November 2016

LORING WARD

Portfolio Perspectives

Monthly Insights for Investors

Thoughts on Predictions and the 2016 Election

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As the 2016 election results were coming in on the night of November 8, stock market futures seemed to point to a large stock market decline once the market opened the following morning.

Markets tend to dislike unexpected change, and as it became clear on election night that we'd have a shift in the political party of the presidency, market futures attempted to price that change in until ultimately opening up instead of down — despite what many " experts" were predicting.

This year we have seen a series of predictive failures, from the doom saying at the beginning of the year ("Sell everything"), to the failure of a peace referendum in Colombia, to Brexit.

The Brexit vote is a great example of why elections are bad predictors of market and economic performance. After an initial downturn that affected many global markets, once the shock of the initial surprise faded, markets recovered. The British market is even in positive territory these days.

Why? Because markets aren't about politics or policy, or even the economy. Markets represent the major companies of the world, all of which have a vested interest in efficiently and profitably producing the goods and services we need.

The good news: Your portfolio holds around 10,000 companies from all over the world (some Real Estate too) and their currencies as well. And the bonds in your portfolio are high quality and short term and are intended to help provide a buffer when markets are volatile.

It is good to remember that we don't stop buying toothpaste because of a down market or who sits in the Oval Office. We don't stop watching TV or driving to work or going grocery shopping — which means that the great companies that make all these things should continue to grow and prosper over the long term.

The future, as always, is unknowable. But a portfolio built for the long term is just as valid today as it was yesterday. As investors, if we can avoid trying to time the market, resist the impulses of emotions and hold a globally-diversified asset class portfolio, we can enjoy a higher probability of achieving our goals.