



## VIEW FROM THE SQUARE

April 2021

### Sell in May?

April was a quieter month in markets – giving investors some respite after a roller coaster ride since the beginning of the pandemic in early 2020. Significant vaccine and therapeutic progress in the fight against COVID was offset by new, devastating waves in regions such as India. Overall, it was a positive month for risk assets with equities extending gains for the year. As we approach the summer months, investors find themselves at an inflection point: on the one hand, we have huge pent-up consumer demand about to be unleashed; on the other we have equity markets that have just enjoyed a near record setting 12-month period of performance. So, should investors pay attention to the old adage of *Sell in May and go away*?

Markets are very good at discounting available information and tend to look forward by about six months. This has been very true over the last 12 months – from record low yields and a world living at home saw huge demand for growth and technology stocks; to news of the vaccine in November last year shifting investors' views to the great *re-opening* that favoured cyclically sensitive assets. As we enter the summer months, a lot of good news is now baked into asset prices and valuations across the board are on the expensive side. Overall, we do not expect to see significant price growth in stocks or bonds over the next six months, in what has historically been a softer patch for equities.

What we have seen in the last year, however, is the considerable opportunity for active management – both in asset allocation and stock selection – being able to add value. So, whilst we do not expect the aggregate value of assets to move significantly higher over the short term, we do believe that opportunities exist in more specific regions, sectors and stocks. As regular readers will know, in recent months, this has been through exposure to value stocks, where prices remain attractive relative to company prospects and our favoured funds in this sector have rewarded investors well. We believe fundamentals will matter more now, than they have done in recent years, with closer attention given to company earnings, outlook prospects and valuations, rather than the broad macro (economy as a whole) picture.

As long-term investors we will, if anything, be switching rather than selling this May. We remain very conscious of the strong performance of risk assets and our desire to safeguard and grow client assets – and so use the tools at our disposal to remain relevant and forward looking to the world that lies ahead and not that the one that has passed.



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