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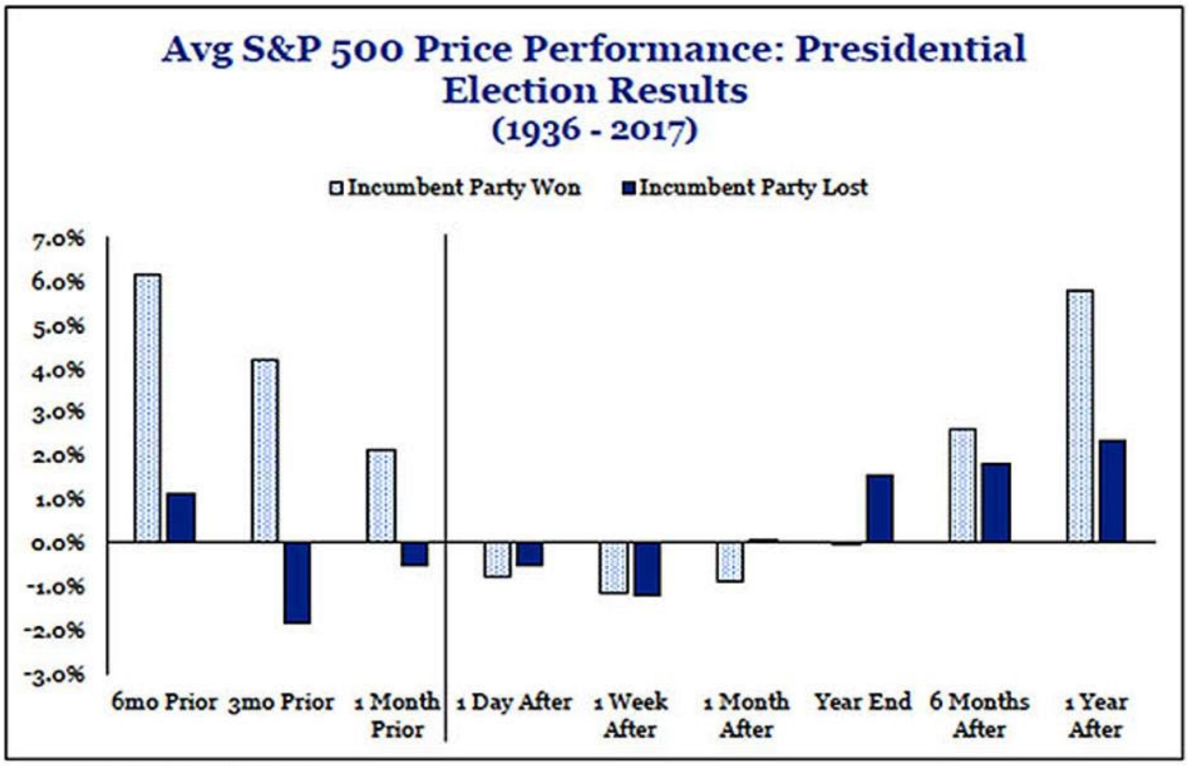
The performance of the US stock market in the 3 months ahead of a Presidential election has in the past proved a telling indicator of the outcome of that election. The performance of the S&P 500 in particular in the three months prior to votes being cast, has correctly predicted 87% of elections since 1928, and 100% since 1984. When the Index returns are positive the incumbent party usually wins, and if the S&P 500 Index is negative in that period, the incumbent party usually loses the White House.

THE S&P 500 HAS BEEN A GREAT INDICATOR OF PRESIDENTIAL ELECTIONS 3 MONTHS OUT



source: Strategas Research Partners

Over the past 3 months to the date of writing this letter, and despite the headwinds faced by the global population due to the Covid-19 pandemic, the S&P 500 Index has gained over 7% in the period.

The majority of the investment and market themes discussed in our last newsletter to you, regarding those companies offering products or services best suited to this "new normal" environment under the Covid restrictions, have continued to prosper in what is still a broken world at present.

For example, client portfolio attribution in the third quarter was led by Emerging Markets, and in particular by those exposures to the ongoing technology revolutions taking place across Asia, most particularly in the Communication Services and Consumer Discretionary areas of the wider market.

In South-East Asia, information technology services companies such as Sea Ltd, specialising in online transactions, payments, and gaming, continue to prosper from a rapid increase especially in online payments, a situation significantly enhanced by the global pandemic. As we stated in previous newsletters, the Covid-19 pandemic has served to accelerate already clearly discernible longer-term trends of growth in numbers of internet users, along with online and cashless payment systems, propelled forwards by predominantly young and notably tech-savvy populations, which are now experiencing significant rates of income growth and lifestyle improvement. It is clear to us that while future rates of growth in these areas may slow from their current Covid-fuelled pace, these systemic changes in how societies and populations – particularly the young - are transacting their business, making payments, and accessing services and data, is not going to reverse course in any significant way once the pandemic ultimately becomes an historical fact.

In another asset class, amidst much talk about the tough outlook for UK commercial property generally, the UK Commercial Property Investment Trust held within many client portfolios has benefitted from the recent sale of a retail park in Tunbridge Wells, in tandem with a new 15-year logistics property letting in Lutterworth in Leicestershire, which has increased the profile of property lettings towards sectors benefitting from the current economic situation to close to 50%.

If the S&P 500 Index in the US once again follows historical trends and precedents, and leads the result of the US Presidential election once more, the markets largely know what to expect from a second-term Trump Administration, namely continued and possibly more business-friendly policies, maintained low tax rates for citizens and corporates alike, reduced regulation, strong defence spending, alongside possibly a theme of 'smaller government'. These would be some of the positives; one negative at least would be a continuation and possibly a heightening in trade tensions with China in the main, but also quite possibly with both Europe and parts of Latin America. The resultant increasing range and extent of new tariffs on goods imported to the USA could have some inflationary implications, although it would take some while for any increase in inflation to filter through to the economy.

In the event of a Biden victory however, it would be a case of the markets hating uncertainty. Taking an example from the Democratic nominees' campaign platform, Biden has called for an increase in corporate taxes from 21% to 28%, thus reversing Donald Trump's policies: the issue here is simply that increased taxes lead to lower corporate profits, and lower actual and expected future corporate profits in turn lead to lower and pressured stock-market prices. In addition it seems the Democrats may likely prove considerably more interventionist in the US economy than the current Administration - this interventionism may be most pronounced in the banking, housing, pharmaceutical and energy sectors.. History suggests that this sort of interventionism does not always achieve what is intended, and can have negative consequences.

Joe Biden has vowed to increase the scope of the Affordable Care Act (Obamacare), the health care system overhaul that President Barack Obama signed into law in 2010. This could be positive for healthcare stocks, but a heavy focus on lower drug pricing could in reality offset this positive move.

One market area which will benefit regardless of who is incumbent in the White House is infrastructure. Previously a major positive argument for a second term in office for Donald Trump, this is also one of the centrepieces of Biden's campaign platform, which could see an infrastructure spending package signed into force and totalling over $1 trillion. In the meantime, what we can expect over the next three weeks are elevated levels of volatility in global financial markets, as US voters head to the polls.

We may potentially have a very short period to act if there is a 'shock' result after 3rd November. But ultimately, those existing cash weightings currently held within client portfolios will be used to take advantage of any anomalies which may occur in those areas of the market which will continue to perform after the short-term noise of the US Presidential election has passed.

For UK investors (and the general public), the end of the Brexit transition period will be the next hurdle to overcome and lest we forget, we are still in the early to middle stages of the journey that is COVID.

Hence the "Work/Stay at Home" investment themes, which have performed well in recent months as a result of this broken world, will most likely continue to do so regardless of who takes a seat in the Oval office come November 3rd.

Kind regards.

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