



Rotation Trade Revisited (Again)

In March, many large brokerage houses and financial commentators were strongly recommending the “Reopening Trade” (Value and Cyclical Stocks), including Restaurants, Airlines, Hotels, and Casinos.

The Theory was that: (i) Covid shutdowns had come to an end; (ii) stir crazy consumers flush with government stimulus money were anxious to travel, dine, gamble, and go back to the office, and (iii) growth stocks, particularly big tech, had come too far too fast.

As is often the case, groupthink becomes self-fulfilling and for a brief period reopening stocks flourished while high quality Growth Stocks sold off or treaded water.

And while the reopening trade thesis seemingly had merit, we wrote an opinion suggesting that:

- a. Repairing balance sheets and restoring profits of affected industries might take longer than anticipated
- b. Many consumer behavior changes brought forth by Covid Shutdown might be long lasting or permanent
- c. Many of the Reopening Trade stocks were overpriced and trading on hope, not fundamentals

Below is a comparison of the growth and value companies profiled in our original letter.

HIGH GROWTH COMPANIES (Stanley-Laman Portfolio)

| Company | Industry | 3/15/20 Price | 9/9/21 Price | Return |
|----------------|----------------------|------------------|-----------------|--------------|
| Zoom Video | Application Software | 350.00 | 295.83 | -15.5% |
| Pinterest | Interactive Media | 72.79 | 54.81 | -24.7% |
| NVIDIA | Semiconductors | 131.91 | 221.86 | 68.2% |
| KLA | Semiconductors | 298.96 | 343.91 | 15.0% |
| Fortinet Inc | Cybersecurity | 192.03 | 310.50 | 61.7% |
| Veeva Systems | Health Care Tech | 261.73 | 307.05 | 17.3% |
| Synopsys Inc | Application Software | 234.87 | 333.99 | 42.2% |
| Advanced Micro | Semiconductors | 82.50 | 106.28 | 28.8% |
| ServiceNow | Systems Software | 496.77 | 650.28 | 30.9% |
| Adobe | Application Software | 447.59 | 661.05 | 47.7% |
| Median | | | | 29.9% |

VALUE AND CYCLICAL COMPANIES

| Company | Industry | 3/15/20 Price | 9/9/21 Price | Return |
|-------------------|-------------------------|------------------|-----------------|---------------|
| Ralph Lauren | Apparel Retail | 124.00 | 113.32 | -8.6% |
| Caterpillar | Construction Machinery | 230.74 | 205.11 | -11.1% |
| Bank of America | Diversified Banks | 37.75 | 40.86 | 8.3% |
| American Express | Consumer Finance | 146.99 | 159.67 | 8.6% |
| General Electric | Industrial Conglomerate | 106.80 | 103.37 | -3.2% |
| Marriott | Hotels & Resorts | 153.56 | 135.09 | -12.0% |
| Las Vegas Sands | Casinos & Gaming | 66.20 | 43.74 | -33.9% |
| American Airlines | Airlines | 25.17 | 20.11 | -20.1% |
| Delta Air Lines | Airlines | 50.99 | 41.08 | -19.4% |
| Royal Caribbean | Cruise Lines | 94.55 | 81.60 | -13.7% |
| Median | | | | -11.6% |

Our recommendation remains what it has always been:

- Invest in superior growth companies that are innovating and shaping the future
- Avoid
 - Fads
 - Former “blue-chip” companies that have lost their way
 - High Dividends (too good to be true)
 - Operating Metrics Trending Down

Sincerely,

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