WINTHROP WEALTH

MAY 2025 CLIENT QUESTION OF THE MONTH: SELL IN MAY AND GO AWAY

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The old investment adage, "Sell in May and Go Away" comes from the belief that the stock market generates most of its gains between November and April, and that it goes no-where or declines from May to October. The origin comes from the custom of English merchants and bankers who left London for the summer and then returned in the fall. On Wall Street, traders and portfolio managers historically took long vacations between Memorial Day and Labor Day.

To follow the adage, an investor would sell all their stocks on May 1st, sit on the sidelines or invest in bonds for six-months, and then reinvest in the stock market on November 1st. Let's call this strategy what it really is - systematic market timing. The "Sell in May and Go Away" maxim removes the most difficult market timing decisions, when to sell out and when to buy back in. Here the decision is made for you: sell in May and buy back in November. Market timing is one of our favorite topics and is something we get asked about quite often. Please see our Principles for Long-Term Investing commentary for our detailed thoughts on the subject.

To examine how the May-to-October period historically performed against the November-to-April timeframe, we looked at historical data of the S&P 500 going back to 1928. Over the period, the November to April period did outperform May to October, suggesting that the "Sell in May and Go Away" adage has *some* validity.

S&P 500 (1928 -2024)		
Data	**May to October**	**November to April**
Positive Periods	70	73
Negative Periods	27	23
Average Return	4.03%	6.98%
Median Return	5.27%	7.31%
Best Return	38.23%	28.84%
Worst Return	-31.97%	-44.10%

Source: Bloomberg

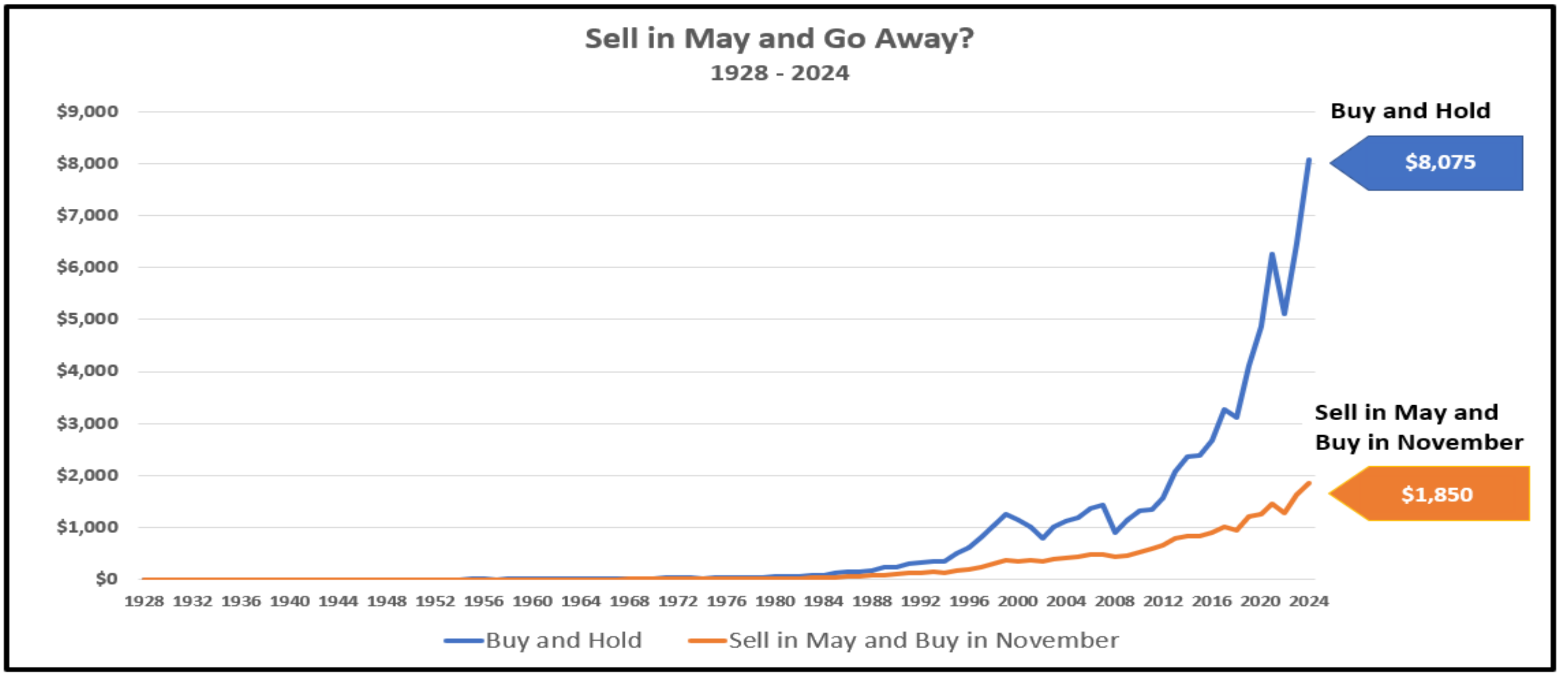
Before we go and sell all our equity holdings because the calendar turned to May, we will point out four critically important items:

1. **Changing Market Dynamics:** The historical basis for "Sell in May and Go Away" originates from outdated seasonal trends that are no longer relevant in today's highly connected world. Investment professionals can now remain fully accessible and engaged, regardless of their location, which has reduced the barriers that once influenced market activity.

2. **Does Not Work Every Year:** The "Sell in May and Go Away" strategy does not work every year. From the start of the year, the May-to-October period outperformed the subsequent November-to-April timeframe in 40 out of 96 total periods (about 42% of the time). Over the past 10 years, the strategy has been evenly split, with each period outperforming in 5 of those years.

3. **Potential Capital Gains:** An investor with a taxable account could face substantial capital gains taxes by liquidating their equity holdings each May. Additionally, these gains would likely be considered short-term (held for less than one year), which are taxed at a higher rate.

4. **Opportunity Cost:** Although the November-to-April period has historically been stronger, the May-to-October timeframe has still produced positive returns on average. Given that the May-to-October period has generated an average return of +4.03%, the opportunity cost of selling in May and missing future market gains is substantial. From 1928 to 2024, a Buy-and-Hold strategy invested in the S&P 500 would have dramatically outperformed the "Sell in May and Go Away" strategy (which involves selling the S&P 500 each May, moving to Treasury bills, and buying again in November). This vast difference in performance is largely due to the power of compounding.



Hypothetical growth of $1 invested from 1928 - 2024: S&P 500 Buy and Hold vs. S&P 500 selling every May, going to Treasury Bills, and buying again in November

Source: Bloomberg, Invesco, and Federal Reserve Bank of St. Louis.

Conclusion

Based on our analysis, "Sell in May and Go Away" has some validity, but we believe that just like similar market timing strategies it should not considered as a serious investment approach. Most market timing strategies suffer from short-term thinking, potentially expose investors to substantial capital gains, and do not work consistently. As we've stated in the past, if an investor discovered the magic formula to market timing, they would essentially be able to make an unlimited amount of money. There is no magic formula. As we outlined in our Navigating Volatile Markets commentary, we believe the right mindset paired with a comprehensive financial plan and a thorough investment process is the best approach toward meeting your long-term financial goals

Markets have historically increased over time despite frequent drawdowns as successful corporations have been able to figure out ways to generate profits through advances in innovation and productivity. To capitalize on the power of compounding, we believe in the benefits of staying **D**isciplined, **O**pportunistic, and **D**iversified, while striving to **M**itigate fees, taxes, and expenses.

- **Disciplined:** consistently applying our investment process and philosophy, which are grounded in a long-term approach.
- **Opportunistic:** rebalancing, repositioning, and tax-loss harvesting to take advantage of market volatility and dislocations.
- **Diversified:** seeking to ensure that portfolios are properly allocated across and among asset classes to enhance consistency.
- **Mitigate:** striving to avoid unnecessary disbursements, including fees, taxes, and expenses.

In our opinion, adhering to a structured process and executing on all these components should help keep our clients on track toward pursuing their long-term objectives. *Historically, equity markets have recovered from recessions and downturns. Past performance is no guarantee of future returns. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.*

At Winthrop Wealth, we follow a Total Net Worth Approach to wealth management that combines both comprehensive financial planning and investment management. The financial plan helps define cash flow needs, seeks to optimize account structures, considers tax mitigation strategies, and determines the appropriate asset allocation based on the client's willingness and ability to take risk. Based on the output of the financial plan, our investment management process designs a well-diversified portfolio constructed with a long-term methodology based on prudent risk management, asset allocation, and security selection. *For clients who receive both financial planning and investment advisory services under agreement. No strategy assures success or protects against loss. Investing involves risk, including loss of principle.*

DISCLOSURES

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies pro- moted will be successful.

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

The Standard & Poor’s 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.
The S&P Midcap 400 Stock Index is an unmanaged index generally representative of the market for the stocks of mid-sized US companies.

Asset allocation does not ensure a profit or protect against loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio.