

The background of the slide is a blurred night cityscape with bokeh light effects in shades of blue, yellow, and white. The lights appear to be from buildings and streetlights, creating a sense of depth and urban atmosphere.

# AUGUST 2021 PERFORMANCE UPDATE

## MONTHLY PERFORMANCE UPDATE AS OF AUGUST 31, 2021

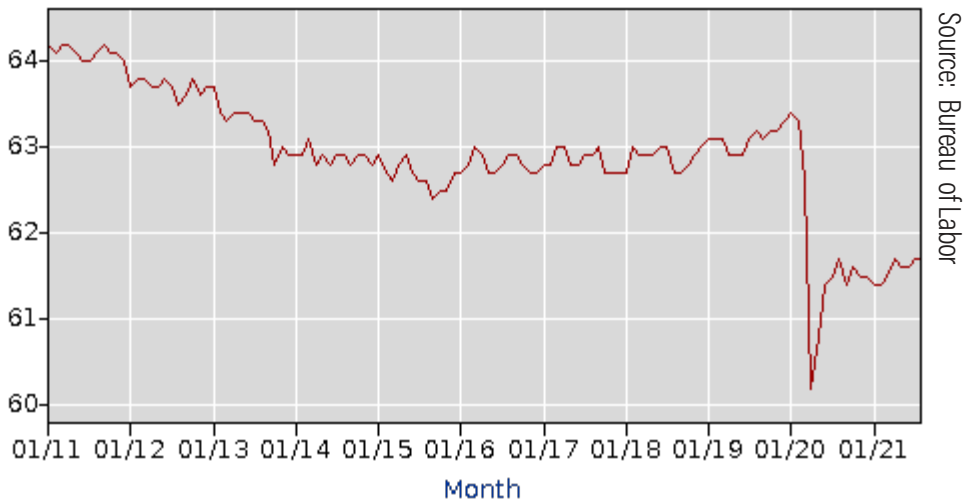
### AUGUST 2021 | IS IT BUSINESS AS USUAL?

“Herd behavior exaggerates speculation and the business cycle as it distracts us from the facts of the markets and draws us to the less relevant views of other people.” —Alan Greenspan, Former Chair of the Federal Reserve of the United States, *The Map and the Territory 2.0*.

The last several quarters we have been stating that global markets are anything but routine. All while, in the midst of soaring inflation the Fed instead is focused on the risk of stagflation as it relates to “declining” growth. The stock market’s recent underpinnings seem to be responding in a fashion of a slowdown, but it remains to be determined whether that is negative growth or slower growth after the post-Covid boom. Yet with the current unemployment rate of 5.2% improving towards full employment, the actual labor participation rate remains well below the pre-pandemic levels. The number of job openings is the highest on record as labor shortages are widespread

Although Growth stocks handily beat Value stocks over the last quarter it remains to be seen if the Value rotation is a thing of the past if economic growth remains positive in a rising rate environment.

BLS Civilian labor force participation rate



Source: Bureau of Labor

Analyze List		Settings	Group Ranked Returns	
Groups	Period	Cust	07/31/21	08/31/21
Negative Total Return				
S&P 500 ECO SECTORS IDX		Return	3.04%	Positive Total Return
All Groups				
1)	S&P 500 FINANCIALS INDEX	5.14%		
2)	S&P 500 COMM SVC	5.01%		
3)	S&P 500 UTILITIES INDEX	3.98%		
4)	S&P 500 INFO TECH INDEX	3.56%		
5)	S&P 500 REAL ESTATE IDX	2.81%		
6)	S&P 500 HEALTH CARE IDX	2.38%		
7)	S&P 500 CONS DISCRET IDX	2.12%		
8)	S&P 500 MATERIALS INDEX	1.92%		
9)	S&P 500 CONS STAPLES IDX	1.40%		
10)	S&P 500 INDUSTRIALS IDX	1.15%		
11)	S&P 500 ENERGY INDEX	-2.04%		

Source: Bloomberg

At a glance, although Growth stocks, led by the S&P 500 Growth index, gained 4.2%, the best performing sector during August was Financials gaining 5.1% - is it a sign?

Unlike July when riskier stocks detracted with negative returns, August experienced a market reversal across the board for equities helping fuel the Sowell strategies. A majority if not all of Sowell’s Series kept pace with August’s market gains led by the TAP, MPD, AMPs and Classic Series. The underpinning of our strategic positioning continues to favor quality growth, value, smaller-cap stocks, and defensive against an assertive rise in interest rates. We are barrelling constructive and active asset allocation as the economy re-opens.

## 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

## COMPLETE PERFORMANCE DETAILS AS OF AUGUST 31, 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	Aug 2021 Net	L3M Net	L6M Net	YTD Net	L12M Net
<b>AMP Income</b>	<b>0.48</b>	<b>1.97</b>	<b>3.05</b>	<b>1.99</b>	<b>5.15</b>
Benchmark: Custom Blend*	0.32	2.11	3.47	2.08	4.76
<b>AMP Total Return</b>	<b>0.98</b>	<b>3.00</b>	<b>5.39</b>	<b>5.27</b>	<b>10.41</b>
Benchmark: Custom Blend	0.70	2.54	5.24	4.42	8.73
<b>AMP Income and Growth</b>	<b>1.38</b>	<b>3.45</b>	<b>5.83</b>	<b>6.62</b>	<b>13.86</b>
Benchmark: Custom Blend	1.09	2.97	7.04	6.80	12.80
<b>AMP Conservative</b>	<b>1.77</b>	<b>4.05</b>	<b>8.21</b>	<b>9.61</b>	<b>17.98</b>
Benchmark: Custom Blend	1.35	3.26	8.24	8.41	15.58
<b>AMP Balanced</b>	<b>2.07</b>	<b>4.28</b>	<b>8.79</b>	<b>10.65</b>	<b>21.42</b>
Benchmark: Custom Blend	1.73	3.70	10.07	10.87	19.83
<b>AMP Growth</b>	<b>2.39</b>	<b>4.72</b>	<b>9.82</b>	<b>12.24</b>	<b>24.39</b>
Benchmark: Custom Blend	1.99	3.99	11.31	12.53	22.72
<b>AMP Global Growth</b>	<b>2.41</b>	<b>4.62</b>	<b>9.74</b>	<b>12.13</b>	<b>24.25</b>
Benchmark: Custom Blend	1.99	3.99	11.31	12.53	22.72
<b>AMP Aggressive Growth</b>	<b>2.82</b>	<b>5.30</b>	<b>11.34</b>	<b>14.56</b>	<b>28.77</b>
Benchmark: Custom Blend	2.37	4.42	13.17	15.05	27.14
<b>Classic Bond</b>	<b>-0.07</b>	<b>1.17</b>	<b>1.14</b>	<b>-0.27</b>	<b>0.80</b>
Benchmark: Barclays US Aggregate Bond Index	-0.19	1.63	1.49	-0.69	-0.08
<b>Classic Total Return</b>	<b>0.29</b>	<b>1.94</b>	<b>3.69</b>	<b>3.52</b>	<b>6.10</b>
Benchmark: Custom Blend	0.35	2.22	3.87	2.47	5.26
<b>Classic Income and Growth</b>	<b>0.75</b>	<b>2.60</b>	<b>5.41</b>	<b>5.06</b>	<b>8.76</b>
Benchmark: Custom Blend	0.70	2.54	5.24	4.42	8.73
<b>Classic Conservative</b>	<b>1.00</b>	<b>3.11</b>	<b>6.95</b>	<b>6.97</b>	<b>11.62</b>
Benchmark: Custom Blend	0.96	2.83	6.43	6.00	11.43
<b>Classic Balanced</b>	<b>1.74</b>	<b>4.32</b>	<b>9.86</b>	<b>10.31</b>	<b>17.72</b>
Benchmark: Custom Blend	1.60	3.55	9.46	10.04	18.40
<b>Classic Growth</b>	<b>2.18</b>	<b>5.11</b>	<b>12.32</b>	<b>13.32</b>	<b>22.83</b>
Benchmark: Custom Blend	2.12	4.13	11.93	13.36	24.18
<b>Classic Aggressive Growth</b>	<b>2.58</b>	<b>5.83</b>	<b>14.37</b>	<b>15.90</b>	<b>27.07</b>
Benchmark: Custom Blend	2.50	4.57	13.80	15.91	28.64
<b>Global Macro Conservative</b>	<b>0.68</b>	<b>2.16</b>	<b>5.40</b>	<b>3.36</b>	<b>7.04</b>
Benchmark: Custom Blend	0.96	2.83	6.49	6.05	11.44
<b>Global Macro Core</b>	<b>0.81</b>	<b>1.81</b>	<b>6.43</b>	<b>5.64</b>	<b>10.40</b>
Benchmark: Custom Blend	1.47	3.41	8.90	9.28	16.99
<b>Global Macro Growth</b>	<b>1.12</b>	<b>1.79</b>	<b>7.51</b>	<b>7.73</b>	<b>13.47</b>
Benchmark: Custom Blend	1.99	3.99	11.34	12.56	22.72

Chart continued on the following page.

## SOWELL MANAGEMENT PROGRAMS

Tactical Allocation Models	Aug 2021 Net	L3M Net	L6M Net	YTD Net	L12M Net
<b>TAP Conservative</b>	<b>1.95</b>	<b>5.61</b>	<b>10.04</b>	<b>10.41</b>	<b>14.17</b>
Benchmark: Custom Blend	1.50	4.81	10.44	10.33	15.28
<b>TAP 1x</b>	<b>3.43</b>	<b>10.18</b>	<b>18.89</b>	<b>19.62</b>	<b>27.51</b>
Benchmark: S&P 500	3.04	7.95	19.52	21.58	31.17
Morningstar US Fund Tactical Allocation	1.49	3.12	9.78	12.10	21.24
<b>TAP Complete</b>	<b>2.54</b>	<b>5.47</b>	<b>13.20</b>	<b>17.00</b>	<b>29.15</b>
Benchmark: S&P 500	3.04	7.95	19.52	21.58	31.17
Morningstar US Fund Tactical Allocation	1.49	3.12	9.78	12.10	21.24
<b>TAP 2x</b>	<b>6.92</b>	<b>21.16</b>	<b>40.18</b>	<b>40.40</b>	<b>48.94</b>
Benchmark: S&P 500	3.04	7.95	19.52	21.58	31.17
Morningstar US Fund Tactical Allocation	1.49	3.12	9.78	12.10	21.24
<b>TAP Global Allocation</b>	<b>2.02</b>	<b>3.98</b>	<b>12.52</b>	<b>14.43</b>	<b>26.10</b>
Benchmark: MSCI ACWI	2.50	4.57	13.80	15.91	28.64
<b>US High Yield (1)</b>	<b>0.97</b>	<b>2.63</b>	<b>4.96</b>	<b>7.71</b>	<b>15.49</b>
Benchmark: Bloomberg Barclays US Corporate High Yield	0.51	2.25	3.82	4.55	10.14
Equity Selection Models	Aug 2021 Net	L3M Net	L6M Net	YTD Net	L12M Net
<b>Flagship Equity</b>	<b>2.34</b>	<b>7.94</b>	<b>15.57</b>	<b>20.68</b>	<b>33.12</b>
Benchmark: S&P 500	3.04	7.95	19.52	21.58	31.17
<b>Flagship Dividend</b>	<b>2.27</b>	<b>-0.03</b>	<b>13.42</b>	<b>15.64</b>	<b>26.16</b>
Benchmark: MSCI USA High Dividend Yield Index	1.83	2.89	15.82	15.78	23.84
Liquid Alternative Models	Aug 2021 Net	L3M Net	L6M Net	YTD Net	L12M Net
<b>Liquid Alt Conservative</b>	<b>0.45</b>	<b>0.24</b>	<b>1.17</b>	<b>1.95</b>	<b>9.94</b>
Benchmark: Wilshire Liquid Alt Index	0.50	0.42	3.79	5.02	8.83
MPD™ Multi-Methodology Models	Aug 2021 Net	L3M Net	L6M Net	YTD Net	L12M Net
<b>MPD™ Total Return</b>	<b>0.98</b>	<b>1.71</b>	<b>5.62</b>	<b>5.73</b>	<b>11.64</b>
Benchmark: Custom Blend	0.77	2.99	5.85	5.17	9.38
<b>MPD™ Conservative</b>	<b>1.36</b>	<b>2.83</b>	<b>7.58</b>	<b>8.15</b>	<b>14.69</b>
Benchmark: Custom Blend	1.31	3.80	8.56	8.76	15.22
<b>MPD™ Balanced</b>	<b>1.67</b>	<b>4.25</b>	<b>9.64</b>	<b>11.30</b>	<b>20.45</b>
Benchmark: Custom Blend	1.87	4.74	11.48	12.65	21.48
<b>MPD™ Growth</b>	<b>2.26</b>	<b>6.02</b>	<b>12.71</b>	<b>14.88</b>	<b>24.75</b>
Benchmark: Custom Blend	2.31	5.56	13.84	15.81	26.52
<b>MPD™ Aggressive Growth</b>	<b>4.15</b>	<b>11.53</b>	<b>22.15</b>	<b>24.83</b>	<b>36.83</b>
Benchmark: Custom Blend	2.77	6.52	16.40	19.26	31.93
<b>MPD™ Stratactical Conservative</b>	<b>1.62</b>	<b>3.78</b>	<b>8.40</b>	<b>10.01</b>	<b>18.52</b>
Benchmark: Custom Blend	1.31	3.80	8.56	8.76	15.22
<b>MPD™ Stratactical Balanced</b>	<b>2.97</b>	<b>7.81</b>	<b>15.49</b>	<b>15.74</b>	<b>23.10</b>
Benchmark: Custom Blend	1.87	4.74	11.48	12.65	21.48
<b>MPD™ Stratactical Growth</b>	<b>3.76</b>	<b>9.44</b>	<b>18.37</b>	<b>19.60</b>	<b>28.55</b>
Benchmark: Custom Blend	2.31	5.56	13.84	15.81	26.52

## 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](mailto: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

**>> NEXT PAGE >>**

## InvestmentMetrics

# AUGUST 2021 FACTOR PERFORMANCE ANALYSIS



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# AUGUST 2021

# FACTOR

# PERFORMANCE

# ANALYSIS

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Is the Value rotation done?

**SEPTEMBER 10, 2021**

Prepared by:

- Damian Handzy, Head of Research & Applied Analytics



## August 2021 Factor Performance Summary

In this report we examine four 'regions', the US, Europe, Emerging Markets and Australia, to understand how factors performed in August 2021. Until recently, Value and Growth have fought each month for dominance. It may be time to consider the Value rotation a thing of the past.

The S&P 500 was up 2.9% and the Russell 2000 up 2.1%. The MSCI Europe index gained 1.3%, the MSCI Emerging Markets index was up 2.4% and Sydney's All Ordinaries was up 2.1%. The yield on the US 10-year constant maturity was up 4.8% from July and the UK's rate was up 20% at 0.6%.

### United States:

- Growth beat Value handily
- Quality continued its slow-and-steady streak of gains
- Factor performance numbers were meek: under 100 bps relative to markets.

### Europe:

- Growth beat Value handily
- Quality stocks continued their streak of outperformance in Europe as well, with Net Profit Margin being the only Quality sub-factor to underperform.
- Factor performance was within 50bps of market.

### Emerging Markets:

- Growth beat Value handily (seeing a trend here?)
- Quality gave mixed results and Large Cap outperformed
- Emerging Markets had a very different profile in August than for the first seven months of 2021.

### Australia:

- Value fell, but Growth was mixed
- Quality stocks suffered while High Volatility stocks outperformed

Unlike almost all other months, the four regions had rather similar profiles in August.

## US Equities

Growth is back, baby!

Specifically, demonstrable 5-year Earnings and Sales Growth posted the largest gains of any sub-factors. We've repeatedly pointed out that the kind of Growth that did well in 2020, Forecast Growth, seems to have been based on the hope that we'd get out of the pandemic. So far this year, it's been actually demonstrable growth – sales and earnings – that has outperformed, while forecast growth has lagged.

Value, on the other hand, has shown consistent sub-factor performance. August was another month in which all Value sub-factors pointed the same direction: in this case, down. In August, the US 10-year rate edge up from 1.24% to 1.30%, for a change of just 4.8%. Consistent with our [research on the relationship between the 10-year rate and the Value-Growth spread](#), this is below the threshold at which Value regularly beats Growth.

Quality continued its outperformance as did Large Cap and Momentum stocks. The relatively small outperformance by High Volatility stocks was surprising given the recent tendency for investors to favor defensive stocks.

Finally, we point out that the factor differences from the market performance are smaller than usual this year: the range of -70 bps to +110 bps pales in comparison to previous months.

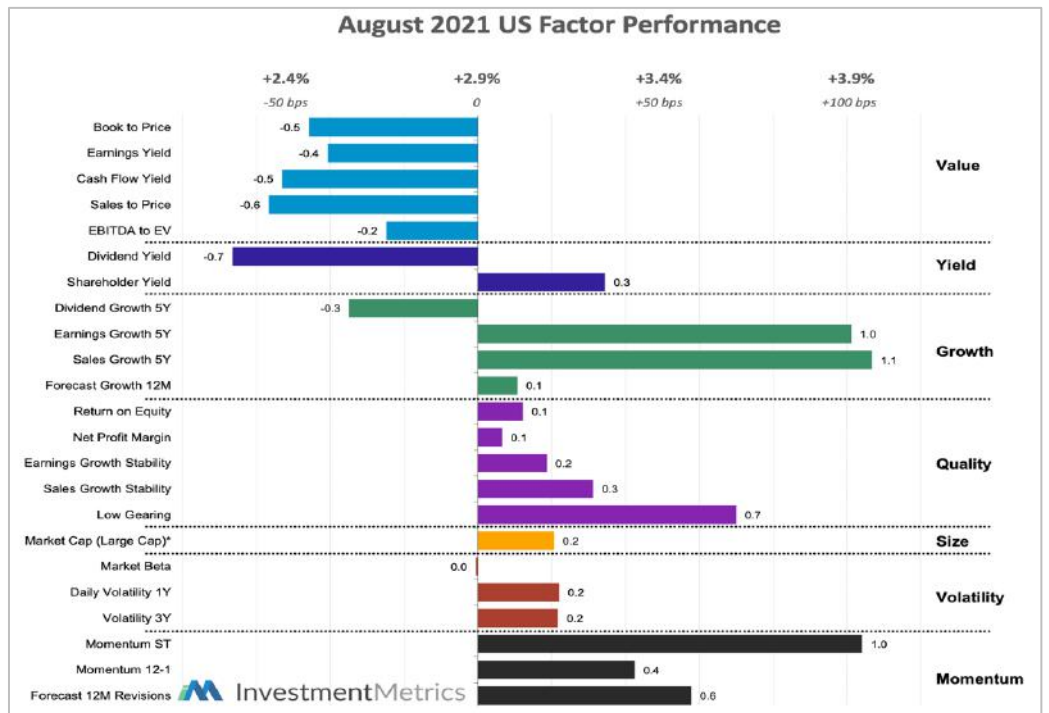


Figure 1: August 2021 European Factor Performance on a sector adjusted basis. Source: Investment Metrics

## European Equities

As we've seen a few times this year, Europe and the US agree on Value, Growth and Quality. In Europe, Value was down between 10 and 30 bps while Growth was up between 10 bps and 60 bps, depending on which factor one follows. Just as with the US rates, the UK rate moved from 0.5% to 0.6%, or about 20%, just on the threshold of where Value regularly outperforms Growth. Nearly all Quality sub-factors were also up, between 20 and 30 bps. We note that the order of the factor over/under performance is about 1/2 of that in the US and quite muted compared to typical European factor performance. Year-to-date outperformance for Europe has seen factor performance in the range of 80 bps to 190 bps.

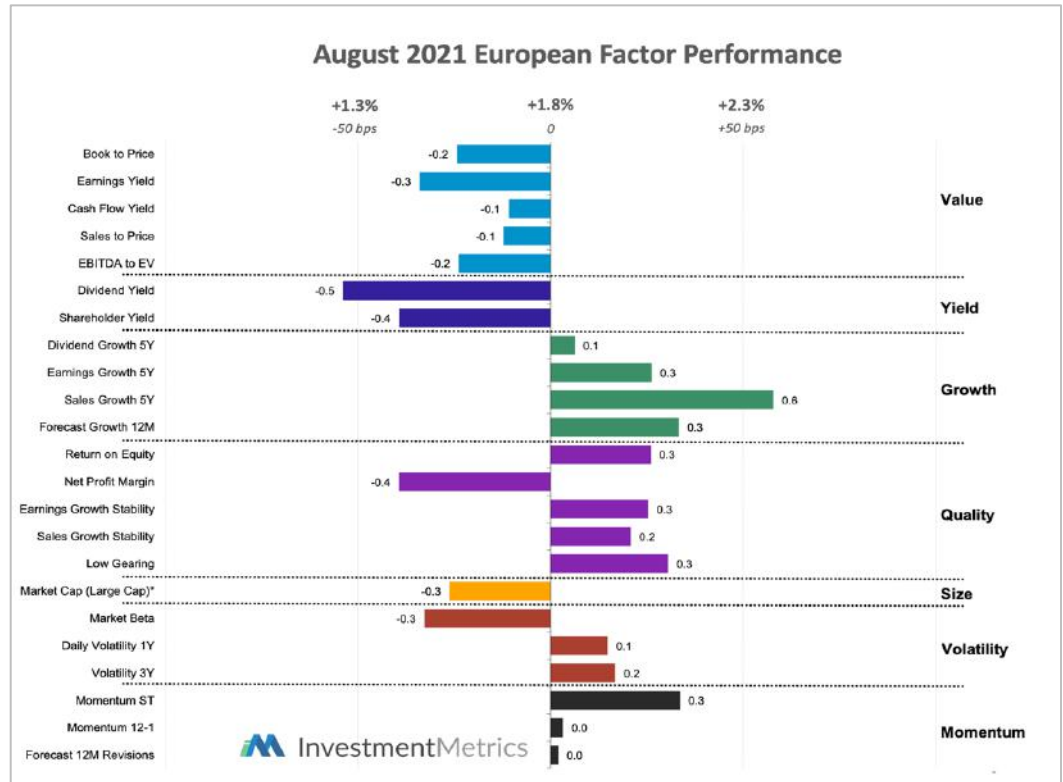


Figure 2: August 2021 European Factor Performance on a country and sector adjusted basis. Source: Investment Metrics.

Small Cap stocks outperformance in Europe while Volatility was mixed and short-term Momentum gained.

## Emerging Markets Equities

If you're having a hard time discerning which graph in this report corresponds to which region, you're not alone. Emerging Markets' August profile resembles both Europe's and the US's: Value down with Growth up. Here, however, Quality did not join the Growth party.

This, too, is very different from its year-to-date story. Emerging Markets, at the end of July, had posted strong gains for Value and a weak loss for Growth. Quality was also underwater and Small Caps had outperformed, along with High Volatility. August paints the reverse image on virtually all counts.

This is only the second time in 2021 that the US, Europe and Emerging Markets have had such broad agreement on factor performance. We don't expect this to last.

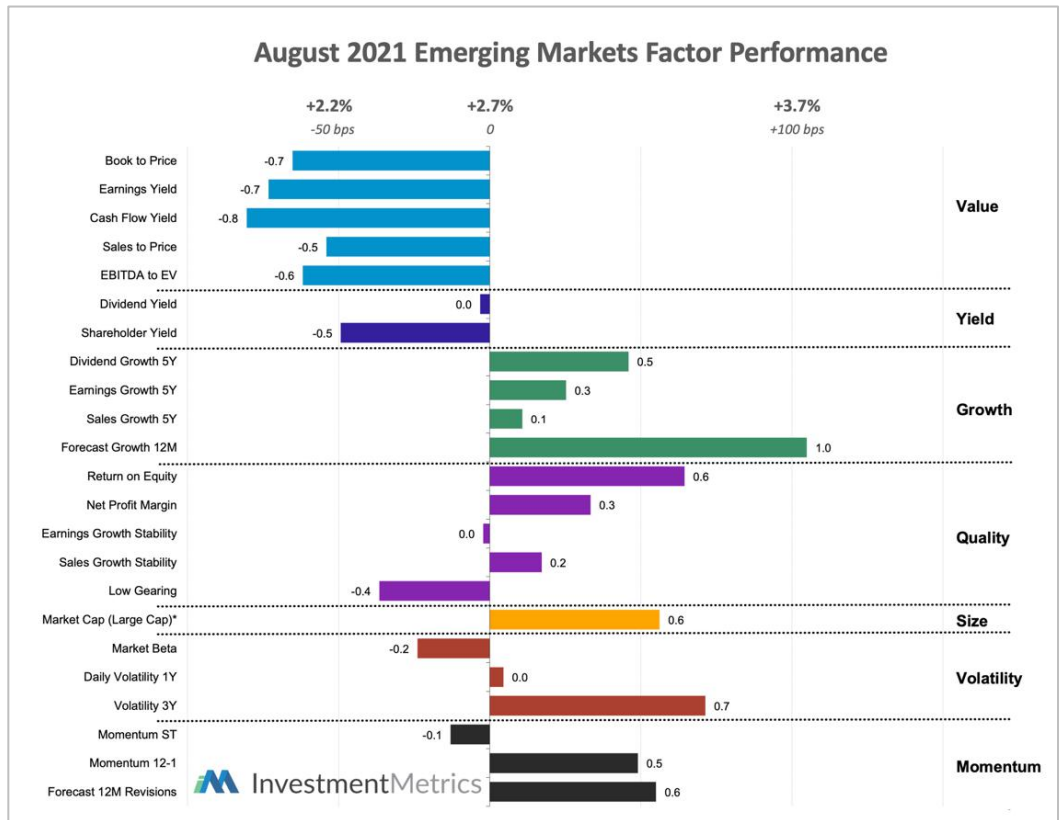


Figure 3: August 2021 Emerging Markets Factor performance, country and sector adjusted. Source: Investment Metrics.

## Australia

Australia’s market told the same story with Value (down), but here Growth told a mixed story and Quality was decidedly down. Small Caps and High Volatility stocks took the day: a very un-defensive profile.

This is also a very un-typical month for 2021. Until the end of July, the Australian market was rewarding Value, Large Cap and Low Volatility. Growth was mostly down but mixed and Quality was mostly up but mixed. August shows a very different profile.

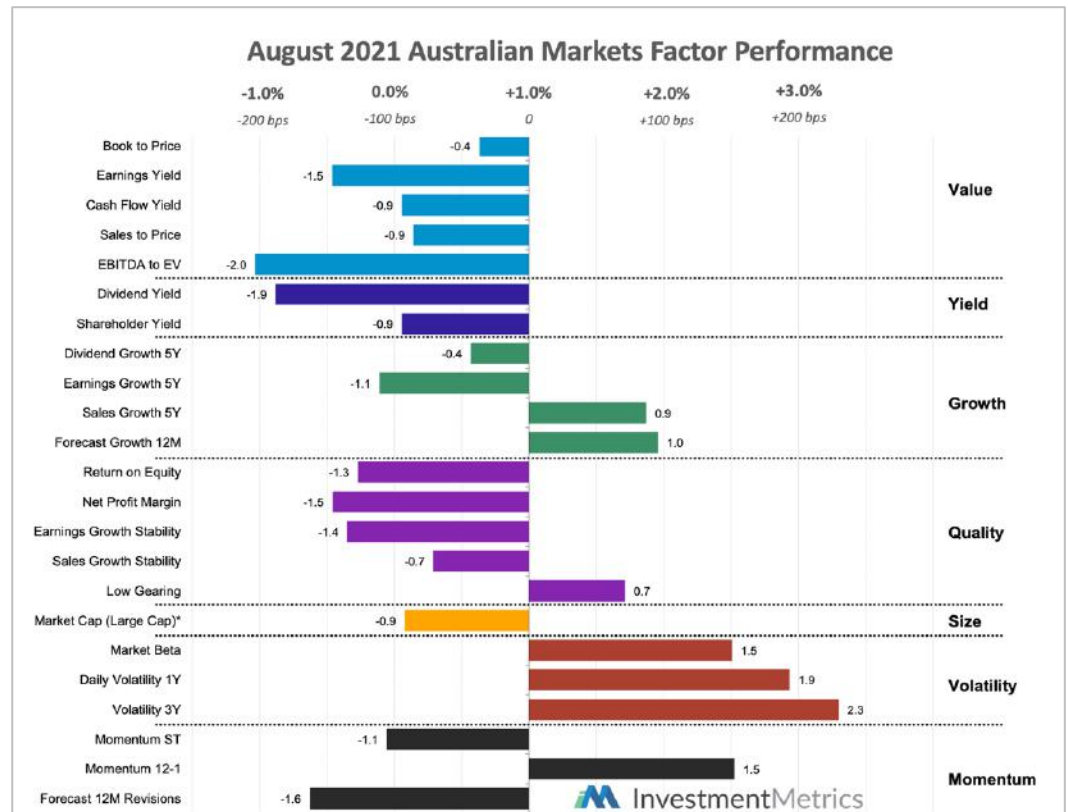


Figure 4: August 2021 Australian Market Factor performance, country and sector adjusted. Source: Investment Metrics.

## 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) underperformed the broad US market by 50 bps on a country and sector adjusted basis.

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