

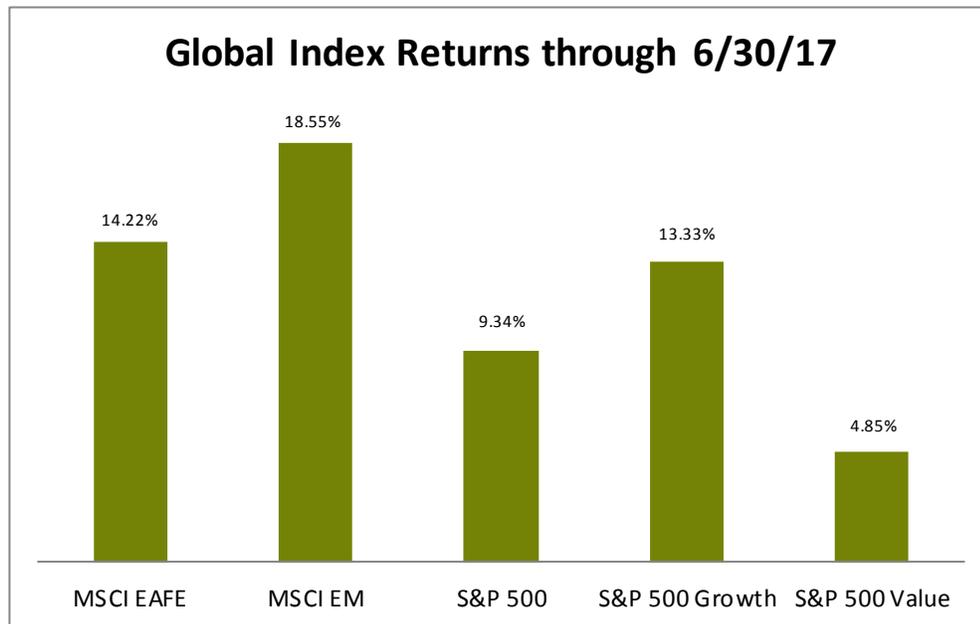


NOTTINGHAMADVISORS
ASSET MANAGEMENT

Select Managers Program 2017 Mid-Year Review

2017 Mid-Year Market Recap

Global equity markets rallied sharply during the first half of the year, led by international equities. Overseas, equity markets were driven by a series of key geopolitical risks subsiding and economic momentum gaining steam across the board. In Europe, equity markets shrugged off the French Elections, Greek Bailout, Italian Bank Rescue, and are in the process of dissecting the future plans for the European Central Bank (ECB) as it prepares to reduce monetary stimulus in the quarters ahead. Prospects for a reduction in the ECB's bond buying program, coupled with the aforementioned surge in economic momentum contributed to the Euro's surge against the U.S. Dollar, to the tune of nearly +9% during the period.



Taken as a whole, equities were a clear winner during the first half of the year. International equities outperformed U.S. equities, as Emerging Markets rallied +18.55%.

Source: Bloomberg, Nottingham Advisors

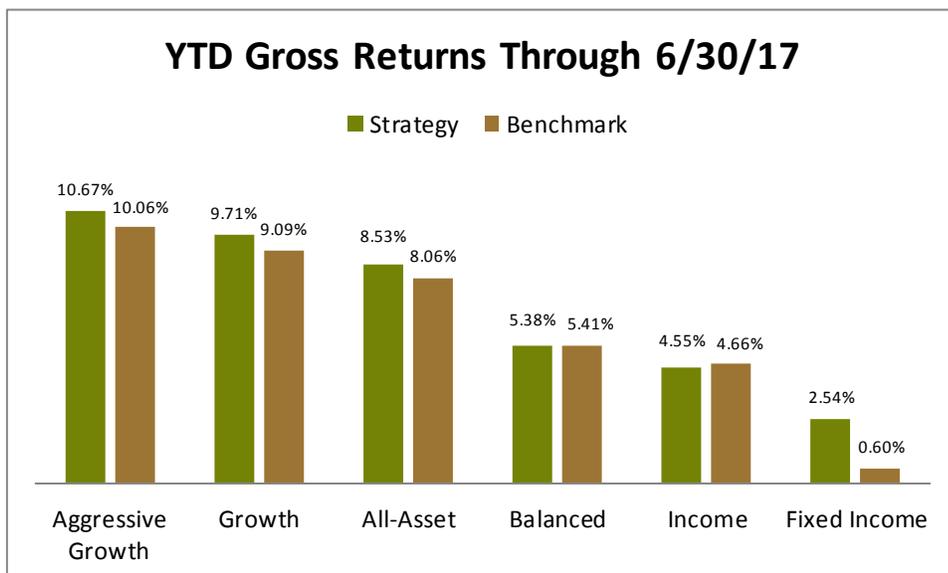
For U.S. investors investing overseas, changes in currencies can be critical to total returns, as total return is comprised of both asset price appreciation (and subsequent dividends) as well as the local currency's return. For example, the Eurozone, as measured by the MSCI EMU Index, returned +9.11% in Euro terms, and a whopping +18.07% in Dollar terms, thanks to the currency appreciation versus the Dollar. Moving forward, the divergence of economic surprises between the Eurozone and the United States, together with expectations for interest rate increases will likely continue to drive asset allocation rebalances, capital flows, and ultimately the movement of the Euro and Dollar over the next 12 to 18 months.

Back home in the U.S., Large-Caps were the market standout, while Mid- and Small-Caps posted returns of +5.99% and +2.78%, respectively. Growth stocks (i.e. Technology) outperformed Value stocks (i.e. Banks), a reversal of the fourth quarter of last year. Much of the underperformance in both Mid- and Small-Cap stocks, and Value stocks, can be chalked up to an unwinding of the “Trump Trades” that rallied sharply in the weeks following the U.S. elections. Furthermore, these areas of the market are also likely being constrained in investors’ minds by the lack of progress thus far in Washington. There is seemingly no better way to frame investors’ sentiment towards that progress than by the performance of U.S. Dollar, which recently hit a 14-month low.

From a fixed income standpoint, global credit conditions remain stable and credit spreads continue to contract, which has been a boon for equity and fixed income investors alike. Here in the U.S., spreads continue to tighten in both the investment grade and high yield corporate bond markets; however, spreads are now approaching levels that make the space look less attractive on a go forward basis, especially as central banks around the globe speak a more hawkish tone. The Federal Reserve has raised interest rates four times in the past 18 months, the Bank of Canada raised rates for the first time in nearly a business cycle, and both the Bank of England and ECB are contemplating higher rates as well. This stands in contrast with the Bank of Japan, which is still implementing yield curve control (targeting a 0% yield on the 10-year Japanese government bond), and many emerging markets countries that have seen inflation slow, growth rebound, and may have room to cut interest rates moving forward. It should be pointed out, however, that even as central banks raise rates, it is not a given that long-term rates will follow suit. Case in point is that the 10-year Treasury currently yields *less* than it did at the beginning of the year, and is largely *unchanged* from when the Fed started raising rates more than a year ago. The Fed is set to begin letting its balance sheet run off in a controlled manner (\$6 billion in Treasuries and \$4 billion in mortgage-backed securities per month), and ultimately could reach \$50 billion per month, or \$600 billion per year. Depending on the pace of the unwind, long-term interest rates may finally rise. Stay tuned.

Select Managers Fund Level Performance

The Select Managers Program posted strong performance for the first half of the year, with the Aggressive Growth, Growth, and All-Asset strategies all *outperforming their benchmarks* handily during the period. More conservative strategies such as the Balanced, Income, and Fixed Income strategies performed in line with benchmarks. All-in-all, strategy performance has been stellar.

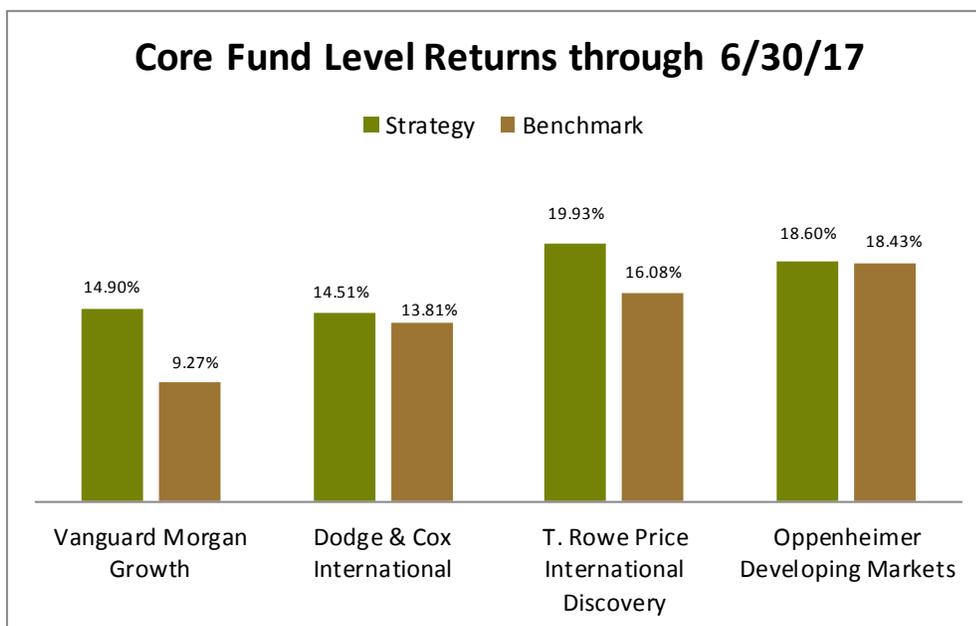


Equity sensitive strategies outperformed during the period as global equity markets rallied across the board. Fixed income sensitive strategies performed in line with their benchmarks, with the Fixed Income strategy standing out.

Source: Nottingham Advisors, returns shown gross of fees.

Performance at the individual fund level was also very strong during the period. Core U.S. Large-Cap exposures, including the Vanguard Dividend Growth Fund (ticker: VDIGX), Vanguard Morgan Growth (ticker: VMRGX), Jensen Quality Growth (ticker: JENSX), DoubleLine Shiller Enhanced CAPE (ticker: DSEEX), and Buffalo Discovery (ticker: BUFTX) all outperformed the Russell 1000 TR Index. From a Value standpoint, the MFS Value (ticker: MEIAX), Cullen High Dividend (ticker: CHDVX), and Vanguard Equity Income Fund (ticker: VEIPX), all outperformed the Russell 1000 Value TR Index, continuing the trend of U.S. Large-Cap equity managers outperforming.

From an international standpoint, the story of active management outperforming continued, with the Dodge & Cox International Fund (ticker: DODFX), T. Rowe Price Int'l Discovery (ticker: PRIDX), and Oppenheimer Developing Markets Fund (ticker: ODMAX) all outperforming their respective benchmarks. These core holdings continue to post strong absolute and risk adjusted returns, as measured by the Sharpe Ratio, over the past 5-years.



Core equity funds posted strong performance during the first half of the year, outperforming broad benchmarks, with U.S. Large-Cap Growth, and International SMID generating the greatest levels of alpha.

Source: Morningstar Direct, Nottingham Advisors. Benchmarks: Vanguard Morgan Growth benchmarked to Russell 1000 TR, Dodge & Cox International benchmarked to MSCI EAFE NR, TRP International Discovery benchmarked to MSCI EAFE SMID NR, and Oppenheimer Dev. Markets benchmarked to MSCI EMNR.

Lastly, fixed income and alternative asset classes continue to perform well. Notable fixed income fund performers included the DoubleLine Total Return (ticker: DLTNX) and Dodge & Cox Income (ticker: DODIX), both of which outpaced the Bloomberg Barclays U.S. Aggregate Bond Index. On the high yield side, the Lord Abbett Bond-Debenture (ticker: LBNDX) gained +4.81%, and continues to be a consistent performer and income generator. On the Alternatives front, The Arbitrage Fund (ticker: ARBNX) gained +2.35% during the period, versus a +0.30% return for 3-month T-Bills. The Arbitrage Fund should continue to benefit from a rising interest rate environment, continued merger and acquisition activity, market volatility, and low correlations to both equity and fixed income benchmarks.

Fund Changes

Fund changes during the period included adding dedicated exposure to floating rate securities via the Lord Abbett Floating Rate Fund (ticker: LFRFX) to the Income and Fixed Income strategies. In the Income strategy, cash was used to fund the new position, while in the Fixed Income strategy, international bond exposure through the Oppenheimer International Bond Fund (ticker: OIBAX) was eliminated. The changes add an exposure that should benefit as interest rates rise, generate

income (yield of 4.5%), and remove international fixed income risk due to ultra-low interest rates overseas. (*February 2017*)

In the Income strategy, we removed the Salient (Forward) Select International Dividend Signal Fund (ticker: FFIEX) and re-allocated the proceeds to the Dodge & Cox International Fund (ticker: DODFX). The Dodge & Cox International Fund has been a long-term core holding for the Income strategy, and continues to perform well. The increased exposure also comes with added emerging markets exposure, an area that should continue to add a growth element to the portfolio moving forward. (*May 2017*)

Looking to the second half of the year and beyond, it is important to recognize themes and market inflection points that may lead active management to outperform. Active strategies may continue to benefit from the following investment themes:

- Increased equity market volatility or a significant drawdown
- Rising global inflation
- Low equity market correlations
- Rising interest rate environment
- Secular, long-term investment themes

As we continue to analyze, monitor, and re-evaluate all of the holdings in the Select Manager program we will be sure to keep you updated on future strategy changes. Please do not hesitate to contact our office to discuss strategy specific performance, portfolio positioning, or our investment outlook.

I look forward to speaking with you soon.

Matthew J. Krajna, CFA
Senior Portfolio Manager
July 2017

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