

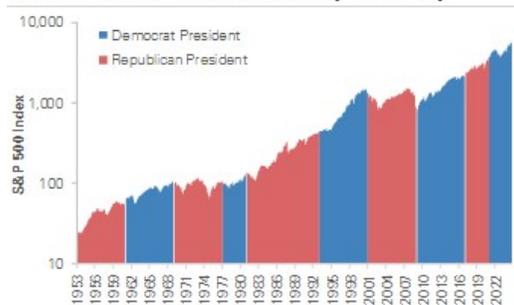
Investing Based on Politics is a Bad Idea for Your Portfolio

September 1, 2024

As the 2024 presidential election approaches, Americans are preparing to vote in what polls forecast to be a tight race. Like many investors, you may wonder how the election outcome could affect financial markets and whether you should change your investment strategy. While elected leaders can influence economic growth by enacting laws and regulations, data suggests that who occupies the White House has little to no impact on investment performance. Fundamental factors like corporate earnings growth and valuations impact the stock market far more than political headlines. Politicians make many promises during election years, but these often go unfulfilled because of the government’s system of checks and balances. Moreover, the economic outcomes of policies are less predictable than officials think, with the economy more influenced by factors like job growth, interest rates, and inflation.

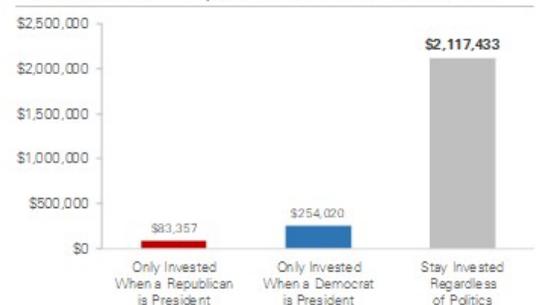
The charts below illustrate the financial impact of allowing political beliefs to influence investment decisions. The chart on the left graphs the S&P 500 Index starting with Dwight Eisenhower’s presidency in 1953 and is color-coded by political party. The graph on the right compares the investment performance of portfolio decisions made based on political affiliation. If an investor only invested in the stock market when a Republican was President, \$10,000 would have grown into \$83k today, excluding dividends. Investing only when a Democrat was President would have returned \$254k. While the gap may seem wide, if an investor ignored the president’s political party and remained invested, the \$10,000 would have grown to over \$2.1 million.

FIGURE 1 – Growth of the S&P 500 Shaded by Political Party



Source: Standard & Poor’s, WhiteHouse.gov. This figure is presented in a logarithmic scale for ease of viewing 80 years of data. Past performance does not guarantee future results. Data from January 1st, 1953 to September 13th, 2024.

FIGURE 2 – Growth of \$10,000 Invested in the S&P 500 Since 1953



Source: Standard & Poor’s, WhiteHouse.gov. Based on S&P 500 price returns. Assumes an investor only invests in the S&P 500 when a Republican or Democrat President is in the White House. Past performance does not guarantee future results. Data from January 1st, 1953 to September 13th, 2024.

Political views can stir strong emotions but making investment choices based on those feelings can lead to poor portfolio decisions. Instead, it’s better to focus on time-tested investment

principles and avoid letting politics influence your long-term strategy. The U.S. economy's success, growth, and resiliency don't change with each new election, and neither should your investment strategy. It's best to express political opinions at the ballot box, not in your portfolio.

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The S&P 500 Index or Standard & Poor's 500 Index is a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S.

The Russell 2000 index measures the performance of approximately 2,000 small-cap US equities.

The MSCI EAFE Index is a stock market index that measures the performance of large- and mid-cap companies across 21 developed markets countries around the world. Canada and the USA are not included.

The MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries.

The Nasdaq 100 Index is a stock index of the 100 largest companies by modified market capitalization trading on Nasdaq exchanges.

The Russell 1000 Growth index is an index that tracks large cap, growth stocks. This benchmark is important for investors that might tilt their investments towards large cap growth. Growth stocks, in comparison to value stocks, are considered companies with a more growth potential, and a higher risk profile.

The Russell 1000 Value index is an index that tracks large cap, value stocks. This benchmark is important for investors that might tilt their investments towards large cap value. Value stocks, in comparison to growth stocks, are considered companies with a stable cash flow, and more mature business model.

The CBOE VIX Index is a calculation designed to produce a measure of constant, 30-day expected volatility of the U.S. stock market, derived from real-time, mid-quote prices of S&P 500® Index (SPX®) call and put options.

The Magnificent 7 is a group of major tech companies with stock growth that, on average, far outpaced the high-performing S&P 500® in recent years.

Coined in 2023, the group consists of Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla.

The Dow Jones Industrial Average, or simply the Dow, is a stock market index that indicates the value of 30 large, publicly owned companies based in the United States, and how they have traded in the stock market during various periods of time. These 30 companies are also included in the S&P 500 Index. The value of the Dow is not a weighted arithmetic mean and does not represent its component companies' market capitalization, but rather the sum of the price of one share of stock for each

component company. The sum is corrected by a factor which changes whenever one of the component stocks has a stock split or stock dividend, so as to generate a consistent value for the index.

The Bloomberg US Aggregate Bond Index is used as a benchmark for investment grade bonds within the United States. This index is important as a benchmark for someone wanting to track their fixed income asset allocation.

The Bloomberg US Corporate Index covers performance for United States corporate bonds. This index serves as an important benchmark for portfolios that include exposure to investment grade corporate bonds.

The Bloomberg US Corporate High Yield Index covers performance for United States high yield corporate bonds. This index serves as an important benchmark for portfolios that include exposure to riskier corporate bonds that might not necessarily be investment grade.

Treasuries, also known as Treasury securities, are debt obligations issued by the United States government. They are used to raise cash needed to fund government operations and help finance the federal deficit. Treasuries are backed by the full faith and credit of the US government, making them one of the safest investments. They are an important instrument in monetary policy, allowing central banks to control the money supply.

The Prime Rate is the interest rate that commercial banks charge their most creditworthy corporate customers. The prime rate is derived from the federal funds rate, usually using fed funds + 3 as the formula.