

Election Goes into Overtime

November 2020

SEI New ways.
New answers.®

- It remains to be seen which candidate won the closely contested U.S. presidential election.
- The lack of a firm result has amplified existing political uncertainty, distracting investors from their focus on market and economic concerns.
- We are not making changes to our portfolios based on the election outcome.

It remains to be seen who will occupy the White House in the New Year. The closely contested U.S. election saw an unprecedented volume of absentee ballots. Election rules in several hotly contested states did not permit the time-consuming job of counting the votes to begin until Election Day. The lack of a clear winner has amplified existing political uncertainty and distracted investors.

No matter who ultimately wins the race to the presidency, we anticipate the outcome of this election will have a major impact on the economy and financial markets in the months and years ahead. Still, we firmly believe that it would be a mistake to base even a short-term investment strategy on a plan that necessitates accurately predicting which candidate will ultimately win the election, the policies proposed by the eventual winner, the ways in which Congress will modify those proposals throughout the legislative process, or the impact those new laws would have on the economy and financial markets.

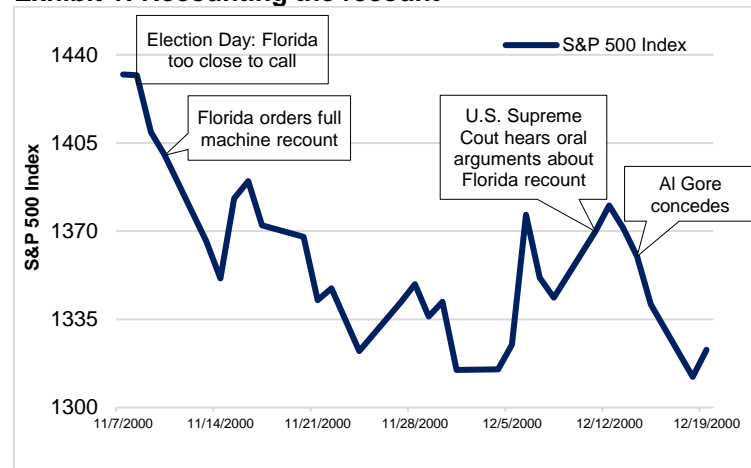
The ghost of Bush v. Gore?

The country's final ballot count is expected to take days or weeks to complete. Even then, we would not be surprised if the result was eventually influenced by court decisions on election-related litigation.

We have been here before. The 2000 presidential election between Republican George W. Bush and Democrat Al Gore was too close to call when the polls closed on Election Day. The winner wasn't declared until six weeks later—following a time-consuming recount in Florida that was ultimately settled by the Supreme Court. Uncertainty ratcheted up financial-market volatility during that period of election limbo, with riskier asset classes broadly reacting negatively; U.S. equities, as measured by the S&P 500 Index, fell by 6.2% during the two-week period following November 4, 2000.

Only time will tell how or when the 2020 election story ends. Economists and investors alike expect U.S. equity markets to sustain an elevated level of volatility in the near term.

Exhibit 1: Recounting the recount



Source: Bloomberg

Our view

No matter which presidential candidate assumes office next year, we expect their legislative agenda to be tempered before being put into practice. We also believe it is usually best that investors pay strict attention to the market fundamentals and ignore the politics. Accordingly, we are not making changes to our portfolios based on the election's outcome.

This does not mean we intend to ignore the final result or the implications of future government decisions. As always, we will pay close attention to policy-driven fundamental changes and the financial-market imbalances they create, in terms of the risks and opportunities they present. At present, the combination of significant U.S. government-debt issuance (due to fiscal policy decisions) and the Federal Reserve's accommodative monetary policy in the face of low inflation expectations (and that of other central banks around the globe) have impacted everything from credit markets and bank stocks, to the U.S. dollar's primacy in global trade, and more. These government decisions have introduced longer-term structural changes to the global economy. We are tracking a range of investment opportunities and will continue to position portfolios based on economic and legislative developments.

Index Definitions

S&P 500 Index: The S&P 500 Index is an unmanaged, market-weighted index that consists of 500 of the largest publicly-traded U.S. companies and is considered representative of the broad U.S. stock market.

The information contained herein is for general and educational information purposes only and is not intended to constitute legal, tax, accounting, securities, research or investment advice regarding the Strategies or any security in particular, nor an opinion regarding the appropriateness of any investment. This information should not be construed as a recommendation to purchase or sell a security, derivative or futures contract. You should not act or rely on the information contained herein without obtaining specific legal, tax, accounting and investment advice from an investment professional. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. There is no assurance as of the date of this material that the securities mentioned remain in or out of the SEI Strategies. Positioning and holdings are subject to change. All information as of November 3, 2020

This material may contain "forward-looking information" ("FLI"). FLI is disclosure regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action. FLI is subject to a variety of risks, uncertainties and other factors that could cause actual results to differ materially from expectations as expressed or implied in this material. FLI reflects current expectations with respect to current events and is not a guarantee of future performance. Any FLI that may be included or incorporated by reference in this material is presented solely for the purpose of conveying current anticipated expectations and may not be appropriate for any other purposes.

Information contained herein that is based on external sources or other sources is believed to be reliable, but is not guaranteed by SEI, and the information may be incomplete or may change without notice. This document may not be reproduced, distributed to another party or used for any other purpose.

There are risks involved with investing, including loss of principal.

The value of an investment and any income from it can go down as well as up. Investors may get back less than the original amount invested. Returns may increase or decrease as a result of currency fluctuations. Past performance is not a reliable indicator of future results. Investment may not be suitable for everyone. If you should have any doubt whether it is suitable for you, you should obtain expert advice.

This material is not directed to any persons where (by reason of that person's nationality, residence or otherwise) the publication or availability of this material is prohibited. Persons in respect of whom such prohibitions apply must not rely on this information in any respect whatsoever.

Information provided by in the **U.S.** by SEI Investments Management Corporation.

Information provided in **Canada** by SEI Investments Canada Company, the Manager of the SEI Funds in Canada. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

Information issued in the **UK** by SEI Investments (Europe) Limited, 1st Floor, Alphabeta, 14-18 Finsbury Square, London EC2A 1BR which is authorised and regulated by the Financial Conduct Authority. Investments in SEI Funds are generally medium- to long-term investments.

While considerable care has been taken to ensure the information contained within this document is accurate and up-to date, no warranty is given as to the accuracy or completeness of any information and no liability is accepted for any errors or omissions in such information or any action taken on the basis of this information.

This information is being made available in Hong Kong by SEI Investments (Asia) Limited (SEIAL) of Suite 904, The Hong Kong Club Building, 3 Jackson Road, Central, Hong Kong. SEIAL is licensed for Type 4 and 9 regulated activities under the Securities and Futures Commission ("SFC")

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

It is the responsibility of every recipient to understand and observe applicable regulations and requirements in their jurisdiction.

This information is made available in Latin America FOR PROFESSIONAL (non-retail) USE ONLY by SIEL.

Any questions you may have in relation to its contents should solely be directed to your Distributor. If you do not know who your Distributor is, then you cannot rely on any part of this document in any respect whatsoever.

Issued in South Africa by SEI Investments (South Africa) (Pty) Ltd. FSP No. 13186 which is a financial services provider authorised and regulated by the Financial Sector Conduct Authority (FSCA). Registered office: 3 Melrose Boulevard, 1st Floor, Melrose Arch 2196, Johannesburg, South Africa.

This commentary is intended for information purposes only and the information in it does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act.