CHIEF INVESTMENT OFFICE

Investment Insights

Time In The Market Is Still Much More Important Than Timing The Market

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All data, projections and opinions are as of the date of this report and subject to change.

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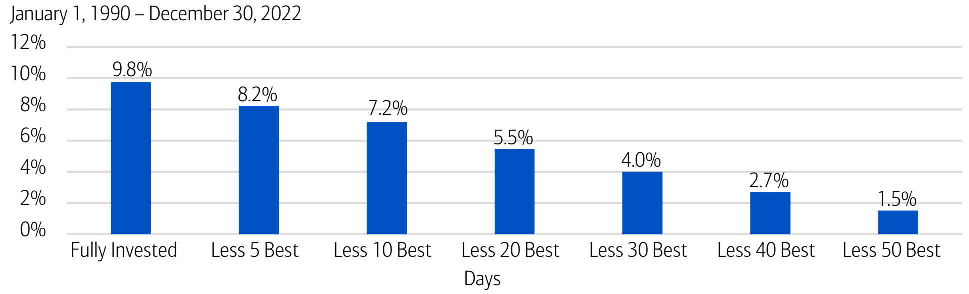
With all the debate about short- versus longer- term views for the Equity market following the 100% price return for the S&P 500 from the March 2020 lows, we think it's a good time for a reminder about the perils of market timing. We have long said that it was discipline in portfolio construction that got us through the pandemic-led crisis of 2020—not market timing. The latter is a fool's errand and can be costly. Indeed missing the best days in the market can be painful. In Exhibit 1, we look at the S&P 500 on a total return basis back to 1990 and find that missing the 50 best days would have meant an annual rate of return of 1.5%, instead of 9.8% if you had stayed invested through all the ups and downs of the market. Also, the probability of loss over a full decade of investing is just 6%. If we zoom in and look at market returns since January 1, 2020, missing the 10 best days would result in a negative return of –33%, compared to a price return of 18% by simply remaining invested—despite the sharp bear market decline of February/March 2020. Investors who lengthen their time horizons also have historically experienced lower average equity return volatility.

CIO VIEWS

Because of the potential opportunity cost of timing the market, we prefer to rely on a disciplined approach to asset allocation, based on each individual's financial goals, liquidity needs, risk tolerance and time horizon, and diversification to help weather periods of uncertainty.

Exhibit 1: S&P 500 Compound Annual Growth Rate.



Source: Chief Investment Office. Data as of December 30, 2022. **FOR INFORMATIONAL PURPOSES ONLY. Past performance is no guarantee of future results. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Please see glossary and index definitions at the end of this report.**

One reason for the dramatically different investment outcomes is that, generally, the best days in the market have often followed the worst, and recent history was no exception. The S&P 500 fell 9.5% on March 12, 2020, but quickly rebounded the next day, gaining 9.3%. Using a longer time series, since 2000, the average negative day has been followed by a positive day. If the S&P 500 fell by at least 5% in a single day the next day's return averaged 2.7% (See side bar). Hence, the difficulty in engaging in market timing.

Instead of considering market timing-based investment decisions, we prefer to rely on a disciplined approach to asset allocation, based on each individual investor's goals, time horizon, liquidity needs and risk tolerance and diversification to help weather periods of uncertainty. Ultimately it's our view that fundamentals like profits, policy (monetary and fiscal), and identifying where we are in the business cycle that will determine the direction of asset prices, and short term periods of volatility or market pullbacks are a part of investing. At the end of the day, it's time in the market that is rewarded, in our opinion, not timing the market.

Since 2000, the S&P 500 average negative day has been followed by a positive day.

Day's Return	Next Day's Return
Less than -5%	2.71%
-5% to 0%	0.07%
0% to 5%	-0.02%
Greater than 5%	-1.21%

Source: Bloomberg; Chief Investment Office as of January 17, 2022. **Past performance is no guarantee of future results.**

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S&P 500—The S&P 500 Index, widely regarded as the best single gauge of the U.S. equities market, includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market.

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