

Election year special

Student **of the** **Market**

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Student of the Market

Election year special

Stocks and presidential elections years

Long-term U.S. stock returns and elections



Election years and market performance



Contested election case studies



Time in the market, not political party



Election years and quarterly market performance



Public satisfaction levels vs. markets



Bonds & elections

Elections years and money market flows



Election years and the Federal Reserve

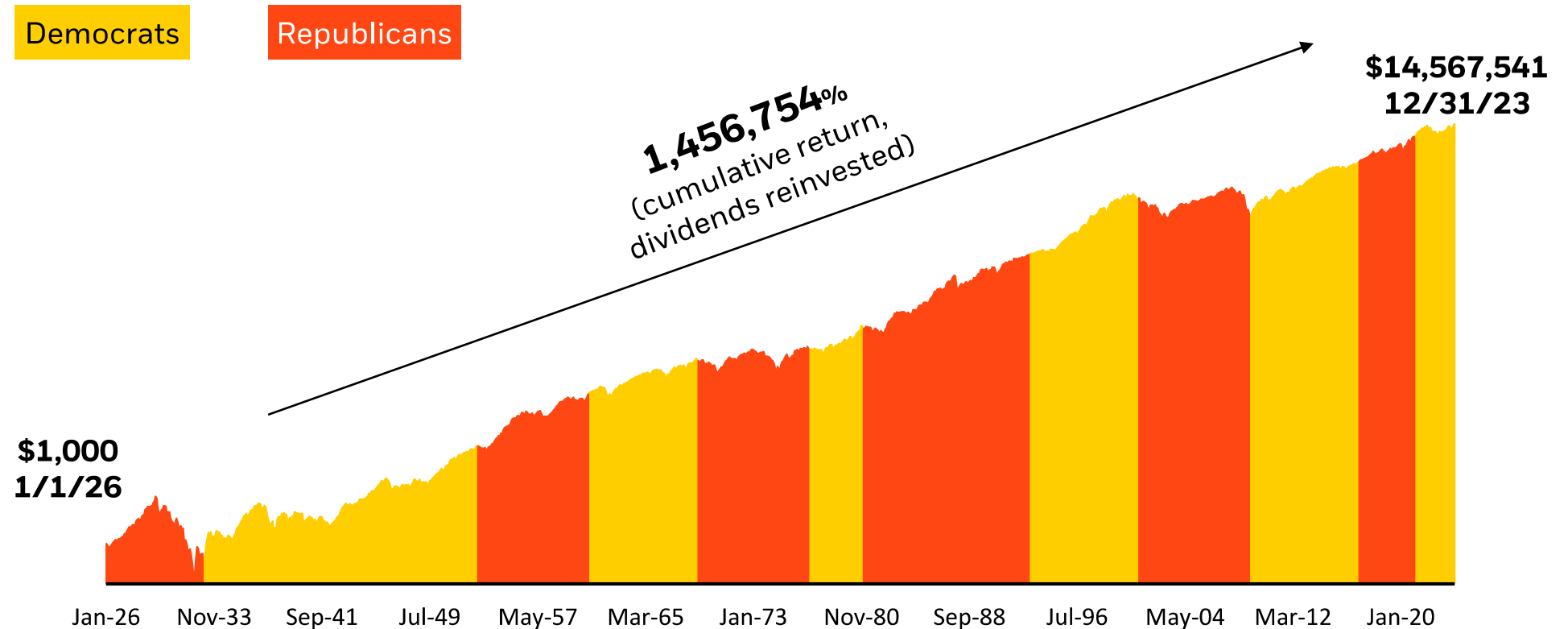


Source: Morningstar as of 12/31/23. **Past performance is no guarantee of future results.** Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

Stocks have continued higher regardless of party holding the presidency

Growth of \$1k since 1926

Cumulative returns, 1/1/26 – 12/31/23

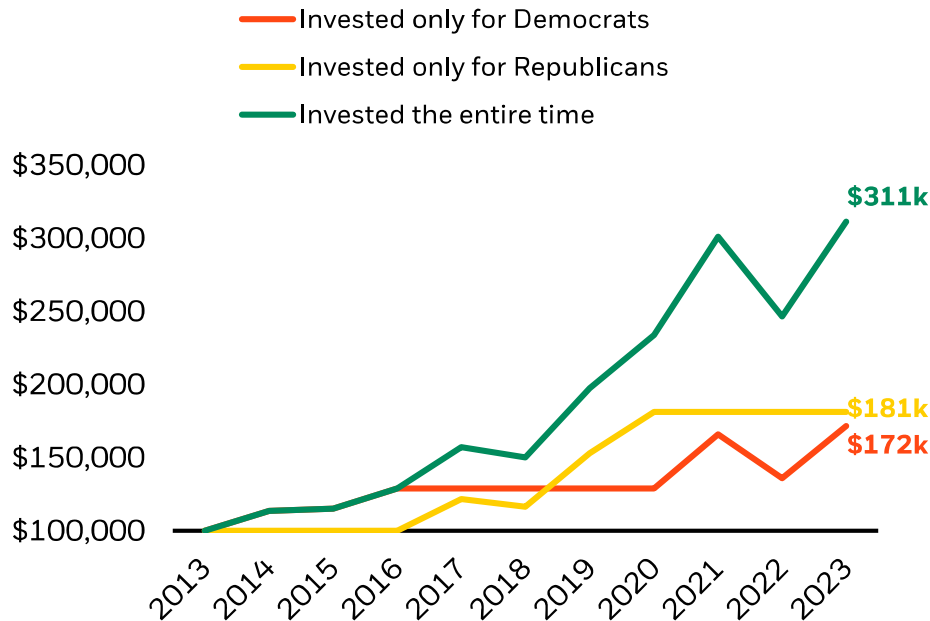


Morningstar as of 12/31/23. Stock market represented by the S&P 500 Index from 1/1/70 to 9/30/23 and IASBBI U.S. large cap stocks index from 1/1/26 to 1/1/70. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

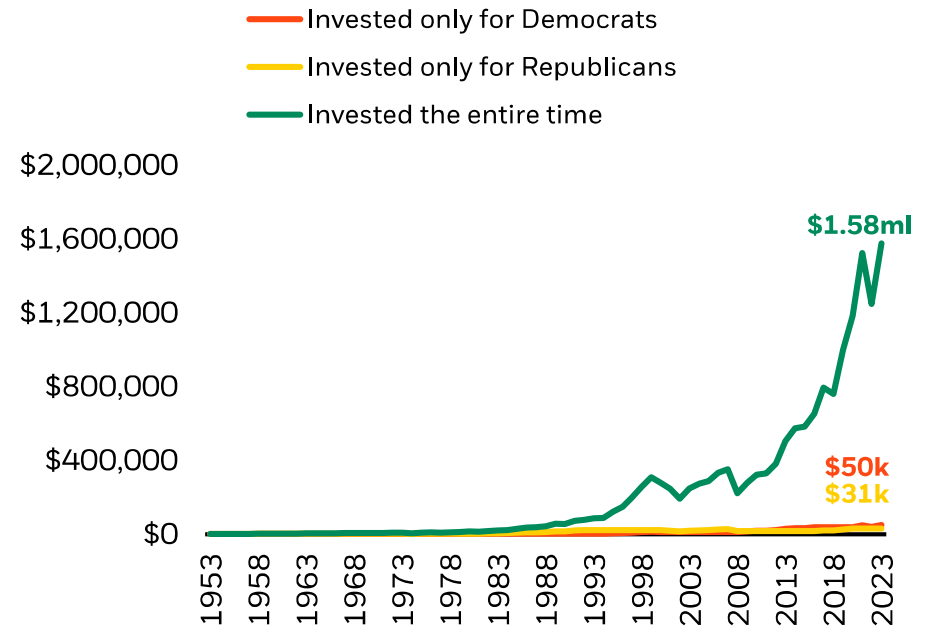
TIME IN THE MARKET, NOT POLITICAL PARTY

It's time in the market that matters... not the president's political party

Last 10 years, \$100,000 invested 12/31/2013, depending on which party held the presidency



Last 70 years, \$1,000 invested 12/31/1953, depending on which party held the presidency

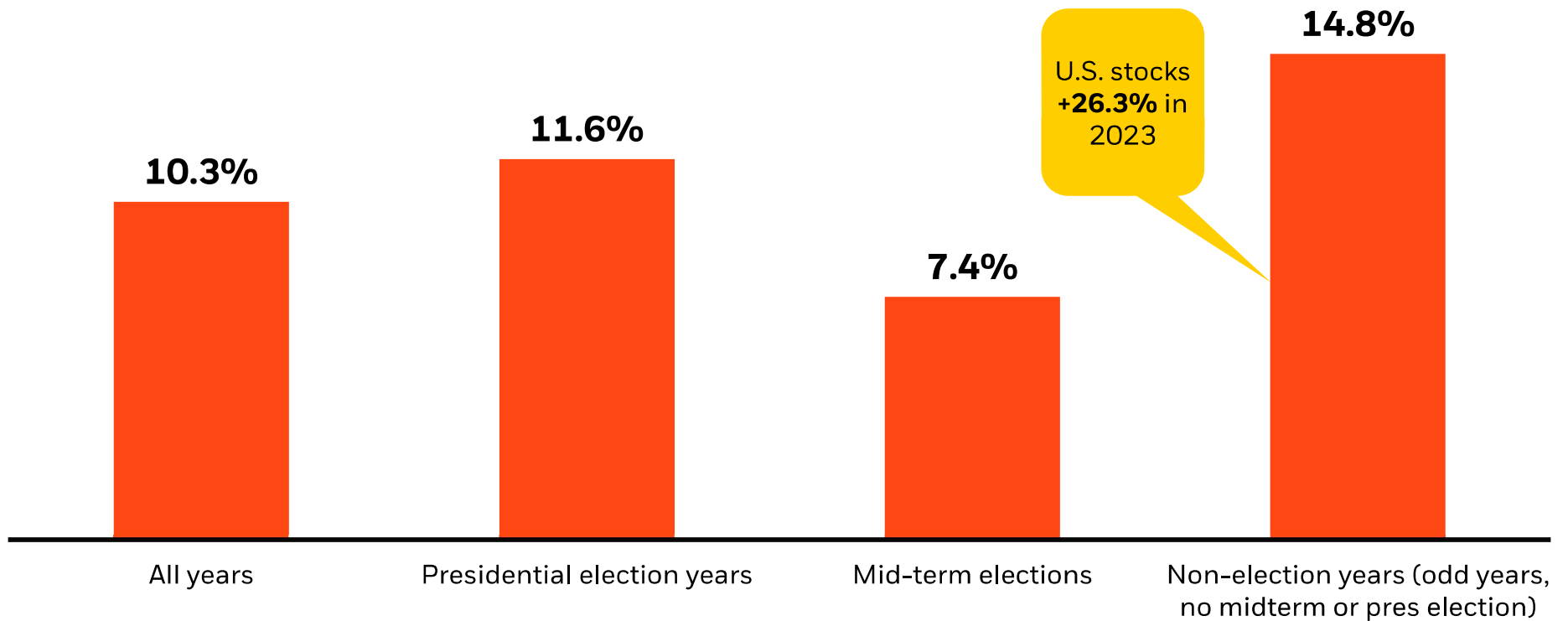


Morningstar as of 12/31/23. Stock market represented by the S&P 500 Index from 1/1/70 to 12/31/23 and IASBBI U.S. large cap stocks index from 1/1/54 to 1/1/70. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

U.S. stocks across the election cycle

U.S. stock performance

Average annual return, 1/1/26 – 12/31/23

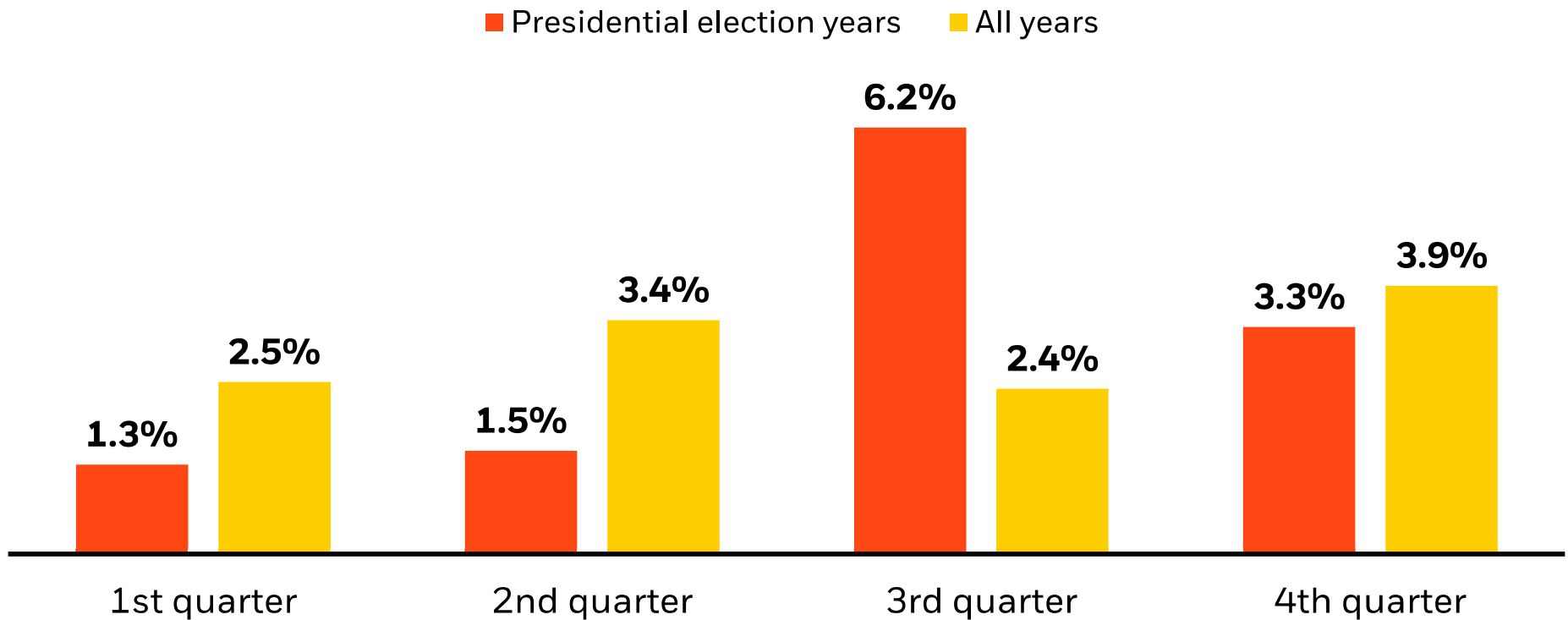


Morningstar as of 12/31/23. Stock market represented by the S&P 500 Index from 1/1/70 to 12/31/23 and IASBBI U.S. large cap stocks index from 1/1/26 to 1/1/70. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

U.S. stocks in a presidential election year

The first half of presidential election years tend to be sluggish, followed by a big second half

Average return, 1/1/26 – 12/31/23

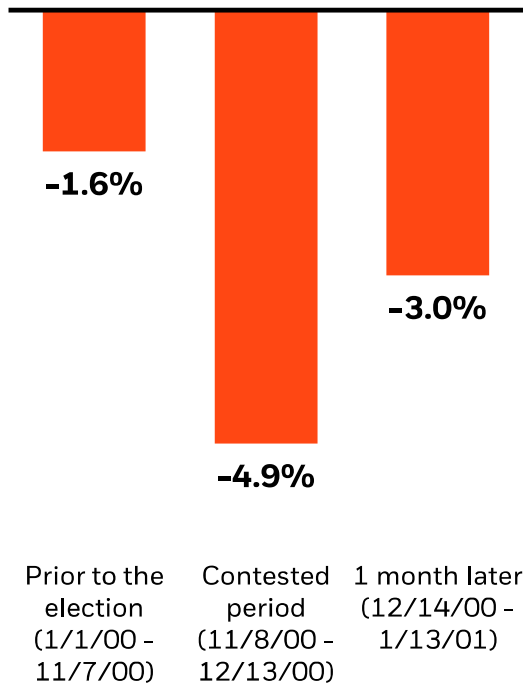


Morningstar as of 12/31/23. Stock market represented by the S&P 500 Index from 1/1/70 to 12/31/23 and IASBBI U.S. large cap stocks index from 1/1/26 to 1/1/70. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Stocks have seen contested elections before

Case Study: 2000 U.S. presidential election

S&P 500 performance, 1/1/00 through 1/13/01

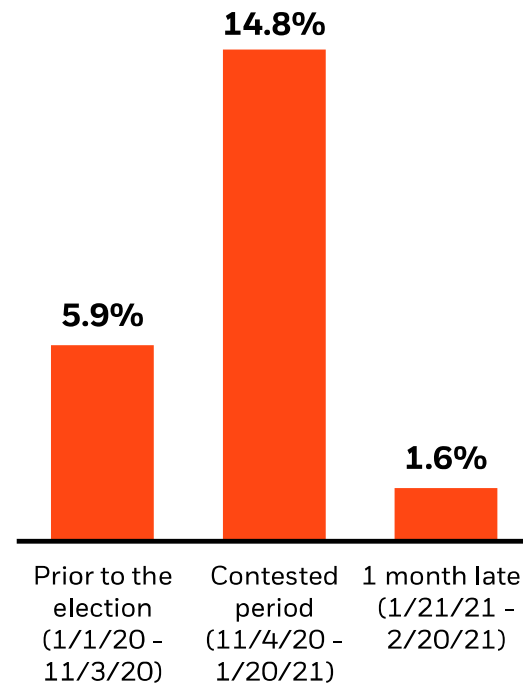


2000 U.S. contested election timeline:

- Nov 7: Election day
- Nov 8: Gore retracts concession
- Nov 27: Gore sues to contest election in Florida
- Dec 12: U.S. Supreme courts stops Florida recounts
- Dec 13: Gore concedes

Case Study: 2020 U.S. presidential election

S&P 500 performance, 1/1/20 through 1/20/21



2020 U.S. contested election timeline:

- Nov 3: Election day
- Nov 7: News networks call it for Biden
- Jan 6: Electoral college vote count, U.S. capital overrun
- Jan 19: Trump farewell speech
- Jan 20: Biden is sworn in

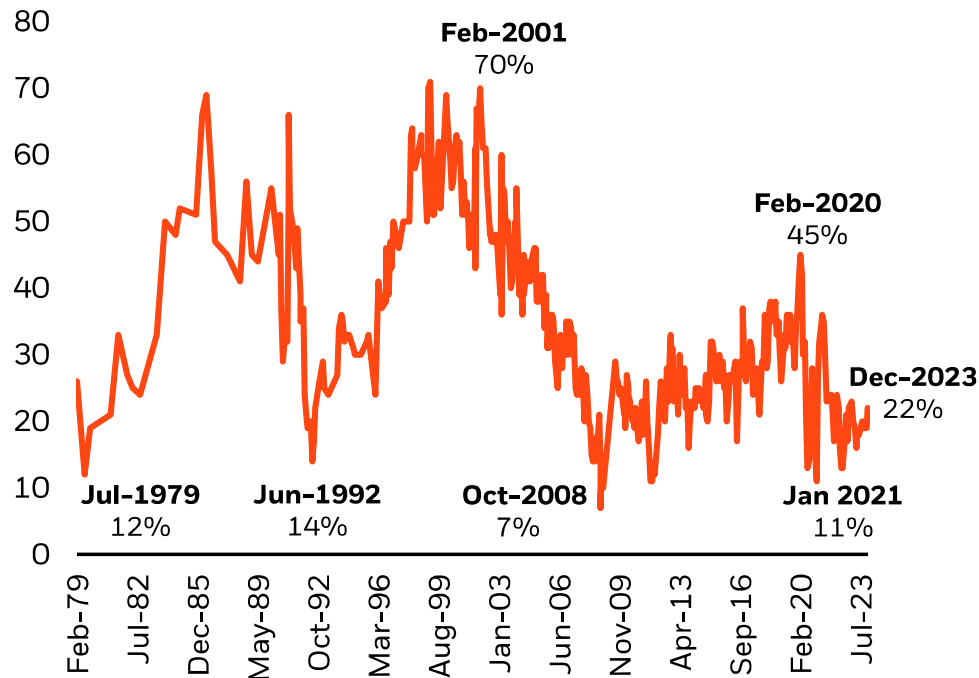
Morningstar as of 12/31/23. Stock market represented by the S&P 500 Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

PUBLIC SATISFACTION LEVEL VS. MARKETS

Satisfaction with the direction of the country can be a contrarian indicator of the market

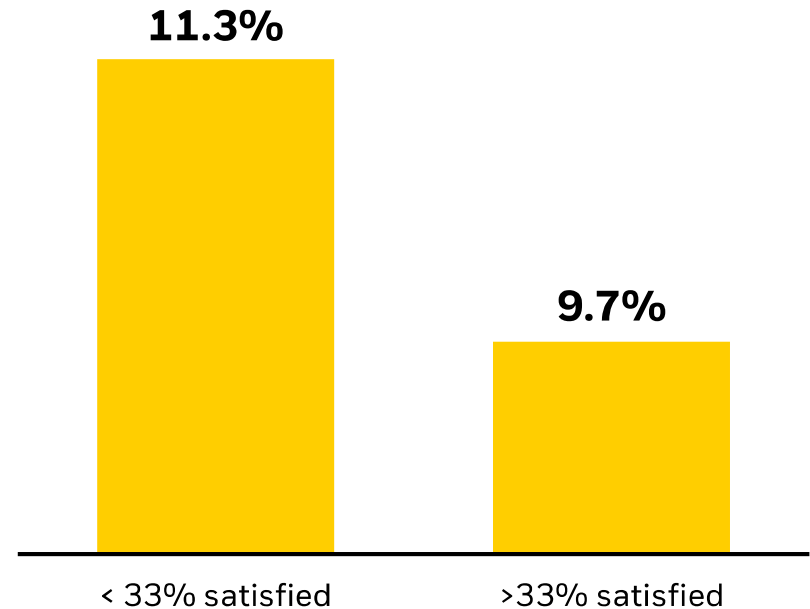
Low levels of satisfaction right now

% of Americans satisfied with the way things are going in the U.S.



U.S. stock market returns next 12 months

Average return following each cohort



Morningstar and Gallup as of 12/31/23. Stock market represented by the S&P 500 Index. Note: Gallup "satisfaction level" polling data was recorded every month after April 2000. Prior to April 2000, Gallup "satisfaction level" polling data was recorded on an ad hoc basis. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

Investors build up cash in election years

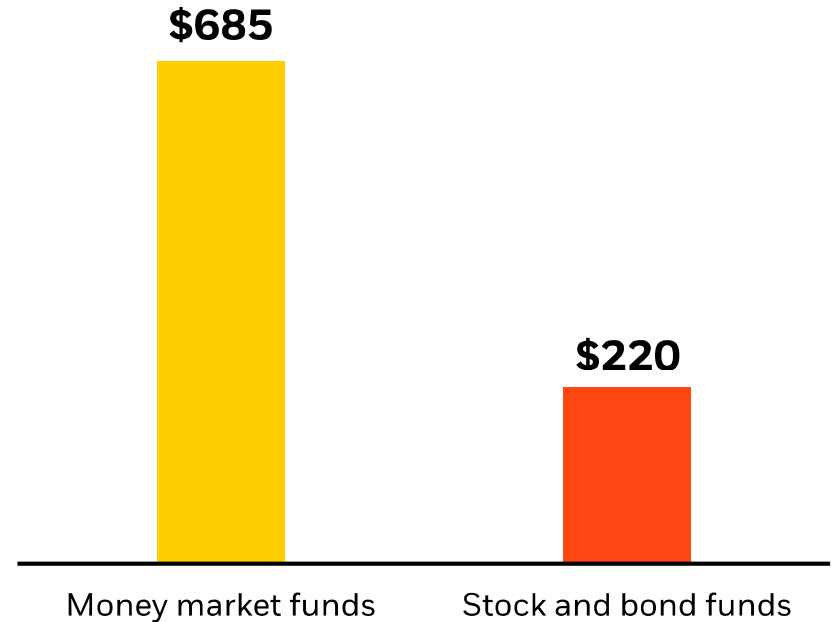
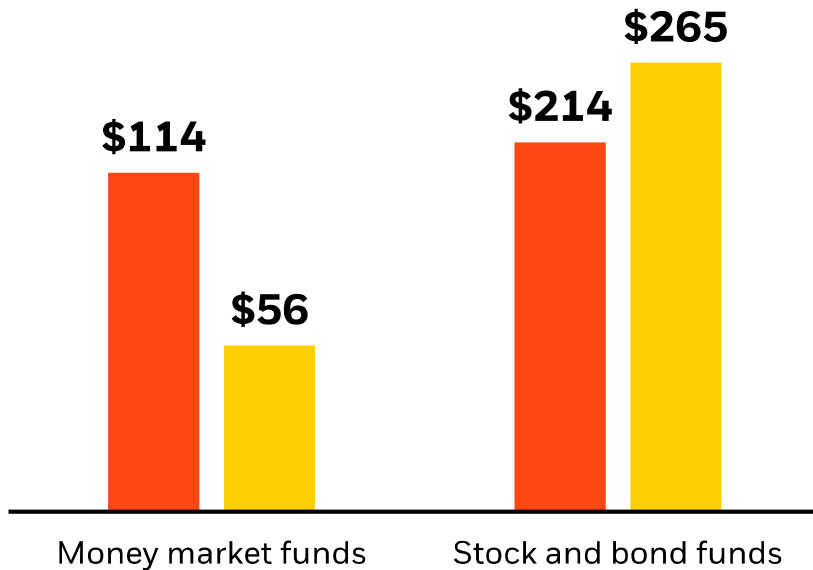
Fund flows and presidential election years

In billions USD, 2/1/93 – 11/30/23

Flows in the last presidential election year

In billions USD, 1/1/20– 12/31/20

- Presidential election years
- Non-Pres election years



Morningstar as of 12/31/23. Bond funds represented by all Morningstar U.S. bond mutual fund and ETF categories. Stock funds represented by all Morningstar stock mutual fund and ETF categories. Money market funds represented by Morningstar money market categories. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Has the Fed moved interest rates in election years?

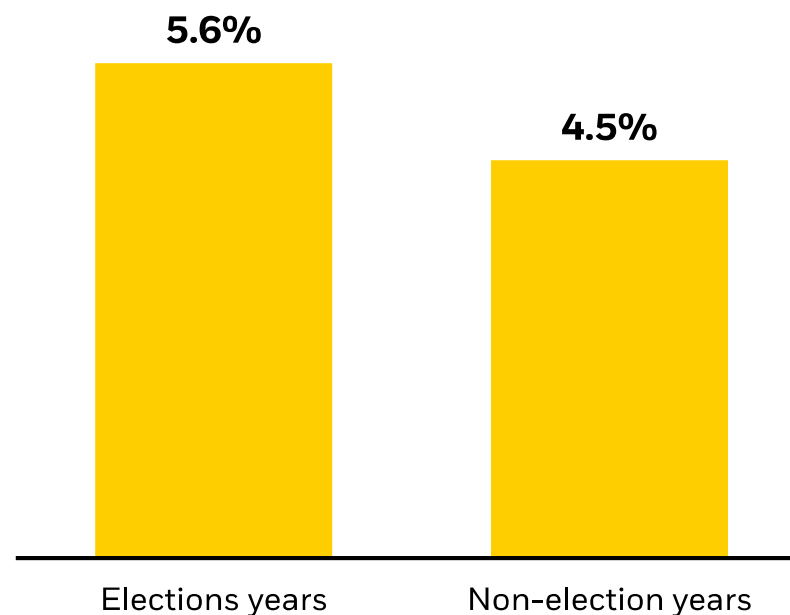
Federal Reserve rate cuts & hikes in election years

Since 1992

Rate cut year	Rate cuts	Fed Funds Rate change	Core bond returns
2020	2	1.5% to 0%	7.5%
2008	7	4.25% to 0%	5.2%
1996	1	5.5% to 5.25%	3.6%
1992	3	4.0% to 3.0%	7.4%
Rate hike year	Rate hikes	Fed Funds Rate change	Core bond returns
2016	1	0.25% to 0.5%	2.7%
2004	5	1.0% to 2.25%	4.3%
2000	3	5.5% to 6.5%	11.6%

U.S. bond returns in election years vs. non-election years

Average annual returns since 1926



Morningstar as of 12/31/23. U.S. bonds represented by the IA SBBI US Gov IT Index from 1/1/26 to 1/3/89 and the Bloomberg U.S. Agg Bond TR Index from 1/3/89 to 12/31/23. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Student of the Market: Election year special

Returns as of 12/31/23	1 Year Return	5 Year Avg. Annual Return	10 Year Avg. Annual Return
S&P 500 TR USD	26.29	15.69	12.03
Bloomberg US Agg Bond TR USD	5.53	1.10	1.81
IA SBBI US IT Govt TR USD	2.90	0.62	1.26
IA SBBI US Large Stock TR USD Ext	26.29	15.69	12.03
US Fund Money Market - Taxable	4.63	1.57	0.98

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