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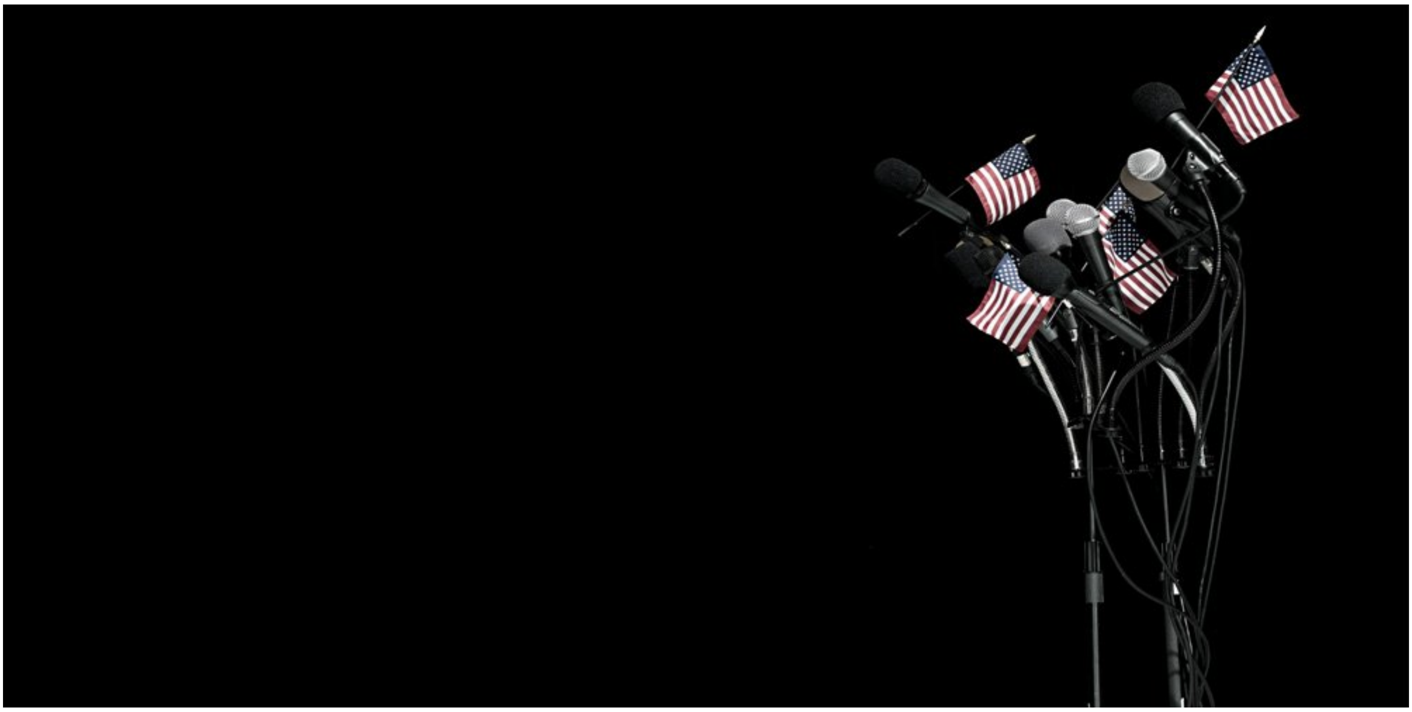

Navigating Uncertainty: Elections and COVID-19

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It’s often said that “we live in interesting times,” and that phrase certainly applies today. A U.S. presidential election is just days away. A global pandemic is strengthening in intensity, with the timing and effectiveness of promised vaccines unknown. And social unrest is bursting forth without geographic prejudice.

All are legitimate concerns for investors given their ability to impact economies and markets worldwide.

I may have some insight given my former role as a portfolio manager. Many investment lessons were learned, burned, and tattooed during my two decades in the hot seat. One poignant axiom that warrants attention in these turbulent times is to avoid getting sucked into the daily noise you cannot control, and instead focus primarily on a longer-term investment horizon.

Some industries and companies will disproportionately benefit, and others will undoubtedly be penalized, depending on the outcomes of the elections. Substantial change in policy will only occur if Democrats upend Republicans to take control of both the presidency and Senate majority (and retain control of the House, as expected).

Otherwise, there is likely to be gridlock in Washington, which Wall Street tends to welcome as it portends four years of minimal legislative change. Therefore, predictions about future policies are mostly a guessing game, because they depend on the final combination of the president and Congress, not to mention cabinet members and agency heads.

There are also companies suffering mightily as the surges of COVID-19 close businesses' doors, some forever. But there are also companies that will power through this crisis given their superior management, differentiated products or services, and financial strength—and they could ultimately come out stronger on the other side, to a potentially changed competitive landscape with accelerating earnings growth, multiple expansion, and market-share gains.

Many of these stocks have taken a beating this year and may remain orphaned in the near term. But if your investment horizon is measured in years, not weeks or quarters, the risk/reward dynamics may be compelling.

So, rather than pondering and guessing at potential election results, the spread of COVID-19, and potential vaccine timetables, I believe investors would be wise to concentrate on what is knowable today based on strenuous, bottom-up due diligence. By incorporating a range of potential fundamental outcomes, one can then discount the projected earnings stream to identify the most attractive durable business franchises.

I believe this long-term investment process works, and as an investor who follows it, you will likely acquire fewer gray hairs and scars along the way.

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