

It's Time to "Think Outside the Box"

The style box has historically been an important guide when it comes to diversifying portfolios. However, over the last decade, we have seen a change in the investment landscape. In the past, the various sectors within the style box had lower correlations to one another. More recently, this has not been the case. As shown below, the different style boxes are in fact highly correlated to one another.

Correlations to the S&P 500 Total Return Index - 10/1/2007 to 12/31/2022

	Value	Blend	Growth
Large	0.97	1.00	0.97
Medium	0.95	0.96	0.94
Small	0.89	0.91	0.89

Source: Morningstar

Large Value represents the Russell 1000 Value Index which is an unmanaged index considered representative of large-cap value stocks. **Large Blend** represents the Russell 1000 Index which is an unmanaged index considered representative of large-cap stocks. **Large Growth** represents the Russell 1000 Growth Index which is an unmanaged index considered representative of large-cap growth stocks. **Medium Value** represents the Russell Midcap Value Index which is an unmanaged index considered representative of mid-cap value stocks. **Medium Blend** represents the Russell Midcap Index which is an unmanaged index considered representative of mid-cap stocks. **Medium Growth** represents the Russell Midcap Growth Index which is an unmanaged index considered representative of mid-cap growth stocks. **Small Value** represents the Russell 2000 Value Index which is an unmanaged index considered representative of small-cap value stocks. **Small Blend** represents the Russell 2000 Index which is an unmanaged index considered representative of small-cap stocks. **Small Growth** represents the Russell 2000 Growth Index which is an unmanaged index considered representative of small-cap growth stocks.

Key Takeaways

- Style boxes are now highly correlated to one another.
- For advisors whose primary objective is diversification, an optimal correlation might range between -0.5 to 0.5.
- Investors may need to seek strategies that offer low correlation to stocks and bonds.

Diversification does not assure a profit or protect against loss in a declining market. Correlation measures how much the returns of two investments move together over time.

The Funds' investment objectives, risks, charges, and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling 1.855.LCFUNDS, or visiting www.LoCorrFunds.com. Read it carefully before investing.

Mutual fund investing involves risk. Principal loss is possible. Non-diversified investments may concentrate assets in fewer individual holdings than diversified investments. Therefore, the investments are more exposed to individual stock volatility than diversified funds. The Funds invest in foreign investments and foreign currencies which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater for emerging markets. The Funds may make short sales of securities, which involves the risk that losses may exceed the original amount invested. Investing in commodities may subject the Funds to greater risks and volatility as commodity prices may be influenced by a variety of factors including unfavorable weather, environmental factors, and changes in government regulations. The Funds may invest in derivative securities, which derive their performance from the performance of an underlying asset, index, interest rate or currency exchange rate. Derivatives can be volatile and involve various types and degrees of risks, and, depending upon the characteristics of a particular derivative, suddenly can become illiquid. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in Asset-

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