POLARIS
WEALTH ADVISORY GROUP

The Polaris Perspective

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"Sell In May, and Go Away"

Many of you have probably already heard the financial phrase, "Sell in May, and go away." It is based upon studies indicating that the majority of the performance of the S&P 500 is often found from November through April, not May through October. There is no debating that the historical performance found from the November to April time period has been significantly better than that of May through October. From 1982 through 2012, the six month period beginning in November provided a 7.42% mean return versus a 2.08% mean return from May through October. This catchy phrase, however, suggests that an investor should sell all of their investments now and reinvest it all again in November. While I would love to go on a six month vacation, let me explain why this doesn't make any sense:

The S&P 500: May Through October 1982 - 2012

- The S&P 500 was negative only 32.26% of the time.
- It only had double-digit negative returns 12.90% of the time (worst return was -30.08% in 2008).
- The market has produced positive double digit returns 16.13% of the time (best return was 18.72% in 2009).
- It outperformed the succeeding six months 25.81% of the time.
- Many sectors of the S&P 500 have historically shown very strong performance during the May through October period (particularly Health Care & Consumer Staples).

All investors are looking for low risk, high return ways to manage their money. It is human nature to try to over-simplify complex tasks. Unfortunately, "Sell in May, and go away" is not the answer to successful investing. Clinical risk mitigation, diligent research, and stall worth determination are some of the ingredients necessary to be a successful investor.

As always, I welcome feedback and suggestions for future articles.

Sincerely,
Jeff