

Comprehensive Investment Management, LLC
Fee Only Personal Financial Planning

FLASH REPORT at DECEMBER 31, 2022

FINALLY, THE TIDE TURNED

There has been a lot of media attention on how the S&P 500 has been drifting in and out of bear market territory, which is defined as 20% below its most recent high, in this case set back in January. And even bigger headlines have been about how bonds are experiencing their worst performance in 40 years as inflation hits highs dating back over that many years as well. That's not a coincidence since there is a strong correlation between poor performance of bonds and rising inflation.

Somehow missed is that at least for parts of the markets, the 4th quarter was very good. As the chart below shows the funds found in portfolios of CIM clients did well, reversing their poor performance over the first nine months of 2022. At September 30 the Wellington fund was down 20.2% but finished the year down 14.3%. Primecap Aggressive Growth was down 30.7% mid October but recovered to a negative 24%. A bigger recovery was Dividend Growth, down 20.2% in mid October then recovering to a negative 11% by year end.

We are all familiar with how fickle stocks can be, so our biggest disappointment this year has been with our bonds. But even there we had a recovery in Intermediate Investment Grade that ended at a negative 13.9% after being down 18.4% in late October.

Despite the final quarter, yearly performance was still very poor. Predictions for stock returns in 2023 are all over the place, many expecting a recession, but with very different opinions on its cause and its severity. There is a general consensus, shared by CIM, that bonds have seen their worse. Rising interest rates, though negative in the short term, are good for bonds in the long term because of the higher yield. We can expect to see the best returns in bonds since the financial crisis of 2008, which is when the Federal Reserve initially drove rates to historic lows.

Average Annual Returns of CIM Select Mutual Funds

At December 31, 2022	QTR	YTD	1 Year	3 Years	5 Years	10 Years	15 Years
US Stocks	8.5	-18.8	-18.8	5.4	7.6	12.6	9.5
Healthcare Stocks	10.3	-6.6	-6.6	8.8	10.4	14.9	12.4
Foreign Stocks	12.1	-26.5	-26.5	.7	1.9	5.8	4.8
Bonds	2.4	-10.4	-10.4	-1.2	1.0	1.5	3.1
Wellington Fund	7.4	-14.3	-14.3	4.1	5.9	8.5	7.0

The Flash Report provides brief comments about recent overall economic and financial market activity. It is distributed with your quarterly reports to provide some immediate context primarily about the performance results depicted in your individual reports. The CIM newsletter will continue to be distributed a week or so after the reports.