



Insights on the Upcoming Election:

OCT 14, 2020 THE MARKETS, TAXES and BEYOND

Presented by: Doug Couden, CFA | King Lip, CFA | Gerry O'Connell, EA | Moderated by: Jerry Luff

Baker Avenue
WEALTH MANAGEMENT

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Welcome and Introductions:

Doug Couden, CFA

Chief Investment Officer

Manages the investment team, the firm's research process, and the overall performance of the strategies.

King Lip, CFA

Chief Strategist

Develops and communicates investment strategies and thought leadership, both internally and externally.

Gerry O'Connell, EA

Director, Tax Planning

An Enrolled Agent (EA) the premier tax accreditation recognized by the IRS.

Moderated by:

Jerry Luff, Chief Operating Officer

Oversees the strategic direction of the firm including wealth management and communications.



TODAY'S
DISCUSSION

Purpose, Passion & Performance

1

Markets

- Reviewing History
- Potential Winners and Losers
- What To Watch For

2

Global and Beyond

- Trade Impact
- Common Ground
- Specialty Industries

3

Taxes

- Individual & Investment
- Gift & Estate
- Corporate Tax

4

Closing Comments

THE MARKETS

Our Grow and Protect Investment Philosophy

We utilize in-depth fundamental, technical and macro analysis for long-term capital appreciation and risk control

Macro Analysis

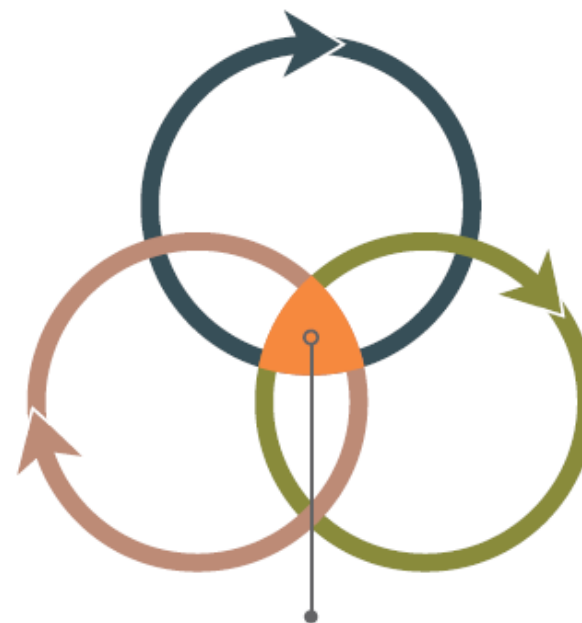
- Monetary Policy
- Fiscal Policy
- Interest-Rate Analysis
- Currency Moves
- Geopolitical Issues
- Business Cycle Analysis
- Inflation Direction
- Credit Cycle Analysis

Technical Analysis

- Relative Strength
- Intermarket Analysis
- Market Trends
- Moving Averages
- Support & Resistance Levels
- Seasonal Patterns

Fundamental Analysis

- Revenue & Cost Drivers
- Competitive Positioning
- Identifiable Catalysts
- Forecasts vs. Expectations
- Free Cash Flow
- Valuation

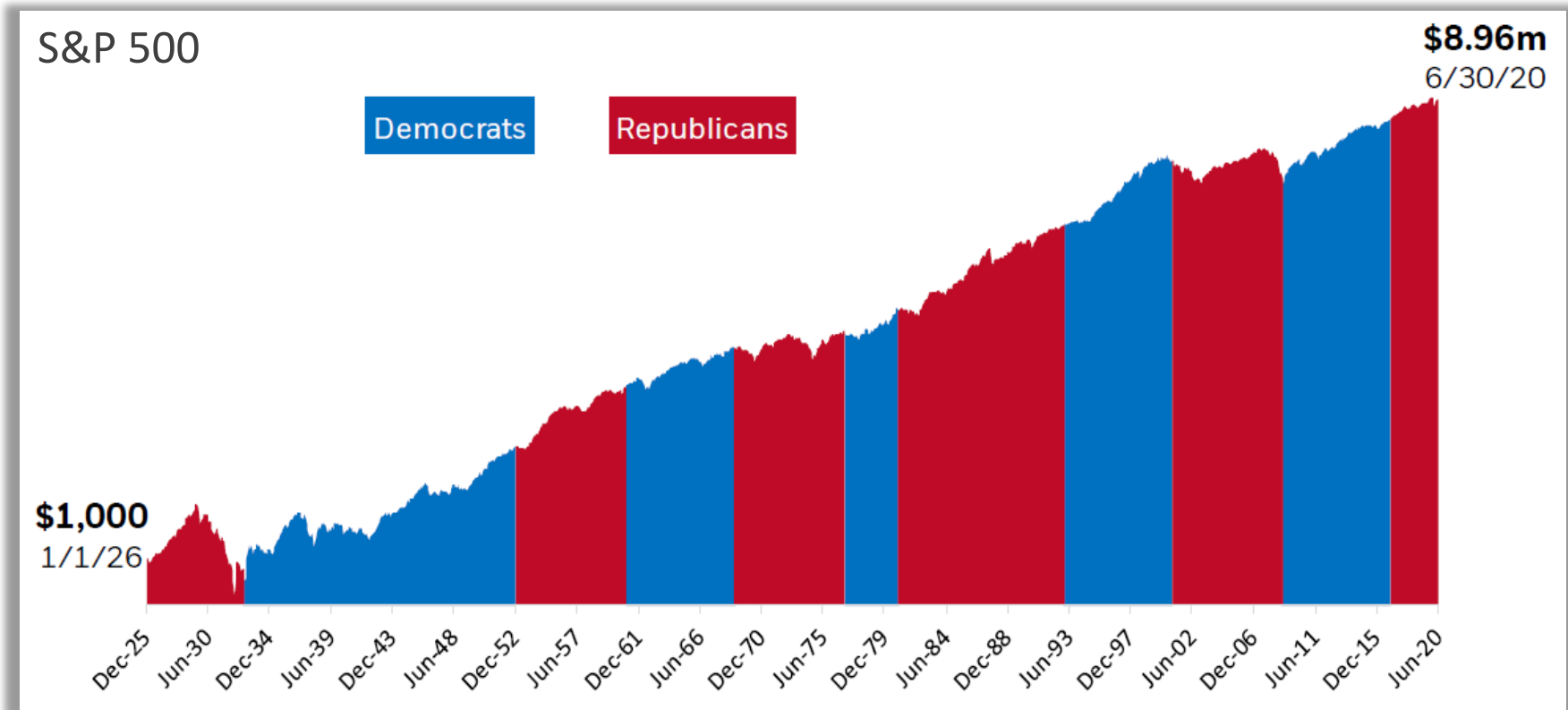


BakerAvenue Investment Committee

- Risk Exposure
- Portfolio Characteristics Review
- Thesis Challenges
- New Securities Selection

Stocks Have Worked – Regardless Of Presidential Party

Both parties have witnessed bull and bear markets.



Source: Barclays, Bloomberg, S&P. Data as of 06/30/2020.

Performance Under Different Control Scenarios

The Congressional make-up will be important to monitor.

Political Scenarios	1933 - 2019		1945 - 2019		1965 - 2019	
	% Change	# Years	% Change	# Years	% Change	# Years
Unified Government	10.03%	42	10.63%	30	8.79%	18
> Democratic President	9.34%	34	9.79%	22	7.76%	12
> Republican President	12.95%	8	12.95%	8	10.86%	6
Unified Congress	7.42%	32	7.42%	32	7.50%	24
> Democratic President	12.96%	10	12.96%	10	16.28%	8
> Republican President	4.91%	22	4.91%	22	3.11%	16
Split Congress	10.38%	12	10.38%	12	10.38%	12
> Democratic President	13.60%	4	13.60%	4	13.60%	4
> Republican President	8.77%	8	8.77%	8	8.77%	8
All Years	9.11%	86	9.20%	74	8.57%	54

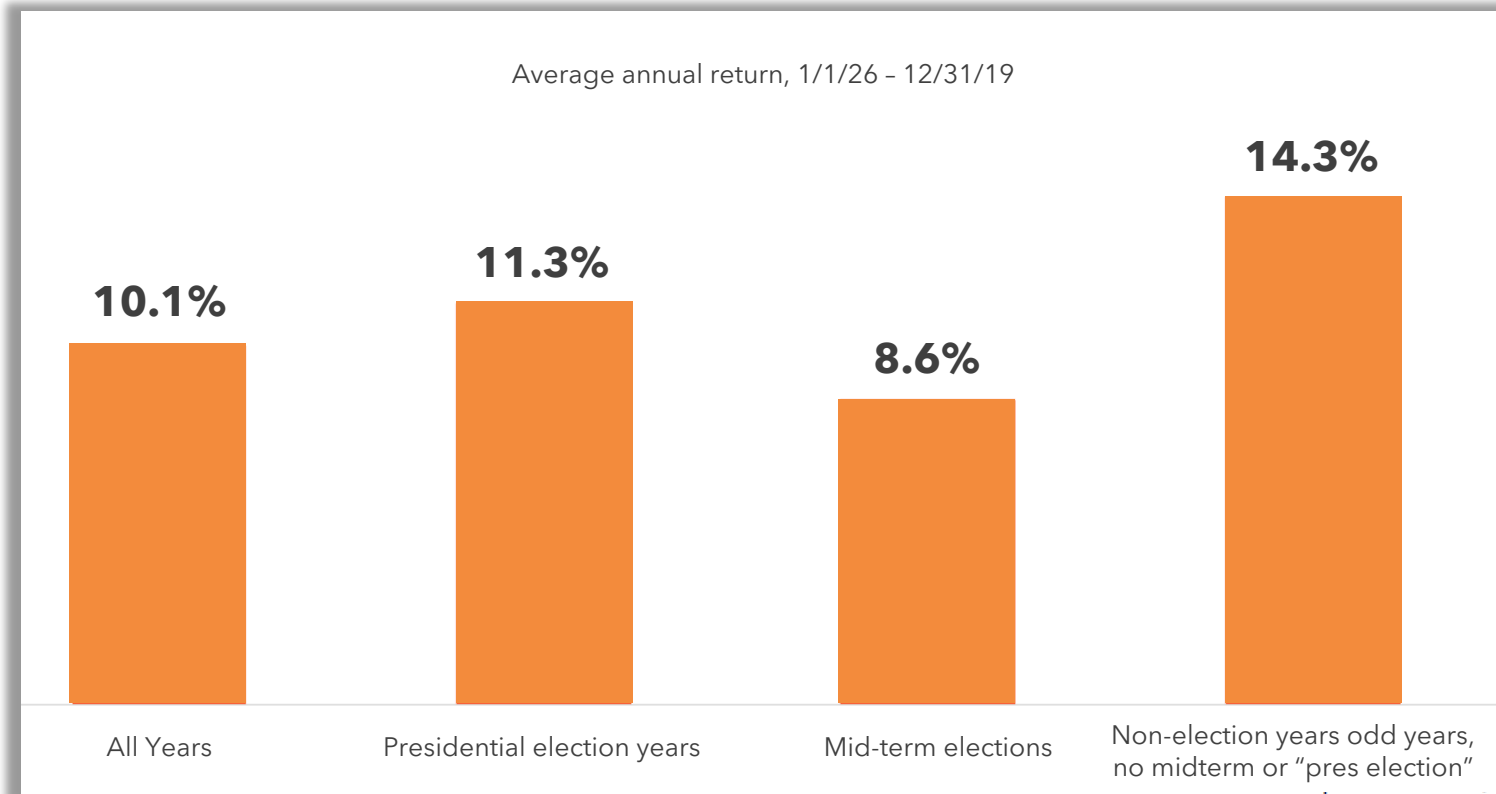
*Data excludes 2001 due to Sen Jeffords changing party mid-year



Source: Strategas, Bloomberg, S&P. Data as of 06/30/2020.

Presidential Election Years

Markets historically have performed above average in election years (however the best years come when there is no Presidential or mid-term election).



Source: Barclays, Bloomberg, S&P. Data as of 06/30/2020.

Thoughts On Portfolio Positioning

Potential winners and losers.



"Democratic" Portfolio

Infrastructure | Renewable Energy | Healthcare (Services)
Work-Visa Beneficiaries | Consumer Staples
State Budget Beneficiaries



"Republican" Portfolio

Industrial Complex | Financial Reform/Deregulation
Healthcare (Pharma) | High Tax Exposure | For-Profit Industries
Higher Domestic Sales

Source: BakerAvenue. Data as of 9/30/2020

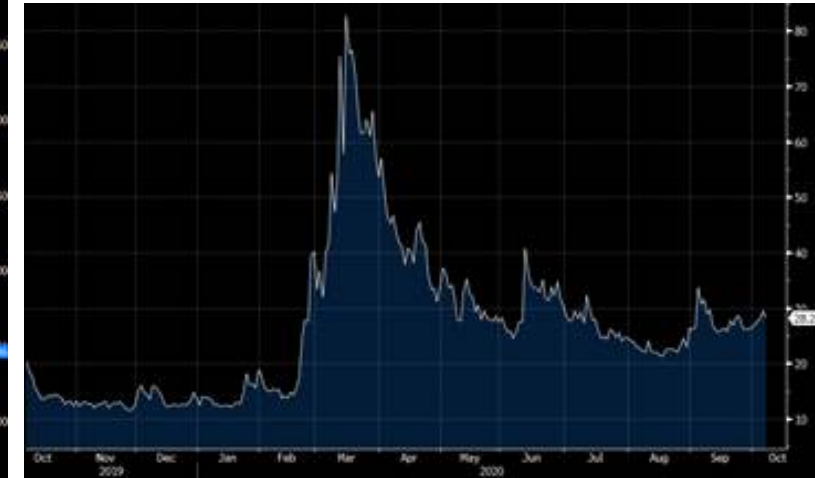
Monitoring Market Signals

We will be analyzing sub-components of the market to help with our positioning.

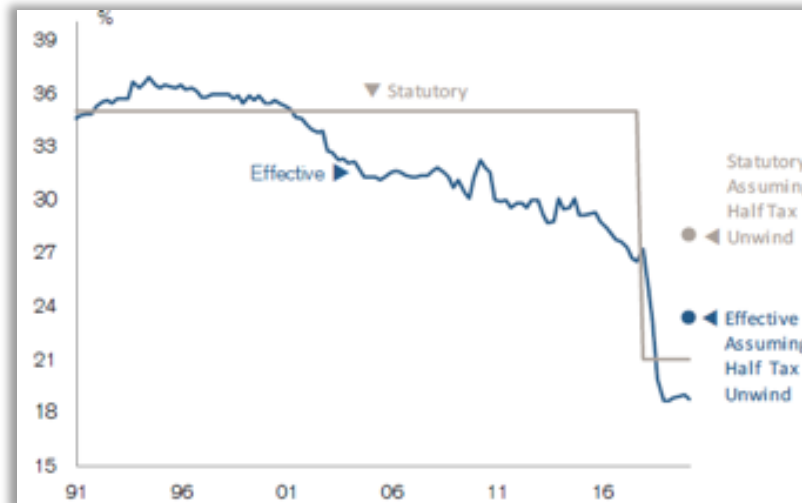
Market Stress (Credit Spreads)



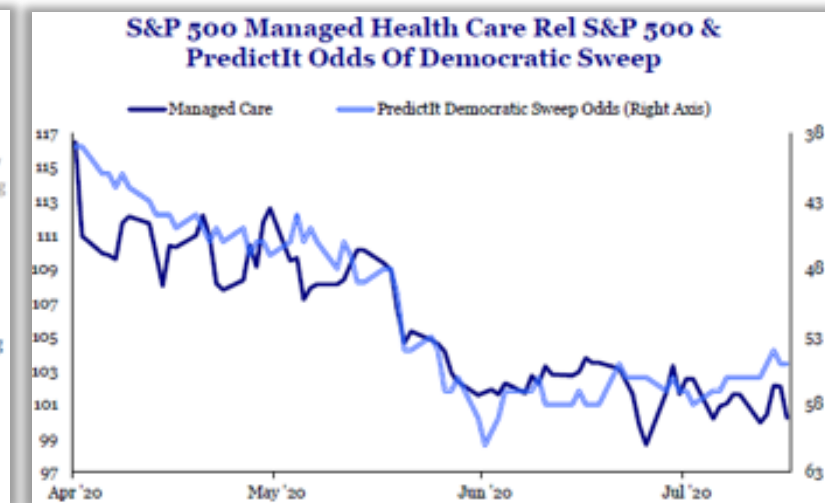
Volatility (VIX Index)



High Tax vs. Low Tax Companies



Industry Relative Performance



Source: Barclays, Strategas, CS, Bloomberg, S&P. Data as of 07/30/2020.

Questions

GLOBAL & BEYOND

Global Trade



TRUMP



BIDEN

EU: Has threatened trade tariffs

EU: Unlikely to implement tariffs



China: More likely to escalate tensions

China: Unlikely to escalate tensions

Specialty Industries



CANNABIS

"Under a Harris-Biden administration, we will decriminalize the use of marijuana and automatically expunge all marijuana-use convictions, and end incarceration for drug use alone."

- Kamala Harris, September 2020

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RENEWABLE ENERGY

"We're not just going to tinker around the edges. We're going to make historic investments that will seize this moment in history."

- Joe Biden, July 2020

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DEFENSE SPENDING

"We have purchased the finest planes, missiles, rockets, ships, and every other form of military equipment – all made in the United States of America."

- President Donald Trump, February 2020

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Common Ground



TECH INDUSTRY

- Anticompetition
- Censoring
- Privacy issues

INFRASTRUCTURE

- Biden: \$2 Trillion
- Trump: \$1 Trillion

FISCAL + MONETARY

- Stimulus checks
- Low-level of rates

Questions

TAXES

Investment Income

CURRENT	BIDEN	TRUMP
20% maximum capital gains rate	39.6% rate for capital gains where income over a \$1M	Reduce maximum capital gains rate to 15% and/or indexing
3.8% Net Investment Income Tax (NIIT)	Retain NIIT	Retain NIIT
1031 Like-Kind exchanges available without restriction	Impose income limit of \$400K for 1031 Like-Kind exchanges	No changes

Sources: [Tax Foundation 2020 Capital Gains](#), [Tax Foundation Joe Biden 2020 Tax Plan](#)

Individual Taxes

CURRENT	BIDEN	TRUMP
Top bracket currently 37% through 2025, then reverts to 39.6%	Top bracket 39.6% maximum rate. No change for other brackets	Keep top bracket at 37% rate - no future increase
Social Security on wages up to \$137K	Social Security on wages exceeding \$400K	Keep current threshold at \$137K
Itemized deductions are tax-effected at taxpayer's top rate	Cap the rate of itemized deductions to 28% but allow full state & local tax deduction	No change

Sources: [Tax Foundation 2020 Capital Gains](#), [Tax Foundation Joe Biden 2020 Tax Plan](#)

Gifts and Estate Tax

CURRENT	BIDEN	TRUMP
Exemption amount is \$11.58M through 2025, reverts to \$5M after 2025	Supports reduction in exemption amount to \$5M after 2025	Keep exemption amount at \$11.58M permanently
Step-up in basis for inherited assets	Eliminate	Retain

Sources: [Tax Foundation 2020 Capital Gains](#), [Tax Foundation Joe Biden 2020 Tax Plan](#)

Business Taxation

CURRENT	BIDEN	TRUMP
21% corporate rate	28% corporate rate	Keep 21% rate
No minimum corporate tax rate	15% minimum corporate tax rate	No change

Sources: [Tax Foundation 2020 Capital Gains](#), [Tax Foundation Joe Biden 2020 Tax Plan](#)

CLOSING COMMENTARY

Concluding Thoughts – October 2020

- We are less than 3 weeks out from the Presidential Election. We fully expect the associated headlines to keep market volatility elevated relative to “normal” years.
- Believe it or not, there are more important factors to consider than who is sitting in the Oval Office. We lean heavily on our technical, fundamental and macro disciplines to gauge the materiality of potential political changes.
- Most outcomes do not require significant asset allocation shifts. That said, there will be potential winners and losers. It will be important to differentiate between tactical and secular opportunities, and risks.

Questions



Thank You



For additional questions, please contact us at bakerave.com/contact or call us at 415.986.1110

Since 2004, BakerAvenue Wealth Management has guided clients through personal and professional life transitions.

Our firm provides comprehensive wealth management and investment expertise for high-net-worth individuals, families, trusts and foundations. Driven by our purpose, we strive to make a positive impact on society alongside financial return. We're headquartered in San Francisco with offices in New York and Dallas.

