



FEB 2021

PERFORMANCE UPDATE

PERFORMANCE UPDATE AS OF FEB 28, 2021

FEB 2021 | TO KEEP YOUR BALANCE YOU MUST KEEP MOVING.

Fueled by improving economic conditions and market liquidity from the expectation of Biden's pandemic stimulus, on the surface equity markets measured by the S&P 500 again posted another month of strong gains returning 2.76%. However, the composition of those gains extended over the last six-months tell a vastly different story from the last several years which was largely led by high growth stocks. Unlike 2020 where over a period of 8 consecutive months growth stocks (i.e., Technology and Consumer Discretionary) outperformed value stocks (i.e., Financials and Industrials), over the last 6 months value stocks outperformed growth stocks by a cumulative margin of

19.2% versus 5.3%, respectively. This relative performance is consistent with the change in economic regime from a declining economic environment only fast forwarded by the pandemic to now improving financial conditions not seen since the Financial Crisis of 2008. While history does not repeat itself, the market's reaction to economic crises, consistent with our asset allocation, fortunately does rhyme. Conversely, due to improving financial conditions from the bottom of the pandemic bond yields, market and inflation sentiment on the rise inversely trounced the bond market with a loss of 1.4%. Similarly, the composition of the losses of the bond market was attributed to long-dated Treasuries and Credits returning -5.6% and -3.3%, respectively. If the yield curve as a leading indicator remains a normal curve,

as history has shown us, the market’s expectations for a recovery should continue to benefit cyclical and economically sensitive sectors.

Equity and Dividend strategies. Flagship Equity on a YTD and L6M has outperformed the S&P 500 index by 270 bps and 545 bps net of fees, respectively. Flagship Dividend

on a YTD and L6M has outperformed the MSCI USA High Dividend Yield index by 200 bps and 431 bps net of fees, respectively.

Sowell’s TAP Series on an absolute basis consistently delivers solid absolute returns

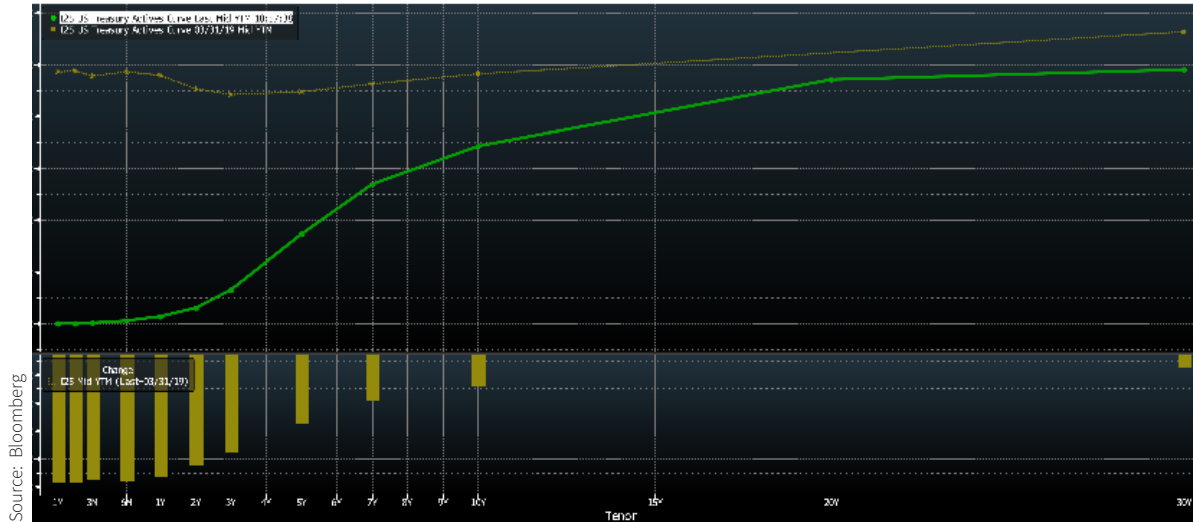
but has in the short-term lagged the S&P 500 index because of its weighted exposure to Nasdaq’s QQQ for the reasons stated above.

As we look forward to the rest of 2021 and beyond, to stay the course we want to continue to witness key components of the global economy to continue demonstrating improving financial conditions. We believe it is important to remain constructive and selective in our diversification and not chase past performance and instead focus on what will perform well in the current market environment.

Sowell’s portfolio management team was able to witness some of the early signs of the regime change and diversified the higher growth exposure to benefit value (cyclical and economically sensitive) and smaller-cap stocks by early January of 2021.

As we featured last month, a major factor in the AMP and Classic Series outperforming is attributed to the Affinity World Leaders ETF (“WLDR”) allocation. WLDR, is a smart beta ETF designed to capture exposure to the undervalued parts of the market. WLDR’s intended exposure to value, smaller cap and highly ranked ESG companies contributed to its outperformance over the MSCI World index in the month of February. Factor returns for February: High beta, value, small cap, and dividend yield did well which helped performance over MSCI World index.

The enclosed and updated Style Analytics report disentangles in more detail the “exposure” across styles and factors and delivers a snapshot of where relative performance is coming from. The relative and absolute performance for this month’s honor roll continues to favor the AMP & Classic Series and particular the Flagship



Source: Sowell Affinity



COMPLETE PERFORMANCE DETAILS AS OF FEBRUARY 28, 2021

Below is a performance table of returns, net of fees, for Sowell Management's current investment management offerings as well as the benchmark the Sowell IC deems appropriate for each program.

SOWELL MANAGEMENT PROGRAMS					
Strategic Allocation Models	Feb 2021 Net	L3M Net	L6M Net	YTD Net	2020 Net
AMP Income	-0.66	0.12	2.04	-1.03	5.32
Benchmark: Custom Blend*	-0.75	-0.37	1.24	-1.35	9.21
AMP Total Return	0.19	1.72	4.76	-0.12	8.18
Benchmark: Custom Blend	-0.21	0.84	3.31	-0.78	10.73
AMP Income and Growth	0.88	3.44	7.59	0.75	10.91
Benchmark: Custom Blend	0.33	2.05	5.39	-0.22	12.14
AMP Conservative	1.39	4.34	9.02	1.29	11.57
Benchmark: Custom Blend	0.69	2.87	6.78	0.16	13.02
AMP Balanced	1.52	5.62	11.61	1.71	15.35
Benchmark: Custom Blend	1.23	4.10	8.86	0.72	14.23
AMP Growth	1.89	6.59	13.27	2.21	17.07
Benchmark: Custom Blend	1.59	4.92	10.25	1.10	14.96
AMP Global Growth	1.90	6.55	13.22	2.18	15.78
Benchmark: Custom Blend	1.59	4.92	10.25	1.10	14.96
AMP Aggressive Growth	2.37	7.93	15.66	2.89	19.87
Benchmark: Custom Blend	2.14	6.16	12.34	1.66	15.95
Classic Bond	-0.92	-0.96	-0.33	-1.39	
Benchmark: Barclays US Aggregate Bond Index	-1.44	-2.02	-1.55	-2.15	
Classic Total Return	0.27	0.60	2.32	-0.17	
Benchmark: Custom Blend	-0.69	-0.33	1.34	-1.35	9.73
Classic Income and Growth	0.26	1.25	3.18	-0.33	8.41
Benchmark: Custom Blend	-0.21	0.84	3.31	-0.78	10.73
Classic Conservative	0.62	1.95	4.37	0.01	9.20
Benchmark: Custom Blend	0.15	1.65	4.70	-0.41	11.69
Classic Balanced	1.18	3.22	7.16	0.41	10.23
Benchmark: Custom Blend	1.05	3.69	8.17	0.53	13.84
Classic Growth	1.76	4.35	9.36	0.89	11.40
Benchmark: Custom Blend	1.78	5.34	10.95	1.29	15.31
Classic Aggressive Growth	2.24	5.35	11.10	1.34	12.35
Benchmark: Custom Blend	2.32	6.58	13.04	1.85	16.25
Global Macro Conservative	-1.10	0.74	1.55	-1.93	10.88
Benchmark: Custom Blend	0.15	1.74	4.65	-0.41	12.34
Global Macro Core	-0.28	3.09	3.73	-0.74	14.41
Benchmark: Custom Blend	0.88	3.36	7.43	0.35	14.12
Global Macro Growth	0.36	4.89	5.55	0.21	16.09
Benchmark: Custom Blend	1.60	4.98	10.22	1.10	15.44

Chart continued on the following page.

SOWELL MANAGEMENT PROGRAMS

Tactical Allocation Models	Feb 2021 Net	L3M Net	L6M Net	YTD Net	2020 Net
TAP Conservative	0.59	2.49	3.75	0.34	4.90
Benchmark: Custom Blend	0.73	2.06	4.39	-0.10	14.16
TAP 1x	1.12	4.73	7.25	0.61	7.51
Benchmark: S&P 500	2.76	5.63	9.74	1.72	18.40
Morningstar US Fund Tactical Allocation	1.84	6.19	10.53	2.22	9.83
TAP Complete	2.90	8.36	14.09	3.36	0.83
Benchmark: S&P 500	2.76	5.63	9.74	1.72	18.40
Morningstar US Fund Tactical Allocation	1.84	6.19	10.53	2.22	9.83
TAP 2x	2.05	4.34	6.25	0.16	5.52
Benchmark: S&P 500	2.76	5.63	9.74	1.72	18.40
Morningstar US Fund Tactical Allocation	1.84	6.19	10.53	2.22	9.83
TAP Global Allocation	2.12	6.20	12.06	1.69	-3.66
Benchmark: MSCI ACWI	2.32	6.58	13.04	1.85	16.25
US High Yield (1)	2.21	5.09	10.03	2.62	-0.66
Benchmark: Bloomberg Barclays US Corporate High Yield	0.37	2.59	6.09	0.70	7.11
Equity Selection Models	Feb 2021 Net	L3M Net	L6M Net	YTD Net	2020 Net
Flagship Equity	3.60	9.31	15.19	4.42	22.80
Benchmark: S&P 500	2.76	5.63	9.74	1.72	18.40
Flagship Dividend	3.01	4.29	11.23	1.96	-0.43
Benchmark: MSCI USA High Dividend Yield Index	1.29	2.14	6.92	-0.04	0.62
Liquid Alternative Models	Feb 2021 Net	L3M Net	L6M Net	YTD Net	2020 Net
Liquid Alt Conservative	0.44	3.80	8.67	0.77	16.58
Benchmark: Wilshire Liquid Alt Index	1.18	2.89	4.86	1.19	3.19
MPD™ Multi-Methodology Models	Feb 2021 Net	L3M Net	L6M Net	YTD Net	2020 Net
MPD™ Total Return	0.52	2.40	5.70	0.11	7.04
Benchmark: Custom Blend	-0.07	1.03	3.33	-0.64	12.07
MPD™ Conservative	0.88	3.46	6.61	0.54	8.84
Benchmark: Custom Blend	0.73	2.73	6.13	0.18	14.48
MPD™ Balanced	1.50	5.49	9.86	1.51	12.89
Benchmark: Custom Blend	1.56	4.45	8.97	1.05	16.69
MPD™ Growth	1.86	6.30	10.68	1.92	15.12
Benchmark: Custom Blend	2.22	5.77	11.14	1.74	18.23
MPD™ Aggressive Growth	2.54	6.84	12.01	2.19	16.08
Benchmark: Custom Blend	2.92	7.11	13.35	2.46	19.72
MPD™ Stratactical Conservative	1.46	4.95	9.33	1.49	6.91
Benchmark: Custom Blend	0.73	2.73	6.13	0.18	14.48
MPD™ Stratactical Balanced	0.99	3.85	6.59	0.22	11.35
Benchmark: Custom Blend	1.56	4.45	8.97	1.05	16.69
MPD™ Stratactical Growth	1.49	5.35	8.60	1.04	10.80
Benchmark: Custom Blend	2.22	5.77	11.14	1.74	18.23

SOWELL BENCHMARK DESCRIPTIONS

AMP Income: 15% MSCI ACWI Index, 85% Bloomberg Barclays US Universal Bond Index

AMP Total Return: 30% MSCI ACWI Index, 70% Bloomberg Barclays US Universal Bond Index

AMP Income and Growth: 45% MSCI ACWI Index, 55% Bloomberg Barclays US Universal Bond Index

AMP Conservative: 55% MSCI ACWI Index, 45% Bloomberg Barclays US Universal Bond Index

AMP Balanced: 70% MSCI ACWI Index, 30% Bloomberg Barclays US Universal Bond Index

AMP Growth: 80% MSCI ACWI Index, 20% Bloomberg Barclays US Universal Bond Index

AMP Global Growth: 80% MSCI ACWI Index, 20% Bloomberg Barclays US Universal Bond Index

AMP Aggressive Growth: 95% MSCI ACWI Index, 5% Bloomberg Barclays US Universal Bond Index

Classic Bond: 100% Bloomberg Barclays US Aggregate Bond Index

Classic Total Return: 20% MSCI ACWI index, 80% Bloomberg Barclays US Aggregate Bond Index

Classic Income & Growth: 30% MSCI ACWI index, 70% Bloomberg Barclays US Aggregate Bond Index

Classic Conservative: 40% MSCI ACWI Index, 60% Bloomberg Barclays US Universal Bond Index

Classic Balanced: 65% MSCI ACWI Index, 35% Bloomberg Barclays US Universal Bond Index

Classic Growth: 85% MSCI ACWI Index, 15% Bloomberg Barclays US Universal Bond Index

Classic Aggressive Growth: 100% MSCI ACWI Index

Global Macro Conservative: 40% MSCI ACWI Index, 60% Bloomberg Barclays US Universal Bond Index

Global Macro Core: 60% MSCI ACWI Index, 40% Bloomberg Barclays US Universal Bond Index

Global Macro Growth: 80% MSCI ACWI Index, 20% Bloomberg Barclays US Universal Bond Index

TAP Conservative: 50% S&P 500 Index, 50% Bloomberg Barclays US Universal Bond Index

TAP 1x: S&P 500 Index

TAP Complete: S&P 500 Index

TAP 2x: S&P 500 Index

TAP Global Allocation: MSCI ACWI Index

US High Yield: Bloomberg Barclays US Corporate High Yield Index

Flagship Equity: S&P 500 Index

Flagship Top Stocks: S&P 500 Index

Flagship Dividend: MSCI USA High Dividend Yield Index

Liquid Alt Conservative: Wilshire Liquid Alt Index

MPD Total Return: 13% MSCI ACWI Index, 17% Russell 3000 Index, 70% Bloomberg Barclays US Universal Bond Index

MPD Conservative: 24% MSCI ACWI Index, 26% Russell 3000 Index, 50% Bloomberg Barclays US Universal Bond Index

MPD Balanced: 30% MSCI ACWI Index, 40% Russell 3000 Index, 30% Bloomberg Barclays US Universal Bond Index

MPD Growth: 30% MSCI ACWI Index, 55% Russell 3000 Index, 15% Bloomberg Barclays US Universal Bond Index

MPD Aggressive Growth: 25% MSCI ACWI Index, 75% Russell 3000 Index

MPD Stratactical Conservative: 24% MSCI ACWI Index, 26% Russell 3000 Index, 50% Bloomberg Barclays US Universal Bond Index

MPD Stratactical Balanced: 30% MSCI ACWI Index, 30% Russell 3000 Index, 40% Bloomberg Barclays US Universal Bond Index

MPD Stratactical Growth: 30% MSCI ACWI Index, 55% Russell 3000 Index, 15% Bloomberg Barclays US Universal Bond Index

CHART DISCLOSURES

Returns for Sowell Management Models are preliminary composite results, net of actual fees paid monthly in advance. Returns are net of brokerage commissions, fund charges (where applicable), and the reinvestment of dividends and other earnings of fully discretionary accounts under management, including those accounts no longer with the firm. Non-fee paying accounts are not included in this composite. Sowell Management maintains a complete list and description of composites, which is available upon request. Returns for the periods shown are created by geometrically linking monthly returns for each period. The returns illustrated are for the periods specified in the report. Returns are preliminary results and are not audited. Total return and principal value will vary. Performance expressed in U. S. Dollars. Actual results may vary depending on market conditions, investment decisions and reactions, economic events, and changes in investment objectives. It should not be assumed that any management style, model, security, or recommendations made in the future will be profitable, without loss, or will equal the performance of the investments as shown. Performance results do not reflect the impact of taxes. Select programs may engage in a significant amount of trading. Gains or losses will generally be short-term in nature; consequently, such programs may not be suitable for clients seeking tax efficiency. Sowell Management does not provide tax or legal advice.

(1) Performance results derived from control client account average net of management fees paid monthly in arrears, brokerage commissions, fund charges, and the reinvestment of dividends and other earnings of fully discretionary accounts under management. Control clients are not composites.

(2) The Sowell team conducted a periodic review and audit of all the model composites in the month of November and identified changes to the representative clients that make up the composites throughout 2020 and have resulted in restating the monthly returns for the following composite models: AMP Income, AMP Total Return, AMP Balanced, AMP Growth, AMP Global Growth, AMP Aggressive

Growth, Global Macro Conservative, TAP Conservative, TAP 1X, TAP US Complete, TAP 2X, Flagship Equity, Flagship Dividend, MPD Balanced, MPD Global Growth, MPD Total Return, MPD Aggressive Growth, MPD Stratactical Conservative, MPD Stratactical Conservative, MPD Stratactical Balanced, Classic Aggressive Growth, Classic Balanced, Classic Conservative and Classic Growth. Returns for Sowell Management Models are preliminary composite results, net of actual fees paid monthly in advance. Returns are net of brokerage commissions, fund charges (where applicable), and the reinvestment of dividends and other earnings of fully discretionary accounts under management, including those accounts no longer with the firm. Non-fee paying accounts are not included in this composite. Sowell Management maintains a complete list and description of composites, which is available upon request. Returns for the periods shown are created by geometrically linking monthly returns for each period. The returns illustrated are for the periods specified in the report. Returns are preliminary results and are not audited. Total return and principal value will vary. Performance expressed in U. S. Dollars.

Actual results may vary depending on market conditions, investment decisions and reactions, economic events, and changes in investment objectives. It should not be assumed that any management style, model, security, or recommendations made in the future will be profitable, without loss, or will equal the performance of the investments as shown. Performance results do not reflect the impact of taxes. Select programs may engage in a significant amount of trading. Gains or losses will generally be short-term in nature; consequently, such programs may not be suitable for clients seeking tax efficiency. Sowell Management does not provide tax or legal advice.

(3) As of December 31st, 2020, Sowell Management will be making the following changes to the benchmark return methodology and calculation for the respective benchmark composites since its inception date:

Composite	Previous Model Benchmark	New Model Benchmark	Inception Date
Sowell AMP Aggressive Growth	75% MSCI ACWI Index, 20% Russell 2000 Index, 5% Bloomberg Barclays US Universal Bond Index	95% MSCI ACWI Index, 5% Bloomberg Barclays US Universal Bond Index	12/31/2000
Sowell AMP Balanced	55% MSCI ACWI Index, 15% Russell 2000 Index, 30% Bloomberg Barclays US Universal Bond Index	70% MSCI ACWI Index, 30% Bloomberg Barclays US Universal Bond Index	12/31/2000
Sowell AMP Conservative	43% MSCI ACWI Index, 12% Russell 2000 Index, 45% Bloomberg Barclays US Universal Bond Index	55% MSCI ACWI Index, 45% Bloomberg Barclays US Universal Bond Index	4/30/2009
Sowell AMP Global Growth	44% MSCI ACWI Index, 16% Russell 2000 Index, 20% MSCI ACWI Ex US Index, 20% Bloomberg Barclays US Universal Bond Index	80% MSCI ACWI Index, 20% Bloomberg Barclays US Universal Bond Index	7/31/2001
Sowell AMP Growth	63% MSCI ACWI Index, 17% Russell 2000 Index, 20% Bloomberg Barclays US Universal Bond Index	80% MSCI ACWI Index, 20% Bloomberg Barclays US Universal Bond Index	12/31/2000
Sowell AMP Income	11% MSCI ACWI Index, 4% Russell 2000 Index, 85% Bloomberg Barclays US Universal Bond Index	15% MSCI ACWI Index, 85% Bloomberg Barclays US Universal Bond Index	4/30/2009
Sowell AMP Income and Growth	35% MSCI ACWI Index, 10% Russell 2000 Index, 55% Bloomberg Barclays US Universal Bond Index	45% MSCI ACWI Index, 55% Bloomberg Barclays US Universal Bond Index	7/31/2001
Sowell AMP Total Return	23% MSCI ACWI Index, 7% Russell 2000 Index, 70% Bloomberg Barclays US Universal Bond Index	30% MSCI ACWI Index, 70% Bloomberg Barclays US Universal Bond Index	12/31/2011
Sowell Classic Aggressive Growth	67% MSCI ACWI Index, 33% Russell 2000 Index	100% MSCI ACWI Index	1/31/2017
Sowell Classic Balanced	50% MSCI ACWI Index, 15% Russell 2000 Index, 35% Bloomberg Barclays US Universal Bond Index	65% MSCI ACWI Index, 35% Bloomberg Barclays US Universal Bond Index	6/30/2016
Sowell Classic Conservative	30% MSCI ACWI Index, 10% Russell 2000 Index, 60% Bloomberg Barclays US Universal Bond Index	40% MSCI ACWI Index, 60% Bloomberg Barclays US Universal Bond Index	4/30/2017
Sowell Classic Growth	63% MSCI ACWI Index, 22% Russell 2000 Index, 15% Bloomberg Barclays US Universal Bond Index	85% MSCI ACWI Index, 15% Bloomberg Barclays US Universal Bond Index	1/31/2017

For comparison purposes, returns are measured against various indexes. Indexes are portfolios of specific securities, the performance of which is often used as a benchmark in judging the relative performance of certain investments. Investors cannot invest directly in an index. The S&P 500 Index is an unmanaged index consisting of 500 common stocks and is provided as a representation of the U.S. stocks market for informational purposes. Economic factors, market conditions,

and investment strategies will affect the performance of any portfolio and there are no assurances that it will match or outperform any particular benchmark.

The Bloomberg Barclays Aggregate Bond Index a broad bond index covering most U.S. traded bonds and some foreign bonds traded in the U.S. It is a representation of the overall bond market for informational purposes.

The Bloomberg Barclays Capital U.S. Corporate High Yield Bond Index is an index composed of fixed-rate, publicly issued, non-investment grade debt.

The MSCI ACWI index is an unmanaged index consisting of stocks from both developed and emerging markets, and is provided as a representation of the US stock market for informational purposes.

The MSCI USA High Dividend Yield Index is based on the MSCI USA Index, and includes large and mid cap stocks. The index is designed to reflect the performance of equities in the parent index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent.

"The Bloomberg Barclays US Universal Bond Index measures the performance of U.S. dollar-denominated taxable bonds that are rated either investment-grade or high yield. The index includes U.S. Treasury bonds, investment-grade and high yield U.S. corporate bonds, mortgage-backed securities, and Eurodollar bonds."

"The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index. It is comprised of small and mid-cap domestic stocks."

"The Russell 3000 Index is a market-capitalization-weighted equity index that provides exposure to the entire U.S. stock market. The index tracks the performance of the 3,000 largest U.S.-traded stocks which represent about 98% of all U.S incorporated equity securities."

The Wilshire Liquid Alternative Index measures the collective performance of the five Wilshire Liquid Alternative Strategies that make up the Wilshire Liquid Alternative Universe. It is a representation for how liquid alternative investment category performed as a whole.

Effective May 1, 2018 and again on January 1, 2019, the Firm has elected to retroactively change its blended benchmarks to better reflect the firm's investment management philosophy and a broader recognition of the indexes being compared. For additional details about this change, please email portfolios@sowellmanagement.com.

As of September 2018, the Liquid Alternative Growth strategy no longer had any composite or control accounts to report performance. We will continue to offer this portfolio strategy as part of our lineup.

As of January 1, 2019 the Liquid Alternative Income was renamed to Liquid Alt Conservative to better reflect a lower allocation to equity-based alternative funds which do not always reflect an income characteristic.

As of May 1, 2019, the MPD Income and Growth strategy no longer has any composite accounts to report performance. We will continue to offer this model as part of our lineup.

As of May 1, 2019, the MPD Global Growth strategy no longer had any composite or control accounts to report performance. We will continue to offer this model as part of our lineup.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE

Advisory Services Offered Through Sowell Management, a Registered Investment Advisor

INCLUDED: STYLE ANALYTICS FEB 2021 FACTOR PERFORMANCE ANALYSIS: VALUE ROARS BACK TO LIFE AFTER STEADY OUTFLOWS



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February 2021 Factor Performance Analysis: Value Roars Back to Life After Steady Outflows



10 March 2021

Prepared by:
Damian Handzy
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February 2021 Factor Performance Summary

People have been talking about Value's comeback for several years, and February 2021 saw that rotation in full swing, all around the world.

In this report we examine four 'regions' (the US, Europe, Emerging Markets and Australia) to understand how factors performed in February 2021.

In February:

- Markets were up everywhere: S&P 500 up 2.6%, MSCI Europe up 2.3% and the MSCI Emerging Markets index up 0.7%
- In all markets, Value outperformed Growth significantly, continuing the rotation (some) investors have long awaited.
- High Volatility stocks outperformed in every region and Small Caps outperformed in all markets except Australia.
- Quality and Growth suffered in every market while Momentum was mixed

Now that Style Analytics is part of Investment Metrics, we're adding some important data to this monthly report around fund flows, courtesy of the Investment Metrics' Market Insights offering.

In the US, equity funds have seen a steady outflow of assets for the past several years, all while providing the highest returns of any asset class:

- Through 2020, Growth funds suffered smaller net asset losses than Value funds, but they lost investments every quarter except Q2 during the fastest equity price rises following the COVID crash. Curiously, this only applied to large and small cap growth funds, with mid-cap growth funds suffering asset losses even in Q2.
- Large Cap and mid-cap Value funds suffered increasingly large losses throughout 2020, but small cap Value had de minimis asset flows until Q4 when they felt similar outflows to those experienced by small-cap growth funds. It seems that investors held out hope for Value funds throughout 2020 but started pulling out just as markets began their long-awaited rotation to those very same Value funds.

US Equities

Value stocks significantly outperformed the other fundamental factors in February, posting about 200 bps outperformance over the broader markets. Small caps and high Volatility stocks also outperformed in January. Last year, we published an analysis showing that precisely [these three factor groups were expected to outperform in the first half of 2021](#).

In February 2021, the overall US market rose about 3%. All Value sub-factors significantly outperformed, along with all Volatility sub-factors. The other factor groups had muted performance. Momentum's mixed sub-factor performance is indicative of the rotation: whereas Growth's outperformance was long enough to establish a trend, the switch to Value has erased that trend and hence medium-term Momentum has evaporated.

February 2021 US Factor Performance

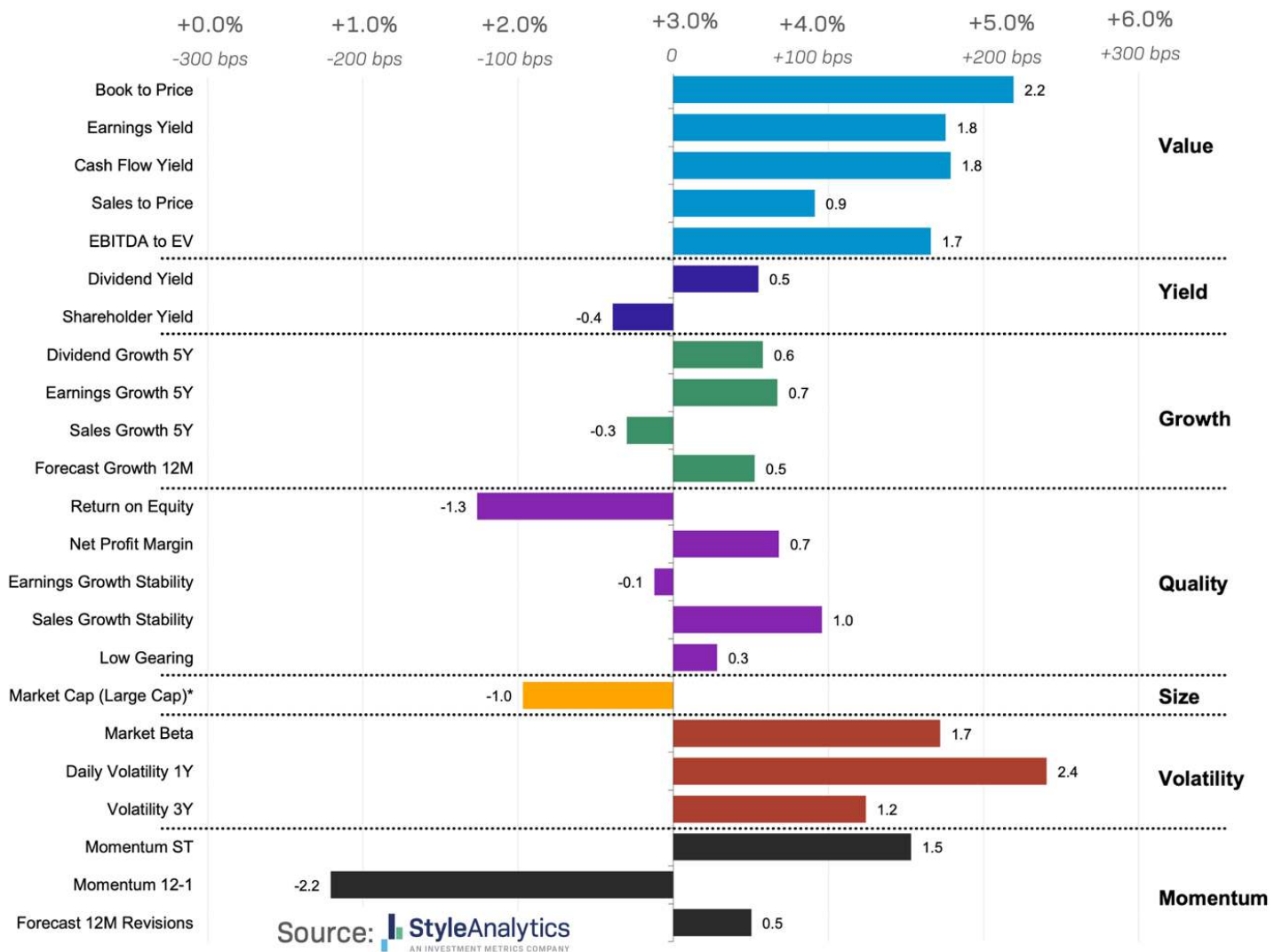


Figure 1: February 2021 US Factor Performance on a sector adjusted basis. Source: Style Analytics.

The now virtually guaranteed \$1.9T COVID relief package, the strong US job market and consumers' pent-up demand for spending are all pointing in the same direction: Value outperformance for the near term. The rise in the US 10-year rate also favors Value stocks over others, as we discussed in a [recent podcast episode entitled "Irrationally Valuable."](#) We continue to expect this trend to continue for the coming period. The rising interest rates could also finally tip asset flows back into the equity direction.

European Equities

Europe's markets also had a modest overall gain of 3% in February, with a similar overall factor profile to the US markets': Value/Volatility up. But in Europe, almost all other factor groups were consistently down.

Growth stocks, in Europe, all did poorly except those with high Forecast Growth. As we've written about in our recent "[sub-factors matter](#)" analysis, this Forecast Growth was the best performing Growth sub-factor. It's also the one most sensitive to rising interest rates: that rates remained low in Europe is consistent with Forecast Growth's outperformance.

February 2021 European Factor Performance

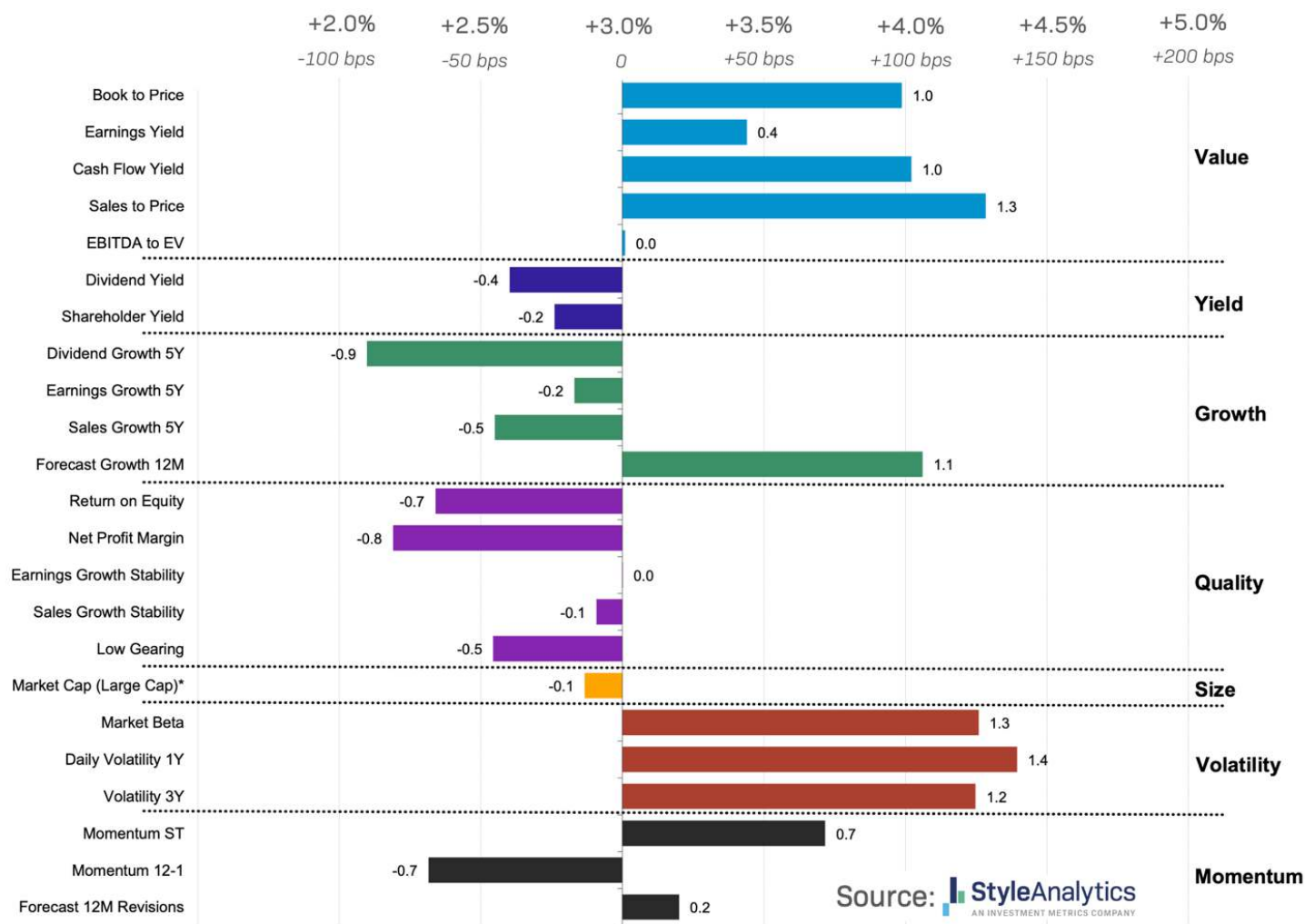


Figure 2: January 2021 European Factor Performance on a country and sector adjusted basis. Source: Style Analytics.

As we've mentioned before, our [research on factors following US elections](#) shows that European markets also tend to favor Value, Small Cap and High Volatility in the months after a US election. The profile above for Europe is almost textbook factor performance based on that research.

Similar to our expectations for the US, we think that Value should continue to do well in Europe. Unlike the US, Growth stocks may outperform as well in the coming months in Europe both because of the lack of interest rate increases and the more modest governmental COVID intervention.

Emerging Markets Equities

Emerging Markets (EM) has been a factor wild-card the past year, flip-flopping from month to month and often displaying factor returns unlike any developed region. [Last month, the sub-factors within all groups \(except Value\) posted mixed performance.](#) This month, EM is completely consistent with the US and European markets with outperformance by the three factor groups we identified as central to post-US election results: Value, Small Cap and high Volatility.

February 2021 Emerging Markets Factor Performance

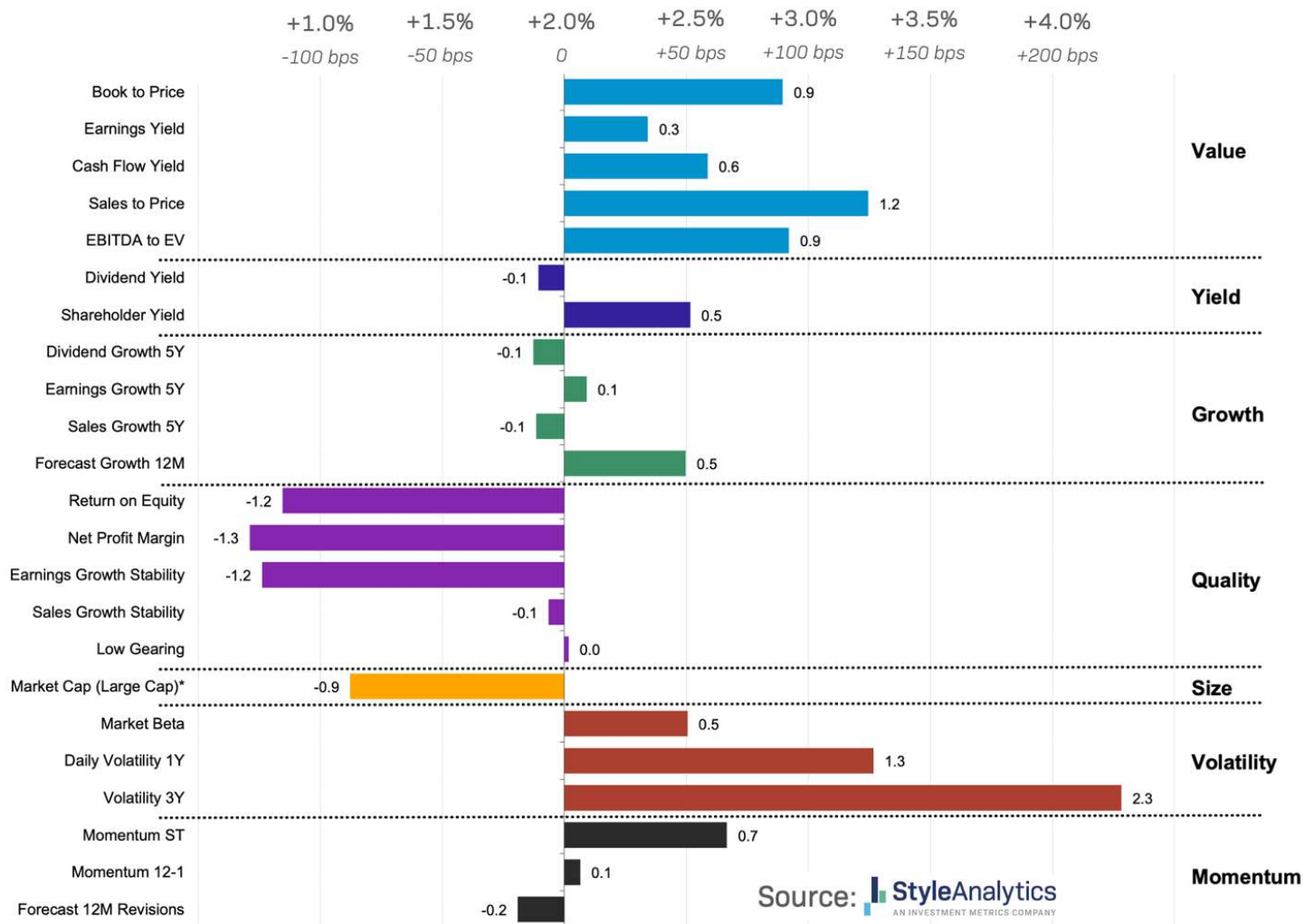


Figure 3: February 2021 Emerging Markets Factor performance, country and sector adjusted. Source: Style Analytics.

This factor consistency for EM in February, however, is part of the overall whiplash that EM has imposed on investors: last month, it had nearly the opposite profile. In January, Value, Small Cap and High Volatility all underperformed. The flip-flow doesn't end there: Quality sub-factors also reversed as did the Momentum sub-factors.

The strongest trend we see among factors in Emerging Markets is their tendency to bounce from month-to-month. While we're not suggesting that they will do so again (there's no good reason to believe they will), we will not be surprised if we see such a reversal in March.

Australia

Australian equities resembled Europe with Value mostly up and Growth down, except for that most forward-looking sub-factor, Forecast Growth. While all Volatility sub-factors outperformed this month in Australia, market beta once again took first place.

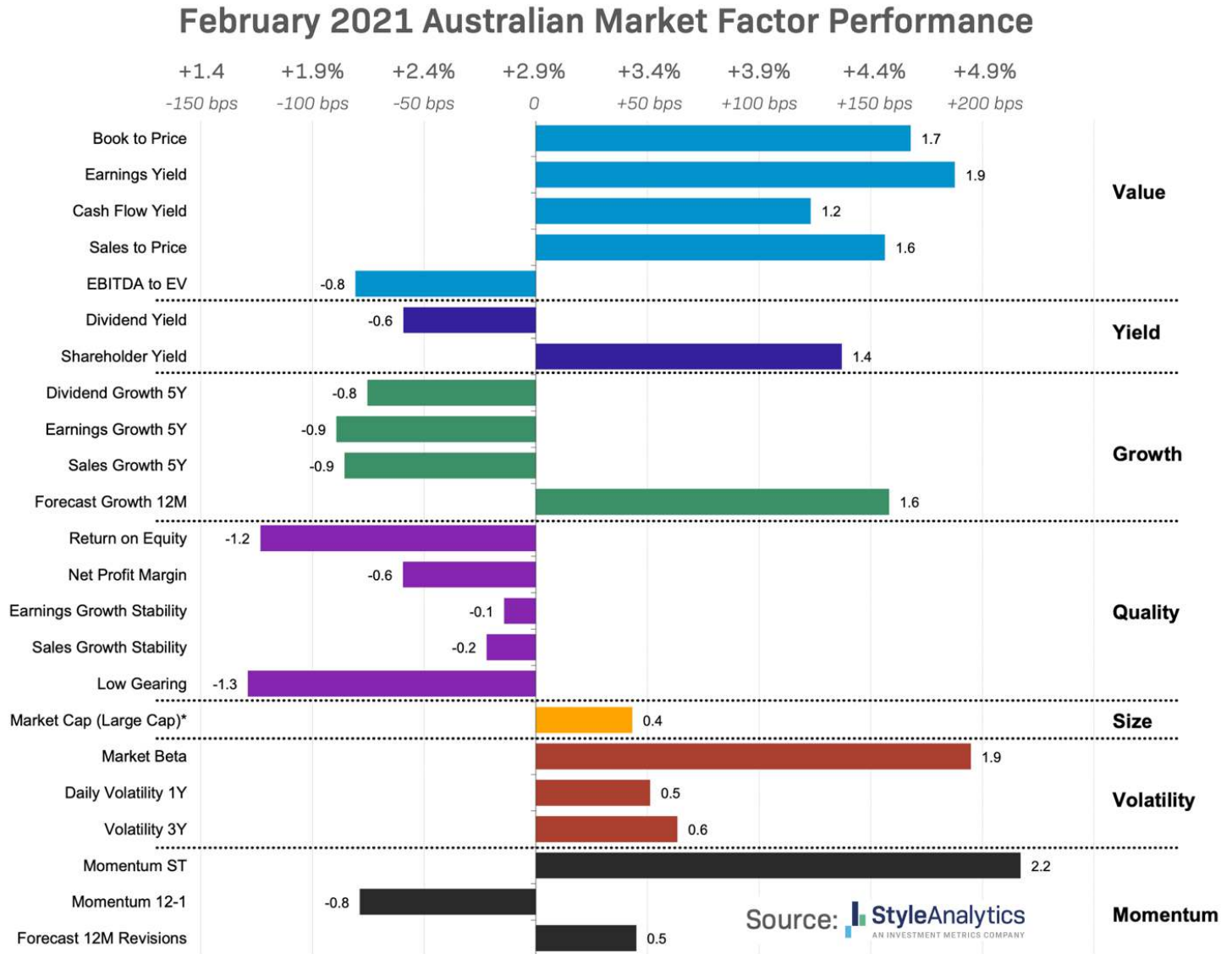


Figure 4: February 2021 Australian Market Factor performance, country and sector adjusted. Source: Style Analytics.

Just like last month, Quality stocks fell in Australia regardless of which sub-factor one followed. Momentum was again mixed: trends have been hard to spot.

The only real difference between Australia and Europe is that Large Caps did well in Australia.

Summary

World markets posted modest gains in February, with factor profiles that were remarkably consistent with one another after January's large differences:

- Value stocks did well everywhere, and by every measure of valueness. The rotation to Value is unquestioned in magnitude – now, it's just a matter of how long it can last.
- High Volatility stocks also did well in all regions, and by each measure. “Risk On” is the order of the day.
- Small Cap stocks did well everywhere except Australia, but even there the outperformance of Large Caps was modest.
- Quality, Growth both suffered in all regions and by all measures except for the most forward-looking sub-factor: Forecast Growth.
- Momentum, also known as “trend following” among commodity traders, was mixed in all regions as the rotation to Value took away the previous trend's steam. We don't expect Momentum to return until/unless Value can keep outperforming long enough to create its own trend.

Appendix: How to read the charts

Each factor's performance is based on the relative performance of the top 50% (by market cap) of that specific factor compared to the overall market (the sole exception is the size factor which uses the top 70%). For example, for the first factor, book-to-price, we determine the period's performance of the basket of stocks with the highest book-to-price values relative to the total market.

Each factor is analyzed independently, and market and fundamental data are adjusted so that sector-average (within each country) relative data is used and the performance measurement isolates the factor's contribution to return. In Figure 1, US stocks with a high book-to-price (i.e. high value stocks as measured by book-to-price) outperformed the broad US market by 220 bps on a country and sector adjusted basis.

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