



SIERRA INVESTMENT
PARTNERS, INC.®

NEWSLETTER

28 Years of Excellence 1996-2024

1Q24

AUM: \$5.3 billion

MARKET REVIEW

The first quarter of 2024 has presented the United States with an abundance of challenges, ranging from geopolitical tensions to fiscal and monetary policy concerns. Despite these obstacles, the U.S. economy has displayed remarkable resilience. Economic growth, as measured by Gross Domestic Product, staged a modest slowdown in the fourth quarter 2023 to an annual rate of 3.2%, and is projected to have slowed further in the first quarter of 2024. Projections range widely between 2.0% and 3.0%. The Atlanta Federal Reserve Bank's GDPNow forecast of 2.4% underlines this trajectory. Such resilience amid global uncertainty is partially attributed to fiscal stimuli injected during the recent COVID-19 pandemic, propelling economic activity.

DOMESTIC EQUITY

Our **Large Cap Intrinsic Value Equity** ("LCIV") Strategy finished the quarter substantially ahead of the Russell 1000 Value as markets continued to take on a more optimistic tone. For the first quarter of 2024 our LCIV Strategy returned 13.31% gross and 13.15% net, outperforming the benchmark Russell 1000 Value return of 8.99%. For the one-year trailing, our LCIV Strategy has returned 29.84% gross and 29.09% net, compared to the benchmark return of 20.27%. Investors have gotten a lot more comfortable with the economic backdrop, as most central banks are set to pivot policy to be more accommodative and manufacturing activity continues to recover from weak levels that persisted through most of last year. Markets continued to broaden out in response, and we saw a number of economically sensitive sectors like Financials, Industrials, and Technology lead the way, all of which benefitted the Strategy in the quarter.

Our **U.S. Large Cap Growth Equity** Strategy had a gross return of 2.56% for the month of March and a net return of 2.50%, compared to the Russell 1000 Growth Index return of 1.76%. For the first quarter of 2024, the Strategy has a gross return of 11.60%

and a net return of 11.42%, compared to benchmark performance of 11.41%. Since Inception (January 1, 1994), the Strategy has compounded at 12.67% gross and 11.94% net, outperforming the Russell 1000 Index return of 10.90%. Sector allocation detracted from performance due to underweights in Information Technology and Communication Services, both of which outperformed the Russell 1000 Growth Index over the first quarter of 2024. We were underweight both sectors for stock specific reasons. We are also underweight the Real Estate sector, which contributed positively to relative returns for the first quarter of 2024, as the sector underperformed the Russell 1000 Growth Index, and was the only sector with a negative return for the quarter.

For the first quarter of 2024, our **Small Company Equity** Strategy returned 5.74% gross and 5.65% net, outperforming the 5.18% return for the Russell 2000 Index. The portfolio's top three performing sectors in terms of adding value were Financials, Materials, and Consumer Discretionary. Stock selection positively contributed to relative performance in all three, while the underweight sector allocation to Financials was also a positive contributor. The bottom three relative performing sectors were Real Estate, Health Care, and Information Technology. Stock selection was modestly negative in Real Estate and Health Care, while the Information Technology sector faced an unprecedented challenge with one benchmark stock, the large cap \$50 billion market value Super Micro Computer, contributing 1.5% of the entire Index's 5.2% return for the quarter.

INTERNATIONAL EQUITY

In **Global and Non-U.S. Value Equity**, our Non-U.S. Equity Select Composite outperformed its benchmarks, returning 6.47% gross and 6.28% net, compared to the MSCI All Country World ex-U.S. – NR Index benchmark return of 4.69% and the MSCI EAFE Value Index – NR return of 4.48%. As

bottom-up investors, we were pleased to see that quarterly performance was driven almost entirely by stock selection.

In **International and Global Plus Equity**, our EAFE Plus Equity Composite returned 3.73% gross and 3.55% net, underperforming the MSCI EAFE Index – NR of 5.78% for the first quarter. For the ten years trailing, our EAFE Plus Equity Composite has returned 6.50% gross and 5.59% net, outperforming the 4.80% return of the benchmark MSCI EAFE Index – NR. Since Inception (December 31, 1987), our EAFE Plus Equity Composite has compounded at 7.68% gross and 7.09% net, outperforming the 5.47% return of the benchmark MSCI EAFE Index – NR. For the quarter, stock selection was largely negative despite some strong individual holdings in various sectors. Select Health Care and Consumer Discretionary holdings were dominant detractors from relative performance. Looking ahead, continued equity market advances, the likelihood of central bank easing, and continued positive earning revisions, especially among Technology stocks, have caused almost all Wall Street strategists to predict more new highs and to recommend buying on any pullbacks.

FIXED INCOME

In the **Fixed Income** market arena, the corporate bond market's performance in the first quarter yielded a negative total return of -0.40%, although the excess return averaged 0.89%. Variations across sectors were evident, with aerospace and defense experiencing notable underperformance at -0.66%. Elsewhere, pockets of strength emerged, particularly in home construction, where total returns stood at 1.55%, outperforming with an excess return of 2.04%. The Financial sector also displayed resilience, with subordinated debt shining at 0.80% and an excess return of 1.77%. Additionally, the REIT sectors continued their upward trajectory, with office and health care REITs delivering excess returns of 1.83% and 1.27%, respectively.

For the quarter, our **High Yield Fixed Income** Strategy returned 1.26% gross and 1.17% net, slightly underperforming the benchmark Bloomberg U.S. Corporate High Yield return of 1.47%. Our high-quality philosophy was a strong headwind, as our style-driven underweight to CCCs accounted for more than half of underperformance in the quarter.

Our **Core Plus Fixed Income** Strategy returned -0.07% gross and -0.14% net, outperforming the Bloomberg Aggregate Index which returned -0.78% for the quarter. Security selection was the largest driver of outperformance over the quarter, driven by securitized and investment grade corporates. Within securitized, the Strategy was overweight non-agency sectors, namely, CMBS and RMBS, which experienced meaningful spread tightening to begin the year. In Investment Grade credit, the Strategy's subordinated positions within Banking and Utilities contributed positively to performance.

THANK YOU

We would like to thank the **Construction Workers Pension Trust Fund-Lake County and Vicinity** for additional contributions to Sierra's Core Plus Fixed Income product, the **Hawaii Electricians Annuity Fund** for additional contributions to Sierra's High Yield Fixed Income (commingled) product, the **International Brotherhood of Teamsters Local #705 Pension Fund** for additional contributions to Sierra's Core Plus Fixed Income product, the **Michigan Laborers Pension Fund** for additional contributions to Sierra's Large Cap Growth Equity product, the **Northwest Ironworkers Health and Security Trust** for additional contributions to Sierra's Intermediate Fixed Income product, and the **Pacific Northwest Field Ironworkers Annuity Trust Fund** for additional contributions to Sierra's Intermediate Fixed Income product.

We at Sierra Investment Partners, Inc., value each of our Taft-Hartley Fund clients and are grateful for the opportunity to manage a portion of your assets.

Disclaimer: Sierra Investment Partners, Inc. ("Sierra") is a manager of managers and uses exclusive sub-advisory relationships to manage plan assets. Sierra's sub-advisors are: Amundi Asset Management US, Inc. for Large Cap Growth Equity (name change effective September 30, 2022, the Concentrated Growth Equity strategy was renamed Large Cap Growth Equity); Todd Asset Management LLC for Large Cap Intrinsic Value Equity; Franklin Templeton Institutional, LLC for Franklin EAFE Plus Equity & Global Plus Equity; Templeton Institutional Asset Management, LLC for Non-U.S. Equity & Global Equity; StoneRidge PMG Advisors, LLC for Fixed Income; Fort Washington Investment Advisors, Inc. for High Yield Fixed Income, Small Company Equity, and Core Plus Fixed Income. Performance reflects that of our sub-advisor for each respective product. Returns are calculated and presented gross of fees. Gross of fees performance is calculated after the deduction of trading costs, but before the deduction of management fees, custodial fees or other fees. Fee schedules are described in Part II of Sierra's Form ADV. Sierra client returns would be reduced by investment management fees. For example, a five-year gross annualized return of 20.10% would be reduced to 18.96% after the deduction of annualized fees of 1%. The information provided is historic in nature and should not be taken as any indication of future performance as future investments will be made under different economic conditions and may utilize different securities. The MSCI World Index is a free float-adjusted market capitalization weighted equity index comprised of securities in MSCI's developed market country-specific indexes that have more growth-oriented investment style characteristics. The MSCI EAFE Index is a free float-adjusted market capitalization weighted equity index comprised of securities in MSCI's developed market country-specific indexes, excluding the U.S. and Canada, that have more growth-oriented investment style characteristics. The MSCI All Country World Index is a free float-adjusted market capitalization weighted equity index comprised of securities in MSCI's developed and emerging market country-specific indexes, excluding the U.S. The MSCI All Country World ex-U.S. Index is a free float-adjusted market capitalization weighted equity index comprised of securities in MSCI's developed and emerging market country-specific indexes, excluding the U.S. and Canada. 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 2000 Index is a small-cap stock market index that makes up the smallest 2,000 stocks in the Russell 3000 Index. It was started by the Frank Russell Company in 1984. The index is maintained by FTSE Russell, a subsidiary of the London Stock Exchange Group. The Russell 1000 Growth Index measures the performance of the Russell 1000's growth segment, which is defined to include the firms whose share prices have higher price-to-book ratios and higher expected earnings growth rates. The Standard & Poor's 500 Index (S&P 500) is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. The S&P 500 is a market value weighted index where each stock weight is proportionate to its market value. The Russell 1000 Value Index is a widely recognized index of market activity based on the aggregate performance of common stocks from the Russell 1000 Index, with lower price-to-book ratios and lower forecasted growth values. The Bloomberg U.S. Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. The Bloomberg Int. Gov't/Credit Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated public obligations of U.S. and foreign Governments, their agencies and instrumentalities and all corporate issuers of fixed rate, non-convertible, investment grade bonds having maturities of greater than one year and less than 10 years. The Bloomberg Gov't/Credit Index is a market capitalization weighted index consisting of all U.S. dollar denominated public obligations of U.S. and foreign Governments, their agencies and instrumentalities and all corporate issuers of fixed rate, non-convertible, investment grade bonds having maturities of greater than one year. The Bloomberg Aggregate Bond Index is a market value-weighted index that tracks the daily price, coupon, pay-downs, and total return performance of fixed rate, publicly placed, dollar-denominated, and nonconvertible investment grade debt issues with at least \$250 million par amount outstanding and with at least one year to final maturity. The Bloomberg U.S. Aggregate Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency). The indexes chosen to compare performance are not identical in structure to the composites and are provided to represent the investment environment existing during the time periods shown. Indexes are unmanaged, fully invested and do not include deduction of fees or expenses. This information is only an explanation of investment philosophy and historic performance and is not meant to be an investment recommendation. For a disclosure prepared in compliance with the Global Investment Performance Standards (GIPS®) and a list of composites and performance results, please call our corporate headquarters at (925) 941-6300. GIPS® has not been involved with the preparation or review of this report. Past performance is no guarantee of future results.