

# Long-Term Outlook

“The stock market is a device for transferring money from the impatient to the patient.” –Warren Buffett

## Compounding - The 8th Wonder of the World

One of the most compelling arguments for a long-term investment horizon is the power of compounding. Albert Einstein once referred to compounding as the “eighth wonder of the world,” highlighting its astonishing ability to amplify wealth over time. The longer an investment is held, the more opportunities it has to accumulate returns, leading to exponential growth.

This phenomenon is particularly noticeable in equity markets, where long-term investors can harness the benefits of dividend reinvestment and capital appreciation. At Sandhill, we take a long-term and thoughtful view when deploying capital. Our analysts look to invest in companies with long-lived structural advantages that investors can experience over sustained time horizons.

Exhibit 1: Compounding of \$100k initially & \$500 monthly



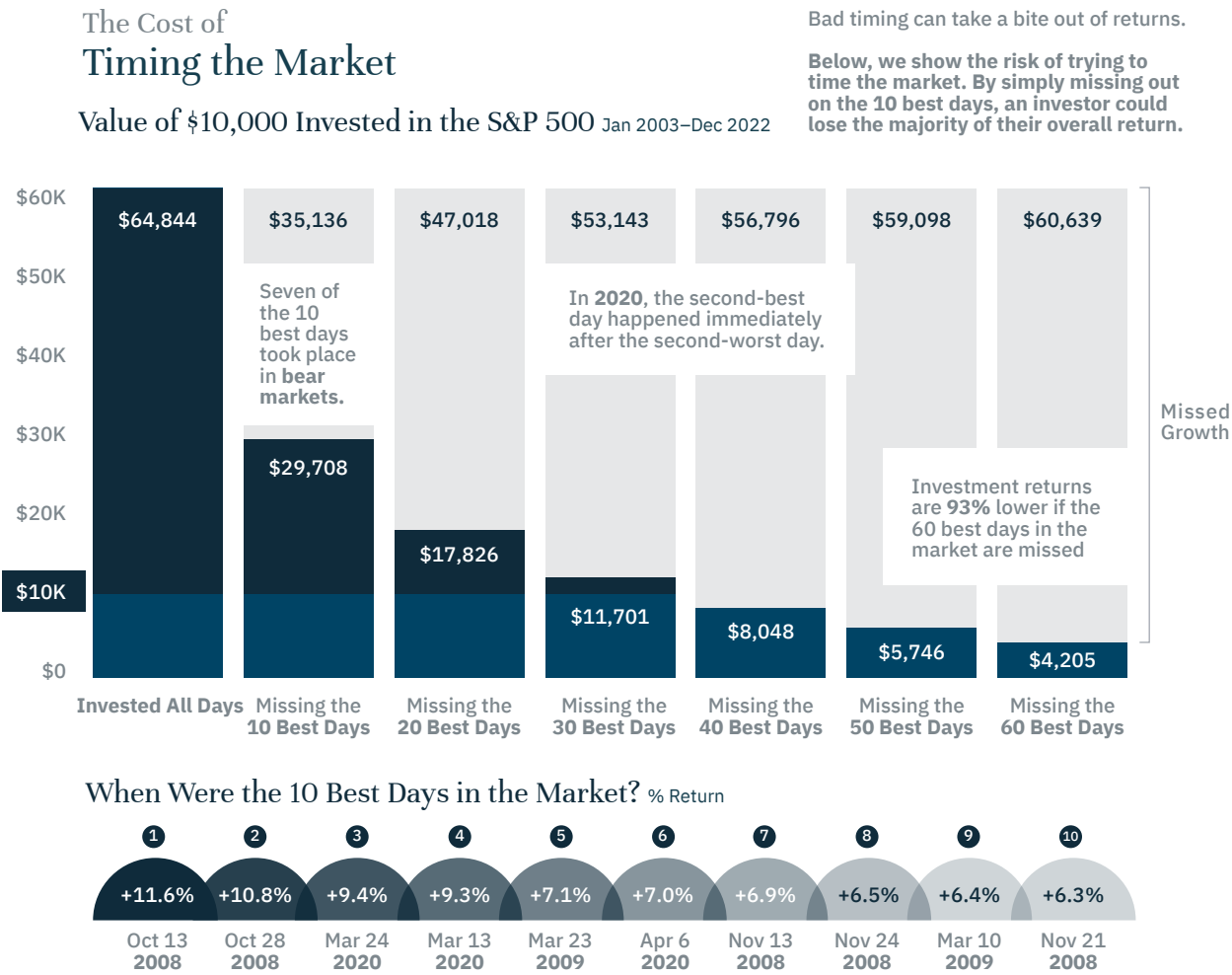
## Weathering Storms

Invest early and invest often. Between the international wars, geopolitical events, worldwide pandemics, and natural disasters, the stock market has shown to be very resilient over the long-term. Calling short-term market movements? Now that’s a fools game. Studies show that missing the ten best days in the market will dramatically lower long-term returns (Exhibit 2).

From the perspective of a long-term asset manager, individuals with a patient, long-term investment horizon are more resilient when facing the inherent volatility of financial markets. We view short-term fluctuations and market corrections as integral components of the investment terrain, thereby mitigating their concerns.

By refraining from hasty reactions to market turbulence, these long-term investors effectively minimize the risk of experiencing significant losses and, in turn, enhance the optimization of their risk-adjusted returns.

Exhibit 2: Time in, not timing the market



Source: Visual Capitalist, JP Morgan, S&P 500 Index total returns from January 1, 2003 to December 30, 2022

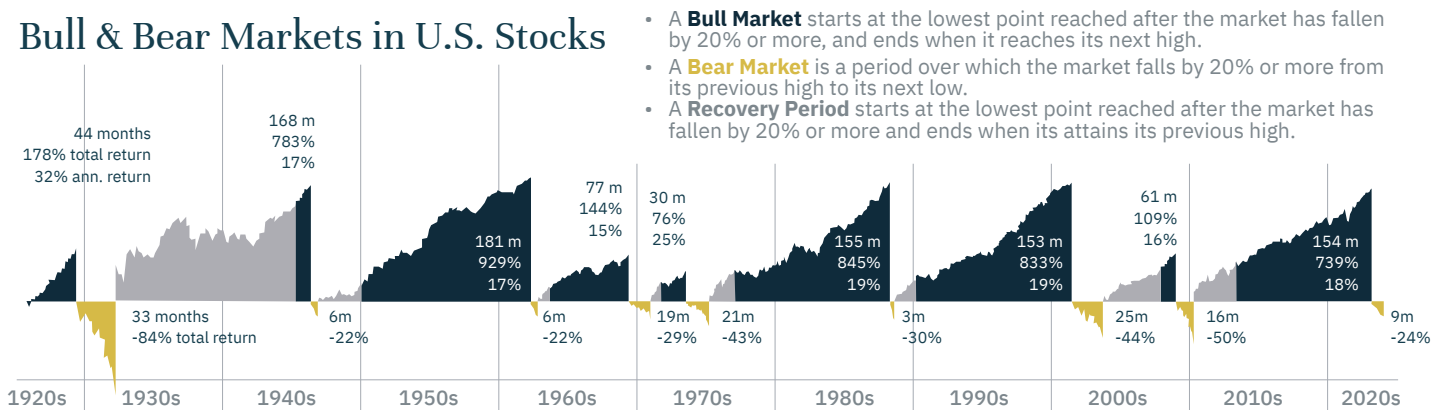
## The Serenity of Patience

Embracing a long-term approach in our investment decisions as asset managers holds the key to mitigating the psychological challenges often encountered in navigating financial markets. A steadfast commitment to the long view allows us to steer clear of the relentless short-term noise, driven by immediate market movements and the allure of quick profits, which all too often ensnares investors in bouts of heightened anxiety and impulsive decision-making. In the whirlwind of a fast-paced financial environment, emotions often become the driving force behind rash actions, characterized by fear, greed, or panic.

However, asset managers who embrace a long-term perspective maintain a distinct mindset—one that prizes patience and discipline above impulsive reactions. This unwavering discipline functions as a protective shield against emotional turbulence, fostering a profound sense of control and stability even when facing the tempestuous seas of market volatility.

Our recognition as asset managers is that market cycles, corrections, and the ebb and flow of short-term fluctuations are intrinsic elements of the investment landscape. Armed with this understanding, we are empowered to make prudent, well-considered decisions that remain impervious to the transient sentiments of the market. Our embrace of a long-term perspective elevates us above the tumultuous emotional rollercoaster, enabling us to chart a steadfast course towards our clients’ financial goals, characterized by resilience and unwavering composure.

## Bull & Bear Markets in U.S. Stocks



Source: [InvestmentsIllustrated.com](https://www.investmentsillustrated.com)

At Sandhill, our strategies are built to be resilient over the long-term. We invest in companies that can not only weather the storm of the business cycle, but look to capitalize on—and reap the benefits of—difficult economic situations. We understand that markets can be volatile over short periods of time and utilize that to our advantage by buying high quality businesses when they are on sale at discounted prices.

**Disclaimer:** This has been prepared for informational purposes only and does not constitute, either explicitly or implicitly, any provision of services or products by Sandhill Investment Management. Its primary intent is to educate, and it should not be misconstrued as specific advice or recommendations.

Sandhill Investment Management (“Sandhill”) is a registered investment advisor with the Securities and Exchange Commission that is not affiliated with any parent company. Third-party information in this report has been obtained from sources believed to be accurate; however, Sandhill makes no guarantee as to the accuracy or completeness of the information. The content here does not provide enough details to guide an investment choice, so it should not be the sole resource upon which you base your investment decisions. We recommend that individuals consult their financial advisors and consider the legal, regulatory, and tax repercussions when making investment decisions. Before deciding on any investment, it is crucial for investors to gather all pertinent information. Please remember that all investments carry risk and have the potential for profit or loss. Past performance may not be indicative of future results.

**The S&P 500 Index** is widely regarded as the best single gauge of the U.S. equities market. This market capitalization-weighted index includes a representative sample of 500 leading companies in the foremost industries of the U.S. economy and provides over 80% coverage of U.S. equities. Index is unmanaged and not available for direct investment. Index returns do not include fees or expenses.

Proprietary Research.  
Successful Outcomes.

