



## THE SHIFT: A NEW LEAP OF FAITH

After a long and contentious campaign, Donald Trump is the next President of the United States. The news was a surprise to a stock market that apparently got the wrong memo about the next president, and investors were left scrambling for the borders. With expectations turned on their heads, uncertainty and fear of an extreme downturn took hold of the marketplace. A Hillary Clinton government was so heavily bet that the market had to adjust to the idea of imminent Republican leadership for the next four or eight years. Mr. Trump's promises spoke to the working-class Americans who were looking for a different breed of politician – a business tycoon who wasn't afraid to speak boldly about health care costs, tax cuts and aggressive immigration policies.

For investors who had a diversified portfolio including bonds, growth-oriented equities, technology and international stocks, the earthquake tremors are being felt loud and clear. If our gross domestic product (GDP) increases by a minimum of four percent than a well-positioned portfolio of yesterday must shift and rotate to a value-oriented landscape. With major indexes historically overweight in technology, consumer discretionary and traditional fixed income, but underweight in financials, industrials and materials, even passive investors face the prospect of getting left behind. The global bond and equity market is attempting to digest the news but fear has hit its infrastructure, too.

Of course, this **shift** towards a potentially higher GDP growth rate will not be a smooth transition. VZD has embraced the leadership change, aggressively taking profits to remain flexible for capturing new investment opportunities that will come forth during this transition period. Many sectors and stocks could benefit from domestic growth, especially the ones that have underperformed for several years. At the same time, many of the "sexy" growth stocks like "FANG" (Facebook, Amazon, Netflix and Google) will be used as a source for cash.

I realize that many are wondering why the tech and consumer stocks with rising earnings are getting lower each day. Most importantly, and unlike the overall stock indices, not all sectors rallied after the election. A **shift** from the norm can be painful with increased volatility, but this condition also offers us the opportunity to rotate from underperforming sectors and into those that are outperforming. This time the market is reacting to Trump's pledges to boost infrastructure spending and cut taxes, which could boost growth as well as deficits. Even so, we don't make knee-jerks decisions but purchase on the dips and sell on the rips.

VZD Capital Management understands that we live in a world where people are living longer and in need of retirement assets with longer shelf lives, and yet, investors are more focused on the short term than ever. The financial media is paid to create market noise and has become an eight-cylinder engine in constant need of fuel. But company fundamentals do not change nearly as much as equity prices, and such equity volatility begets the opportunity for long-term gains as evident from past growth performance. So, stay tuned to "As the World Turns," especially in the next 100 days.

As always, thank you for your trust and confidence in VZD Capital Management.

With Gratitude,

*Ethel J. Davis*

CEO & Portfolio Manager

VZD CAPITAL MANAGEMENT, LLC

[WWW.VZDCAP.COM](http://WWW.VZDCAP.COM)

(816) 726-7066