# Patient investors can do well in election years

Mark Twain once quipped, “If voting made any difference, they wouldn’t let us do it.” All kidding aside, as we head toward a pivotal U.S. presidential contest in November, it’s worth reminding investors that election results, historically speaking, have made essentially no difference when it comes to long-term investment returns.

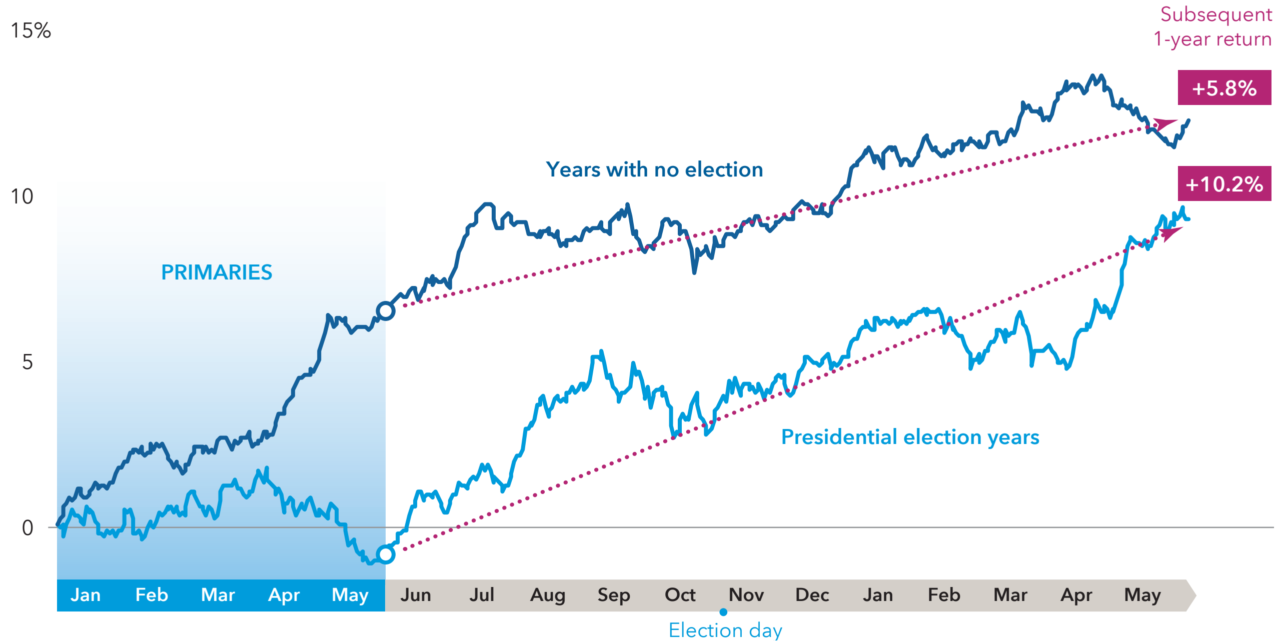
What has mattered is staying invested. Looking at election results back to 1932, U.S. stocks have trended up regardless of whether a Republican or Democrat won the White House. Investors who held on for at least a year were rewarded for their patience, though they had to withstand heightened volatility during the primaries.

Election-related volatility can in fact produce select opportunities. Pharmaceutical and managed care stocks have recently come under pressure amid political criticism of private sector health insurance. That, in turn, has resulted in some attractive company valuations for investors who believe that a government takeover of the nation’s health care system isn’t imminent.

“Investing during an election year can be tough on your nerves,” explains Capital Group portfolio manager Greg Johnson, “but it’s mostly noise and the markets carry on. Long-term equity returns are determined by the value of individual companies over time.”

## Volatility during primaries is often followed by strong returns

S&P 500 Index average cumulative returns since 1932




SOURCES: Capital Group, RIMES, Standard & Poor’s. Includes all daily price returns from 1/1/32–11/30/19. Years without an election exclude all years with either a presidential or midterm election. Subsequent one-year return calculation begins on May 31 each year, a proxy for the end of primaries. Standard & Poor’s 500 Composite Index is a market capitalization-weighted index based on the results of approximately 500 widely held common stocks. Returns are in USD.