So, how'd **SNIPI™** do in 2022?

So, here are my two main investing takeaways from 2022. One is that economic cycles are inevitable and result in the same old patterns of stock market ups and downs. The second is a follow-up to the first and it's that the stock market responds in similar fashion at the end of every expansionary period. Both takeaways are important, but the second carries the greatest weight for investors over the long run.

It was during my testing nearly ten years ago that I really began to understand the implications of the aforementioned trends. But, it wasn't until 2020 that the **SNIPI™** (Sector Neutral Income Portfolio Investing) portfolio would prove what the data in my earlier testing had shown. That's when news that COVID had made it to the United States caused the U.S stock market to drop more -23% over the first three months of the year. As this was happening, however, that first **SNIPI™** portfolio experienced a decline of less than -3.5% at the end of the same period. Just as quickly as they had fallen, however, U.S. stocks came roaring back as the federal bank printed money and mailed it to consumers to soften the blow of the COVID induced economic shutdown. When the results were in, the S&P 500 index fund (ticker "SPY") had finished the year with a gain of 18.37%.

While that S&P 500 return was impressive, the return for the **SNIPI™** portfolio was even more remarkable as it handily beat the overall market. I attributed this to the fact that since the **SNIPI™** portfolio hadn't fallen nearly as far as the S&P 500 index, it more quickly rebounded and returned to where it'd been prior to the decline and consequently was able to take greater advantage of the upward momentum when growth resumed. For the year, the **SNIPI™** portfolio (2020 results below) increased from a January 1 open of $325,196.74, to a balance of $396,389.07 at the end of the year for a return of 21.89%.

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PERSHING LLC AS CUSTODIAN
ROLLOVER ACCOUNT
[redacted]

Your Financial Advisor Is:
LONG RUN FINANCIAL LTD
(815) 464-9275

December 1, 2020 - December 31, 2020
Account Number: [redacted]

Portfolio at a Glance

	This Period	Year-to-Date	
BEGINNING ACCOUNT VALUE	$382,134.95	$325,196.74	Begin
Dividends, Interest and Other Income	1,100.95	9,445.33	
Net Change in Portfolio[1]	13,153.17	61,747.00	
ENDING ACCOUNT VALUE	$396,389.07	$396,389.07	End
Accrued Interest	$0.00		
Account Value with Accrued Interest	$396,389.07		
Estimated Annual Income	$9,080.33		

[1] *Net Change in Portfolio is the difference between the ending account value and beginning account value after activity.*

2020 Annual Return = ($396,389.07/$325,196.74) -1 = **21.89%**

Next, came 2021…

With all the COVID money floating around and jobs plentiful due to the overheated economy, the upward momentum for the S&P 500 index fund (ticker (SPY") continued unchecked and returned an incredible 28.74%. At the same time, the **SNIPI™** portfolio (2021 results below) grew from $396,389.07 to $467,477.52 and finished the year with a more modest 17.93% gain.

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Account Number: [redacted]

Portfolio at a Glance

	This Period	Year-to-Date
BEGINNING ACCOUNT VALUE	$427,508.30	$396,389.07
Dividends, Interest and Other Income	1,836.79	11,651.34
Net Change in Portfolio[1]	38,132.43	59,437.11
ENDING ACCOUNT VALUE	**$467,477.52**	**$467,477.52**
Accrued Interest	$0.00	
Account Value with Accrued Interest	$467,477.52	
Estimated Annual Income	$9,437.60	

[1] *Net Change in Portfolio is the difference between the ending account value and beginning account value after activity.*

2021 Annual Return = ($467,477.52/$396,389.07-1 = **17.93%**

Then came 2021...

With the government raising interest rates in an effort to cool the over-heated economy the S&P 500 index fund (ticker "SPY") experienced a decline of -18.17%. Meanwhile, the **SNIPI™** portfolio proved what my testing and the year 2020 had shown; that it could more readily absorb a stock market downturn. The result was a subsequent decline of just -5.26% to close out the year.

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December 1, 2022 - December 31, 2022
Account Number: [redacted]

Portfolio at a Glance

	This Period	Year-to-Date
BEGINNING ACCOUNT VALUE	$484,842.79	$467,477.52
Deposits (Cash & Securities)	0.00	21,240.31
Dividends, Interest and Other Income	1,281.92	10,343.63
Net Change in Portfolio[1]	-22,004.56	-34,941.31
ENDING ACCOUNT VALUE	**$464,120.15**	**$464,120.15**
Accrued Interest	$0.00	
Account Value with Accrued Interest	$464,120.15	
Estimated Annual Income	$10,470.23	

[1] *Net Change in Portfolio is the difference between the ending account value and beginning account value after activity.*

Note: the statement shows a deposit of $21,240.31. This was the result of a rollover (this is subtracted in the formula below to ensure the integrity of the annual return).

2022 Annual Return = (($464,120.15 – ($21,240.31 rollover) / $467,477.52) -1 = **-5.26%**

Summary…

Ok, so just what does the ability of the **SNIPI**™ portfolio to absorb downturns mean for investors? By presenting the actual SNIPI portfolio returns alongside the S&P 500 index fund (ticker "SPY") from our discussion we can compare the implications for the course of the past three years.

The Model **SNIPI**™ portfolio vs the S&P 500 index fund (ticker "SPY")

	Model	SPY	Model	SPY
	Returns	Returns	$325,200	$325,200
2020	21.89	18.37	$396,386	$384,939
2021	17.93	28.74	$467,458	$495,571
2022	-5.26	-18.17	$442,870	$405,526
3 yr growth	36.18%	24.70%	**$117,670**	**$80,326**
CAGR	10.84%	7.64%	3 year change	

The above chart is viewed in columns which are read from left to right. In the first column are the three years referred to in this discussion. Located under the years is the label "3 yr growth" and beneath that the label "CAGR." The second column, labeled "Model", shows the annual returns of the model **SNIPI**™ portfolio adjacent to the year in which each took place. Next to the label "3 yr growth" is the amassed growth of 36.10% for the model portfolio over the 3 year period based on the annual returns. Adjacent to the acronym CAGR, which stands for Cumulative Annual Growth Rate, is the figure 10.84%. This represents the average annual growth rate over those three years for the model **SNIPI**™ portfolio. In the third column are the actual annual returns of the S&P 500 index fund (ticker "SPY") followed by its total growth over the 3 year period, and its average annual growth over each of those 3 years. The 4th column, labeled "Model" is the **SNIPI**™ portfolio and shows the cumulative annual growth in dollars based on the annual returns of the actual **SNIPI**™ portfolio beginning with a balance of $325,200. Note: The beginning amount of $325,200 was used to closely mirror the beginning statement balance of the model **SNIPI**™ portfolio. Again, I disregarded the rollover occurring in the IRA to provide an apples-to-apples dollar comparison with the S&P 500 index fund "SPY" based solely on the returns both encountered over the 3-year period.

With a starting 2020 balance of $325,200, and no addition in 2022, the IRA account balance was increased to $442, 870 based on the actual annual returns. Meanwhile, if the proceeds had instead been invested in the S&P 500 index fund (ticker "SPY"), shown in the last column, the account would have increased from the same starting balance of $325,200 to a final balance of $405, 526. Finally, shown beneath these totals, is the growth in dollars for each of the portfolios. The **SNIPI**™ portfolio increased by $117,670, while the S&P 500 index (ticker "SPY") increased by $80,326. The implications of this data, in my opinion, are quite remarkable as it shows a $37,344 difference between the **SNIPI**™ portfolio and the S&P 500 over the last three years.

Now, keep I mind, how I mentioned the SNIPI™ portfolio quickly rebounded following the COVID downturn and more rapidly crossed the threshold from a loss to a positive return versus the S&P 500 index which fell significantly farther during the first quarter of 2020. Once again, based on the depth of 2022 losses for the S&P 500 index fund (ticker "SPY") versus the SNIPI™ portfolio, we can expect it will take quite a bit more time for the index fund to recover from its losses and surpass its previous high mark. Meanwhile, the SNIPI™ portfolio, with its much smaller decline, should more quickly recover and return to growth placing it above its previous high and resuming a gain well in advance of the S&P 500 index fund (ticker "SPY").

Folks, it is the SNIPI™ portfolio's characteristics, the tendency to decline less during stock market selloffs and its ability to keep pace with the S&P 500 index when the stock market is rising, which provide the advantages over the long term. For my clients it's already begun. That's because, back in 2020, as I observed that first SNIPI™ portfolio and compared its movement alongside the S&P 500 index I made phone calls to several of my more seasoned clients encouraging them to allow me to transition their accounts over to SNIPI™. Each of those dozen accounts, with their equities invested solely in dividend company stocks, outperformed the S&P 500 index with its -18.17% decline in 2022 by a significant margin. The range of returns for the dozen accounts was a decline of between -2.75% and -11% for an average decline of less than -7% for the twelve accounts. Collectively, the average SNIPI™ portfolio outperformed the S&P 500 index by nearly 10 percentage points experiencing less than half the S&P 500 index (ticker "SPY") decline of -18.17% in 2022.

What remains to be seen is how my client's portfolios will respond when the trend reverses itself and the stock market returns to an upward trajectory. Sure, none of us can say with any certainty just what will happen in those SNIPI™ portfolios, but the data of the last three years for the original SNIPI™ portfolio indicates it might be something special. Time will tell.