

Opportunities in the Donald Trump world

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Vince Rivers, Portfolio Manager at J O Hambro Capital Management (JOHCM) tells Hubbis why a Donald Trump world is creating small and mid-cap opportunities in the US market.

THE US ECONOMY IS THROWING UP NEW AND exciting investment opportunities for investors in the post-Trump environment, according to Rivers. “What we see is that the Trump policies are generating better-than-expected growth and we should see an acceleration in GDP in the US this year and next year,” he says.



VINCE RIVERS
J O Hambro Capital Management

Rivers says that this growth is likely to create opportunities in the small and mid-cap stocks in the US market, which will disproportionately benefit from specific policies enacted by the Trump administration.

This contrasts with the norm where small-cap companies are more impacted by regulation because they can't have a lobbyist in Washington, says Rivers, creating laws that benefit them. But on the flipside, they also benefit more from GDP growth as they're mostly US-centric in revenue, he notes.

“A couple of the key tenets of what Trump has implemented these first two years in office is the tax cut as well as infrastructure spending,” he explains.

According to Rivers, the tax cut disproportionately benefits small cap companies as they have historically paid roughly 700 basis point higher tax rate, and therefore will get a better benefit from it. “Also, they'll benefit from some of the clauses in the tax law, which will create a better M&A environment,” he adds.

On the infrastructure side, he points to some of the changes with the recent budget passed in the US, which he says should lead to better-than-expected investment in the country's economy.

“Some of the small-cap companies that we looked at in the materials space as well as the industrial space are strong beneficiaries of the trends, and they [the trends] should drive better-than-expected earnings for these type of companies this year and next,” he states.

He concedes however that some of Trump's trade policies may create some global dislocations in global trade, but that small and mid-cap companies in the US will be less impacted by these trends.

“They have less international business,” he says, adding that many of their portfolio companies operate solely in the US and will be therefore minimally impacted by a potential trade war. ■