INVESTMENT PARTNERS ASSET MANAGEMENT
One Highland Avenue, Metuchen NJ 08840 Tel: 732-205-0391 Fax: 732-205-0395

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"The US election has come and gone (finally). Right or wrong, one side of the country is feeling glee (or at least cautious optimism) while the other side is hurting and experiencing the beginnings of the five stages of grief (denial, anger, bargaining, depression, and acceptance). It will take some time for the country to process this outcome, and assess the impact of a dramatically different administration. Regardless, we must focus on the task at hand – which, for us, is to try to profit from the new environment. It seems there seems like there is no time like the present to start on that journey.

We cannot recall a time when such a violent reallocation of capital has resulted from the pronouncement of winners and losers. Since the Clinton concession speech in the wee hours of the morning on November 9, we have witnessed global equities markets drop dramatically, and then, as if by magic, rebound to all-time highs within 48 hours. From an investment perspective, the landscape changed overnight. Buyers have started to parse through companies that appear to be "inexpensive, low-multiple, attractive, buy-out candidates" but have also begun considering whether such companies have a chance to be "in-favor, anointed, protected, or targeted."

What has been most notable about the response of the markets is the immediate shift toward out-of-favor sectors which suddenly (and very unexpectedly) might now command political favor. The demarcation has been obvious; technology and interest-sensitive entities (like REITS and utilities) have been crushed since November 7, 2016 while banks and health care stocks have been bid up aggressively. Although we have long-perceived that there was a premium attached to certain anointed securities commensurate with their approval within the current ruling party (think the "FANG" stocks), there has also been a noticeable discount assigned to stocks outside the favored nation. A good example is coal. The past administration hated it, and wanted to put most of the companies out of business as a matter of policy, not market function. In contrast, in just the past week, that same industry is now seemingly on the list of those to be revived. Talk about a reversal of fortunes. Within 24 hours, something that had little or no financial value because it was a political third rail, now may have its best days ahead of it simply because perception has changed. Watching the moves in securities prices in the past week, therefore, has served as a kind of debriefing of what the new crowd will either favor or shun. By extension, we have concluded that a) Wall Street was totally caught off guard and had positioned itself for a Clinton victory, and b) it is now scrambling to de-emphasize certain sectors and set up for new trends for the coming 4 years that may be markedly different than the ones that worked for the past 8 years.

In our case, we prefer investment situations where the vast majority benefits, not just at the expense of something or someone else, but on its own merits. This is why, from time to time, we've found ourselves swimming against the tide. Going forward, if last week's reaction is any indication, stocks that are downtrodden simply because the "right people thought they were wrong," may prove to be opportunities in our sweet spots: technology, healthcare, energy, and finance."

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