O' fickle fortune!

The Magnificent Seven have replaced the FAANGS as the darlings of the stock market, but we think it pays to bear in mind how quickly things can change...

Update
10 May 2024

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The UK's press was breathless this week with the news that The Garrick Club – which until now has only allowed rich and well-connected men to join its ranks – will from now on also allow rich and well-connected women to become members, lifting themselves above the hoi polloi of Garrick Street, burnishing their social credentials, and tweaking the nose of the patriarchy in a single blow.

A regular fixture in the news cycle for many years, the Garrick's refusal to admit women came to a head this year after the Guardian published a list of members including the head of MI6 – who we can only assume hadn't realised it was a men-only establishment and immediately quit in disgust, which might suggest a worrying lack of attention to detail if you think about what he does for a living.

Fellow member Sting – that champion of women's rights who brought the world feminist anthems Roxanne and Every breath you take (I'll be watching you) – must have been similarly astonished to find that the men-only club he had been a member of for decades doesn't let women in, but perhaps not as astonished as veteran investigative journalist John Simpson, who, one can only assume, was much too busy investigating other more pressing matters to have noticed the steady media coverage of the issue over the years.

Naivety, or perhaps more likely wilfully ignoring the obvious and then being surprised when the consequences thereof become clear, seems to be in the air at the moment.

On Wednesday afternoon, while the Guardian was still celebrating its victory for ordinary working women – many of whom are doubtless looking forward to rowdy bottomless prosecco brunches and throwing bread rolls in the Irving Room bar – the lead story in the FT was that many of the biggest gaining stocks during the pandemic have fallen off a cliff since lockdown restrictions were ended.

Looked at since the end of 2020, the top 50 'gainers' during 2020 have between them shed $1.5 trillion in market cap – but is this really surprising given the scale of the gains they made in 2020?

Peleton reached a peak valuation of $49bn in January 2021 and has suffered a loss of market value of $43bn, equivalent to 97% of its entire market cap, since then.

That a company which sells stationary bicycles barely anyone can afford should not be worth fifty billion dollars should not really be a surprise to anyone, and Zoom's 80% slump after quadrupling in value during the darkest days of lockdown also seems like a natural mean reversion.

But what drives the performance of other stocks in this group is harder to be sure about, and it is the unpredictable nature of the market that investors should be focused on today.

Tesla, one of the FAANGS which were rampant even before the pandemic began, saw its market value increase by nearly 800% during 2020 – when it was illegal to drive your car anywhere except to the local shop for most people – and has seen it fall by just 12% since the end of that year.

This is despite being a relative newcomer in a market where brand loyalty is profound, and facing competition from far more well-established rivals with better distribution chains, and far less weird men (see the Garrick judges for details on what this word means) in charge.

But Tesla is the member of more than one exclusive club – and is now counted as one of the 'Magnificent Seven' (Nvidia, Meta, Tesla, Amazon, Microsoft, Apple); a group of stocks which trounced the S&P 500 in 2023, and which as a group were responsible for 37% of the upside index during the calendar year to the end of March 2024 – a month during which it hit a closing high eight times.

Since then, however, not only has the S&P come off the boil, so have some of the stocks in the Magnificent Seven. Apple and Tesla were the only stocks in positive territory this year at the end of April.

Against this backdrop, we think investors seeking growth equity exposure would be well advised to hunt for a manager who has a clear, rigid investment process, and is unafraid to take active positions against the index where they see fit. This is one way to avoid being taken by surprise by shifts in the fickle sentiment that seems to be driving share prices at this point.

Allianz Technology Trust (ATT) fits the bill for those who want somebody else to manage their exposure to technology; benefiting from exposure to the Magnificent Seven without having to worry about managing that exposure personally.

Speaking to our analysts in March, lead manager Mike Seidenberg said he was: pleased with the trust's performance, given it has come from sources outside the narrow cohort of the Magnificent Seven, particularly as some of the mid-cap companies in the portfolio began to contribute over the second half of the year.

Moreover, there was a good distribution of returns across the spectrum from high-growth companies to companies with a more reasonable valuation relative to growth, which speaks to the broad range of opportunities within the technology sector overall.

Nvidia – one of the big stars of 2024 – generated a share-price return of 239% over the year, and the greatest contributor to ATT's returns was Meta, which generated a share price return of 194%. However, Mike believes that future contributions are more likely to come from a more diverse group of companies, particularly the 'derivative plays' lower down the market-cap spectrum on the core secular-growth themes within the portfolio.

Another option – for those seeking a more general equity market exposure – might be **Alliance Trust (ATST)**. Alliance Trust is a global equity play, utilising a manager of managers approach to generate returns from a stable of 'stockpicking' managers appointed and supervised by Willis Towers Watson.

The underlying managers at ATST have consistently been underweight to Magnificent Seven stocks versus some of their most obvious peers, and last year began trimming their exposure to growth strategies and reinvesting in others.

Last year they added to the typically large-cap defensive GQG following weaker performance. Meanwhile they trimmed allocations to high beta, risk-on strategies such as Vulcan, Lyrical, Sands and later on SGA, which indirectly reduced the overall exposure to the 'magnificent seven' - reducing ATST's already underweight allocation.

Whatever happens next for the Magnificent Seven, the good news for those who are worried about what lies in store for other men-only clubs in London – like the Beefsteak, where I am told that Stephen Fry dined on the eve of his victory for womankind at the Garrick – is that this was all a big misunderstanding anyway.

Analysis of the club's rules by senior judges concluded there was nothing in the Garrick's constitution preventing women from being allowed to join, because the 1925 Law of Property Act advises that in legal documents the word "he" should also be read to mean "she".

A very modern interpretation of the language - about which JK Rowling will not be happy – and the media circus will still have room to run.

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