 338 : Amherst, NY 14226 : 716-633-3800 : 716-633-3810 Fax

FLORIDA OFFICE : 3801 PGA Boulevard : Suite 600 : Palm Beach Gardens, FL 33410 : 800-281-8974