STATERA

ASSET MANAGEMENT

Commentary: January 2021

A LESSON REVISITED

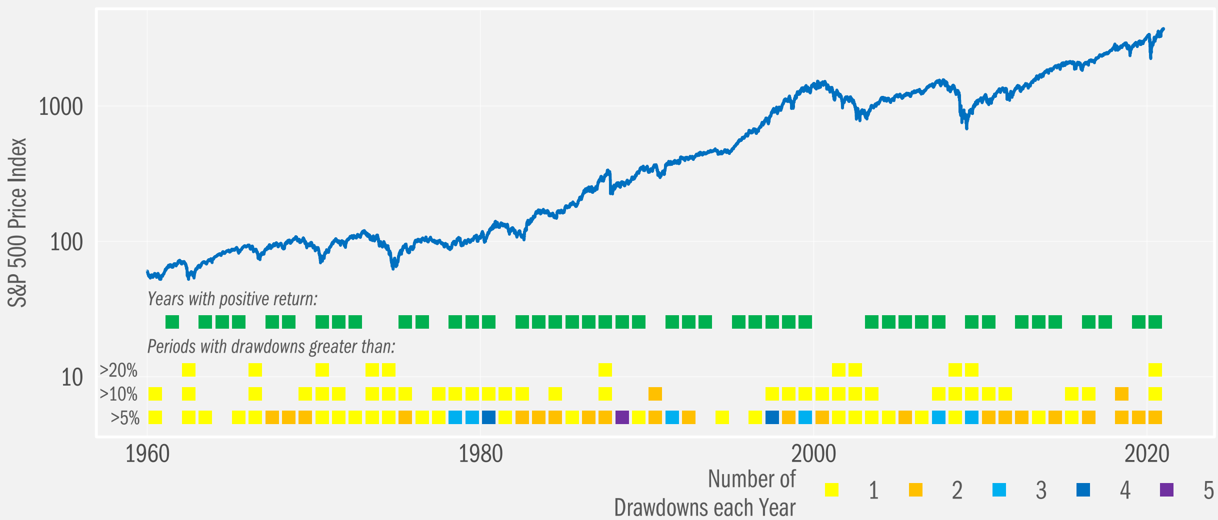
Amidst a year of unprecedented turmoil, the domestic stock market experienced what may in hindsight be considered its requisite volatility. U.S. stocks saw two separate declines of 5 percent or more, and a maximum decline of more than 34 percent from a peak in February to a late-March trough. The market nonetheless turned in a gain for the year, up more than 20 percent. That sort of tumult-turnabout isn't rare, though. Most years, in fact, have seen a decline of at least 5 percent from a prior peak that year, while still posting a gain. And many full-year advances mask interim drops of 10%...even more. Recent activity thus rhymes with longer-term history in demonstrating the benefit of patience when it comes to investing.

Bumps as We Climb

In Figure 1 we offer a long-term view of the S&P 500 Index. Along with the index, we show (via green blocks) that the index has turned in a positive return most years (prior to dividends, which are not included in these data). To those series we add a few more colored blocks that highlight the occasions that the index dropped by various levels over at least one period during the year (we consider peaks and troughs each year separately). The key takeaway from the chart, in our view, is the classic tradeoff of risk and return in investing. While equity markets generally are positive over time, those gains are accompanied by no small amount of volatility.

Figure 1: S&P 500 Price Index and Regularity of Drawdowns

The S&P 500 regularly sees drawdowns of 5%, often sees drawdowns of 10% and occasionally finds an even deeper trough, yet still generally turns in a gain nonetheless



From 12.31.59 to 12.31.20. Price data that do not take into account the receipt or reinvestment of dividends. Past performance is not indicative of future results. Investing in securities involves risk, including risk of losing some or all the invested capital. There is no guarantee that any investment or investment strategy will achieve its objective. Indexes are unmanaged. One cannot directly invest in an index. Index performance reflects the reinvestment of dividends, but does not reflect the expenses associated with the management of an actual portfolio. Please see additional important information regarding indexes at the end of this report. Drawdown may be measured as the maximum loss from a prior peak value and/or the length of time the portfolio requires to return to breakeven after a prior peak. SOURCE: SRCM using data from Bloomberg

In Seats. Belts Fastened

We begin the new year with an optimistic view of positive progress against the virus and a correspondent boost in economic growth. Of course, we continue to expect bumps—perhaps many, with some potential for discomfort—as we proceed in the direction of more normal activity. As always, we welcome discussions regarding tolerance for market turbulence on the path toward longer-term destinations.

Important Information

Statera Asset Management is a dba of Signature Resources Capital Management, LLC (SRCM), which is a Registered Investment Advisor. Registration of an investment adviser does not imply any specific level of skill or training. The information contained herein has been prepared solely for informational purposes and is not an offer to buy or sell any security or to participate in any trading strategy. Any decision to utilize the services described herein should be made after reviewing such definitive investment management agreement and SRCM's Form ADV Part 2A and 2Bs and conducting such due diligence as the client deems necessary and consulting the client's own legal, accounting and tax advisors in order to make an independent determination of the suitability and consequences of SRCM services. Any portfolio with SRCM involves significant risk, including a complete loss of capital. The applicable definitive investment management agreement and Form ADV Part 2 contains a more thorough discussion of risk and conflict, which should be carefully reviewed prior to making any investment decision. Please contact your investment adviser representative to obtain a copy of Form ADV Part 2. All data presented herein is unaudited, subject to revision by SRCM, and is provided solely as a guide to current expectations.

The opinions expressed herein are those of SRCM as of the date of writing and are subject to change. The material is based on SRCM proprietary research and analysis of global markets and investing. The information and/or analysis contained in this material have been compiled, or arrived at, from sources believed to be reliable; however, SRCM does not make any representation as to their accuracy or completeness and does not accept liability for any loss arising from the use hereof. Some internally generated information may be considered theoretical in nature and is subject to inherent limitations associated thereby. Any market exposures referenced may or may not be represented in portfolios of clients of SRCM or its affiliates, and do not represent all securities purchased, sold or recommended for client accounts. The reader should not assume that any investments in market exposures identified or described were or will be profitable. The information in this material may contain projections or other forward-looking statements regarding future events, targets or expectations, and are current as of the date indicated. There is no assurance that such events or targets will be achieved. Thus, potential outcomes may be significantly different. This material is not intended as and should not be used to provide investment advice and is not an offer to sell a security or a solicitation or an offer, or a recommendation, to buy a security. Investors should consult with an advisor to determine the appropriate investment vehicle.

One cannot invest directly in an index. Index performance does not reflect the expenses associated with the management of an actual portfolio.

Investing in any investment vehicle carries risk, including the possible loss of principal, and there can be no assurance that any investment strategy will provide positive performance over a period of time. The asset classes and/or investment strategies described in this publication may not be suitable for all investors. Investment decisions should be made based on the investor's specific financial needs and objectives, goals, time horizon, tax liability and risk tolerance.

Publication: 01.01.21

2021-SRCM-02