Financial Markets and Election Cycles

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MARKETS & ELECTION CYCLE

Russell Investments

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Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.

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Standard Deviation is a statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution. The greater the degree of dispersion, the greater the risk.

Correlations measure the strength and direction of a linear relationship between two random variables. The value will range between -1 and 1. Rolling correlations are trailing correlations in overlapping cycles for a given period of time. The periods shift based on a chosen length (typically 1 month) resulting in a continuous stream of trailing correlations e.g. a three year rolling value shifted by 1 month will show you the trailing 3 year value for each month displayed. Correlations are useful for understanding the behavior of correlations over multiple time periods. Demonstrates patterns or longer term trends in the return data.

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Bond investors should carefully consider risks such as interest rate, credit, default and duration risk. Greater risk, such as increased volatility, limited liquidity, prepayment, non-payment and increased default risk, inherent in portfolios that invest in high yield ("junk") bonds or mortgage-backed securities, especially mortgage-backed securities with exposure to sub-prime mortgages. Generally, when interest rates rise, prices of fixed income securities fall. Interest rates in the United States are at, or near, historic lows, which may increase a Fund's exposure to risks associated with rising rates. Investment in non-U.S. and emerging market securities is subject to the risk of currency fluctuations and to economic and political risks associated with such foreign countries.

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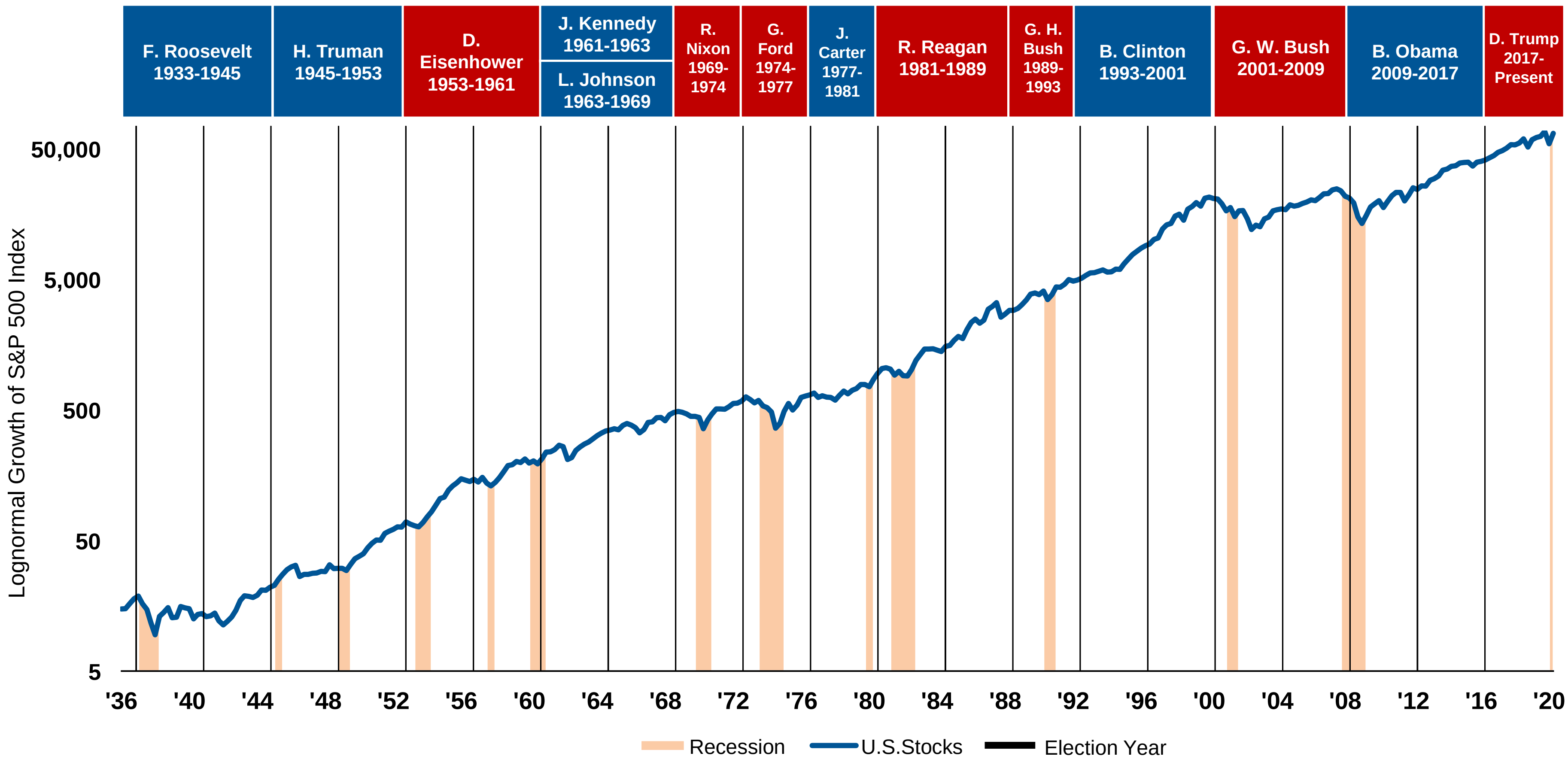
U.S. stock market growth & election cycles

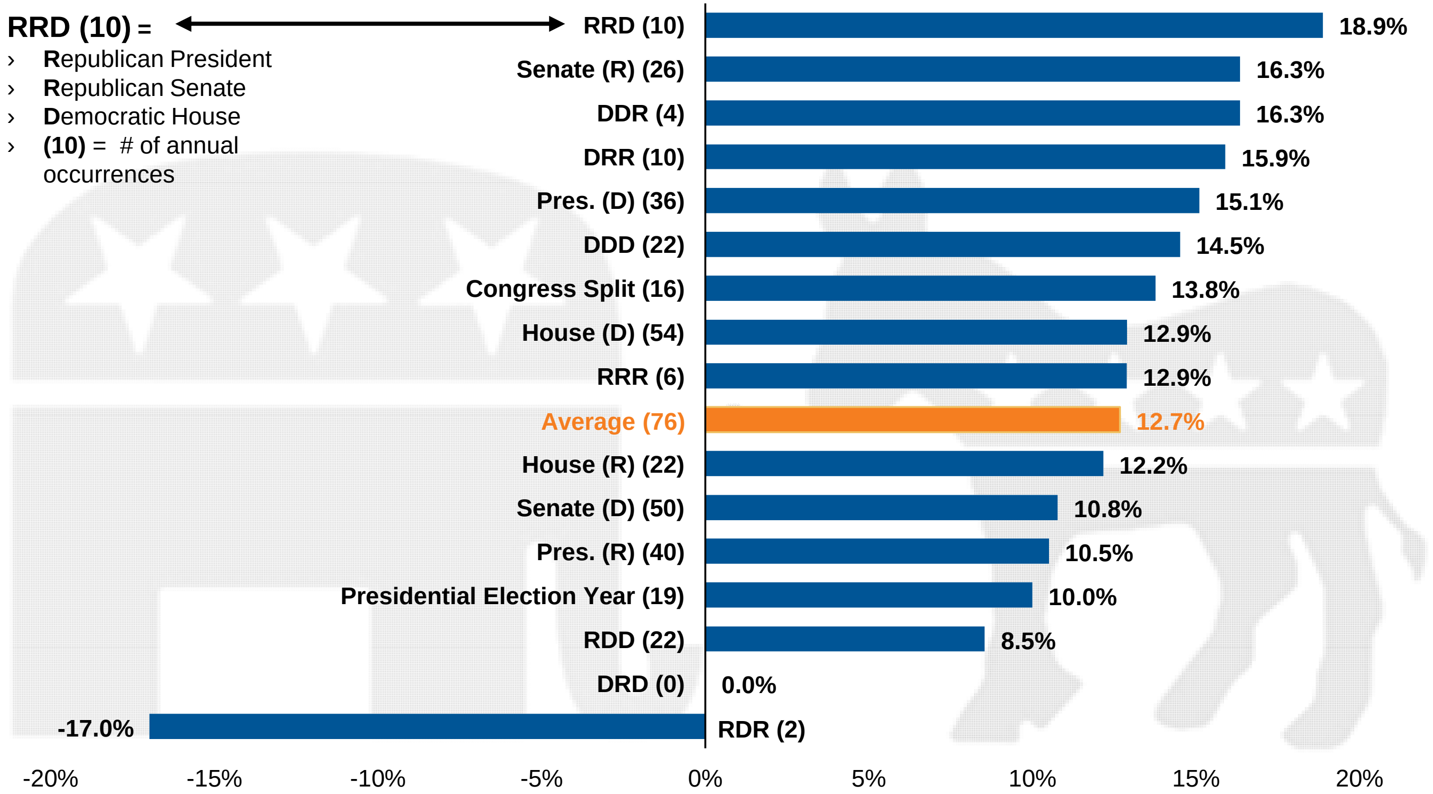


Regardless of resident in the White House, markets have trended up over the long-term.

U.S. Stocks: S&P 500 Index. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

Politics and markets

U.S. stocks performance vs political makeup 1945-2020(YTD)



- Markets dislike uncertainty more than any specific party
- Since the end of World War II no party has consistently experienced superior market returns
- It is important to focus on the policies rather than the people

U.S. Stocks: S&P 500® Index. As of 8/31/2020. Indexes are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

Presidential market impacts

Negative speculation of presidential candidates has not slowed economy or markets

PRESIDENT

Bill Clinton 1993-2000

George W. Bush 2001-2008

Barack Obama 2009-2016

Donald Trump 2017- Present

OPPONENTS SAID

Bill Clinton:
- Tax Increases will cripple U.S. economy
- Healthcare nationalization will negatively impact economy

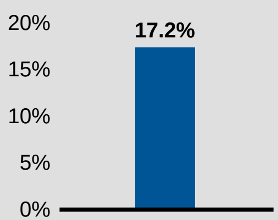
George W. Bush:
- Tax cuts will only benefit wealthy Americans
- Lack of foreign policy expertise will be detrimental

Barack Obama:
- Campaign promises are unachievable
- Increased government and healthcare spending will balloon national debt

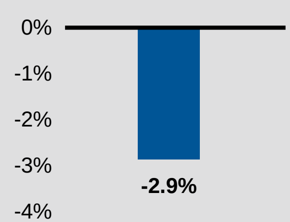
Donald Trump:
- Never held political office
- Trade war with China will hurt U.S. and world economy

MARKET RESULTS

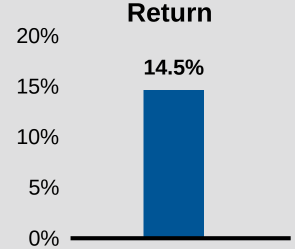
S&P 500 Annualized Return



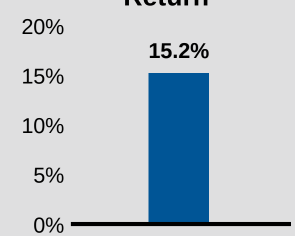
S&P 500 Annualized Return



S&P 500 Annualized Return



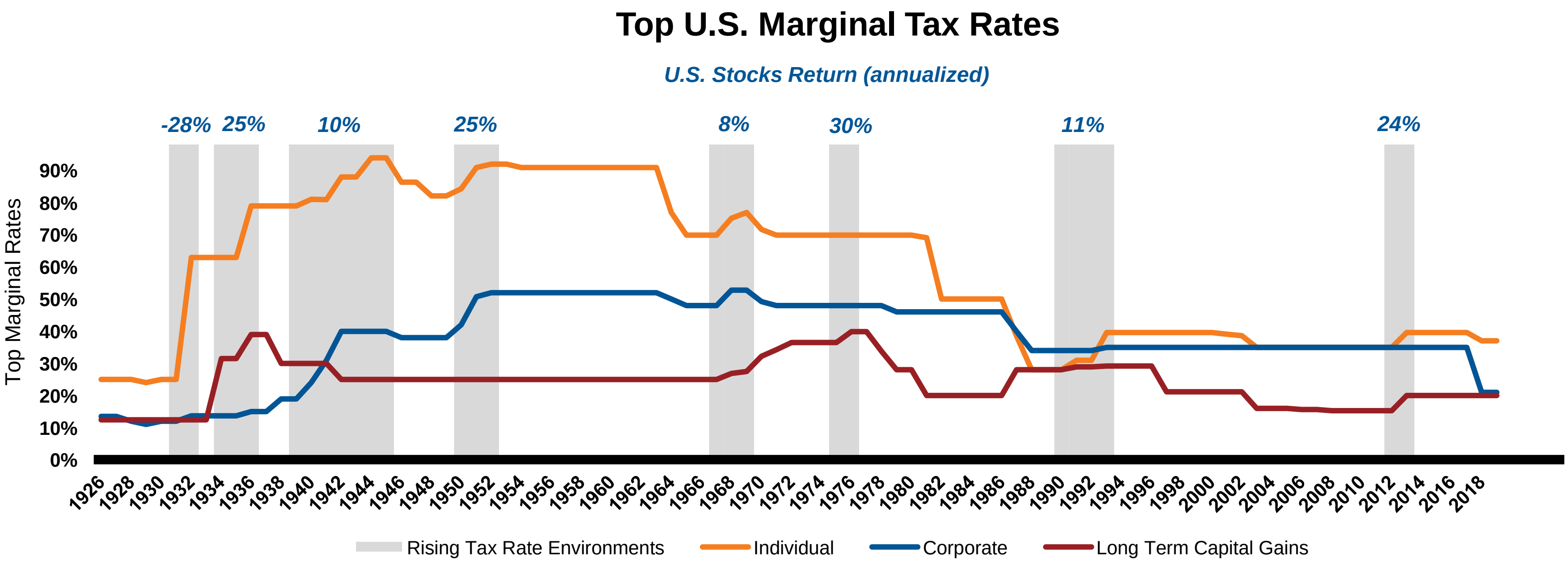
S&P 500 Annualized Return*



*Returns are YTD as of 8/31/2020

Source: S&P 500 Index. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

Taxes on the rise?



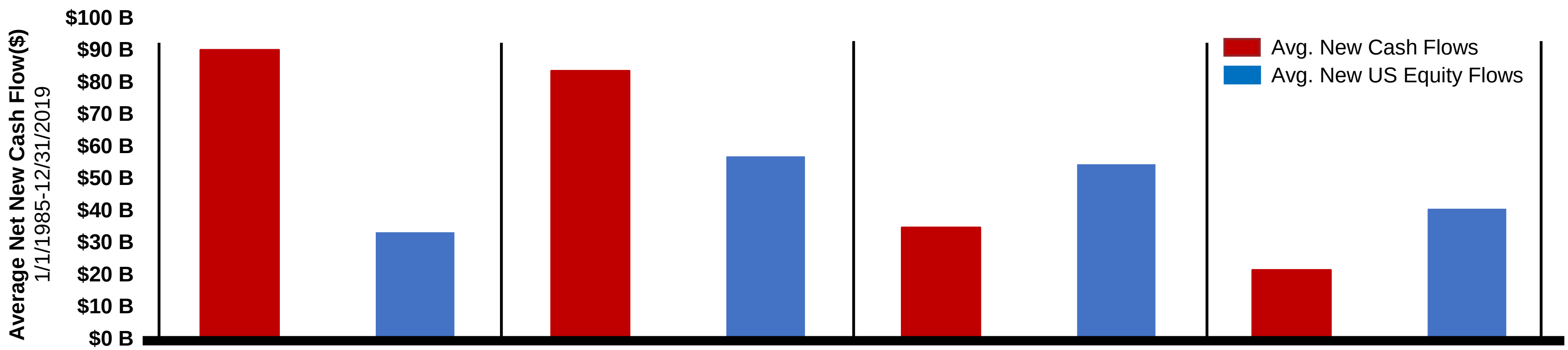
PERIOD	TAXES INCREASED	ANNUALIZED RETURN
1931-1932	Corporate & Individual	**(-27.9%)**
1934-1936	Corporate, Individual & Capital Gains	**24.9%**
1939-1945	Corporate & Individual	**10.1%**
1950-1952	Corporate & Individual	**24.6%**
1967-1969	Corporate, Individual & Capital Gains	**8.0%**
1975-1976	Capital Gains	**30.4%**
1990-1993	Corporate, Individual & Capital Gains	**10.6%**
2012-2013	Individual & Capital Gains	**23.9%**

U.S. stock returns: S&P 500 Index ,Tax Policy Center, St. Louis Federal Reserve. Indexes are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

Staying invested tends to payoff

History says don’t let election years dictate your investment plan

	Pre-Election Year	Election Year	Post-Election Year	Mid-Term Election Year
4-Year Annualized Return	Return 10.5%	Return 11.2%	Return 11.4%	Return 11.0%
4-Year Annualized Risk (Std Dev)	14.3% Risk	13.3% Risk	14.9% Risk	14.7% Risk



- If you were to break out 4-year risk and return by each year in the election cycle, the election year has offered the second highest return and lowest risk on average.
- Investors tend to favor cash investments in pre-election and election years.

Source: Flows - Morningstar Direct (1/1/1993-12/31/2019)**, US Equity:** Active and Passive Mutual Funds**, Cash:** Money Market Funds **ICI (1/1/1985-12/31/1992): US Equities**: Long-Term Mutual Fund Flows **Cash**: Money Market Accounts. 4-year average US Equity Return and Standard Deviation (Risk): S&P 500 Index, figures are based on 4-year averages for each segment of the election cycle from 1/1/1985-12/31/2019

Important information and disclosures

RISKS OF ASSET CLASSES DISCUSSED IN THIS PRESENTATION:

Global, International and Emerging markets return may be significantly affected by political or economic conditions and regulatory requirements in a particular country. Investments in non-U.S. markets can involve risks of currency fluctuation, political and economic instability, different accounting standards and foreign taxation. Such securities may be less liquid and more volatile. Investments in emerging or developing markets involve exposure to economic structures that are generally less diverse and mature, and political systems with less stability than in more developed countries.

Real Assets: Investments in infrastructure-related companies have greater exposure to adverse economic, financial, regulatory, and political risks, including, governmental regulations. Global securities may be significantly affected by political or economic conditions and regulatory requirements in a particular country. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks. Investments in international markets can involve risks of currency fluctuation, political and economic instability, different accounting standards, and foreign taxation.

Commodities: Commodities may have greater volatility than traditional securities. The value of commodities may be affected by changes in overall market movements, changes in interest rates or sectors affecting a particular industry or commodity, and international economic, political and regulatory developments.

Bonds: With fixed income securities, such as bonds, interest rates and bond prices tend to move in opposite directions. When interest rates fall, bond prices typically rise and conversely when interest rates rise, bond prices typically fall. When interest rates are at low levels there is risk that a sustained rise in interest rates may cause losses to the price of bonds. Bond investors should carefully consider these risks such as interest rate, credit, repurchase and reverse repurchase transaction risks. Greater risk, such as increased volatility, limited liquidity, prepayment, non-payment and increased default risk, is inherent in portfolios that invest in high yield ("junk") bonds or mortgage backed securities, especially mortgage backed securities with exposure to sub-prime mortgages. Investment in non-U.S. and emerging market securities is subject to the risk of currency fluctuations and to economic and political risks associated with such foreign countries. When interest rates are at low levels there is risk that a sustained rise in interest rates may cause losses to the price of bonds.

Small capitalization (small cap) investments involve stocks of companies with smaller levels of market capitalization (generally less than $2 billion) than larger company stocks (large cap). Small cap investments are subject to considerable price fluctuations and are more volatile than large company stocks. Investors should consider the additional risks involved in small cap investments.

Large capitalization (large cap) investments involve stocks of companies generally having a market capitalization between $10 billion and $200 billion. The value of securities will rise and fall in response to the activities of the company that issued them, general market conditions and/or economic conditions.

Although stocks have historically outperformed bonds, they also have historically been more volatile. Investors should carefully consider their ability to invest during volatile periods in the market.

Growth: Growth investments focus on stocks of companies whose earnings/profitability are accelerating in the short-term or have grown consistently over the long-term. Such investments may provide minimal dividends which could otherwise cushion stock prices in a market decline. A stock's value may rise and fall significantly based, in part, on investors' perceptions of the company, rather than on fundamental analysis of the stocks. Investors should carefully consider the additional risks involved in growth investments.

Value: Value investments focus on stocks of income-producing companies whose price is low relative to one or more valuation factors, such as earnings or book value. Such investments are subject to risks that the stocks' intrinsic values may never be realized by the market, or, that the stocks may turn out not to have been undervalued. Investors should carefully consider the additional risks involved in value investments.

An **Investment Grade** is a system of gradation for measuring the relative investment qualities of bonds by the usage of rating symbols, which range from the highest investment quality (least investment risk) to the lowest investment quality (greatest investment risk).

Gross domestic product (GDP) refers to the market value of all final goods and services produced within a country in a given period. It is often considered an indicator of a country's standard of living.

Trailing price-to-earnings (P/E) is a relative valuation multiple that is based on the last 12 months of actual earnings. It is calculated by taking the current stock price and dividing it by the trailing earnings per share (EPS) for the past 12 months.

Forward price to earnings (forward P/E) is a quantification of the ratio of price-to-earnings (P/E) using forecasted earnings for the P/E ratio.

Price-to-book ratio compare a firm's market to book value by dividing price per share by book value per share.

Index definitions

The S&P 500® Index: A free-float capitalization-weighted index published since 1957 of the prices of 500 large-cap common stocks actively traded in the United States. The stocks included in the S&P 500® are those of large publicly held companies that trade on either of the two largest American stock market exchanges: the New York Stock Exchange and the NASDAQ.