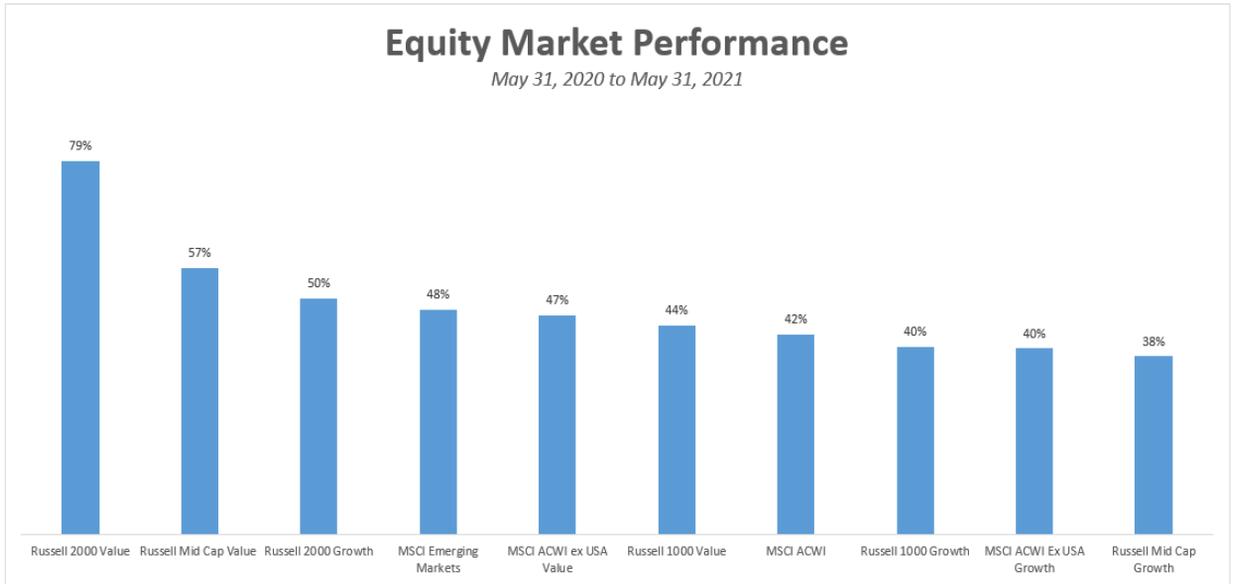




### Benefits of Staying Invested

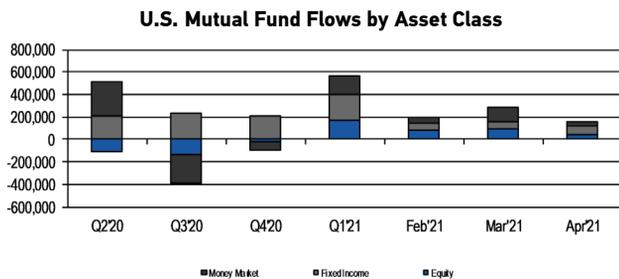


Source: Bloomberg, Total Return

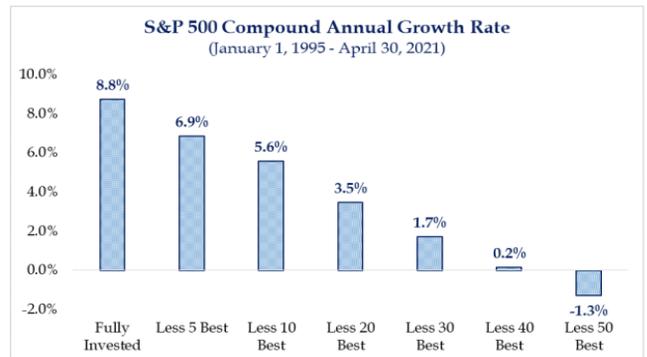
As shown in the chart above, the performance of equity markets over the past twelve months is impressive – for investors who remained invested. The ability to monitor equity holdings on a minute-by-minute basis is a great benefit, but can also present challenges. One behavioral phenomenon, first identified in a 1979 study by Tversky and Kahneman, is the concept of loss aversion. In this study, they noted that individuals preferred avoiding losses rather than reaping equivalent gains. In later studies, they suggested fear of losses were twice as powerful as gains. Loss aversion may partly explain investors selling U.S. equity mutual funds in mid 2020 after the first quarter correction and the uncertainty of COVID-19. As seen in the following chart, equity mutual fund flows (blue) have been positive since the fourth quarter, as equity markets rebounded.

Our investment team strives to navigate equity markets by implementing a repeatable investment process, which seeks to generate “above average returns with below average risk.” One of the benefits of this formula is the ability to remain invested through market cycles in order to enjoy upmarket performance and resist reducing equity exposure in challenging markets.

Below, we provide updated data from Strategas Research that demonstrates if an investor engages in “marketing timing” and misses out on just a few of the best-performing days in “the market,” it can have a pronounced impact on their long-term return profile.

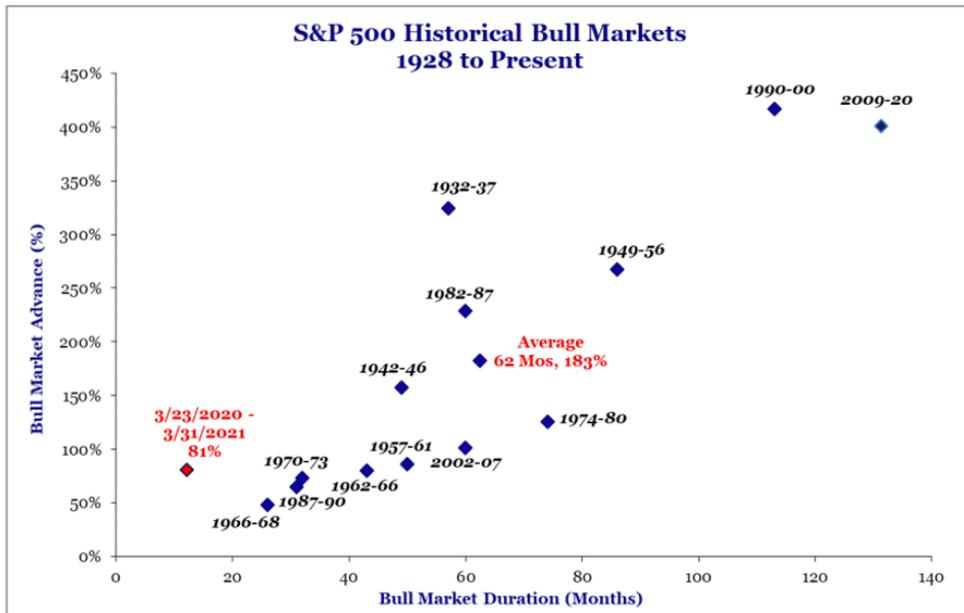


Source: Strategic Insight, left axis in \$ billions



Source: Strategas Research

Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees.



Source: Strategas Research

Is there further upside with many of the domestic and global indices highlighted on the first page close to all-time highs and the S&P 500® Index experiencing the best 12-month performance span since World War II at quarter-end? We prefer not to make market predictions, however, we find the chart above helpful in our work, which shows the average duration of bull markets over time. In terms of duration and potential upside, there are ample examples of bull markets with greater duration.

By employing a consistent process our investment team has used for 20 years, we look to create portfolios that will enable our clients to remain invested through different market environments in order to help assist them in achieving their financial goals.

As always, thank you for your interest and trust in managing your investments.

**Charles J. Wittmann, CFA®**, Executive Director, joined Sterling Capital Management in 2014 and has investment experience since 1995. Chip is an equity portfolio manager. Prior to joining Sterling, he worked for Thompson Siegel & Walmsley as a portfolio manager and (generalist) analyst. Prior to TS&W, he was a founding portfolio manager and analyst with Shockoe Capital, an equity long/short hedge fund. Chip received his B.A. in Economics from Davidson College and his M.B.A. from Duke University's Fuqua School of Business. He holds the Chartered Financial Analyst® designation.



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The volatility of an index varies greatly. All indices are unmanaged and investments cannot be made directly in an index.

**The S&P 500® Index** is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

**The Russell 2000® Value Index** measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000® Value Index is constructed to provide a comprehensive and unbiased barometer for the small-cap value segment. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect value characteristics.

**The Russell Midcap® Value Index** measures the performance of the midcap value segment of the U.S. equity universe. It includes those Russell Midcap® Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell Midcap® Value Index is constructed to provide a comprehensive and unbiased barometer of the mid-cap value market. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true midcap value market.

**The Russell 2000® Growth Index** measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000® companies with higher price-to-value ratios and higher forecasted growth values. The Russell 2000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set and that the represented companies continue to reflect growth characteristics.

**The MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

**The MSCI ACWI ex USA Value Index** captures large and mid cap securities exhibiting overall value style characteristics across 22 Developed and 27 Emerging Markets countries\*. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

**The Russell 1000® Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000® companies with lower price-to-book ratios and lower expected growth values. The Russell 1000® Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics.

**The MSCI ACWI Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

**The Russell 1000® Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics.

**The MSCI ACWI ex-USA Growth Index** captures large and mid-cap securities exhibiting overall growth style characteristics across 22 Developed Markets (DM) countries and 26 Emerging Markets (EM) countries.

**The Russell Midcap® Growth Index** measures the performance of the midcap growth segment of the U.S. equity universe. It includes those Russell Midcap® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell Midcap® Growth Index is constructed to provide a comprehensive and unbiased barometer of the mid-cap growth market. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap growth market.

Technical Terms: **Compound Annual Growth Rate (CAGR)**: the measure of an investment's annual growth rate over time, with the effect of compounding taken into account. It is often used to measure and compare the past performance of investments, or to project their expected future returns (Technical definitions are sourced from Corporate Finance Institute.)

The **Chartered Financial Analyst® (CFA)** charter is a graduate-level investment credential awarded by CFA Institute — the largest global association of investment professionals. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.