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ELECTION RESULTS 2020

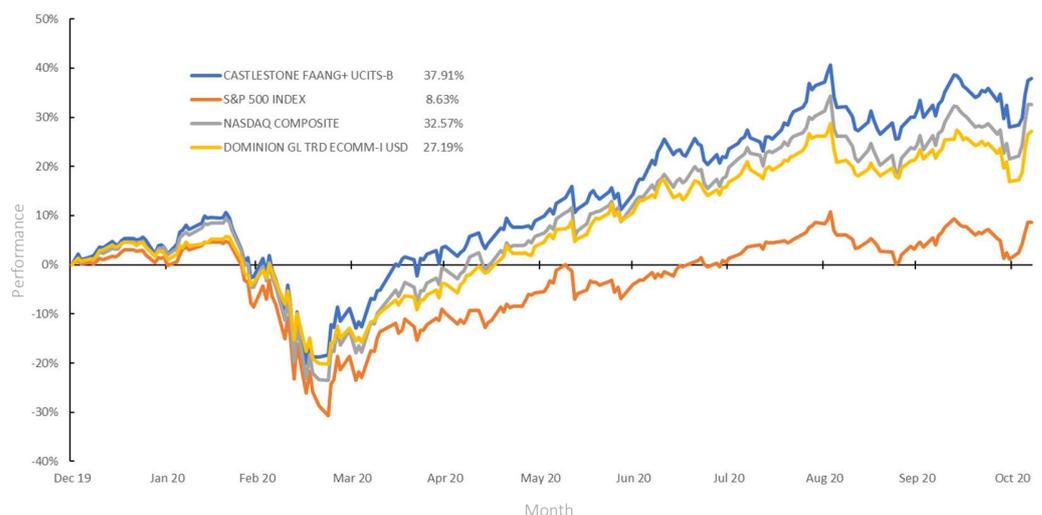
We finally have the results from the US elections, well maybe. The major news outlets in the US have declared Democrat Joe Biden the winner over the incumbent President Donald Trump. Unfortunately, Trump is yet to concede the election and is challenging the results in several key states. In addition, the Senate will likely remain in Republican hands. The so called “blue wave” giving the Democrats a sweep of the White House and Senate never materialized on election day. Potential pickups in Maine and North Carolina didn’t materialize, and Iowa wound up a rout. That leaves the Democrats with a net gain of one seat at this point, out of three that they needed to take the chamber. They’ll very likely need to win both of two January runoffs in Georgia — which will be very tough — to get a 50-50 split and effective control off the Senate (with Vice President-elect Kamala D. Harris breaking the tie). The state of Georgia ended up with two Senate races where neither candidate received more than 50% of the vote forcing a runoff to be held in January. So, a clear outcome will not be known for some time. However, we can make some likely assumptions. Biden will lead a divided government and country. Regardless of how the election shakes out, history points to continued equity gains in this low interest rate environment.

What does this mean for US Stocks? Historically, divided government has been a positive for markets. A Democratic President with a Republican lead Congress returns somewhere around 12-13%. Possibly the biggest stock-market winners will be tech stocks, if only for how much they had to lose. A split Congress suggests the likelihood of antitrust legislation passing is small. Financials and healthcare stocks similarly will get a lift as further regulations are put on hold. Energy stocks will remain under pressure, as a Republican-controlled Senate will likely stave off the most progressive green-energy policies backed by the Biden presidency. The fate of the infrastructure stocks will depend on the size of the next stimulus bill. I will suggest that bill will be tapered down from its original size.

FAANG+ UCITS FUND

The FAANG+ Fund provides the investor with exposure to the world’s largest technology companies with an emphasis on the United States and the FAANG stocks. The Fund also invests in the growing Chinese internet companies like Tencent and Alibaba, as well as semiconductor makers and mobile phone producers like Taiwan Semiconductor and Samsung. The Fund is traded daily, long-only, liquid and unleveraged. The portfolio is completely transparent and uses currency hedging to offset fluctuations in the value of currencies

The FAANG+ fund should benefit from its geographic diversity and focus on the top US Tech names, as those stocks can now expect less regulation and freer trade policies under the new administration. Low Volatility should see better returns as the new administration takes on the COVID-19 pandemic rather than denies it as the past administration has done. In addition we have increased our tech exposure in our Low Volatility UCITS fund and lowered our energy exposure in recent weeks.



Source: Data sourced from Bloomberg - 31/12/2019 to 06/11/2020. Chart by Castlestone Management.

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