

Investment Project Report: November 2020

Latest action: Check balance, re-balance mutual funds, and write this report.

Invested: \$20,000 (\$10,000 in early 2012, another \$10,000 in late 2018)

Balance: \$42,100

Details: Back in 2012, we invested in a “lifecycle” fund (a lifecycle fund automatically re-balances to maintain a specified mix of stocks and bonds). In June 2015, we switched to three index-type funds so that we could do re-balancing ourselves. In November 2018 we added to our initial investment.

Our holdings are, approximately,

Vanguard 500 Index Fund (VFINX):	\$13,100
Vanguard Intermediate-Term Investment-Grade Fund (VFICX):	\$11,400
Vanguard International Growth Fund (VWIGX):	\$17,600

We now re-balance by selling some of the highest-priced stock fund (International Growth Fund) and buying some of the lower-priced bond fund (Investment Grade Fund).

Our new holdings are, approximately,

Vanguard 500 Index Fund (VFINX):	\$13,100
Vanguard Intermediate-Term Investment-Grade Fund (VFICX):	\$14,400
Vanguard International Growth Fund (VWIGX):	\$14,600

Results for part 1 (lifecycle fund):

June 2012: \$10,000 (approximate)

June 2013: \$11,600

June 2014: \$13,900

June 2015: \$14,400

June 1, 2012 to June 1, 2013: 16% growth

June 2013 to June 2014: 20%

June 2014 to June 2015: 3.6%

Results for part 2 (3 index funds):

June 2015: \$14,400

June 2016: \$15,300

June 2017: \$16,900

June 2018: \$18,000

June 2015 to June 2016: 6.3%

June 2016 to June 2017: 10.5%

June 2017 to June 2018: 6.5%

Results for part 3 (3 index funds after adding to the principle):

January 1, 2019: \$29,200

January 2020: \$32,600

January 1, 2019 to January 1, 2020: 12% growth

Comment 1: Re-balancing by hand can be frustrating. I generally wait for a situation like shown above, where one fund is high and another is low. That way I only have one trade and the associated fees. I didn't take careful notes over the past 18 months (that's a long time between reports) but do recall often seeing that two were funds at about the same level, so re-balancing in only one trade wasn't possible. When I did get around to re-balancing, the trade was rather large (\$3000).

Comment 2: When stocks rise, bonds tend to rise more slowly. Our bond fund (Intermediate-Term Investment-Grade Fund) was low as expected when stocks are rising fairly fast.

Comment 3 (more politics): I (and others) worry that the current president is pumping up the stock market for political reasons. Whereas we previously saw great results during the post-great-recession recovery (our 2012-2014 results) we are now seeing high growth at a time when unemployment is low. Note also that the big worth is in international stocks. More evidence that giving money to rich "job creators" in the USA creates jobs overseas.