



## Market Commentary

### Market Outlook (cont):

vi-The S&P 500 is 17% above its 200-day average. Any reversion to the mean will lead to a sharp fall.

In summary, when equities are such an overcrowded trade, it can pay to step back and sit on the sidelines until another buying opportunity appears.

### Recommended Investment:

In a certain-to-be-unpredictable investing environment, we present 5 key themes that we believe will be important over the next 12 months.

#### Theme 1: Dividend Growth

At this stage of the economic and market cycles, investors should pay close attention to dividend growth. We believe that consistent - and accelerated - dividend growth at a company gives three important signals to investors in the shares: 1) the company's balance sheet is strong enough to pay a dividend; 2) management is mindful of shareholder returns, which include dividends; and 3) a significant dividend increase can be a message from management to the market that the near-term outlook for the company is promising.

The SPDR UK Dividend Aristocrats ETF (UKDVL, TER=0.30%) tracks the UK shares that not only produce the best yields, but also those with the best track record that have consistently raised their dividends over the past decade.

#### Theme 2: Socially Responsible Investing

Every year this theme just gets bigger. According to management consultancy firm Opimas, global assets under management in this sector had grown to \$40.5 trillion in 2020, doubling in four years and tripling in eight years. These days, instead of merely identifying industries to avoid (arms, tobacco, oil & gas etc), the discipline promotes "sustainable" business practices across all industries that can have an "impact" on global issues such as the climate, hunger, poverty, disease, shelter and workers' rights. With capital pouring in, such companies are clearly swimming with the tide.

The iShares MSCI World SRI ETF (SGWS.L, TER=0.23%) provides GBP-hedged access to companies with outstanding environmental, social and governance ratings in addition to screening out those operating in controversial industries.

#### Theme 3: Value stocks

Growth stocks outperformed value yet again in 2020. Indeed, in eight of the past ten years, growth stocks have topped value stocks. But that hasn't always been the case. In the previous decade, including the Great Recession, value stocks were better performers than growth stocks, advancing 8% versus a decline of 15%. With markets at such elevated levels, perhaps now is a good time to look once again at value.

The iShares Edge MSCI World Value Factor ETF (IWFV.L, TER=0.30%) provides exposure to global equities which are undervalued relative to their fundamentals.