NOTTINGHAM ADVISORS
ASSET MANAGEMENT

Monthly Market Wrap

ECONOMIC OVERVIEW

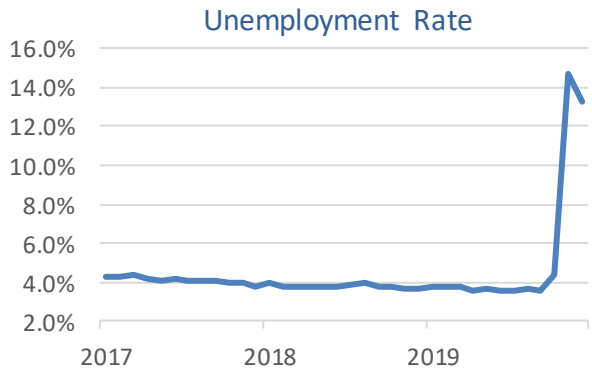
July 1, 2020

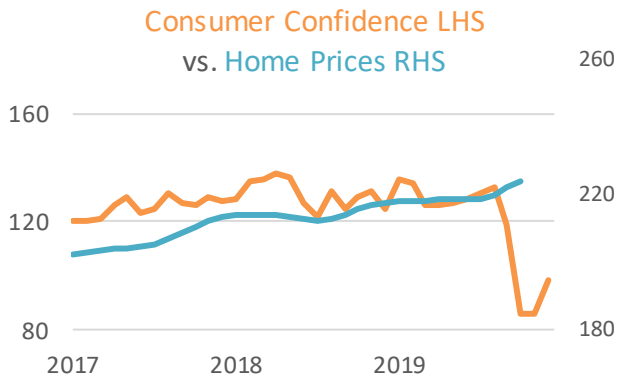
June's economic data was choppy as various parts of the U.S. attempted to resume business activity. The 3rd reading of Q1 GDP showed the economy declining -5.0% in the first quarter of 2020 as Covid-19 emerged. Currently, the Atlanta Fed's GDPNow GDP Forecast has the economy falling -40.0% in Q2, a quarter which saw most of the country closed to most economic activity.

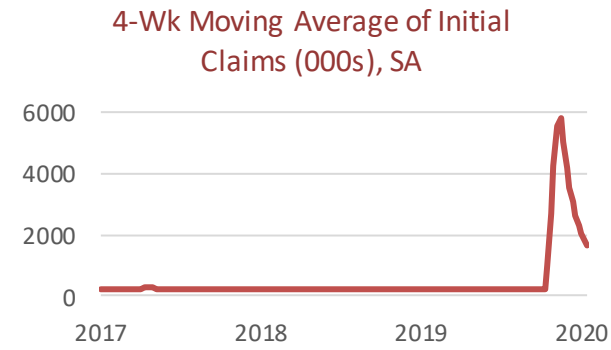
Housing appears to have held up well so far during the pandemic. The S&P CoreLogic 20-city home price survey saw a +0.33% MoM gain in April, which translates to a +3.98% YoY increase. Although both Pending and Existing home sales fell in May, demand for housing appears to remain strong, with potential sale properties having been pulled from the market out of caution. New Home Sales in May surged +16.6%, reflecting this pent-up demand.

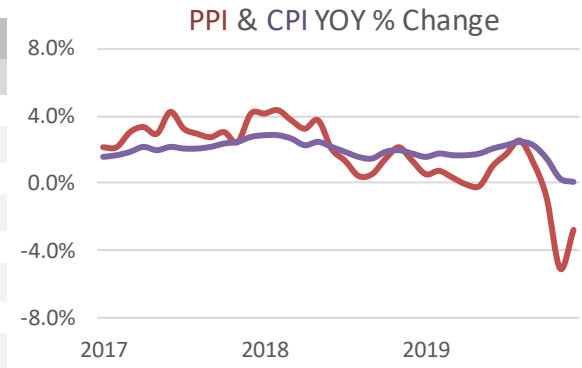
Durable Goods Orders for April collapsed by -17.7% while Factory Orders plunged -13.0%. Although most economists are estimating a rebound in June, it's become increasingly difficult to produce forecasts with any accuracy. Industrial Production rose +1.4% in May after falling -11.2% in April while Capacity Utilization held steady at 64.8%. We would expect as states begin re-opening, backlogs and pent-up demand should push activity numbers measurably higher in the months ahead.

The shape of the economic recovery in the U.S., while much debated, is indeterminate at this point. There are measures indicating a more V-shaped, or quicker recovery; however, recent attempts at wide-spread reopenings have been met with an uptick in the virus statistics, causing states and municipalities to pull back and rethink their plans. It's likely we'll see continued fits and starts with respect to economic growth, with the longer-term trend edging higher over time.









Key Data Points				
Name	Current	For	Previous	For
Retail Sales ex. Autos MOM %	12.40%	May	-15.20%	April
Housing Starts	974K	May	934K	April
Factory Orders MOM %	-13.00%	April	-11.00%	March
Leading Indicators MOM %	2.80%	May	-6.10%	April
Unit Labor Costs	5.10%	Q1 2020	2.20%	Q4 2019
GDP QOQ (Annualized)	-5.00%	Q1 2020	2.10%	Q4 2019
Wholesale Inventories	-1.20%	May	0.20%	April
MBA Mortgage Applications	-1.80%	June	-3.90%	May

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DOMESTIC EQUITY

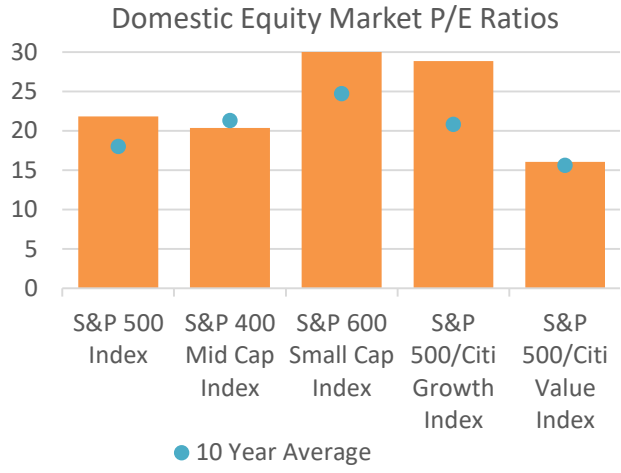
July 1, 2020

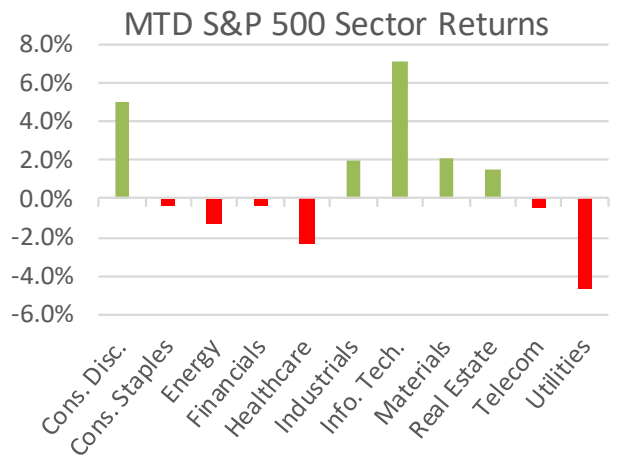
Despite the economic uncertainty, financial markets have continued to march higher, propelled by unprecedented levels (and speed) of both monetary and fiscal stimulus measures globally. Here in the U.S. the Fed's balance sheet has swelled over $7T via a plethora of asset purchase programs, which have helped fuel stock market gains.

U.S. equities closed out their best quarter in 20 years on a high note, with the benchmark S&P 500 Index gaining more than +1.5% on Tuesday to close at 3,100. For the month, the Large-Cap Index posted returns of +1.99%, followed closely by Mid- and Small-Caps, up +1.26, and +3.73%, respectively. For the quarter, Large-, Mid-, and Small-Caps posted gains of +20.54%, +24.07%, and +21.94%. Looking back on the first half the year, the S&P 500 is down *only* -3.09%, and given the circumstances – the fact that it notched gains of more than +30% in 2019 and has so far navigated the recent effects of covid-19 – investors are left pondering what remains for the rest of 2020.

Gains for the month, quarter, and year have been propelled by Technology stocks. There's simply no other way to describe it, thanks to healthy balance sheets, highly profitable business models, and a winner-take-all-work-from-home-forever mentality. *With that being said, we should caution that trees don't grow to the sky.* As our friends at Strategas Research Partners note, the weighting of Technology stocks in the S&P 500 is reaching historical extremes on many metrics. Apple and Microsoft are nearly 6% weights in the S&P 500 (two stocks have never had such large weights in 30 years of data) with market capitalizations of $1.581 Trillion and $1.543 Trillion, respectively. Microsoft hit an all-time high yesterday (+29.76% YTD), and Apple is only a few dollars off of its highs (up +24.86% YTD). The Technology sector now represents more than 27% of the S&P 500 Index, and thanks to sector classification changes a few years back, the Tech sector excludes other notable mega-cap "Tech" stocks such as Facebook, Amazon, and Google (Alphabet). *Put differently, the Technology sector is comprised of 43% Apple & Microsoft, 0% Facebook, Amazon, and Google.* Microsoft and Apple have posted 3-year total returns of +209.69% and +164.31%, respectively, versus only +35.73% for the S&P 500.

Even more eye opening is the continued Growth versus Value paradigm, commonly referred to in today's terms as the "haves and have nots". Growth stocks (now 45% Technology vs. half that pre-2016 election) are benefitting even more from a covid-19 driven world, and are pulling forward trends well established before the pandemic began. Value stocks continue to be economically sensitive and mired in uncertainty. For the year, the Growth versus Value performance gap has continued to widen, favoring Growth stocks by more than +5%, +13%, and +23% during the month, quarter, and year, respectively. Over the trailing 3-year period, Growth has dominated by nearly +13% per annum. With Growth stocks due for a breather, perhaps it will be Value's time to shine in the second-half.





S&P 500 Sector Returns

Sector	MTD	QTD	YTD	1 Year	3 Year	5 Year	% of S&P 500
Consumer Discretionary	4.99%	32.86%	7.23%	12.59%	15.27%	13.19%	11.41%
Consumer Staples	-0.33%	8.12%	-5.66%	3.62%	5.03%	7.21%	7.64%
Energy	-1.30%	30.51%	-35.34%	-36.09%	-12.45%	-9.17%	2.74%
Financials	-0.32%	12.20%	-23.65%	-13.98%	0.08%	5.37%	9.70%
Healthcare	-2.38%	13.59%	-0.81%	10.90%	10.29%	8.13%	14.26%
Industrials	2.01%	17.01%	-14.64%	-9.05%	1.88%	6.70%	8.00%
Information Technology	7.14%	30.53%	14.95%	35.90%	26.80%	23.38%	27.11%
Materials	2.16%	26.01%	-6.92%	-1.11%	3.90%	5.43%	2.49%
Real Estate	1.47%	13.21%	-8.53%	-2.02%	6.32%	7.14%	2.76%
Communication Services*	-0.51%	20.04%	-0.31%	11.08%	8.57%	7.17%	10.96%
Utilities	-4.66%	2.74%	-11.14%	-2.11%	6.41%	10.16%	2.94%

*The S&P 500 Communciation Services Sector was reclassifed from the Telecommunications Sector on September 21st, 2018

Domestic Equity Returns

Name	MTD	QTD	YTD	1 Year	3 Year	5 Year
S&P 500 Index	1.99%	20.54%	-3.09%	7.49%	10.71%	10.71%
MSCI USA Extended ESG Focus Index	2.45%	21.96%	-1.07%	10.17%	11.69%	11.24%
S&P 400 Mid Cap Index	1.26%	24.07%	-12.78%	-6.71%	2.37%	5.20%
S&P 600 Small Cap Index	3.73%	21.94%	-17.86%	-11.31%	0.51%	4.42%
S&P 500/Citi Growth Index	4.10%	26.23%	7.92%	17.74%	16.72%	14.60%
S&P 500/Citi Value Index	-0.95%	13.15%	-15.52%	-4.51%	3.73%	5.97%

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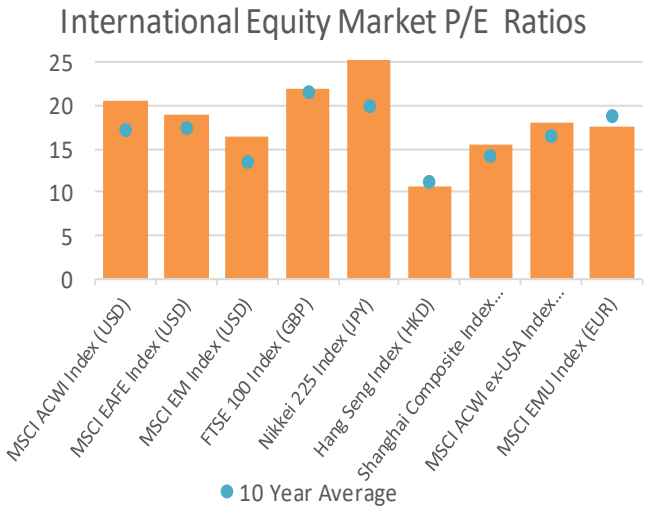
International Equity

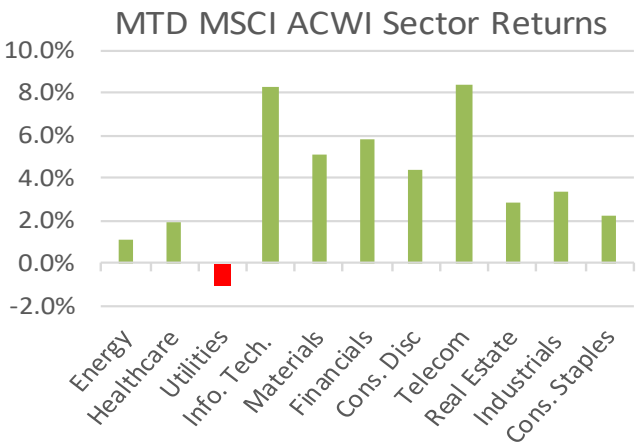
July 1, 2020

International equities also posted gains for the month of June, with Developed (MSCI EAFE) and Emerging Markets (MSCI EM) posting returns of +3.45%%, and +7.36%, respectively. Unprecedented stimulus from the United States, as well as support measures for other Central Banks have made Dollars plentiful around the globe. Major central banks such as the Bank of Japan (BoJ), European Central Bank (ECB), and People's Bank of China (PCOB) have also rushed stimulus packages out the door to help support individuals and businesses in their home territories. Perhaps most surprisingly has been the willingness of fiscally conservative Germany to get on board the ECB's stimulus train and open their pocketbooks to aid the economy. Admittedly, we weren't sure we would ever see the day that trillions of Euros were deployed in a somewhat coordinated effort. That day is upon us, and Europe *may be* back in business after missing out on the economic gains of the past decade.

Interestingly, Emerging Markets (EM) have been the relative "winners" on the international equity stage when compared to Developed Markets (DM) so far in 2020. During the second quarter EM outperformed, returning +18.14% versus +15.15% for DM. This is also true year to date, with EM returning -9.70% versus -11.03% for DM. While international has underperformed the U.S. for much of the past decade, there are still emerging themes and trends outside of the U.S. to be discovered (i.e. e-commerce, payments, 5G, robotics and artificial intelligence to name a few). In a world where the new arms race is between the U.S. and China, and the "weapons" of tomorrow are digital (i.e. semiconductors, chips, and other components of 5G infrastructure), there are plenty of companies that stand to benefit, especially if U.S./China relations sour further.

Looking at international markets through a sector lens, similar performance trends can be seen like those in the United States. Specifically, the search for Growth stocks has led to the Technology and Communication Services sectors, both this month's top performers, gaining +8.35% and +8.42%, respectively, versus +4.56% for the MSCI ACWI ex USA Index. Healthcare has been another bright spot, especially compared to the United States. The MSCI ACWI ex USA Healthcare sector posted gains of +16.65% during the quarter and has gained +6.45% year to date. This compares with the S&P 500 Healthcare sector's gains of +13.59% and -0.81% over the same time frames. International Healthcare markets are booming and the race is on to find a cure for covid-19.





MSCI ACWI Ex U.S. Sector Returns

Sector	MTD	QTD	YTD	1 Year	3 Year	5 Year	% of ACWI
Energy	1.09%	10.16%	-32.02%	-30.62%	-3.93%	-1.99%	9.66%
Healthcare	1.89%	16.65%	6.35%	21.10%	9.60%	5.37%	6.99%
Utilities	-1.06%	6.86%	-8.93%	-1.38%	5.66%	6.87%	5.77%
Information Technology	8.35%	24.56%	2.89%	21.67%	11.98%	13.80%	9.79%
Materials	5.14%	25.62%	-8.75%	-5.31%	3.37%	4.47%	6.64%
Financials	5.81%	11.69%	-22.97%	-19.46%	-5.39%	-1.85%	17.83%
Consumer Discretionary	4.39%	20.00%	-8.91%	0.86%	2.11%	2.24%	11.86%
Communication Services*	8.42%	18.09%	1.49%	5.58%	1.77%	0.55%	7.79%
Real Estate**	2.81%	8.14%	-21.59%	-18.31%	-2.82%	N/A	3.09%
Industrials	3.38%	17.69%	-13.08%	-6.97%	0.74%	3.42%	10.23%
Consumer Staples	2.19%	10.50%	-5.74%	-2.42%	1.95%	4.11%	10.35%

*The MSCI ACWI Ex U.S. Communciation Services Sector was reclassifed on November 30th, 2018 **The MSCI ACWI Ex. USA Real Estate Sector was developed on Augu

International Equity Returns

Name	MTD	QTD	YTD	1 Year	3 Year	5 Year
MSCI ACWI Index (USD)	3.24%	19.41%	-5.98%	2.66%	6.72%	7.06%
MSCI EAFE Index (USD)	3.45%	15.15%	-11.03%	-4.63%	1.38%	2.63%
MSCI EAFE Ext. ESG Focus Index (USD)	3.48%	14.55%	-11.11%	-4.04%	1.44%	2.52%
MSCI EM Index (USD)	7.36%	18.14%	-9.70%	-3.11%	2.23%	3.24%
MSCI EM Ext. ESG Focus Index (USD)	8.08%	18.11%	-9.58%	-2.65%	2.30%	4.01%
FTSE 100 Index (GBP)	1.66%	9.57%	-16.78%	-13.74%	-1.63%	2.93%
Nikkei 225 Index (JPY)	1.99%	17.97%	-4.74%	6.98%	5.75%	3.99%
Hang Seng Index (HKD)	7.38%	5.07%	-11.87%	-11.66%	1.74%	2.10%
Shanghai Composite Index (CNY)	5.63%	9.79%	-1.01%	2.54%	0.19%	-4.84%
MSCI ACWI ex-USA Index (USD)	4.56%	16.33%	-10.74%	-4.34%	1.66%	2.80%
MSCI EMU Index (EUR)	5.03%	17.43%	-11.93%	-4.92%	0.66%	2.74%

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FIXED INCOME

July 1, 2020

It was a quiet month for Treasury yields, as reflected by the yield curve graph to the right. Yields are so little changed that it is difficult to see the current yield curve (blue line) beneath last month's red line.

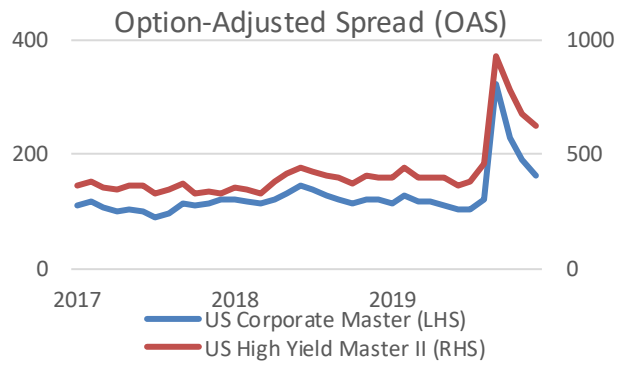
Given little yield curve movement (no performance bump from duration) and offering close to no yield to begin with, the Government index was roughly flat for the month.

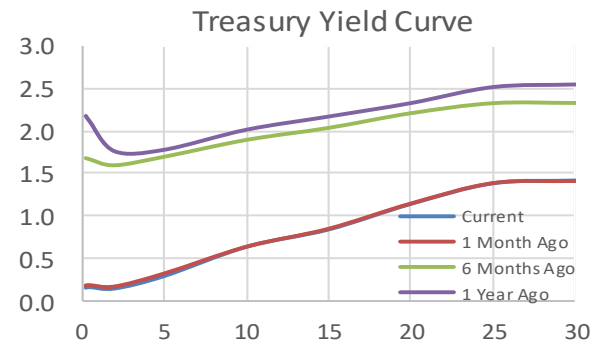
Investment Grade corporate bonds had a good showing in June as the Federal Reserve purchased IG ETFs and individual bonds, and spreads tightened, pushing prices upward. The bond market has responded to the Fed's direction and intervention, with massive liquidity returning to the market, demonstrated by the ease of trading and record-breaking issuance by IG and HY companies.

High Yield corporate bonds had a good month, even as spreads bounced around a bit. The lowest quality bonds outperformed those closest to investment grade as investors became more comfortable with risk.

Emerging Market debt had a strong month for the same reason as HY – Investors assuming that the worst is over and moving into more aggressive holdings, pushing prices higher.

Municipal bonds continued to perform well after a slow start to the year. This is likely to continue as concerns over higher future tax rates grow, due to pandemic related spending and the coming election cycle. The highest quality municipal bonds can offer a yield in excess of similar maturity Treasury bonds (historically rare) with the added benefit of being exempt from federal and state taxes.





U.S. Treasury Yields						
Period	3 Month	2 Year	5 Year	10 Year	20 Year	30 Year
Current	0.17%	0.16%	0.30%	0.64%	1.14%	1.41%
1 Month Ago	0.19%	0.17%	0.32%	0.64%	1.15%	1.42%
6 Months Ago	1.68%	1.59%	1.69%	1.89%	2.21%	2.34%
1 Year Ago	2.17%	1.76%	1.78%	2.01%	2.32%	2.54%

Central Bank Activity				
Name	Current	1 Month Ago	6 Months Ago	1 Year Ago
Fed Funds Rate	0.25%	0.25%	1.75%	2.50%
Bank of Japan Target Rate	0.10%	0.10%	0.10%	0.10%
European Central Bank Rate	0.00%	0.00%	0.00%	0.00%
Bank of England Official Bank Rate	0.10%	0.10%	0.75%	0.75%

Fixed Income Returns				
Name	MTD	QTD	YTD	1 Year
Bloomberg Barclays US Government Index	0.10%	0.49%	8.61%	10.57%
Bloomberg Barclays US Agg Index	0.63%	2.90%	6.14%	8.87%
Bloomberg Barclays US Corporate Index	1.96%	8.98%	5.02%	9.55%
Bloomberg Barclays US Corporate High Yield Index	0.98%	10.18%	-3.80%	-0.16%
Bloomberg Barclays EM USD Agg Index	2.49%	10.00%	-0.43%	2.66%
Bloomberg Barclays Global Agg Treasuries USD Index	0.11%	0.88%	4.30%	5.96%
Bloomberg Barclays Municipal Index	0.82%	2.72%	2.08%	4.44%
S&P Green Bond Select Index Total Return	1.29%	4.34%	2.65%	3.37%

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ALTERNATIVE INVESTMENTS

July 1, 2020

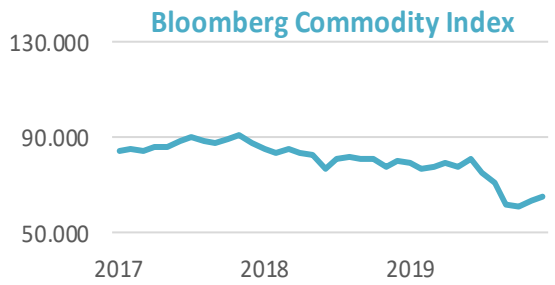
Alternative investments largely posted gains during the month of June thanks to weakness in the U.S. Dollar and a rebound in U.S. economic activity. The Dollar, as measured by the DXY Index, fell -0.97% during the period to close at 97.4. For the quarter, the Dollar was down -1.67% thanks to rebounding economic activity abroad, and an easing of liquidity stresses thanks to the Federal Reserve. Investors initially sought Dollars early in the quarter as liquidity and haven assets were in high demand. Over the course of the month and quarter, thanks to a rebound in economic activity, the Dollar has weakened against major currencies such as the Euro, which closed at $1.12 USD/EUR, stronger than a month and quarter ago.

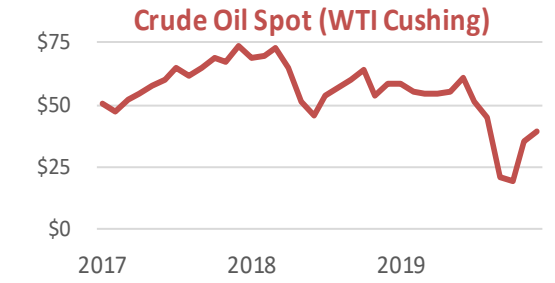
The aforementioned trends helped buoy West Texas Intermediate (WTI) crude oil prices during the month. WTI gained +10.65%, or nearly $4 per barrel, to close June slightly north of $39 per barrel. After futures contracts on WTI briefly hit *negative* territory back in March, WTI prices surged +91.75% during the quarter, nearly doubling from $20 at the end of last quarter. Crude helped drag the broader Bloomberg Commodities Index up with it, with the measure gaining +2.27% during the month and +5.04% on the quarter.

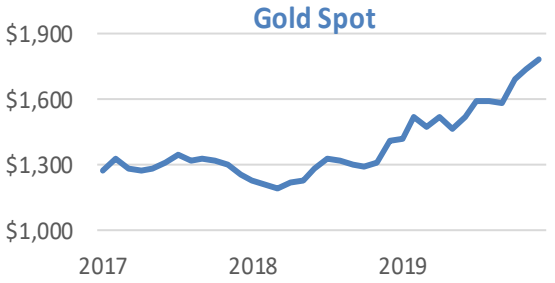
Gold was a notable bright spot during June, rising +2.93% on the month to close at $1,780 per ounce after futures contracts briefly traded above $1,800 per ounce intra-month. Gold's more than $203 per ounce, or +12.92% gain during the quarter is one of its best in recent years, fueled by lower interest rates, geopolitical uncertainty, and the unknown surrounding covid-19. With the Federal Reserve and other major global central banks pledging unlimited quantitative easing (QE) ammo and promising to keep interest rates lower for longer (or negative outside the USA), Gold prices look poised to continue their ascent. Looking back in the aftermath of the great financial crisis, Gold's all-time high of $1,891 looks increasingly in play in USD terms, after already making new highs in other major currencies.

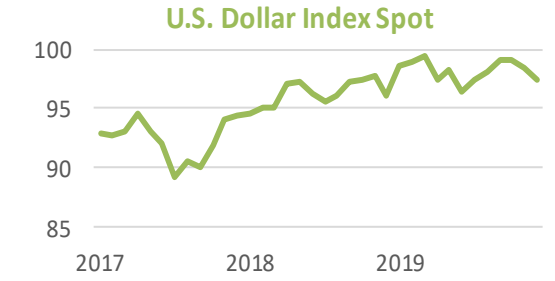
The Real Estate market, as measured by the FTSE NAREIT All-REIT Index remains challenged despite a +2.13% gain on the month and a +12.85% boost during the quarter. Uncertainty surrounds the future of the commercial Real Estate market and cracks have yet to form around residential Real Estate prices, despite fears over the increasing number of mortgages entering forbearance.

Lastly, eight of nine Hedge Fund strategies tracked by HFR reported positive returns in June, led by Event Driven strategies up +2.59%. All nine strategies posted strong gains on the quarter, with Convertible Arbitrage posting the top return at +8.96%.









Hedge Funds

Name	MTD	QTD	YTD	1 Year	3 Year	5 Year
Global Hedge	1.62%	6.06%	-1.21%	2.96%	1.13%	0.68%
Convertible Arbitrage	2.20%	8.96%	2.70%	5.58%	3.27%	3.44%
Equity Hedge (L/S)	1.93%	7.81%	-6.55%	-2.38%	-0.22%	-0.32%
Equity Market Neutral	2.05%	3.16%	-4.88%	-5.66%	-2.98%	-1.81%
Event Driven	2.59%	7.46%	1.54%	8.93%	0.12%	1.36%
Macro	-0.35%	0.41%	-0.78%	1.41%	1.30%	-0.09%
Merger Arbitrage	0.55%	6.04%	-1.88%	0.73%	-0.91%	1.49%
Relative Value Arbitrage	1.68%	6.82%	1.01%	3.30%	2.77%	1.20%
Absolute Return	1.47%	4.88%	-1.21%	1.43%	1.52%	1.42%

Note: Price Return, Returns as of 06/29/20

Spot Rates

Description	Current	1 Mth Ago	3 Mths Ago	6 Mths Ago	1 Year Ago
CAD / USD	1.36	1.38	1.41	1.30	1.31
JPY / USD	107.93	107.83	107.54	108.61	107.85
USD / GBP	1.24	1.23	1.24	1.33	1.27
USD / EUR	1.12	1.11	1.10	1.12	1.14

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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, CFP® *V.P./Portfolio Manager* – nick.verbanic@nottinghamadvisors.com
Matthew Krajna, CFA, *Senior Portfolio Manager, Director of Equity Research* – matthew.krajna@nottinghamadvisors.com
Tim Calkins, CFA, *Senior Portfolio Manager, Director of Fixed Income* – timothy.calkins@nottinghamadvisors.com
Mike Skrzypczyk, *Senior Trader/Associate Portfolio Manager* – michael.skrzypczyk@nottinghamadvisors.com
Angila Snediker, *Trading Associate* – angila.snediker@nottinghamadvisors.com
Nick DiRienzo, CFA, *Director of Operations* – nicholas.dirienzo@nottinghamadvisors.com

NEW YORK OFFICE

PH: 716-633-3800
FAX: 716-633-3810
100 Corporate Parkway
Suite 338
Amherst, NY 14226

FLORIDA OFFICE

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