C L E V E L A N D  H A U S W I R T H  I N V E S T M E N T  M A N A G E M E N T ,  I N C .

# I N V E S T M E N T   U P D A T E

**2021 --- 3rd Quarter**

## <u>SEPTEMBER GAVE US SOME VOLATILITY</u>

**MARKET VOLATILITY DID NOTABLY PICK UP** during the final few weeks of September, having a substantial impact on quarterly returns. The major stock market indexes had a "flat" quarter, ending just a little positive or a little negative, depending on which one you are looking at. <u>Your personal account performance for the quarter (July, August, September) will also be quite flat</u>. However, investment returns for the year so far, taken as a whole, are still very nicely positive. You should see +6% to +12%, or more.

Overall, the third quarter was a roller-coaster ride for the market. Stocks moved steadily higher to start and hit a new all-time high in **July**. That positive momentum for markets continued in **August**, powered by solid economic activity. Economic headwinds from rising COVID-19 cases were mild compared to previous episodes. Activities in Washington once again began to be a focus. Following a strong July and August, **September** saw the market struggle with volatility. The concerns included slowing economic growth, elevated inflation, supply-chain disruptions, and a global energy crunch to name a few.

A word about <u>inflation</u> since it is top of mind for many people. The best thinking at this time is that some inflation may be with us into next year. It is still expected to eventually cool down, particularly when the backup of goods and raw materials around the world, due to the ongoing pandemic, can catch up with the sudden demand. There are great efforts underway to keep that supply chain cleared and moving, but it can't turn on a dime and will take some time.

COVID-19 remains a risk to the pace of recovery. New waves of infection or variants that occur could temporarily slow down the process and give us some market volatility. Nevertheless, the larger fundamentals of our economy are still decidedly positive and a well-diversified investment approach can overcome bouts of volatility such as we've seen over the last two years.

**<u>To be a successful investor</u>** doesn't require you to perfectly time volatility or corrections (such as surprises when investment values move more than usual). On the contrary, it's not what you know about the future that matters, it's what you <u>do</u> along the way. Take notice of the <u>risk/reward benefits of diversification</u> (across your investment mix) <u>and rebalancing</u>. In particular, we take advantage of volatility by periodically rebalancing portfolios. Rebalancing is such a beautiful discipline as it "forces" investors to do what we know we're supposed to, which is buy (add) low and sell (trim) high.

As a 401(k) Plan participant you have several different ways the periodic rebalancing can take place. If you are using a Target Date Fund as your one-stop solution, the managers of that fund automatically rebalance the fund when necessary. If you are invested in one of our Asset Allocation Models, the system will automatically rebalance your account once a year. And if you have chosen a custom investing approach, you have the option to set up an annual rebalance for your account on the website.

Remember, neither "get in" nor "get out" is an investing strategy – that's simply gambling on *moments in time*, when investing should always be a disciplined *process over time.*

Feel free to call Nan or Ann at 414-431-6491 with your questions.

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