Comprehensive Investment Management, LLC
Fee Only Personal Financial Planning
Winter 2022

A Review of the Financial Markets at December 31, 2021

In 2021 the major stock averages (DOW, NASDAQ, SP 500) all posted double digit returns as the global economy began to recover from the sudden and extensive Covid upheaval a year earlier. The Federal Reserve continued its historical supportive measures that were first implemented at the onset of the pandemic in March 2020.

Our stock funds bounced back from their negative third quarter. Almost matching the S&P 500, which is driven primarily these days by the big tech companies and Tesla, all the large cap stock funds ended the year in high double digits. The average was 22.9% with top earner Primecap Odysessy Stock (25.1%) followed closely by Dividend Growth (24.8%). The Mid Cap group's average was 18.3% led by Vanguard's Mid Cap index (24.4%). The small Cap average was 12.6% led by Vanguard's Tax Managed Small Cap fund (27.1%) .

Two of our favorite funds did not keep up with the recent hot pace of other stock funds. Primecap Aggressive Growth returned 9.4%, a return certainly not to be considered a bad year. Brown Capital lost 4.2%, a return certainly to be considered a bad year. Yet those two funds still have the best ten and fifteen year annual returns, Primecap Aggressive Growth (18.7 % and 13.4%) and Brown (17.1% and 14.2%).

Recent market and economic activity is newsworthy. However most of it can be dismissed as "noise" and not indicative of a trend. Investment performance over longer periods, while not predictive, is significantly more meaningful.

The Wellington Fund invests primarily in large cap high quality dividend-paying companies with about 10% outside the US. It's a balanced fund with 65% stocks and 35% bonds and has been consistently rated 5 Star Gold by Morningstar. Wellington is where CIM clients get most of their large cap US stock exposure. To compare its performance to the overall market, in 2021 Wellington's return of +19% was higher than +17.9%, which is a combination of 65% of the return of Vanguard's 500 fund and 35% of its Total Bond Market Index fund. Using the same comparison Wellington at ten years is short by-.3% and ahead at fifteen years by +.5%.

(Continued on page 2)

Average Annual Returns of CIM Select Mutual Funds

At December 31, 2021	QTR	YTD	1 Year	3 Years	5 Years	10 Years	15 Years
Large Cap Stocks	7.2	22.9	22.9	21.2	16.8	16.0	11.9
Mid Cap Stocks	5.0	18.3	18.3	22.8	17.0	17.3	11.9
Small Cap Stocks	3.6	12.6	12.6	22.6	16.4	15.8	11.8
Healthcare Stocks	3.5	13.8	13.8	20.2	16.8	18.0	13.8
Foreign Stocks	-1.6	1.8	1.8	20.7	15.7	11.3	8.5
Short Term Bonds	-.8	-.8	-.8	3.1	2.4	2.0	2.8
Intermediate Bonds	.3	0.0	0.0	6.2	4.3	3.3	4.6
High-Yield Bonds	.5	3.7	3.7	8.1	5.6	6.1	6.1

The Financial Markets (from page 1)

Our three foreign stock funds, if nothing else, are diversified. T Rowe Price International Discovery finished 2021 at +7.4% while our two other international funds were down -.9% and -1.3%. Vanguard's Emerging Market Select was ahead at mid year but lost its mojo by year end as China cracked down on the operations of its most successful companies such as Alibaba. The average foreign returns at ten years and fifteen years (+11.3% and +8.5%) are not bad. In any case, it would be a mistake to eliminate foreign diversification from our stock allocations. The average CIM managed portfolio has 18% of its stocks invested internationally where as foreign markets represent more than 50% of global economies. But there is more to investing than just matching percentages. Note that Vanguard's Total International Index Fund has a 15 year return of just +3.8%.

Bonds! You can't live with them and you can't live without them. They will never make you rich, but they do provide modest income and a conservative base to offset the riskier portions of our allocation. Vanguard's Intermediate Investment Grade Bond Fund was negative for 2021 (-1.2%) The Inflation Protected Securities Fund was up to the task with a positive return (+5.6%). High yield bond funds are not as volatile as stocks, but they usually move in the same direction. They returned +3.7% in 2021, but we can expect them to be more at risk as the Federal Reserve finally cuts back its very aggressive support of the COVID economy.

LOOKING AHEAD

While Covid is still very much the elephant in the economic room, much of the talk among financial observers is about how the Federal Reserve is going to wean the markets from the very accommodating polices it has exercised since March 2020 when Covid lock-downs were initiated. In fact, the Federal Reserve's over-accommodation was on top of its still continuing efforts to offset the hangover from the 2008 mortgage meltdown and ensuing financial crisis. One observer says the central bank may have checked into the Hotel California, which is where you can check out but you can never leave. Another says the economy was like a hospital patient who's pulse was dropping. The doctors came running in and injected a stimulant. But now what? The economy is rebounding and inflation pressures are rising and the Fed doesn't want to be responsible for taking us back to the inflation of the seventies. The big question is can it do what's necessary, that is, raise interest rates and cut back on the enormous amount of bonds it has accumulated without triggering a recession.

Besides the fact that recessions, like 10% market corrections are routine, in today's circumstances it's unlikely one would be sustained. It's all about Covid. If it goes away or if its impact on how people live their lives is minimized, there will be such a release of pent-up activity that inflation may be a problem but not a recession. In addition, some of the Covid-caused changes to the good will continue, such as increased wage levels for those employees now more appreciated as essential. Higher wages at the lower income levels will be spent and put right back into the economy. The consumer is responsible for 70% of economic growth. Yes. we should gird ourselves for market volatility, but volatility is no reason to abandon a valid financial plan.

At December 31, 2021 Annual Returns Vanguard Balanced Funds With Opposing Bond/Stock Allocations

	Quarter	1 Year	3 Years	5 Years	10 Years	15 Years
Wellesley 65% bonds	3.0	8.5	11.1	8.0	7.7	7.1
Wellington 65% stocks	7.1	19.0	17.3	12.3	11.4	8.7

WHY NO ONE CALLS THEMSELVES A STOCKBROKER ANYMORE

Once ubiquitous and considered elite, the title of stockbroker has fallen out of fashion among those who manage clients' money. Even brokerage employees who are registered representatives and would previously have been called stockbrokers call themselves financial advisors, wealth managers or wealth professionals. Others play up their credentials as financial planners.

Back in the day, stockbrokers were people who helped clients manage their wealth. But the relationship was transactional. The broker would come up with an idea for an investment, call a client, convince them to do the deal, then execute the trade. For this work, the broker would receive a commission.

When CIM started operations twenty years ago it adopted the motto *"It's morning in the personal financial services industry"* to point up a movement in the industry away from commissioned based sales of stand-alone "products" toward the comprehensive services CIM provided from the get-go. If it was morning twenty years ago you would expect it to be afternoon by now but the proliferation of robo services and alike makes one wonder if maybe the clock has stopped. Despite a wave of new regulations post-Bernie Madoff, it can still be a jungle out there.

HOW TO PLAN FOR LONG TERM CARE COST

An updated article on the topic of long term care cost will appear in a future newsletter. Currently CIM's Research Department is assessing the chart (below) which Vanguard recently presented. The challenge is how to budget when the variables range from 52% of us incurring a cost of zero and 18% likely to incur more than $250,000. That's per person. In the meantime you may want to review the article on this very thorny topic in CIM's 2020 winter newsletter. Past issues are available at cimontheweb.com.

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Comprehensive Investment Management, LLC

Investment Management &
Personal Financial Planning Services

It's morning in the personal financial services industry

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The CIM investment strategy:
Control risk yet outperform the market by using well managed, no commission, low cost mutual funds. Maintain appropriate asset allocation and diversification. Minimize taxes.

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Friends don't let friends invest any other way.

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We Get Letters

Q: Exactly what is a fiduciary?

A: A fiduciary is a person or organization that acts on behalf of another person or persons, putting that person's interests ahead of their own, with a duty to preserve good faith and trust. Being a fiduciary thus requires being bound both legally and ethically to act in the other's best interests. A registered investment advisor is a fiduciary. Broker-dealers are not fiduciaries. While brokers are required by security regulations to ensure an investment is suitable for their client, a broker's primary responsibility, like a salesman, is to their employer.

Q: When interest rates go up, why do bonds go down? Makes no sense.

A: In the US, bonds are typically issued by the Treasury, local governments and private corporations. A bond is a loan and bought by investors. The investor receives a fixed rate of interest and they get their money back (usually) when the bond matures. That interest rate remains the same regardless of how interest rates in the bond market may change.

To your question, the inverse of rates to value is in the secondary market, that is, when bonds are offered for sale by one investor to another. In the market place the offerings compete against each other based on their respective interest rates. So when interest rates go up, the newer bonds have more value than those issued at lower rates. The older bond will be discounted so the actual yield (return) to the second investor is equivalent or close to equivalent to the newer bonds.

CIM recommends investments in bonds via mutual funds. They provide diversification since bond attributes vary considerably, have different interest rates, maturities, and credit risk. A mutual fund spreads the risk that accompanies any given bond.

Send your questions to Mercedes@cimontheweb.com