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INVESTMENT PARTNERS

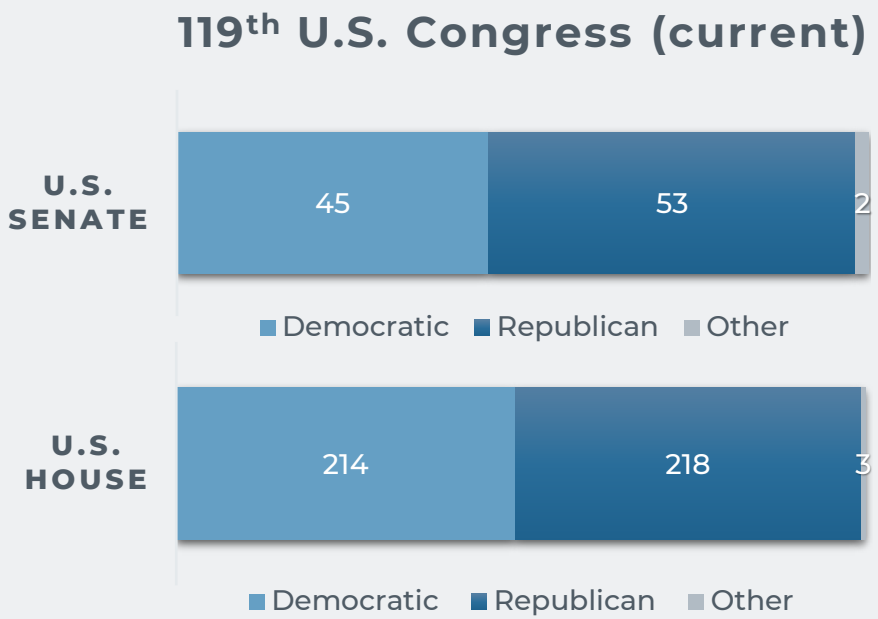
U.S. Midterm Elections

2026

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WHAT ARE MIDTERM ELECTIONS?

- Midterm elections take place in the **second year of a presidential term**, rather than in conjunction with the presidential election itself.
- During midterms, voters elect **every member of the House of Representatives**, and about **one-third of the members of the Senate.**
- A shift in power during midterm elections often reflects **changing presidential approval early in a term**, which can reduce support for and turnout among voters of the party in power.



Republicans currently hold narrow majorities in both the Senate and the House of Representatives

Source: United States Senate, Clerk United States House of Representatives (as of 3/31/2026)

2026 MIDTERM ELECTIONS

About 13% of Congress is not seeking re-election, including 58 House members and 11 senators.[1]

Notable departures include:

- Steny Hoyer
- Mitch McConnell
- Nancy Pelosi
- Thom Tillis
- Elise Stefanik
- Dick Durbin
- Chip Roy *(lost TX AG runoff)*

What's on the American mind for 2026?

AFFORDABILITY

THE WALL STREET JOURNAL | BIPARTISAN POLL | SEPT. 29, 2026

Americans Want Populist Policies That Defy Traditional Political Labels

MARKETPLACE | SEPT. 10, 2026

Cost of living is a top issue for voters ahead of midterms

~4 in 5

voters back capping credit-card interest rates at 10%

WSJ poll

~3 in 4

back capping child-care costs for working families

WSJ poll

62%

say it's "extremely important" for candidates to discuss cost of living

KFF poll

Sources: *(1) Ballotpedia, "Sixty-nine members of the U.S. Congress are not running for re-election this year," July 21, 2026; Chip Roy runoff result: The Texas Tribune, May 26, 2026. Headlines: The Wall Street Journal (WSJ), "Americans Want Populist Policies That Defy Traditional Political Labels," Sept. 29, 2026; Marketplace, "Cost of living is a top issue for voters ahead of midterms," Sept. 10, 2026. Poll data: WSJ survey of 1,500 registered voters, Sept. 16–21, 2026, margin for error ±2.5 pts., conducted by Democratic pollster John Anzalone and Republican pollster Adam Geller; KFF Health Tracking Poll, "Health Care Issues in the Lead-Up to the 2026 Midterm Election," Oct. 6, 2026; survey of 1,013 registered voters, Sept. 16–21, 2026, margin for error ±4 pts.*

INCUMBENT PARTY IS USUALLY AT A STRUCTURAL DISADVANTAGE

Only two midterms since 1946 delivered House gains for the president's party. The median midterm results in a roughly 22-seat loss for the party that holds the presidency.

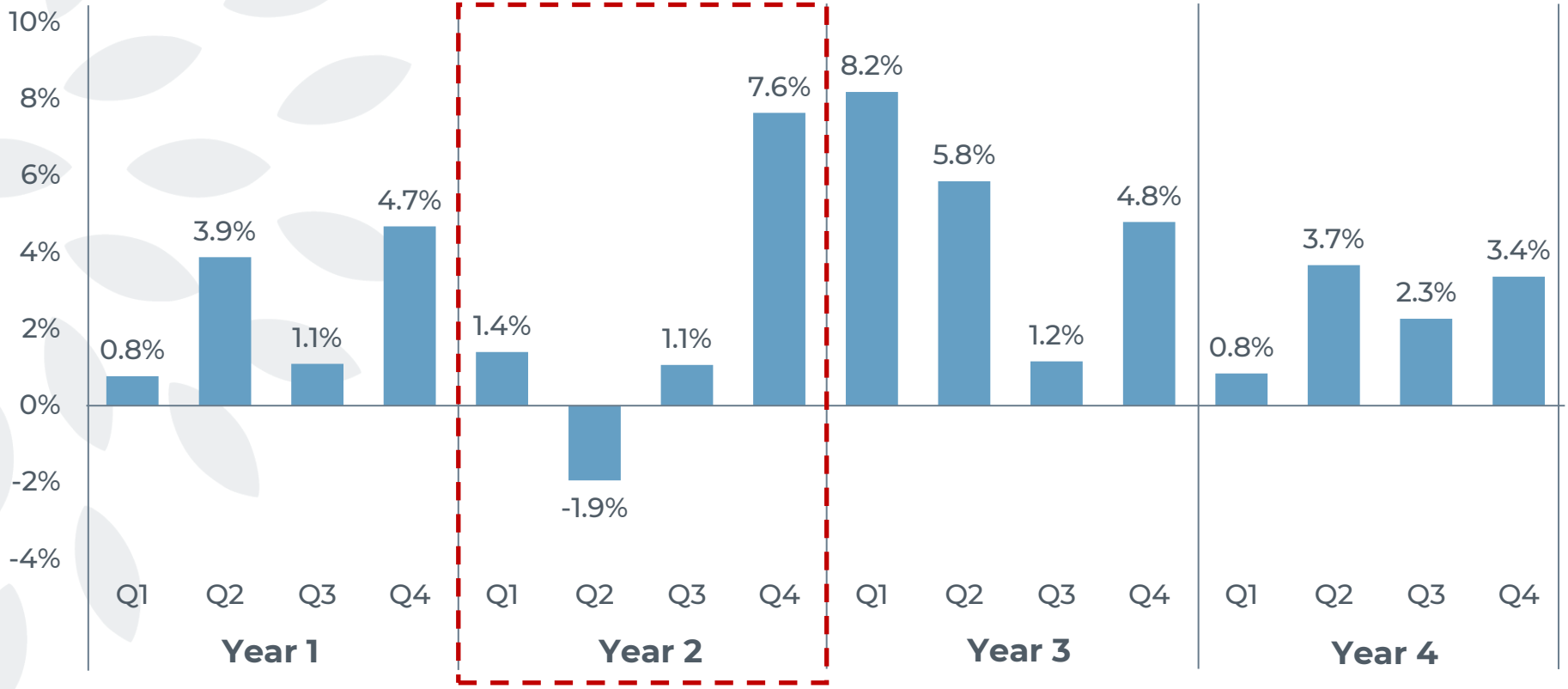
Year	President	Party	Midterm U.S. House Results
1946	Truman	Democratic	-45
1950	Truman	Democratic	-29
1954	Eisenhower	Republican	-18
1958	Eisenhower	Republican	-48
1962	JFK	Democratic	-4
1966	LBJ	Democratic	-47
1970	Nixon	Republican	-12
1974	Ford	Republican	-48
1978	Carter	Democratic	-15
1982	Reagan	Republican	-26
1986	Reagan	Republican	-5
1990	G.H.W. Bush	Republican	-8
1994	Clinton	Democratic	-52
1998	Clinton	Democratic	5+
2002	G.W. Bush	Republican	8+
2006	G.W. Bush	Republican	-30
2010	Obama	Democratic	-63
2014	Obama	Democratic	-13
2018	Trump	Republican	-40
2022	Biden	Democratic	-9

Source: The American Presidency Project

HISTORICALLY, MIDTERM YEARS BRING VOLATILITY FOR STOCKS

Midterm election years bring elevated policy uncertainty. Against this backdrop, equity markets have historically struggled during midterm years, followed by a recovery after the results of the elections become known.

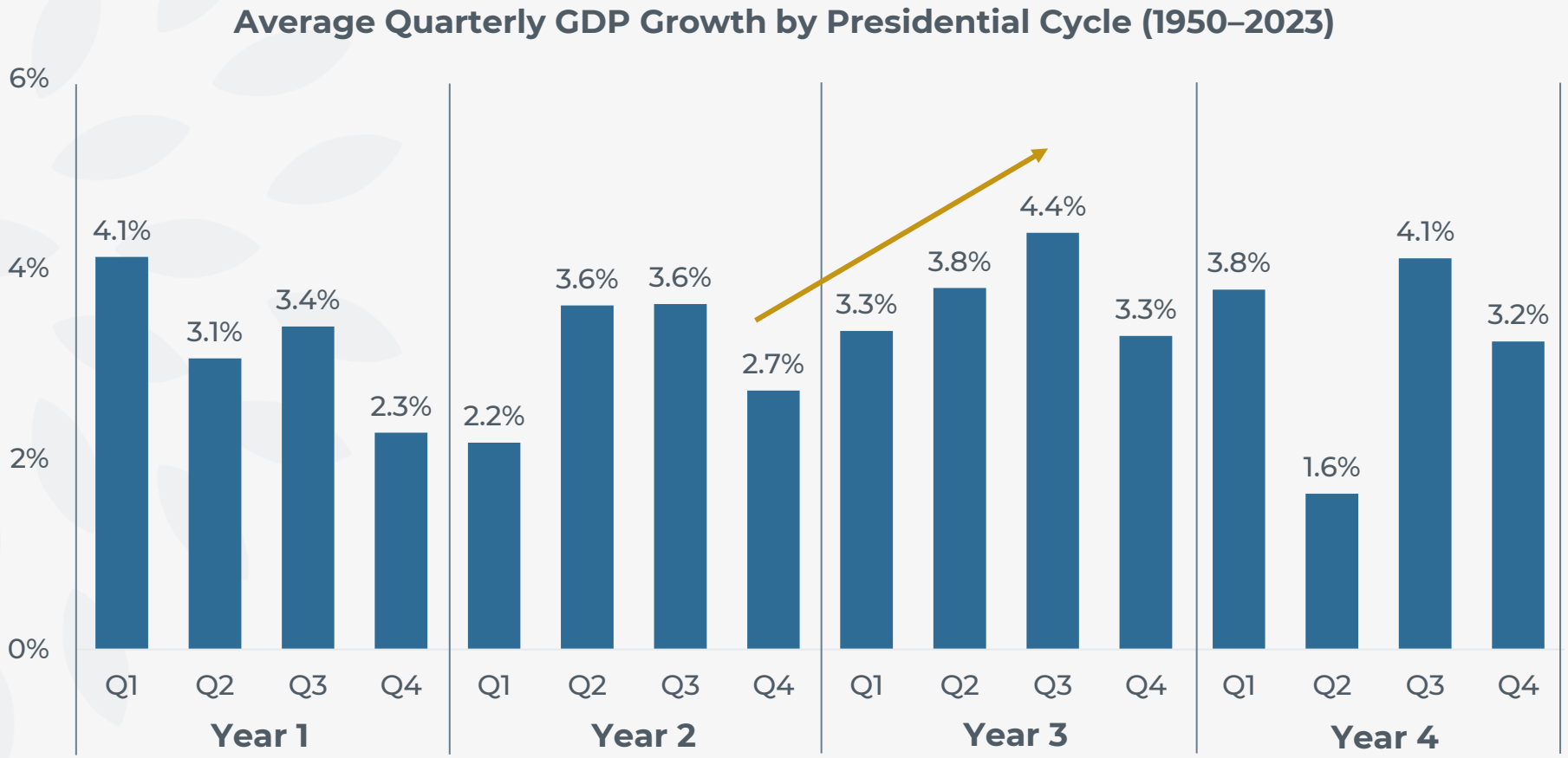
Average Quarterly Returns for S&P 500 by Presidential Cycle (1950–2023)



Source: Bloomberg Finance, L.P. (data through 12/31/2023)

YET THE ECONOMY OFTEN STRENGTHENS AROUND MIDTERMS

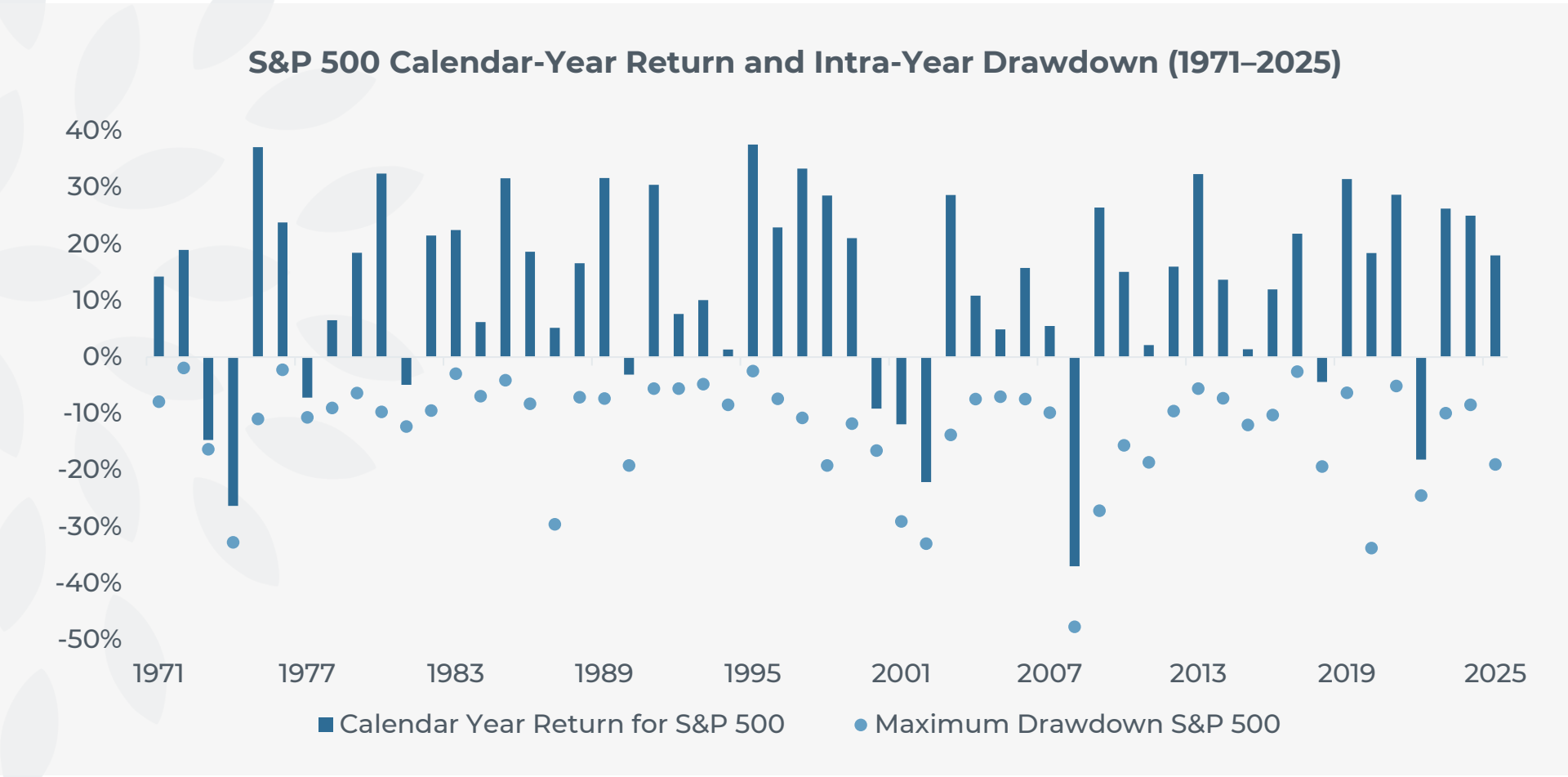
Although markets may experience volatility around midterms, GDP growth has historically strengthened in the third year of the presidential cycle.



Source: Bloomberg Finance, L.P. (data as of 12/31/2023)

STOCKS ROUTINELY SELL OFF DURING THE YEAR

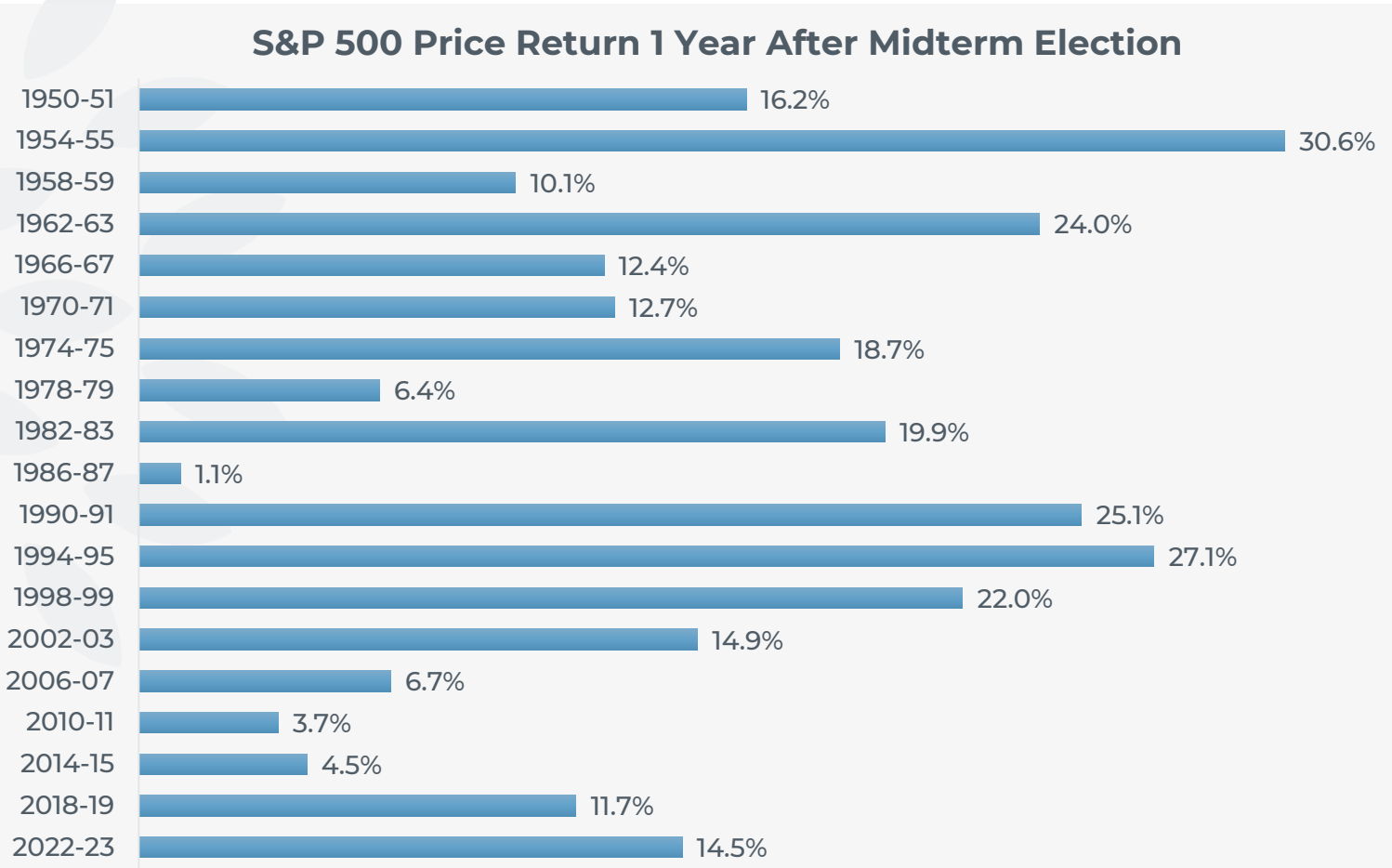
Despite frequent intra-year pullbacks, the S&P 500 has historically delivered positive calendar-year returns. Drawdowns are a normal part of equity investing, even in strong market years.



Source: Morningstar (data through 12/31/2025)

MARKETS TEND TO REBOUND AFTER MIDTERMS

Markets have often rallied the year after midterm elections as political uncertainty subsides. Historically, the S&P 500's average one-year return following midterms has been approximately 15%.

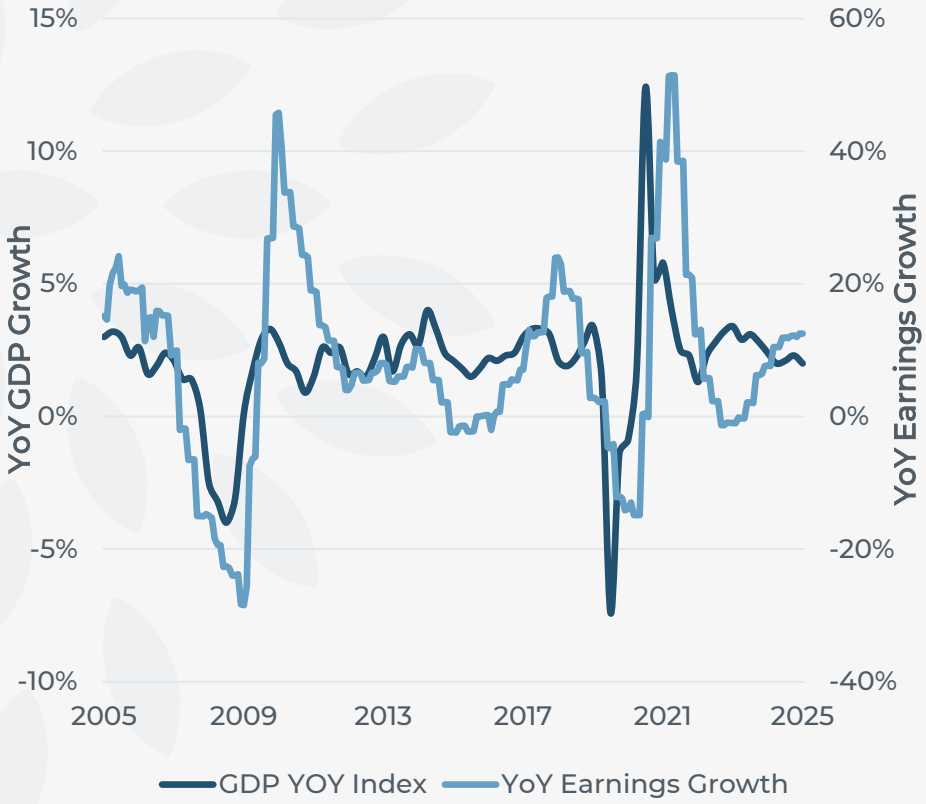


Source: YCharts, All Rights Reserved (data as of 12/31/2023)

BEYOND ELECTIONS: WHAT DRIVES MARKETS LONG-TERM

Election cycles can create short-term volatility, but economic growth and earnings are the primary drivers of long-term stock market returns.

Earnings Growth Is Closely Tied to GDP Growth



...And the Market Tracks Earnings Growth Expectations

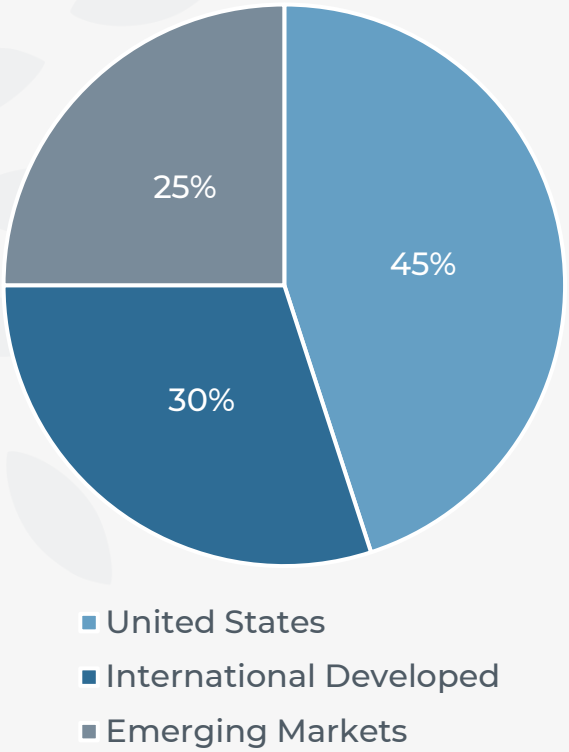


Source: Morningstar, Bloomberg Finance, LP (data as of 12/31/2025)

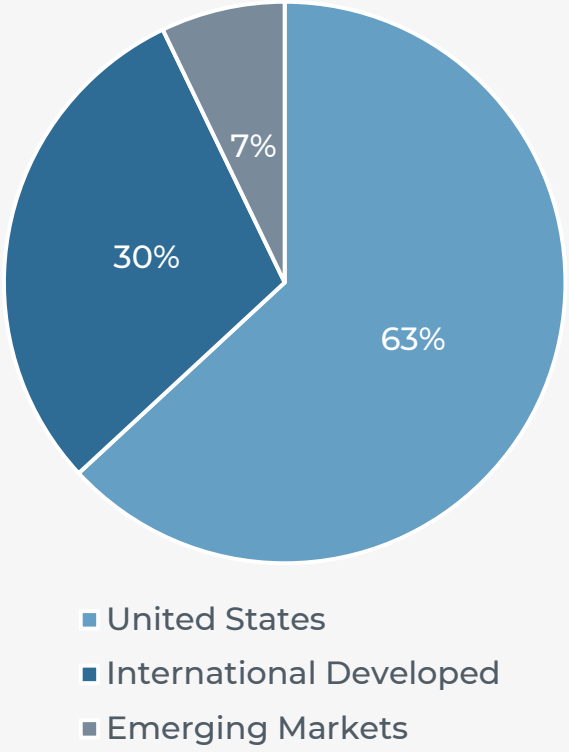
PORTFOLIOS ARE GLOBALLY DIVERSIFIED TODAY

Election outcomes in the U.S. are important, but investors are more globally diversified today than in decades past, whether looking at sources of revenue or market capitalization.

Geographic Revenue Exposure – MSCI ACWI



Market Cap Exposure – MSCI ACWI



Source: Morningstar (data through 2/28/2026)

KEY TAKEAWAYS



Maintain Investment Discipline

Check for strong political biases before making investment or financial planning decisions. Avoid the cost of emotional decision-making.



Elections Have Limited Influence on Markets

Election outcomes can impact the economy but often have a modest impact on investment returns.



Fundamentals Matter Most

Stay focused on the fundamental drivers of investment performance. Fundamentals have historically had a greater impact on stock returns than election outcomes.

DISCLOSURES

3Chopt is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration does not imply a certain level of skill or training. More information about 3Chopt's investment advisory services can be found in its Form ADV Part 2 and/or Form CRS, which is available upon request.

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DISCLOSURES

The historical performance information derived from the Frontier Engineer and used or presented in charts, tables, or graphs represent simulated historical performance, which has been derived by retroactively applying an asset allocation modeling process in its most recently developed form with its most recently derived ten-year (forward-looking) capital market assumptions. Such historical return simulations (or back testing) was performed by simulating the combination of actual index returns for the historical period with a buy and hold strategy effective January 1, 1988 through the most recently available month-end date with simulated rebalancing occurring every month-end (with the reinvestment of dividends and capital gains from each index).

Back tested performance is hypothetical and does not reflect actual trades or actual client performance. As with all models, there are inherent limitations which are derived from the retroactive application developed with the benefit of hindsight, including the risk that certain factors such as material economic and market conditions could have contributed to materially different (either higher or lower) performance results than those depicted, or that certain material factors may have been included or excluded from consideration. As such, actual results during the applicable back tested period would have been different than those depicted.

The asset allocation modeling process currently used was initially developed in 2002, and was not offered as a strategy prior to that time. The output of a forward-looking model (or process) is a representation of allocation percentages among specific asset classes. Clients cannot invest directly in a target allocation, but rather, in underlying securities within designated asset classes. Advisor may change its models from time to time, and regularly updates its model as additional capital market assumption information becomes available or to increase or decrease relative weightings or emphasis on certain factors. Consequently, the Advisor may choose to deviate from a stated model over time as the model itself is revised, which could have a materially positive or negative impact on performance.

During the period represented, numerous modelling changes were made, including the regular changes in (ten-year) forward-looking expected returns, expected volatilities, expected non-normal return distribution assumptions, as well as tracking-error assumptions and risk budgets. Furthermore, such assumptions can be modified client-by-client depending on certain preferences, priorities, constraints or unique considerations applicable to each client.

Other economic and market factors may have impacted decision-making when using the model to manage client funds, including the list of approved asset classes by a client or client type as well as any client-directed or Advisor implemented constraints.

All investments bear the risk of loss, including the loss of principal. Past performance, actual or hypothetical, is no guarantee of future results.

The hypothetical annual advisors' fee is divided by 12 and subtracted from the historical monthly (index) returns. The hypothetical excess return assumption is divided by 12 and added to the historical monthly (index) returns. Furthermore, for forecasted total portfolio (index-based) annual returns based on capital market assumptions, the annual advisors' fee assumption is subtracted from the hypothetical annual manager excess return assumption. Additional information on advisory fees charged by 3Chopt Investment Partners are described in Part 2 of the Form ADV.



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