



VIEW FROM THE SQUARE

March 2021

IPO Frenzy

Another eventful month brings the first quarter of 2021 to an end - which has seen a continuation of the positive sentiment for risk assets that has been in place since the nadir of the market turmoil last March. And, once again, it is *value* stocks that are leading the way, relative to *growth*, as rising bond yields continue to put the brakes on high valuations (notably in the technology sector). Taking advantage of such high valuations, we have seen a flurry of technology businesses come to the market and, at the end of March, we had the much-anticipated Deliveroo IPO (initial public offering) here in the UK.

Deliveroo – the online food delivery company – was founded in London in 2013 by Will Shu. Now a global brand (albeit not in the US yet), the company decided to take advantage of the IPO frenzy of recent months and list on the public market. It was a big coup for London to get the listing of Deliveroo, as it attempts to cement and grow its position as a technology centre. Globally, we have seen more IPOs in the first three months of 2021 than any year of the last 20, with the exception of last year. So, 2021 is on course to be a blowout year for companies listing. Whilst that might sound like a great thing – cynics may suggest that companies are taking advantage of extremely favourable market conditions. This is particularly the case in the technology sector, where companies can command high valuations and, more importantly, people are willing to pay for them. Deliveroo's IPO in the UK followed hot on the heels of the US listing of Bumble – the online dating and social media company, headed up by Whitney Wolfe Herd – which created great fanfare. Bumble's shares have struggled since listing day and Deliveroo took a 30% hit on its first day of trading – further evidence that the heat may be coming out of the technology sector.

The IPO market and dynamics can have broader implications on investor sentiment. This sort of frenzy is another reason that we are cautious on the technology sector and favour more reasonably priced (value) sectors at present. That said, it is quite apparent that the world is changing and evolving, at pace, and we are keen to be part of that – so long as at a fair price.

The months ahead will likely see the beginning of the great *re-opening*, which we are all looking forward to. Markets have been building up to this in recent months, as evidenced by the strong run in in cyclically sensitive assets (e.g. banks, airlines, commodities, etc.). Any further progress will depend on the scale of the re-opening as well as any potential setbacks, both here in the UK and internationally.



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