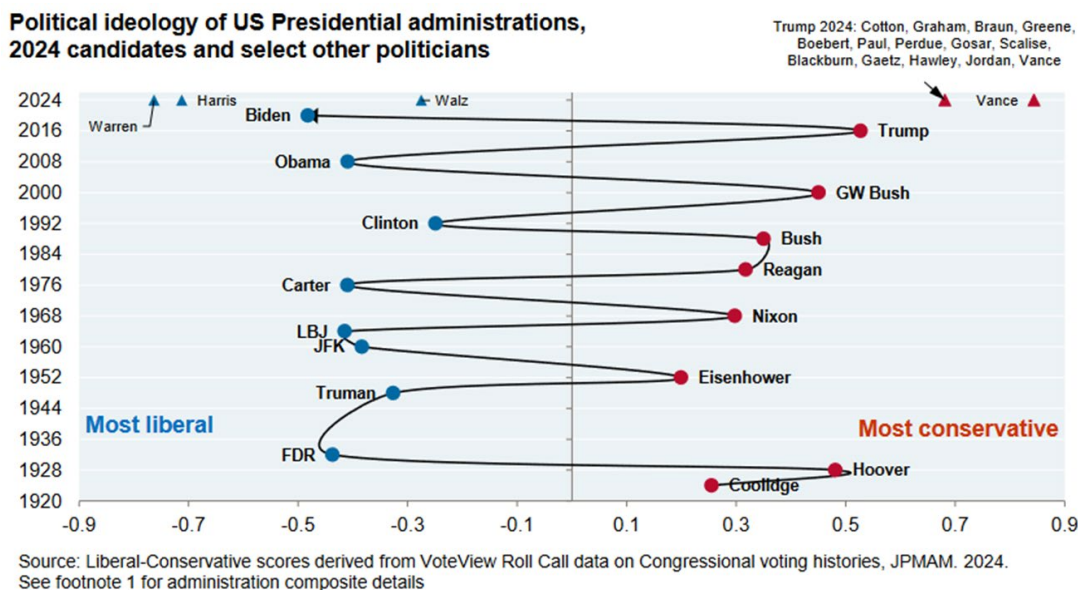




Third Quarter 2024 : Quarterly Letter

The past quarter saw the US economy maintain a resilient pace fueled by consumer spending, while inflation continued its slow descent. This provided incremental ammunition for the Federal Reserve to deliver a fifty-basis point cut in rates with two more expected rate cuts on the way. Both bonds and equities rejoiced at the news as bonds posted a 5.2% return as measured by the Bloomberg Aggregate Index, and stocks as measured by the Russell 3000 returned 6.2%. However, investors don't have time to rejoice as the focus shifts to the upcoming presidential campaign.

We will have the most polarized election in over 100 years. This is not anecdotal hyperbole. This is analytically supported by VoteView data, a spatial estimation approach used by political scientists since the 1980's. Each politician's ideology is measured by looking at how frequently they vote with associated blocs. The circles show Presidential administrations while triangles show individual's voting records. Note how liberal/progressive Harris has been based on prior votes in Congress where the only prior candidate more liberal to run for President was Elizabeth Warren. Not to be surpassed, President Trump was the most conservative administration while JD Vance's record surpasses even Trump's on the conservative spectrum.



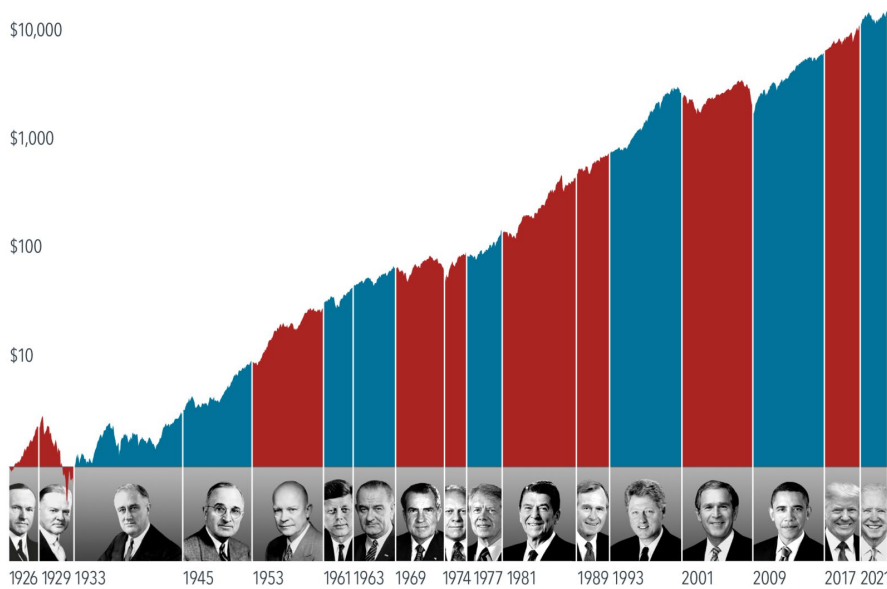
For investors, US fiscal policy is front and center, and the policies here are also extremely divergent. Harris' policies of redistribution are highlighted by increased taxes on the wealthy by \$1.3 trillion, increased taxes on corporations by \$2.8 trillion and use the proceeds to preserve middle class tax cuts and increase entitlements for the poorest Americans, homebuyers and families. Trump's fiscal agenda is murkier as it keeps changing. Trump's proposals include a litany of tax cuts from extending all TCJA tax cuts, to cutting the corporate income tax to 15% for certain companies. To pay for a portion of these tax cuts, Trump has proposed cutting spending associated with the energy bill, and raising revenue from tariffs, particularly from China. These policies need to be viewed in the context that they are unlikely to be enacted verbatim due to the tight margins and the possibility of a divided government.

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Unfortunately, there is common ground in that both candidates are ignoring the \$27 trillion problem of US debt, with each projected to run significant budget deficits for the foreseeable future.

During a presidential election year, it's natural for investors to seek a connection between who wins the White House and which way stocks will go. This infographic from Dimensional Fund Advisors illustrates the maxim that it is time in the market and not timing the market. Stocks have rewarded disciplined investors for decades, through both Democratic and Republican presidencies. What about returns during an election month—when uncertainty may be peaking? Data shows returns in election months have not tended to be that different from returns in any other month. What About Which Party Controls Congress? Same answer. US presidents and congress may have an impact on market returns, but so do many other factors.



Getting out of the stock market based on a hunch and missing rewarding returns can lead to costly mistakes. There is a stronger case for investors to look past elections and maintain a steady approach to markets—in other words, make a long-term plan and stick to it. Feel free to reach out to me to discuss your asset allocation, your long term plan or any questions you may have.

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