Inside the**market**



Midterm election year special

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Midterm election year special

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Source: Morningstar as of 9/30/26. **Past performance is no guarantee of future results.** Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

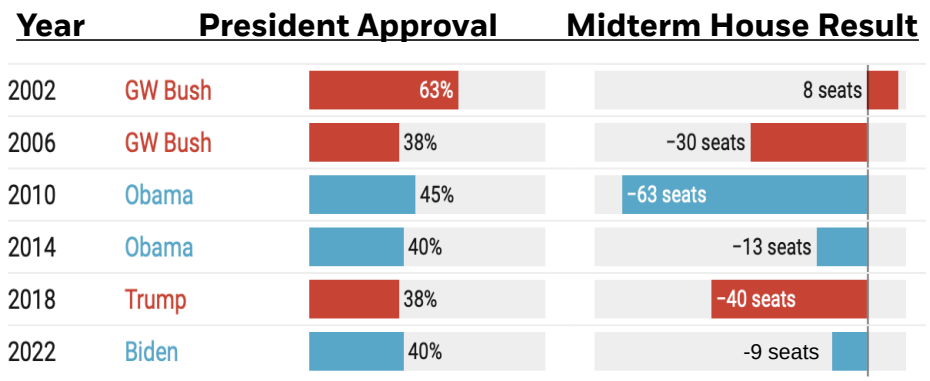
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Midterm election summary

Midterm elections have historically been difficult for the president's party, which has lost House seats in most cycles. Today's Senate is narrowly divided with control hinging on a small number of competitive races.

U.S. House of Representatives midterm elections

- Republicans are bracing for the midterms amid the president's declining approval ratings.[1] However, recent Supreme Court action has triggered a new wave of redistricting, shifting the scales in Republicans favor. Margins are expected to be slim, regardless of outcome.
- The president's party almost always loses ground in midterm House elections (20 of 22 midterm elections since 1938, and both exceptions reflected unusual circumstances).



U.S. Senate midterm elections

- Senate currently 53 R, 47 D&I.
- There are 35 seats up for election (6-year terms).
- Republicans are defending 22 and Democrats are defending 13.
- 8 of the races are considered "tossups" or "leans".[2]

Democrats must hold what they already have and flip 4 seats to win control; **North Carolina** is the most likely to flip followed by **Maine, Ohio,** and **Alaska. Texas** and **Iowa** are also considered possible.

Source: 1: The New York Times – "Trump Approval Rating Polls", as of 9/30/2026. 2: The Cook Political Report. 2026 CPR Senate race ratings , as of 10/6/2026.

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STRONG STARTS TO MIDTERM ELECTION YEARS

5th best Q1-Q3 in a midterm election year

After a sluggish Q1 in 2026, stocks strongly bounced back in Q2, and held steady in Q3. Historically, the stock market has continued momentum after a strong first three quarters in midterm election years.

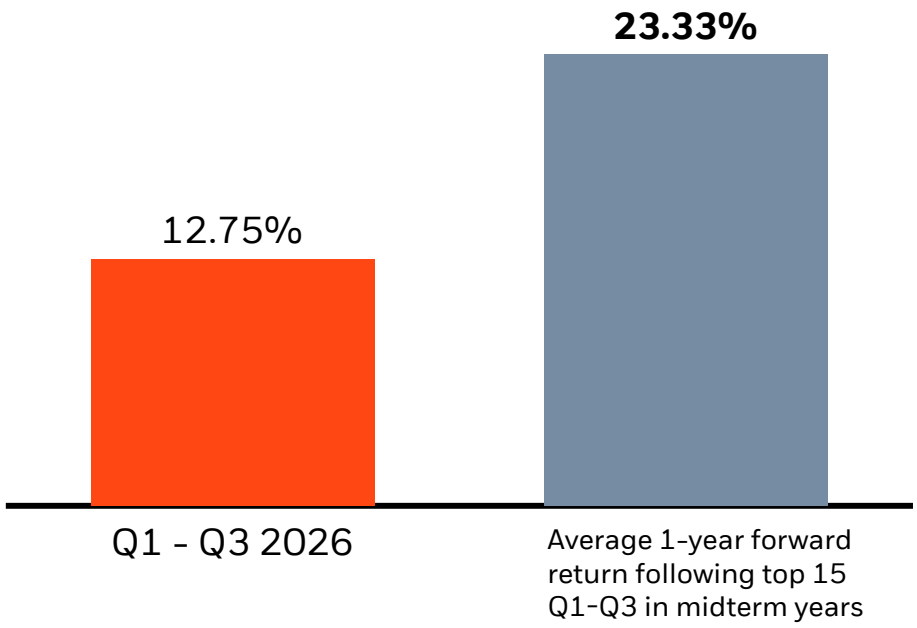
Top 15 Q1-Q3 for stocks in midterm election years

U.S. stocks returns (1926 - 9/30/2026)

Year	Q1-Q3 Return	1-Yr Forward Return
1954	35.06%	41.11%
1958	28.84%	17.33%
1950	22.08%	28.47%
1938	20.28%	11.45%
2026	**12.75%**	**-**
1986	12.40%	43.42%
1978	12.09%	12.60%
2018	10.56%	4.25%
1926	8.90%	34.65%
2006	8.53%	16.44%
2014	8.34%	-0.61%
1942	7.06%	44.17%
1998	6.00%	27.80%
2010	3.89%	1.14%
1982	2.79%	44.34%
Average	**13.31%**	**23.33%**

Momentum historically carries on after strong Q1-Q3

U.S. stock returns (1926 – 9/30/2026)



Source: Morningstar as of 9/30/2026. U.S. stocks are represented by the S&P 500 TR Index from 3/4/1957 to 9/30/2026 and the IA SBBI U.S. Lrg Stock Tr USD Index from 1/1/1926 to 3/4/1957, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. **Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You can not invest directly in the index.**

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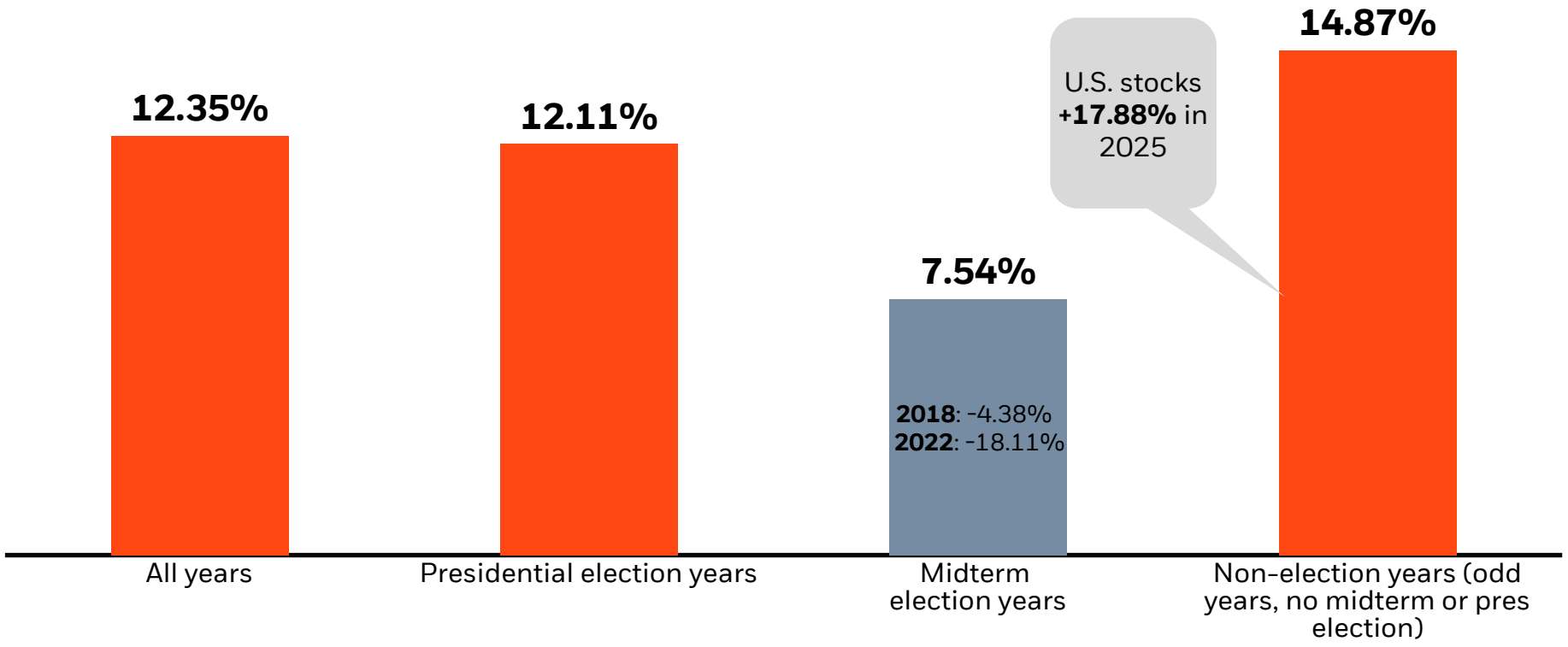
ELECTION YEARS AND MARKET PERFORMANCE

U.S. stocks across the election cycle

While stocks were negative in the last 2 midterm election years (2018, 2022), in 100 years we have never seen 3 consecutive negative midterm election years.

U.S. stock performance

Average annual return, 1/1/1926 – 12/31/2025



Source: Morningstar as of 12/31/25. Stock market represented by the S&P 500 Index from 1/1/1970 to 12/31/2025 and IA SBBI U.S. large cap stocks index from 1/1/1926 to 1/1/1970. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

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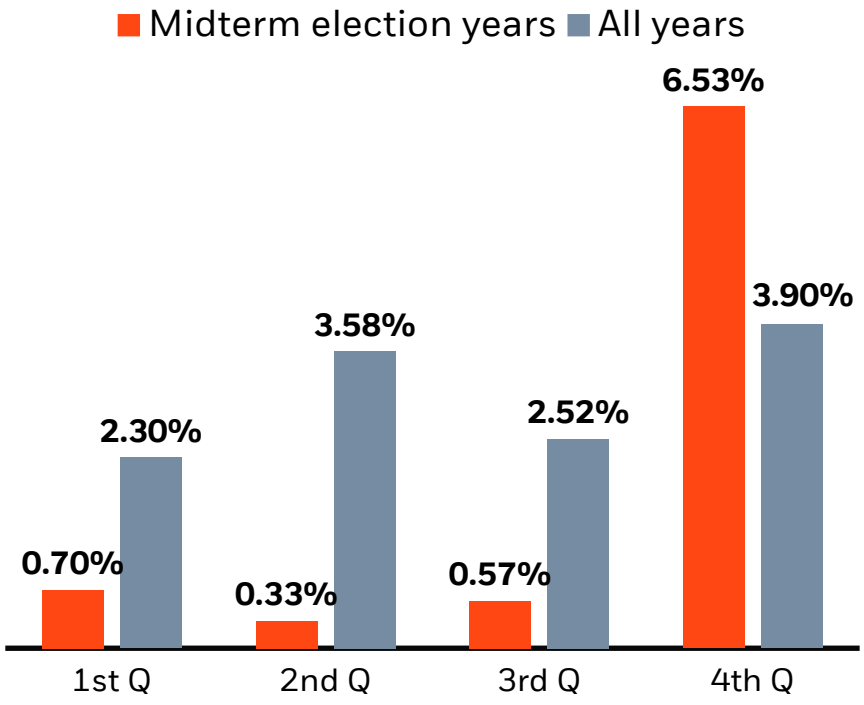
MIDTERM ELECTIONS AND STOCKS BY QUARTER

U.S. stocks in a midterm election year

The first 3 quarters of midterm election years tend to be sluggish, followed by a strong 4th quarter when elections take place.

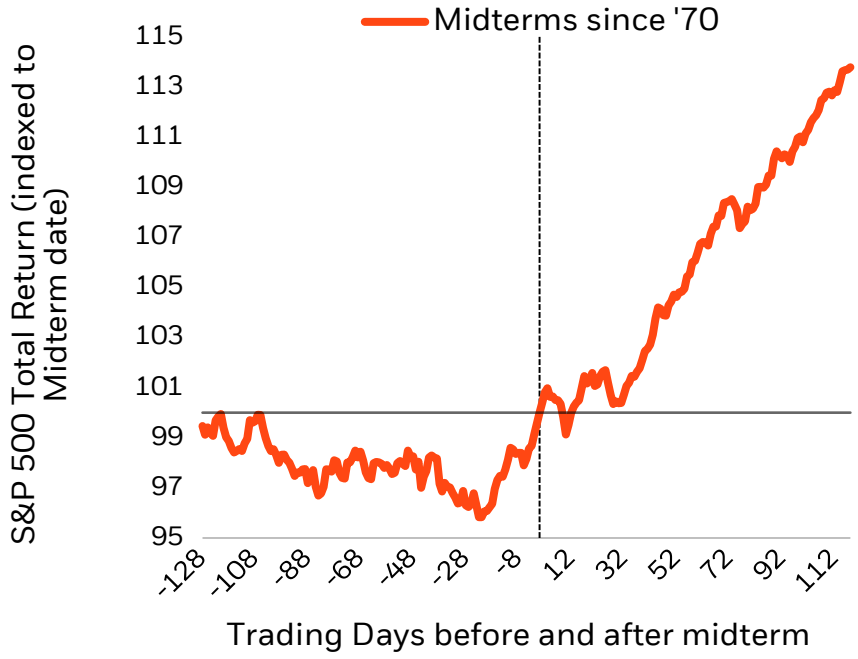
Midterm election years by quarter

(1/1/1926 – 9/30/2026)



Midterm election years do better after the election

(1970 – 2022)



Bloomberg, Morningstar as of 9/30/2026. Stock market represented by the S&P 500 Index from 1/1/1970 to 9/30/2026 and IA SBBI U.S. large cap stocks index from 1/1/1926 to 1/1/1970. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

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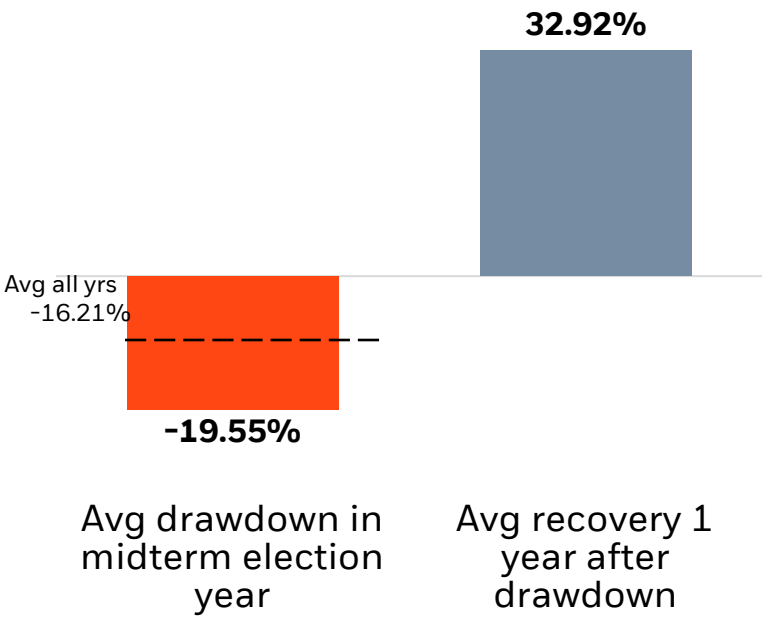
U.S. stocks and midterm election year drawdowns

U.S. stocks by midterm election drawdown, calendar year return and 1 year after drawdown

Calendar year returns, 1/1/1928 – 9/30/2026

Average drawdown and 1 year recovery midterm elections

S&P 500, by calendar year, 1/1/1928 - 9/30/2026



Year	Max drawdown	Calendar year return	1 yr after drawdown
1930	-44.29%	-28.48%	-45.08%
1934	-29.27%	-4.71%	29.07%
1938	-28.87%	30.07%	34.85%
1942	-17.82%	20.15%	63.86%
1946	-26.65%	-8.02%	14.24%
1950	-14.02%	32.62%	41.71%
1954	-4.42%	52.27%	51.09%
1958	-4.36%	43.15%	41.04%
1962	-26.44%	-8.66%	37.48%
1966	-22.18%	-10.02%	37.29%
1970	-25.86%	3.94%	48.94%
1974	-37.60%	-26.47%	44.43%
1978	-13.55%	6.57%	18.08%

Year	Max drawdown	Calendar year return	1 yr after drawdown
1982	-16.56%	21.55%	66.11%
1986	-9.42%	18.67%	44.34%
1990	-19.92%	-3.16%	33.52%
1994	-8.94%	1.31%	18.45%
1998	-19.34%	28.56%	39.82%
2002	-33.75%	-22.10%	36.14%
2006	-7.70%	15.78%	26.18%
2010	-15.99%	15.06%	33.63%
2014	-7.40%	13.68%	11.42%
2018	-19.78%	-4.39%	39.88%
2022	-25.43%	-18.12%	23.64%
2026 YTD	-9.10%	11.77%	?

Bloomberg as of 9/30/2026. U.S. stocks are represented by the S&P 500 Index from 3/4/1957 to 9/30/2026 and the IA SBBI U.S. Lrg Stock Tr USD Index from 1/1/1928 to 3/4/1957. Total return measures the calendar year return for U.S. stocks for each respective year shown. **Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.**

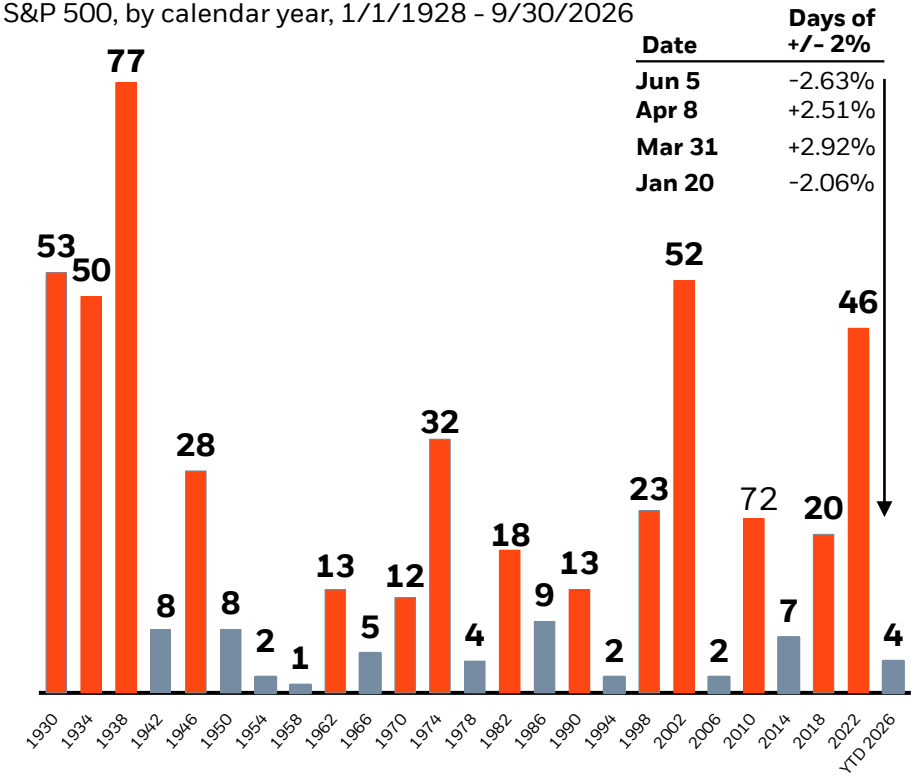
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Stock volatility by midterm election year

Stock market volatility during elections has been generally subdued unless there is a broader downturn or rally.

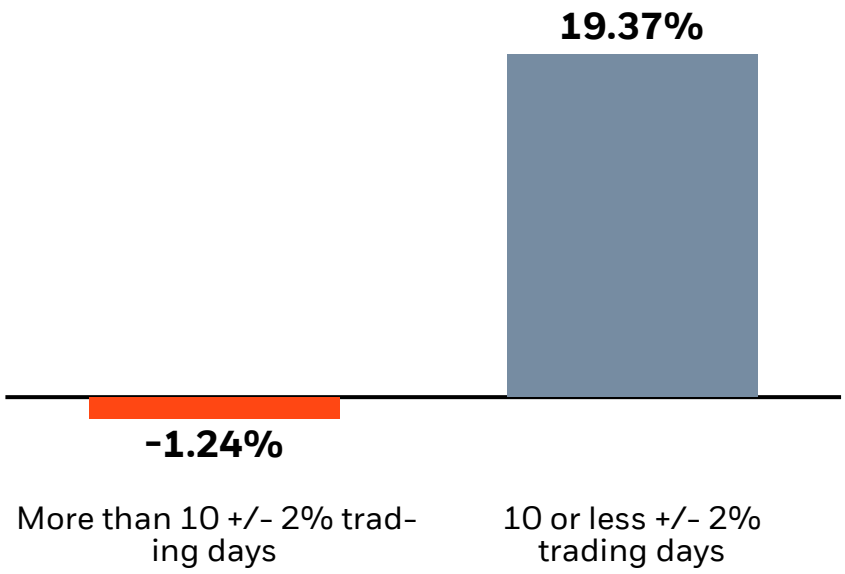
Number of single day stock market returns of +/-2% or more in midterm election years

S&P 500, by calendar year, 1/1/1928 - 9/30/2026



Average stock return based on number of +/- 2% trading days in midterm election years

Average returns of the S&P 500 based on calendar years since 1930



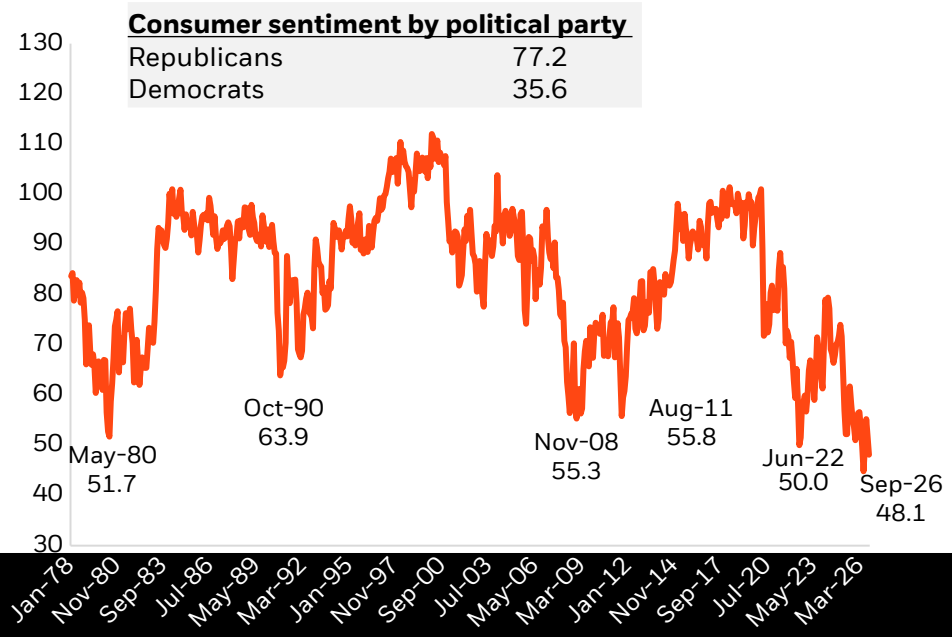
Source: Morningstar as of 9/30/2026. Stock market represented by the S&P 500 PR Index and calendar year performance by the IA SBBI US large stock index. **Past performance does not guarantee or indicate future results**. Index performance is for illustrative purposes only. You cannot invest directly in the index.

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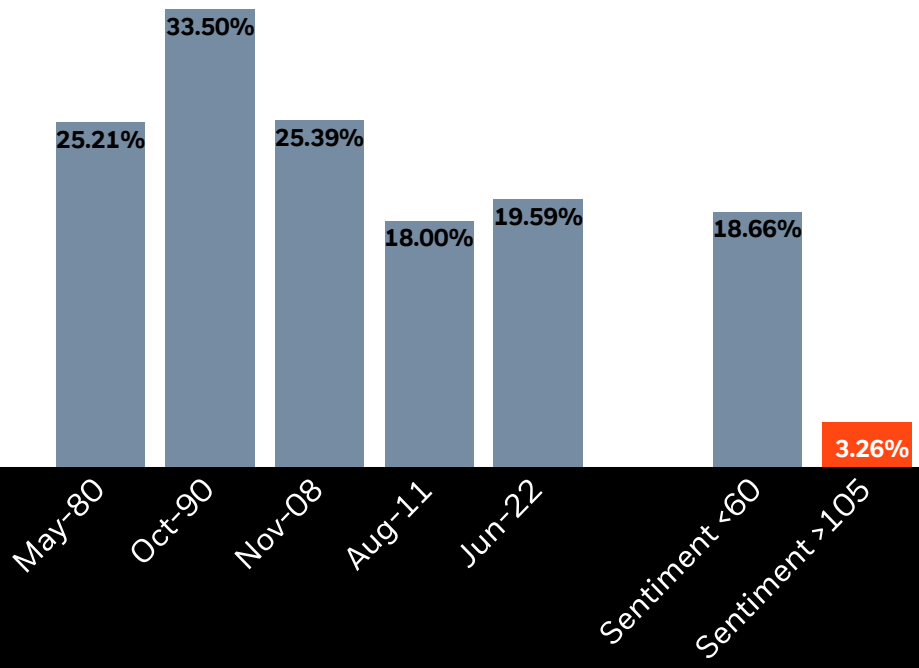
Consumer sentiment at all-time lows

Sentiment has fallen to record lows driven by a lack of affordability, war, and an unprecedented gap in sentiment between political parties. Historically, low sentiment has been a strong bullish signal for equities.

Consumer sentiment at an all-time low in April driven by the divide in sentiment by party



U.S. stock one-year returns following historic low points in consumer sentiment



Source: Bloomberg and the University of Michigan, data as of 9/30/2026. Left: Consumer confidence and inflation expectations represented by the University of Michigan surveys, as of 9/30/2026.U.S. stocks represented by the S&P 500 TR Index..

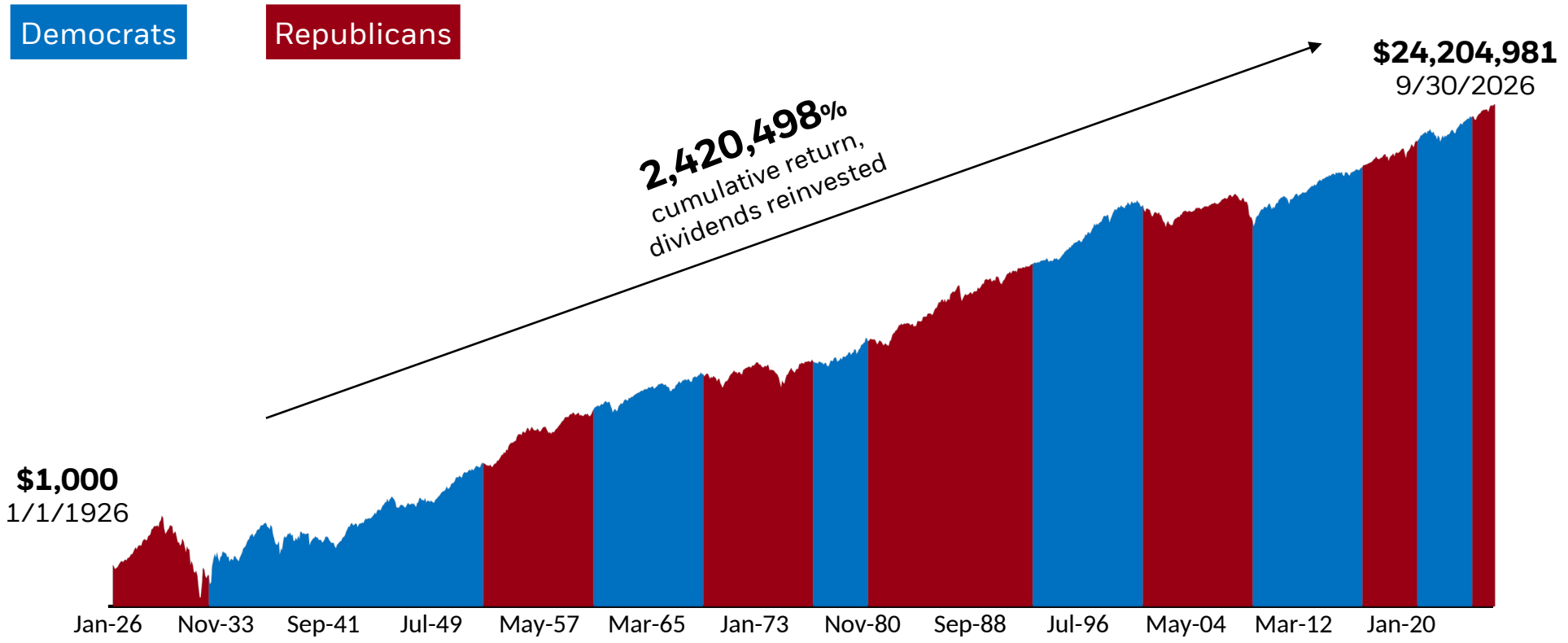
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LONG-TERM U.S. STOCK RETURNS AND ELECTIONS

Stocks have continued higher regardless of party holding the presidency

Growth of $1k since 1926

Cumulative returns, 1/1/1926 – 6/30/2026



Source: Morningstar as of 9/30/2026. Stock market represented by the S&P 500 Index from 1/1/1970 to 9/30/2026 and IA SBBI U.S. large cap stocks index from 1/1/1926 to 1/1/1970. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

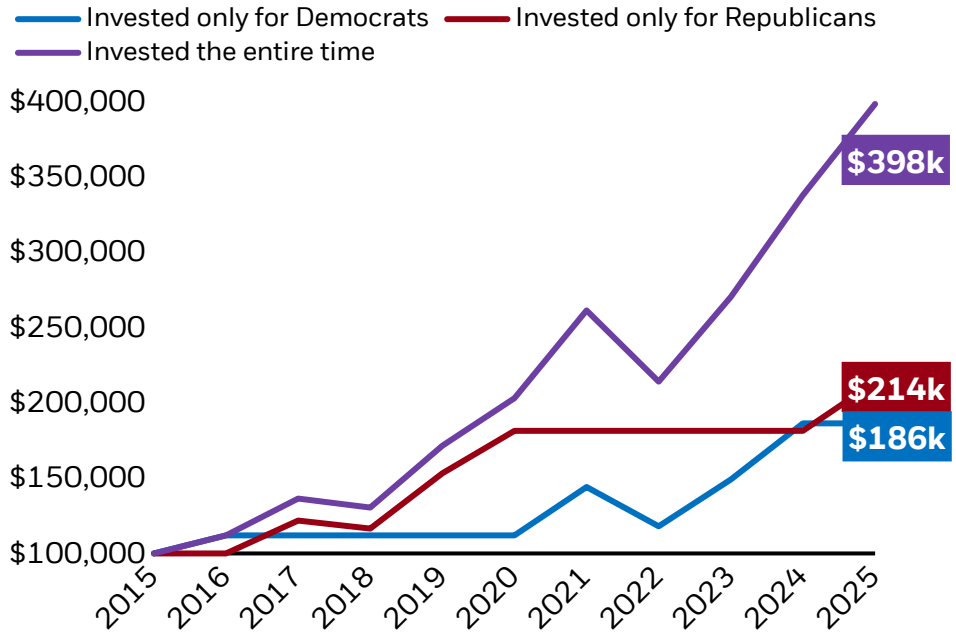
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KEEP YOUR POLITICS OUT OF YOUR PORTFOLIO

It's time in the market that matters... not the president's political party

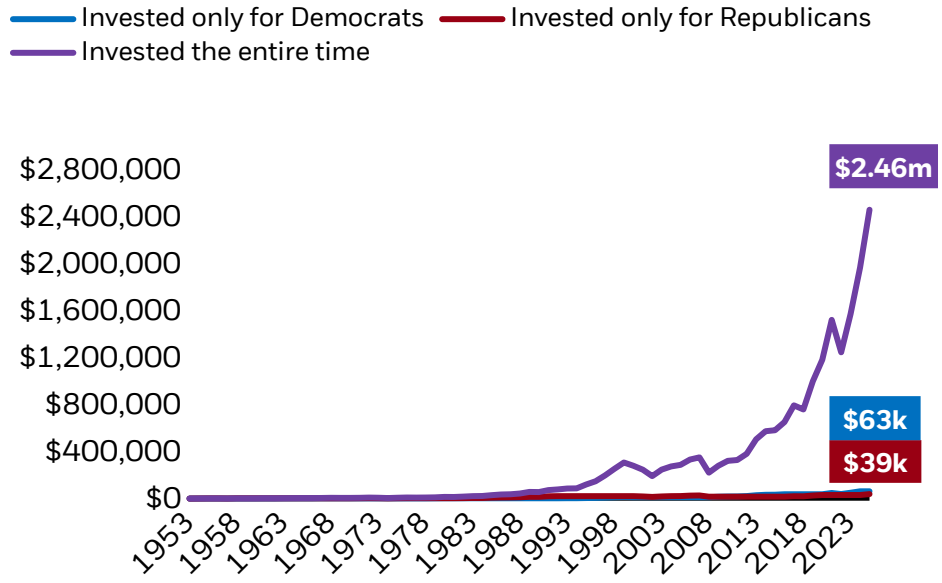
Growth of $100k invested since 2013, depending on which party held the presidency

S&P return 500 during given time periods, 1/1/2014 – 12/31/2025



Growth of $1k invested over the last 70 years, depending on which party held the presidency

S&P return 500 during given time periods, 1/1/1953 – 12/31/2025



Source: Morningstar as of 12/31/25. Stock market represented by the S&P 500 Index from 1/1/70 to 8/31/24 and IA SBBI U.S. large cap stocks index from 1/1/54 to 1/1/70. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

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U.S. stock sectors by president

Key trends:

1. The top 3 performing sectors were the same under Obama and Trump 1, as well as 2 of the 3 worst (Energy & Financials).
2. Technology has remained in the top 3 sectors for the past 4 presidencies
3. Both Biden's and Bush's top performing sector was Energy.

Sector performance

Average annual return for length of presidency, each sector of the S&P 500

Bush	Obama	Trump 1	Biden	Trump 2
Energy 11.96%	Consumer Disc. 18.56%	Info. Technology 27.42%	Energy 38.16%	Info. Technology 30.29%
Utilities 5.82%	Info. Technology 16.41%	Consumer Disc. 19.27%	Info. Technology 23.30%	Comm. Services 23.36%
Cons. Staples 4.96%	Health Care 14.22%	Health Care 13.57%	Financials 19.35%	Energy 21.62%
Comm. Services 0.56%	Cons. Staples 12.83%	Materials 11.27%	Industrials 16.00%	Industrials 13.00%
Health Care -0.14%	Industrials 12.74%	Utilities 10.93%	Comm. Services 13.55%	Health Care 9.08%
Materials -0.31%	Real Estate 12.69%	Industrials 9.96%	Materials 11.18%	Financials 9.06%
Industrials -3.43%	Utilities 10.86%	Comm. Services 9.53%	Health Care 10.74%	Consumer Disc. 6.06%
Info. Technology -4.75%	Materials 10.14%	Cons. Staples 8.23%	Cons. Staples 9.96%	Materials 4.45%
Consumer Disc. -8.63%	Comm. Services 9.46%	Financials 7.86%	Real Estate 9.10%	Cons. Staples 4.43%
Financials -11.94%	Financials 7.22%	Real Estate 7.61%	Consumer Disc. 8.97%	Utilities 3.44%
	Energy 5.03%	Energy -15.78%	Utilities 8.30%	Real Estate 1.01%

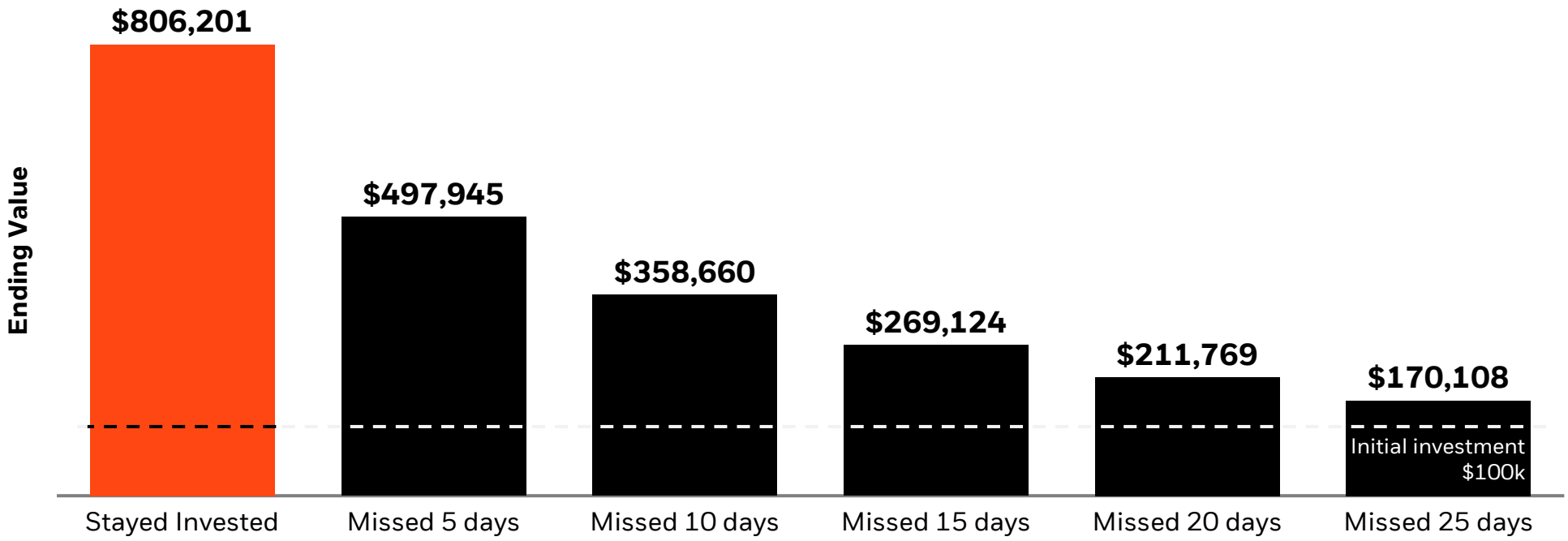
Source: Morningstar as of 9/30/26. Technology represented by the S&P 500 information technology sector index, Health care represented by the S&P 500 health care sector index, Financials represented by the S&P 500 financial sector index, Industrials represented by the S&P 500 industrial sector index, Materials represented by the S&P 500 materials sector index, Consumer discretionary represented by the S&P 500 consumer discretionary sector index, Communication services represented by the S&P 500 communication services sector index, Real estate represented by the S&P 500 real estate sector index, Energy represented by the S&P 500 energy sector index, Utilities represented by the S&P 500 utilities sector index and Consumer staples represented by the S&P 500 consumer staples sector index. Financials during Bush included Real Estate according to GICS level 1 indices at the time. **Past performance does not guarantee or indicate future results.** Index performance is for illustrative purposes only. You cannot invest directly in the index. Bush time period from 12/14/2004 to 11/4/2008, Obama time period from 11/5/2008 to 11/8/2016 and Trump 1 time period from 11/9/2016 to 11/3/2020. Biden period is from 11/4/2020 to 11/5/24, Trump 2 11/6/2024 to 9/30/26.

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Time in the market vs. timing the market

Missing top-performing days can hurt your return

Hypothetical Investment of $100,000 in the S&P 500 Index over the last 20 years (2006-2025)



Sources: BlackRock; Bloomberg. Stocks are represented by the S&P 500 Index, an unmanaged index that is generally considered representative of the U.S. stock market. **Past performance is no guarantee of future results**. It is not possible to invest directly in an index.

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Returns as of 9/30/26	1 Year Return	5 Year Avg. Annual Return	10 Year Avg. Annual Return
S&P 500 Sec/Information Technology TRUSD	30.20	23.54	25.95
S&P 500 Sec/Commun Services TR USD	12.06	12.88	12.71
S&P 500 Sec/Industrials TR USD	9.50	13.06	12.78
S&P 500 Sec/Energy TR USD	42.42	23.26	10.15
S&P 500 Sec/Utilities TR USD	-6.97	7.57	8.33
S&P 500 Sec/Financials TR USD	0.69	9.23	12.87
S&P 500 Sec/Cons Disc TR USD	-5.15	5.63	12.11
S&P 500 Sec/Materials TR USD	10.04	6.46	9.66
S&P 500 Sec/Health Care TR USD	23.02	7.57	10.82
S&P 500 Sec/Cons Staples TR USD	5.99	7.44	8.00
S&P 500 Sec/Real Estate TR USD	2.30	2.21	6.14
S&P 500 PR	14.40	12.18	13.44
S&P 500 (TR)	15.74	13.79	15.33
IA SBBI US Large Stock TR USD Ext	15.74	13.79	15.33

Index Definitions:

- The **S&P 500 TR Index** is an unmanaged index that is generally considered representative of the U.S. stock market on a total return basis. Included are the largest 500 stocks by market cap.
- The **IA SBBI IT US Large Stock TR Index** is an unmanaged index that is generally considered representative of the historical U.S. stock market on a price return basis prior to the inception of the **S&P 500 TR Index** in 1970.
- The **S&P 500 PR Index** is an unmanaged index that is generally considered representative of the U.S. stock market on a price return basis. Included are the largest 500 stocks by market cap.
- The **S&P 500 Sec/Commun Services TR Index** is an unmanaged index that is generally considered representative of the Communication Services Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Cons Disc TR Index** is an unmanaged index that is generally considered representative of the Consumer Discretionary Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Cons Staples TR Index** is an unmanaged index that is generally considered representative of the Consumer Staples Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Energy TR Index** is an unmanaged index that is generally considered representative of the Energy Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Financials TR Index** is an unmanaged index that is generally considered representative of the Financials Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Health Care TR Index** is an unmanaged index that is generally considered representative of the Health Care Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Industrials TR Index** is an unmanaged index that is generally considered representative of the Industrials Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Information Technology TR Index** is an unmanaged index that is generally considered representative of the Information Technology Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Materials TR Index** is an unmanaged index that is generally considered representative of the Materials Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Real Estate TR Index** is an unmanaged index that is generally considered representative of the Real Estate Sector of the S&P 500 Index as defined by GICS on a total return basis.
- The **S&P 500 Sec/Utilities** is an unmanaged index that is generally considered representative of the Utilities Sector of the S&P 500 Index as defined by GICS on a total return basis.

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