Forget Growth Stocks: Value Investing Is Back in Vogue

Description

Buying beaten-up stocks was the reserve of the contrarian for much of the year. But this week's vaccine rally saw sustained interests in asset types that really should have been to consigned to the post-election bargain basement. From **Air Canada** to **Canadian Natural Resources**, the way investors were piling into value stocks was a decisive about-face. So, is value investing about to go mainstream?

2020, and the period running up to it, was all about growth stocks. Tech stocks were all the rage, while gold investing took on the kind of momentum last seen in pre-legalization cannabis. That could be about to grind to a halt, though. As the markets begin to sense the end to the pandemic, the trends that typified a locked-down world are due to switch polarity.

Get ready to buy cheap stocks

At the end of the day, strong investment theses are concerned less with growth stocks or value stocks than they are with upside. The question is always, "Will it make money?" In 2020, the names that made money are the ones — like **Shopify** — that were driven by the zeitgeist. Working from home, buying online, switching up indoor entertainment — these are the trends that prospered in this upside-down year.

In 2021, as the markets hopefully emerge from the pandemic, that trend could be flipped on its face. The types of assets likely to see the steepest upside will logically be the ones that lost the most during the health crisis. This includes insurance, travel, hospitalities, certain REITs, and brick-and-mortar retail.

But, as ever, this reversal in fortunes offers buying opportunities to contrarians. 2020's growth stocks will be on sale as the markets recover. Look at this week's predictable tech stock selloff. There have now been several notable events that have demonstrated the downside in tech stocks originating in vaccine bullishness. The first and most notable was precipitated by **Moderna**. The latest, by **Pfizer**.

The battle for the middle ground

Tech stocks could find themselves caught between growth and value investing in a recovery climate. Pandemic-related stocks include **Lightspeed**, a point-of-sale outfit with a lot of momentum behind it this year. **Docebo** also rocketed this year and has shown a similar tendency to sell off on vaccine news. But some such names, such as Shopify, typify a growth trend far less ephemeral than the current crisis.

Shopify is cheaper than usual this week, as yet again it exhibits an allergic reaction to positive vaccine news. Down 10% Monday, this e-commerce giant has developed a pattern for tanking on good news. While this is a worrying trend, the fact is that Shopify likely has legs for the long term. Digitalization is all but guaranteed to outlast the pandemic.

Here's a simple strategy to buying tech stocks. Instead of buying in bulk, split a desired stake into segments. Then buy those rally-shy names every time there's a vaccine breakthrough. This should work out for investors in the near to mid-term. By following this simple strategy, investors will have built a lower-outlay tech portfolio with long-term, post-crisis growth prospects.

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