

CROWELL WEEDON ASSET MANAGEMENT
MONTECITO INVESTMENT PORTFOLIOS

3Q 2020

Dear Fellow Investors,

As the world continues to navigate COVID-19, we remain encouraged and impressed by human ingenuity in the face of global tragedy. In spite of confirmed cases continuing to grow, we have not seen an equivalent spike in those dying from the virus. There are several reasons as to why this could be happening. Perhaps more of our younger population is contracting the virus. Or, perhaps doctors have gained a far better understanding of how to treat COVID patients. Whatever the reasons are, we are beyond relieved that COVID-19 does not appear to be a pandemic like the Spanish Influenza of 1918 that wiped out approximately 1% of the global population. If that were to happen today, that would be nearly 70 million lives!

As is customary in our profession, not only do we weigh the impact of worries of today, but also must look forward to worries of tomorrow. In just over 30 days, the world's eyes will be focused on the results of our country's 59th Presidential election. It's being billed as the most important event in our nation's history with both sides proclaiming the future of our country rests on the outcome. While choosing elected officials is indeed a very serious decision and we absolutely urge everyone to exercise their right to vote, we also remind investors that candidates proclaiming impending doom if they aren't elected is not new. Lyndon Johnson's 1964 "[Daisy Girl](#)" ad portrayed a world filled with nuclear conflict if he wasn't elected. As is often the case with politics, exaggeration is par for the course.

Making long-term financial decisions based on politics is not recommended. Large amounts of historical data back up our claims. One of the better pieces we've seen summarizing market returns with political party comes from [McLean](#). They highlight the following for S&P 500 average annual returns:

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| • S&P 500 From 1926 – 2019 | 12.09% |
| • During Presidential election years | 11.28% |
| • During non-Presidential election years | 12.35% |
| • When the same political party retained the Presidency | 16.00% |
| • When the Presidency switched political parties | 5.14% |
| • When a Republican was President | 9.14% |
| • When a Democrat was President | 14.94% |
| • When Republicans were President and also fully controlled Congress | 14.52% |
| • When Democrats were President and also fully controlled Congress | 14.52% |
| • When Democrats were President and Republicans controlled Congress | 15.94% |
| • When Republicans were President and Democrats controlled Congress | 6.99% |

The takeaway from the data is that there is no clear takeaway. Return figures can be impacted by numerous economic and global events of the day. Obviously, the returns in the Roaring 20's and dot-com boom of the 1990's are going to be vastly different from the returns seen in the Great Depression and Great Recession. To say that political leaders were the main cause of any of these events would be a gross oversimplification. Unfortunately, we as humans are hard-wired to do just this and find comfort in attempting to turn complex

situations into simple reasons and rationale. This behavioral bias is a reason so many people are lured into a false belief that political leaders should play a role in their investment decisions.

Now, we're not saying that politics aren't important. Certainly, decisions related to taxes, international trade, regulation, fiscal policy, and monetary policy are all very important and can indeed result in faster or slower economic growth. Well-defined views on these topics can definitely help foster environments of clarity. Markets appreciate clarity and have shown an absolute dislike for uncertainty. What we are saying is that the beauty of our country lies in the very fabric of our American culture. In spite of the conflicts we're going through today, we are a country that deals with issues quickly.

We are not like that couple that never fights, sweeps feelings under the rug to be dealt with later, and shocks family and friends when they wind up in divorce. No, instead we are a country that airs our dirty laundry for all to see. We are that volatile couple that seems to constantly argue, lives through huge highs and lows, but at the end of the day, leaves no hidden feelings. We are a country where nothing is off-limits from criticism and critique. We are a country where failure is not feared or punished, instead, it is embraced. We are a country where you can literally turn your ideas into reality not only helping yourself, but possibly the thousands you may wind up employing as well. We are a country that millions of people line up to get into every year and that even the most vocal of critics hesitate to actually leave. It is not a perfect system, but it is still the system that offers the greatest good to the greatest number of people. In spite of the rhetoric, we do not believe this election will serve as the turning point to possibly endanger any of this. Regardless of the election outcome, we remain confident in our country's system built around checks and balances.

We remind investors that in spite of the media's 24/7 coverage of American politics, about 139 million people actually voted in the 2016 election. That represented 43% of the overall population and 56% of the population that was of legal age to vote. The way we see it, of those who actually get out and vote, approximately half will be glad and half will be disappointed. When viewed through this "political participation" lens, we believe the picture becomes clear. Off-setting political sentiment and leadership change should not be a deciding factor upon which long-term financial plans and investment decisions are made. Instead, our long-term focus and foundation to help drive success will remain firmly rooted in the American framework that has unlocked human potential for centuries now. Neither one person nor one election will change this.

As always, we welcome your feedback and would love to talk about these and other topics that may be important to you. We thank you for your continued confidence and the opportunity to manage your investments. We take very seriously our responsibility. ***Montecito Investment Portfolio's Mission: To provide diversified, disciplined long term investment solutions, service and guidance to help our clients achieve, and maintain, their "Financial Independence".***

Sincerely,

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Sources:

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<http://www.electproject.org/2016g>

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