election impact

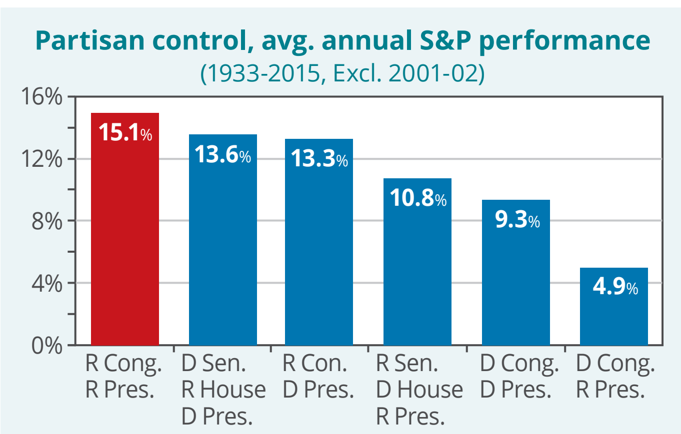
Brinker Capital

Perspective on the markets after the election

As markets react to a change in leadership, we are reminded once again to keep a long-term perspective.

As Americans digest the results of the election and a new reality forms, attention turns to the financial markets and the potential impacts. A change in administration increases uncertainty around new policies and how they might be implemented in partisan alignment and policy effects.

Historically, a Republican-aligned government has been the best for the markets, as shown in the chart below.



Source: Strategas Research Partners

While the impact of the implementation of Trump's policies remains to be seen, at least one of our research providers, Strategas Research Partners, believes that from a monetary, fiscal and regulatory standpoint, the policies of the incoming POTUS will be bullish. One potential unknown factor is the anticipated change to trade policies.

Our perspective

At Brinker Capital, we have been positioned in defense of rising interest rates, with a shorter duration positioning and a yield cushion. We've favored credit risk over interest rate risk and that positioning is benefiting portfolios today.

In addition to the increase in debt issuance to fund spending initiatives, the biggest concern of a Trump presidency is the impact on trade as he could impose tariffs by executive action. A more protectionist trade stance will raise prices for goods, potentially causing an inflationary shock to the economy. This may also negatively impact our view on emerging market economies.

Proposed policy prescriptions and asset prices

Policy	Stocks	Bonds	Brinker Capital perspective
Monetary	Bullish	Bearish	Policy should remain on course over the intermediate-term as Fed Chair Yellen should remain until her term expires in Feb 2018. We still expect a Fed rate hike in Dec as economic fundamentals justify a move, but believe the Fed will be cautious in 2017.
Fiscal	Bullish	Bearish	Expansionary fiscal policy serves as a boost to growth; positive for equities but will increase inflation, a negative for bonds. Increased government spending implies more debt issuance and higher budget deficits, putting upward pressure on Treasury yields.
Regulatory	Bullish	Bearish	Less regulation is generally positive for equities, especially healthcare and financials.
Trade	Bearish	Bearish	Protectionist stance would be inflationary for the U.S., a negative for most financial assets but more bullish for real assets and negative for emerging market economies.

Source: Brinker Capital

Going forward we will continue to monitor the potential policy outcomes and their impact on asset classes and specific strategies, and position portfolios accordingly. We continue to believe we are later in the business cycle but we do not believe we are headed for recession in the near term.

Proven investment principles

At Brinker Capital, we are grounded in our multi-asset class investment philosophy, which has remained consistent throughout our nearly 30-year history. We implement this philosophy through a process routed in the investing principles we believe in.

Diversification - During uncertain times, maintaining diversification across multiple asset classes is essential to managing the impact of volatility. All of Brinker Capital's investment solutions adhere to this foundation.

The role of active management - It's hard to imagine taking your hands off the wheel as you approach the curviest and bumpiest parts of the road. At Brinker Capital, our portfolio managers believe in the value of active oversight within their strategies and among many of the underlying managers they choose.

Lessons learned from the past

Global events, such as the intensely divided presidential election that we just lived through, are certain to generate some periods of market volatility of varying lengths. However, we urge financial advisors and investors to retain a few dos and don'ts laid out for us by the past:

Don't...	Do...
Don't equate risk with volatility – Volatility does not equal risk. Risk is the likelihood that you will not have the money to live the life you want to live. Paper losses are not "risk" and neither are the gyrations of a volatile market. Long term investors have been rewarded by equity markets, but those rewards come at the price of bravery during periods of short-term uncertainty.	**Do know your history –** Despite what political pundits and TV commentators would have you believe, this is not an unusually scary time to be alive. The economy continues to grow (slowly) and most quality of life statistics (crime, drug use, teen pregnancy) have been declining for years. Markets have always climbed a wall of worry, rewarding those who stay the course and punishing those who succumb to fear.
Don't give in to action bias – At most times and in most situations, increased effort leads to improved outcomes. Investing is that rare world where doing less actually gets you more.	**Do take responsibility –** Most investors are likely to tell you that *timing* and *returns* are the biggest drivers of financial performance, but research tells another story. Research suggests that **you** are the best friend and the worst enemy of your own portfolio. Over the last 20 years, the market has returned roughly 8.25% per annum, but the average retail investor has kept just over 4% of those gains because of poor investment behavior.[1] At times when market moves can feel haphazard, it helps to remember who is really in charge.
Don't focus on the minute to minute – A daily look at portfolio values means you see a loss 46.7% of the time, whereas a yearly look shows a loss a mere 27.6% of the time. Limited looking leads to increased feelings of security and improved decision-making.	**Do work with a professional –** Odds are that when you chose your financial advisor, you selected him or her because of their academic pedigree, years of experience or a sound investment philosophy. Ironically, what you may have overlooked is the largest value he or she adds—managing your behavior. Studies put the value added from working with an advisor at 2 to 3% per year. Compound that effect over a lifetime, and the power of financial advice quickly becomes evident. Talk to your financial advisor about any concerns you have regarding market volatility and the impact the election results may have on your investment portfolio. To find out more about Brinker Capital's investment solutions, please visit our website at BrinkerCapital.com.

[1]Dalbar, Inc. Quantitative Analysis of Investor Behavior. Boston: Dalbar, 2015.