Evenlode Investment View

November 2016 - US Election

This morning, Donald Trump was elected the 45th president of the USA. As with the UK referendum result in June, this represents an against-the-odds result and a clear surge in the anti-establishment/populist vote, a side effect in my view of the low growth, complex and changing world that the global economy has found itself in since the 2008-9 downturn. A significant portion of the developed world population feels unhappy and marginalised, and these voting trends are likely to re-emerge as a theme in European elections over the next few months, presenting the prospect of further political risk ahead.

Thoughts will also now turn to the repercussions that this change of president may have on the geopolitical landscape and it will usher in a period of protracted political machinations in the US as Trump's (currently somewhat vague) domestic policy agenda meets inevitable constraints from the US political system's so-called 'checks and balances'.

The full implications of today's vote will therefore take some time to reveal themselves. So far, the financial market reaction to Trump's victory has been negative but reasonably contained. Stock markets have fallen somewhat, reflecting heightened uncertainty. Elsewhere, safe haven assets such as gold and government bonds have rallied a little as expectations for US interest rate rises moderate, and the dollar has held reasonably firm. While the overall equity market response has been negative, certain stocks (including some healthcare and engineering stocks in the Evenlode fund) have reacted relatively well for specific policy-related reasons.

Good Businesses For The Long-Term

As I said following the UK referendum result, our aim at Evenlode is to insulate the portfolio from a wide range of macro-economic and geopolitical outcomes, rather than make big predictions about the future. We do this by investing for the long-term in a portfolio of high quality businesses with a healthy competitive position, global diversification and the financial resilience to generate healthy free cash flows and dividends through both good times and bad.

On days like today, these characteristics are reassuring, and we remain comforted by the balance of quality and value in the Evenlode portfolio. The fund currently offers an initial yield of 3.4% and we believe the underlying companies are well equipped to deliver modest, resilient dividend growth over time, notwithstanding the current backdrop.

As normal, we remain open to using stock-by-stock price volatility to gradually shift the fund as the opportunity set changes.

Please do get in touch if you have any queries, and we look forward to updating you on the Evenlode fund and our investment thoughts over coming weeks.

Hugh Yarrow
Fund Manager
9th November 2016

Please note, these views represent the personal opinions of Hugh Yarrow as at 9th November 2016 and do not constitute investment advice.