TIMONIER

Wealth Beyond Financial™

From the Engine Room

3rd Quarter 2016

Quarterly Market Review

Third Quarter 2016

This report features world capital market performance and a timeline of events for the past quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

The report also illustrates the performance of globally diversified portfolios and features a quarterly topic.

"The best way to predict the future...is to create it!"

Overview:

Life is an Inside Out Job

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Life is an Inside Out Job

"The world you see is an outside picture of an inward condition. When we choose the ego's projection of sin, guilt, anger, attack and fear that's all we'll perceive. It's a nightmare. Perception is a choice and not a fact."
~ A Course in Miracles

I've always felt that these quarterlies' have been a way for us to stay connected in the event that we have not had an occasion for an office visit, to meet up at one of our socials, or even have a phone chat. I use this medium to reinforce the foundations of our process to wealth management and to rebuff the immoral propaganda of Wall Street, Insurance Street, Bank Street, and the rest of the financial services industry that is fraught with conflicts of interests. And while there has been no lack of activity in the world, and there has been no lack of activity at Timonier, I must say this has been one of the calmer periods for client interactions. I'd like to think that we are just getting better at connecting with our clients, but I will never make this assumptive mistake. I know that the steady portfolio gains factored in to a calmer investor this quarter. My goal is for each client to achieve this kind of tranquility no matter what the statements may read. While we can't control market fluctuations or when they occur, we can manage this volatility through globally diversified companies, applying a vigilant rebalancing process, and stress testing the results to determine our boundaries of results. Then, we focus on what we can control. And top on that list is your experience within the walls of our practice. We strive each day to lay a foundation so that Timonier may be your sanctuary for wealth and well-being. In a world of dissonance, I want you to feel that you have a place to go where there is order and coherence. And while we can provide shelter and peace during our brief engagement, I realize that you are on your own to find that inner peace. You are left to see the world as a wondrous playground with moments of trouble or a world of trouble with moments of happiness. The world will reflect the lens of your glass.

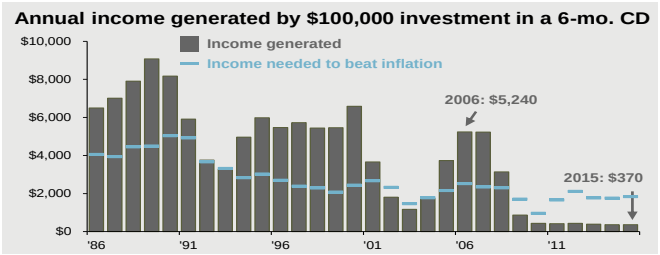
At Timonier, the third quarter marked our 19th anniversary as a multi-generational family office. For whom our story resonates, we are on a mission to provide a unique way for a family or fiduciary to have their wealth affairs managed through our centralized office of collaborative advisors. Our anniversary also coincided with the onboarding our newest colleague, Mike Atkins, CPA, CFP®. We had a reception for Mike at Graylyn Conference Center and for those unable to attend, we know that you will enjoy getting to know him and integrating his expertise into your financial architecture. Timonier finished the quarter with its inaugural sponsorship of Conscious Seeds, Inc., golf tourney and social, which supported The Winston-Salem Children's Museum and SciWorks with its donations.

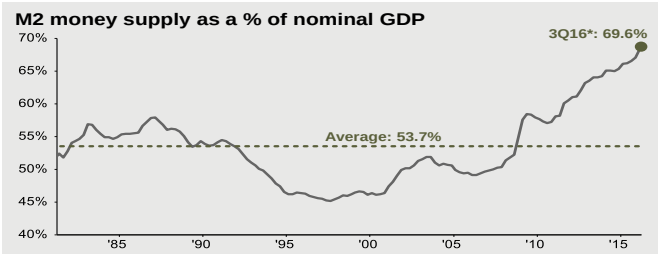
The world around us experienced what a summer normally brings but in troves. Tragedies of humanity continued to break the hearts of those societies longing for peace. The battle for equality and suppression continues at many levels. And now those crimes of struggle are captured in real time in your living room…at your breakfast table like holograms. If you don't already feel it, you will one day know we are all connected. At the bookend of tragedy lies the joy of triumph. And if you are an American, it was a winning quarter. In The Olympic Games held in Rio, the US led all nations with 121 medals…46 of them gold. China and Great Britain were next with 70 and 67 medals respectively. Not to be outdone, the US won professional golfs' bi-annual Ryder Cup matches 17 to 11 against its European brethren. The Europeans have been dominating of late, and the American win was fitting in the passing of golf's legendary King of Golf, Arnold Palmer. I, like many, got to meet Arnie. My experience was several years ago in a Wake Forest Alumni event at Old Town Club in Winston-Salem. And nervously, I got to play in the foursome in front of

"Until you make the unconscious conscious, it will direct your life and you will call it fate."
~Carl Gustav Jung

him with another PGA Tour legend, Lanny Wadkins. Golf is a sport as pure as any religion and transcends the battles we fight. In both victory and defeat, the Ryder Cup participants were one.

The global financial markets also rewarded all those disciplined to save for castles in the sky and those days that they will not be working. The US stock market as represented by the Standard and Poors 500 Stock Index provided a return of 3.90% for the quarter. With the forecasted dyer economic predictions of the European and UK economies post BREXIT, the international market stock index (MSCI EAFE) provided a solid 7.71% return for its participants. The emerging markets (MSCI EM) led all major stock asset class performers with a 9.03% return. Having been a strong performer in the first half of the year, global real estate stocks took a breather with a slight decline of -0.23%. With the US Federal Reserve continuing to wait to raise overnight interest rates, and foreign investors seeking positive yields…monies continued to flow into US bonds at a pace that lifted prices and lowered yields. This resulted in the US bond market providing a positive +0.46% total return. And to round out all of the major asset classes, money market yields remained at near zero! Cash deposits, US treasury bills, and money market funds historically have been referred to as risk free return holdings. They have been risk free in that, they provide a return near equal that of inflation, so that your purchasing power of goods and services remained at par…equal. With today's yield of near zero and the inflation rate, as measured by the core CPI, up 2.3% year over year, your cash savings just lost 2.3% of its purchasing power! Your historic risk free return has now turned into a ***return free risk*** account! Never has this occurred on a sustained basis…until now. But don't worry…that's where the herd is hanging out. Yes, we have $12.2 trillion in cash deposits in the US. That's twelve trillion dollars earning NOTHING…and losing purchasing power each day. We are still rolled up in a financial fetal position due to the trauma of the last financial collapse that ENDED in March 2009. This is the cost of worry!





Money supply component	USD billions	Weight in money supply
M2-M1	**$9,691**	**79.3%**
Retail MMMFs	$689	5.6%
Savings deposits	$8,611	70.5%
Small time deposits	$391	3.2%
Institutional MMMFs	**$1,852**	**15.2%**
Cash in IRA & Keogh accounts	**$676**	**5.5%**
Total	**$12,219**	**100.0%**

Source: FactSet, J.P. Morgan Asset Management; (Top left) Bankrate.com; (Bottom left and right) BEA, Federal Reserve, St. Louis Fed.
All cash measures obtained from the Federal Reserve are latest available seasonally adjusted month averages. All numbers are in billions of U.S. dollars. Small-denomination time deposits are those issued in amounts of less than $100,000. All IRA and Keogh account balances at commercial banks and thrift institutions are subtracted from small time deposits. Annual income is for illustrative purposes and is calculated based on the 6-month CD yield on average during each year and $100,000 invested. IRA and Keogh account balances at money market mutual funds are subtracted from retail money funds. Past performance is not indicative of comparable future results. *3Q M2 money supply as a % of GDP is a J.P. Morgan Asset Management estimate.
Guide to the Markets – U.S. Data are as of September 30, 2016.

*"Angry people want you to see how powerful **they** are. Loving people want you to see how powerful **you** are!"*
Chief Red Eagle

And that my friend, is the news no one is talking about…and is the long term disease for the healthy growth of assets and purchasing power for a 30 plus year retirement. At an historical 3.0% annual inflation rate, a couple will need to grow their purchasing power (net income) by 2 and ½ fold just to keep pace. If you need $100,000 for expenses on the first day of retirement, you will need to generate $242,500 in the 30th year for the same purchasing power. And holding savings in a money fund at zero percent today or investing in a 10-year US treasury bond at 1.70% will not get you there unless you fall in that 1% category of phenomenally frugal savers. It's certainly possible, but few in our culture are able to do so.

We've had a year fraught with gloom and doom predictions from Wall Street, Bank Street, and those charlatans of financial news. The morality of our times is severely lacking. Caveat emptor...buyer beware. But those that have a philosophy…a faith that history will continue to repeat itself with rewards for those that create and serve others, have been rewarded for their patience. I say to those, stay steady, participate in those daily activities that bring you joy.

PS…My election prediction!

You know that I never predict anything. The prognosticators, pollsters, and the bookies alike got the BREXIT outcome wrong just hours before the results were announced. How can ANYBODY predict what 7.4 billion people are going to do tomorrow much less next quarter or next year. But here I go with my prediction for the Presidential election. My prediction…I will not like the outcome no matter who wins! Even if they had the needed professional credentials, neither candidate (yes…I know there are others running) would qualify for a post at Timonier, and yet they are running for President? Fortunately, the tail does not wag the financial dog. Capitalism is not dependent on politics. Politics is dependent on capitalism. It matters not who occupies the Oval Office. We have a 3 branch system…and neither Trump or Clinton will be able to exert their platforms onto society with the confrontations they'll face with the House and Senate. It would be nice if we had a political environment that supported the freedom of its citizens, measured relations with other nations, and the support for creative and fair commerce, but we don't. Business has operated through a litany of regimes and will survive the days and years ahead. Apple, Google, Amazon, Uber, IKEA, Hyatt, 3D Hubs, etc. don't' wake up each day worrying if the Fed is going to raise rates or not, or who is going to be President. They create stuff, they provide services of convenience, they provide life fulfilling experiences, and they make the world a better place. There will be another 2.5 billion people born to this earth in the next 40 years that will be inspired to create and be of service and in return, need the services of others…and in that exchange of services and commerce we will be able to participate in.

Our candidates are just a reflection of who we are as a society right now. I'll save you from my description of their archetypes. But, like many other nations that we are witnessing with trepidation, we are a nation in accelerating transition. The layers of the onion are being pealed away. Its' a necessary evolution. Stay tuned.

I am **in gratitude** each day of you allowing Timonier to be a part of this journey with you. **Remain focused on your goals…and not the passing storms and detours that arise from time to time.** Know that we are accountable as your fiduciaries. And our collaborative team of advisors look forward to assisting you in making conscious choices for this one great life you deserve to live. Please contact us any time, if we haven't contacted you first. And in the meantime, *put on the media blinders as a portfolio meditation technique!*

Namaste',

Tim L. Baker, CIMA, GFS

Market Summary

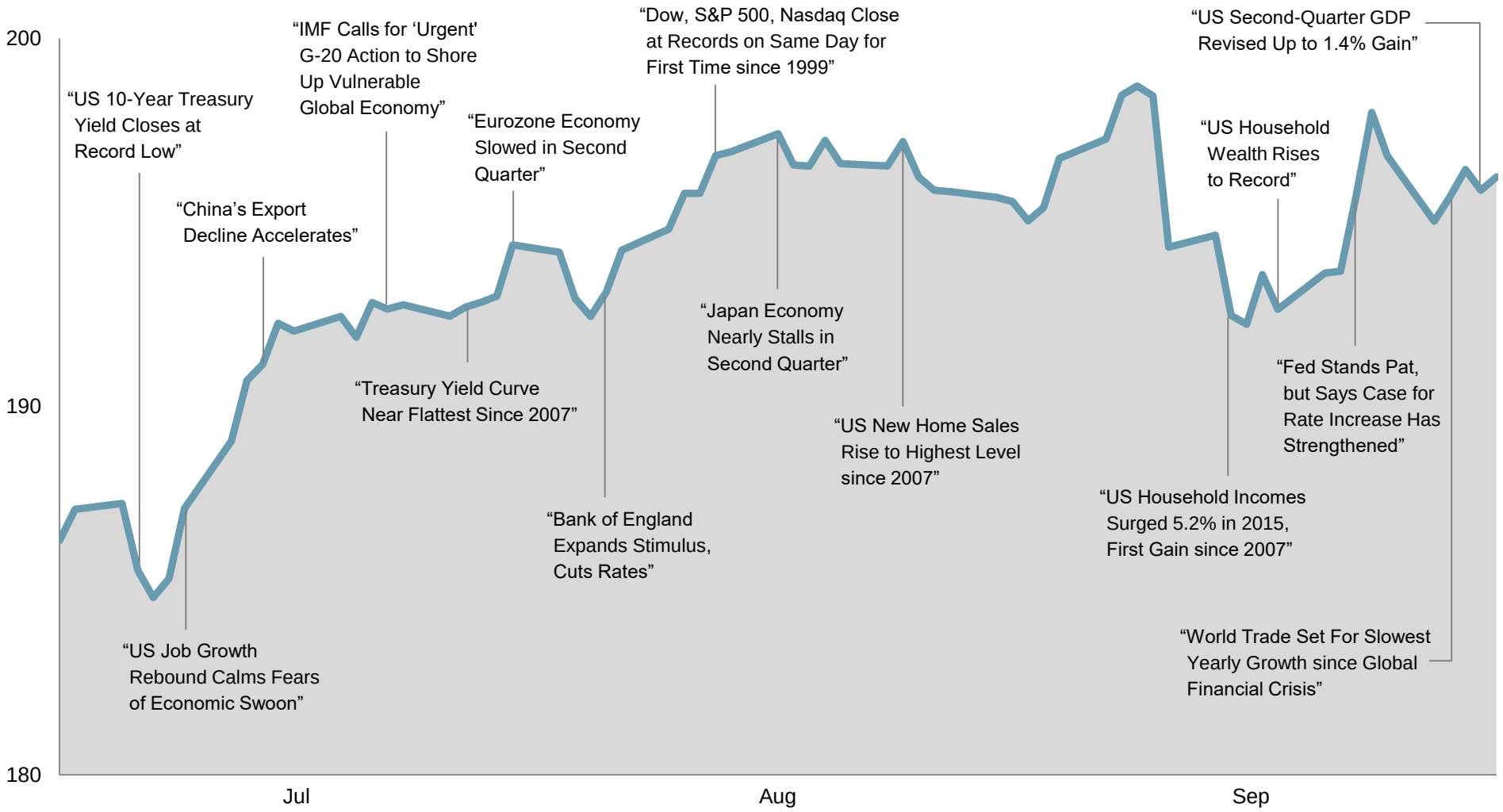
Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
3Q 2016	**STOCKS**				**BONDS**	
	4.40%	**6.29%**	**9.03%**	**-0.23%**	**0.46%**	**0.10%**
Since Jan. 2001						
Avg. Quarterly Return	1.8%	1.4%	3.0%	2.8%	1.3%	1.2%
Best Quarter	16.8% **Q2 2009**	25.9% **Q2 2009**	34.7% **Q2 2009**	32.3% **Q3 2009**	4.6% **Q3 2001**	5.5% **Q4 2008**
Worst Quarter	-22.8% **Q4 2008**	-21.2% **Q4 2008**	-27.6% **Q4 2008**	-36.1% **Q4 2008**	-2.4% **Q2 2004**	-3.2% **Q2 2015**

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index), US Bond Market (Bloomberg Barclays US Aggregate Bond Index), and Global Bond ex US Market (Citigroup WGBI ex USA 1−30 Years [Hedged to USD]). The S&P data are provided by Standard & Poor's Index Services Group. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2016, all rights reserved. Bloomberg Barclays data provided by Bloomberg. Citigroup bond indices © 2016 by Citigroup.

World Stock Market Performance

MSCI All Country World Index with selected headlines from Q3 2016



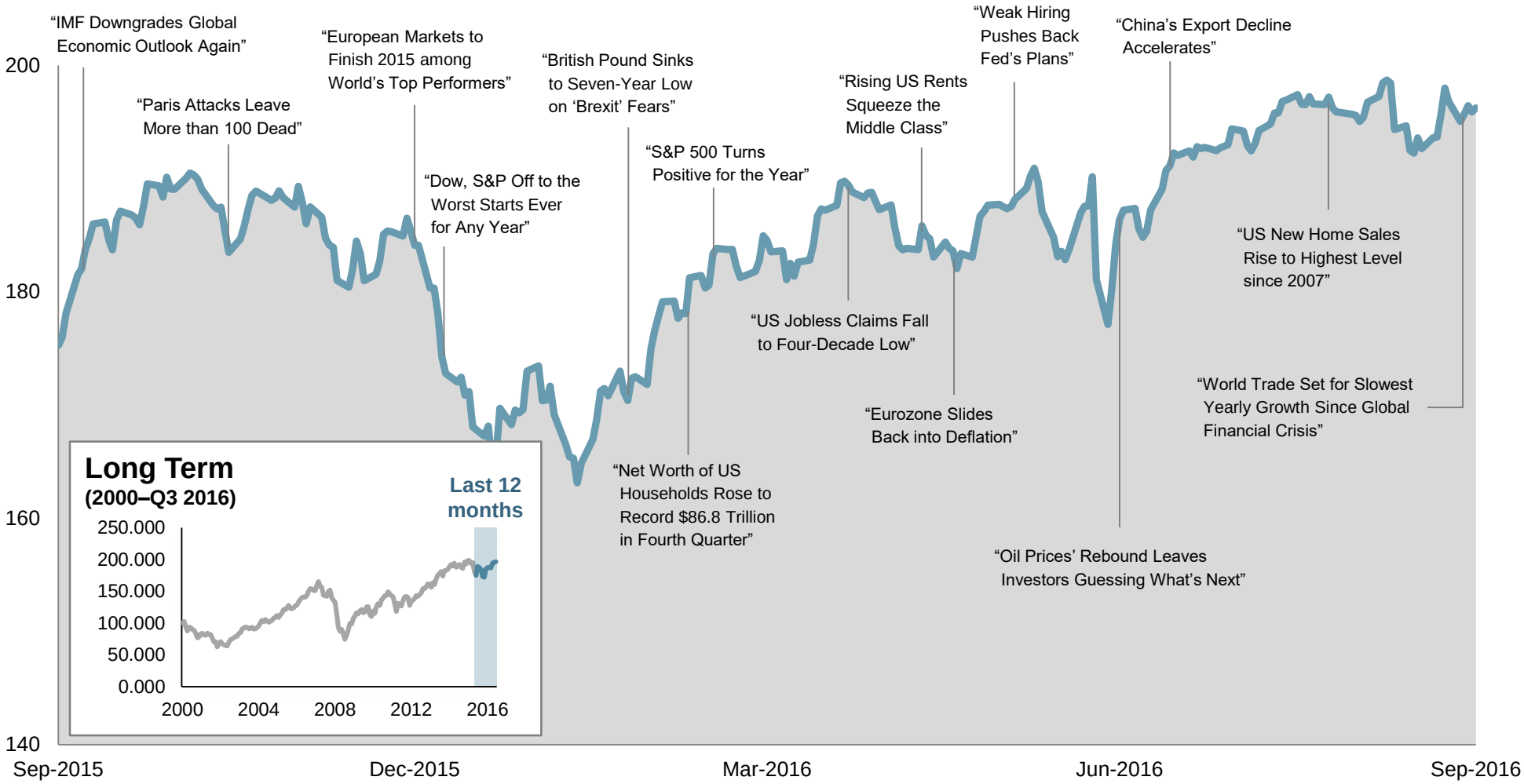
These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index. MSCI data © MSCI 2016, all rights reserved.
It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. **Past performance is not a guarantee of future results**.

World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months

Short Term
(Q4 2015–Q3 2016)



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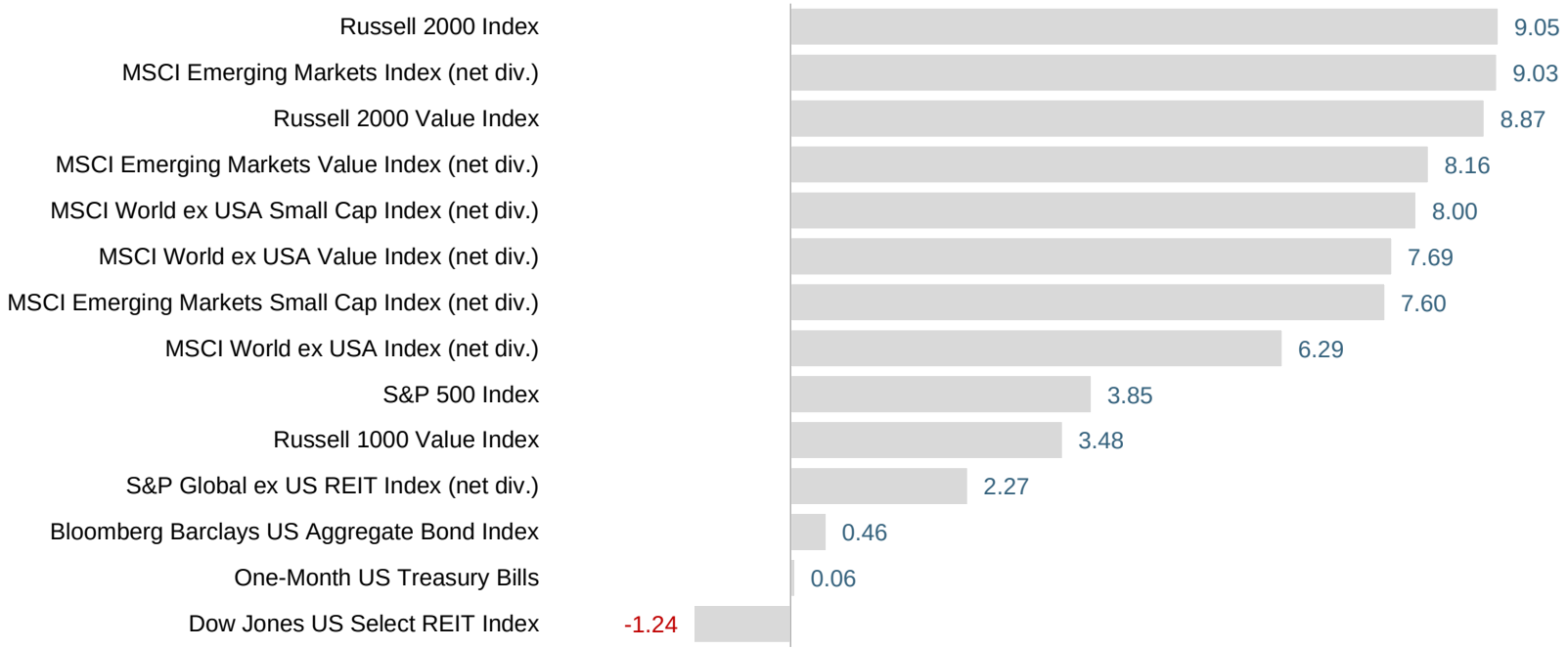
World Asset Classes

Third Quarter 2016 Index Returns (%)

Looking at broad market indices, emerging markets outperformed all other equity markets during the quarter. The US equity market lagged developed markets outside the US. US real estate investment trusts (REITs) recorded negative absolute returns and lagged the US equity market.

The value effect was negative in the US and emerging markets but positive in developed markets outside the US. Small caps outperformed large caps in the US and in developed markets outside the US but underperformed in emerging markets



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US Stocks

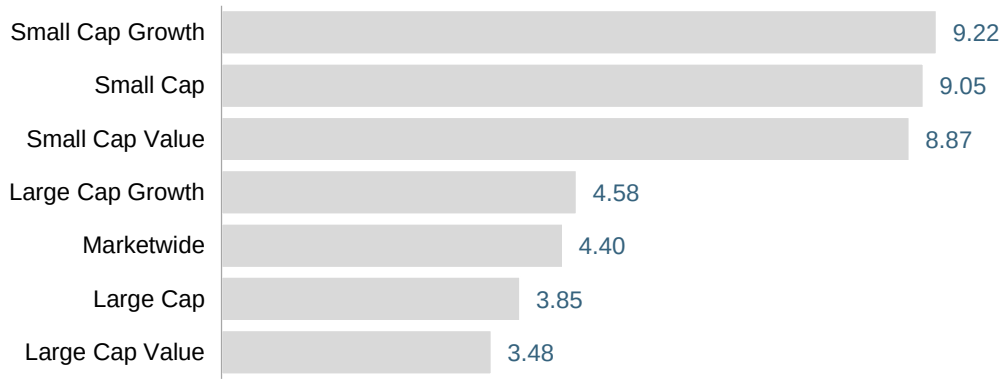
Third Quarter 2016 Index Returns

The broad US equity market recorded positive absolute performance for the quarter.

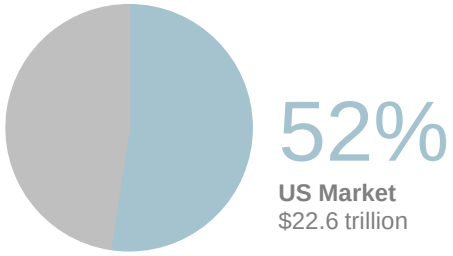
Value indices underperformed growth indices across all size ranges.

Small caps outperformed large caps.

Ranked Returns for the Quarter (%)



World Market Capitalization—US



Period Returns (%)

** Annualized*

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Marketwide	8.18	14.96	10.44	16.36	7.37
Large Cap	7.84	15.43	11.16	16.37	7.24
Large Cap Value	10.00	16.20	9.70	16.15	5.85
Large Cap Growth	6.00	13.76	11.83	16.60	8.85
Small Cap	11.46	15.47	6.71	15.82	7.07
Small Cap Value	15.49	18.81	6.77	15.45	5.78
Small Cap Growth	7.48	12.12	6.58	16.15	8.29

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International Developed Stocks

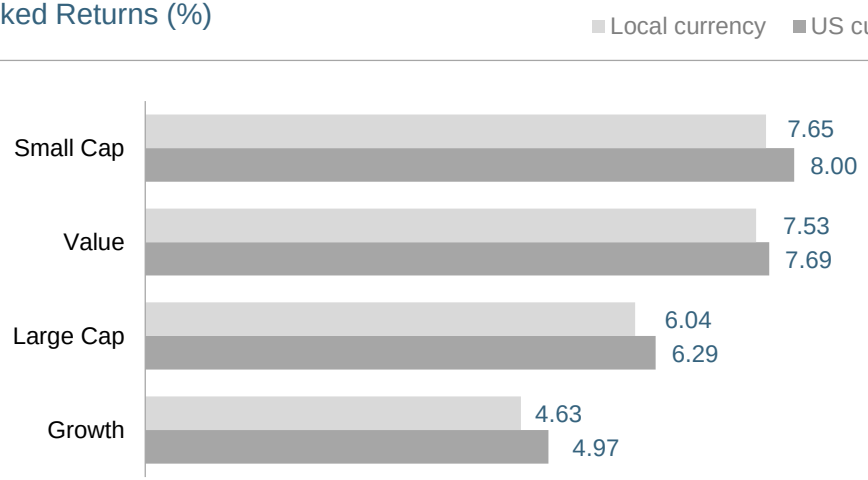
Third Quarter 2016 Index Returns

In US dollar terms, developed markets outside the US outperformed the US equity market but underperformed emerging markets indices during the quarter.

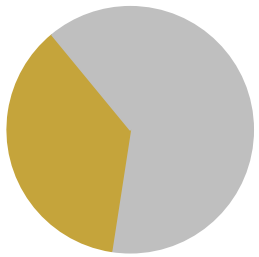
Small caps outperformed large caps in non-US developed markets.

Looking at broad market indices across all size ranges, the value effect was positive in non-US developed markets.

Ranked Returns (%)



World Market Capitalization—International Developed



37%

International Developed Market
$15.8 trillion

Period Returns (%)

** Annualized*

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	3.12	7.16	0.33	6.89	1.88
Small Cap	7.26	13.50	4.15	9.72	4.11
Value	2.64	4.87	-1.69	5.64	0.66
Growth	3.61	9.42	2.30	8.08	3.04

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Emerging Markets Stocks

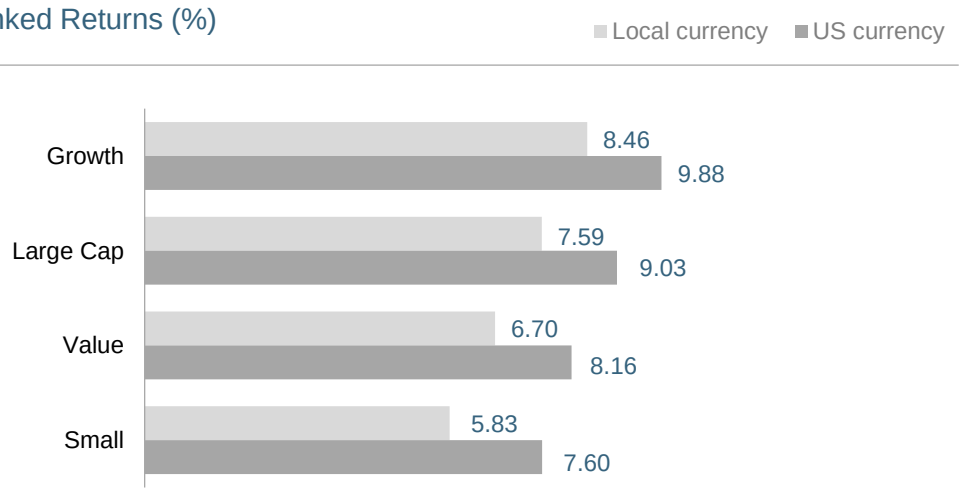
Third Quarter 2016 Index Returns

In US dollar terms, emerging markets indices outperformed both the US market and developed markets outside the US.

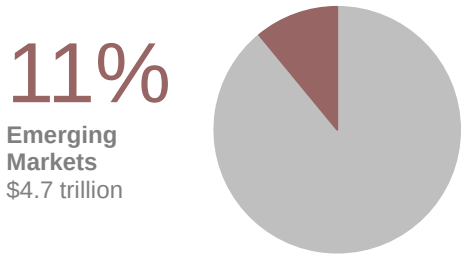
Using broad market indices as proxies, the value effect was negative in emerging markets. Large cap value indices underperformed large cap growth indices. The opposite was true among small caps; small cap value indices outperformed small cap growth indices.

Large cap indices outperformed small cap indices.

Ranked Returns (%)



World Market Capitalization—Emerging Markets



Period Returns (%)

** Annualized*

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	16.02	16.78	-0.56	3.03	3.95
Small Cap	9.08	12.65	1.29	4.72	5.97
Value	16.18	14.50	-3.00	0.79	3.77
Growth	15.84	18.92	1.81	5.19	4.03

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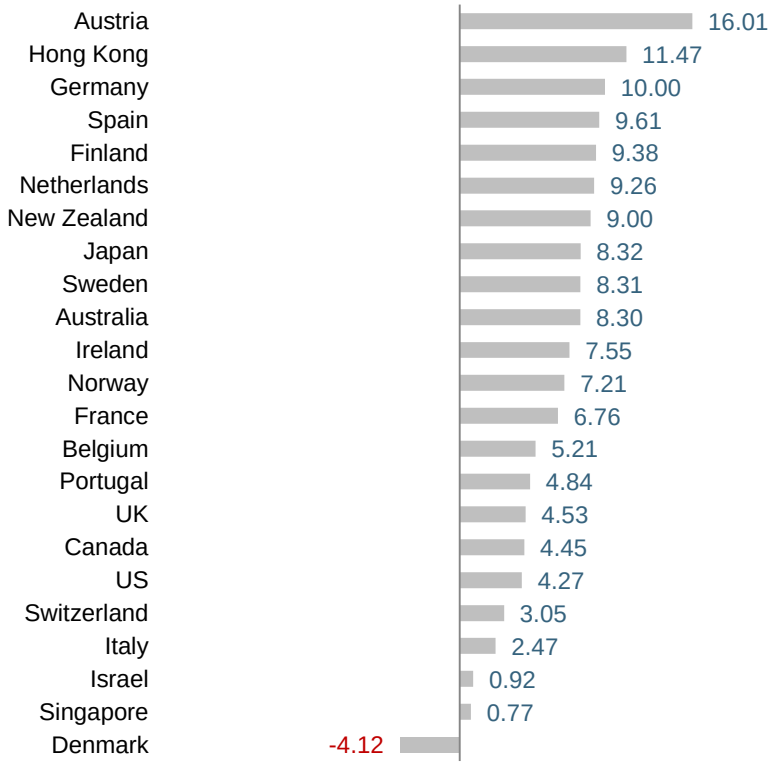
Select Country Performance

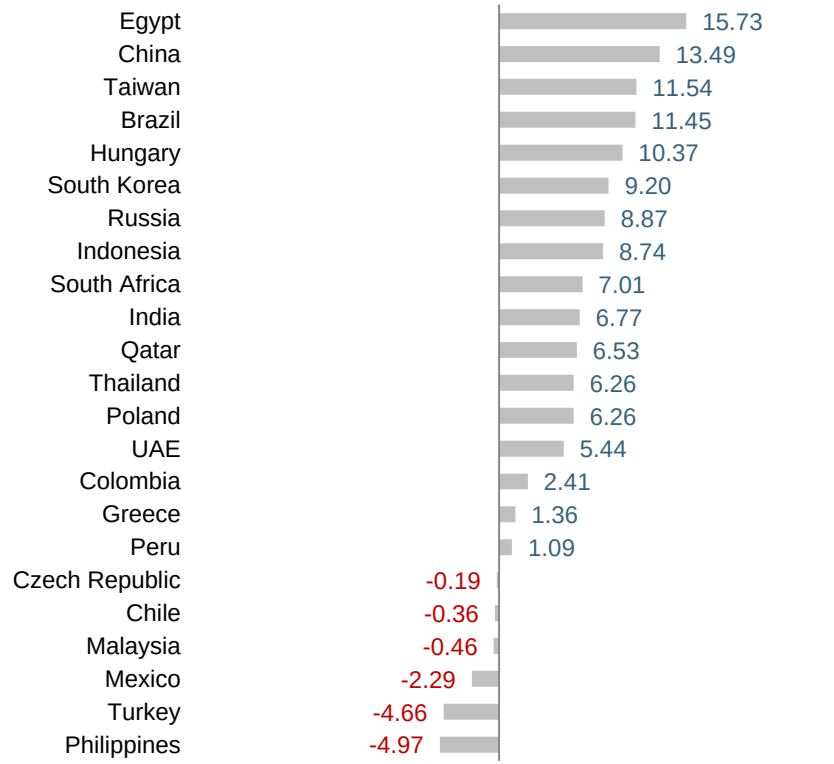
Third Quarter 2016 Index Returns

Austria and Hong Kong recorded the highest country performance in developed markets, while Singapore and Denmark posted the lowest performance for the quarter. In emerging markets, Egypt and China were the top performers, while Turkey and the Philippines recorded the lowest performance.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



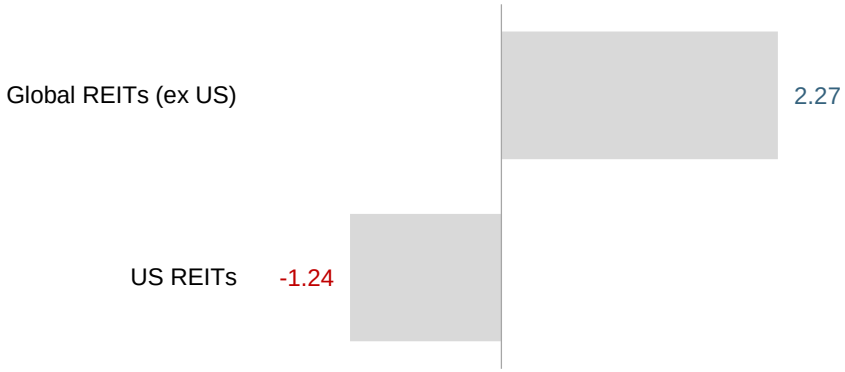
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Country performance based on respective indices in the MSCI World ex US IMI Index (for developed markets), Russell 3000 Index (for US), and MSCI Emerging Markets IMI Index. All returns in USD and net of withholding tax on dividends. MSCI data © MSCI 2016, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. UAE and Qatar have been reclassified as emerging markets by MSCI, effective May 2014.

Real Estate Investment Trusts (REITs)

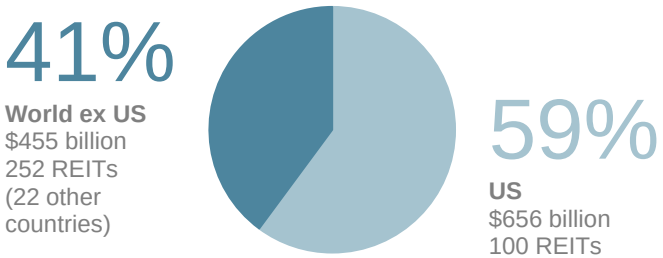
Third Quarter 2016 Index Returns

US REITs posted negative absolute performance for the quarter, lagging the broad equity market. REITs in developed markets recorded positive absolute returns but underperformed broad developed markets equity indices.

Ranked Returns (%)



Total Value of REIT Stocks



Period Returns (%)

** Annualized*

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
US REITs	9.45	17.70	14.29	15.60	5.80
Global REITs (ex US)	12.52	14.61	6.03	10.46	2.55

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.
Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones US Select REIT Index data provided by Dow Jones ©. S&P Global ex US REIT Index data provided by Standard and Poor's Index Services Group © 2016.

Commodities

Third Quarter 2016 Index Returns

Commodities were mixed for the third quarter but remained positive for the year-to-date period ending September 30, 2016. The Bloomberg Commodity Index Total Return posted a -3.86% return during the quarter.

The softs complex led the index: Sugar gained 9.76%, cotton climbed 6.09%, and coffee was up 1.42%. Industrial metals also recorded gains, with zinc returning 12.55% and nickel 11.46%.

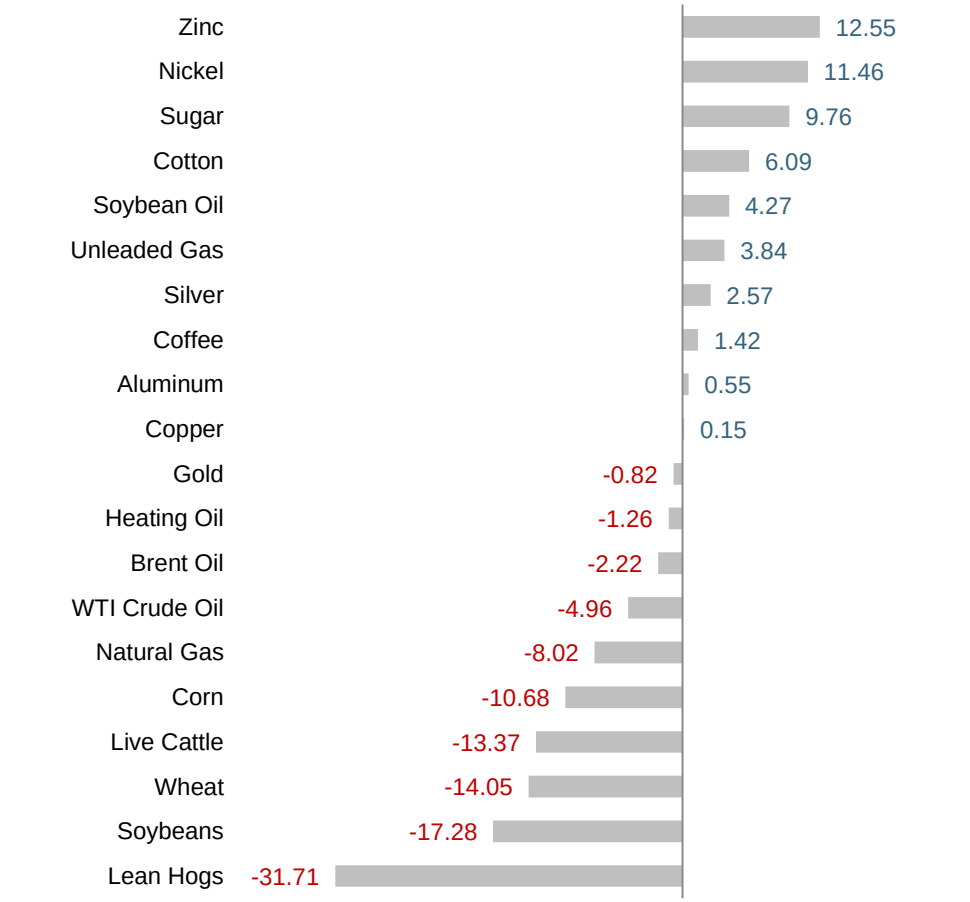
Energy fell, with natural gas declining 8.02%, brent crude oil down 2.22%, and WTI crude oil falling 4.96%. Lean hogs underperformed the most, returning -31.71%. Gold declined 0.82%.

Period Returns (%)

** Annualized*

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Commodities	8.87	-2.58	-12.34	-9.37	-5.33

Ranked Returns for Individual Commodities (%)



Past performance is not a guarantee of future results. Index is not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.
All index returns are net of withholding tax on dividends. Securities and commodities data provided by Bloomberg.

Fixed Income

Third Quarter 2016 Index Returns

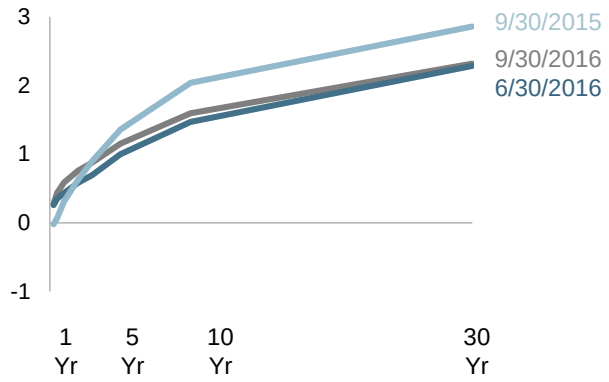
Interest rates across the US fixed income markets generally increased in the third quarter. The yield on the 5-year Treasury note rose 13 basis points (bps) to 1.14%. The yield on the 10-year Treasury note rose 11 bps to 1.60%. The 30-year Treasury bond increased 2 bps to finish with a yield of 2.32%.

The 1-year Treasury bill yield rose 14 bps to 0.59%, and the 2-year Treasury note yield increased 19 bps to 0.77%. The yield on the 3-month Treasury bill rose 3 bps to 0.29%, while the 6-month Treasury bill was up 9 bps to 0.45%.

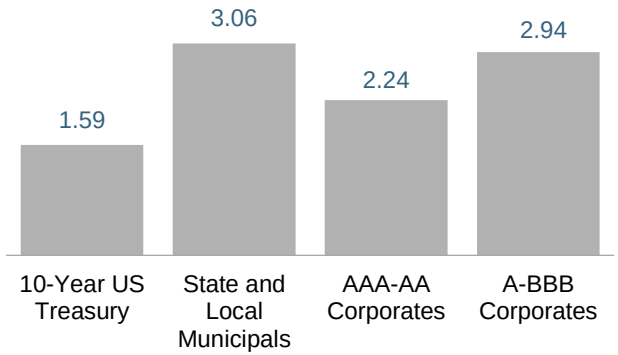
Short-term corporate bonds gained 0.32%. Intermediate-term corporates rose 0.89%, while long-term corporate bonds gained 2.56%.[1]

Short-term municipal bonds returned -0.21%, while intermediate-term municipal bonds were unchanged. Revenue bonds slightly outperformed general obligation bonds.[2]

US Treasury Yield Curve (%)



Bond Yields across Issuers (%)



Period Returns (%)

** Annualized*

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
BofA Merrill Lynch 1-Year US Treasury Note Index	0.71	0.54	0.35	0.33	1.53
BofA Merrill Lynch Three-Month US Treasury Bill Index	0.24	0.27	0.12	0.10	0.92
Citigroup WGBI 1–5 Years (hedged to USD)	1.98	1.89	1.70	1.60	2.78
Bloomberg Barclays Long US Government Bond Index	14.61	13.02	11.07	5.48	7.97
Bloomberg Barclays Municipal Bond Index	4.01	5.58	5.54	4.48	4.75
Bloomberg Barclays US Aggregate Bond Index	5.80	5.19	4.03	3.08	4.79
Bloomberg Barclays US Corporate High Yield Index	15.11	12.73	5.28	8.34	7.71
Bloomberg Barclays US TIPS Index	7.27	6.58	2.40	1.93	4.48

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

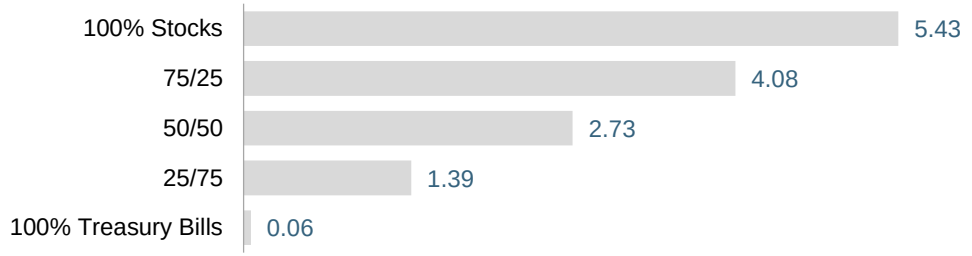
1. Bloomberg Barclays US Corporate Bond Index. 2. Bloomberg Barclays Municipal Bond Index. Yield curve data from Federal Reserve. State and local bonds are from the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality. AAA-AA Corporates represent the Bank of America Merrill Lynch US Corporates, AA-AAA rated. A-BBB Corporates represent the Bank of America Merrill Lynch US Corporates, BBB-A rated. Bloomberg Barclays data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefield). Citigroup bond indices © 2016 by Citigroup. The BofA Merrill Lynch Indices are used with permission; © 2016 Merrill Lynch, Pierce, Fenner & Smith Incorporated; all rights reserved. Merrill Lynch, Pierce, Fenner & Smith Incorporated is a wholly owned subsidiary of Bank of America Corporation.

Global Diversification

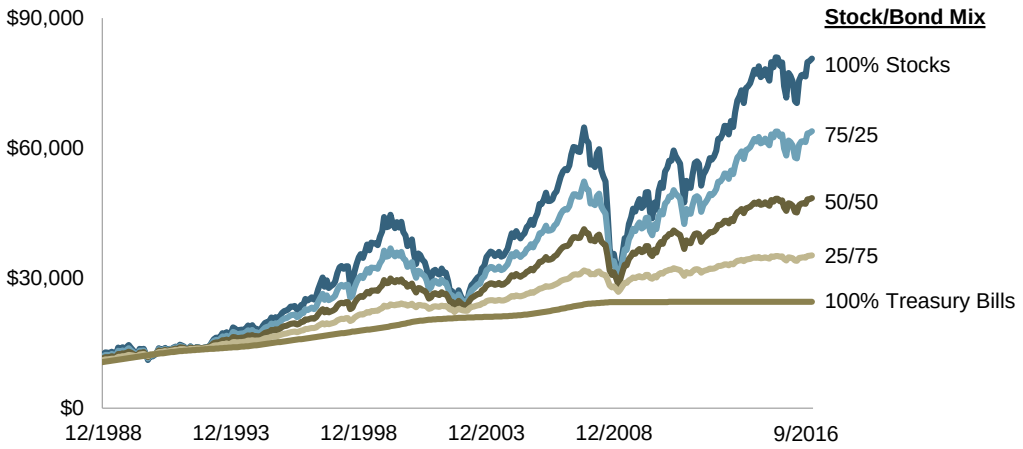
Third Quarter 2016 Index Returns

These portfolios illustrate the performance of different global stock/bond mixes and highlight the benefits of diversification. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

Ranked Returns (%)



Growth of Wealth: The Relationship between Risk and Return



Period Returns (%)

** Annualized*

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
100% Stocks	7.09	12.60	5.74	11.23	4.90
75/25	5.42	9.53	4.41	8.48	4.15
50/50	3.70	6.43	3.02	5.70	3.21
25/75	1.94	3.30	1.57	2.89	2.09
100% Treasury Bills	0.14	0.16	0.06	0.05	0.79

Diversification does not eliminate the risk of market loss. **Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect expenses associated with the management of an actual portfolio**. Asset allocations and the hypothetical index portfolio returns are for illustrative purposes only and do not represent actual performance. Global Stocks represented by MSCI All Country World Index (gross div.) and Treasury Bills represented by US One-Month Treasury Bills. Globally diversified allocations rebalanced monthly, no withdrawals. Data © MSCI 2016, all rights reserved. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefield).

Presidential Elections and the Stock Market

Third Quarter 2016

Next month, Americans will head to the polls to elect the next president of the United States. While the outcome is unknown, one thing is for certain: There will be a steady stream of opinions from pundits and prognosticators about how the election will impact the stock market.

As we explain below, investors would be well-served to avoid the temptation to make significant changes to a long-term investment plan based upon these sorts of predictions.

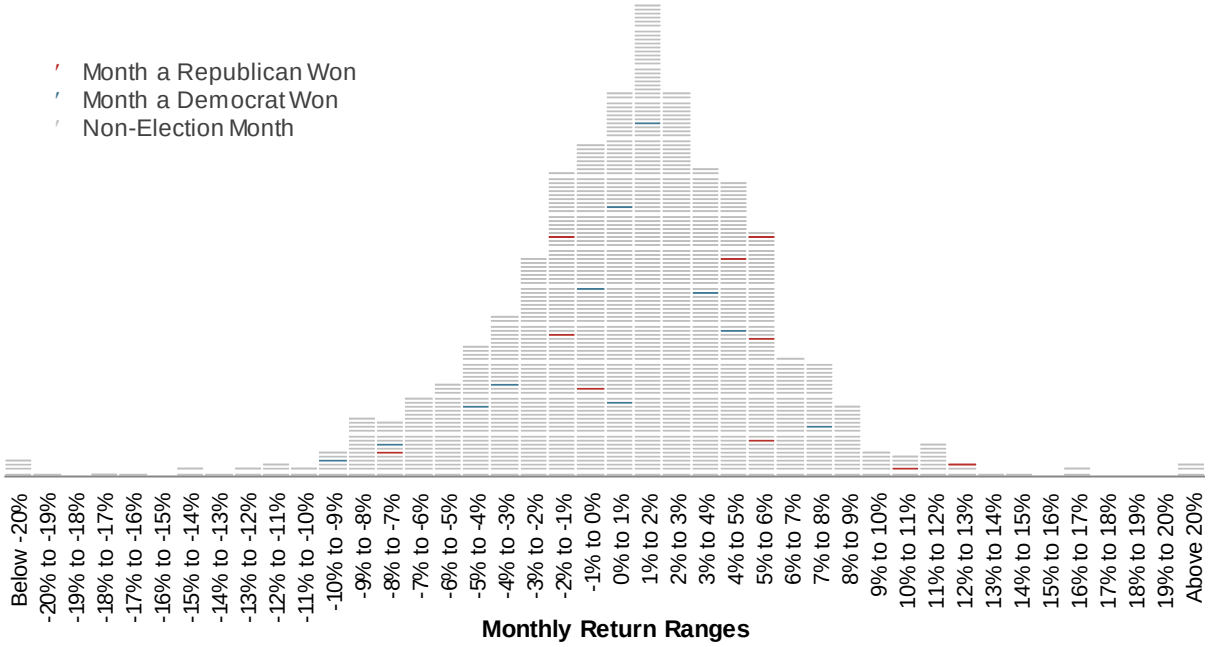
Short-Term Trading and Presidential Election Results

Trying to outguess the market is often a losing game. Current market prices offer an up-to-the-minute snapshot of the aggregate expectations of market participants. This includes expectations about the outcome and impact of elections. While unanticipated future events—surprises relative to those expectations—may trigger price changes in the future, the nature of these surprises cannot be known by investors today. As a result, it is difficult, if not impossible, to systematically benefit from trying to identify mispriced securities.

This suggests it is unlikely that investors can gain an edge by attempting to predict what will happen to the stock market after a presidential election.

Exhibit 1 shows the frequency of monthly returns (expressed in 1% increments) for the S&P 500 Index from January 1926 to June 2016. Each horizontal dash represents one month, and each vertical bar shows the cumulative number of months for which returns were within a given 1% range (e.g., the tallest bar shows all months where returns were between 1% and 2%). The blue and red horizontal lines represent months during which a presidential election was held. Red corresponds with a resulting win for the Republican Party and blue with a win for the Democratic Party. This graphic illustrates that election month returns were well within the typical range of returns, regardless of which party won the election. *(continues on page 16)*

Exhibit 1. Presidential Elections and S&P 500 Returns
Histogram of Monthly Returns, January 1926–June 2016



Past performance is not a guarantee of future results. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. The S&P data is provided by Standard & Poor's Index Services Group.

Presidential Elections and the Stock Market

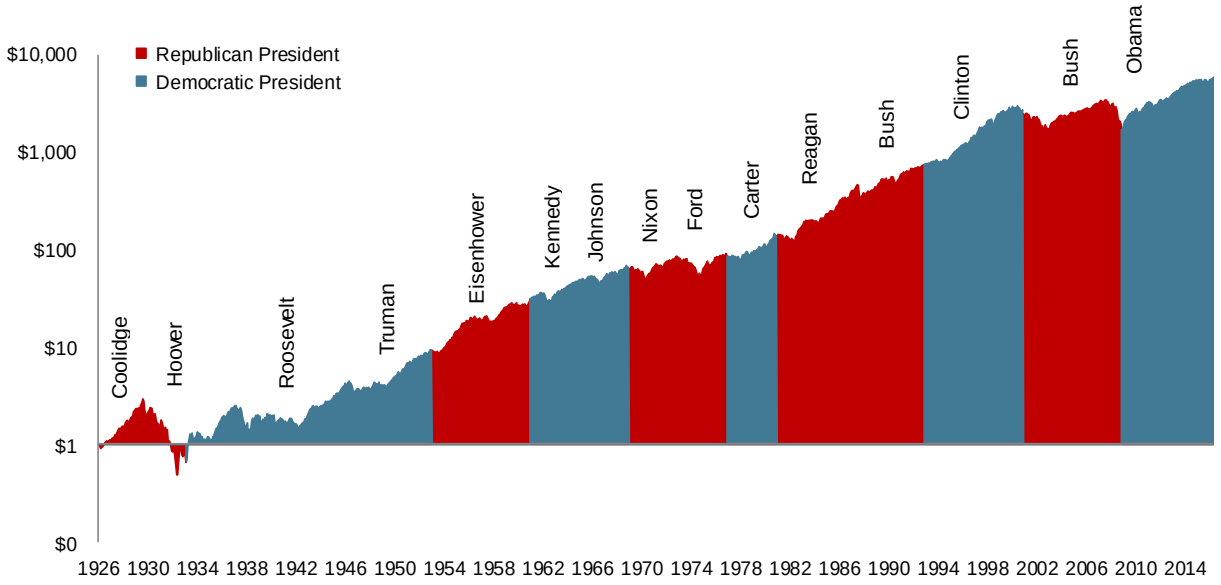
(continued from page 15)

Long-Term Investing:
Bulls & Bears ≠ Donkeys & Elephants

Predictions about presidential elections and the stock market often focus on which party or candidate will be "better for the market" over the long run. Exhibit 2 shows the growth of one dollar invested in the S&P 500 Index over nine decades and 15 presidencies (from Coolidge to Obama). This data does not suggest an obvious pattern of long-term stock market performance based upon which party holds the Oval Office. The key takeaway here is that over the long run, the market has provided substantial returns regardless of who controlled the executive branch.

Conclusion

Equity markets can help investors grow their assets, but investing is a long-term endeavor. Trying to make investment decisions based upon the outcome of presidential elections is unlikely to result in reliable excess returns for investors. At best, any positive outcome based on such a strategy will likely be the result of random luck. At worst, it can lead to costly mistakes. Accordingly, there is a strong case for investors to rely on patience and portfolio structure, rather than trying to outguess the market, in order to pursue investment returns.



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Source: Dimensional Fund Advisors LP.

All expressions of opinion are subject to change. This information is intended for educational purposes, and it is not to be construed as an offer, solicitation, recommendation, or endorsement of any particular security, products, or services.

Diversification does not eliminate the risk of market loss. Investment risks include loss of principal and fluctuating value. There is no guarantee an investing strategy will be successful.

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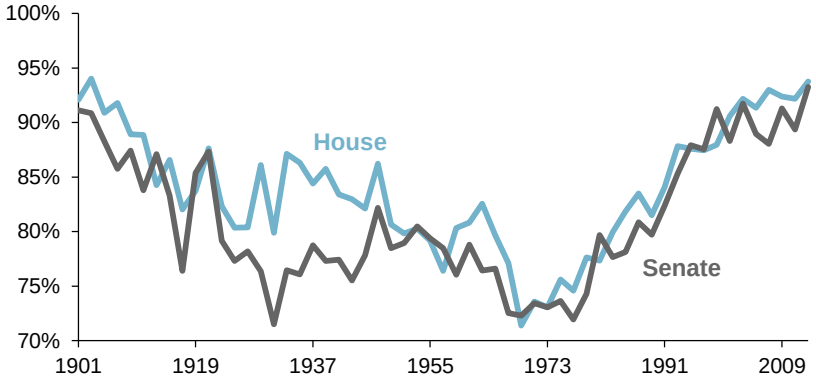
Presidential Elections and the Stock Market

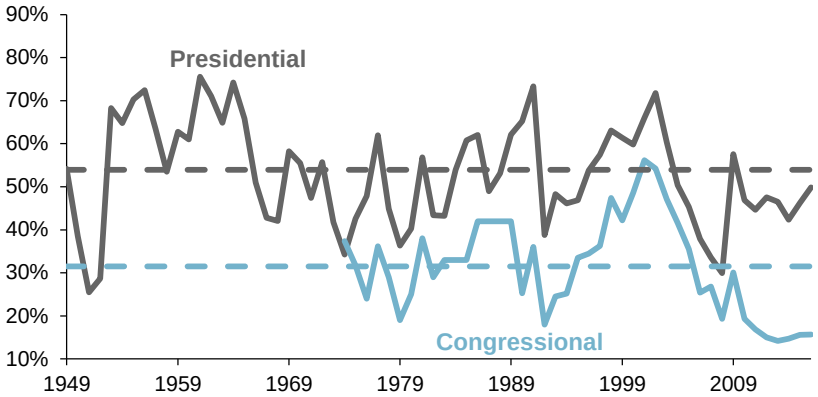
Charts of Interest

Political polarization

% of representatives voting with the majority of their party*

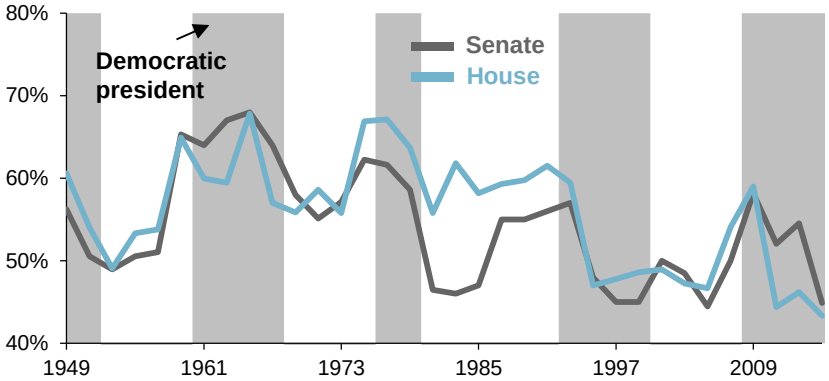


Congressional & presidential approval ratings



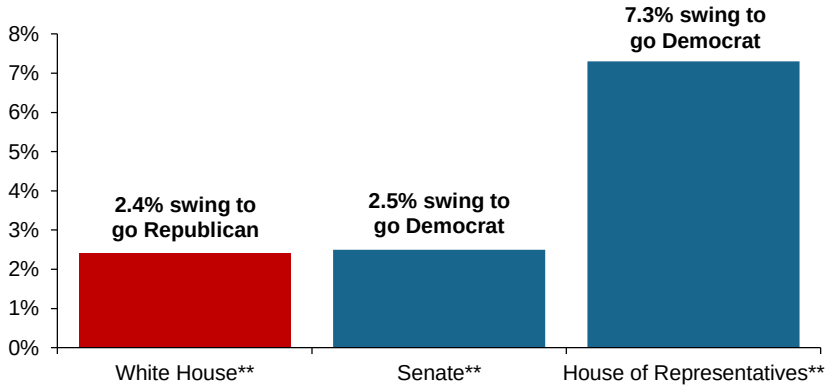
Political party dominance

Democratic % of major party seats



Vote swings and election outcomes

% change in votes required so that a new party takes control



Source: J.P. Morgan Asset Management; (Top left) VoteView; (Bottom left and right) U.S. House of Representatives, U.S. Senate; (Top right) Gallup Inc.; (Bottom right) New York Times, Politico, RealClearPolitics. *In roll call votes where the majority in one party voted the opposite way to the majority in the other. Data compiled by Professors Keith T. Poole and Howard Rosenthal, available at www.voteview.com. Data on voting records are not yet available for the 114th Congress. **Swing required is defined as the percentage of total voters, on a uniform national basis, that would have to switch from voting Republican to Democrat or vice-versa, in order to achieve 270 Electoral College votes, 50 Senate seats or 218 House seats respectively. Calculations are relative to the 2010 Senate election, 2012 Presidential election and 2014 House election respectively. Estimates also count two independent senators currently caucusing with the Democrats as Democrats.
Guide to the Markets – U.S. Data are as of September 30, 2016.