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Press Release

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‘Sell in May’ revisited: can market timing beat a sensible long-term investment strategy?

Despite all their technical wizardry and financial expertise, investors love a good old-fashioned adage. One of the favourites – particularly at this time of year – is ‘sell in May and go away’, which is usually rounded off with ‘come back on St Leger day’.

This has its origins in the days when well-off English folk – and in particularly City gents – indulged in the pleasures of ‘the Season’, a summer-long extravaganza of sporting and cultural events taking in the Henley Royal Regatta, Royal Ascot, Wimbledon and the like. The St Leger is the last English Classic horse race of the year and is traditionally run in September – this year on Saturday the 12th. Having had the summer off, the stockbrokers and fund managers could then re-enter the market without worrying about what had happened to their stocks while they were away.

But in these days of electronic trading, is there any value in adhering to a tradition that dates from a time when all deals were done in person? And what does recent history show about the performance of stockmarkets during the summer months, when trading volumes do tend to be lower?

Looking at capital returns from the FTSE 100 in each calendar year and each summer (1 May to 15 September) from 1989, the picture as to whether investors should ‘sell in May’ is far from clear. Over the period there were 10 ‘down’ summers (1990, 1992, 1994, 1998, 1999, 2001, 2002, 2006, 2007 and 2008) and six ‘down’ years (1990, 1994, 2000, 2001, 2002 and 2008). While there are a couple of aberrations in

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these figures – 2000 was a ‘down’ year with an ‘up’ summer, while 2001 may well have been an ‘up’ summer had the St Leger been run a few days earlier, before the terror attacks on New York and Washington – it is clear that for the period in question, investors who chose to ‘sell in May’ would have been wrong as often as they were right. (See table below for the figures in full.)

Jason Hollands, head of corporate affairs at F&C Investments, commented: “It is impossible to tell in May what will happen over the summer, just as it is impossible to tell in January what will happen over the course of the year. We have seen a big bounce in stockmarkets since the lows of March; that might be a bear market ‘relief’ rally or it might be a sign of better things to come, but it is only with hindsight that we will know which one.

“Rather than trying to time the market based on arbitrary sayings, it is better in the long term to stick to a sensible, sustained, regular investment strategy, perhaps using the summer lull to your advantage by buying on the dips when volumes are low.

“Following a regular investment strategy, for example using a savings scheme to invest manageable amounts monthly, allows investors to smooth out the ups and downs of the market. It can also open up the benefits of pound/cost averaging – when prices dip, your monthly contributions will buy more shares, and over time the average cost of the shares (what you actually paid for them) may be less than their average price.”

F&C Investments has produced a ‘Guide to Sensible Investing’, packed with information about how to build a long-term investment strategy and keep your head while those around are losing theirs. The guide is aimed at private investors, and includes a round-up of some of the main themes of behavioural finance as well as information about F&C Investments’ range of investment trusts. To obtain a copy, contact Sarah Godfrey in the F&C Press Office, on 020 7011 4215.

Please bear in mind the value of investments, and any income from them, can go down as well as up and you may not get back the full amount invested.

Box: Capital returns from the FTSE 100 index for calendar years and summers (1 May to the day before the St Leger) from 1989 to 2008

Year	Jan-Dec %	May-Sept %
1989	35.11	11.73
1990	-11.52	-1.14
1991	16.31	4.68
1992	14.18	-10.9

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1993	20.09	6.27
1994	-10.32	-0.41
1995	20.35	10.69
1996	11.64	4.25
1997	24.69	10.3
1998	14.55	-12.12
1999	17.81	-7.39
2000	-10.21	1.42
2001	-16.15	-19.78
2002	-24.48	-21.8
2003	13.62	9.81
2004	7.54	1.31
2005	16.71	12.12
2006	10.71	-2.43
2007	3.8	-2.03
2008	-31.33	-14.51

Source: Lipper/F&C Investments

- Ends -

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Notes to Editors

F&C Investments

- F&C Asset Management (F&C) is a London Stock Exchange listed asset management group which traces its origins back to 1868 with the launch of Foreign & Colonial Investment Trust, the first ever publicly listed investment fund. Foreign & Colonial Investment Trust remains a client of F&C.
- F&C is an active fund manager with a multi-specialist investment model where individual teams have strong accountability for their products and processes. The group is also an active shareholder with a leading franchise in governance and sustainable investment.

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- F&C now manages £92.7 billion (€100.1 billion) of assets* for a diverse range of institutional, insurance and retail clients across all major asset classes – equities, bonds, cash and property – as well as alternative and specialist product classes such as Socially Responsible Investment funds, hedge funds, private equity funds and Liability Driven Investments. F&C invests globally and has been a longstanding investor in emerging markets.
- F&C REIT Asset Management is the group's global property asset management business. It was formed in 2008 from the merger of F&C's property division and REIT Asset Management. F&C REIT operates from offices in London, Dublin, Istanbul, Munich, Mumbai and Stockholm.
- F&C manages assets principally from three investment centres: London, Amsterdam and Edinburgh. The group has a global office network spanning twelve countries: China (Hong Kong), France (Paris), Germany (Frankfurt & Munich), India (Mumbai), Ireland (Dublin), The Netherlands (Amsterdam), Portugal (Lisbon), Sweden (Stockholm), Switzerland (Geneva), Turkey (Istanbul), UK (London, Edinburgh, Dorking) and the United States (Boston).
- In March 2009 F&C signed a Memorandum of Agreement with Hua Xia Bank, one of China's twelve nationwide joint stock commercial banks, to establish a joint venture fund management company in China in which F&C will have a 19.5% interest.

* As at 31 March 2009.