4 Stocks To Buy Now: No Matter Who Wins The Presidency

Investors have been on edge recently, watching every swing in the polls trying to figure out whether Donald Trump or Hillary Clinton will win in November. It's understandable. The two candidates have very different visions for how the economy should work, and their respective policies could have a significant impact on economic growth.

Per our prior report, however, the two candidates have one specific area of agreement. Both Clinton and Trump seem likely to push for a plan that would allow U.S. companies holding cash overseas to bring that money back at a lower tax rate. In turn, they'd use the incremental tax revenue from that repatriation to fund significant new investment in repairing and upgrading our nation's infrastructure.

What This Means For Investors

If this plan goes into place it should have a positive impact on the economy as a whole. However, there are four groups that would disproportionately benefit:

1. Companies with a great deal of overseas cash would benefit from being able to bring that money back to the U.S. while avoiding the massive tax bill they would have faced otherwise.
2. Construction companies would benefit from a surge in demand for their services.
3. Companies that supply the raw materials for construction would also experience a spike in demand.
4. Transportation companies that depend upon our nation's infrastructure system would reap long-term rewards from upgrades.

One by one, let's go through the four categories and identify which stock in each group offers investors the most appealing risk/reward profile.

Group #1: Cisco Systems (CSCO)

Cisco Systems (CSCO) is our favorite stock with significant overseas cash and earns our Very Attractive rating. With $53 billion stashed overseas, cutting the tax rate on repatriated profits to 10% could save the tech giant over $10 billion (6% of its market cap). That's a nice boost to a company that is already cheaply valued. At its current price of ~$32/share, Cisco has a price to economic book value (PEBV) ratio of just 0.9, which implies that the market expects a permanent 10% decline in after-tax profit (NOPAT).

Cisco has grown NOPAT by 7% compounded annually over the past decade and consistently earns one of the best returns on invested capital (ROIC) in its industry. With the possibility of being able to bring tens of billions of dollars home to invest in new growth opportunities, it's hard to imagine Cisco experiencing a permanent decline in profitability. Fiscal policy provides a potential upside catalyst for what is already a great value stock.

Even if Cisco can only grow NOPAT by 3% compounded annually for the next 15 years, the stock is worth ~$44/share today. That's a 33% upside from the current price.

Group #2: Fluor Corporation (FLR)

Fluor Corporation (FLR) is our favorite construction stock and also earns a Very Attractive rating. This is a highly cyclical stock that happens to be near the bottom of a cycle right now. Its $4.1 billion in revenue from its Industrial & Infrastructure segment in 2015 was down roughly two thirds from 2012. This is a company primed for a rebound, and a big surge in infrastructure spending would be just the thing to return it to growth.

Normally, a company near the bottom of a cycle would be unprofitable and expensive based on current cash flows, but that's not the case for Fluor. Its 15% ROIC is the envy of most other companies, even though that represents the lowest point for Fluor in a decade.

At ~$51/share, FLR has a PEBV of 1. This ratio means the market expects zero profit growth in perpetuity from Fluor. That would be awfully pessimistic even without the prospect of a big surge in government infrastructure spending. If we do get an increase in infrastructure investment, Fluor—which is already the 25th largest contractor for the federal government—should be primed to deliver significant growth.

If Fluor can grow NOPAT by 6% compounded annually over the next 10 years (close to its growth rate from the past decade), the stock is worth ~$80/share today – 58% upside from the current price.

Group #3: US Lime & Minerals (USLM)

US Lime & Minerals (USLM) is our favorite supplier of raw materials to the construction industry and earns our Attractive rating. This limestone producer may not have the same level of upside as the other stocks in this list, but it's probably the safest bet to benefit from an infrastructure surge. Cisco could struggle to effectively allocate its repatriated cash, and Fluor could fail to win as many government contracts as expected, but limestone is a commodity. Higher demand should lead to higher prices, which is good for USLM.

USLM is already undervalued due in part to a hidden non-operating expense from a pension settlement totaling $810 thousand (5% of NOPAT). At its current price of ~$67/share, USLM has a PEBV of 1.3, implying no more than 30% NOPAT growth from current levels for the remainder of its corporate existence.

If US Lime & Minerals can grow NOPAT by 7% compounded annually over the next decade, the stock is worth ~$73/share today – 10% upside from the current price.

Group #4: United Continental (UAL)

United Continental (UAL) is our favorite transportation stock. It earns our Very Attractive rating and is on both our Most Attractive stocks list and our Executive Compensation Aligned With ROIC model portfolio.

Our nation's airports are one element of our infrastructure system most in need of upgrades. In the first presidential debate, Donald Trump specifically singled out the airports in New York City as being "like from a third world country."

Poorly designed and outdated airports aren't just an inconvenience for travelers; they also hurt airlines' bottom lines. 19% of flights in the U.S. were either delayed or cancelled last year, and that directly leads to increased costs for the airlines that have to reroute planes, pay flight crews overtime, and refund disgruntled passengers.

Recently, United's business has boomed from an unrelated trend: plummeting fuel prices. This has led to a 17% NOPAT margin that is well above anything the airline has earned in its past. As a result, at its current price of $54/share United has a PEBV of just 0.3, which implies a permanent 70% decline in NOPAT.

It seems likely that United's profits and margins will fall, but airport upgrades could help stem the declines. If UAL can manage to hold its contraction to just a 3% compounded annual decrease in NOPAT over the next decade, the stock is worth ~$100/share today – an 85% upside from the current price.

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Disclosure: David Trainer and Sam McBride receive no compensation to write about any specific stock, sector, style, or theme.

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