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WEALTH MANAGEMENT

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POST ELECTION INVESTMENT THOUGHTS

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Given Tuesday's surprise presidential election result many investors are asking what (if anything) they should do with their investments.

First, it should be understood that while the President is arguably the most powerful and influential person in the world, that person's ability to predictably direct global or even US capital market valuations is hugely exaggerated. It is a bit of a parlor game to analyze whether markets do better under Republican or Democratic administrations. The general conclusion is that the driving factors for valuation are always something other than the party affiliation of the White House occupant.

There is no doubt that the surprise election result and the dramatic difference in policy agendas are creating some significant uncertainty. Investors do not like uncertainty, and in the presence of it markets are volatile. Though it may be obvious, our one simple prediction is that until there is more clarity on how the Trump presidency will play out, investors should expect above average volatility.

Regardless of projected increased volatility, the real question is "What do I do?" and "Is the market going to tank?" The answers are "Nothing" and "The market valuations are almost certainly going to be higher in 10 years."

We have three action items for you:

- **Do not let your emotions, be they euphoria or despair, determine your investment portfolio.**
  There is no reliable way to extract the impact on near-term valuations from a political event. We have seen that already with the large downturn in the futures markets on election night, and an almost immediate recovery the next day.

- **Ignore the urge to act on short term predictions.**
  If you disagree and are convinced you can make an accurate short term prediction, then remember that to be "right" you cannot just make one right decision – you have to make two "right" decisions. If the first decision is to sell, the second decision is when to get back in. If you fail to make that second decision correctly, then you are "wrong."

- **Remember that you are a long term investor.**
  Short term events do not have predictable long term consequences. Long term, markets trend up. That is because, over the long term, profit seeking enterprises, collectively, will figure out ways to profit from whatever economic or political environment in which they find themselves. All you need to do is stay invested.

The real takeaway here is that long-term investors who are “winners,” to borrow a Trump word, are those who maintain their ideal asset allocation in good times and bad. Research overwhelmingly demonstrates that changing your portfolio to accommodate the emotions of the day results in significantly lower portfolio values over time.

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