



VALUE STOCKS OUTPERFORM: January – May 2021

Value (Dividend Stocks) outperformed Growth (Technology Stocks) during this time-period.

Reasons included:

Reopening of the post-Covid economy expected to serve value names (Financials, Energy, Hospitality & Leisure, Autos, etc.).

Growth Stocks were fully valued, if not overvalued.

Interest rates were rising due to higher-than-expected inflation, which hurt Growth Stocks more as the higher cost for future earnings was no longer justified.

Big Tech's benefit from the work, dine, and entertain-from-home economy was coming to an end.

JUNE – REVERSAL TO GROWTH

In June, Growth Stocks outperformed while Value Stocks were negative as shown by our various portfolios.

<u>Stanley-Laman Portfolio</u>	<u>Jan – May 2021</u>	<u>June 2021</u>
Growth Portfolio	3.04%	10.60%
Value Portfolio	15.49%	-0.72%
Blend Portfolio	12.37%	1.18%

Sample SLG Growth Out-Performers for June

<u>PERFORMERS</u>	<u>June - 2021</u>
Etsy Inc	24.96%
NVIDIA Corp	23.13%
Pinterest Inc	20.90%
Shopify Inc	17.55%
Advanced Micro Devices Inc	17.30%
Zoom Video Communications Inc	16.74%
Adobe Inc	16.06%
ServiceNow Inc	15.97%

REASONS FOR REVERSAL

Adoption of hybrid models by employers to allow some continuation of work from home.

Inflation considered temporary as commodity producers ramped-up production of Food, Lumber, Metals, etc.

Companies have become comfortable with the cost savings and time efficiencies of video versus in-person meetings, adversely impacting Travel and Hospitality.

Perception that interest rates will remain lower for longer as the 10-year U.S. Treasury traded down below 1.5%

TRADERS PUSH BUTTONS

Traders jump on a theme that becomes widely reported in the Financial Press, and thus becomes self-fulfilling causing investors to:

- a. Sell at the “top” – in this case, their Tech Stocks, for fear of declines.
- b. Buy the “hot” sector for fear of missing out – in this case Value Stocks.

Thus, the age-old dynamic of Fear and Greed continues to be effective as the same institutions that sold their Tech Stocks in the January – May period, bought Tech Stocks in June, taking advantage of emotional investors who tend to buy at the top and sell at the bottom based on Headline News.

ULTIMATE STOCK RETURNS

- Stocks are valued based on their future earning potential and execution, and then their ultimate fulfillment of this potential.
- Great companies will experience periods of underperformance and declines along the way, induced by traders and human psychology.
- Returns for even the greatest companies will not be a straight line up; however, investors that do not succumb to market manipulation will enjoy exceptional long-term returns.
- Tech stock earnings continue to accelerate

OUR JOB

- Find great companies early in their growth cycle.
- Monitor these companies to make sure they continue to execute.
- Identify better opportunities that might arise for our clients.
- Ignore short-term trade induced volatility.
- Sell when long-term potential moderates.

Bill Stanley

Disclosure: The preceding represents the opinions of The Stanley-Laman Group, Ltd., a Registered Investment Advisor, and is not intended to be an investment recommendation. All strategies outlined and the views expressed herein offer the 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.