

"Cup of Joe"

Finally, the election is over and we can get back to business. Regardless of who you voted for, we must now move forward and focus on the economic agenda of our new President-Elect. Coming into the election, we knew that no matter who won, infrastructure was coming and the markets would be buying in. Copper has rallied; energy has rallied; industrials and materials have rallied; Big Pharma has rallied – this is all good news for clients of Chapel Hill Investment. The intent of this update is to touch on lessons learned and what we see moving forward.

First and foremost, one of the biggest items on our wish list is fiscal policy - and we are about to get it. The markets are predicting a huge infrastructure spend, which will benefit the economy in several ways. This will create jobs and spur growth, injecting what some predict to be a trillion dollars of fiscal stimulus into the markets (this could boost S&P earnings by 18% - GREAT NEWS!). Regulations will also be cut back, with the hope of boosting small business. While we realize that this is a double-edged sword, the short- to medium-term growth potential is positive. Big Pharma is also getting a big boost, as investors were worried about a hawkish Hillary and the effect she would have on the industry. This fear is now gone, creating huge gains in the sector.

So, what did we learn from all of this? First, one cannot time the market. Once again, a Brexit-like result has occurred that has defied logic to almost all pollsters. The futures market was showing the Dow Jones Industrial Average down 800 points on the news, which quickly turned around the following day, and the markets finishing over 1%. The reason for this is uncertainty - companies cannot plan for their futures until they know the people and the policies that will be put in place under the new President. Once cabinet members are chosen and political and economic agendas are laid out, investors can position themselves accordingly and money will begin to flow again. As clients of Chapel Hill Investment, remember, we are long-term investors. We are well-diversified for any outcome and, if you are watching your portfolios, we invested one week prior to the elections. One must be headstrong during times of fear. This is how we make you money.

Despite the positive reaction in the equity markets, there are still worries that we are positioned for. The interest rates are predicted to rise again in December, causing more stress in the bond markets. Once again, we are positioned perfectly for this. We have a well-diversified bond portfolio that has done great. If you look, we have been experiencing great returns in "TIPS", which are inflation-protected treasuries. These have done well, and will continue to do well once the infrastructure spend begins. The other

bonds in our portfolios are positioned with the appropriate durations to minimize capital losses and to take advantage of any volatility. We did sell out of the municipal bonds (MUB) with a considerable profit and had our Pension and Annuity portfolios in cash or stable value. If and/or when the bond market takes a hit, we are ready with cash on hand to buy into this sector on a pull-back.

All-in-all, this has been the most divisive and unpredictable election in history. This could be the end of "Political Polling". However, one thing is certain - our long-term outlook remains strong. At Chapel Hill Investment, we understand that the market is unpredictable. But, with a strong portfolio and a staff focused on your needs, we are positioned for a prosperous future. As always, if you have questions or concerns, never hesitate to call or email us. We are here to help you through these times of uncertainty. No matter if you are upset or ecstatic at the result of the recent election, always remember that we are all Americans who share the common goal of believing that our country is the best in the world. And, of course, to make some money along the way!

-Joe, Ryan, and the Chapel Hill Investment Team

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