May 21, 2020

When recently asked, "what do you think about the market", I responded by saying that "NVIDIA is up +49% year-to-date, while Bank of America is down -36%; which should we discuss?"
Many investors view the market as a single entity that is either all up or all down and lose sight of the fact that there are winners and losers in virtually every market.
The proliferation of Index Funds and Sector Investing with Exchange Traded Funds has helped move the focus from individual companies to the market as a whole.
Industry disrupters and story stocks such as Amazon, Tesla, Uber, etc., continue to generate buzz and attention from the financial news. However, we suspect that very few people have heard of VEEVA Systems mentioned by the financial media, despite being up 41% year-to-date.
And while investment returns vary greatly among sectors, industries and companies in any market, the disparity brought about by Covid-19 has been extreme. For example:

Year-to-Date Returns - Select Companies

HELPED			HURT		
Sector	**Company**	**Return**	**Sector**	**Company**	**Return**
Medical Devices	DexCom	**84%**	Airlines	United Airlines	**-70%**
Semiconductors	NVIDIA	**53%**	REITs - Malls	Simon Property	**-62%**
Medical Technology	Veeva	**42%**	Restaurants	Cheesecake Factory	**-48%**
Electronic Payments	PayPal	**36%**	Industrials	General Electric	**-42%**
Simulation Software	Cadence	**26%**	Banks	JPMorgan	**-34%**
Electronic Trading	MarketAxess	**25%**	Oil & Gas	Exxon Mobil	**-34%**
Software	Adobe	**16%**	Hotels	Hilton	**-31%**

Year-to-Date Returns – Select Indicators

Index/Asset	Gain/Loss
Nasdaq	3.0%
China Domestic	-6.0%
S&P 500	-8.6%
Dow Jones	-14.5%
Berkshire Hathaway	-22.0%
Oil	-42.0%

Logical follow-up questions might include:

1. Is it better to buy a stock that is up 40% versus the one that is down 40%?
2. Particularly if:
    a. The +40% stock is trading at 40 times earnings (P/E Multiple)
    b. The -40% stock is trading at 6 times earnings

Our Views:

- Price alone is amongst the least important factors to consider when buying a stock
- A high P/E Multiple alone, is not a reason to not buy a stock
- A low P/E Multiple alone, is not a good reason to buy a stock
- Exceptional companies will continue to grow and generate above market returns for extended time periods
- Generally, the benefit of waiting for short-term pullbacks of 2% to 5% is de minimis
- Investors often miss out on more gains than occasional savings from loss avoidance by staying on the side lines
- Big market sell-offs offer excellent opportunities to add great companies, and usually occur every 3-5 years
    - e.g. Mar 2009; Aug 2011; Feb 2016; Dec 2018; Mar 2020
- Don't get fooled by algorithmic trading that will focus on beaten down stocks; note the recent improvement in financial stocks which will bounce and then sell down, but have long-term challenged business models
- Remember, it is often the same funds that are buying beaten-down stocks (driving the prices up) and then selling for short-term gains; this is a fundamental difference between "traders" and "investors"
- Buy great companies, hold them and sell them when new forces emerge that suggest they will be challenged by a new competitor, technology or structural shift in their business model, for which they have been slow to recognize and adapt.

The Stanley-Laman Group manages domestic and international portfolios and ascribes to the view that individual stock selection will generate returns consistently in excess of the overall market.

Bradford Stanley, CFA

1235 Westlakes Drive, Suite 295
Berwyn, PA 19312
610-993-9100
610-993-8382 (Fax)
www.stanleylaman.com

Disclosure: The preceding represents the opinions of The Stanley-Laman Group, Ltd., a Registered Investment Advisor, and are not intended to be investment recommendations. All strategies outlined and the views expressed offer risk of loss of principal and are not suitable for all investors. Investors are advised to consult with qualified investment professionals relative to their individual circumstance and objectives.