

---

## Investors rotate from growth to value; REITs outperformed the S&P

---

By Editorial Staff    *Fri, May 16, 2014*

---

*"Fund flows have shifted dramatically beneath the market's calm surface," said TrimTabs CEO David Santschi, in a release.*

*"Investors showed an overwhelming preference for value over growth."*

---

A "massive" rotation out of growth stocks and into value stocks occurred this spring, according to TrimTabs Investment Research. Growth-oriented U.S. equity exchange-traded funds have redeemed \$5.6 billion (4.6% of assets) since the start of April, while value-oriented U.S. equity ETFs have issued \$3.9 billion (2.6% of assets).

"Fund flows have shifted dramatically beneath the market's calm surface," said TrimTabs CEO David Santschi, in a release. "While most major U.S. stock market averages were little changed in recent weeks, investors showed an overwhelming preference for value over growth."

The shift in flows has occurred across the size spectrum. Small-cap growth ETFs have redeemed \$750 million (5.9% of assets) since the start of April, while small-cap value ETFs have issued \$150 million (1% of assets). Large-cap growth ETFs have redeemed \$4.6 billion (4.9% of assets), while large-cap value ETFs have issued \$2.6 billion (2.5% of assets).

"These flows mark a huge change in trend," Santschi said. "Investors were favoring growth over value for most of the past year."

TrimTabs believes the Federal Reserve's "tapering" and the disappointing performance of recent technology and biotechnology IPOs are probably driving investors to re-evaluate the prospects of growth companies. It also suggested some investors may want to start taking advantage of the sell-off.

"Our liquidity indicators are bullish almost across the board, and ETF investors tend to be poor market timers," noted Santschi. "While plenty of social media, cloud computing, and biotechnology firms are still grossly overvalued, stock pickers may want to consider scooping up other growth names that have been dumped along with the tech and biotech highflyers."

### **NAREIT's May 2014 REIT market update**

**U.S. REIT returns outpaced the S&P 500 in April and outperformed the broader equity market in the first four months of the year. Almost all sectors of the U.S. REIT market delivered double-digit total returns for the first four months of 2014.** Self-Storage was the industry's top-performing sector for the year-to-date, delivering an 18.83% total return.

On a total return basis, the S&P 500 was up 0.74% in April, but the FTSE NAREIT All REITs Index was up 2.88%, the FTSE NAREIT All Equity REITs Index was up 2.99%, and the FTSE NAREIT Mortgage REITs Index was up 1.86%.

For the first four months of the year, the S&P 500 was up 2.56%, but the FTSE NAREIT All REITs Index was up 11.70%, the FTSE NAREIT All Equity REITs Index was up 11.76%, and the FTSE NAREIT Mortgage REITs Index was up 13.23%.

Among other REIT market sectors in the first four months of the year, Health Care was up 16.84%; Apartments were up 16.40%; the Home Financing segment of the FTSE NAREIT Mortgage REITs Index was up 15.36%; Office was up 13.61%; and Retail was up 12.62%, led by Regional Malls, up 13.10%.

At April 30, the dividend yield of the FTSE NAREIT All REITs Index was 4.05%, and the dividend yield of the FTSE NAREIT All Equity REITs Index was 3.57%. The dividend yield of the FTSE NAREIT Mortgage REITs Index was 9.80%, with Home Financing REITs yielding 10.81% and Commercial Financing REITs yielding 7.11%. By comparison, the dividend yield of the S&P 500 was 2.07%. Five individual equity REIT market sectors produced dividend yields over 4%: Free-Standing Retail (6.07%); Health Care (5.08%); Mixed Industrial/Office (4.643%); Diversified (4.48%) and Manufactured Homes (4.14%).

© 2014 RIJ Publishing LLC. All rights reserved.