



RIVER GLADES

A MULTIFAMILY OFFICE

2020 Election Commentary

Poinciana Professional Park
2640 Golden Gate Parkway Suite 105
Naples, FL 34105

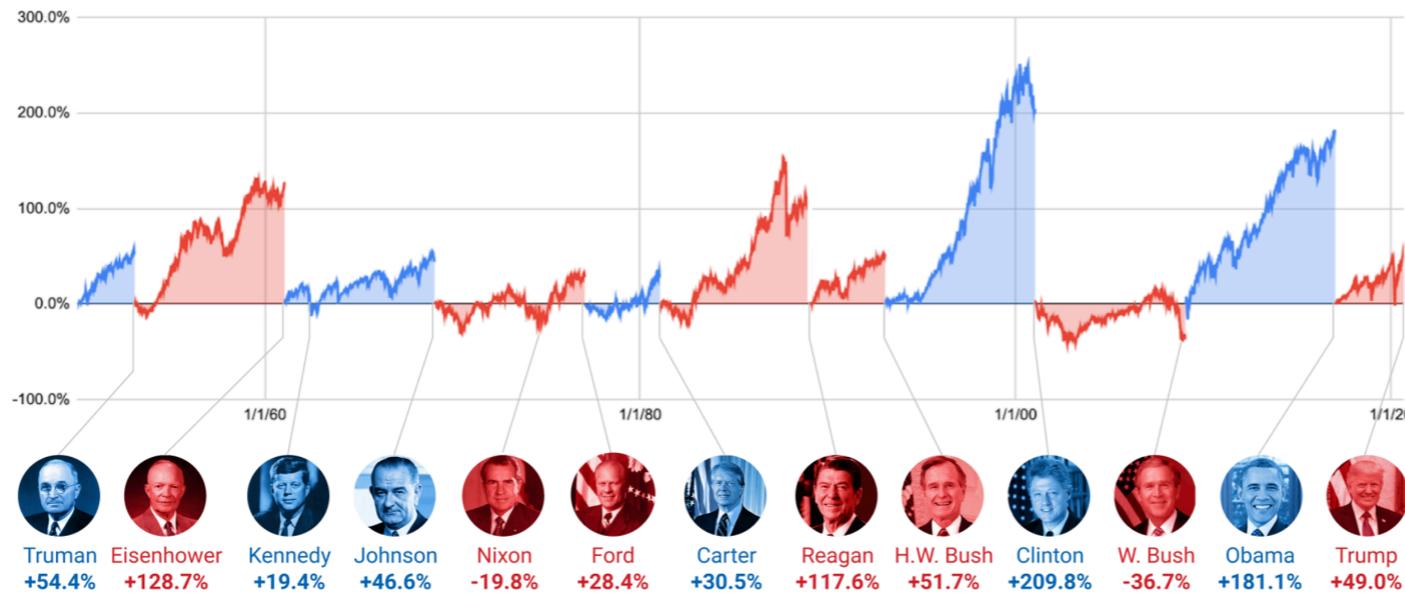
pjm@rivergladesfo.com
239.263.4079
www.rivergladesfo.com

THE ELECTION AND THE MARKETS

Looking Back at History

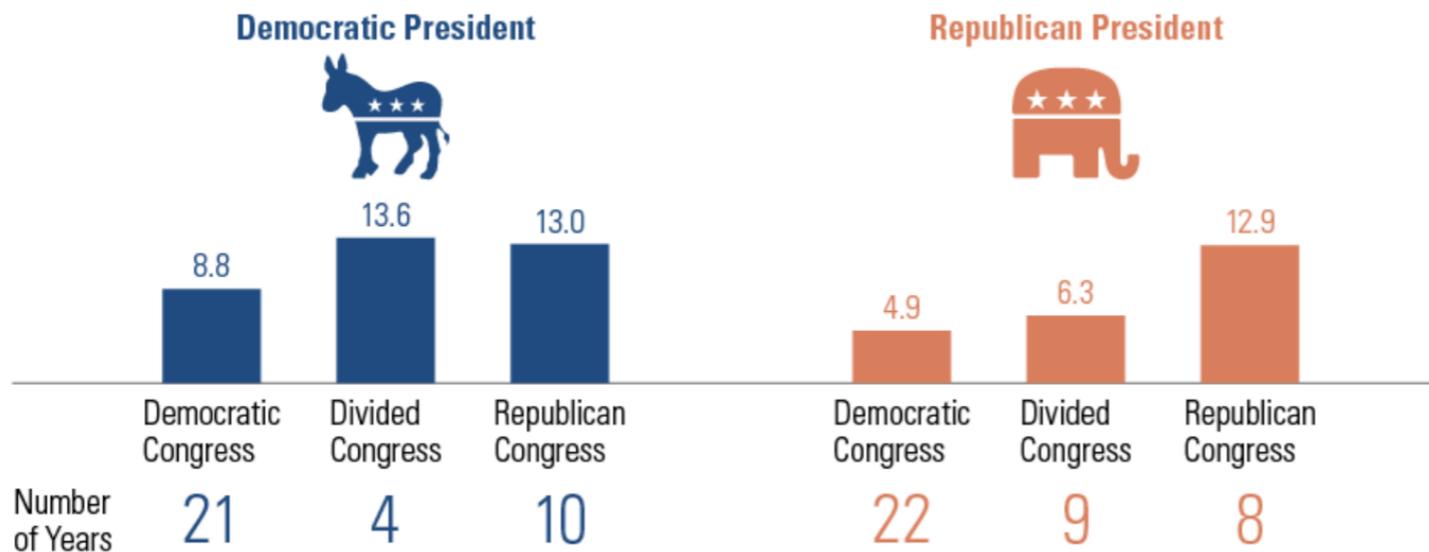
Historical Perf.

S&P 500 Performance Under Republican and Democrat Presidents



Division of Power

Median Annual Return (%)



Source: Bloomberg and GSAM.

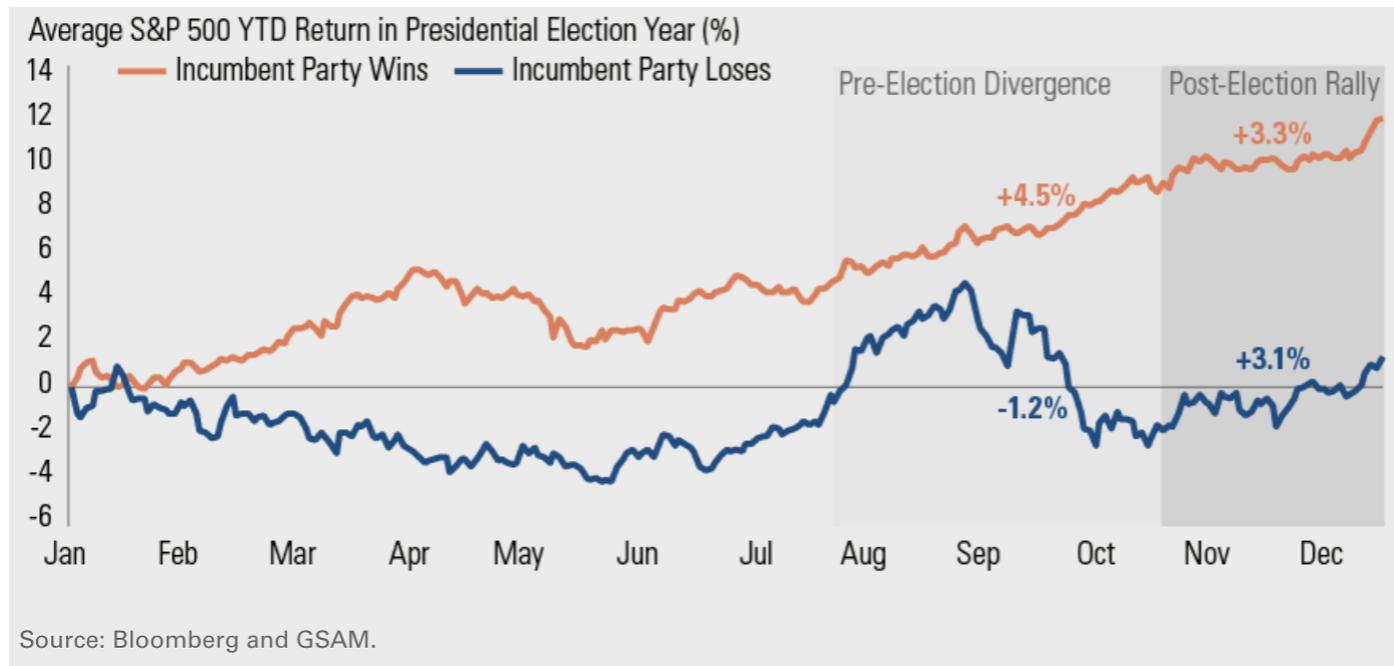
History as a Guide?

- ❖ It goes without saying that this election, possibly more than any other, presents elevated uncertainty for investors.
- ❖ In an effort to understand what the upcoming election means for the market historical results can serve as one way to think about the road ahead.
- ❖ The top chart shows the performance of the S&P 500 during the terms of presidents going back to Truman. (Red for Republican and Blue for Democrats.)
- ❖ The bottom graphic shows median annual return under presidents of both parties but further refines the data by distinguishing the make-up of Congress under the respective presidential terms.



Impact During Election Years

Election Year Performance



Pre/Post-Election

- ❖ The top chart shows the average S&P 500 performance leading up to the election as well as post election by incumbent winning and incumbent losing.
- ❖ The current chart looks like something in-between the two scenarios but the S&P 500 is currently +9.5% as of 10/16/20. One could argue more closely tracking the to incumbent winning chart.
- ❖ The bottom graphic shows that in most scenarios the period from election to inauguration is mildly positive.

Election to Inauguration

Market Reaction to Incumbents and Challengers Being Elected
(PERIOD FROM ELECTION TO INAUGURATION)

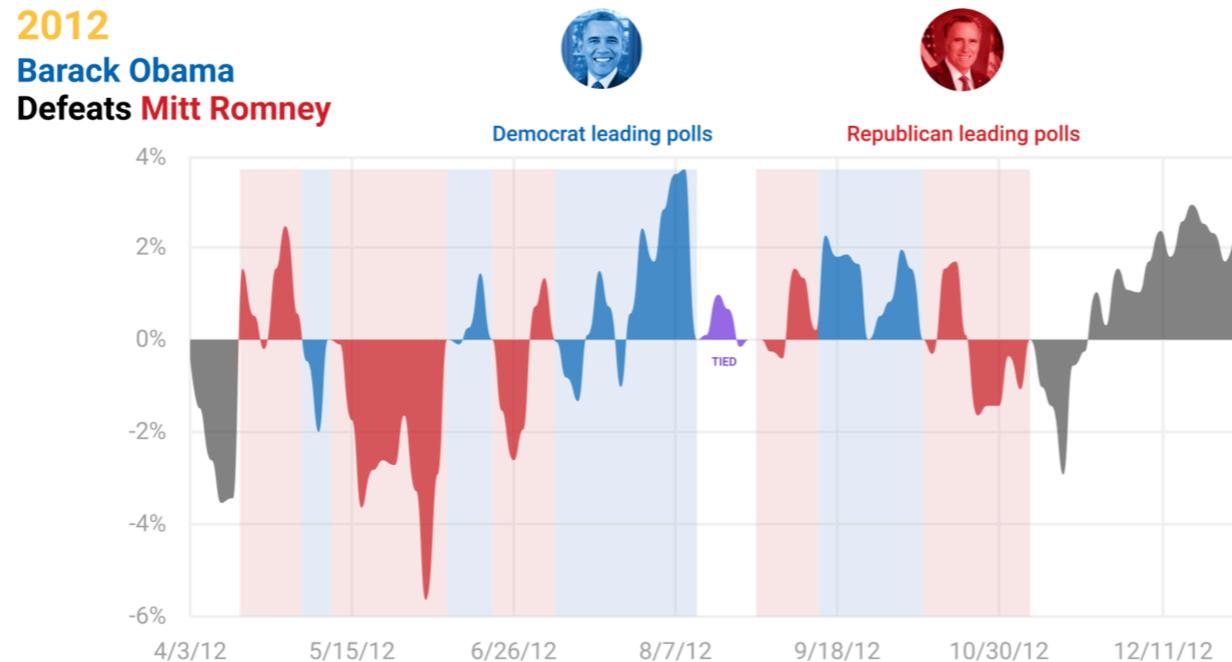
	Republican	Democrat	Either Party
Incumbent	+1.1%	+4.8%	+2.7%
Challenger	+2.0%	+1.5%	+1.7%
Neither	+1.8%	-5.6%	-0.3%

Source: YCharts.com



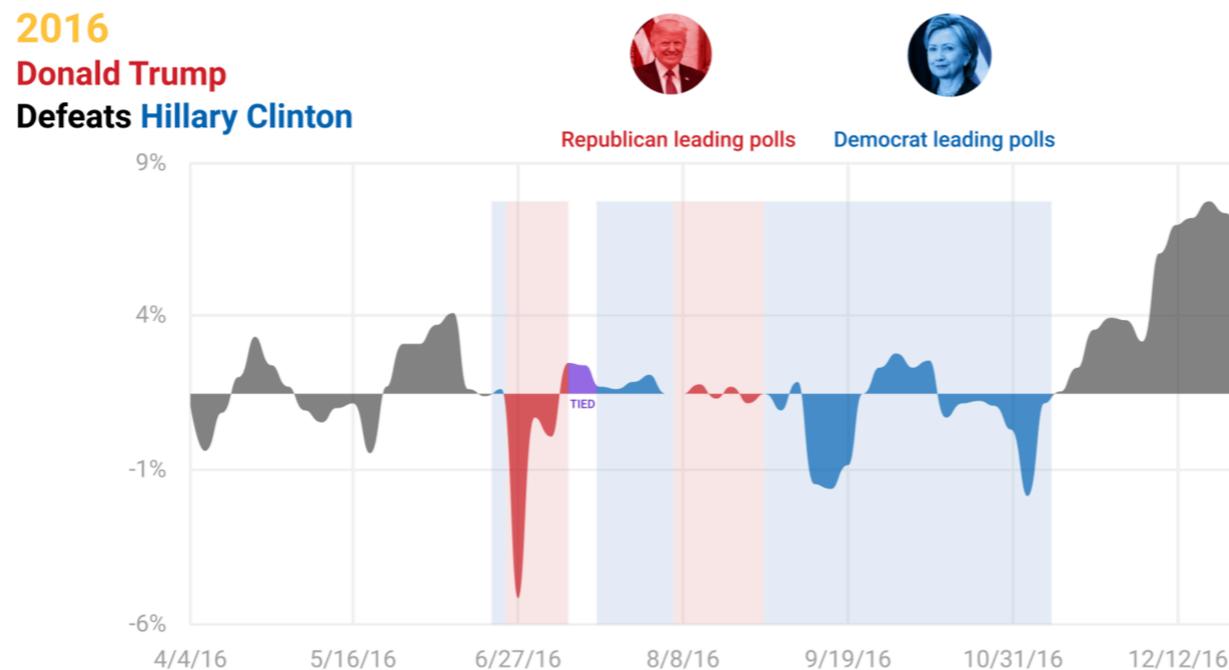
What About Election Surprises

Obama - Romney



Source: YCharts.com

Trump - Clinton



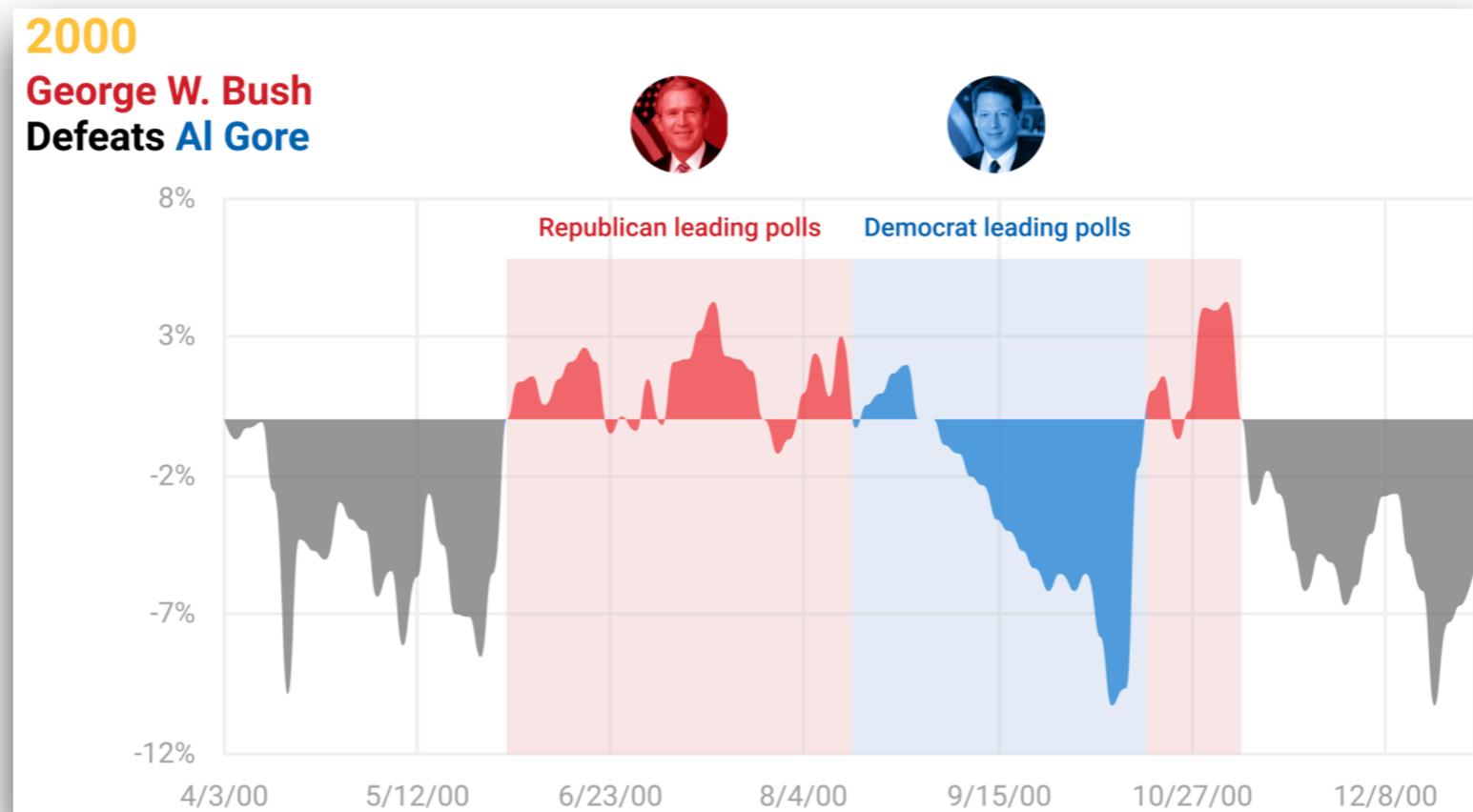
Source: YCharts.com

Leading the Polls...

- ❖ History is less than clear on the impact of an election “surprise.”
- ❖ In 2012, the polls seemed to swing from Romney to Obama throughout the year and the S&P 500 had mixed results as well. However, following the election there was a notable decline before a strong recovery.
- ❖ Where as in 2016 the polls showed a fairly strong lead for Hillary Clinton in the final months leading up to the election. Popular wisdom was that she would win and if Trump were to surprise the world, the market would decline sharply. However, following a 5+% decline overnight the markets opened higher the next day.



And Who Could Forget!



Source: YCharts.com

Delayed Election Results?

- ❖ With expectations that significantly more voters will use of mail-in ballots in light of COVID-19 and closely contested results anticipated in several swing states, the idea that a winner will not be declared on election night is a real possibility. Some pundits believe that this might even escalate to involving court rulings on election procedures and specifics related to vote counting. Does this sound familiar?
- ❖ The uncertainty that followed the 2000 election contributed to a decline in the S&P 500 into December when the Supreme Court ruled Dec 12, 2000 ending the recount and causing Al Gore to concede.



Thoughts on Stocks



2020 ELECTION SCORECARD: Equities

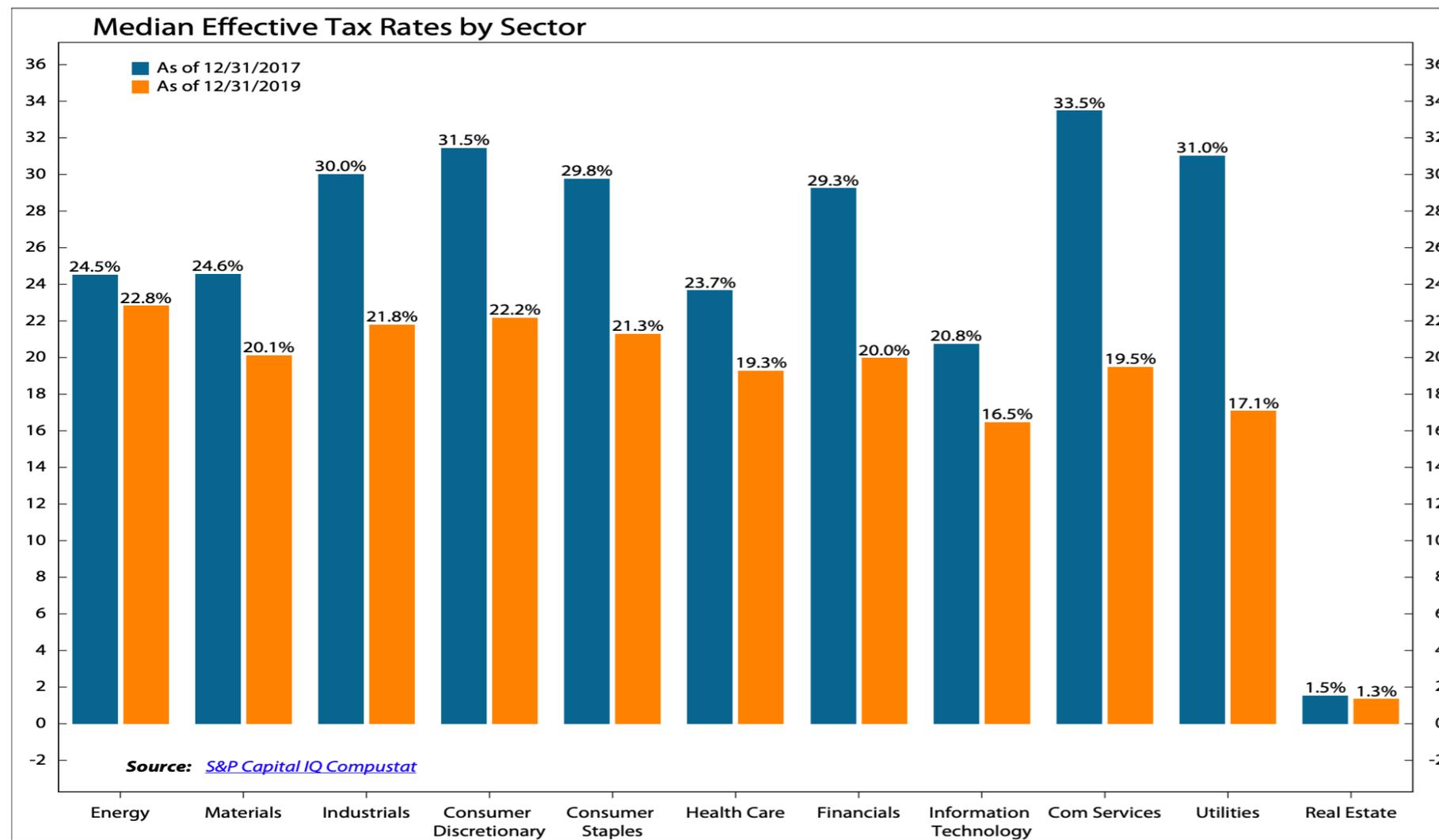
EQUITY SEGMENT	WHAT OUR EXPERTS ARE WATCHING	POSSIBLE IMPLICATIONS
Innovation Growth	<ul style="list-style-type: none"> ■ Pace of U.S. rebound from deep COVID-led recession ■ Rapid adoption of work-from-home (WFH) products, services, and technologies 	<ul style="list-style-type: none"> ■ Possible short-term shift to cyclical stocks with a Republican victory ■ Continued intermediate- and long-term strength in Innovation paced by WFH companies
Durable Growth	<ul style="list-style-type: none"> ■ Developments in U.S. tax policy ■ Increased scrutiny of “Big Tech” ■ U.S. relationship with China ■ Potential healthcare, infrastructure, education finance initiatives 	<ul style="list-style-type: none"> ■ Less favorable backdrop for certain healthcare services companies ■ Potential headwinds for banks with exposure to student lending
Health Care	<ul style="list-style-type: none"> ■ Funding for any significant changes to U.S. healthcare system ■ Affordability for consumers ■ Level of consumer access to features of new or amended plans 	<ul style="list-style-type: none"> ■ More favorable view of biotechnology and tools/diagnostics ■ Neutral on medical devices ■ More challenging environment for healthcare providers/services, and pharmaceuticals
Dividend	<ul style="list-style-type: none"> ■ Potential for rollback of corporate tax break from 2017 tax reform bill ■ Infrastructure initiatives ■ Developments in U.S.-China relationship ■ Healthcare and environmental legislation 	<ul style="list-style-type: none"> ■ Scrutiny of companies that may face potential challenges to profitability given election developments ■ Focus on quality companies with favorable long-term earnings and dividend payment histories
Value	<ul style="list-style-type: none"> ■ In a Republican victory, status quo for lower corporate tax rates from 2017 and a continued emphasis on deregulation ■ If the Democrats win, expanded health care coverage, increased corporate taxes, and heavier regulation 	<ul style="list-style-type: none"> ■ Focus on post-election positioning of financials, materials, and energy ■ Selective approach to health care, especially names that could potentially benefit from greater consumer access to insurance and those that may face challenges from greater government role in the market

Source: Lord Abbett



Thoughts on Stocks continued

Tax cut winners could be most hurt from hike.



NSQ2020Q3_05



© Copyright 2020 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html For data vendor disclaimers refer to www.ndr.com/vendorinfo/

If Biden Wins...

- ❖ The Biden Campaign has made it clear and said in no uncertain terms that if he is elected he is going to raise taxes on corporations and those households making more than \$400,000/yr.
- ❖ From purely an investor perspective this might be the most impactful and immediate impact on the markets and would likely impact the beneficiaries of the Trump corporate tax cuts the greatest.
- ❖ The Biden policies intend to treat capital as labor. This will tax capital gains as regular income. If higher income brackets are raised, this could result in capital gains taxes effectively doubling. This could prompt investors to realize gains sooner as opposed to later.



Thoughts on Bonds

2020 ELECTION SCORECARD: Fixed Income

ISSUE	IF THEY WIN ...	POSSIBLE IMPLICATIONS
 Taxes	<p>Republicans Huge deficits or no, U.S. tax rates likely stay the same</p> <p>Democrats: Some likelihood of higher rates</p>	<p>Corporate Bonds: Current low-rate tax regime has aided corporate profitability; higher rates may have a negative impact</p> <p>Munis: Current tax rates favorable for demand; higher rates could potentially make munis even more attractive</p>
 Health Care	<p>Republicans: Likely changes to Affordable Care Act (ACA), although overall plan is unclear</p> <p>Democrats: Possible restoration of prior ACA features and expansion of coverage</p> <p>Bipartisan Bonus: Efforts to keep drug price increases in check</p>	<p>Leveraged Credit/Corporate Bonds: Drug-price focus may be a negative for pharma issuers; health-care providers and tech firms may be more favorably positioned</p> <p>Munis: Enhanced coverage under ACA could potentially benefit hospitals, health-care systems</p>
 Infrastructure	<p>Republicans: Possible refocus on infrastructure legislation</p> <p>Democrats: Increased spending, including a significant green energy component</p> <p>Bipartisan Bonus: Both parties likely to come to some agreement on increased spending</p>	<p>Leveraged Credit: Infrastructure companies may be more favorably positioned whoever wins; green infrastructure could benefit under Democrats</p> <p>Munis: More spending likely means more muni bond issuance, though market appears capable of absorbing new supply</p>
 Education Finance	<p>Republicans: Little prospective change in policy</p> <p>Democrats: Potential increase in refinancing of FFELP (Federal Family Education Loan) student loans into Federal Direct Loans; possible loan modifications based on financial need</p>	<p>Asset-Backed Securities (ABS): Refinancing, modification plans may potentially create both prepayment and extension risks for parts of the student loan ABS market</p>

Source: Lord Abbett

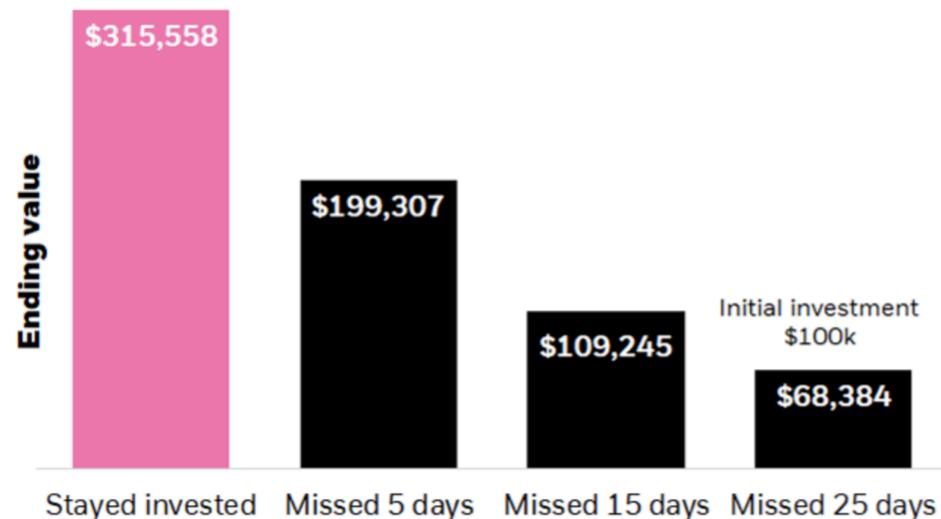


What To Do? Think Long-Term!

Year of Transitions

Time in the market vs. timing the market: Missing top-performing days can hurt your return

Hypothetical investment of \$100,000 in the S&P 500 Index over the last 20 years (June 2000 – June 2020)

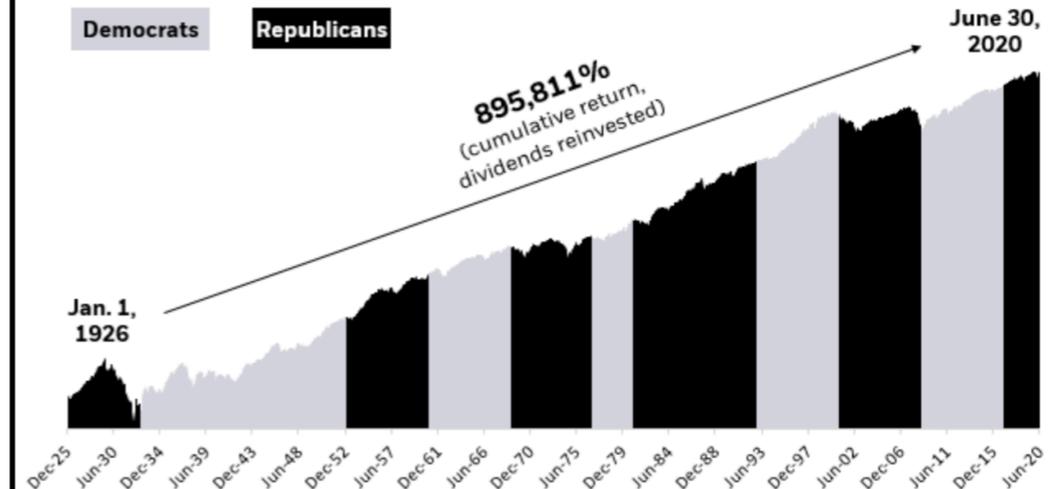


Source: Morningstar as of 6/30/20, chart data references the top five, 15 and 25 days over the period. **Index performance is for illustrative purposes only. Index performance does not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.**

- ❖ With uncertainty seemingly everywhere these days and historical performance offering little clarity, sticking to your long-term plan is seemingly the best advice.
- ❖ In the interim, developing a plan to be prepared for near-term cash needs or to capitalize on any weakness in the markets seems prudent. This should include considering raising cash levels, potentially by harvesting gains at today's preferential tax rates.
- ❖ During times like these having an attentive and forward-thinking financial advisor can help work through the impact of the elections and more on your portfolio and overall wealth position.

Source: Blackrock

The election: stocks have continued higher regardless of presidential party



Source: Morningstar as of 6/30/20. Stock market represented by the S&P 500 Index from 1/1/70 to 6/30/20 and IA SBBI 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. Index performance does not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.**



ABOUT RIVERGLADES



RIVERGLADES

A MULTIFAMILY OFFICE

Comprehensive Wealth Management

(Well-suited for investors \$25M-\$250M)

Providing clients with a bespoke solution for their unique financial situation and long-term investment goals.



✓ Holistic Approach to Financial Counsel



✓ Investment and Portfolio Management



✓ Tax and Estate Planning Guidance and Coordination



✓ Source of Private Deals and Boutique Investments



✓ Optimized Portfolio construction and implementation



✓ Budget & Cash Flow Tracking and Monitoring



✓ Account Level and Overall Portfolio Risk Analysis



✓ Independent Third-Party Custodian



✓ Performance monitoring and customized reporting



✓ Wealth Stewardship Educational Opportunities



✓ Regular and Frequent Communication



✓ "Salon-Style" Discussions with Peers and Experts

About the Firm:

RiverGlades Family Offices, LLC is an SEC Registered Investment Advisor. Founded based on the experiences of high net-worth investors and family offices. The firm now serves a select group of like-minded clients specializing in assisting those that are newly liquid or considering a transition of control or increasing involvement of the next generation.

Clients count on RiverGlades for the institutional-level perspective, strategy, and execution to accomplish their most complex and meaningful goals. As your trusted advisor, we strive to alleviate the stress of managing your investments so that you may focus with confidence on the things that matter most in life.

We believe the value an investment advisor adds is directly related to the strength of the relationship with their client. We therefore seek to establish mutual trust and understanding before beginning to work together.

We believe that investment markets should be used as a tool to diversify risk and provide long-term asset growth. We therefore invest in a manner consistent with this thinking and seek to work with clients of a similar mindset.

About the Founder:

Paul "PJ" Marinelli is the Founder and President of RiverGlades Family Offices, LLC. PJ's experience includes extensive exposure to the various facets of investment management having worked at some of the world's largest asset management companies. Prior to founding RiverGlades he was responsible for the investment and trust operations of a regional bank based in Florida. He is a graduate of Duke University, Chartered Financial Analyst (CFA) charter holder, and Certified Private Wealth Advisor (CPWA) professional.

Who We Are

RiverGlades Family Offices, LLC is a SEC Registered Investment Advisor. Our firm was founded based on the experiences of high net-worth investors leading up to, during, and following the Great Financial Crisis. As 2008 unfolded and the global markets grew increasingly more volatile, these affluent investors realized that due to their use of several different firms to manage their assets, they were not able to easily evaluate their overall allocation, investment exposures, and risk profile.

The answer was to consolidate their assets at one firm, simplify their portfolio by reducing the number of investments, reducing fees, and identifying talented individuals with the professional experience and personal character they could trust to make the right decisions on their behalf.

It took time to bring it all together and refine the process. However, in 2014 RiverGlades Family Offices, LLC was founded in Naples, Florida to offer these services to select individuals, high net-worth families, and endowments.

Services We Offer

- ❖ *Current Portfolio and investment holdings analysis*
- ❖ *Asset Allocation and investment policy review*
- ❖ *Portfolio Optimization*
- ❖ *Portfolio construction and implementation*
- ❖ *Portfolio tracking, consolidated investment reporting.*
- ❖ *Concentrated Positions, Closely-held securities, and Low cost-basis holdings*



How We Are Different

Your Expert Guide

Individuals, Families, and Not-for-Profits turn to us for the institutional-grade perspective, strategy, and execution to accomplish their most complex and meaningful goals. As your trusted “chief financial officer,” we strive to alleviate the stress of managing your investments so that you may focus with confidence on the things that matter most in life.

Your Advocate

With greater wealth comes increased complexity and responsibility. As your advocate, we will comprehensively monitor and coordinate your investment portfolios. We work to ensure that the recommendations you receive are in your best interest and that your goals are met as efficiently and effectively as possible.

Your Neighbor

RiverGlades was founded to deliver the level of service most large firms claim to provide but fail to produce. Our independent, employee-owned model delivers world-class capabilities and expertise with fiduciary standards of service and transparency. Headquartered locally, we are exceptionally accountable and committed to your success.

Differentiators

- ❖ *Institutional-grade perspective, strategy and execution*
- ❖ *Comprehensive monitoring and coordination of investments*
- ❖ *Outcome Focused*
- ❖ *Independent, Employee Owned*
- ❖ *Fiduciary Standards of service and transparency*
- ❖ *Headquartered locally*



Our Investment Philosophy

We believe the value an investment advisor adds is directly related to the strength of the relationship with their client. We therefore seek to establish mutual trust and understanding before beginning to work together.

We believe that investment markets should be used as a tool to diversify risk and provide long-term asset growth. We therefore invest in a manner consistent with this thinking and seek to work with like-minded clients.

We believe that the most liquid publicly-traded markets are largely efficient. We therefore avoid trying to beat Wall Street at its own game and seek to accept the long term returns of the market while offsetting risk along the way.

We believe that in order to be truly diversified an investor must open their portfolio to include various asset classes, market segments, and geographical exposures. We therefore view our clients' portfolios as having a global opportunity set and seek to allocate more capital to those investment markets with the higher expected returns and less to those with lower expectations.

We believe investors should to the extent they desire, be able to understand the construction of their portfolio and why they own each of the underlying investments. We therefore offer quarterly meetings and seek to meet more frequently at the outset of the relationship and during times of greater volatility.

Our Advice

- ❖ *Honest, Unbiased*
- ❖ *No "Products" to sell or company line to repeat*
- ❖ *Investment strategy developed "in-house"*
- ❖ *Experienced investment professionals, not salesmen*
- ❖ *Demonstrated dedication to craft of investment analysis*
- ❖ *Relationship built upon client needs and expectations*



Disclaimers

- ❖ All investment strategies have the potential for profit or loss. Changes in investment strategies, contributions or withdrawals may materially alter the performance and results of your portfolio.
- ❖ Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client's investment portfolio.
- ❖ Economic factors, market conditions, and investment strategies will affect the performance of any portfolio and there are no assurances that it will match or outperform any particular benchmark.
- ❖ The information contained herein has been obtained from sources believed to be reliable but the accuracy of the information cannot be guaranteed.
- ❖ This is not to be considered a solicitation for the purchase or sale of any individual security or investment strategy.

