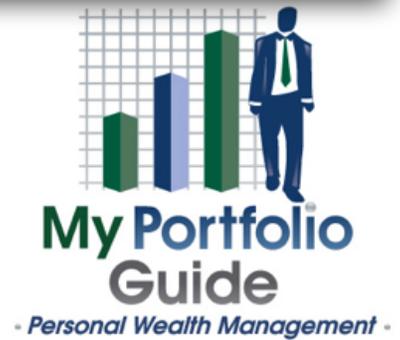


# the Guide



## INSIDE THIS ISSUE :

### HOW WILL THE MARKET VOTE?

Does the stock market favor Trump or Biden? What can and will happen? We give you our take on the “most important election of your lifetime”.

### MARKET RECAP

How did the stock market do last quarter? Take a look at how different benchmarks and indexes did versus your own portfolio. What’s on the horizon?

### EDUCATION CORNER

The 2020 Presidential Election is top of mind for everyone right now. This quarter we bring you what to watch for and what to possibly ignore or put into proper perspective.

### NEWS & NOTES CALENDAR

Life still is not back to business as usual, but in this section we share some news as well as ways to stay connected to us.

## Election Edition!



Few investors would disagree that the 2020 election will be one of the most momentous and contentious in American history. The global pandemic, US relations with China, immigration policy, civil unrest and a Supreme Court vacancy present unprecedented challenges and unlimited opinions. The two presidential candidates offer voters very different paths forward and in this edition of “the Guide” we will dig into what matters to the stock market and your portfolio.

Most major corporations and businesses in general, typically aim to avoid politics... but to ignore or provide nebulous guidance as it relates to how to position your portfolio leading into this election, is doing you a disservice.

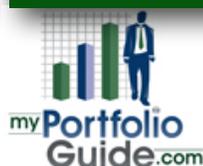
While we don’t intend to create any further divide, nor necessarily promote one

political ideology over another, we believe it’s critical to address the proverbial elephant in the room. Our clients come from all walks of life and of course each holds varying opinions, or lack thereof, with regard to what they would like to see.

In this edition we’ll dig into some history, present some potential outcomes, and also provide some insight into opportunities in the stock market that could materialize with each potential result.

As mentioned earlier, our client base is diverse, spread across the country, red, blue, and purple. The goal of My Portfolio Guide, LLC is not to pound the table on what *we* or *you* want, but rather to provide a sound strategy and keep a level head as to how you should be positioned.

If you’ve followed us over the years you’ll quickly learn that we don’t need to agree on everything to arrive at a rational and educated position. We ask that you read the following pages with an open mind and one that allows you to join us in managing your portfolio for an outcome that at this point is completely unknown. Buckle up and enjoy!



	2020	2019	2018	2017	2016	2015	2014	2013
20 / 80	4.56%	8.88%	-3.90%	4.71%	3.89%	0.29%	7.58%	4.86%
40 / 60	4.88%	11.13%	-4.70%	8.44%	6.12%	-0.08%	9.44%	11.74%
50 / 50	5.57%	12.25%	-5.09%	10.31%	7.24%	-0.26%	10.38%	15.18%
60 / 40	5.19%	13.38%	-5.49%	12.17%	8.36%	-0.45%	11.31%	18.62%
70 / 30	5.35%	14.50%	-5.89%	14.04%	9.48%	-0.65%	12.24%	22.06%
80 / 20	5.51%	15.62%	-6.29%	15.90%	10.59%	-0.82%	13.18%	25.51%
S&P 500	5.82%	17.90%	-7.74%	20.37%	9.54%	1.38%	13.34%	32.39%
Mid Cap	-4.05%	12.70%	-13.19%	18.37%	9.59%	-2.81%	15.39%	33.5%
Small Cap	-9.89%	12.50%	-13.44%	15.51%	16.56%	-4.85%	8.14%	41.31%
MSCI EAFE	4.98%	6.90%	-14.82%	25.19%	1.77%	-12.67%	-4.08%	23.29%
Emerging	-0.65%	4.30%	-17.00%	30.52%	9.39%	-17.61%	1.02%	-2.27%
Bonds	4.25%	6.80%	-3.01%	0.68%	0.04%	-2.29%	3.23%	-2.02%

## MARKET RECAP

### How did the "Market" do ???

Never rely on the media to tell you "how the market did". The answer is different for everyone because investors should be allocated specific to *their* goals and risk tolerance.

The above chart shows several (6) basic portfolio allocations with their corresponding performance over different time periods.

20 / 80, for example, represents 20% in the S&P 500 and 80% in the U.S. Aggregate Bond Index. Other major indexes are also posted (S&P 500, Mid, Small etc) MSCI EAFE represents 23 developed International countries except for the US or Canada.

The above market returns for the 2020 column are dated as of close on 10/20/2020. There has been nothing normal about the 2020 recession. The nationwide shutdown of "non-essential" businesses caused GDP to crater -31.4% in Q2 which makes for the largest drop since the Great Depression. Now we're seeing a V-shaped recovery for Q3 GDP rebounding to a forecasted +33.4%, which was propelled by unprecedented stimulus and obviously cannot be sustained at that rate.

It's critical to note that even with this massive V-shaped bounce, Q3 GDP stands at 2.9% lower than last year. Without the shutdowns, the US would have grown +2.5% versus a year ago. Long story short, the economy will be about 5.3% smaller than it would have been were it not for the economic shutdown. Some risks to a full recovery are things like a virus resurgence, government inaction, escalation of overseas tensions, or the civil unrest we saw the past year. We do believe the Fed will continue to make their presence known with more stimulus as that is the #1 way to give the perception of stability in what's become a very unstable world. It's a Band-Aid for now and may not bode well for future generations.

Small and Mid caps still lag other indices but at least closed some of the gap the past quarter. Lastly, while we do not track it on the above grid here, if Biden wins the election we expect the Utilities sector to come out from relative obscurity and be a possible bright spot going into 2021. Let's first see how things pan out.

In the meantime...**"Stay disciplined to stay positive"** -MPG

## EDUCATION CORNER

### What would George do?

“George Washington is the only president who didn’t blame the previous administration for his troubles.”

-Author Unknown



### Buckle up!

Let us first begin by bluntly telling you it doesn’t matter who you want to win the election or who My Portfolio Guide, LLC wants to win. What’s going to matter is what we all do with the outcome. Our job is to manage money with whatever result is given. Regardless of who you want to win the 2020 presidential election, there is one outcome that will be certain; volatility is coming.

The stock market likes certainty, and to state the obvious, we have very little of that in this current environment. Volatility (up or down) is coming to all asset classes aside from cash.

### Market disagrees with the Polls

This may come as a shock to the general public, but believe it or not, right now the stock market thinks, and is betting, that Trump will win. Everyone in 2016, including My Portfolio Guide, LLC, was dead wrong about who we thought would win. Polls of course favored Hillary Clinton, and even on the eve of the election, the market showed us that bet was wrong with the Dow Jones futures selling off -700 points.

Some will say what they expect will happen. Others will say what they want to happen. Because the market itself reflects what investors expect, you don’t have to poll to get that part of the answer.

Right now, the stock market supports an outcome where Donald Trump wins a second term. We’re saying this because when the market goes up, history typically favors the incumbent. The current polls tell us the complete opposite though!

If 2020 itself is any indication, a surprise is more than a probability. It’s going to take a lot of pessimism in the next couple weeks to push stocks down over the period that matters.

We know this because the market supports futures trading. Some of the brightest people on Wall Street have positioned incredible amounts of resources to weighing the odds and pricing for what they deem as the highest potential probability.

All those bets says Biden loses. That’s where the risk-return tug of war has attracted the real money. Whether that’s what the public or what Wall Street actually “wants”, is another story.



### Incumbent advantage?

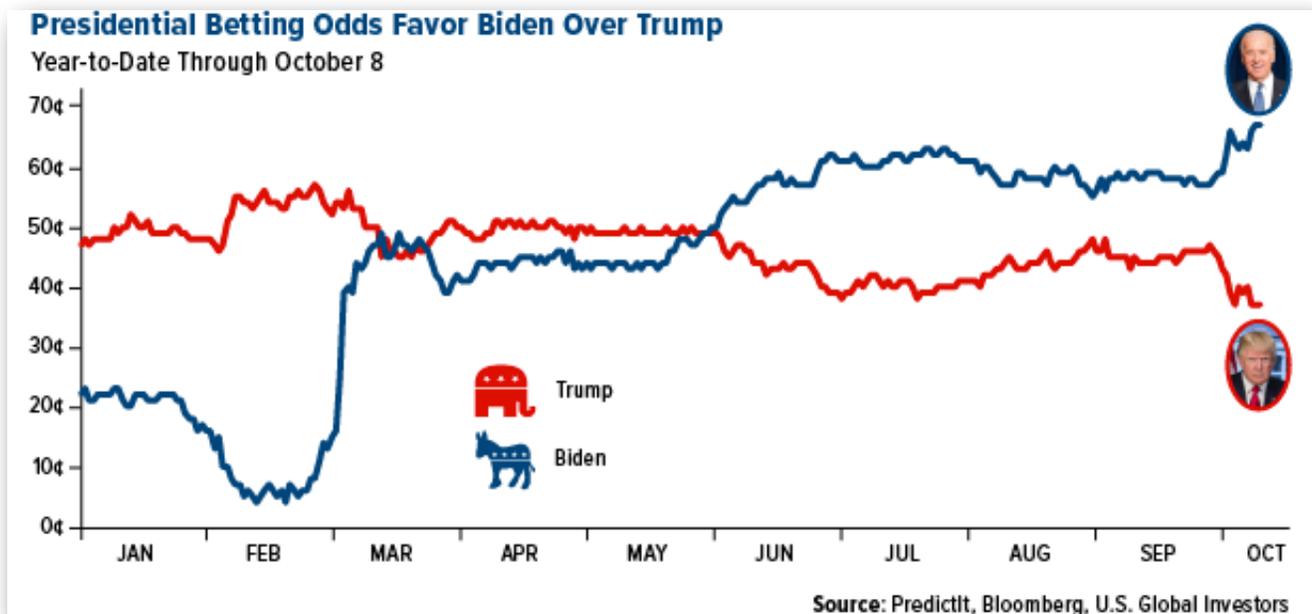
Prior to Jimmy Carter, no sitting president has ever lost the White House under these types of market conditions. Then again, we’ve never had a president like Donald Trump coupled with a global pandemic that’s turned the world upside down. There is a “first time for everything” but could this be only the second time in our history that this occurs? The safe money has made its bets on Trump winning again but as we all know he’s not been an orthodox type of politician.

Data compiled going back to 1928 reveals that as long as the S&P 500 gains ground in the three months leading up to an election, the incumbent party wins 85% of the time. When the S&P 500 slips in that same period, however, the incumbent loses 89% of the time. While there are exceptions on both sides, the odds definitely favor a correlation between reelection and the market’s mood. The polls will tighten leading up to 11/3, but it’s also without question that there will be a surprise headline even a week prior to decision day.

### Gridlock is actually Good!

We’ve written about this before but what will be as equally important will be the battle for the Senate majority. Republicans currently have a 53-45 majority with 23 seats up for election. “Getting things done” in Washington sure sounds good but it’s a myth. The odds (at least with regard to current consensus shown below) looks like a “Blue wave” is coming but the market may not welcome that.

CONTROL OF ...			
PRESIDENCY	SENATE	HOUSE	CHANCE
■ D	■ D	■ D	63%
■ D	■ R	■ D	18
■ R	■ R	■ D	9
■ R	■ R	■ R	5
■ R	■ D	■ D	2
■ D	■ R	■ R	1
■ D	■ D	■ R	0
■ R	■ D	■ R	0



Source: PredictIt, Bloomberg, U.S. Global Investors

## Red, Blue, or Gold?

If you've read our Dear Mr. Market investment blog articles before you'll know that historically we've never been gold bugs. After all, gold has no management, no earnings, no dividend, and is also quite difficult to gain any material sort of trading edge. For reasons we've articulated before, gold has plenty of tailwinds to warrant holding (low interest rates, weak dollar, fear, and the Fed printing trillions of dollars).

Lastly, as it relates to this election, we're actually going to focus more on what happens *after* November 3rd. Will there be contention, more civil unrest, or some "black swan" type event related to the outcome? In our opinion there will be a large faction of people who will not act rationally. This rift will be unlike some we've seen before and will cause added volatility which leads some of our models to call for a 15% allocation to gold. Regardless if you're rooting for Red or Blue this election, we are pulling for Gold.

### S&P 500 Index Total Returns During Presidential Election Years (1928-2016)

There are many factors that impact stock market returns, but we believe one common concern of investors is how the stock market will be impacted by a change in America's President. In past election years, the S&P 500 Index has seen more positive performance than negative, with an average annual return of 11.29% with positive annual returns 82.6% of the time. Below we take a look at S&P 500 Index performance during presidential election years, which have historically provided positive gains for stocks.

U.S. Presidential Election Results	Election Years Average Annual Return
A Republican was Elected	15.26%
A Democrat was Elected	7.65%
All Election Years	11.29%

### Observations

There have been 23 elections since the S&P 500 Index began. In these election years:

- » 19 of the 23 years (82.6%) provided positive performance.
- » When a Republican was in office and a Republican was elected, the total return for the year averaged 10.7%
- » When a Republican was in office and a Democrat was elected, the total return for the year averaged -1.25% (this includes the -37% return in 2008)

### Historical U.S. Presidential Election Results

Election Year	President Elected	S&P 500 Index Total Returns
2016	Trump	11.9%
2012	Obama	16.0%
2008	Obama	-37.0%
2004	Bush W	10.9%
2000	Bush W	-9.1%
1996	Clinton	23.1%
1992	Clinton	7.7%
1988	Bush HW	16.8%
1984	Reagan	6.3%
1980	Reagan	32.4%
1976	Carter	23.8%
1972	Nixon	19.0%
1968	Nixon	11.1%
1964	Johnson	16.5%
1960	Kennedy	0.5%
1956	Eisenhower	6.6%
1952	Eisenhower	18.4%
1948	Truman	5.5%
1944	Roosevelt	19.8%
1940	Roosevelt	-9.8%
1936	Roosevelt	33.9%
1932	Roosevelt	-8.2%
1928	Hoover	43.6%

# News & Notes:



## Economic Outlook



My Portfolio Guide, LLC recently had the honor of being a featured speaker for the Seal Beach Chamber of Commerce. Matt Pixa was asked to review how the pandemic has not only impacted investors but also share insight as to how it's effected the local economy. If you would like to see a replay of the presentation along with the slide deck please reach out to us and we'll send you the information. We plan on producing more of these types of economic reviews in both video form as well as audio versions with another series of podcasts all throughout 2021.

## We're Hiring!

If you know of someone who is looking for some part-time work we would love to meet them! My Portfolio



Guide, LLC is looking to hire a quality person

to help us with some project based work. For this particular role there is no investment expertise required and would center around some administrative and data entry tasks.

## Team MPG is back...

If you have followed some of what My Portfolio Guide, LLC does outside of the office you'll know that we love staying active! Several years ago we formed Team MPG, which started as an idea to get some ex-collegiate athletes and regular guys off the couch and back on the playing field. The twist to this was that it's with the mindset of giving back to our community and some meaningful charities we



care about. A team of athletes was rounded up to train and compete in an Ironman triathlon (2.4 mile swim, 112 mile bike, and a 26.2 mile marathon). Since we're all still sore from that endeavor, the wheels are back on the ground but this time in the form of a 5 day mountain bike trek throughout the mountains of Colorado and Utah! We'll be forming new team members soon and share details as to how you can be involved. It starts with our readers, clients, and friends telling us which charities they wish to see us pedal for later this summer!



# Events Calendar

## CALENDAR:

### October 2020

10/8/20:

**Economic Update Presentation**

**Virtual Event (replay available)**

**Seal Beach, CA**

### November 2020

11/13/20:

**Coffee Chat Series**

**Javatini's Coffee**

**Seal Beach, CA**

### December 2020

12/16/20:

**Coffee Chat Series**

**Javatini's Coffee**

**Seal Beach, CA**



**RSVP (562) 799-5595**

Another season is upon us. Aside from all the election noise, there will soon be other things we can hopefully turn our attention to. As we enter the final quarter of a tumultuous year, we're here to remind you that while so many businesses have had to adapt and learn new ways to connect, we too have brainstormed on ways that this bizarre environment has actually allowed us to see a silver lining in a new world.

While still adhering to safety protocols, we've been open for business throughout the pandemic. Thankfully, this industry is considered "essential" but with that being said, meeting people has changed. Our office building is now open for visits but we've expanded our reach and accessibility with Zoom portfolio reviews where we can share our screen, update goals, and still "see" you from the

comfort and safety of your kitchen table.

Earlier this month we hosted a 2020 Economic Outlook presentation via a webinar through the Seal Beach Chamber of Commerce. If you missed it, or wish to see a recorded replay, please let us know. we will also be doing more of these in the quarters to come.

While meeting large groups is still prohibitive, we're offering a series of small meetings at local venues this coming quarter. We're also trying our best to support local businesses that are doing everything they can to make things work in this environment.

As always, if you're interested in connecting please contact us directly on our office line at **(562)799-5595** to reserve a time to meet.

