KINGSVIEW
INVESTMENT MANAGEMENT

# PORTFOLIO MANAGER INSIGHTS

**WEEKLY INVESTOR COMMENTARY | APRIL 14, 2021**

**Investment Committee**

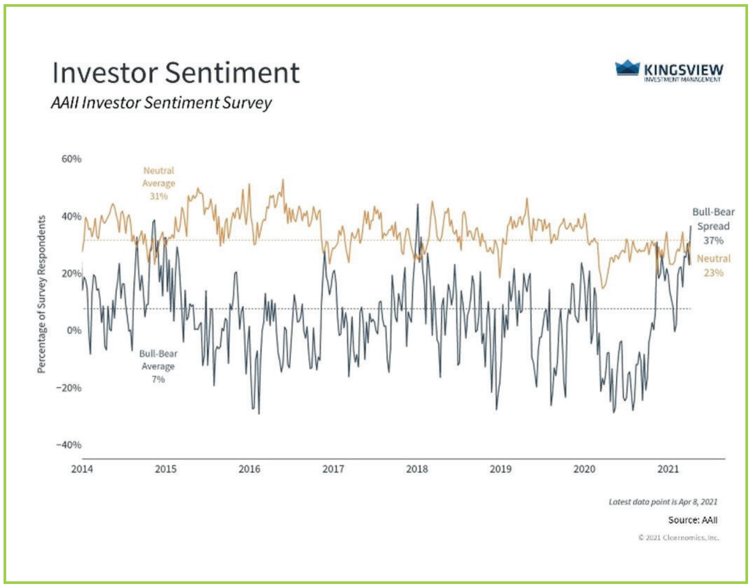
It goes without saying that rising markets are positive for investors. However, as with all things, maintaining balance is the key to long-term success. Just as investors often find it difficult to stay invested when markets pull back, many also find it challenging to stay focused when markets are roaring. After all, it is human nature to chase returns and to be afraid of missing out. Even when investors intellectually understand that market gains cannot accelerate forever, there can be emotion-driven excuses for why this time is different. This is true even for investors who may have been fearful of returning to the stock market just a year ago.

If history teaches us anything, it is that staying invested with a well-thought-out portfolio and financial plan is the key to long-term success. Doing so helps investors to capture the upside as markets rise over long periods while protecting from downside when they inevitably decline over shorter ones. Just as a sensible sedan, SUV or minivan may not be able to keep up with a race car on an open highway, they will handle the inevitable potholes and traffic jams much better. And, in the end, they will reach their destinations in a safer, more comfortable manner.

Today, there are three key reminders for investors as markets continue to reach new all-time highs. First, recent surveys of investor sentiment suggest that bullishness is now near historic levels among everyday investors - a stunning reversal from a year ago. That this is occurring in lockstep with rising markets should be no surprise, especially with the S&P 500 and Dow each having returned over 10% this year with dividends. Investors - fueled by past returns, media coverage, low interest rates and interesting new assets - are seeking new ways to invest.

However, history shows that investor sentiment is often a contrarian signal - a sign that investors are focusing too much on return and too little on risk.  This was certainly true during the dot-com era and the housing boom but has also taken place periodically over the past decade. While this is by no means a timing indicator - markets can rise much longer than many expect - it is a reminder for long-term investors to avoid being distracted from their plans.

## INVESTOR BULLISHNESS IS NEAR RECORD LEVELS




## KEY TAKEAWAYS:

1. **The spread between bullish and bearish everyday investors is at its highest level in years. In general, investor sentiment tends to be a contrarian indicator and signals when investors are overly optimistic.**
2. **However, by no means is it a timing indicator. Thus, today's readings tell us that investors ought to remain disciplined as markets continue to climb to new peaks.**

Second, while many fundamental factors have continued to push markets higher, investors should not expect markets to accelerate forever. At this point, the expectation for GDP and corporate profits to recover later in 2021 is widely understood and priced-in. Broad market valuation levels remain close to dot-com era highs based on these expectations but can improve over time as the recovery advances. In general, there are no significantly undervalued sectors across the stock and bond markets. This further emphasizes the need for discipline and risk management.

Third, although the broad market continues to climb higher, the sectors and areas driving this have changed over the past several months. Areas such as small caps, value stocks, energy, commodities, financials and more have surged during the recovery after falling behind technology and growth stocks last year.



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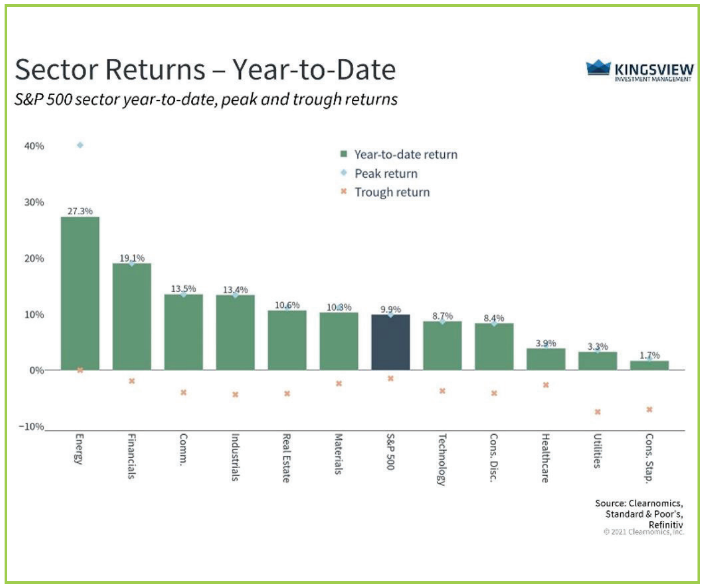
Thus, it is important to not only focus on the headline index numbers but to understand what is driving performance beneath the surface. It is also important to focus on how each of these areas fit into a well-constructed portfolio, perhaps with tilts to asset allocations.

### THE OVERALL MARKET CONTINUES TO REACH NEW ALL-TIME HIGHS


### KEY TAKEAWAY:

1. **Broad stock market indices continue to rise, fueled by strong economic growth and corporate profits. What has driven this under the hood has shifted over the past year, however.**

### THE AREAS DRIVING THIS OUTPERFORMANCE HAVE SHIFTED THIS YEAR




### KEY TAKEAWAYS:

1. **The rotation in the market, driven by the reopening of the economy, has resulted in changes to sector and style leadership. While growth and technology stocks performed well last year, this year's performance has been broader.**
2. **Areas such as value, small caps, energy, financials and more have led the way. It's important for investors to periodically re-evaluate their asset allocations to make sure they are aligned with their long-term objectives.**

Investors ought to stay focused in the months to come. Stock market pullbacks are impossible to predict but are inevitable nonetheless. The goal of long-term investors is not to swerve in and out of markets based on past returns, but to stay invested in an appropriate portfolio through both good times and bad. Although the rising market is positive, investors ought to remain disciplined as the economy and corporations continue to recover.