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FINANCIAL PERSPECTIVES

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THE 2020 PRESIDENTIAL ELECTION

Politics Precedent and the Pandemic

Over the course of the summer, we've heard numerous news outlets refer to the upcoming Nov. 3 presidential election using terms such as "an election like no other." This sentiment could be applied to most presidential elections, given the relationships between the political parties at the time, the personalities of the candidates, the congressional party controls in effect and the economic and societal issues that are most heavily weighted. In CBS News feeds from Nov. 7, 2000, one anchor can be heard saying ,"This is an election night like no other." While all election seasons unfold differently and can take unexpected twists and turns (think back to the "hanging chad" of the 2000 election between President George W. Bush and Vice President Al Gore, which had to be settled by the Supreme Court after 36 days as the Florida results were too close to call), the race between President Donald Trump and former Vice President Joe Biden is made even more complex with the overlay of the coronavirus pandemic.

COVID and the Election

COVID-19 is often compared to the 1918-1920 influenza pandemic, but the world is a different place as modes of communication, significantly higher mobility, geopolitical forces and issues of the day here at home have changed considerably. Life certainly is not the same as it was under then-President Woodrow Wilson. However, President Wilson had to balance the final stages of World War One and efforts to retain a Democratic Party control of Congress while at the same time coping with the then growing pandemic.

Social distancing, quarantine, and limiting the size of gatherings were used to fight the pandemic back then, just as now. In-person political rallies could not be held, so newspapers were widely used – as was the mail – in order to "get the word out" and communication was hardly considered rapid at that time, at least not like it is now. Depending upon the intensity of the outbreaks geographically, poll workers and voters were required to wear masks, and looking through documents at that time, references exist that political parties were accused of attempting to influence polling place accessibility. The point is, while the election of 2020 seems to be "an election like no other," history does show precedent. It is not uncommon for one candidate to win the popular vote and the other the electoral vote as candidates Hillary Clinton and Al Gore won the popular vote but lost the elections in the Electoral College.

Key Issues

Where the political parties and candidates stand on many issues will become increasingly clear as the days tick closer to Nov. 3. Democrats will want to take control of the Senate and keep the House, while the opposite is true for the Republicans in order to avoid a divided government. Key issues at play in the 2020 election include health care, broadly described to include the Trump Administration's response to the COVID-19 pandemic, efforts to develop treatments and vaccines for the coronavirus, personal-choice sentiment, as well as the Affordable Care Act and coverage for pre-existing conditions.

The regulatory landscape is under closer scrutiny with threats to expand regulations that have been relaxed over the past four years, with policies favoring businesses under the Republican administration, particularly in sectors like energy and financials. The importance of addressing climate issues continues to grow, including the candidates' stance on the "Green New Deal," with increasing emphasis on renewable energy, which will likely become an issue of much greater focus than it has been in past elections. Immigration policy and open borders have been a sticking point over the past four years and the narrative is likely to accelerate and become more contentious as the two political parties work their platforms.

Societal issues that will demand more time on the airwaves include gun rights and gun control, free college tuition and student debt forgiveness, freedom of speech and freedom to assemble as well as the intensely personal and emotional topics surrounding support for police and racial equality. Fiscal issues likely to garner attention include taxation, and also where the two candidates stand on corporate and personal income tax policy, including talk of potentially raising taxes under a Democratic administration. The national debt, tariffs and trade – especially surrounding the U.S. relationship with China – will factor heavily as well. The Trump administration lowered the corporate tax rate to 21% from 35% and while a Biden administration may want to reverse some of this, it would be opposed if Republicans can continue to control the Senate. On the personal tax side, a Democratic administration may attempt to raise the capital gains rate.

The Economy

Most agree that before the pandemic, the economy was strong with low unemployment and favorable Gross Domestic Product growth. Prior to March, the overall U.S. unemployment rate was hovering near a 50-year low of 3.5%. In response to the economic shutdown in most parts of the country, the unemployment rate ballooned to 14.7% in April. By the end of July, the rate improved but was still high at 10.2%. Many expect the rate to remain elevated through 2021 as coronavirus flare-ups geographically impact economic activity.

COVID-19 ended the longest economic expansion in history, which stretched from mid-2009 to early 2020, lasting about 128 months (through February). With the sharp contraction in economic activity, real GDP declined at a 5% annual rate in first-quarter 2020 and at about a 32.9% rate during the second quarter. GDP is expected to rebound during the second half of 2020 and into 2021. Although the presidential candidates latch onto the economic growth prior to the pandemic when making comparisons, GDP actually grew only by about 2.3% for full-year 2019, the slowest growth in about three years. Growth was a larger 2.9% during 2018 and about 2.4% in 2017.

History shows us that incumbents tend to win during periods of strong economic growth. Given the extraordinary economic damage done by the coronavirus-induced shutdowns, voters may give President Trump a pass and place more emphasis on how the economy was performing prior to the start of the pandemic rather than how the opposing party paints its case about the subsequent high unemployment and economic contraction.

Conclusion

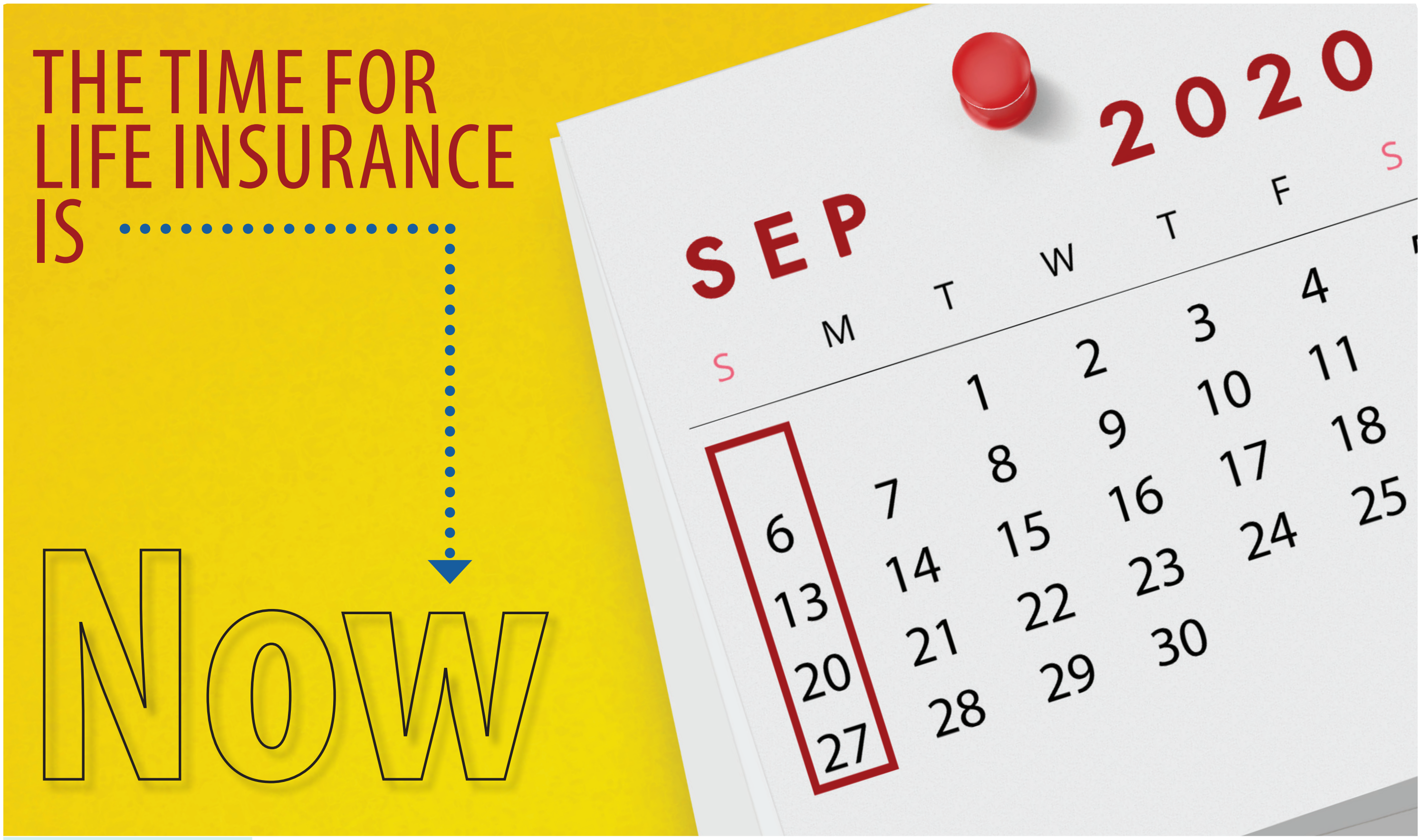
Is voter satisfaction a key player in whether or not a presidential incumbent can win re-election? A widely published study by the Gallup Organization shows that confidence levels do not need to be extraordinarily high (re-election can occur at confidence levels between 33% and 48%) but history shows there could be a floor (President George H.W. Bush was not re-elected in 1992 with a confidence level of 22%). It has been 28 years since an incumbent did not win re-election, and before Bush, Jimmy Carter did not win re-election either.

If this is truly "an election like no other," the presidential and vice presidential debates could play a major role in the outcome of the election, particularly if the federal government's response in handling the pandemic is heavily emphasized. In looking at debate effectiveness, decorum and accuracy about the key issues could be more important than the personalities on the stage. President Trump and former Vice President Biden could not be more different in terms of temperament, and the same can be said about Vice President Pence and U.S. Sen. Kamala Harris. The strong economy President Trump enjoyed prior to the pandemic is not new news. What will be news is how both candidates present their plans to restore the path to economic growth by outlining firm policies and programs rather than pointing the finger at the coronavirus and the name-calling that marked the virtual national conventions.

The candidates are likely to place significant emphasis on the unfolding reopening of schools and universities. There is no precedent for how this may play out. Any failures in safety will be "hot-button" talking points for Democrats, with Republicans likely to continue to deflect to policies and procedures of local governments. Many locations that started virtually may switch to in-person learning within weeks of the election. With no end in sight to the coronavirus pandemic, both parties will likely remain open to fiscal stimulus that has marked Federal Reserve policy since March.

September is Life Insurance Awareness Month

A month-long public awareness campaign sponsored by the nonprofit organization Life Happens



The COVID-19 pandemic has illustrated just how quickly lives can change due to illness and/or death. The outbreak has resulted in many people thinking about how to increase the financial security of their families, now and into the future. This has put reviewing life insurance needs front-and-center in many planning discussions. Whether you've been putting off buying life insurance for years, or it has suddenly hit your radar, there's never a bad time to make a financial plan and lock in coverage. The purchase of life insurance can help alleviate anxieties by providing an income-tax free, lump sum death benefit to your family in case you die early or unexpectedly. This can be used to replace lost income and/or fund other needs.

While the planning discussion surrounding death is often uncomfortable, it is necessary to ensure you have the proper amount of life insurance for your family to maintain their current and future lifestyle should you die. If the income you earn would suddenly stop, due to death, could your family continue to meet their financial obligations, such as paying the rent or mortgage, paying bills, daily living expenses, or even sending a child to college? If you are a business owner, would your business survive after losing you or another key employee? These are the kinds of frank discussions that need to happen to make sure the proper type and amount of coverage is in place.

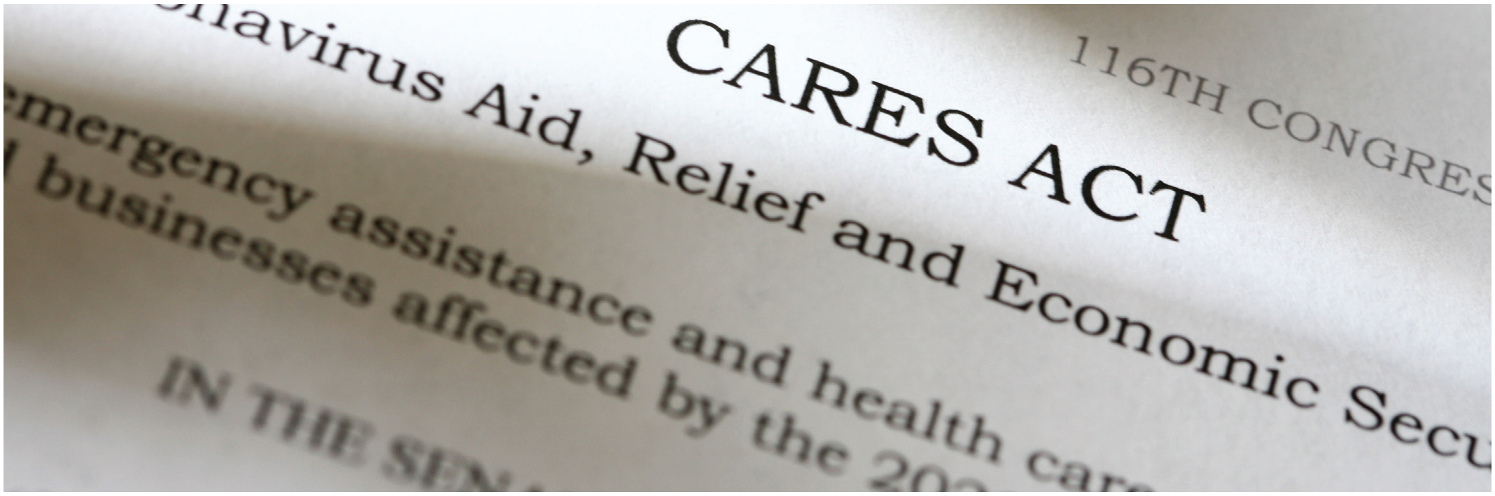
Life Insurance Buying During the Pandemic

Historically, lab work, doctor visits, documentation and in-person meetings have made the whole underwriting experience lengthy and cumbersome. Because of the pandemic, many insurance companies have implemented streamlined underwriting programs to improve the process. Some insurance companies have adapted these programs to use technology and electronic signatures to improve the process. In addition, in some cases, younger and healthier applicants are not required to complete a medical exam. These improvements have resulted in a less invasive and speedier process.

The Time for Life Insurance Is Now

The truth is, even when there is not a global pandemic, none of us know when we are going to die. Don't let your family suffer financially should the unexpected happen.

Your Edwards financial advisor can review your situation and current policies to ensure you have the proper amount and type of insurance to protect your family or business should your income be halted due to an unforeseen death.



CARES Act Allows for Liberalized Charitable Deductions

The CARES Act was created to help with Covid-19 hardships and unique situations related to them

One thing that may be overlooked was that the CARES Act also modified charitable deduction rules for the 2020 tax year. A few key points to keep in mind are outlined below.

Traditional Rule: An individual's itemized deductions for cash donations to public charities during a single tax year cannot exceed 60% of Adjusted Gross Income (AGI).

CARES Act Rule for 2020: For itemized filers in 2020, cash donations to public charities can be deducted up to 100% of AGI.

Traditional Rule: Individuals claiming the standard deduction cannot write off any charitable contributions.

CARES Act Rule for 2020: Standard deduction filers may take an "above the line deduction" of $300 per individual ($600 per married couple) for contributions to public charities. This means you deduct this amount before calculating your AGI, making it an impactful deduction.

While the CARES Act did suspend the need for individuals to take their required minimum distributions (RMDs) from their retirement accounts for 2020, tax-free qualified charitable distributions (QCDs) from traditional IRAs are still allowed. To take a QCD, the individual account owner must be at least age 70½, and the distribution must pass as a direct gift from the IRA to a qualified public charity. The QCD amount cannot exceed $100,000 in any taxable year.

Be sure to work with your tax advisor and your Edwards financial advisor to consider whether these unique charitable giving opportunities may be right for you.

MARKET RECAP

Market Summary (As of September 1, 2020)

	YTD	Trailing 12 months	3-Year Annualized	5-Year Annualized
DJIA	1.3%	10.27%	11.58%	14.21%
Nasdaq	31.24%	47.88%	22.35%	19.78%
Russell 2000	-5.53%	6.02%	5.03%	7.65%
S&P 500	9.74%	21.94%	14.52%	14.46%

Sources: Benjamin F. Edwards & Co. and Bloomberg

U. S. Stock

Performance of S&P 500

Index Total Returns for periods ended Aug. 31, 2020

Sector	Weightings	YTD	Trailing 12 months	5-Year Annualized
Info. Technology	28.7%	35.99%	57.93%	28.33%
Health Care	14%	7.32%	22.54%	11.06%
Cons Discretionary	11.4%	28.01%	34.88%	17.75%
Comm Services	11%	16.12%	27.10%	6.79%
Financials	9.6%	-17.34%	-4.45%	7.94%
Industrials	8.0%	-3.25%	5.19%	10.61%
Cons Staples	6.9%	-5.69%	11.26%	9.84%
Utilities	2.8%	-6.73%	-2.03%	10.72%
Real Estate	2.6%	-4.84%	-4.45%	8.85%
Materials	2.5%	4.07%	14.20%	10.18%
Energy	2.4%	-39.28%	-33.53%	-8.10%

Ranked by highest to lowest index weightings
Weightings may not equal 100 due to rounding
Source: S&P®

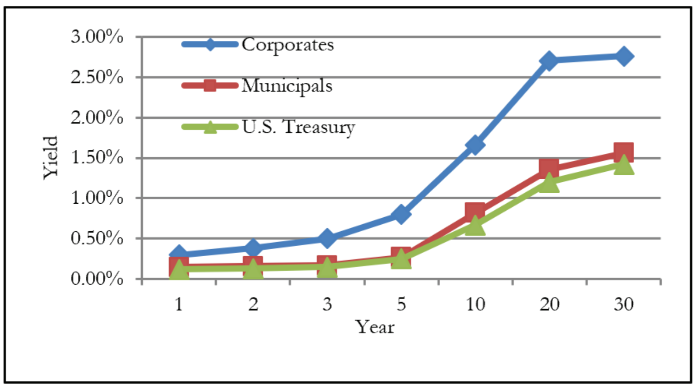
	U.S. Treasury Yields
Two-year	0.13%
Five-year	0.25%
10-year	0.67%
30-year	1.42%

Sources: Bloomberg (as of Sept. 1, 2020)

Securities Research Bullet Points

- With the coronavirus pandemic still raging and the need to follow all of the advice and procedures from the Centers for Disease Control and Prevention (CDC) remains still very important in order for the economy to continue to reopen successfully. In additon, the recent market strength – which has resulted in multiple new highs for the S&P 500 and NASDAQ Composite – must be backed up by economic data in order to give it some validity. Recent economic announcements were generally favorable, including a 1.9% increase in July personal consumption on a rise of 0.4% in personal income. In an update, second quarter real Gross Domestic Product was expected to decline at an annualized rate of -31.7%, slightly better than the prior estimate of -32.9% and the consensus expectation of -32.5%. Some economists look for a GDP rebound in the third quarter and the Conference Board is projecting a rebound of about +26.0%, with a drop of -1.6% for the fourth quarter. With unemployment expected to remain elevated, the Conference Board is looking for a full year GDP growth pullback of about -4.9%, with a rebound to about +2% GDP growth for full-year 2021. Durable goods orders during July bounced back by 11.2%, considerably stronger than the expected gain of 4.8%.
- In its recent annual (and this year virtual) Jackson Hole Symposium, the Federal Reserve renewed its pledge to continue to support the economy. Low unemployment and an inflation rate of about 2% have been longstanding goals. Fed policy included provisions to react to anticipated inflation above this level by raising interest rates to keep the economy from heating up too fast. Recognizing the employment challenges with COVID-induced shut-downs and its pledge to keep interest rates low to help support the economy, the Fed amended its 2% inflation goal and will now look for inflation to be "around 2%" with the ability to be higher for periods of time without the need to consider an interest rate hike. Record low mortgage rates have helped contribute to a rebound in existing and new home sales. New single-family home sales rose 13.9% during July to a 901,000 annualized rate, better than the expected 790,000. New home sales were about 16.4% higher than January pre-COVID levels. Existing home sales were up 24.7% during July, reversing the 32.1% from February through May.

Fixed Income Yield Curves
As of September 1, 2020



Sources: Bloomberg, Bloomberg US Corporate (A) Fair Value Index, Thomson Reuters MMD/TM3

Fixed Income Bullet Points

- The US Treasury market has continued to trade at the low interest rate range that we witnessed in the previous quarter. The lasting uncertainty and unease due to the COVID pandemic has required Federal Open Market Committee support at elevated levels which will continue until a vaccine and full reopening of the US economy is completed. In the recent Jackson Hole Federal Reserve meeting, an agreement to allow for a period of higher inflation rates would be allowed to balance out quarters or observations that did not reach the goal of the 2% inflation target. In summation, the low interest rate environment will be persistent to allow for easy growth and in turn inflation.
- The municipal bond market has recently cheapened up (yields increased) from the valuations seen earlier in the quarter. While this has made munis more attractive on a percentage of treasury calculation, the low absolute yield has dissuaded additional investors. The market was expecting additional municipal support from the Federal government, but an agreement does not look likely now between Congress and the White House with the election on the near horizon. As referenced last quarter, a skepticism still surrounds mass transit, nursing home, stadium, convention center, sales and use and small universities due to the cashflow dislocation of the pandemic.
- The corporate market is trading with a similar dislocation, with the primary out-of-favor sectors being smaller retail consumer, REITs and energy. Any issuers that are foot-traffic related are having a difficult time driving top-line revenue. REITs tied to the classic work environment are viewed with skepticism as we may see a prolonged work from home environment. The go forward operating model for companies is TBD post-vaccine.

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Investing in securities entails certain risks, including the potential loss of all or a portion of the proceeds invested. Individuals should consider their specific financial needs, investment objectives and risk tolerance before making an investment.

Equity investments refer to buying stocks of U.S. companies as well as companies outside of the U.S. The market capitalization of U.S. companies is used to group large, medium (mid) and small companies. The investment return to the owner of stock (shareholder) is in the form of dividends and/or capital appreciation. Shareholders share in both the upside potential and the downside risk. Dividends are not guaranteed and are subject to change or elimination.

Mutual funds and ETFs are sold by prospectus. Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from your financial advisor and should be read carefully before investing.

There are special risks associated with an investment in real estate, including credit risk, interest rate fluctuations and the impact of varied economic conditions. Distributions from REIT investments are taxed at the owner's tax bracket.

An investment in a 529 plan will fluctuate such that an investor's shares, when redeemed, may be worth more or less than the original investment. Investors should carefully consider a 529 plan's investment objectives, risks, charges and expenses before investing. This and other important information can be found in the 529 plan issuer's official statement, which should be read carefully before investing.

The return of principal for bond funds and funds with significant underlying bond holdings is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher-rated bonds.

Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline of the value in your investment.

An index is not managed and is unavailable for direct investment. The Dow Jones Industrial Average (DJIA) is an index that shows how 30 large, publicly owned companies based in the United States have traded during a standard trading session in the stock market. The Nasdaq Composite Index measures over 5,000 NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The Russell 2000 is a stock-market index measuring the performance of 2000 small-capitalization stocks. The S&P 500 Index covers 500 industrial, utility, transportation and financial companies in the U.S. markets. S&P®, Standard & Poor's® and S&P 500® are registered trademarks of the Standard & Poor's Financial Services LLC.

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