

Impact of the Presidential Election on Investors' Decisions

“Will the results of the 2016 Presidential Election impact your investment decisions? If so, how?”

Ipreo asked select buy-side analysts and portfolio managers, “Will the results of the 2016 Presidential Election impact your investment decisions? If so, how?” 33% of buy-siders surveyed stated that the election results will have little to no impact on their investment decisions, while opinions among the remaining 67% varied. One analyst argued, “If there is a Democratic sweep it will be bad for certain areas of Healthcare, so that would definitely impact decision making.” Further, an Energy analyst said, “I would probably pare back some positions with a Trump win because I could see the market knee jerking lower, so I would probably get pretty defensive in light of him coming into office. If Hillary wins I see the market rallying because it takes a little risk off.” Similarly, an analyst at a \$20.1B investment manager noted that the election is “Coming down to a route of more uncertainty and less uncertainty. I think less uncertainty makes things more investable.” Some analysts noted that renewables would be one of the sectors most affected by uncertainty, while industrials could also be an area of focus, depending on the outcome. While the majority of analysts and PMs surveyed believe the election will affect their investment decisions in some way, there was no real consensus on any specific strategy investors will deploy after the election.

Portfolio Manager at \$2.8B (EAUM) Growth-Oriented Investment Manager

Sector Coverage: Generalist

“It will in specific instances. There are items on my coverage list that will be affected, but I don’t believe that there’s this sweeping impact that will affect everything. For instance, for-profit prison operators will be impacted if Hillary is elected because she has been very vocal about them, saying that she intends on putting an end to those kinds of contracts. So, obviously, that’s a direct impact. As far as [the company] is concerned, I don’t believe there’d be a direct impact, one way or another. I guess if there’s some wall being erected, I’d imagine there’d be cameras on that wall, and potentially [the company] would be slotted for something like that. I don’t think there’s any fundamental change in my decision making, one way or another.”

Analyst at a \$690.0B (EAUM) GARP-Oriented Investment Manager

Sector Coverage: Energy

“I would probably pare back some positions with a Trump win because I could see the market knee jerking lower, so I would probably get pretty defensive in light of him coming into office. If Hillary wins I see the market rallying because it takes a little risk off. Like when that FBI news came out, the market took a leg down understandably, because I just think he is a lot less predictable.”

Analyst at a \$9.2B (EAUM) Aggressive Growth-Oriented Investment Manager

Sector Coverage: Healthcare

“If there is a Democratic sweep it will be bad for certain areas of Healthcare, so that would definitely impact decision making. Hillary and Democrat sweep will impact my decisions.”

Analyst at a \$441.0M (EAUM) High Turnover Hedge Fund

Sector Coverage: Utilities

“Hillary will influence renewable penetration and that continues to weigh in on the sector. Donald Trump will ironically be more positive because there will probably be less renewable pushing from a federal level.”

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Analyst at a \$137.9B (EAUM) Value-Oriented Investment Manager

Sector Coverage: Utilities

“It has certainly made me take a hard look at rate sensitivity and how much real differentiation you get in stocks that are rate sensitive. I don't want you to take that to management and say get into other businesses because one of the things that I like about XYZ is that they are sticking to their knitting. I would like to see companies that have opportunities on the infrastructure side but it's difficult to say right now what policies will emerge. You can kind of get a sentiment right now of what will go on in the near term. It just makes me take a hard look at companies and their business mix right now.”

Analyst at 25.7B (EAUM) Growth-Oriented Investment Manager

Sector Coverage: Technology

“It is a non-factor to me. It might be a better question for our portfolio manager or CIO. I am a bottom-up stock picking guy and I don't pay a lot of attention to that.”

Analyst at a \$26.4B (EAUM) Growth-Oriented Investment Manager

Sector Coverage: Industrials

“Yes, definitely. It won't change my style, but will change the sectors where I focus. I'm in industrials and infrastructure. So I guess I am going to try to figure out the beneficiaries of a new administration. Who is going to benefit from some fiscal stimulus and lower taxes? I'm still in the process of going through all of that.”

Analyst at 20.1B (EAUM) Aggressive Growth-Oriented Investment Manager

Sector Coverage: Technology

“It's coming down to a route of more uncertainty and less uncertainty. Less uncertainty makes things more investable.”

Analyst at a \$44.0B (EAUM) Growth-Oriented Investment Manager

Sector Coverage: Utilities

“It won't impact my decisions that much. I think Hillary would be more positive for the regulated utilities.”

Analyst at a \$12.2B (EAUM) High Turnover Hedge Fund

Sector Coverage: Utilities

“We have a healthy dose of uncertainties for renewables. Also on the interest rate front, it's obvious with what has happened on the back end of the curve and what kind of impact that's had with any kind of yield product including XYZ. There is this feeling that it will slow down the spread of renewables which could potentially help ABC under their base business. It is kind of confusing because you saw them rally from coal. The problems of coal more have to do with the proliferation with gas and the fact that gas prices are so low. Trump is very committed to expand, keep the pipeline networks, and do things to promote additional drilling on public lands which can only add to the supply problem of natural gas which in general won't hurt or help IPPs. It is way too early to predict any sort of victory or positive scenario right now.”

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Portfolio Manager at a \$12.8B (EAUM) High Turnover Hedge Fund

Sector Coverage: Technology

“So many tech investors have been caught up in this six standard deviation move over the past few days since the election in terms of some of the action with what has been going on with Facebook, Amazon and Google. There has an immediate term impact but the long term remains to be seen. In the tech space the real concern is if interest rates increase, then multiples may compress materially. That is something management teams need to be thoughtful of – how much multiple compression can come with a rising yield curve. It’s not just asset relocation of moving money away from tech – which overtime can be bad for XYZ – to sectors like defense, health care and financials but also this multiple environment.”

Associate Portfolio Manager at a \$16.3B (EAUM) Value-Oriented Investment Manager

Sector Coverage: Financials

“To be honest, the U.S. election is going to be a non-event. If you’d asked me this question a month ago, I would have had a different answer for you. But I really don’t see a scenario right now where Trump gets in. The only question at this point is; are the republicans able to maintain control of the house and the senate? Certainly right now the house is potentially up for grabs so in that regard we could see some policy changes. No change at the house and senate level would be kind of the status quo outcome. My investment thesis wouldn’t change that much. I’d have to re-evaluate if they got control of the house, but it might be, if anything, slightly bearish. Although, there’d still be a lot of gridlock and such effecting policy change. That’s going to still be a bit of a challenge. As it relates to Trump, I’m less concerned about him getting in, then I was about a month ago. In that regard, nothing has really changed that much.”

Analyst at a \$2.9B (EAUM) Value-Oriented Investment Manager

Sector Coverage: Utilities

“Whatever impact there would be would just be in the short term. It is just a bunch of noise that gets everyone all excited so it’s more likely that it won’t really impact my investment decisions. The thing that could impact my investment decisions in regard to the upcoming election only has to do with the person’s ability to change policies. If the policies change then yes, it will impact my investment decisions. It doesn’t matter who gets elected if they can’t change policy. If they don’t control enough of the process then they can’t get anything done.”

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