

Comprehensive Investment Management, LLC

Fee Only Personal Financial Planning



FLASH REPORT - Fourth Quarter 2023

Stocks Had A Good Year But Hold the Champagne

In 2023 US stocks returned 26%. That's a great return, especially since "experts" had predicted a recession. But before celebrating, there is more to consider. It's not unusual for the stock market to have a good year following a bad year. 2022 was a bad year for stocks, down 20%. An investment of \$1,000 in 2022 at the end of 2023 was worth \$1,009. That's a return of less than 1%, so clearly not much to celebrate. On top of that, over those two years inflation ran 13% leaving a negative real return of 12%. Of course, it would have been a good bit worse if the experts had been right about a recession. Now, because the economy has proven unexpectedly strong, thanks to the consumer, they say there is no recession in sight. They admit that may change.



And then there are bonds. They finished 2023 up 5% after a minus 13% in 2022. 1,000 invested in 2022 would be worth \$914 at the end of 2023. That's a negative return of 4.5%. Tack on another negative 13% for inflation. In 2023 a portfolio of 50% stocks/50% bonds regained about 65% of the hit it took in 2022. Since stocks broke even, bonds caused the shortfall.

These are trying times for investors. As always they need to focus on the long term. They will see that over the last fifteen years US stocks have had an average annual return of 14% and bonds 4%. During those years inflation averaged just 2.4%. That period, you may recall, includes the worst financial crisis since the depression, a pandemic, three years of inflation averaging 6% and a quintupling of interest rates over just twelve months. So take heart in a quote from Warren Buffet: "It's never paid to bet against America. We come through things, but it's not always a smooth ride."

The best performing stock funds in 2023, not surprisingly were, managed by Primecap Management. For over forty years Primecap has managed the majority of the top performing stock funds offered by Vanguard. Since 2004 it has offered its own funds directly to the public. In 2023 the six funds, two mid cap and four large cap, averaged a return of 24.3%. The fifteen year annual average for those funds is 15.3%.

In 2023 the best performing intermediate bond fund was Vanguard's Intermediate Investment Grade Fund which returned 8.1%, its best return since 2020. In fact 2023 was the bond fund's first year with a positive return since 2020. As the Federal Reserve moves away from its gyrations of interest rates intended to tame economic swings, we should expect bond performance to return to a level of normalcy.

Average Returns of CIM Select Mutual Funds

At December 31, 2023	QTR	1 Year	3 Years	5 Years	10 Years	15 Years
US Stocks	10.4	18.2	3.5	12.0	10.4	14.3
Foreign Stocks	10.0	14.5	-3.0	9.0	6.4	12.4
Intermediate Bonds	6.5	5.9	-2.3	2.2	2.3	3.7
Hi Yield Bonds	7.3	11.7	1.7	5.1	4.3	7.9

The Flash Report provides brief comments on recent overall economic and financial market activity. The goal is to provide some context to the results depicted in your individual reports.

The return of a portfolio will vary depending on its higher versus lower risk allocation, diversification and to a somewhat lesser extent the returns of the specific mutual funds and other securities in which it is invested.