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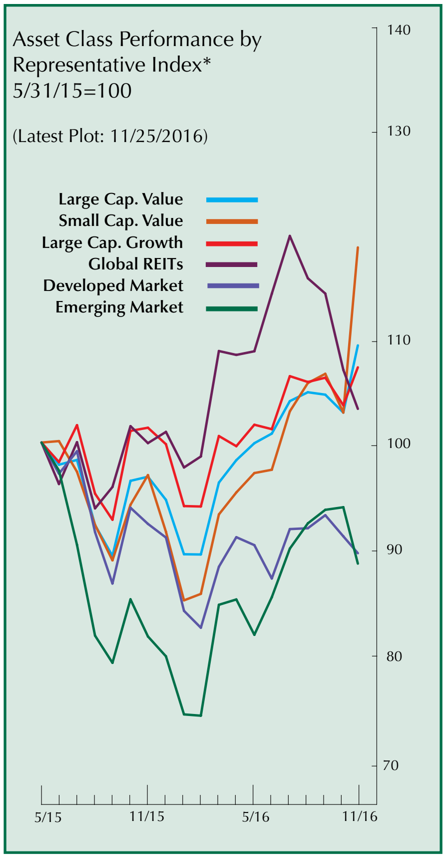

Asset Class Performance by Representative Index*
5/31/15=100

(Latest Plot: 11/25/2016)

* See page 86 for representative indexes.

The *Investment Guide* is intended to provide useful information to investors who manage their own financial assets. **We also provide low cost discretionary asset management services** for individuals and institutions seeking professional advice and assistance in implementing an investment strategy.

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Follies in Forecasting: Taxes Too!

We often hear from readers fearful that ever-increasing federal spending will inevitably increase their future income tax burden. While the recent election suggests that tax policy may change in the near future, the outcome of even near-term legislation is uncertain. Predicting tax rates ten or twenty years down the road is virtually impossible, and as ill-advised as predicting the stock market.

Future tax rates nonetheless loom large in decisions investors face today. The decision to convert your traditional IRA to a Roth IRA is a case in point. Distributions from traditional IRAs are subject to income taxes, but Roth distributions are not. IRA assets can be converted to a Roth, but income taxes are due immediately on the amount converted. So, other things equal[1] converting today makes sense if you expect current tax rates to be lower than future tax rates. The prudent IRA owner, however, should think carefully before converting to a Roth under any circumstances.

Whether you end up better off through a Roth conversion comes down to how much you pay *at the margin*. Future lawmakers could increase marginal tax rates, in which case a Roth conversion may make sense. But higher tax revenues could also be pursued through eliminating deductions while leaving intact or reducing marginal rates. In that case, the taxpayer's future *effective tax rate* might indeed be higher, but the marginal rate may be the same or lower. Under that scenario it would be advantageous to refrain from converting.

When it comes to taxes investors should ignore political theatre but pay close attention to actual changes in the law (for example, municipal bonds may become attractive if marginal rates rise). Otherwise the best defense against tax risk, as is the case with market risk, is diversification. Specifically, investors can hold both traditional and Roth IRA accounts, perhaps by executing a partial conversion.

1. Individual circumstances, such as current and future sources of taxable income, can easily counter that simple rule of thumb. To discuss your situation, contact us at (413) 528-1216 ext. 3127.

YEAR-END TAX CONSIDERATIONS

As 2016 draws to a close, investors should review their taxable accounts with an eye to maximizing their after-tax returns. Capital markets have generally provided moderate returns this year – nothing like the double digit percentage increases of 2012-2014, but better than the negative returns of 2001 and 2008. However, it is prudent in any year to consider actions to potentially ease your tax burden.

You should begin by estimating your marginal tax rate, which is the effective rate you would pay on an additional dollar of taxable income. This is important for investors as they weigh year-end portfolio rebalancing decisions that could incur taxes on realized capital gains. Estimating your marginal tax bracket is complicated by deductions, but tax software or a tax professional can help you with the calculation.

The accompanying table summarizes 2016 federal capital gain tax rates for investors in various marginal income tax brackets. While most taxpayers confront a long-term capital gain levy of 15 percent, those in the highest tax bracket must pay 20 percent. Investors in the highest two brackets (35 percent and 39.6 percent) must also contend with a net income investment tax (NIIT). This imposes an additional 3.8 percent levy on dividends, interest, and on any net gains from the disposition of property such as common stocks or mutual funds.

It's clear that the tax code provides strong incentive to hold investments for the long term. But there are several techniques beyond simply deferring your gains that can boost your after-tax returns.

Tax Swapping

Investors holding a range of asset classes have likely seen some of them rise and some of them fall in value. Investors can choose to realize losses on those investments that have lost value, which can be used to offset taxable gains – or possibly offset ordinary income. There are circumstances where investors have unrealized losses that have the potential to completely eliminate gains realized during the year. However, investors may not want to change their portfolio structure, in which case it may be advisable to realize the loss and buy a similar investment. Investors must be careful with this technique, since losses on the sale of securities are disallowed if "substantially identical" securities (or options to purchase such securities) are purchased within a 61-day window beginning 30 days before the date of the sale and ending 30 days after the sale. This "wash sale" rule effectively prohibits investors from claiming a tax loss by selling shares of a security and immediately repurchasing the same security. One could wait the required 30 days to repurchase the security sold, but securities prices can move a great deal in a month, so this strategy risks selling shares but then repurchasing them only after a substantial increase in price.

There is a better approach. Investors can sell securities with tax losses and then purchase other securities that are similar but not considered to be substantially identical to those that were sold. The key is to identify securities whose price changes are highly correlated with those that are to be sold. By selling an asset and immediately purchasing its substitute (rather than waiting 30 days to purchase the same security) an investor can potentially generate a loss for tax purposes without a change in risk exposure because his portfolio's allocation to that asset class would be unaffected.

The accompanying table lists securities with returns that are strongly correlated with the returns of our recommended securities (within their respective asset classes) found on page 88. Before investing, you should consult a tax professional to ensure that any substitute investment is not considered substantially identical to that being replaced. Net capital losses (losses remaining after offsetting realized gains this year) of up to $3,000 can be used to offset ordinary income, and amounts in excess of $3,000 can be carried forward to offset gains in future years.

Year-end provides a good opportunity to consider three other techniques for keeping your investment-related taxes to a minimum. These include the selection of tax-efficient vehicles, asset location, and tax diversification.

Tax Efficient Vehicles

While investors have thousands of investment vehicles from which to choose, we recommend index-type funds. As we have discussed at length, funds that follow an indexed or similarly structured strategy invariably outperform the majority of actively managed funds because there is no statistically sound means of timing the market or of picking "winning" securities, nor is there a reliable means of identifying successful active managers in advance. (See

Tax Swapping Vehicles for Recommended Funds on page 88

Asset Class	Investment Vehicle	Ticker
Real Estate	Schwab US REIT ETF	SCHH
U.S. Large Value	SPDR S&P 500 Value ETF	SPYV
	Schwab U.S. Large-Cap Value ETF	SCHV
U.S. Small Value	iShares S&P Small-Cap 600 Value	IJS
	Schwab U.S. Small-Cap ETF	SCHA
	iShares Russell 2000 Value	IWN
U.S. Large Growth	Schwab U.S. Large-Cap Growth ETF	SCHG
	iShares S&P 500 Growth	IVW
U.S. Marketwide	iShares Dow Jones U.S. Index	IYY
	iShares Russell 3000	IWV
Foreign-Developed Markets	iShares MSCI EAFE Index	EFA
	Schwab International Equity ETF	SCHF
Foreign-Emerging Markets	iShares MSCI Emerging Markets Index	EEM
	Schwab Emerging Markets Equity ETF	SCHE

Capital Gains Tax Rates 2016								
If Seller Had Owned the Sold Asset for:	**and:**	Marginal Income Tax Rate in the Year of the Sale Is:						
		10%	15%	25%	28%	33%	35%	39.6%
	then:	The Tax Rate on the Capital Gain Is:						
Less Than 1 Year		10%	15%	25%	28%	33%	38.8%	44.3%
1 Year or More		0%	0%	15%	15%	15%	18.8%	23.8%

Source: Tax Foundation. Note: The maximum rate on gains from sales of collectibles (including gold bullion-based ETF) held more than one year is 28%. Rates shown for the 35% and 39.6% brackets reflect the additional NIIT 3.8% tax; rates depicted for lower brackets do not, but still may incur the NIIT tax.

accompanying article "Evaluating After-Tax Returns.")

Often overlooked is the fact that index funds are also highly tax efficient. These funds seek to replicate the performance of commercial indexes or market sectors. They do so largely by buying and holding the same constituent securities found in those indexes, on a market-weighted (or capitalization-weighted) basis. This requires minimal trading and ensures that capital gain distributions generated from these funds will often be well below those of most actively managed alternatives. Exchange-traded index funds can be even more efficient, and in many cases realized capital gain distributions can be avoided altogether.

Investors in high tax brackets can also allocate a portion of their fixed income holdings to municipal bonds, or to mutual funds and ETFs that invest in munis. The interest earned from most muni bonds is exempt from income taxes including the 3.8 percent NIIT.

Tax Location

Many households have access to tax-deferred accounts. Common types include IRAs, employer-sponsored defined-contribution accounts such as 401(k) plans, and heath-savings accounts (HSAs).[1] When forming your allocation plan, you should account for your entire portfolio, which should include assets held in taxable as well as tax-deferred accounts. To the extent practical, you should concentrate your least tax-efficient holdings in your tax deferred accounts, leaving your taxable accounts for your most tax-efficient assets. Typically this has meant using tax-deferred accounts for fixed-income securities, because the bond interest is taxable as ordinary income.

If you hold gold-related assets, such as our recommended gold bullion-based ETFs, you should consider holding these securities in tax deferred accounts. Assets considered to be physical gold investments, including these ETFs, are classified as collectibles for tax purposes. Gains on collectibles held for less than one year are taxed as ordinary income, which is the same tax treatment applied to short-term capital gains on most other assets. But gains on collectibles held more than one year are also taxed as ordinary income, with a maximum tax rate of 28 percent. This is well above the maximum 15 percent (20 percent for investors in higher tax brackets) that applies to most other assets.

Tax Diversification

Taxes on future income should be considered a risk because the magnitude of this potential cost is unforeseeable. The taxes you pay in the future will depend on your own future circumstances as well as changes in future tax law, neither of which can be predicted. Fortunately tax risk, like investment risk, can be managed effectively through diversification. Tax-diversification can be employed through multiple account registrations. For example, because the effective tax rate you pay in retirement may be higher or lower than your current rate, it might be prudent to maintain not just a traditional IRA (or 401(k)), the distributions of which are often taxed as ordinary income, but also a Roth IRA (or Roth 401(k)), which allow tax free distributions in retirement. Investors with a traditional IRA or 401(k) who have not established a corresponding Roth account should weigh the costs and benefits of doing so; this can be accomplished with a full or partial account rollover. You should consult an accountant before pursuing this option.

Charitable donations made through planned giving can bestow immediate and future financial benefits for you as a donor, while also fulfilling your charitable intentions. A Charitable Remainder Unitrust (CRUT) is an often-overlooked tax-management device that generates an immediate tax deduction and an income stream for the life of the donor (or named beneficiary), avoids immediate taxation of capital gains on donations of appreciated assets, and provides a future gift for the named charity. Your church, alma mater or favorite non-profit organization may be eligible. AIS has considerable experience in establishing and managing CRUTs and other planned giving alternatives. We can explain the mechanics of these accounts to charitable organizations that might be considering whether to establish a planned giving program. To learn more contact us at (413) 528-1216 ext. 3155.

1. Contributions to and earnings within HSAs can escape taxation altogether. These accounts are funded with pre-tax earned income, earnings grow tax-deferred, and distributions for covered medical expenses are not subject to taxation.

EVALUATING AFTER-TAX RETURNS

Readers familiar with the *Investment Guide* by now are used to our repeated message that actively managed mutual funds, that is, those that employ forecasting, are not worth the fees that they charge. There is a pile of evidence showing that these funds rarely outperform their benchmark indexes. The mid-year 2016 SPIVA study found that over the most recent 10-year period, 85 percent of actively managed large-cap funds were unable to beat their passive benchmarks (the numbers are even worse for mid-cap and small-cap managers).[1] There is ample evidence that investors should utilize low-cost, index-type funds whenever possible.

When taxes are considered, the news gets even worse for active managers. Their continual buying and

(Continued next page)

selling often generates a substantial tax burden that further erodes returns.

Mutual funds are subject to taxes on dividends, interest, and capital gains. All equity funds, whether actively managed or index-type, are likely to produce dividends that create some drag in taxable accounts. For example, the pre-tax return on the Vanguard Total Stock Market Index Fund (VTSAX) has been 6.91 percent over the last 10 years (through October 2016). The after-tax return, according to Morningstar, has been 6.46 percent. So taxes have reduced returns by about 0.45 percent per year for investors who held this fund in a taxable account. However, the "turnover" on this fund is only about 3 percent per year, which suggest that the taxes are primarily the result of dividends rather than capital gains.

We compared this with an actively managed fund that had similar pre-tax returns over the same period. See Table 1 nearby. The pre-tax return on the popular American Century Equity Income fund (TWEIX) has been a 6.54 percent over the last 10 years, a good return considering its relatively high expense ratio of 0.94 percent. However, with annual turnover of 88 percent, the fund was forced to distribute capital gains to investors that reduced its after-tax annualized returns all the way down to 4.59 percent, a reduction of 1.95 percent from the pre-tax return.[2] This example shows that taxes are clearly an important metric for investors with non-tax deferred (taxable) accounts.

In October 2015, Morningstar's Jeffrey Ptak researched after-tax returns of actively managed domestic equity mutual funds compared with after-tax returns of comparable Vanguard index funds. Ptak analyzed more than 4,500 mutual funds with at least 10 years of performance and found that actively managed funds did even worse after taxes than the SPIVA study suggests. Specifically, he found that less than 1 in 20 actively managed "large blend" U.S. equity funds outperformed its comparable Vanguard index fund over a 10-year period. Table 2 shows the percentage of funds that were able to outperform Vanguard funds after taxes for various asset classes.[3]

Table 1	VTSAX	TWEIX
10-year annualized return, net of fees	6.91%	6.54%
Annual turnover	3%	88%
Estimated tax costs	**0.45%**	**1.95%**
10-year annualized return net of taxes and fees	6.46%	4.59%
Source: Morningstar as of October 31, 2016.		

Table 2

Asset Class	Percentage of Actively Managed Funds that Outperformed (%)[3]
Large Blend	4.8
Large Growth	8.7
Large Value	11.0
Mid Blend	4.8
Small Blend	5.4
Small Growth	7.8
Small Value	10.2

Ptak was not the first to point out this significant hurdle for active equity managers. In a 1993 study, Robert Jeffrey and Robert Arnott found that 21 percent of actively managed funds beat their benchmarks before taxes, but only 7 percent beat them after taxes.[4] Another study, by Arnott, Berkin, and Ye, found that the average fund underperformed its benchmark by 1.75 percent per year before taxes but 2.58 percent after taxes during the 1980's and 1990's.[5]

Notably, these studies only consider traditional equity mutual funds. Bond funds are different, and tax sensitive investors should consider using "tax-exempt" municipal bond funds in lieu of broader market-based bond funds. On page 88 we recommend "tax-exempt" bond funds for investors with taxable accounts.

Index-type exchange traded funds (ETFs) are often even more tax efficient than index-type mutual funds. ETFs maintain a share price very close to the net asset value of their underlying holdings by issuing new ETF shares in exchange for a basket of underlying securities that match the index holdings, or conversely, by redeeming ETF shares in exchange for the underlying securities. Through this process the ETF manager can elect to continually discard the fund's lowest-cost-basis shares. As a result, standard market-weighted ETFs rarely distribute any taxable capital gains, so investors with taxable accounts pay gains only on the appreciation in the shares themselves, which are realized only when the investor sells them. This may not be the case for currency-hedged or "factor-based" ETFs, but all of the equity ETFs we recommend on page 88 have had minimal or no capital gains distributions since their inception.

The after tax advantages of equity index funds and ETFs is nothing new, but after-tax returns are rarely reported as front-page data for mutual funds. For investors with taxable accounts, we believe the evidence overwhelmingly supports the use of low-cost and low-turnover index mutual funds and ETFs.

1. https://us.spindices.com/documents/spiva/spiva-us-mid-year-2016.pdf
2. Source: Morningstar. After-tax returns assume the highest tax brackets for capital gains and dividends. See "Morningstar After Tax Return Methodology" for full description of how after-tax returns are estimated.
3. Ptak, Jeffrey. Morningstar. Swedroe, Larry. "Actively Managed Mutual Funds and the Negative Alpha of Taxes." online at http://thebamalliance.com/blog/actively-managed-mutual-funds-and-the-negative-alpha-of-taxes/.
4. Jeffrey, Robert and Robert Arnott. "Is Your Alpha Big Enough To Cover Its Taxes?" Journal of Portfolio Management. Spring 1993.
5. https://www.firstquadrant.com/system/files/0003_How_Well_Have_Taxable_Investors_Been_Served_0.pdf.

LIQUIDITY, GOLD AND YOUR HOME

It is not unusual to hear people claim that their home was the "best investment they ever made." They bought it when they were in their 30's and might have lived in it for 20 or 30 years. It might now be worth about three times what they paid for it, and, as they will proudly point out, they are still living in it. If someone bought a $120,000 house in 1986, it's probably worth about $380,000 today if its value kept pace with the national average. Those lucky enough to buy in New York City or Boston have probably done even better.

We hear similar claims from people who have owned gold for many years. They sought gold not necessarily as a source of growth, but also as a form of security in case of financial disruption. Many assert that it nonetheless turned out to be the best financial decision they've ever made. A $10,000 investment in gold in 1986, for instance, is worth about $40,000. Going back even further, a $10,000 investment in 1970 is worth about $375,000.

But the long term rates of return on gold and on one's home have arguably been less than extraordinary, at least in relative terms. Going back to 1986, gold and residential real estate (nationally) have returned on average 4.7 percent and 3.9 percent per year, respectively. Meanwhile common stocks (measured by the S&P 500) returned 10.4 percent per year. That means a $10,000 investment in the stock market, absent any fees, would have grown to over $216,000 over the last 30 years.

Of course when comparing a home with financial assets such as stocks there is much to be considered beyond relative rates of return. A home provides shelter, and gold is more a form of portfolio insurance than an investment, per se. So, while people may tend to overestimate the financial impact of their decision to purchase gold or real estate all those years ago, at the end of the day many are justifiably pleased with their ownership of these assets.

The bottom line is, there are many homeowners and gold purchasers who are have had a positive experience. It is worth asking how this came about. We suspect that many saw the value of these assets rise largely because once they took a stake in them they never touched them again. It's far less common to hear people make a similar claim regarding stocks.

Bind My Hands, Please!

Consider the nature of residential real estate – your home. It is a "forced" long-term investment in the sense that you don't have the opportunity to buy and sell it with ease on the open market. It is costly and time consuming to buy or sell a home. At the same time most homeowners are required to continue to put money into it every month in the form mortgage payments, and although the value grows relatively slowly, homes typically appreciate over the long term. The implication is clear: discipline, which is so essential to successful investing in general, comes as part of the deal when it comes to home ownership.

This isn't as true as it once was; the advent of securitized mortgages and mortgage-backed derivatives has enabled a much deeper and highly liquid market for mortgages. But easier financing led to excess when it fueled a home "flipping" industry among speculators that ultimately ended in collapse. But those homeowners who did not get caught up in the frenzy probably did just fine, and in fact many took advantage during the aftermath to refinance at historically low long term fixed rates.

A similar story holds for gold. Until very recently the only reliable means of maintaining exposure to the gold price was holding gold directly, in the form of coins or bullion. But fair pricing is a challenge and coin dealers are often "few and far between." We know of many individuals who held their coins or bullion in a bank vault or in a safe and had limited access to legitimate precious metals dealers. For many, the illiquid nature of gold coins proved to be a blessing in disguise because it countered the temptation to buy or sell them based on prevailing trends or emotion.

But the illiquidity of coins or bullion is also an obstacle for investors who seek to maintain exposure to the gold price as part of a comprehensive investment strategy. It is impractical to buy or sell small portions of the metal itself, which is required from time-to-time when employing a prudent rebalancing strategy.

All of this changed, however, with the emergence of bullion-based ETFs, which made gold a more liquid asset. These securities trade among thousands of investors on global exchanges and can be sold quickly and inexpensively throughout the day at transparent prices. While this presents a new peril for undisciplined investors, who can use these ETFs to more easily speculate on gold, it marks a great leap forward for individuals who seek disciplined exposure to the gold price. Unlike gold coins, a gold position held in a bullion-based ETF can be easily integrated and rebalanced alongside stocks, bonds and mutual funds as part of a comprehensive portfolio, even for those with relative small holdings.

Innovation Used Wisely

When it comes to stocks, bonds and mutual funds, the greatest threat for many individuals is their own behavior. Though the average annual return for stocks has exceeded 10 percent during the last 30 years, the actual returns earned by many investors fell far short that mark. The trouble is that many people, by playing the timing game, end up being out of the market when stocks are appreciating rapidly, "over weighted" to stocks during declines, or both. We suspect that many react in response to the daily clamor from the media telling us how much the market has changed and what might happen next. It takes nerves of steel to ignore these overtures and instead hold on for the long-term.

In a recent study of retirement plans, researchers found that the most successful investors are those that checked their accounts least often.[1] People who have money taken out of every paycheck, invest it "without thinking", and who rarely look at their portfolio have better outcomes versus people who frequently evaluate their accounts. The study joked that the best investors were those who were deceased…they were unable to make any changes to their accounts at all!

Fortunately death is not the only option for the prudent investor. Simply heed the lesson of those who have patiently watched as their home values have grown over the last 30 years: Discipline is the key. Form an allocation plan appropriate to your circumstances and stick with it through periodic rebalancing. We include commercial real estate in the form of REITs and gold in the form of ETFs are a part of our sample portfolios.

Financial innovation will doubtless continue to improve liquidity and reduce transaction costs among assets of all types. For speculators, this poses a threat, but it promises an even brighter future for disciplined investors.

1. "Zen and the Art of 401(k) Maintenance." http://www.nytimes.com/2016/08/06/your-money/401k-retirement-plan-investment-stock-markets.html?_r=0

THE HIGH-YIELD DOW INVESTMENT STRATEGY

Recommended HYD Portfolio

As of November 15, 2016

	Rank	*Yield (%)*	*Price ($)*	*Status*	*—-Percent of Portfolio-— Value (%)*	*No. Shares (%)*[1]
Verizon	1	4.88	47.37	Holding**	21.63	34.00
Chevron	2	3.96	108.96	Holding**	25.76	17.60
Pfizer	3	3.72	32.23	Buying	4.35	10.04
IBM	4	3.53	158.67	Buying	14.35	6.73
Exxon Mobil	5	3.46	86.82	Holding	4.72	4.05
Cisco	7	3.28	31.70	Holding	3.07	7.22
Caterpillar	8	3.26	94.44	Holding	24.77	19.53
McDonald's	10	3.18	118.32	Selling	1.34	0.84
Cash (6-mo. T-Bill)	N/A	N/A			0.01	N/A
Totals					100.00	100.00

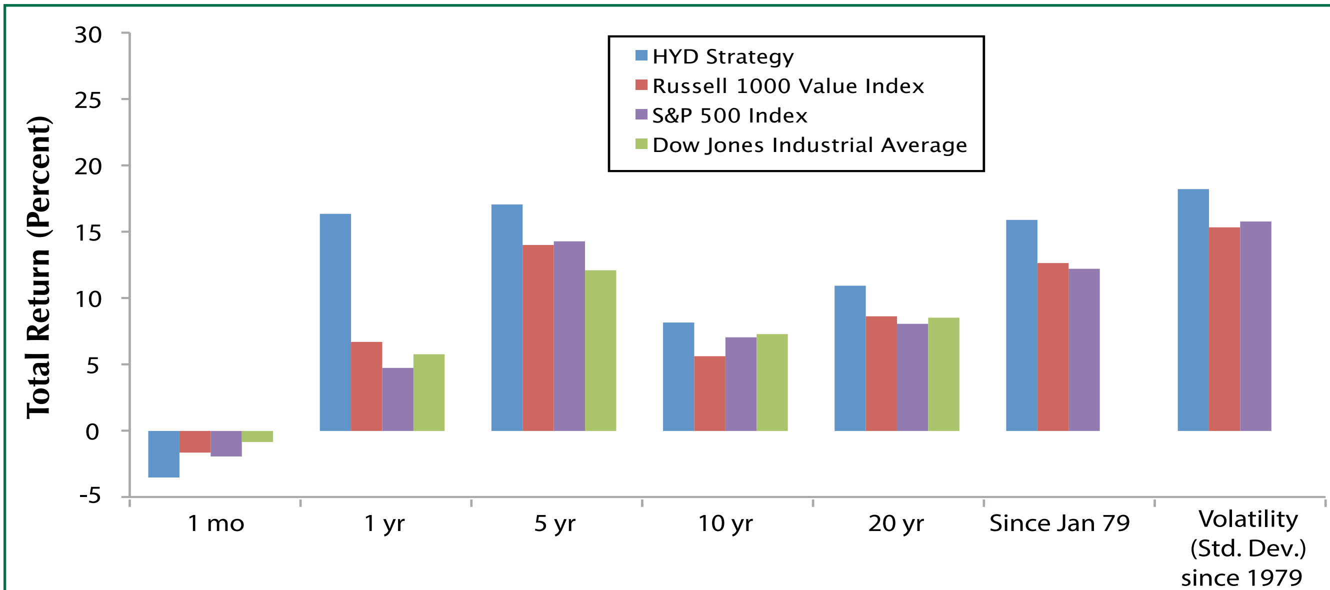
**Currently indicated purchases approximately equal to indicated purchases 18 months ago. [1] Because the percentage of each issue in the portfolio by value reflects the prices shown in the table, we are also showing the number of *shares* of each stock as a percentage of the total number of shares in the entire portfolio.

Subscribers can find a full description of the strategy and methodology in the "Subscribers Only" (Log in required) section of our website: www.americaninvestment.com.

Comparative Hypothetical Total Returns (%) and Volatility

The data presented in the table and chart below represent total returns generated by a hypothetical HYD portfolio and by benchmark indexes for periods ending October 31, 2016*. Returns for the 5-,10- and 20-year periods are annualized, as is the volatility (standard deviation) of returns. (January 1979 is the earliest date for which data was available for both the HYD model and relevant benchmark indexes).

	1 mo.	1 yr.	5 yrs.	10 yrs.	20 yrs.	Since Jan 79	*Volatility (Std. Dev.) since 1979*
HYD Strategy	-3.33	15.53	16.21	7.76	10.39	15.10	17.30
Russell 1000 Value Index	-1.55	6.37	13.31	5.35	8.20	12.01	14.57
S&P 500 Index	-1.82	4.51	13.57	6.70	7.66	11.60	14.99
Dow Jones Industrial Average	-0.79	5.49	11.50	6.93	8.10	N/A	N/A



*Data assume all purchases and sales at mid-month prices (+/–$0.125 per share commissions), reinvestment of all dividends and interest, and no taxes. Model HYD calculations are based on hypothetical trades following a very exacting stock-selection strategy. They do not reflect returns on actual investments or previous recommendations of AIS. Past performance may differ from future results. Historical performance results for the Russell 1000 Value Index, the Dow Jones Industrial Index and the S&P 500 Index do not reflect the deduction of transaction and/or custodial charges, or the deduction of an investment-management fee, the incurrence of which would have the effect of decreasing historical performance results. HYD Strategy results reflect the deduction of 0.73% management fee, the annual rate assessed to a $500,000 account managed through our High Yield Dow investment service.

Asset classes and representative index chart on page 81: large cap value, Russell 1000 Value Index; small cap value, Russell 2000 Value Index; large cap growth, Russell 1000 Growth Index; Global REITs, S&P Global REIT Index; foreign developed markets, MSCI EAFE Index; emerging markets, MSCI Emerging Markets Index

RECENT MARKET STATISTICS

Precious Metals & Commodity Prices ($)

	11/15/16	*9/15/16*	*10/15/15*
Gold, London p.m. fixing	**1,226.95**	1,251.75	1,081.50
Silver, London Spot Price	**17.00**	17.47	14.39
Copper, COMEX Spot Price	**251.45**	211.05	217.60
Crude Oil, W. Texas Int. Spot	**45.81**	50.35	40.74
Bloomberg Commodity Spot Index	**316.37**	324.60	280.95
Bloomberg Commodity Index	**83.28**	86.34	82.43
Reuters-Jefferies CRB Index	**183.08**	189.47	184.77

Interest Rates (%)

U.S. Treasury bills -	91 day	**0.49**	0.29	0.12
	182 day	**0.61**	0.45	0.29
	52 week	**0.76**	0.66	0.48
U.S. Treasury bonds -	10 year	**2.22**	1.80	2.27
Federal Reserve Discount Rate		**1.00**	1.00	0.75
New York Prime Rate		**3.50**	3.50	3.25
Euro Rates	3 month	**-0.31**	-0.31	-0.09
Government bonds -	10 year	**0.29**	0.09	0.50
Swiss Rates -	3 month	**-0.74**	-0.73	-0.79
Government bonds -	10 year	**-0.07**	-0.42	-0.31

Exchange Rates ($)**

British Pound	**1.245700**	1.219100	1.523700
Canadian Dollar	**0.743600**	0.761100	0.750600
Euro	**1.072200**	1.097200	1.077300
Japanese Yen	**0.009158**	0.009599	0.008156
South African Rand	**0.070523**	0.069839	0.069471
Swiss Franc	**0.998200**	1.009800	0.993900

Securities Markets

	11/15/16	*9/15/16*	*10/15/15*
S & P 500 Stock Composite	**2,180.39**	2,132.98	2,023.04
Dow Jones Industrial Average	**18,923.06**	18,138.38	17,245.24
Barclays US Agg Credit Index	**2,693.26**	2,761.11	2,559.24
Nasdaq Composite	**5,275.62**	5,214.16	4,927.88
Financial Times Gold Mines Index	**1,438.60**	1,511.20	857.87
FT EMEA (African) Gold Mines	**1,486.77**	1,672.32	970.12
FT Asia Pacific Gold Mines	**8,185.59**	8,442.68	4,425.80
FT Americas Gold Mines	**1,124.90**	1,160.55	668.17

Coin Prices ($)

	11/15/16	*Mo. Earlier*	*Yr. Earlier*	*Prem (%)*
American Eagle (1.00)	**1,304.10**	1,287.75	1,119.00	6.29
Austrian 100-Corona (0.9803)	**1,236.74**	1,220.71	1,063.34	2.82
British Sovereign (0.2354)	**301.51**	297.66	265.94	4.39
Canadian Maple Leaf (1.00)	**1,283.10**	1,266.75	1,103.00	4.58
Mexican 50-Peso (1.2057)	**1,520.82**	1,501.11	1,297.66	2.80
Mexican Ounce (1.00)	**1,293.10**	1,276.75	1,103.00	5.39
S. African Krugerrand (1.00)	**1,278.10**	1,261.75	1,104.00	4.17
U.S. Double Eagle-$20 (0.9675)				
St. Gaudens (MS-60)	**1,295.00**	1,295.00	1,190.00	9.09
Liberty (Type I-AU50)	**2,000.00**	2,000.00	2,225.00	68.48
Liberty (Type II-AU50)	**1,325.00**	1,325.00	1,425.00	11.62
Liberty (Type III-AU50)	**1,280.00**	1,280.00	1,180.00	7.83
U.S. Silver Coins ($1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	**13,731.00**	12,881.50	11,619.00	12.97
40% Silver Circ. (292 oz.)	**5,411.00**	5,060.50	4,150.00	9.00
Silver Dollars Circ.	**21,750.00**	21,750.00	20,250.00	65.38

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at $1,226.95 per ounce and silver at $17.00 per ounce. The weight in troy ounces of the precious metal in coins is indicated in parentheses.

**Note: As of 4/15/2016, the source for the exchange rates has changed to Bloomberg.

THE DOW JONES INDUSTRIALS RANKED BY YIELD*

	Ticker Symbol		*Market Prices ($) 11/15/16*	*10/14/16*	*11/13/15*	*12-Month ($) High*	*Low*	*Latest Dividend Amount ($)*	*Record Date*	*Payable Date*	*Indicated Annual Dividend ($)*	*Yield† (%)*
Verizon	VZ		47.37	50.28	44.23	56.95	43.79	0.578	10/7/2016	11/1/2016	2.310	4.88
Chevron	CVX	*I*	108.96	101.08	88.68	109.06 *H*	75.33	1.080	11/18/2016	12/12/2016	4.320	3.97
Pfizer	PFE		32.23	32.66	33.27	37.39	28.25	0.300	11/11/2016	12/1/2016	1.200	3.72
IBM	IBM		158.67	154.45	131.75	165.00	116.90	1.400	11/10/2016	12/10/2016	5.600	3.53
Exxon Mobil	XOM		86.82	86.54	78.10	95.55	71.55	0.750	11/10/2016	12/9/2016	3.000	3.46
Coca-Cola	KO		41.44	41.67	41.38	47.13	40.63 *L*	0.350	12/1/2016	12/15/2016	1.400	3.38
Cisco	CSCO		31.70	30.18	26.21	31.95	22.46	0.260	10/5/2016	10/26/2016	1.040	3.28
Caterpillar	CAT		94.44	87.67	69.63	95.50 *H*	56.36	0.770	10/24/2016	11/19/2016	3.080	3.26
Procter and Gamble	PG		83.62	88.43	73.96	90.33	74.01	0.670	10/21/2016	11/15/2016	2.678	3.20
McDonald's	MCD		118.32	114.09	109.97	131.96	109.60	0.940	12/1/2016	12/15/2016	3.760	3.18
General Electric	GE		30.75	28.89	30.28	33.00	27.10	0.230	9/19/2016	10/25/2016	0.920	2.99
Intel Corp	INTC		34.91	37.45	32.11	38.36	27.68	0.260	11/7/2016	12/1/2016	1.040	2.98
Boeing	BA		148.11	133.50	142.59	150.59	102.10	1.090	11/11/2016	12/2/2016	4.360	2.95
Merck	MRK		63.65	62.14	53.03	65.46 *H*	47.97	0.460	9/15/2016	10/7/2016	1.840	2.89
Wal-Mart Stores	WMT		71.42	68.45	56.42	75.19	56.36	0.500	12/9/2016	1/3/2017	2.000	2.80
Johnson & Johnson	JNJ		116.32	117.56	99.88	126.07	94.28	0.800	11/22/2016	12/6/2016	3.200	2.75
Microsoft Corp.	MSFT		58.87	57.42	52.84	61.37 *H*	48.04	0.390	11/17/2016	12/8/2016	1.560	2.65
3M Company	MMM		174.24	170.33	155.65	182.27	134.64	1.110	11/18/2016	12/12/2016	4.440	2.55
United Tech.	UTX		107.68	100.16	96.48	109.83	83.39	0.660	11/18/2016	12/10/2016	2.640	2.45
J P Morgan	JPM		79.36	67.52	65.56	80.44 *H*	52.50	0.480	10/6/2016	10/31/2016	1.920	2.42
Travelers	TRV		111.85	115.08	112.00	119.32	101.23	0.670	12/9/2016	12/30/2016	2.680	2.40
Home Depot, Inc.	HD		124.40	126.42	120.00	139.00	109.62	0.690	9/1/2016	9/15/2016	2.760	2.22
Dupont	DD		68.64	69.03	67.05	75.72	50.71	0.380	11/15/2016	12/14/2016	1.520	2.21
Apple	AAPL		107.11	117.63	112.34	119.92	89.47	0.570	11/7/2016	11/10/2016	2.280	2.13
American Express	AXP		72.47	60.15	71.20	73.35	50.27	0.320	10/7/2016	11/10/2016	1.280	1.77
Unitedhealth Group	UNH		152.23	133.92	111.41	153.96 *H*	107.51	0.625	12/2/2016	12/13/2016	2.500	1.64
Walt Disney	DIS		97.70	91.30	114.84	120.65	86.25	0.710	7/11/2016	7/28/2016	1.420	1.45
Nike	NKE		50.13	51.62	60.93	68.20	49.01 *L*	0.160	9/6/2016	10/3/2016	0.640	1.28
Goldman Sachs	GS		211.19	170.52	190.39	211.77 *H*	138.20	0.650	12/1/2016	12/29/2016	2.600	1.23
Visa Inc.	V	*I*	78.57	82.45	78.11	83.96 *H*	66.12	0.165	11/18/2016	12/6/2016	0.660	0.84

* See the Recommended HYD Portfolio table on page 86 for current recommendations. † Based on indicated dividends and market price as of 11/14/16.
Extra dividends are not included in annual yields. *H* New 52-week high. *L* New 52-week low. All data adjusted for splits and spin-offs. 12-month data begins 11/15/15.
I Dividend increased since 10/15/16 *D* Dividend decreased since 10/15/16

RECOMMENDED INVESTMENT VEHICLES

	Security Symbol	Avg. Market Cap. / Avg. Maturity	Descriptive Quarterly Statistics, as of 9/30/16: No. of Holdings	Expense[3] (%)	Ratios: Sharpe	Turnover (%)	P/B	12 Mo. Yield (%)	Annualized Returns[4] (%), as of 10/31/16: Total 1 yr.	Total 3 yr.	Total 5 yr.	After Tax* 1 yr.	After Tax* 3 yr.	After Tax* 5 yr.
Short/Intermediate Fixed Income														
Vanguard Short-Term Bond Index	BSV[1] / VBIRX	2.90 Yrs.	2400	0.16	1.09	52	-	1.48	1.82	1.35	1.28	1.21	0.78	0.70
iShares Barclays 1-3 Yr. Credit Bond	CSJ[1]	2.00 Yrs.	1079	0.20	1.53	17	-	1.41	1.81	1.22	1.51	1.19	0.72	0.99
iShares Barclays 1-3 Yr. Treasury Bond	SHY[1]	1.94 Yrs.	73	0.15	0.57	122	-	0.67	0.76	0.66	0.53	0.47	0.44	0.35
Vanguard Limited-Term Tax-Exempt	VMLTX	2.90 Yrs.	3201	0.20	1.29	16	-	1.48	1.31	1.42	1.56	1.31	1.42	1.56
SPDR N.B. Short-Term Municipal Bond	SHM[1]	3.10 Yrs.	930	0.20	0.86	20	-	0.95	0.62	0.97	1.21	0.31	0.86	1.09
Inflation-Protected Fixed Income														
iShares Barclays TIPS Bond	TIP[1]	8.45 Yrs.	41	0.20	0.50	41	-	1.29	5.75	1.95	1.35	5.19	1.45	0.78
Vanguard Inflation-Protected Securities	VIPSX	8.80 Yrs.	36	0.20	0.51	43	-	0.72	5.69	1.98	1.29	5.35	1.43	0.55
International Fixed Income														
Vanguard Total International Bond Index	BNDX[1]/VTIBX	9.50 Yrs.	4079	0.17	2.02	13	-	1.48	5.38	4.84	--	4.72	4.18	--
Real Estate														
Vanguard REIT Index	VNQ[1] / VGSIX	17.70 B	150	0.26	0.92	11	2.63	4.11	6.54	10.01	11.15	4.93	8.64	9.92
SPDR Dow Jones REIT	RWR[1]	18.46 B	100	0.25	0.92	6	2.53	3.81	4.67	10.32	10.87	2.95	8.70	9.36
Vanguard Global ex-US Real Estate	VNQI[1] / VGXRX[5]	9.99 B	657	0.36	0.32	12	1.09	3.23	2.72	1.08	7.52	1.07	-0.42	5.99
iShares International Property ETF	WPS[1]	10.30 B	403	0.48	0.38	8	1.03	3.54	1.05	1.66	7.54	-0.07	0.50	6.20
SPDR Dow Jones Global Real Estate ETF	RWO[1]	15.08 B	231	0.50	0.73	6	1.68	3.33	1.05	5.67	8.80	-0.38	4.28	7.31
U.S. Large Cap Value														
Vanguard Value Index	VTV[1] / VIVAX	137.91 B	322	0.22	0.98	8	2.12	2.50	6.70	8.15	13.33	6.07	7.55	12.76
iShares Russell 1000 Value Index	IWD[1]	111.54 B	692	0.20	0.87	13	1.86	2.29	6.15	7.38	13.06	5.57	6.81	12.53
U.S. Small Cap Value														
iShares Russell Microcap Index	VO	0.47 B	1380	0.60	0.42	26	1.84	1.37	1.60	3.21	12.07	1.15	2.83	11.68
Vanguard Small-Cap Value Index	IWR	3.65 B	853	0.20	0.75	16	1.86	1.91	5.96	6.92	13.49	5.39	6.26	12.87
U.S. Large Cap Growth														
iShares Russell 1000 Growth Index	IWC[1]	151.87 B	605	0.20	0.99	13	5.72	1.41	2.11	9.15	13.42	1.76	8.80	13.08
Vanguard Growth Index	VBR[1] / VISVX	138.48 B	334	0.22	0.91	9	4.82	1.28	1.30	8.68	13.21	0.99	8.36	12.91
U.S. Marketwide														
Vanguard Total Stock Market Index	VTI[1] / VTSMX	119.03 B	3598	0.16	0.93	3	2.78	1.87	4.14	7.97	13.18	3.66	7.50	12.73
Fidelity Spartan Total Market Index	FSTMX[2]	119.21 B	3400	0.10	0.93	3	2.78	2.46	4.15	8.01	13.20	n/a	n/a	n/a
Foreign- Developed Markets														
iShares MSCI EAFE Growth Index	EFG[1]	57.99 B	540	0.40	0.22	25	2.77	1.89	-3.50	-0.23	5.41	-3.92	-0.60	5.07
iShares MSCI EAFE Value Index	EFV[1]	55.48 B	510	0.40	-0.09	25	1.10	3.37	-3.44	-2.93	3.98	-4.18	-3.67	3.33
Vanguard FTSE Developed Market	VEA[1] / VTMGX[6]	47.64 B	3759	0.09	0.13	3	1.52	2.80	-1.21	-0.73	5.66	-2.00	-1.49	4.94
SPDR S&P International Small Cap	GWX[1]	1.11 B	2335	0.40	0.41	51	1.20	2.39	7.02	2.79	6.95	6.15	1.04	5.63
Foreign- Emerging Markets														
Vanguard FTSE Emerging Market Stock	VWO[1] / VEIEX	43.58 B	3643	0.33	0.10	7	1.59	2.34	10.47	-1.09	1.00	9.50	-1.93	0.22
Gold-Related Funds														
iShares Gold Trust	IAU[1]	9.15 B	-	0.25	0.03	-	-	-	11.05	-1.57	-6.11	11.05	-1.57	-6.11
SPDR Gold Shares	GLD[1]	38.15 B	-	0.40	0.02	-	-	-	10.88	-1.72	-6.25	10.88	-1.72	-6.25

Data provided by the funds and Morningstar. [1]Exchange Traded Fund, traded on NYSE. [2]0.5% fee for redemption in 90 days. [3]For Vanguard funds, expense ratios shown are for mutual funds, ETFs have lower expenses. [4]For Vanguard Funds, returns shown are for mutual funds; ETFs' returns may deviate. [5]VGXRX includes a 0.25% fee on purchases and redemptions, which are paid directly into the fund. [6]These are admiral shares and have a $10,000 required minimum initial investment. *Pre-liquidation. Calculated using the highest individual federal income tax rates in effect at the time of each distribution and do not reflect the impact of state and local taxes or individual tax situations.