Investment Project Report: February 2017

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

Invested: $10,000

Balance: $15,900

Details: Back in 2015, we switched to three index-type funds so that we can do re-balancing.

Our holdings are, approximately,

Vanguard 500 Index Fund (VFINX):	$5800
Vanguard Intermediate-Term Investment-Grade Fund (VFICX):	$4600
Vanguard International Growth Fund (VWIGX):	$5500

We now re-balance by selling some of the highest-priced stock fund (S&P 500 index) and buying some of the lower-priced bond fund (investment-grade bond fund).

Our new holdings are, approximately,

Vanguard 500 Index Fund (VFINX):	$5300
Vanguard Intermediate-Term Investment-Grade Fund (VFICX):	$5100
Vanguard International Growth Fund (VWIGX):	$5500

Results:

June 2012: $10,000 (approximate)
June 2013: $11,600
June 2014: $13,900
June 2015: $14,400
June 2016: $15,300 (approximate)
Feb 2017: $15,900

First year result (June 2012 to June 2013): 16%
Second year result (June 2013 to June 2014): 20%
Third year result (June 2014 to June 2015): 3.6%
Fourth year result (June 2015 to June 2016): 6.3%

Commentary 1 (slacking): In case it isn't obvious, I've been slacking on these reports. I have been looking at the balance every month, but didn't do another report until the values were far enough out of balance that it seemed time to swap at least $500 (about 10% of one of the three investments) from the highest to the lowest-value investment. Fortunately, we are not trying to time the market or any such thing, and we are investing for the long term. So it isn't such a bad thing to let the investments be.

Commentary 2 (investment costs): One problem with re-balancing is that we incur costs from trading stocks, including realized capital gains (the profit on the stock that was sold in order to do the trade). So we don't want to re-balance very often.

If you are continually adding to your portfolio by automatically having money taken from your checking account each month, then there is a way to minimize re-balancing costs. The idea is to have a few investments funds, just like we have, but also have a money market fund, into which the automatic investments go. Then, whenever one of the investment funds is particularly low relative to the others, you can move money from the money-market account into the lowest-priced of your funds (buy low). A money-market fund is basically a cash holding, the investment version of a bank account.