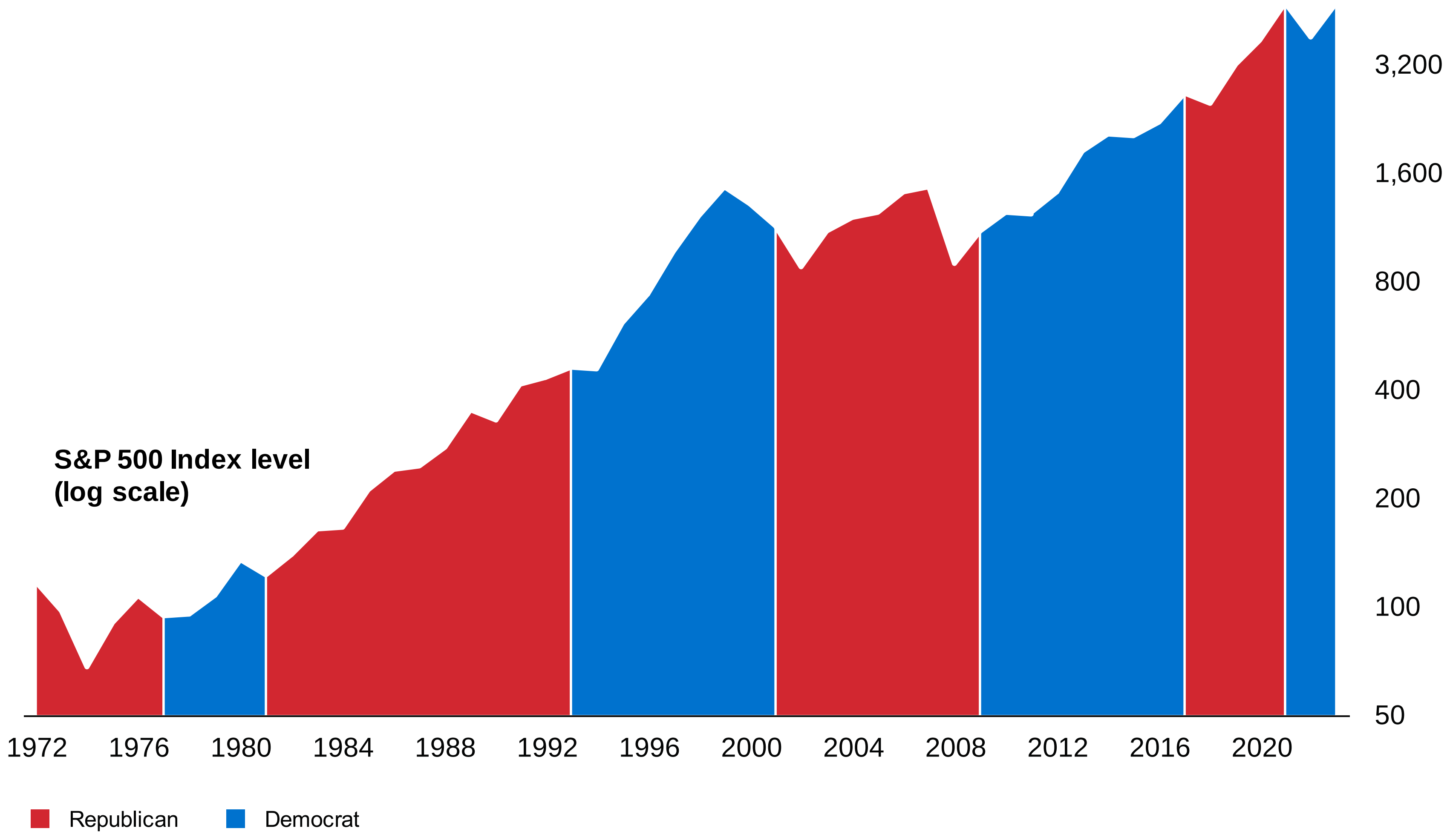
A historical perspective on investing and politics

The stock market tends to grow regardless of who’s in power

- The White House has undergone seven party transitions since 1972, and yet the S&P 500 has continued to march higher
- While presidential elections can be consequential in terms of the direction of public policy, they should not dictate your investment decisions. Staying disciplined in your investment plan continues to provide the best chance of investment success



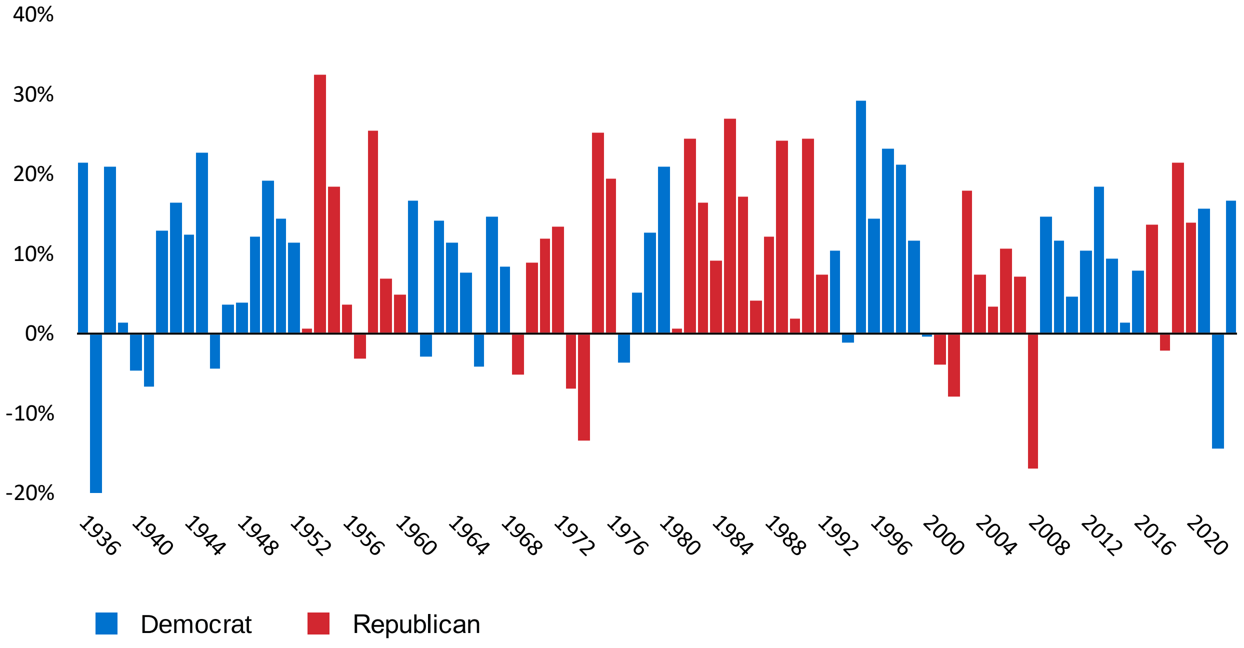
Past performance is no guarantee of future results. The returns of an index do not represent actual investor returns as one cannot invest directly in an index.
Sources: Vanguard calculations based on data provided by Morningstar Direct and Standard & Poor’s® as of December 31, 2023.
Notes: Growth represented by the S&P 500 Total Return Index.

How has a balanced portfolio held up against election results?

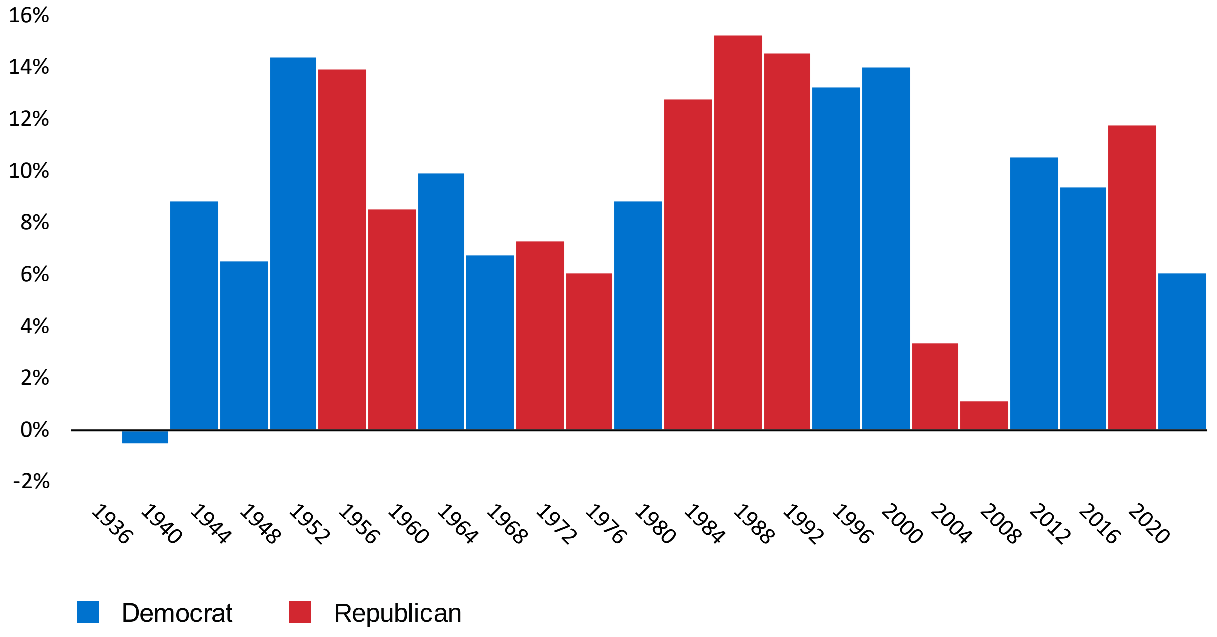
Whether analyzing markets on a yearly basis or zooming out to a full presidential term, a balanced portfolio has historically done its job providing meaningful returns while managing risk.

Of the 22 elections and 88 years since 1936, investors with a balanced portfolio would have experienced only one 4-year presidential term with negative annualized returns.

Yearly 60s/40b returns have been positive most of the time regardless of which party held the presidency



4-year annualized 60s/40b returns provide even further confirmation



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Sources: Vanguard calculations based on data provided by Morningstar and SBBI, as of December 31, 2023.
Notes: A 60s/40b model portfolio consists of: 60% IA SBBI US Large Stock Total Return Index and 40% IA SBBI US Intermediate-Term Government Total Return Index.

What about just waiting out the election year?

- Historically, staying in cash during election years could have hurt your wallet!
- Apart from the dotcom bubble and the 2008 global financial crisis, which cannot be attributed to elections, a typical election season has been accompanied by positive returns
- Elections tend to cause a lot of noise, so it’s understandable to be nervous
- However, staying on the sidelines can be costly as the S&P 500 outperformed cash investments by more than 6% annually over the last 13 presidential election years (on an inflation-adjusted basis)

Year	S&P 500 real return	Cash real return
1972	15.18%	0.74%
1976	17.16%	**–0.68%**
1980	16.67%	**–1.86%**
1984	1.89%	5.02%
1988	12.02%	2.47%
1992	4.49%	0.42%
1996	19.49%	2.05%
2000	**–12.09%**	2.34%
2004	**7.96%**	**–1.30%**
2008	**–39.31%**	**–2.34%**
2012	13.61%	**–1.97%**
2016	10.52%	**–0.97%**
2020	17.00%	**–0.84%**
Averages	6.51%	0.24%

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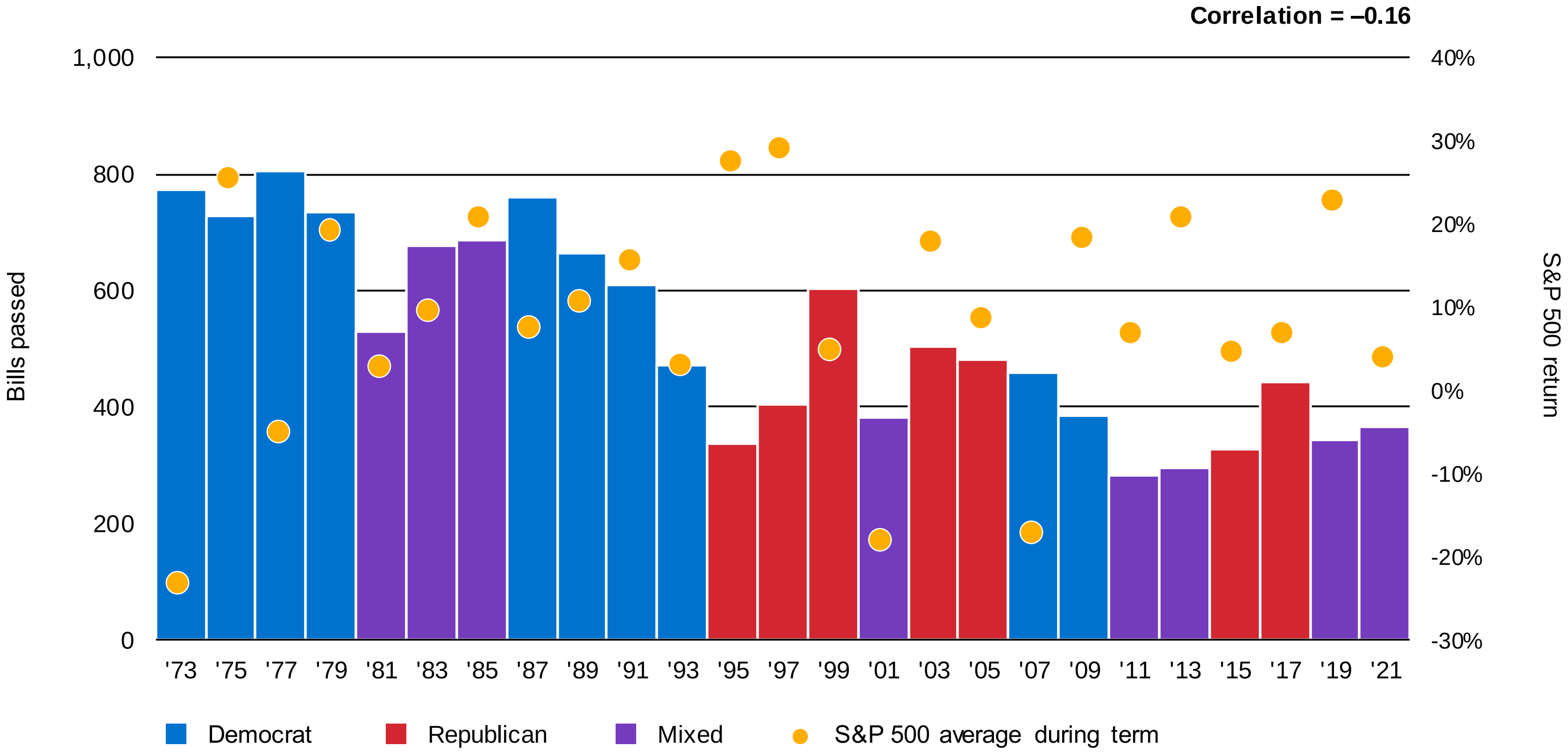
Sources: Vanguard calculations based on data provided by Morningstar, Standard & Poor’s®, The U.S. Treasury and the St. Louis Federal Reserve (FRED) as of December 31, 2023.
Notes: Returns illustrate calendar year returns during election years. Cash return represented by US Treasury Static T-Bill 90-Day Index. Stocks represented by the S&P 500 Total Return Index. Both adjusted for inflation as measured by annual CPI (U).

How does government action after an election impact markets?

Since 1973, there have been 25 congressional terms with control often fluctuating between unified **(red or blue)** or mixed **(purple)** chambers of Congress. The chart below highlights three key points: Which party had control of Congress, the number of bills enacted during the term, and the two-year average return of the S&P 500 Index over that congressional term.

- The dots represent the average annualized return of the S&P 500 during each two-year term, and if it looks random, that's because it is! The correlation between the two figures was a meager –0.16, a near non-existent relationship.
- Even though there is no direct link between electoral outcomes and the resulting direction of financial markets, this doesn't suggest politics has no impact. Tax policy, fiscal spending, and regulatory changes may carry broad implications for the U.S. economy, but they are three pieces of a much larger financial puzzle.
- Staying disciplined in your investment plan and focusing on what you can control is often the best recipe for success.



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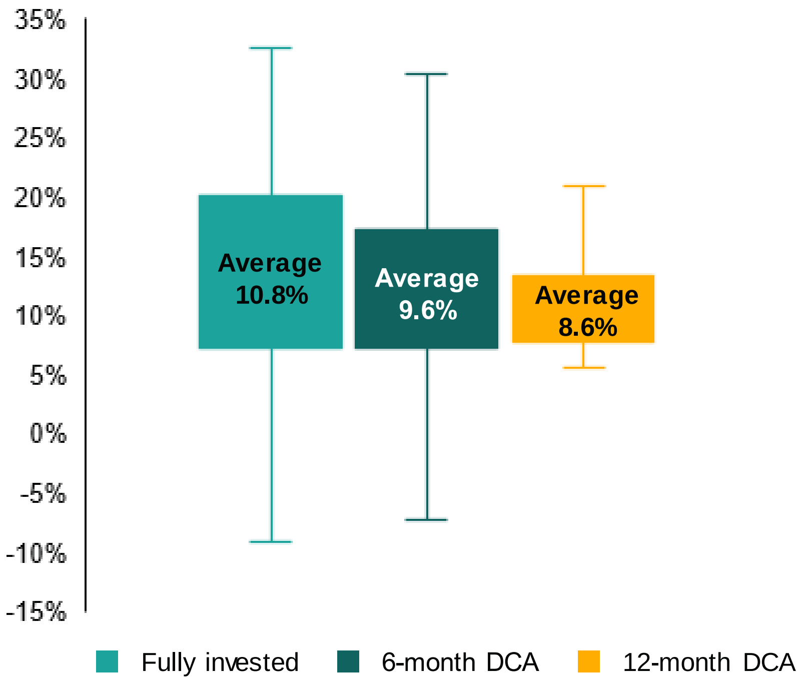
Sources: Vanguard calculations based on data provided by Morningstar Direct, Standard & Poor's®, The U.S. House of Representatives, and Govtrack as of December 31, 2023.
Notes: Stock returns represented by the S&P 500 Total Return Index. Party control data gathered from the U.S. Library of Congress. The overall word count of new legislation has remained consistent as Congress moved to fewer but larger bills and does not reflect that less legislative work is occurring. Legislation passage data provided by Govtrack.us.

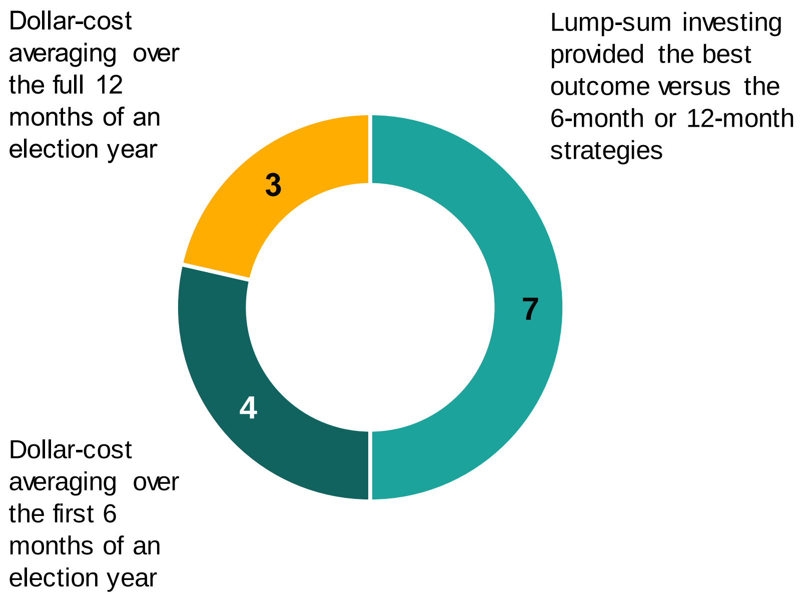
Still nervous? Consider dollar-cost averaging

- Dollar-cost averaging (DCA) is a strategy where you routinely invest equal amounts over a prescribed period. This lets you ease into the market rather than investing everything at once or waiting on the sidelines
- Notably, DCA has typically resulted in less favorable average returns compared to fully investing a portfolio on Day 1, often called a lump-sum approach, when comparing the last 14 election years
- Your advisor can discuss the pros and cons of dollar-cost averaging to see if its appropriate considering your goals and appetite for risk

Being fully invested through the entire election year has delivered higher average returns with higher volatility



Of the last 14 elections, how often did each strategy have the best outcome?



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Sources: Vanguard calculations based on data provided by Morningstar Direct, Standard & Poor's®, and SBBI as of December 31, 2023.
Notes: Assumed 100% equity DCA target. Cash return represented by US Treasury Static T-Bill 90-Day Index. Stock return represented by IA SBBI US Large Stock Total Return Index. All three investment strategies experienced significant sample outliers beyond the lowest represented range: –37% fully invested, –27.7% 6-month DCA, and –25.8% 12-month DCA.

Important information

All investing is subject to risk, including the possible loss of the money you invest.

There is no guarantee that any particular asset allocation or mix of funds will meet your investment objectives or provide you with a given level of income or return.

Non-U.S. stocks have risks tied to the political and economic stability of their country or region. And if the value of the foreign currency falls, the value of the stocks would also fall. In emerging markets (less developed countries), these risks may be even greater.

Diversification does not ensure a profit or protect against a loss. Dollar-cost averaging does not guarantee that your investments will make a profit, nor does it protect you against losses when stock or bond prices are falling.

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