Comprehensive Investment Management, LLC

Fee Only Personal Financial Planning

CIM

FLASH REPORT - Third Quarter 2023

Have We Had Better Quarters? Yes.

And we have had worst quarters. The return for individual CIM client portfolios will vary* but the overall gross average for the quarter was negative at about –2.7%, which means on an average basis we gave back a bit more than our profit in the second quarter which averaged about +2.6%. Over the last twelve months the average gross investment return was a double digit +10.4%.

Early in January 2022 the S&P 500 hit an all time high of 4,797. By the end of that month it was down 10%. By June it was down 20% and hit its 25% nadir in October 2022. There was no expectation for a quick turn around. To combat a big jump in inflation, from March 2022 through July 2023 the Federal Reserve increased its federal rate from zero to 5.5%, a historically fast clip. Yet somehow, and to the surprise of many, in the last quarter of 2022 the S&P started to recover. By the end of July 2023 it had worked its way back to within 4% of the 4,797 high. By no means was the comeback accomplished in a straight upward line. We don't ever expect the S&P to move in a straight line and it has never disappointed.

The surprise of "the many" has now come to an abrupt end. The super fast and massive increase in interest rates engineered by the Federal Reserve would invariably have a big impact on the economy and the financial markets. It just took longer for the impact to be felt than would normally be expected. Raising interest rates and the tightening of the domestic money supply are the major tools available to the Federal Reserve to dampen economic activity, which then will sooner or later dampen inflation.

What happened in July was a surge in the yield on Treasury bonds. What does that have to do with the S&P? It's complicated. You would not know it from recent times, but bonds, especially Treasuries are low risk investments. The prudent investor looks to earn a good return without taking undue risk. So when the low risk yield increases the question is: Does some other investment I'm considering provide enough of a premium to warrant the extra risk. In the bigger picture, markets consider an increase in long term yields an indication that interest rates are going to stay higher for longer. For most of this year stock prices have not reflected that possibility even though there was no evidence to the contrary.

Average Returns of CIM Select Mutual Funds

At September 30, 2023	QTR	YTD	1 Year	3 Years	5 Years	10 Years	15 Years
US Stocks	-2.2	10.0	18.1	7.6	6.5	10.5	11.8
Healthcare Stocks	-4.1	-2.8	6.3	4.4	6.3	11.1	13.3
Foreign Stocks	-4.8	2.9	15.5	-2.2	3.0	5.0	7.8
Intermediate Bonds	-2.5	0.3	1.7	-4.0	1.0	1.6	3.1
Hi Yield Bonds	.2	4.1	9.3	.9	2.7	3.9	6.1

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.*