

# Stocks make a round trip

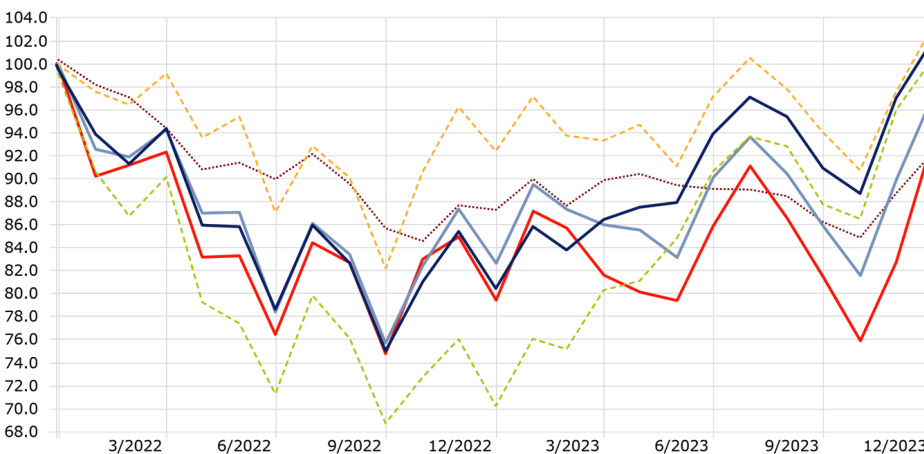
Each year many investors will take a look at their investment performance and reassess how and where they are invested. Often times they make the decision to sell their lowest performers to invest more in their best performers. This can be a big mistake. After being up over 25% in 2021, the stock market (as measured by the S&P 500 index) lost 20% in 2022. Stocks ended the year up 26% in 2023, but we are simply back to where we were at the end of 2021.

This is a good way to understand the mathematics of losses. If you start with \$100 and lose 20%, you then have \$80. To get back to \$100 you have to make \$20 on your \$80 so you have to earn 25% (\$20 divided by \$80).

Looking at various asset class returns, mega-cap growth stocks may have led the stampede in 2023, but over the two year period "value" actually outperformed "growth". Small cap stocks are still down over 5% and bonds are down over 8%. Looking at just the past year can hide the longer-term experience. We encourage all investors to take a much longer-term approach when evaluating their investments.

**Investment Growth of \$100 invested 2 years ago**

Time Period: 12/30/2021 to 12/29/2023



— Large Cap Blend	101.8	- - Large Cap Value	103.0	- - Large Cap Growth	100.2
— Mid Cap Blend	96.9	- - Small Cap Blend	92.9	- - Agg. Bond Index	92.1

Informational Purposes Only | Not investment advice | Chart shows the returns of the Russell Large, Mid, and Small Cap Indexes along with the Bloomberg Aggregate Bond Index. Returns include no fees and assume the reinvestment of dividends. Investors trying to replicate these benchmarks would incur additional fees.

[If you would like a personalized review of your portfolio, go to Risk.SEMWealth.com](https://www.semwealth.com/risk)

# What's in store for 2024?

In 2023, the Federal Reserve all but declared victory in their battle against inflation. The consensus view is that inflation is on its way to the Fed's 2% target level and the economy will avoid a recession. While we at SEM would certainly hope that is the case, we know the market often gets well ahead of itself. Nobody knows for sure what we will see develop in 2024, but we do know where the market is focusing going into the year.

Rally Continues		Big Sell-Off
<ul style="list-style-type: none"> <li>✓ No economic slowdown</li> <li>✓ Inflation continues to decline</li> <li>✓ No 'hawkish' surprises from Fed</li> <li>✓ No reduction in corporate earnings</li> <li>✓ Rate cuts with no economic slowdown</li> </ul>	<p><b>Economy</b></p> <ul style="list-style-type: none"> <li>✗ Economic contraction</li> </ul> <p><b>Inflation</b></p> <ul style="list-style-type: none"> <li>✗ Inflation stabilizes above 3%</li> </ul> <p><b>Fed Actions</b></p> <ul style="list-style-type: none"> <li>✗ No Fed rate cuts</li> </ul> <p><b>Earnings</b></p> <ul style="list-style-type: none"> <li>✗ Corporate earnings disappoint</li> </ul> <p><b>Rate Cuts</b></p> <ul style="list-style-type: none"> <li>✗ Rapid rate cuts due to economic slowdown</li> </ul>	<p>Our biggest concern for 2024 comes from the euphoric rally we enjoyed the past few months of the year. Most economists, including the Federal Reserve believe 2024 economic growth will be half of what we saw in 2023, yet corporate earnings are supposed to grow significantly above the long-term average. It is rare to see that happen.</p>

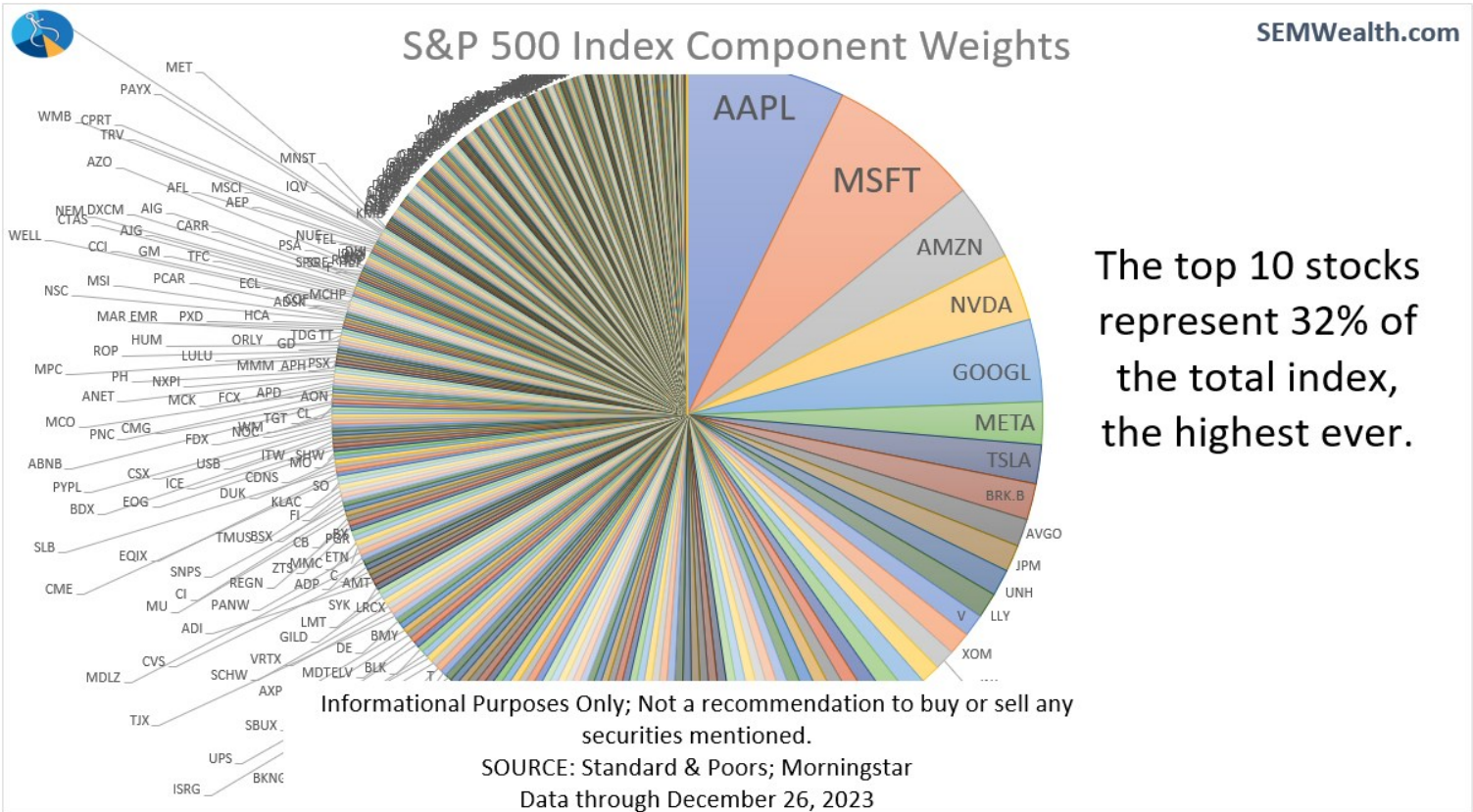
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[SEMWealth.com](https://www.semwealth.com)

For the latest updates and analysis, go to [tradersblog.semwealth.com](https://tradersblog.semwealth.com)

# The focused technology index

What if we told you, we have 26% of your money invested in six technology stocks? As fiduciaries we would probably be fired. However, that is exactly what you are getting if you invest in the S&P 500 index. Many people believe the S&P 500 is a 'diversified basket of stocks', but there are times where the structure of the index puts way too much of your money in just a few stocks. The S&P is more concentrated than ever, exceeding even the months before the tech bubble. At SEM we take a much more diversified approach, which is why we do not believe the S&P 500 is a good benchmark to evaluate your investment portfolios. Our goal is to create a "smoother" ride over the long-term which means not putting too many 'eggs' in just a few stocks.



Check out our bonus content at [TradersBlog.SEMWealth.com/Newsletter Q42023](https://TradersBlog.SEMWealth.com/Newsletter_Q42023)

## News & Notes:

### 2023 Year-End Tax Statements—what to watch for early 2024:

For taxable accounts, Axos Advisor Services will send your tax documents by **February 15, 2024**.



**SEM strongly recommends you do not make your tax appointment until after February 15.** Please wait until you receive Axos's 2023 Consolidated 1099 prior to completing your taxes.

SEM will be posting additional information on the tax reports on our website:

[SEMWealth.com/tax-information](https://SEMWealth.com/tax-information)

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