

THREE IMPORTANT ELECTIONS



Across the globe, three elections with the power to change the 2018 investment landscape are underway. The significance of these elections is such that the ramifications of the outcomes will span not only countries, but entire regions.

To highlight and analyse potential implications, we have constructed a summary for each election, with vital insight provided by our experienced investment team:

INDIA: GUJARAT STATE ELECTIONS

WHEN: 8TH-14TH DECEMBER

RESULTS: FROM 15TH DECEMBER

What is it? Elections to decide the next legislative assembly of Gujarat, India's westernmost state with a population of 67 million, equal to that of the entire United Kingdom. It is also Prime Minister Modi's home state, where he was previously the Chief Minister.

Why is it important?

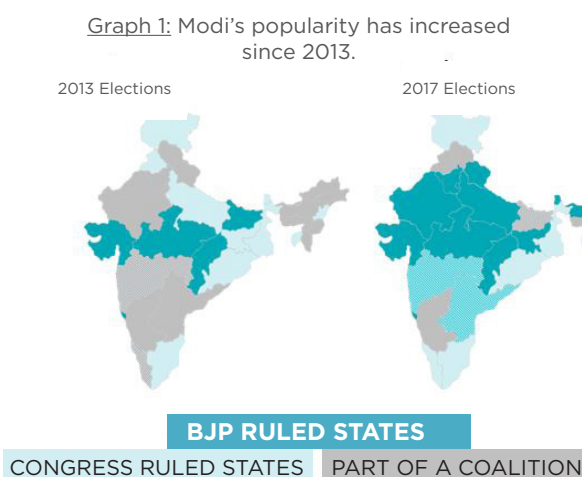
The elections will provide a critical popularity test of the Modi-led BJP government following a period of major reforms. Whilst good in the long term, the reforms, such as demonetization and introduction of Goods and Services Tax, have created some short-term pain and reduced GDP growth.

As Modi's home state and traditional powerhouse, it will be poignant to see how the electorate react in Gujarat. Congress-led rival

parties are capitalizing on this opportunity to give Modi a 'bloody nose' by putting huge resources behind their campaigns.

Impact of outcomes: Modi is highly likely to win the election, but the size of the victory margin will be critical. A poor show may see Modi's government resort to populist policies to bolster their chances in the 2019 General Election, putting the government's fiscal targets at risk. A resounding victory would be seen as vindication of the policies implemented already and encourage the government to pursue further bold reforms, rather than chasing short-term vote winners.

Our view: We see the most likely scenario at the Gujarat state elections as a strong showing for the BJP, similarly to Uttar Pradesh earlier in 2016. This outcome would provide a solid base from which to launch the 2019 General Election campaign.



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A vote in favour of change could shift business confidence and drive returns.

Envisaging the Prime Minister's potential second term, we foresee a similar focus on economic growth through structural reform. This would unlock the secular growth potential offered by India's demographic and urbanization trends.

SOUTH AFRICA: ANC LEADERSHIP ELECTIONS

WHEN: 16-20TH DECEMBER

RESULTS: 21ST DECEMBER

What is it? Every 5 years, the African National Congress (ANC) elect their National Executive Committee (NEC). The ANC have been the ruling South African party since the end of Apartheid, and due to the size of their vote, effectively form the country's new government until the 2019 General Elections. The NEC is composed of the ANC's top 6 officials, including the President.

Why is it important? For the past 8 years South Africa has suffered from the mismanagement and corruption allegations of current NEC President, Jacob Zuma. The ANC elections will be the first significant opportunity to test whether Zuma's actions have shifted the internal ANC power base away from him towards more business-friendly and inclusive factions.

Impact of outcomes: A vote in favour of change towards Cyril Ramaphosa and other moderate candidates could shift business confidence and drive market returns. Similar circumstances followed the impeachment of Dilma Rousseff and replacement by Michel Temer in Brazil in 2016. If, however, Zuma's ex-wife

Nkosazana Dlamini-Zuma was to win, we would continue to see a drag on the South African economy with depressed growth and earnings prospects.

Our view: We believe the most probable outcome is a narrow win for Ramaphosa with a compromise slate. Although some Zuma faction elements would remain in the cabinet, this would see the end of the Zuma presidency itself. While Ramaphosa will be limited in his ability to enact wholesale reform, we should however see the creation of positive South African tailwinds in 2018.

CHILE: GENERAL ELECTIONS

WHEN: 19TH DEC

RESULTS: 20TH DECEMBER

What is it? Chilean General Elections are conducted every four years to select the ruling party and President. Current President Michelle Bachelet has overseen a period of socialist driven reforms, including increased corporate taxes and union power which has halted business investment. Front runner and pro-business candidate Sebastien Piñera won 37% of the vote in the first round and will enter a run-off against the incumbent party candidate Alejandro Guillier who polled 24%

Why is it important? The Chilean business community is hungry for calmer economic waters and a more business friendly regime. This shift seems imminent, as the current poll leader Sebastien Pinera would see a move towards the right and therefore a more conducive business environment. Pinera was the President between 2010-2014 during which time investment soared in Chile.

The Chilean business community is hungry for calmer economic waters.

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Impact of outcomes: The market is disappointed that Piñera received less than the 42% forecasted by the pre election polls in round 1. Piñera will likely move to the center, keeping his core and capturing part of the votes cast to Goic the centrist party, while Guillier moves more to the left. A win for Piñera should see a boost in confidence, whilst a loss will keep markets and investment subdued.

Our view: The left is fractured, and therefore unlikely to win the second round. A vote for the left would be supporting the very unpopular policies, which caused both consumer and business confidence to reach multi year lows. The most probable outcome is a resounding Piñera victory, followed by the implementation of steady, if not dramatic, economic reforms. Whilst this will not immediately open the floodgates to investment, it should see investment-led growth through infrastructure and mining development as Copper prices soar globally.

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