Did you get out, or did you ride it out?

Renaissance Investment Group made real-time decisions during COVID-19 that kept its clients in the game

By Noah Hoffenberg
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AVIDA LOVE PHOTOGRAPHY

Renaissance Investment Group's Christopher Silipigno, at right, the firm's chief operating officer and a managing director, speaks with Thomas Malinowski, financial adviser and managing director, on an afternoon before the COVID-19 outbreak. To speak with Silipigno and the veteran advisers at Renaissance Investment Group, call 413-445-2481, or visit their website at rigllc.com.

LENOX — When the pandemic hit, did you stay in or get out?

Renaissance Investment Group clients stayed put, says Christopher Silipigno, the firm's chief operating officer and a managing director. In 2020, that made all the difference for Renaissance clients, who, based on the recommendation of their advisers, remained invested in the stock market through the lows of March, when the coronavirus lockdowns began.

"One of the best things that Renaissance did for its clients, or didn't do, is we kept clients invested," says Silipigno. "It took extensive analysis, discipline and resolve to not liquidate holdings and reduce exposure to equities. Because we didn't sell when the market pulled back, our clients didn't realize the losses witnessed at the lows."

In the earliest days of the outbreak, rather than move money into safe-haven and slow-growth investments, such as Treasury bonds, Renaissance instead withdrew from industries it knew would be hobbled by COVID-19 and then expanded into corners of the market that were set to fare better.

"We made a decision to decrease our exposure to travel and leisure, energy and air transportation," says Silipigno. Finance law prohibits financial firms from identifying specific investment details, but Silipigno can say that these stock exits were from well-known, mega-companies that operate globally.

"It was a big management decision that boded well for our clients," says Silipigno.

SOME FIRMS MISSED OUT

In March and April, many other firms were withdrawing money from the stock market and missing out on what, in the end, was a 65 percent increase in the S&P 500, Silipigno says.

Renaissance investment managers instead talked with clients and explained their plans to help reduce financial worry during one of the most dramatic times in market and world history. They followed a simple in-house practice of making sure advisers thoroughly explain how they weigh what's happening in local economies and in the news, and what's actually pertinent to market performance and returns, as they're often not the same.

"If your adviser sold your stock and did not reinvest, they crystallized your loss, and you missed out on the rise in the market," says Silipigno.

ELECTIONS DON'T EQUAL PROFITS AND LOSS

The 2020 presidential election also caused concern for investors, but not so much for the Renaissance investment managers, who operate with the facts when it comes to politics and the market.

Silipigno says the firm has "clients on both sides of the aisle, and with all of the media attention and concern, they were considering dramatic moves in their portfolio."

"We served in a role to provide research to clients to show that it wouldn't be a good decision. Elections, and politics in general, have shown to have little effect on longer-term market trends," says Silipigno. He says it was vital for clients to "stay invested through all of the noise of the election."

Pandemic and election fears are perfectly natural, notes Silipigno. However, what matters is whether you're basing your stock market decisions on fear or calculations.

'DISCONNECT BETWEEN WALL, MAIN STREETS'

"The expected crash did not happen. It points to the great disconnect between Wall Street and Main Street. There is an emotional impulse to view the market in light of what's happening in our local communities. While not completely detached, there are other factors that drive the market," notes Silipigno.

Why is the market so healthy today? Silipigno says that's "the most asked question of 2020."

Unlike traditional recessions, Silipigno explains, the pandemic-spurred recession has been mitigated by swift Federal Reserve action and deep government spending on people and businesses. Also, certain sectors of the economy have boomed while others faltered.

"The amount of liquidity, money in circulation, that was created via these stimulus measures was truly unprecedented," says Silipigno. "Recognizing that these actions would drive market performance and support asset prices, in spite of other concerns in the economy, was a central tenet of our investment strategy." And again, Renaissance's careful analysis benefited clients.

GLOBAL EXPERTISE IN THE BERKSHIRES

To make sure Renaissance is well-positioned, whether in pandemic times or not, the firm relies on two things: research informed by experience.

All Renaissance advisers are extensively experienced, of course, with the firm's president and chief investment officer, Trevor Forbes, leading the investment-related decision making in a team with a combined 130 years of financial experience. Forbes, in particular, helmed an international division with Citigroup.

Forbes and his team buy individual stocks and bonds on behalf of clients, unlike agencies that buy into large, mutual funds and other investment products.

"Our investing is always done on a relative, researched basis," says Silipigno. "As the pandemic began to grip the globe, the question we had to ask ourselves was, 'Will company X rebound faster or slower than other options?' It's a relative decision. Our individual stock and bond investment style allows us to make these kinds of industry and stock-specific decisions."

THE STAY-AT-HOME ECONOMY

The overnight stay-at-home economy is one example of how forward-thinking investing can net returns.

"We all got pushed to digital living. There's estimates out there gauging the leap forward as three to seven years' time in just a few months," says Silipigno, noting the sectors that have blossomed because of the pandemic.

Even though industries such as travel, services and leisure shrank, and contributed to high jobless numbers, a large portion of the population was gainly employed, especially higher wage earners, who now have money to spend, he notes.

With so many people at home more often, renovations and upgrades, new home purchases or builds have all been occurring, some at record levels. Investors properly positioned in these areas and with tech companies that prospered have experienced tremendous gains this year.

Ensuring portfolios reflected these trends was essential to success, explains Silipigno.

'TAP INTO WHAT'S HAPPENING NOW'

"Being able to tap into what's happening now and why it's different than a typical recession, and allocating portfolios appropriately, and not responding in a way that has you pulling out of the market, this is where having an investment team with the depth and experience we have, pays off. This is where the rubber meets the road," says Silipigno.

A month ago, a COVID-19 vaccine was a variable, an unknown, he notes; now, the recently approved vaccine is causing one the greatest rotations in stock market history.

"Money is moving from companies dependent on staying at home, to companies, in part, that are going to be returning to normal," says Silipigno. "What we did in preparation for this, was to actively trim holdings in out-performing stocks, to capture gains and reduce volatility, and we also were careful to include some names that we knew would do well when we began to return to normal. Anticipating and preparing for this rotation was vital."

BENEFIT FROM THE ANALYSIS, EXPERIENCE

"Our clients' stock performance and returns are benefited by this level of analysis and experience," says Silipigno. "Because of this, clients at Renaissance did better during the pandemic, staying invested in the market versus selling and getting out. In the face of crisis and uncertainty, and with fear taking over, even professionals violated those principles. This is where experience and guidance come in."

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Looking ahead to 2021 ...

During times of great volatility, instead of looking out one or two years, investors scrutinize the next 30 to 180 days into the future.

As recovery begins to happen, the market begins to look at the next 6, 12, 18 months, says Christopher Silipigno, chief operating officer and managing director with Renaissance Investment Group.

In the year to come, some market positives are that the creation of the vaccine is in the past, and that there are assurances that the federal government will continue to stimulate the economy, making for a good environment for risk assets such as stocks and bonds.

Other significant benchmarks for the coming year, Silipigno says, include:

THE POSITIVES FOR 2021

The savings rate: The percentage of income that Americans are saving (and have saved) is significantly higher than normal ($1 trillion since March). With COVID-related restrictions, there's significantly fewer things to spend money on. "They're not going to Disneyland and on family vacations, they're not going out to eat," says Silipigno. "This will create a positive environment for the economy: a population vaccinated and ready to move about and with a great amount of savings. There's real desire to engage in the service economy, and it will be met with a financial ability to act on it. Very favorable."

"Inventories are very low, which is a good thing. Factories will need to produce goods to restock and supply pent-up demand. It means additional hirings and spending in the manufacturing sector."

Low interest rates are also supportive of increased equity prices. "Stocks are worth more when rates are low, because growth and earnings are bolstered while simultaneously your alternative (bonds, savings accounts) isn't as attractive," says Silipigno.

THE RISKS IN 2021

The greatest risk in 2021, inflationary pressures cause the Federal Reserve to react before it said it would, and raise interest rates. "There's so much growth right now tied to low rates, you could see a significant market correction overnight," says Silipigno.

As the pandemic and consequent restrictions drag on, we're going to see more public companies filing for bankruptcy, warns Silipigno. There's more pain to come and investors need to be alert.

Significant, unforeseen challenges with the vaccine rollout or virus progression could certainly cause markets to pullback, says Silipigno.

In 2021, "performance in the market is going to be tied to specific choices in specific companies. Purchasing broad-market mutual funds that are weighted too heavily in tech that benefited from "stay at home" are not going to produce at previous levels," says Silipigno. A company-by-company analysis, like Renaissance delivers, is essential, he adds. "You can't set it and forget it."

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