SEPTEMBER 2024 – MONTHLY UPDATE

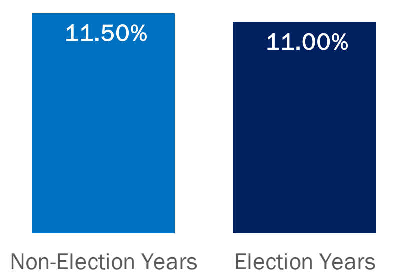
# FORTITUDE FOCUS

**Investment Department**

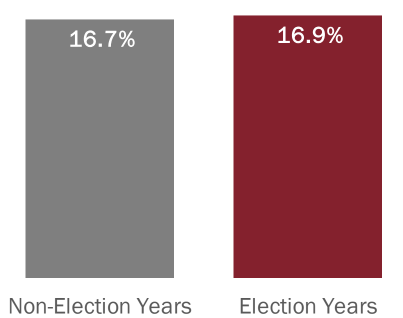
**Fortitude Family Office | fortitudefo.com**

## THE STORY

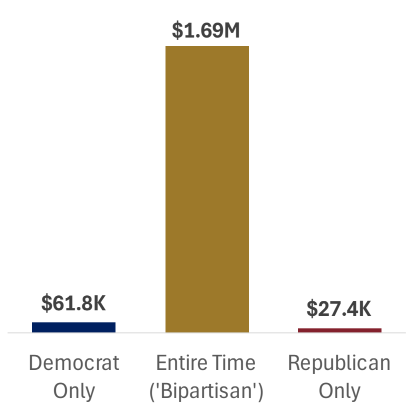
### Avg Annual S&P 500 Returns[1]




### Avg Volatility 1Y Before Election[2]




### A 'Bipartisan' Portfolio Is Best[3]




[1,2] T. Rowe Price analysis of data from Bloomberg for elections performance data from 1927 through 2023.
[3] Morningstar Research on S&P 500 From 1953-2023

## KEEPING POLITICS OUT OF PORTFOLIOS:

While it's easy for political leanings to spillover into investment decisions, history suggests that giving in to these emotional responses is detrimental to our long-term performance.

Despite their perceived risks, the return profile of presidential election years has been remarkably similar to that of non-election years (see 1 & 2 on left). Allowing election jitters to scare us out of these gains can be costly. When we let partisanship guide our allocations, it gets even worse.

To illustrate, consider the opportunity costs of only investing in stocks during the presidencies of one party or the other. Here, a 'bipartisan' portfolio which remained invested in the S&P 500 throughout, has outperformed both holdout strategies by an average of **44x** since 1953 (see 3 on left).

There may be a simple explanation for this. Though it's natural to fear that new administrations will radically re-engineer the marketplace, in practice, the gargantuan size of America's markets and the sticky gears of modern democracy tend to result in a much slower pace of change.

Furthermore, the real impact of each government's efforts typically aren't realized until years after they begin. Even then, the effects are muddled by countless social, economic & monetary factors outside of their control.

Ultimately, election cycles are just another risk which investors must bear to reap the rewards of the market. Though we are fortunate to have the freedom to be as politically active (or inactive) as we wish, we'd be wise to keep politics out of our portfolios.

## UPCOMING EVENTS

Labor Day – 9/2

August Jobs Report – 9/6

FOMC Meeting – 1/31

## "The Key To Making Money In Stocks Is To Not To Get Scared Out Of Them"

- Peter Lynch

# WHAT HAPPENED?

**Japan's Nikkei 225 Stock Market Index Falls 12% In One Day:** The sharp unwind of a popular carry trade in the Yen led to a sudden explosion in volatility as contagion spread across global assets resulting in the Nikkei's largest one day drop since 1987 (Reuters).

**Labor Department Revises Jobs Growth Down By 818k:** For the 12 months ending March 2024, the DOL revised down nonfarm payroll growth by 818k jobs indicating employment gains were much weaker than reported (CNBC).

**Google Found Guilty In Search Anti-Trust Case:** A federal judge ruled that Google acted illegally to maintain a monopoly in the online search market. The landmark decision strikes at the power of tech giants and may change the way they do business (NYT).

**Intel announces plans to layoff 15k workers:** In a cost saving measure, Intel said it will be cutting 15% of its workforce (roughly 15k jobs) as it tries to turn around its business to compete with more successful rivals (AP).

## EQUITIES GAINED

US equity markets rose in August with the S&P 500 up 2.4%. Global ex-US equity markets also rallied with the MSCI World ex-US Index up 3.1%.

| | MONTH* | YTD* |
|---|---|---|
| US Large | 2.4% | 19.5% |
| US Mid | -0.1% | 12.2% |
| US Small | -1.4% | 8.4% |
| Global ex-US | 3.1% | 11.3% |
| Int'l Dev | 3.3% | 12.0% |
| Emerging | 1.6% | 9.5% |

## ALTERNATVIES LAGGED

Alternatives continued to deliver stable income and gains as they competed with the rise in other risk-on asset classes.

| | MONTH* | YTD* |
|---|---|---|
| Gold | 2.6% | 20.4% |
| Merger Arbitrage | 1.8% | 4.6% |
| Infrastructure | 5.0% | 16.3% |
| Direct Lending | 0.9% | 8.7% |
| Hedge Funds* | 0.7% | 6.1% |
| Managed Futures | -1.0% | -0.1% |

Due to reporting lags, some data represents the latest return as of the month prior to this period.

## FIXED INCOME CLIMBED

Fixed income markets continued to rally in August as bouts of recession fears and expected Fed rate cuts pushed the Bloomberg Agg Index up over 1.4% in the period.

| | MONTH* | YTD* |
|---|---|---|
| Ultra-Short | 0.4% | 3.7% |
| Short | 0.9% | 3.3% |
| Core | 1.4% | 3.1% |
| Long | 2.3% | 0.1% |
| High Yield | 1.6% | 6.3% |
| US TIPS | 0.8% | 3.6% |
| Intl Bonds | 2.4% | 1.9% |
| EM Bonds | 2.2% | 5.8% |

*Sources: Each asset class is represented by a corresponding index or fund as of each report's month-end date. The associated indexes can be found below. This has been provided for informational purposes only, and reflects the current opinion of the author, which is subject to change without notice, as are statements of financial trends, which are based on current conditions.

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**Illiquid Investments.** Illiquid investments may not be suitable for all clients. Investors in illiquid investments must qualify for these investments based on suitability criteria, and they must complete subscription documents.

| Reference Above | Benchmark Index | Reference Above | Benchmark Index |
|---|---|---|---|
| **US Large** | S&P 500 Index | **Hedge Funds** | Eurekahedge Hedge Fund NR Index |
| **US Mid** | S&P 400 Index | **Managed Futures** | Credit Suisse Mgd Futures Liquid TR |
| **US Small** | S&P 600 Index | **Ultra-Short** | Bloomberg US Treasury Flt Rate Index |
| **Global ex-USA** | MSCI World ex-USA All Cap NR Index | **Short** | ICE US Treasury 1-3Y Bond Index |
| **Intl Dev** | MSCI EAFE NR USD Index | **Core** | Bloomberg Aggregate Bond Index |
| **Emerging** | MSCI EM NR US Index | **Long-Term** | ICE US Treasury +20Y Bond Index |
| **Gold** | S&P GSCI Gold TR | **High Yield** | Bloomberg US Corporate HY Index |
| **Merger Arbitrage** | IQ Hedge Merger Arb TR USD Index | **US TIPS** | ICE US Treasury Inflation Linked Index |
| **Infrastr (Infrastructure)** | MSCI ACWI Infrastructure NR Index | **Intl Bonds** | Bloomberg Global Agg ex-USD Index |
| **Direct Lending** | Cliffwater Corporate Lending I | **EM Bonds** | Morningstar EM BD GR Index |