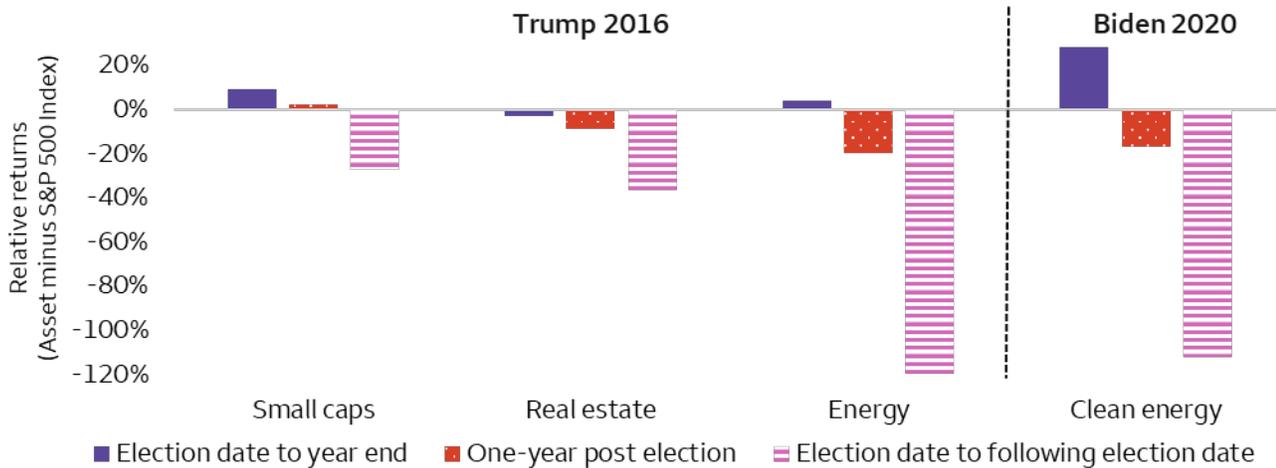


Chart of the Week

Weekly analysis of key themes in markets

November 12, 2024

The danger of investing based on campaign promises



Sources: Bloomberg and Wells Fargo Investment Institute. Bars represent total returns of the asset minus the total return of the S&P 500 Index. Positive bars indicate the asset outperformed the S&P 500 Index and vice versa. Small caps are represented by the Russell 2000 Index, Real Estate by the S&P 500 Real Estate Index, Energy by the S&P 500 Energy Index, and Clean Energy by the S&P Global Clean Energy Index. The “election date to year end” bars show the relative returns from 11/8/2016 to 12/31/2016 on the Trump side and from 11/3/2020 to 12/31/2020 for Biden. The “1-year post election” bars show returns from 11/8/2016 to 11/8/2017 for Trump and 11/3/2020 to 11/3/2021 for Biden. The “election date to following election date” bars show the relative returns from 11/8/2016 to 11/3/2020 for Trump and 11/3/2020 to 11/5/2024 for Biden. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Past election investments lacking fundamental support reversed sharply

For investors hoping campaign promises translate into policy-targeted asset outperformance, we would urge caution. There are several instructive examples to consider:

- When President-elect Donald Trump won the 2016 election, the common thought was that the incoming administration would enact policies that would benefit areas like small caps, real estate, and traditional energy companies. Each of these saw a post-election pop through 2016 year-end. However, this enthusiasm was short lived, as the fundamental supports for these investments were lacking, and each underperformed considerably through the following 2020 election.
- A similar reaction and result occurred after President Joseph Biden took office in 2020 with enthusiasm for clean-energy friendly policies, encouraging short term outperformance of related companies only to have the group considerably underperform over the next four years.

What it may mean for investors

We advise against reactive trading activity and suggest investors maintain appropriate portfolio allocations for their investment objectives, time frame, and risk tolerance regardless of election results.

Austin Pickle, Investment Strategy Analyst

Excerpted from *Investment Strategy* (November 11, 2024)

Investment and Insurance Products: > NOT FDIC Insured > NO Bank Guarantee > MAY Lose Value

Risk Considerations

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Stock markets** are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. **Small- and mid-cap stocks** are generally more volatile, subject to greater risks and are less liquid than large company stocks. The **Energy sector** may be adversely affected by changes in worldwide energy prices, exploration, production spending, government regulation, and changes in exchange rates, depletion of natural resources, and risks that arise from extreme weather conditions. **Real estate** has special risks including the possible illiquidity of underlying properties, credit risk, interest rate fluctuations and the impact of varied economic conditions.

Definitions

Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the U.S. stock market.

S&P 500 Energy Index comprises those companies included in the S&P 500 that are classified as members of the GICS Energy sector.

S&P 500 Real Estate Index comprises those companies included in the S&P 500 that are classified as members of the GICS Real Estate sector.

S&P Global Clean Energy Index is designed to measure the performance of companies in global clean energy-related businesses from both developed and emerging markets, with a target constituent count of 100.

An index is unmanaged and not available for direct investment.

General Disclosures

Global Investment Strategy (GIS) is a division of Wells Fargo Investment Institute, Inc. (WFII). WFII is a registered investment adviser and wholly owned subsidiary of Wells Fargo Bank, N.A., a bank affiliate of Wells Fargo & Company.

The information in this report was prepared by Global Investment Strategy. Opinions represent GIS' opinion as of the date of this report and are for general information purposes only and are not intended to predict or guarantee the future performance of any individual security, market sector or the markets generally. GIS does not undertake to advise you of any change in its opinions or the information contained in this report. Wells Fargo & Company affiliates may issue reports or have opinions that are inconsistent with, and reach different conclusions from, this report.

The information contained herein constitutes general information and is not directed to, designed for, or individually tailored to, any particular investor or potential investor. This report is not intended to be a client-specific suitability or best interest analysis or recommendation, an offer to participate in any investment, or a recommendation to buy, hold or sell securities. Do not use this report as the sole basis for investment decisions. Do not select an asset class or investment product based on performance alone. Consider all relevant information, including your existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. The material contained herein has been prepared from sources and data we believe to be reliable but we make no guarantee to its accuracy or completeness.

Wells Fargo Advisors is registered with the U.S. Securities and Exchange Commission and the Financial Industry Regulatory Authority, but is not licensed or registered with any financial services regulatory authority outside of the U.S. Non-U.S. residents who maintain U.S.-based financial services account(s) with Wells Fargo Advisors may not be afforded certain protections conferred by legislation and regulations in their country of residence in respect of any investments, investment transactions or communications made with Wells Fargo Advisors.

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, Members SIPC, separate registered broker-dealers and non-bank affiliates of Wells Fargo & Company. PM-05082026-7278799.1.1