

# When to sell your shares

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## COST OF LIVING

### A STRATEGY TO OFFLOAD STOCKS IS AS CRITICAL AS YOUR PLAN TO BUY, SAY EXPERTS

**A**ustralia's stockmarket is just a couple of strong trading days away from a fresh record high, and investors who bought in during March 2020's COVID crash are seeing some gains.

Elon Musk's electric car giant Tesla is the poster child of wildly-valued stocks, with some US analysts saying its share price – up seven-fold since early 2020 – is more than four times higher than fair value.

Aussies shares haven't been as dramatic but several are seen as overvalued. In recent weeks, stockbrokers and analysts have shared "sell" recommendations on companies including Rio Tinto, Ainsworth Game Technology, Scentre Group, Elders, Reece and Platinum Asset Management.

They may be quality companies, but sometimes success pushes their price too high. But do record-high shares prices mean it's time to sell some successful investments and look for fresh opportunities? We asked the experts.

#### IGNORE EMOTIONS

Midsec managing director Nick Loxton says selling down high-performing investments in a boom is "extremely hard" because many people have an emotional attachment to their winners.

"Don't love your stocks, because they don't love you back," he says. Commonwealth Bank shares have jumped 30 per cent in six months and are near their pre-COVID record high.

If CBA, or any other stock, becomes too big a proportion of your assets, it may be time to scale back.

"If you have held CBA since 1992 when it floated for \$5, you have done very, very well and it's understandable you would love it – but it also becomes a big part of a portfolio," Loxton says.

#### AVOID OVERLOAD

Bell Direct market analyst Jessica Amir says too much of one stock can be risky.

"It's normal to rebalance," she says. "When we see repaid acceleration in share price we usually see profit taking – there's always buying and selling and investors take

profits from sectors that are outperforming and move onto the next one."

#### ASK QUESTIONS

Amir says before selling down a stock, ask yourself these questions:

- Is the company in an industry that is still growing, and has anything changed?
- Does the company have a niche?
- Is its market share growing or slowing?
- Are its financials outperforming analysts' expectations?

"Sectors perform differently, and there are a few sectors in very different cycles at the moment," Amir says.

"The market is chasing a new record high but that doesn't mean there are not still opportunities on the table. If companies are continuing to grow, in theory their shares will continue to grow."

#### 10 SURGING STOCKS (Price rises since November)

ANZ Banking Group .....	up 49%
Reece .....	up 49%
BlueScope Steel .....	up 48%
Seek .....	up 45%
NAB .....	up 42%
Westpac .....	up 40%
REA Group .....	up 32%
Rio Tinto .....	up 32%
The Commonwealth Bank .....	up 30%
Xero .....	up 28%

Source: ASX 50 index



Sales manager Sarah Topjian keeps cash on hand for investments. Picture: David Swift

## How one investor tackled it

Sarah Topjian, 29, prefers a buy and hold strategy but says she will consider selling down some high-performing stocks if they become too big a portion of her portfolio.

"I choose to focus on potential future growth rather than historical data," she says. "A good example is when Amazon grew from \$500 to \$1500. Many investors thought there was no way the price would keep going up and it was at a record high. The share has more than doubled since then."

Topjian, a sales manager at Employment Hero, says she always has cash savings on hand.

"So when opportunities in property or stock markets arise, I'm ready to go," she says.

Midsec managing director Nick Loxton says the sharemarket is a great leveller, and most experienced investors have ridden a stock higher based on its future profit potential.

"You don't sell any because of capital gains tax or whatever," he says.

"It's a star in your portfolio, then wham! You no longer have a tax problem - it's back where it started and you should have taken a little profit and paid tax."