

Greenspring Research Memo

To: Clients/Prospects
From: Greenspring Investment Committee
Date: November 9, 2016
Re: 2016 Presidential Election Commentary

Overview

In a shocking upset Donald Trump defeated Hillary Clinton to become the 45th President of The United States. As the news of this upset came in stock market futures around the world sold off violently. We wanted to provide you with some of our thoughts on the election:

- **The president has a very small impact on the economy and market over the long term-** we have written extensively that using politics as a mechanism for investment decisions is extremely hazardous. You can revisit some of our thoughts [here](#).
- **The market hates uncertainty-** if that is the case, you may ask why the stock market futures are selling off? The stock market has historically hated uncertainty. Because everyone was predicting a fairly wide margin of victory for Clinton, these results caught everyone off guard. A recent example of how this played out was the Brexit vote. The market sold off initially due to the uncertainty of what the vote meant and then came back very quickly. At the peak of uncertainty last night Dow Jones futures were down 800 points. As we write this, they are now down only 280 points. The tide of uncertainty is starting to recede.
- **Unless you need to spend all your money this week, not much has changed.** At our core, we believe that markets work. Nothing in this election has changed that. In the long-term, capital markets create wealth by bringing together raw materials, financial capital and human capital. The compulsion to act may be very strong, but to participate in that long-term wealth creation, investors have to stay invested. We have been through quite a lot in our country. The only constant is that investors who stay invested get rewarded. Here is an idea of the [reward](#).
- **Diversification helps smooth out the ride-** while stocks sold off as the election results came in, bonds rallied. Many of our clients have exposure to both. While bonds have been a pretty boring, low return asset class over the last several years, it is exactly in times like these you are happy to have them in your portfolio. The best time to prepare for a storm is before you are actually in one.
- **Discipline is key in times like these-** many people will ask, “what should we do now”? For most investors, the answer should be, “not much”. The key to any event is to stay disciplined. Trading based on events is almost always a loser’s game. At Greenspring we will be sticking to our discipline. If markets were to sell off heavily and our client’s equity allocations are below our targets we will look to buy stocks. This is not because we know the future. To the contrary, we have no idea. But we do know that sticking to a discipline to “buy low and sell high” will serve you well over the long-term.

- **This too shall pass-** you'll still need to buy groceries, take your kids to school, and go to work. Life goes on. We still believe that fundamentally we as a human race want to make things better. That we will continue to innovate and create new products and services in the future that we can't even dream of today. No politician (good or bad) will change that.

For Additional Information

We know unexpected situations like this can create confusion, concern and worry. Please feel free to contact any member of Greenspring's Advisory Team directly if you would like to discuss this information in further detail. You may contact members of our team at 443-564-4600 or via their email address below:

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