INVESTMENT GROWTH MANAGEMENT, INC.

Market Update June/July 2022

July 7, 2022

As you may be aware, the stock market, as measured by the S&P, has declined this year and even to a greater extent during the 2nd quarter. The main reasons for the decline are increased inflation, supply chain issues, the Ukraine war, and rising interest rates. Declining markets are not abnormal as many of you have experienced over the years. Since 1952 the US stock market has had on average a decline of 10% or more about once a year, a decline of 15% or more every 3 years, and a decline of 20% or more every 6 years. Recent peak declines are 2020 -33%, 2018 -20%, and 2008/2009 -51%.

Through all declines the market recovered and achieved new market highs. Losses are only taken when selling occurs. Our long-term approach, with our diversified investments in fixed income bonds and defensive stocks mixed with growth stocks, provides downward cushion, and allows for your portfolio to earn dividends and interest throughout the decline.

Examples of stock dividend increases this year are Federal Express +53%, Target +20%, Pepsi +7%, and General Mills +6% to name a few. These stocks may not be in your portfolio, but they are held in your mutual funds. This is a great indicator of how income is generated and grows in a volatile economy. In past market and economic declines, interest and dividends in your portfolios have continued and grown.

Our Approach and Strategy During Market Declines

- **Stay The Course**…the best market returns are rewarded to long-term investors.
    - **Stock Market Returns (S&P 500):**

	2 Year	3 Year	5 Year	10 Year	25 Year	50 Year
Annualized	12%	12%	11%	13%	8%	11%
Total	28%	40%	74%	254%	595%	14377%

Includes dividend reinvestment. Ending June 2022
Source: https://dqydj.com/sp-500-return-calculator/

    - The returns above represent the largest 500 stocks in the US market. These returns are reflective of a portfolio of 100% stocks and show the positive results of being invested in the market. Many clients are invested in an allocation of both stocks and bonds that range between conservative to growth and will have returns that mirror their personalized portfolio allocation.
    - **The downfall of market timing:** Attempting to time the market can be costly for the long-term investor. Over the past 30 years (1992 – 2021), 78% of the market's best days occurred during a period of market decline. If you had just missed 10 of those best days your returns would have been cut in half. If you had missed the best 30 days in the stock market your returns would have been 83% less than if you had stayed invested through the entire time frame.

- **Dollar Cost Averaging**
  - Making reoccurring monthly and periodic investments results in dollar-cost averaging. By using this technique, you can buy more shares of the investment when prices are lower and fewer shares when prices are higher. This results in a lower average cost of shares and is a great way to take advantage of lower prices in the market and lessen the impact of the recent price volatility. As your average investment cost is lower with this strategy, you will need less of a market recovery to break even.

- **New Money or Lump Sum Additions**
  - Investing when the market is down is the best way to grow your wealth. We will invest strategically, seeking the best opportunities over a period of time. This also includes reinvesting your dividends and interest when your cash flow is greater than the portfolio withdrawals. It is also a crucial factor to buy securities at lower prices, thus increasing the income of the portfolio, which allows for a quicker portfolio value recovery and helps to fight against inflation.

- **Defensive Investing**
  - Lowers market volatility in retirement.
  - Includes investments in dividend value stocks, utilities, real estate investment trusts (REITs), and consumer staples.
  - Diversification of individual corporate and government bonds which provides time certain returns and end points for each bond when they mature.

For newer investors, since the downturn began at the first of the year, it appears to have more of an effect on your portfolio than for our longer-term clients who have built up large gains over the past 5, 10, 20 and 30 years. Forward thinking, patience, and endurance are requirements for all investors; these are the key to success.

We are glad to set up a meeting time to discuss your portfolio, the market, retirement and/or financial planning, new money, and investment opportunities.

Everything we have stated above is what we (your Advisors) are doing with our personal portfolios.

Sincerely,

Mike Redlick
Co-President and Chief Investment Manager

Andrew Redlick, CERTIFIED FINANCIAL PLANNER ™
Co-President

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