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7IM: Don't sell in May

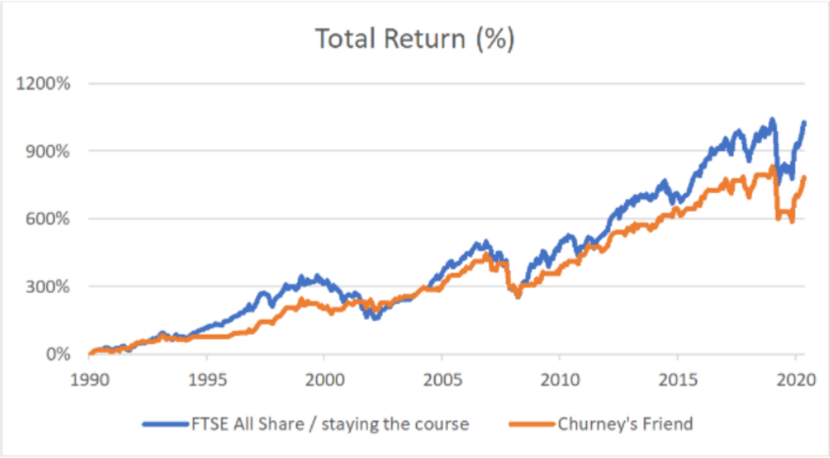
Sayings stick around in finance. "Sell in May and go Away, don't come back 'til St Ledger's Day" originated back when senior traders, brokers and bankers used to abandon London's smoke-filled summer heat, and head for the country hills; perhaps returning occasionally for the tennis at Wimbledon or the cricket at Lord's. With no-one senior to do business with – the theory goes – markets would drift gently downwards, until the serious players returned in autumn.

How does this financial mantra stack up today? Not well, according to new research by 7IM.

7IM ran some analysis, setting up its own investment "horse race", looking at the FTSE All Share from 31 December 1990 to 31 December 2020. One horse – 'Staying the Course' – adopted a strategy of investing in the FTSE All Share and leaving their money untouched. The other runner – 'Churney's Friend' – cashes out their investment in the FTSE All Share on 30 April each year and reinvests on 14 September, after the actual St Leger (the world's oldest classic horse race) has finished.

The results over the thirty-year period won't surprise readers who keep an eye on the form book. The calm and collected Staying the Course wins, with an annualised return of 8.3%, while despite all of the activity Churney's Friend returned 7.4%.

Whilst not a significant difference at first glance, cumulatively, over the years, it stacks up. After approximately 30 years, the buy and hold strategy would have turned £10,000 into £112,670, whereas the mantra-following investor, busy as a bee every summer and autumn would have £88,110. That's £24,560 extra, for doing less!



Source: Financial Express. NB: The above chart is based on past performance which is not a guarantee for future performance. The above chart is based investment in the FTSE All Share from 31 December 1990 to 31 December 2020 vs investment in the FTSE All

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Share from 31 December 1990 to 31 December 2020 excluding 30 April to 14 September each year.

Ben Kumar, Senior Investment Strategist at 7IM offers an explanation as to why it is best to avoid selling in May and trying to time the market:

“There’s no evidence to suggest summer is a particularly bad time for markets. Overall, the period between May and September has been in positive territory for 60% of the time over the last 31 years. In those three decades, the FTSE All Share has seen an annualised average return of 4.29% between 30 April – 14 September, and if you strip out 2001 and 2002, two particularly bad years that had nothing to do with the ‘sell in May’ narrative, the figure is 7.71%.

“Markets are volatile. They move up and down. Always have; always will. Indeed, there’s a different stock market adage that suggests time in the market is far more effective than timing the market. While many stock market adages should be taken with a pinch of salt, this one certainly has more than a grain of truth to it.

“Instead of trying to time the market, a far more effective (and simple) strategy for wealth creation is to stay invested for the long term. By doing so, you will benefit from the phenomenal power of compounding, which Albert Einstein (allegedly) described as ‘the eighth wonder of the world’. The critical component here is time – the longer you give your money to work for you and the longer you leave it untouched, the more pronounced the power of compounding is.

“So, despite the temptation to tinker with your savings or your portfolio amidst all the political noise and market gyrations, the best answer to most of the common investment questions I’m asked is to do nothing. If you’re ever unsure, however, then it pays to seek professional advice.”

This article does not constitute advice or a recommendation; please consult a financial adviser. Past performance is not a guide to future returns, chart(s)/data for illustration purposes and are not for further distribution. The value of your investments and the income from them may go down as well as up, and you could get back less than you invested.

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About 7IM

It all began in 2002, with seven of us in a basement establishing 7IM because we couldn't find anywhere we wanted to invest our families' money. Our assets under management now stand at around £17bn, and we have moved from 'basement' to 'Bishopsgate' in the City of London.

We manage money aiming to meet people's medium to long-term return expectations. Fundamentally, we believe in active asset allocation in both active and passive investments (where we were one of the first to offer actively managed passive portfolios). We build global portfolios based on that allocation, and include alternative assets where appropriate to manage the risk reward trade off. Active currency management is also at the core of what we do.

7IM provides investment services to professional wealth managers, planners, advisers and private investors. These include: discretionary investment management, a range of multi-asset portfolios, an investment and open architecture trading platform and a fantastic app, 7IMagine, which brings client portfolios to life.

Multigenerational investing
We do our best to pass on economies of scale, reducing fees so more investors within a family save with us. Grandparents, through to parents and their children can invest as individuals with one charging structure – whether they live under the same roof or not.

A story of continuous innovation.
In 2013, we launched 7IMagine, an app allowing investors and advisers to keep up to date with their portfolio. The brainchild of some clients – professional 'gamers' uninspired by their paper statements – 7IMagine was enriched in February 2016, with My Future. Again using gaming technology, My Future allows advisers and investors to capture details about family or individual finances, including any number of streams of income, properties, other assets and expenses, to help identify how sustainable their finances are and if / when their retirement income will run out.

Our funds

- Our **AAP fund range (Asset Allocated Passive)** is populated largely with passive structures to keep costs to a minimum. Asset allocation is actively managed to help exploit opportunities and reduce risk across the spectrum: **7IM AAP Adventurous, 7IM AAP Moderately Adventurous, 7IM AAP Balanced, 7IM AAP Moderately Cautious, 7IM Cautious and 7IM AAP Income**.
- Our **Multi-Manager fund range** invests in a range of active and passive vehicles. Costs still matter, but if we think an actively managed fund can outperform a passive alternative we have the freedom to choose it. Asset allocation is actively managed. There are different funds for different profiles: **7IM Adventurous**, **7IM Moderately Adventurous**, **7IM Balanced** and **7IM Moderately Cautious**.
- We also have a selection of funds designed to meet specific needs, such as the **7IM Personal Injury Fund**, the **7IM Real Return Fund** or the SRI focussed **7IM Sustainable Balance Fund**.

Our Model Portfolios
The 7IM Model Portfolios are a range of risk rated portfolios and are available within our discretionary investment services and standalone on the 7IM platform and other platforms. The Models use the same investment process and asset allocation as our funds.

Our range of Model Portfolios are available across the risk profiles: **7IM Adventurous Model Portfolio, 7IM Moderately Adventurous Model Portfolio, 7IM Balanced Model Portfolio, 7IM Moderately Cautious Model Portfolio, 7IM Cautious Model Portfolio and 7IM Income Model Portfolio**.

In 2019, we launched **7IM Pathway**, a diversified range of passive multi asset model portfolios underpinned by our robust Strategic Asset Allocation (SAA) process. The Pathway Model Portfolios differ from our traditional offering and are built purely using a streamlined version of 7IM's robust (SAA).

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The 7IM funds and Model Portfolios are available through the 7IM Discretionary and Platform as well as on other platforms.

Important information: The information contained in this document does not constitute investment advice and if you are in any doubt about the suitability of the investment or service, you should consult a professional financial adviser. The value of investments, and the income from them, can fall as well as rise and you may not get back the full amount invested. Seven Investment Management LLP is authorised and regulated by the Financial Conduct Authority, the Jersey Financial Services Commission and the Guernsey Financial Services Commission. Member of the London Stock Exchange. Registered office: 55 Bishopsgate, London EC2N 3AS. Registered in England and Wales No. OC378740.