M3 INVESTMENT SERVICES Est. 1996

M3 FINANCIAL PULSE

SEPTEMBER 2020

WWW.M3ADVISOR.COM

THE MONTH IN BRIEF

Stock prices surged in August as investors cheered positive news of a potential COVID-19 treatment and welcomed a month-long succession of upbeat economic data.

The Dow Jones Industrial Average rose 7.57 percent, the Standard & Poor's 500 Index climbed 7.01 percent, and the Nasdaq Composite soared 9.59 percent.[1]

1. The Wall Street Journal, August 31, 2020

FACT OF THE MONTH

On average, the S&P 500 Index sees an annual return of 11.3% during an election year. No matter what you believe about the opposing party's presidential candidate, the data doesn't show that they will ruin your investment portfolio. Instead, we see that negative results are tied to earth-shattering events with global impacts, not the policies of presidential candidates.

Forbes Financial Council

WHY REGULAR REBALANCING MAKES SENSE*

Your investment portfolio may be off-kilter, and you may not even know it...

Everyone loves a winner. If an investment is successful, most people naturally want to stick with it. But is that the best approach?

It may sound counterintuitive, but it may be possible to have too much of a good thing. Over time, the performance of different investments can shift a portfolio's intent — and its risk profile. It's a phenomenon sometimes referred to as "risk creep," and it happens when a portfolio has its risk profile shift over time.

When deciding how to allocate investments, many start by taking into account their time horizon, risk tolerance, and specific goals. Next, individual investments are selected that pursue that overall objective. If all the investments selected had the same return, that balance — that allocation — would remain steady for a period of time. But if the investments have varying returns, over time, that portfolio may bear little resemblance to its original allocation.

Rebalancing is the process of restoring a portfolio to its original risk profile. Remember, asset allocation is an approach to help manage investment risk, asset allocation does not guarantee against investment loss.

THERE ARE 2 WAYS TO REBALANCE A PORTFOLIO...

The first is to use new money. When adding money to a portfolio, allocate these new funds to those assets or asset classes that have fallen. Diversification is an investment principle designed to manage risk, however, diversification does not guarantee against loss.

The second way of rebalancing is to sell enough of the "winners" to buy more underperforming assets. Ironically, this type of rebalancing forces you to buy low and sell high.

Periodically rebalancing your portfolio to match your desired risk tolerance is a sound practice, regardless of the market conditions. An easy way to ensure your portfolio stays on track is to set a specific time each year to meet with your financial professional.

Contact us to schedule an appointment to review your portfolio and to find out if any adjustments are needed.

S&P 500 Index is an index of 500 of the largest exchange-traded stocks in the US from a broad range of industries whose collective performance mirrors the overall stock market. Investors cannot invest directly in an index. The Dow Jones Industrial Average is a widely watched index of 30 American stocks thought to represent the pulse of the American economy and markets. Investors cannot invest directly in an index.
The NASDAQ is an index that tracks the cumulative results on a market capitalization basis of all stocks trading in the NASDAQ system. Past performance is no guarantee of future results.
*This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. This information has been derived from sources believed to be accurate. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty.

M3 INVESTMENT SERVICES Est. 1996

990 N. Main Street, Royal Oak, MI 48067
Tel: (248) 543-3400 | www.M3Advisor.com