

Sterling's Investment Philosophy

On Markets: Markets are designed to allocate investor capital to the most effective and efficient processes. The economy is dependent on access to capital and as a result, capital will always be made available to keep the economy running. In today's predominantly electronic market, all relevant news is reflected in any asset price at any specific point in time, the only way the prices changes is due to changes in information available. These changes take place almost instantly as data firms scour the world for information and trade on that information using ultra low latency/high frequency trading programs.

On Attempting to Beat The Market: Individual investors are at an extreme disadvantage to big firms and big data analytics. As a result, no individual investor can consistently outperform the market over a long enough time frame. We at Sterling believe it is our duty to inform our clients of the world of investments and make certain they are aware of these disadvantages and potential pitfalls.

On Diversification: Broad based diversification is an investor's number one tool to grow their assets over time. We do not make allocations based on which specific securities, sectors, asset classes or countries might outperform others in the investment universe. Different parts of the investment universe perform at different points in time, therefore in order to capture these returns, our investors must stay diversified and make no judgement call as to which will perform best and when.

On Speculation: Sterling does not encourage speculation. That being said, some investors wish to proceed understanding the risks as we have outlined to them using a small percentage of their total investable assets. These accounts are placed under a special group with our custodian. We assume no liability for these non-discretionary accounts and they are not tracked as part of our firms GIPS compliance and verification.

On Human Elements: We acknowledge emotions at Sterling as they are a function of human behavior and cannot be ignored outright. As such, we periodically remind clients why they are invested the way they are and that if they make changes based on emotional decisions, they will lose out on performance. It is essential to establish these understandings at the onset of the client engagement process. This paramount keystone is regularly revisited during quarterly client reviews.

Sterling Philosophy: While the markets are predominantly efficient. There are times when it is best to reduce risk in the marketplace. Citing the above, we clearly state that we have no way of knowing when these "risk off" periods will occur. As a result, Sterling believes that in addition to low fee, broad based asset class diversification, it is essential to maintain a tactical sleeve built as a satellite around portfolios which values cash as an asset class. While this has the potential to limit returns to the upside, it has the commensurate effect on the downside. This overall experience helps to smooth out returns over time and allows clients less emotional strain during periods of global asset class bear markets. Sterling has conducted countless hours' worth of research that shows this to be true. There is no telling what state the markets will be in when a client needs to access their invested capital and thus, this approach allows for less volatility and greater confidence that when a financial need does arise, the state of the markets will have less impact on their ability to utilize their assets.