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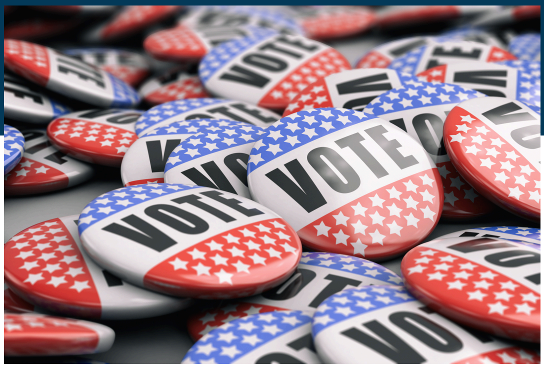


PRESIDENTIAL ELECTIONS & YOUR PORTFOLIO: SEPARATING FACT FROM FICTION

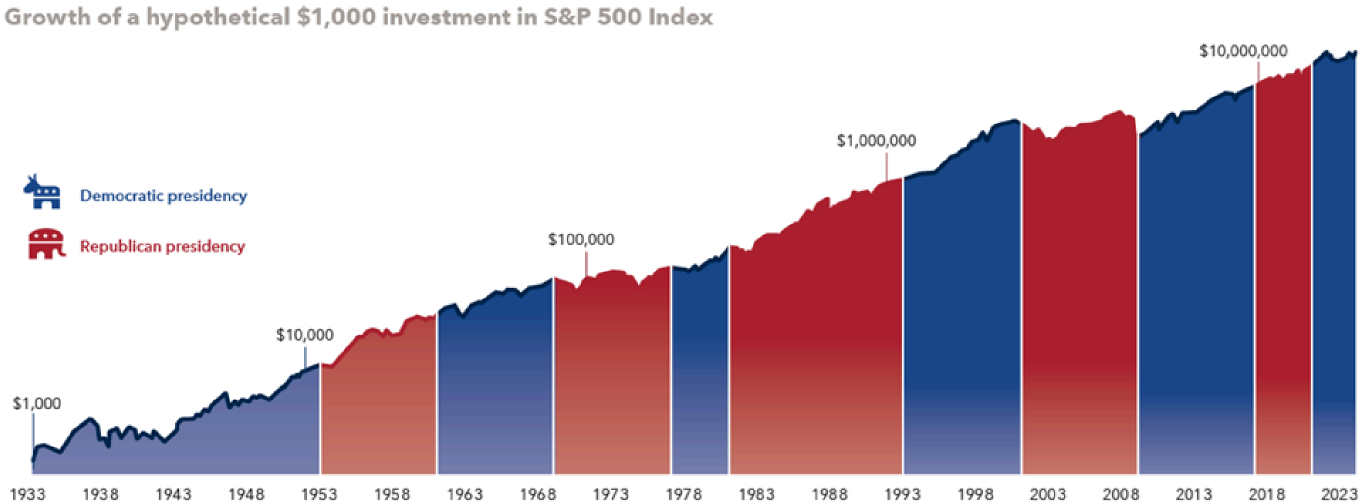
As November approaches, it's natural to wonder about the impact of presidential elections on investment strategies. Every four years, the political landscape undergoes a potential seismic shift, and investors often brace themselves for possible market turbulence. During presidential election years, a common question we hear, regardless of your political party affiliation is: what happens to the markets and my portfolio if the winning candidate does not align with my political views? And since we have no way to know for certain who will win, should we consider changing our investment plan? While we acknowledge the concerns inherent in asking these questions, it is essential to separate the noise from the facts. It's time to debunk the myth that the political party in power determines stock market success.

The Myth of Party Influence

One common misconception is that the political affiliation of the incoming president significantly influences stock market performance. Historically, there's been a prevailing belief that Republican administrations are better for markets due to their pro-business policies. Conversely, some argue that Democratic leadership fosters economic growth, which translates into positive market outcomes. Empirical evidence shows that the stock market is indifferent to which political party occupies the White House and numerous studies have debunked the notion that stock market returns are tied to the party affiliation of the president[1]. The S&P 500 index, which represents a broad cross-section of the U.S. equity market, has demonstrated remarkable resilience, irrespective of who sits in the Oval Office.

Data-Driven Insights

An investment of $1,000 in the S&P 500 when Franklin Delanor Roosevelt ("FDR") was elected president in 1933 would have grown to over $21,000,000 by December 31, 2023[1]. During that time there have been seven Republican and eight Democratic presidents. Looking at this another way, the annualized median performance of the Dow Jones Industrial Average ("DJIA") since the early 1900s was 7.9% under Republican Presidents and 7.7% under Democratic Presidents[2]. Regardless of which political party occupies the White House, the stock market has exhibited positive returns in the vast majority of cases. This resilience underscores corporate America's ability to adapt to changing political landscapes and economic policies.



SOURCES: Capital Group, RIMES, Standard & Poor's. Chart illustrates the growth of a hypothetical $1,000 investment in S&P 500 Index beginning on March 4, 1933 (the date of Franklin D. Roosevelt's first inauguration) through December 31, 2023, assuming dividend reinvest, and taxes paid from an alternative source. Dates of party control are based on inauguration dates. Values are based on total returns in USD shown on a logarithmic scale. Investors cannot directly purchase an index. Past performance does not guarantee future results and individual investment performance will vary.

Simply put, investment markets hate uncertainty, and the backdrop of a presidential election year creates a heightened level of volatility in the capital markets. Historically, this trend persists through the campaigns and ultimately the volatility reduces further once a president is elected. It's important to note that regardless of which party is elected, after the election, markets have often exhibited upwards trajectories, reaffirming the resilience of a long-term investment strategy. So far 2024 has held true to historical trends with increased volatility in the earlier stages of the year with both the Dow Jones Industrial Average and the S&P 500 reaching new all-time highs . As fewer questions remain and more becomes clear, we expected that this heightened level of volatility may subside.

Factors Driving Market Performance

Instead of fixating on political rhetoric, it is important to adhere to the principles outlined in your financial plan. Investors can mitigate the impact of election-related volatility by maintaining a diversified portfolio and staying committed to a long-term investment strategy.

While presidential elections may introduce temporary fluctuations in market sentiment, it's crucial to maintain a disciplined approach to investing. Rather than attempting to time the market based on political conjecture, we believe investors should prioritize asset allocation, risk management, and financial planning objectives. In the customized plans we've crafted for each of you, we've established a unique strategy tailored to help you achieve your financial goals. The key is to stick to this strategy, even through investment uncertainties and periods of market volatility. The financial controls that we build into our portfolio allow our clients to weather these bouts of volatility and not have to trade during this uncertainty.

Conclusion

We remind clients that investing in a presidential election year requires a solid financial plan, a focus on long-term fundamentals, and adhering to a well-defined strategy, regardless of who occupies the White House. While political headlines may grab attention, they often have limited bearing on overall market performance. By staying informed, maintaining a diversified portfolio, and adhering to sound investment principles, we can help you better manage election-related uncertainties.

We are always here for you, thank you for being our clients and trusting us with your financial journey, it is a genuine privilege to serve you.

If you are interested in learning more, Capital Group does a great job of compiling this data every 4 years. Please click here to read their full report.

1. "Investing and Politics", BESPOKE Investment Group, 2024
2. "Guide to Investing in an election year", Capital Group, 2024 Edition. Calculation assumes a hypothetical $1,000 investment in the S&P 500 Index beginning on March 4, 1933 (the date of Franklin D. Roosevelt's first inauguration) through December 31, 2023, assuming dividend reinvest, and taxes paid from an alternative source. Full calculation methodology available upon request. Investors cannot purchase an index directly.
3. "Investing and Politics", BESPOKE Investment Group, 2024. DJIA returns Under US Presidents Since 1900. Percent change is calculated through for the period of September 14, 1901 – March 20, 2024.
4. "S&P 500 jumps 1% to post record close, ending session above 5,300 for the first time". May 15, 2024. https://www.cnbc.com/2024/05/14/stock-market-today-live-updates.html.

<u>Important Disclosure Information</u>

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