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# THINKING OF SELLING IN MAY AND GOING AWAY?

By Mags Heystek, CFP® Professional at Brenthurst Wealth Sandton

In 2022, how should investors be responding to the old investment adage: it's best to **'sell in May and go away'**? This sentiment is based on stock market returns for the six months from May to October being lower than the half-year returns between November and April.

One would hope that keen amateur investors won't follow this mantra to the letter and sell all their holdings in anticipation of buying back in September. In fact, even rotating a portion of your portfolio out of the market because of this adage is not a good idea.

## WHAT DO THE FACTS SHOW?

While historical data shows evidence to support the 'sell in May' theory, it's just as important to look at more recent market performances.

Evidence supporting the theory can be found in the Dow Jones Industrial Average, returning an average of 0.3% in the six months from May to October between 1950 and 2013. By contrast, the index rose by an average of 7.5% between November and April over the same period.

This unbroken run has since ended, adding further doubt to the wisdom of trying to time the market. **If you're wondering how events in 2022 might affect your decision-making and what to do, here's my advice: sit tight and stick to your strategy.**

## UNDERSTAND YOUR RISK PROFILE

The first step to constructing an investment portfolio that is right for you is understanding your appetite for risk. This might be linked to your personality, or to where you are in your investment journey. The most important thing to understand is that your risk profile can play a significant part in the returns that your investments generate. I'm not suggesting that a conservative approach is wrong, but you need to be aware that this will, in all probability, result in lower long-term results.

If you're closer to retirement age, then it makes sense to preserve what you have rather than going all-in on more volatile equities. Conversely, if you still have 20, 30 or more years until retirement age then it doesn't make sense to be too heavily biased towards defensive, low-growth assets.

## BE PATIENT AND PLAY THE LONG GAME

It's perfectly normal for your risk profile to change as your circumstances change. However, the one investment strategy that beats all others is to maximise your time in the market. This means ignoring the noise and short-term volatility and staying focused on your investment strategy.

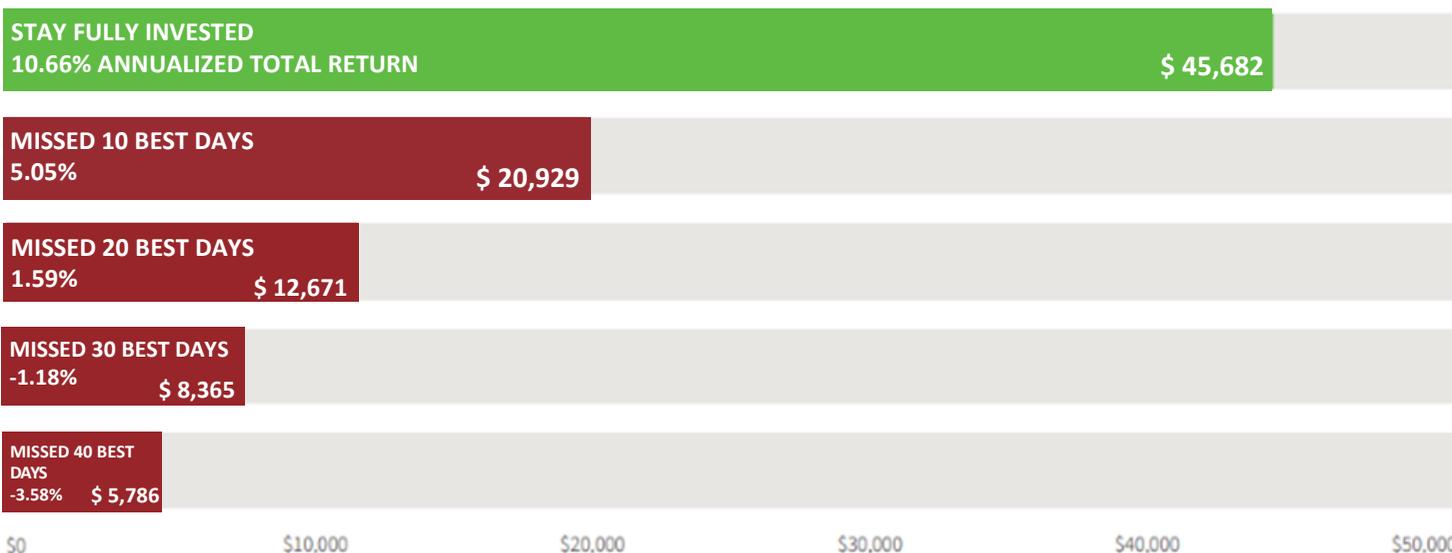
Doing so will also help you avoid the classical mistake of trying to time the market. This speaks directly to the 'sell in May' philosophy because you should be looking at your returns over 10, 20 or 30 years, not six months.

Sadly, we have seen time and again that nervous investors who try to time the market do great damage to their portfolios, should they sell when markets are at their lowest. And trying to get back into the market at the 'right' time almost always fails as a strategy.

It's practically impossible to know what the markets are going to do on any given day and reacting to short-term moves often leaves investors far worse off than those who remain in the market.

## STAY INVESTED

### \$10,000 INVESTED IN THE S&P 500 (12/31/06 - 12/31/21)



Source: Putnam Investments

## BE CLEAR ABOUT YOUR GOALS

Finally, if you know how much you need to retire comfortably, then it is a lot easier to ignore the noise and keep your eye on the end goal. Working with a financial advisor can help you align your goals with your risk profile to produce a practical plan that's based on your time horizon. This is a vitally important part of the equation because a longer horizon buys you the time to ride out market dips.

Even if you don't have the luxury of a few decades to help your portfolio grow, you can still develop a plan that balances your need for future security with a shorter timeline. It's probably best, though, to steer away from investment clichés such as 'sell in May' to make sure your portfolio stands the test of time.

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#### ADVISOR PROFILE | MAGS HEYSTEK, CFP® AND HEAD OF THE BRENTHURST WEALTH SANDTON



MAGS is the head of the Sandton office, and also serves as the Key Individual for Johannesburg.

Mags has been in the financial services industry for over ten years and qualified as a CERTIFIED FINANCIAL PLANNER® Professional in November 2012. Mags also acts as a representative and key individual for Brenthurst Capital (Pty) Ltd and a member of the investment committee dealing with investment and asset allocation decisions.

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