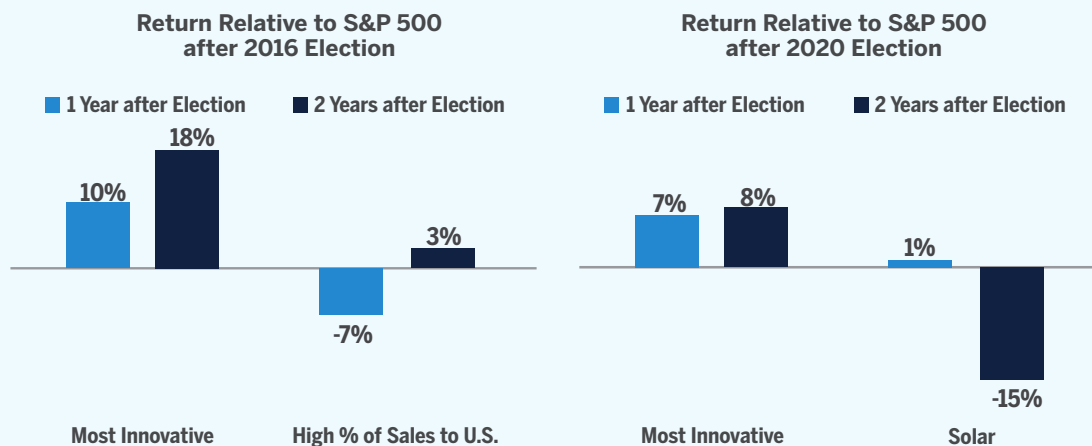




Economic Policies and Market Realities

As we approach Super Tuesday, the day when the largest number of U.S. states hold primary elections, investors turn their attention to the potential policy impacts so they can strategically align their portfolios going into the 2024 U.S. presidential election. However, is political-based investing effective?

Innovative Stocks Historically Beat Politically Focused Strategies



Source: FactSet, Piper Sander.¹ Performance measured monthly from end of October of 2016 and 2020, respectively. "Politically Focused" strategies are represented by High % of Sales to U.S. and Solar. "Most Innovative" performance based on top quintile of S&P 500 measured by R&D spending-to-revenue and calculated monthly relative to S&P 500. High % Sales to U.S. is highest % of sales quintile of S&P 500 less the lowest % sales quintile of S&P 500. Solar stock performance is that of Invesco Solar ETF (TAN) relative to S&P 500. **The performance data quoted represents past performance, which is not an indication or a guarantee of future results.**

- After the 2016 U.S. presidential election, investors anticipated Donald Trump's "America First" policies (e.g., corporate tax cuts) would benefit companies with a high percentage of U.S. sales. However, the left chart above shows that this did not play out as expected. The most innovative companies outperformed the S&P 500 and "America First" beneficiaries considerably.
- Following the 2020 U.S. presidential election, investors thought Joe Biden's focus on renewable energy (e.g., solar power companies) would benefit green energy companies, particularly after the Inflation Reduction Act was announced in August 2022. In the right chart above, solar stocks significantly underperformed the S&P 500 and the most innovative companies two years after the 2020 election.
- Historically, investing in "innovation" has outperformed policy portfolios after elections, underscoring that innovation and fundamentals are more important than politics. As we head into the 2024 election, we believe investors should consider investing in secular growth companies and avoid politically focused strategies, which have not worked out in the last two U.S. elections.

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