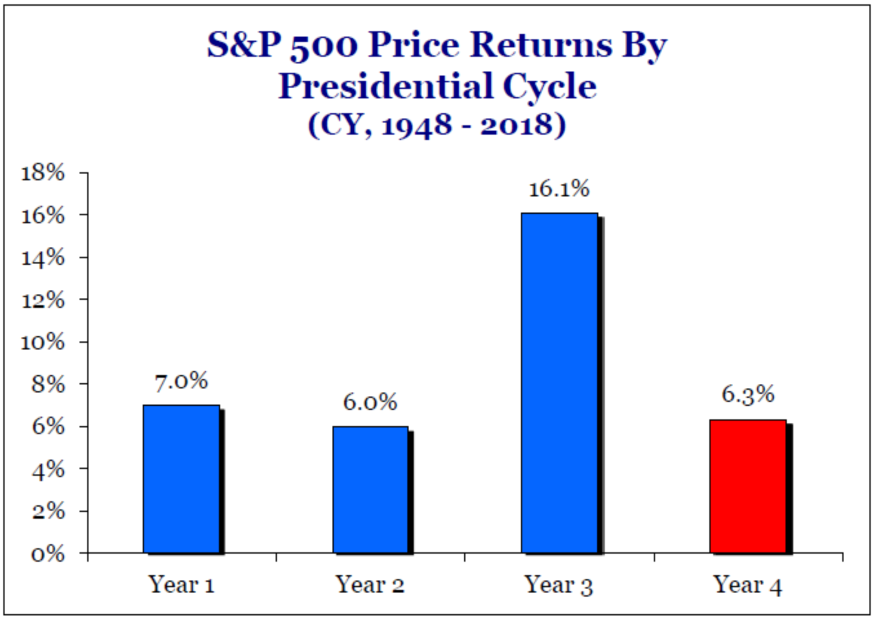
"The equity market is not partisan."

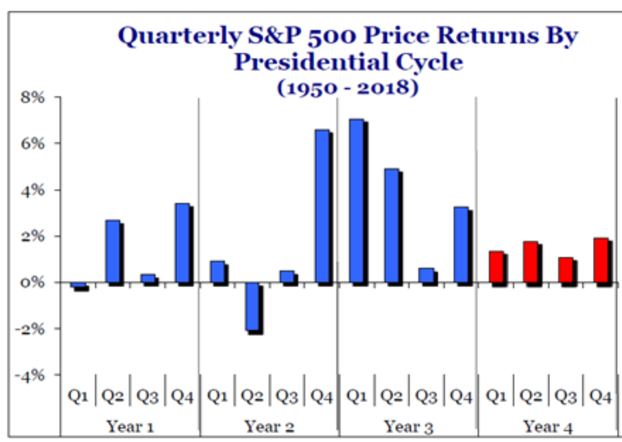
- Strategas Research



Source: Strategas

2020 is a presidential election year and a familiar question raised by investors is how stocks trade during election years. With ample rhetoric and distractions, it will be easy to get taken off task and make costly investment mistakes by misinterpreting signals versus the noise. What's clear is that this cycle is playing out similar to history. The performance of domestic equity markets in 2019 "rhymed" with history in year three of the cycle, posting strong returns versus the preceding two years – up over 28% in the case of the S&P 500. We'd note year three also followed a familiar playbook with monetary and fiscal stimulus introduced into the system.

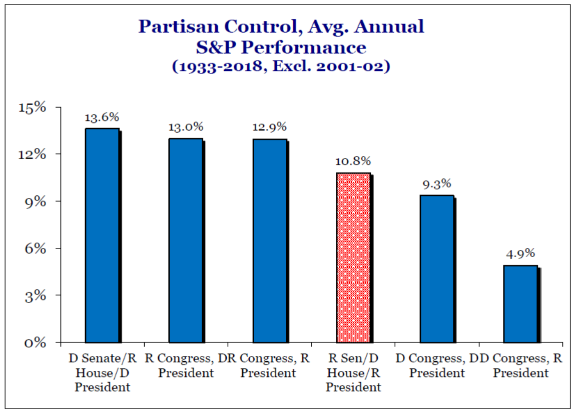
In the case of 2019, the Fed's three interest rate cuts, injection of liquidity into the repurchase markets as well as easing China and NAFTA trade uncertainty have all provided a supportive backdrop for investors as we enter 2020. If the playbook follows history, stronger economic growth should emerge as these simulative powers take hold.



Source: Strategas

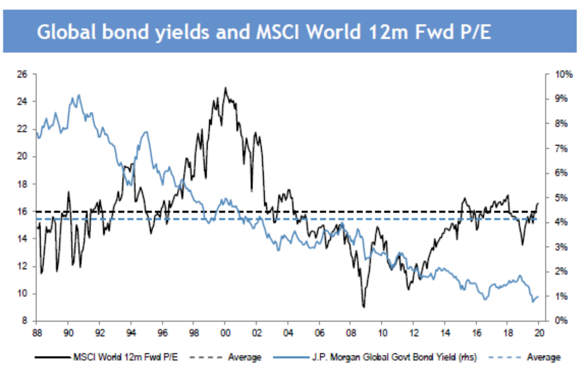
Strategas research notes in their work that returns in election years are not only positive, but tend to be the smoothest in terms of quarterly returns, as seen above.

We also like their quote (and their chart) that the equity market tends not to be partisan in terms of returns.



Source: Strategas

The chart above highlights various combinations of parties holding the executive and legislative branches. While their work would show the S&P 500 has performed best from 1936 to 2016 when a Republican held the presidency, many combinations can lead to solid returns for equity investors.



Source: Datastream, IBES

Our focus has been on keeping our "eye on the prize" to build portfolios of unique companies at unique prices. As seen in the chart to the left, valuations for equities do not appear stretched on a global basis and continue to provide a target rich environment as we enter 2020. While maintaining a focus on potential risks within the global equity markets, we concur with Cornerstone Research's statement in their recent strategy piece that "there are many reasons for active managers to be feeling optimistic about 2020."

As always thank you for your interest and trust managing your investments.

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