Cuffelinks
Connecting investors with ideas

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Best ideas from David Prescott, Peter Cooper, Madeleine Beaumont, Patrick Hodgens

Graham Hand

These are presentations from the Sohn Hearts & Minds Investment Leaders Conference in Sydney on 11 November 2016. Each high-profile portfolio manager is given 10 minutes to explain their investing strategies and include one major investible insight.

David Prescott

David is a Founding Director of Lanyon Asset Management, a value-oriented equity fund manager established in 2009. Prior to founding Lanyon, David was previously Head of Equities at institutional fund manager, CP2 (formerly Capital Partners).

Best idea: Cross Harbour (Holdings), listed in Hong Kong

Low interest rates and central bank activity have encouraged buyers to push some yield assets, such as REITS, utilities and infrastructure, to absurdly high prices. But opportunities remain.

Toll roads are regulated monopolies, with growing and predictable cash flows, little incremental costs in later stages and contract terms specified in long dated contracts. Accelerating increases in toll prices and increased use lead to predictable revenue increases. In final years of a concession, toll roads often make massive profits, but most prices have been pushed too high.

Cross Harbour (Holdings) is listed in Hong Kong. Only three tunnels cross the harbour to Kowloon, and this concession will produce massive free cash flows until 2023. The current share price is $10.70 but the valuation of the parts is estimated at $19.23, even with a testing discount rate. It includes $6.14 of cash and has a large margin for safety. It's off the radar of many large investors as it's a small cap. The Chairman rarely speaks to investors, and many accuse it of having a lazy balance sheet.

We believe there are catalysts to realising value such that it's not a value trap, especially a potential special dividend that will to lead to a rerating.

Peter Cooper

Peter founded Cooper Investors in 2001. He started in the industry in 1987 as a specialist industry analyst, and by 1993, Peter ran the Australian equity portfolios for BNP and for 7 years was with Merrill Lynch as a Managing Director. Over 5 years the specialist equity portfolio was number 1 in the Intech Australian Equity Survey.

Best idea: Brinks

Brinks is a major turnaround story. It is a transport company with a focus on security and carrying cash and bullion. It is listed in the US in an industry growing at 10% pa. It is the largest in the industry but least profitable despite its US$750 million turnover.

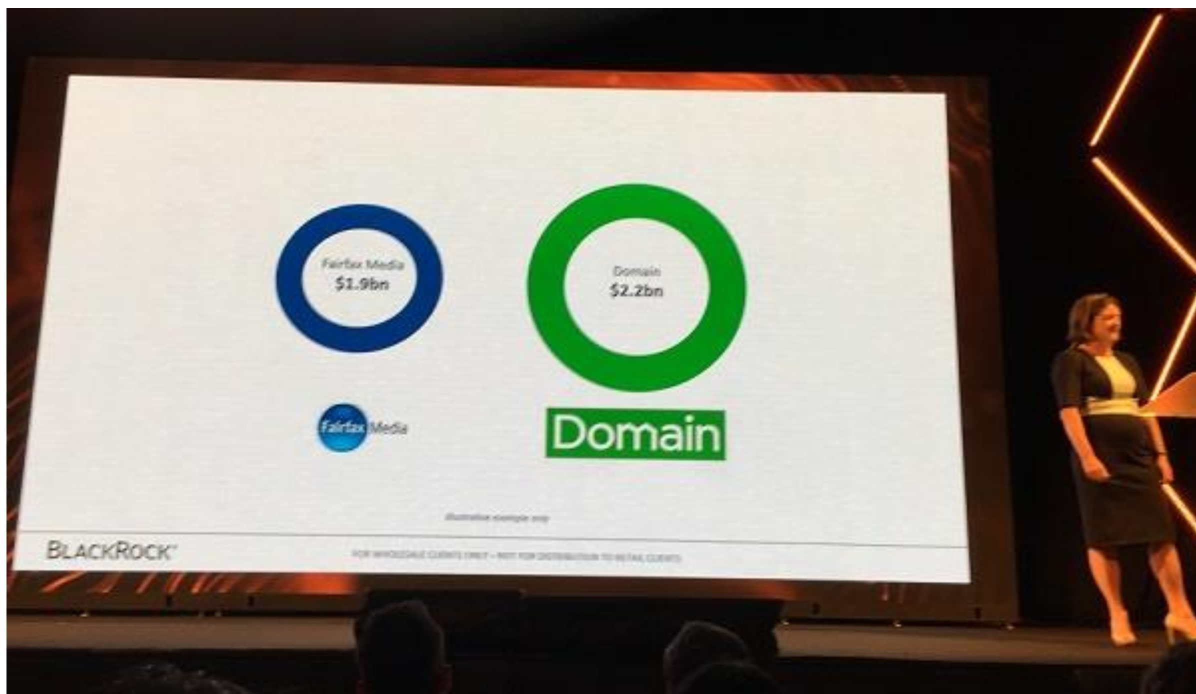
There has been a lost decade of board incompetence and poor management, with poor technology and insufficient investment in infrastructure. Past CEOs have been either conservative or without industry experience, leading to mismanagement of the business. Turnarounds are risky because employees and some customers resist, but execution risk here is considered low. As well as a new CEO, there are new directors, experienced in the transport industry.

Cultural change needs an external influence, and new CEO Doug Pertz specialises in turnarounds. He previously managed Recall as part of Brambles, which is similar to Brinks with its warehouses and trucks. There is much low-hanging fruit, with hundreds of things that can be done to improve productivity, such as rationalising its 220 depots.

There is great potential to leverage the existing client base because they do not spend enough on marketing. At the moment, 60% of profit comes from emerging markets, a sector which is growing significantly. Brinks has a strong balance sheet with good borrowing capacity.

Madeleine Beaumont (pictured on home page)

Madeleine Beaumont has been a Senior Portfolio Manager of Australian Fundamental Equities at BlackRock Asset Management Australia Limited since June 2015. She began her career in stockbroking, then transferred to the buy-side at SBC Brinson. At M&G, the investment arm of Prudential PLC, Madeleine was rated the number 2 Consumer Analyst.



Best idea: Fairfax

Fairfax owns Domain, which has had sales growth over 33% pa for the last three years, and is now the No 2 in real estate advertising. It has won awards for the best app, taking advantage of the trend to mobile consuming.

Domain is Fairfax's key asset, where they are injecting a lot of support and money. It is relatively cheap to advertise on Domain, giving future pricing opportunity. It has a data rich platform, with the ability to delve deeper into the value chain for other products such as mortgages and insurance.

The key driver of profit is property turnover, and Australia is at a 23-year low in market turnover. This is because most people believe prices will continue to rise and are unwilling to sell. But there are always life events which lead to property sales and changes which stimulate turnover activity.

Blackrock believes Domain is worth more than the market value of Fairfax. Fairfax is synonymous with newspapers, but it is rapidly reducing its exposure to print, and already earns 60% of revenue from non-print sources.

Current media ownership laws are out of date and local players will have future opportunities. Fairfax is also in radio and New Zealand, and Stan is largely being ignored in valuations despite having over 600,000 active subscribers. Fairfax has a 6.5% free cash flow and pays a 4.8% dividend.

We believe it has a cheap valuation and a strongly-aligned management team. People will always be buying and selling homes and investments, making Domain an excellent business.

Patrick Hodgens

Patrick Hodgens is Head of Equities at Macquarie Investment Management and lead portfolio manager of the Macquarie High Conviction Fund, winner of the Money Management / Lonsec Australian Equities (Broad Cap) Fund Manager of the Year award in 2016.

Best idea: Chorus

The best lesson I have learned is there is a big difference between an exciting industry and an exciting investment. The best opportunities often come from a boring industry.

Evolution Mining, Qantas and Bluescope are my second, third and fourth best ideas, but Chorus is at the top. It is listed on the ASX and is a New Zealand telecommunications company. It is building the country's ultrafast broadband network and therefore has high capex at the moment. The share price was marked down in previous years due to a regulated pricing regime but it has recovered strongly.

This opportunity was found by focusing on what is happening now not in the past, being unconstrained and investigating where others are not looking.

It's a yield stock with a difference. In recent years, the Australian 'yield basket' (companies like banks and utilities which are sometimes considered alternatives to bonds) has outperformed the ASX 200 to become 36% of the index from only 7% in 2008. However, it has fallen out of favour in recent months. We look for the future yielders which have improving and sustainable cash flows. Chorus's capex spend will fall in the near future giving it a rapid increase in free cash flow. Sustainable and growing cash flows will translate into dividends.

We believe this is the cheapest yield stock in the market today. It can be bought for less than half its intrinsic value but it requires patience and investing for the long-term. The stock has halved and then tripled. The regulatory regime is now certain for at least the next three years, and by 2020 and beyond it will look like a typical infrastructure company and perhaps buy back some shares.

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John Pearce (pictured on home page)

John is Chief Investment Officer of UniSuper. He has over 25 years' experience in the financial services industry both in Australia and Asia, including 7 years at Colonial First State, and 3 years as Head of Global Asset Management for Ping An, China's second largest insurance company. He is also a non-executive director on the Treasury Corporation of Victoria Board.

Best idea: Transurban

In the last three months, the previous success of the so-called 'yield trade' has been a dumb investment as long-term interest rates have risen. But where to from here? Investors should look through the current volatility and accept that low interest rates will continue. The world economy is still recovering from the GFC, US debt to GDP shows a massive buildup, and US deleveraging has barely started. The yield curve delivers a message of ongoing ultra low interest rates.

Powerful deflation forces such as technology and the demographics of aging are also pushing down prices, meaning inflation will also remain low.

We are at the start of the yield trade not the end, and I can't go past Transurban. It pays a yield of over 5% with long-term concessions on monopoly assets. Management remuneration is set based on results. Even if there is inflation, Transurban can increase tolls, and it has a strong management team.

Since Unisuper is the largest shareholder in Transurban, I could be accused of talking my book, but I won't be the only one here.

Leah Zell

Leah is Founder and Portfolio Manager of Lizard Investors, and launched the Pengana Global Small Companies Fund trust in 2015 with Lizard as the investment manager. She was a Co-Founding Partner and Portfolio Manager at Wanger Asset Management, a global small-mid cap equity specialist, for 13 years.

Best idea: BIM stores (a Turkish company)

(Leah's investment idea was the most successful from last year's London conference).

Much of the Turkish economy is controlled by powerful families with dominant shareholdings, but this company has one business line and one class of stock. 71% of shares are free-floating. BIM stores slogan is "retail at wholesale prices".

BIM earns a 46% return on capital, has had 26% revenue growth per annum over last 10 years and the balance sheet has net cash. It now has over 5,000 stores in Turkey.

BIM delivers a basket of groceries at 30% cheaper than the competition. It sells a limited range of basic goods that sell fast, uses private labels and no frills premises and does no advertising. It has one brand of sugar, three blends of coffee, five types of jam.

Few retailers in the world manage their businesses with such low costs. It follows Aldi's play book but it is not a stepchild. In Turkey, the market is still unorganised and fragmented, but continued modernisation will allow growth in home territory. It's now in Egypt, Morocco and Chile.

BIM is not cheap, it trades at PE of about 20, but based on reasonable assumptions, it has potential to double by 2020. BIM checks the investments boxes.

Kerr Neilson

Kerr has over 40 years' experience in financial markets both in broking and funds management. Kerr founded Platinum Asset Management in 1994, and was Chief Investment Officer until 2013. Kerr remains Chief Executive Officer and Portfolio Manager for the Platinum global mandates.

Best idea: 58.com (NYSE code WUBA)

58.com operates the largest online marketplace in China serving merchants and consumers. It allows members to connect, share information and conduct business, giving a massive network effect. It is growing rapidly in 'verticals' such as property and jobs and as it grows, its costs barely move.

The largest 25 cities in China have more people than the whole of the US, and the country is fast-changing. 58.com wants to aggregate as many viewers as possible and they already have 400 million visitors a month and over 1 million merchants. There are 4 transactions per visitor per year, but they expect to reach 12 as they learn more about their consumers. Merchants pay fees to participate.

The real money spinner comes from merchants trading up to higher profiles on the site, pay for real time bidding or priority placing.

58.com has 16,000 people pounding pavement recruiting clients and over 1,600 in the telecentre signing up people.

There are a number of negatives affecting the company at the moment. Transaction values are small, the company is only breaking even and sales in sectors like property are cyclical. They need to manage false listings and the stock has fallen significantly recently. A big positive is that the Founder has stayed with the company since inception.

We expect more merchants, more verticals, and strong network effects as mobile phone usage grows.

Geoff Wilson

Geoff has over 36 years' direct experience in investment markets. He founded Wilson Asset Management in 1997, and is currently Chairman of four WAM group companies and the Australian Stockbrokers Foundation.

Best idea: Armidale Investment Corporation

The pain gets closer every week and every day, as equity valuations are at unsustainable levels. Risk is being mispriced and we are close to an adjustment or significant equity market fall.

We believe that eventually, a company's share price will reflect its fundamental value, but timing is crucial. Many smart people have mistimed the market and have gone broke in the short term although they were right over long term. We do not want to be fully invested in the market all the time, and our current cash levels are 41%.

We look at four elements in any investment decision:

1. Management
2. Earnings
3. Valuation
4. Catalyst

We all want to own $1 for 50 cents, but we especially want to become a part owner of a business. On the final point above, we want to see a catalyst that will lead to a rerating that moves the market price.

Armidale Investment Corporation is listed on the ASX. It's an integrated financial services company, a pure play on asset finance broking, which is much like mortgage broking of 10 years ago. Armidale will be the biggest consolidator. Management owns 20% of the business, giving good alignment. EPS growth over the next two years will be 20% plus. The rerating will come when the market realises this is an investment company becoming an operating business, and we expect recent acquisitions will give earnings surprise. But these changes will take 5 to 10 years to fully realise.

Our priority is to manage by not losing money, and we don't care about relative performance. An investor should always be happy to hold cash.

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Alex Waislitz

Alex Waislitz is the Founder and Chairman of the private Thorney Investment Group, one of Australia's most successful private investment groups. He has extensive business and capital markets experience and is Vice President of the Collingwood Football Club Limited.

Best idea: Mesoblast

Mesoblast is a world leader in innovative cellular medicines. It internationally recognised in the fields of stem cell biology, autoimmune diseases, organ transplantation, and heart failure. This company has a clear focus on addressing major health issues such as back pain, heart attacks and arthritis. It is far from a start up, and is in advanced stages of product trials to Phase 3 levels under eye of the FDA.

We have been critical of management in past and the company has experienced periods of short-selling but it is undervalued at $300 million. It has patented technology in late stage testing. Many other countries are offering support, especially Singapore which has built a tech centre around a Mesoblast facility. It has world class technology especially in reducing inflammation and rebuilding tissues.

Alex introduced Dr Silviu Itescu, the CEO of Mesoblast. His company focusses on diseases with high unmet needs and patentable technologies. It's a high margin business with multiple products and over 700 patents across major jurisdictions.

In US alone, 6 million people suffer heart failure each year, growing at one million a year. The current trial includes over 300 patients being treated for heart conditions with potential sales in the billions. Chronic lower back pain is also producing excellent trial results.

Strategic partnerships have been established across the world and staff have excellent scientific pedigrees. In response to pressure from shareholders, cash reserves of $60 million result from reduced cash burn and better operational efficiency. Some major milestones are coming up.

Hamish Douglass (pictured on home page)

Hamish is Co-Founder, Chief Executive Officer and Chief Investment Officer of Magellan Financial Group and the Lead Portfolio Manager of Magellan's Global Equities Strategies. Hamish was formerly Co-Head of Global Banking for Deutsche Bank AG in Australia and New Zealand.

Best idea: Apple

Apple is Magellan's largest investment, although Doglass knows most consumer electronics companies lose their value – consider Motorola or Nokia. But in Apple's case, the risk of commoditisation is low, as Apple is no longer a consumer electronics company and its operating system is in a duopoly with Android. Apple's platform has enormous potential to monetise many facets of the business in the future.

Replacement phones now make up 70% of phone sales, not new user phones. Selling of new iphones is almost irrelevant, but the market focusses on the quarterly numbers. The number of people owning an iphone is

growing at 30% a year. It's a predictable installed base and replacement phones. Apple will sell 220 million replacement iphones next year, even though only 42% of world's population owns a smart phone.

99% of people who own an iphone are satisfied with it, and 95% will stay with Apple. There are high switching costs due to the downloading of aps, and there is an entire ecosystem of technology including home devices and wearables.

Apple Pay is another valuable business, already used by 17% of iphone owners, and it will be a massive part of global tap and pay.

Apple is good value as it trades at a 33% PE discount to the overall US market as it's on a PE of 12.2 cash-adjusted. It's a great opportunity to buy into a world class company.

Anthony Aboud

Anthony is Portfolio Manager of Perpetual's SHARE-PLUS Long-Short Fund. He has over 17 years' experience including manager and analyst roles with Perpetual, Ellerston Capital and UBS Investment Bank.

Best idea: Corporate Travel Management (ASX:CTD) – take a short position

Most travellers do their own research on travel, which has led to great success stories like Priceline and Expedia. Over 70% of land-based travel agencies have closed in recent years.

What are the differences between corporate travel and leisure? None that are significant.

CTD has risen dramatically and exceeded earnings expectations by buying businesses on low PE multiples and by some PE magic, they suddenly become worth more when valued at CTD's multiple. But we believe these roll ups of professional services companies do not end well. Standalone, without the listed company buying, these businesses would be worth 4 times earnings. A company with earnings of $1 million should be worth $4 million but it's suddenly worth a $20 million valuation on PE of 20.

There is a particular issue when the now cashed-up founder walks out of the company after a year or two.

CTD has been paying higher multiples and larger amounts to sustain its acquisition programme. Much of earnings come from recently businesses acquired at 9 to 10 times multiple. We also notice that senior executives have been selling the stock in last few years. Presentations are impressive marketing pitches full of positive stories, which have led to the current PE of 34.

But it's crucial with any shorting to pick the size and timing of positions and not go all-in, as a stock can keep rising and test the resilience of the view, especially when it's a contrarian position.

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Insights from legendary fund manager, Howard Marks

Graham Hand

Howard Marks spoke at the Sohn Hearts & Minds Investment Leaders Conference in Sydney on 11 November 2016.

Howard Marks is a successful investor and writer, and Co-Chairman of Oaktree Capital Management, which he co-founded in 1995. Howard has become known in the investment community for his 'Oaktree memos' to clients which detail investment strategies and he has published several books on investing.

Howard Marks and his Oaktree Capital manage about US$100 billion, predominantly in distressed credit, and he has been writing his 'Oaktree memos' since 1990.

On Donald Trump, he said he's in the 'I don't know' camp. It's premature to take action, at least until some of his appointments are known. The investment implications depend on how much he will try to implement what he's said during the campaign, and how cooperative the Senate will be. He does not have the control of the Senate to the extent many think as there are narrow margins including people who said will not support him.

Trump should be a pro business on paper, probably more than Clinton, although his view on trade is a big negative. Infrastructure spending and tax cuts would be good for business.

The move to populism is a big issue. Trump touched on an anger, he didn't create one. He received 55 million votes, including from old rural, non-college educated white guys who are not doing too well. The minority of Americans think their kids will be better off than their parents. The economy will grow more slowly as America has already reached much of its potential.

The idea of efficient markets is compelling. If something is cheap, don't expect it to stay cheap. Trends tend to eliminate cheapness. Some markets are more efficient than others, which is why he does not operate in well-known, well-appreciated stocks. Knowledge is cumulative, and inefficient markets move to efficient, although there are cyclical inefficiencies.

Oaktree is the leading firm in distressed debt. What is perfect distressed debt theme? It looks worse than it is, so it's cheap. He avoids technology and fashion stocks, and he needs a sector which can be analysed from the outside, which is why he avoids financial institutions. It's not possible to evaluate millions of derivative transactions that sit in banks.

He invests in traditional manufacturers which he can analyse. He likes good companies with bad balance sheets, often due to over leverage. He uses bankruptcy laws where the old owners are wiped out and the debt holders take control. His business depends on the availability of distressed companies, but default rates are below average at the moment. This is not prime season for him.

Second level thinking requires a different type of thinking at a deeper level, and the best investors must move from first to second level. In order to outperform, you have to do things differently, you need to think differently. But also need to be better. That's the hard part as most people flock to the consensus. That's why there are few superior investors.

There's a saying that 'you can't coach height'. It's not clear you can create second level thinking. When an analyst says he should buy Ford because they just brought out a great new Mustang, he asks whether everyone else also knows that. There's no value in having the usual information.

Predicting how people will react is major requirement. Everything that is useful is counterintuitive. If you're not confused, you don't know what's going on. None of this is easy, and anyone who thinks it is is stupid. The most uncertain thing in markets at the moment is central bank activity. It's what you know for certain that just ain't true that gets you into trouble.

Money is to be made in doing things others aren't. He believes you can't make money trading, jumping in and out of stocks or bonds, and trading should only be used to make long-term investing decisions. He only buy bonds which he expects to hold to maturity.

Leverage does not make any investment better. "The more you bet, the more you win when you win, as they say in Las Vegas." If you would not buy without leverage, a company does not suddenly become a better investment with leverage. A margin call could stop you out, and then you don't enjoy the recovery, and that's the worst time. Distressed debt buyers then obtain the recovery.

He never considers himself a futurist. Some people have different skills. It's hard to be right about the major societal trends, but some people can do it. It should become harder over time to make exceptional returns, but superior investors will still do well.

The first great piece of investment wisdom he learned was that you need to be aware of the pendulum swinging from optimistic to pessimistic. Once everyone thinks improvement will last forever, no price is too high and that's the worst time to invest.

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Keating: is technology capitalism's creator or destoyer?

Graham Hand

The Hon. Paul Keating

Paul Keating served as Australia's 24th Prime Minister, from 1991 to 1996, having been Treasurer between 1983 and 1991. His political legacy includes the deregulation of the financial, product and labour markets and the establishment of compulsory superannuation. Since leaving the Prime Ministership in 1996, Paul Keating has continued his interest in geo-political and economic affairs.

Paul Keating noted it was the largest group of fund managers he had ever spoken to, and they should be charging lower fees on the $2.3 trillion in his superannuation system.

He focussed on the global macro picture. The shattering of US prestige came in 2008 with the GFC. Before then, the world believed Americans had the black box on how to manage the world economy, but China is now bigger than the US if you include the unofficial economy.

Population and GDP will grow together due to technology and capital mobility. The Chinese have about 20% of US income per capita, and we should expect it to reach 50% over next 20 years. Four times as many people earning half as much will give China a GDP size of double the US. Demographics will drive future domination.

The Chinese are now building their own institutions and the IMF has no influence, and the renminbi will become a reserve currency. We are seeing a break from a world previously managed out of Washington.

It matters how the world is managed. Keating thought Trump was weak during his campaign, but he tapped into the “We will not take it anymore” of millions of Americans. Maybe he will be better than we expect, and he’s already said three encouraging things: we need a better relationship with Russia, we need to reach out to China (“Although Trump is slightly wild, the Chinese do not do wild well.”) and he wants to spend on infrastructure.

We are heading into a different world of great power rivalries, not multinationals. It might even work better than pretending we like each other.

The tools used for inflation do not work in a low growth, deflationary world. We used to think markets knew how to allocate funds, and we have lost the great dynamic growth engines of the past such as road building, railways, plastics, etc.

Main reason interest rates are low is because there is no use for savings in the west, not QE. Companies already have too much capacity and excess capital and central banks cannot stimulate activity in such a market. We have capital-light industries like Facebook which don’t need many staff or equipment, unlike the great car companies or manufacturers of the past. It has been a mistake to impose budget restrictions in US which has led to crumbling infrastructure.

But networks and the interconnected economy are the major changes in our lifetime. The entire world is connected, but information erodes value in many companies, and most information is now free. End result? The world’s population will become a big global factory and the price of goods and services will continue to fall.

Can capitalism cope with this change?

Intuitive technologies and artificial intelligence will be massive changes which can take us anywhere. They will change the way the world works. P2P relationships will grow in importance, and the distinction between leisure and work will become more blurred.

Keating left us with this question. Is the digital economy capitalism’s great creator or its undertaker?

Select your favourite investment ideas

In the other articles this week, leading investors present their best investment ideas at the Sohn Hearts & Minds Investment Leaders Conference on 11 November 2016.

Cuffelinks' readers are invited to use the comment box on this article to nominate the investments they think will perform best by 31 August 2017.

We will report back on how each investment idea performed after that date.

You are welcome to comment specifically on the ideas in the comment box at the end of each article (no product promotions or abusive comments, please).

Investment implications of Trump presidency

Ashley Owen

Americans have voted to put Donald Trump in the White House and left Republicans retaining their majority in the House and also a narrower Republican majority in the Senate.

The Trump victory is another manifestation of a powerful force that is sweeping the world - a growing deep-seated distrust and disillusionment with career politicians and elites. The past couple of decades of globalisation has benefited mostly the rich and resulted in rising inequality, stagnant or declining real wages for workers, and the loss of many jobs to emerging markets and robotics. Unemployment rates in the US are down to 5% from their 10% peak in 2009, but there are still many tens of millions of people who have given up looking for work and so are not counted in the unemployment numbers. Add to this the rising racial tensions that have plagued America for centuries.

Change is inevitable in the world. The good thing about the US election is that it has resulted in political change via a relatively peaceful democratic process without revolution or civil war.

The main message is: don't make sudden panic moves. Following the herd and panic buying in booms or panic selling in busts is the biggest destroyer of wealth for most investors.

US economy

- Many of Trump's policies are stimulatory - including personal tax cuts, corporate tax cuts, increases in infrastructure and defence spending, winding back banking deregulation and winding back business regulations. These are largely the policies of the traditional Republicans who control the Congress and so many will have a good chance of being legislated.
- Interest rates and bond yields - Federal Reserve chair Janet Yellen is probably safe to serve out her term despite Trump's promise to fire her (he has no power to do that). The Fed's careful plan to raise interest rates slowly will probably keep interest rates low for the foreseeable future. If anything, Trump is likely to add a more 'hawkish' bias to the Fed board, which would do more to lower rather than increase growth, inflation and bond yields.
- Trump's promise to deport 11 million Mexicans and build a wall to keep them and get Mexico to pay for it - all seem unlikely to be carried out in full. However any money spend on increasing border protection would be stimulatory.

Trade

- Trump's promises to tear up or at least renegotiate trade agreements, and to slap high tariffs on China and Mexico are unlikely to get full support in Congress. Global trade flows have been declining since the GFC. Although the WTO mechanisms have prevented an all-out global trade protection war, each country has been raising protection in key industries behind the scenes. This is likely to continue while unemployment remains a problem especially in Europe.

Military

- Trump appears isolationist and he says he wants to retreat from foreign military involvements. Much of the grass roots supporters were against the US torturous entanglements in Afghanistan and Iraq. Although he may wish to withdraw, this has proven extremely difficult to achieve. Despite the rhetoric he is likely to be forced to continue US involvement in Asia against the rising global threat to US supremacy, China. China is also America's biggest creditor and supplier of the capital to fund America's stimulus and defence spending.

- One of the few things a President can do without Congressional approval or support is to start wars. Trump's isolationist stance means he is unlikely to start a war, but he also appears to be a volatile character who may react illogically if pushed. Although he doesn't need Congressional approval, he will know that there is no point starting a war if he knows Congress will not finance it, as Congress controls the budget.

Some likely implications for Australia

- Shares are likely to follow the lead from US markets as they have done for the past century. Since most of Trump's policies are pro-business and stimulatory, the US markets are likely to be largely supportive (despite the usual regular sell-offs from time to time)

- Industrial commodities prices - would be boosted by Trump's promised infrastructure and defence spending plans. However the main driver of demand is China, where government is also likely to continue to prop up economic growth and jobs with stimulus spending.

- Gold may do well in the short term, but any sustained rally would require a return of runaway inflation or a complete breakdown of the US or global banking systems and a return to a barter economy, both of which are unlikely in the foreseeable future. The brief US downgrade crisis in 2011 saw gold to jump to $1900 per ounce but that was quickly forgotten and the bubble burst. It may be that the stimulatory policies increases US inflation, but runaway inflation is unlikely given the excess capacity and deflation in Europe, China and Japan.

Ashley Owen is Chief Investment Officer at independent advisory firm Stanford Brown and The Lunar Group. He is also a Director of Third Link Investment Managers, a fund that supports Australian charities. This article is for general information and does not consider the personal circumstances of any individual.

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