

## Initial Thoughts on the US Presidential Election

Markets are likely to be unsettled following Donald Trump's victory in the US Presidential election. The FTSE 100 opened at 6,843 and dipped briefly below 6,700 in early trading this morning but has since stabilised. We are not short term investors and remain positioned in high quality, actively managed funds which we consider to have good medium and long term prospects in comparison to the market in general.

The result is likely to have implications for other investment markets and this morning has seen meaningful changes in currencies and bond markets.

It will take some time for Trump's policies to become clear and a series of radical policy reversals both domestically and abroad are possible. On the other hand due to the checks and balances inherent within the US political system on a historical basis previous Presidents have only been able to enact around 25% of the pledges they made on the campaign trail once they are in office. It is also important to keep in mind that whilst politics are an influential factor for financial markets investment returns can be affected by many other factors including central banks' actions, commodity price movements, and most importantly from the point of view of stock pickers - corporate fundamentals.

The policies which would probably have the most influence on US and global financial markets centre upon trade, healthcare and tax.

### Trade

Trump opposes the proposed Trans-Pacific Partnership deal and has called for fundamental changes to the NAFTA pact with Mexico and Canada. He has also threatened to impose punitive 45% tariffs on goods imported from China, but this is likely to prove impracticable.

### Healthcare

Trump wants the Obamacare health insurance reforms to be rescinded, in line with the views of the Republican party as a whole. He has not set out a comprehensive alternative but has indicated he will seek to create competition between providers at a State level.

### Tax

If enacted Trump's tax policy would be positive for corporates. He has stated that American business should not pay more than 15% of their profits in tax, compared with a current maximum of 35%. This would assist capital expenditure, dividend payments and share buybacks. Consumption might also be boosted if his plan to reduce the number of tax brackets for individuals is enacted. The top rate of tax would fall from 39.6% to 25% as the Republican reduces the number of tax brackets. The lowest income households would not pay tax.

The other major policy items which will garner media attention include foreign policy, Supreme Court elections, climate change and immigration. Many controversial claims were made on the campaign trail, but it is too early to determine how these policies will play out.

We are not envisaging any changes to our portfolios as an immediate result of the election of Donald Trump and we will be looking to see whether any buying opportunities emerge should valuations become more attractive.

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