Insights

Beyond Tourism: Unlocking the COVID Cage

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COVID recovery stocks have been enjoying a second wind in December 2020 and early 2021, after their first wind when vaccines were announced at the start of November 2020. The Dominion Funds have steadily increased exposure to these companies since the market lows of early 2020.

The Travel and Tourism sector has now captured the attention of investors as a potential source of strong returns in 2021 driven by a vaccine-led recovery. At the same time, many of the 'COVID winners', stocks that outperformed last year during the pandemic, have seen weaker short-term price performance.

Our focus, whether COVID winner or recovery stock, is that growth be underpinned by a long-term secular trend and the valuation of the company is reasonable.

Few things are as endemic to British culture as pubs. Now the UK Government, which ranks as one of the worst for managing the initial pandemic response and one of the best for securing and distributing the vaccine, has provided its population with a staggered timetable for the complete removal of COVID restrictions, including the much-anticipated reopening of pubs.

Suddenly and uncharacteristically, optimistic Brits have been rapid in their response, booking up restaurants and pubs. Within hours of the announcement low-cost airline EasyJet saw its sales more than quadruple and package tour operator TUI saw bookings jump sixfold.

This is a strong example of the pent-up demand for leisure and tourism services after months of lockdown, one that will not be unique to Britain. As the COVID recovery steadily kicks into gear, we expect to continue to see this pent-up demand drive a strong recovery in demand for COVID-safe travel and tourism worldwide.

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