THE GENERATOR

"Its amazing that the amount of news that happens everyday, always, fits exactly into a newspaper"

Jerry Seinfeld

What past elections can tell us ABOUT THE COMING US VOTE

Investing during a US election year can be tough on the nerves, and 2024 promises to be no different. Politics can bring out strong emotions and biases, but investors would be wise to put these aside when making investment decisions.

Benjamin Graham, the father of value investing, famously noted that "In the short run, the market is a voting machine but in the long run, it is a weighing machine." He wasn't literally referring to the intersection of elections and investing, but he could have been. Markets can be especially choppy during election years, with sentiment often changing as quickly as candidates open their mouths

Graham first made his analogy in 1934, in his seminal book, "Security Analysis." Since then, there have been 23 US election cycles and we have analysed them all to help clients prepare for investing in these potentially volatile periods.

There's nothing wrong with wanting your candidate to win, but investors can run into trouble when they place too much importance on election results. That's because elections have, historically speaking, made essentially no difference when it comes to long-term investment returns.

"Presidents get far too much credit, and far too much blame, for the health of the US economy and the state of the financial markets," says Capital Group economist Darrell Spence. "There are many other variables that determine economic growth and market returns and, frankly, presidents have very little influence over them."

What should matter more to investors is staying invested. Although past results are not predictive of future returns, a $1,000 investment in the S&P 500 Index made when

GENERATION WEALTH MANAGEMENT

Albany Office
PO Box 64001, Botany, Auckland 2163
TEL. 09 272 9030
EMAIL. botany@generationwealth.co.nz

Botany Office
PO Box 64001, Botany, Auckland 2163
TEL. 09 272 9030
EMAIL. botany@generationwealth.co.nz

Pukekohe Office
PO Box 66, Pukekohe 2340
TEL. 09 238 3322
EMAIL. pukekohe@generationwealth.co.nz

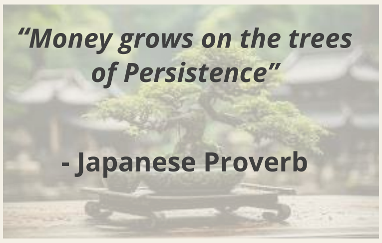
OUR OBJECTIVE

Generation Wealth Management is wholly owned by its management. All of our advisers have been in the industry for more than twenty years.

At Generation Wealth Management, clients gain access to specialist professional advice covering all areas of personal financial affairs.

All investments recommended by Generation Wealth Management have been fully researched.

Life's tip



Inside

Continued from page 1.

Franklin D. Roosevelt took office would have been worth almost $22 million today. During this time, there have been eight Democratic and seven Republican presidents. Getting out of the market to avoid a certain party or candidate in office could have severely detracted from an investor's long-term returns.

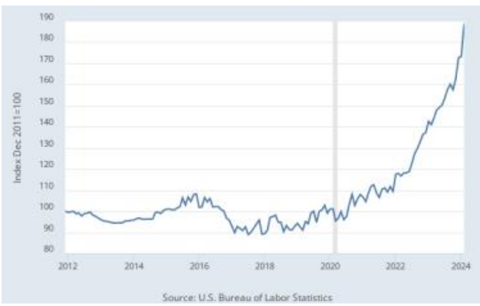
By design, elections have clear winners and losers. But the real winners were investors who avoided the temptation to base their decisions around election results and stayed invested for the long haul.

Stocks have trended higher regardless of which party has been in office.

Sources: Capital Group, Morningstar, Standard & Poor's. As of 31 December, 2023. Dates of party control are based on inauguration dates. Values are based on total returns in USD. Shown on a logarithmic scale. Past results are not predictive of results in future periods.

2 "Bad News for Chocolate Lovers!"

Many major African cocoa plants in Ivory Coast and Ghana have stopped or cut processing because they can no longer afford to buy beans due to weather induced shortages and crop disease, according to Reuters.



That's not a crypto chart – It's the price of cocoa beans.

3 "Inequality Increasing"

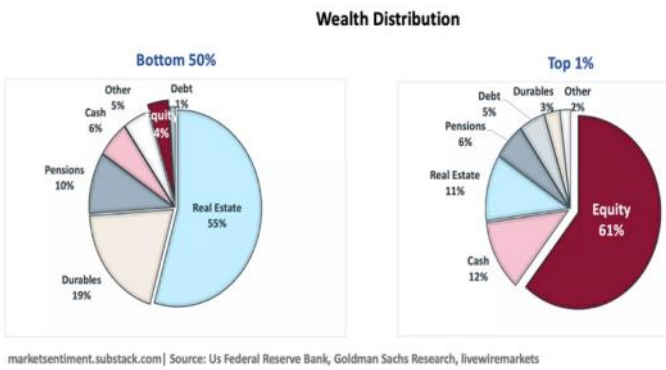
Just because many households are richer than ever doesn't mean that all of them are.

Unfortunately, wealth inequality has always been an issue and probably always will be, with the US Federal Reserve reporting that the top 10% of the population control more than two-thirds of the countries wealth, with the bottom 50% holding less than 3% .

Asset Allocations

The biggest difference between the average investor and the top 1% is how much of their portfolio is allocated to shares. The bottom 50% of the households have only 4% invested in sharemarkets compared to an incredible 61% for the top 1%.

For the bottom 50%, this is not surprising since buying a family home is a critical foundation and is the first step towards building wealth. But the problem is that Real estate only had a 0.6% return over inflation in the last 130 years. Compare this to equity which had a 6.63% real return, and you see why being in the market is important. (It's hard to comprehend the return difference just using CAGR. To put it in perspective, from 1890-2022 the U.S. housing market is up a real total of just 122% compared to an inflation-adjusted S&P 500 return of about 515,782%)



While housing is a great first step towards generational wealth building, to grow your wealth faster, investing in equities is a must.

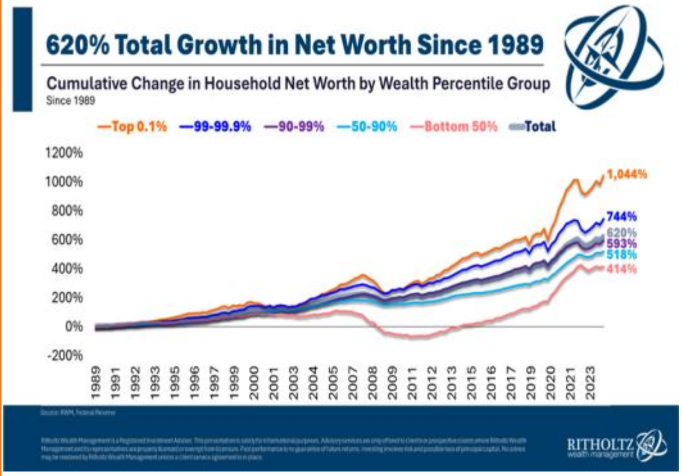
4 1

3 **2**

Summing up

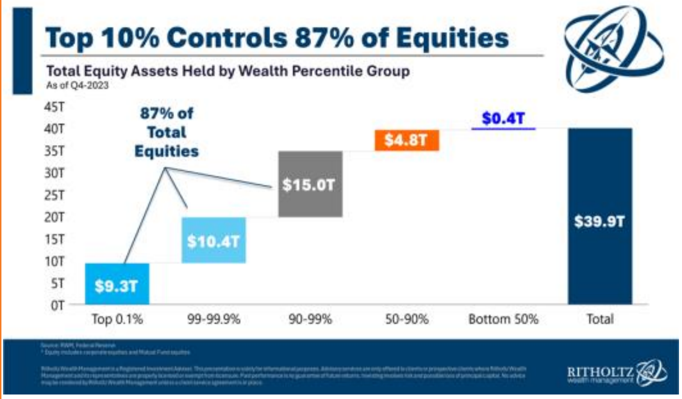
- *"Avoid the temptation and do not base your decisions around election results, stay invested for the long haul"*
- *Soaring Cocoa Bean Prices to boost chocolate costs*
- *Grow your wealth faster by investing in Equities*

620% Total Growth in net worth since 1989



If you look at the cumulative gains by wealth cohort since 1989, you can see that all have gained but the biggest growth has gone to the top 1% (and the top 1% of the 1%!).

The most apparent inequality exists in the sharemarket



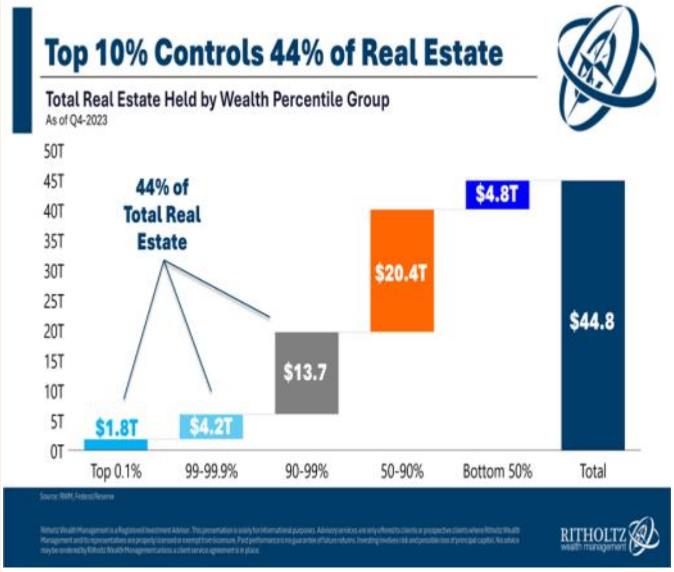
At the beginning of the '90s, the top 1% owned 46% of all U.S equities and by 2020, it hit a record 56 percent. The richest 1% of Americans own more stocks than the other 99%!

The bottom 50% of households own a little more than 1% of the sharemarket .

Real Estate ownership more evenly distributed

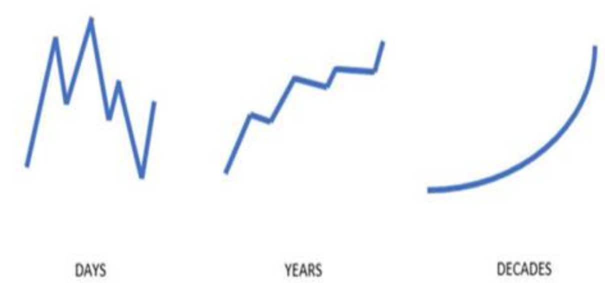
There is not nearly as much inequality in the housing market as the stock market, with the top 10% of households owning 44% of the real estate market. The bottom 90% of households own 56% of the housing market, compared to just 13% of the sharemarket

This is one reason why, as in most countries, the housing market is so important. For most households, a home is by far their biggest financial asset.



Why is it that the sharemarket is the only store on earth where shoppers fear a sale!

The odds of a higher close in the sharemarket tomorrow are 53.0% but the odds of a higher close 5 years from now are 82.9%. A decade from now, that number is 93.4%



Summing up

- *Wealth increases over time*
- *Asset allocations make a big difference to wealth outcomes*
- *Try to ignore sharemarket volatility*

Should you

TRUST FINANCIAL INFLUENCERS?

Everyone who has even remotely dipped their toes into content creation knows that the easiest way to grow a Finance audience is to offer them stock picks

This is why the Motley Fool has over a million paying subscribers, and 7 out of the top-10 finance publications in
Substack offer stock picks or trade ideas.

Despite the ever-growing populari-ty of financial influencers, we know very little about the accuracy and quality of investment advice they provide. But, the latest research from the Swiss Finance Institute gives us interesting insights into the world of Finfluencers.

Based on the back test of over 29,000 financial influencers on Twitter, researchers found that only 28% provide valuable investment advice (Monthly abnormal return of 2.6%), and 16% provide no value. The stunning yet not-so-surprising finding was that the majority (56%!) of financial influencers were giving harmful advice, and follow-ing it would have yielded a monthly abnormal return of -2.3%.

Equally concerning was that the most popular accounts (based on follower count) provided the worst advice, as they created overly opti-mistic beliefs when the times were good and overly pessimistic beliefs during the tough times. Ironically, a contrarian investment strategy that trades against the advice from these accounts yielded a 1.2% monthly abnormal return.

Finally, the less active financial in-fluencers with fewer followers were among the most skilled. The lower follower count was predominantly due to their contrarian tweets. They don't ride the momentum (both social media and the market) and make positive tweets after neg-ative returns (or news) and nega-tive tweets after positive returns. On the other hand, finfluencers with more followers have a higher likelihood to be antiskilled.

Antiskilled finfluencers ride return and social sentiment momentum. They make positive tweets after positive returns and negative tweets after negative returns.

Source: Finfluencers (Swiss Finance Institute Research Paper)

Next step ••• *See us about the best investment options for you*

GENERATION WEALTH MANAGEMENT