SALVUS
WEALTH MANAGEMENT

October 18, 2016

Dear Clients and Friends,

"We stand today at a crossroads: One path leads to despair and utter hopelessness. The other leads to total extinction. Let us hope we have the wisdom to make the right choice."
— *Woody Allen."*

As we draft this letter to you, we are just over 3 weeks until the election and it's not difficult to guess what is weighing heavily on many of us right now. The above quote from Woody Allen may be the best assessment of most voter's sentiment as we come down the homestretch of the 2016 presidential election. Although this is surely not the first election where the vast majority of voters are less than enamored with either candidate, it certainly feels that way right now. Before we fall too much deeper down this political rabbit hole, let's back up and try to put the relationship between presidential elections and the markets into proper perspective.

It seems like years ago that we were writing to you about things like China, FANGS, oil, terrorism, Brexit, interest rates, etc. It was actually only a couple of months ago. Not that any of these concerns have completely subsided, but our collective attention has shifted dramatically to our domestic politics.

Meanwhile, the markets have moved along nicely thus far in 2016. Through September 30th, the S&P 500 has appreciated 7.84% while bonds, measured by the Barclays Global Aggregate Bond Index, have moved up a whopping 9.85%. The first 3 quarters of 2016 was marked by investors moving past fears of a mixed U.S. economy, China's slowing growth and the thought that the world might be permanently altered post Brexit. We saw several spurts of volatility, but these short episodes faded away quickly.

The proverbial elephant in the room is: "What will happen to the markets with a Trump or Clinton victory?" The very non-comforting answer is that no one really knows the answer. However, maybe history can be a helpful guide here.

History has shown that markets tend to make positive returns during election years and continue the trend during the 3 subsequent years after an election. Markets tend to average their best returns in the third year after the election year. If we look at all 4-year presidential election cycles since 1950, we see that during election years, the S&P 500 averaged 6.6%, 6.0% one year after, 5.8% two years after and an average of 17.4% three years after the election. Obviously, the excitement or horror of the newly elected president has not significantly hurt the returns of the market.

Additionally, we found a very interesting graphic from the June 22, 2016 issue of Money Magazine, written by Taylor Tepper (attached to this letter). This graphic illustrates that the markets have been able to deliver positive investment results for both Democratic and Republican Presidents regardless of whether their administrations were thought to be successes or failures. In fact, other than Herbert Hoover's administration during the Great Depression, each subsequent president has experienced positive investment results during their term in office.

It is easy to always think, "this time is different." We think that has been said every 4 years and many times in between. We have heard this repeated during times such as the "Russian Crisis" and Asian Contagion" of the late 1990's, the "Internet Bubble" of 2001, "9/11", the "Financial Crisis" of 2008, "Brexit" and many more. In hindsight, they were all different events, but the downturns subsided and we saw the resiliency of our financial markets.

In no way do we diminish the anxiety and strife of this year's election, however, we do take solace in understanding it in the overall context of history and realizing that it will pass and better times will be on the horizon. Despite what we read in the newspapers, see on television or follow on social media, decades of data show us that the markets endure and move forward regardless of the individual occupying the White House.

Moving on to some housekeeping issues, we are getting nearer to the release of our new client portals that will provide us the ability to deliver secure, electronic correspondence to you including quarterly reports and market updates. You will also be able to receive and view your monthly Fidelity statements from this same portal along with many other tools that will be available to you 24/7. We intend to deliver this report and our year-end reports due out in January to you via the U.S. mail. Beginning in April of 2017, we will then move to electronic delivery of these reports and updates via your client portal. We will cover this in more detail after the first of the year and if you have interest in trying out these new portals ahead of schedule, let us know and we will contact you to get started.

We thank you for your continued support and we are honored to manage capital for you and your family. As always, please feel free to contact us with any questions or comments.

Best regards,

Bob

Robert W. Joel, CFP
Chief Investment Officer
Salvus Wealth Management

Chuck

Charles T. Woolston, CPA
Chief Executive Officer
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INVESTOR-IN-CHIEF?

Conventional wisdom says a President's economic policies matter greatly to Wall Street. But as this chart shows, investors since the Great Depression have managed to make money in war and peace and under successful and failed administrations.