

* See box, page 22, for representative indexes.

Rates of Interest

As of March 19, 2018

Government Obligations¹

Fed Funds Rate	1.43%
3-Month Treas. Bill	1.74%
10-Yr. Treas. Note	2.82%
30-Yr. Treas. Bond	3.05%
10-Yr. TIPS	0.74%
Muni Bonds - Nat'l 10-Yr.	2.45%

Mortgage Rates²

15-Yr Fixed	3.90%
30-Yr Fixed	4.44%

Banking³

Savings	0.07%
Money Market	0.10%
12-month CD	0.33%

[1] Federal Reserve, fmsbonds.com. Annualized Rates. Notes, bonds, TIPS reflect yield to maturity.

[2] Freddie Mac. Average (National average, mortgages with 0.5 points).

[3] FDIC. Average national rates, non-jumbo deposits (<\$100k).

Interest Rates and Price Inflation

The Federal Reserve's Board of Governors has made clear its intention to gradually increase short-term interest rates in coming months. Many in the financial media have gone much further by describing an all-but-certain increase in rates in general, to include intermediate and long-term rates.

The fact is the Fed has considerable control over short-term rates through targeting its fed funds rate and through its discount window, but little direct influence over the overall bond market, particularly long-term bonds.

Beyond the hard-to-predict forces of supply and demand for credit, long-term interest rates are determined in large part by expectations regarding price inflation. After all, bonds are fixed income instruments. Most provide semi-annual interest payments and a return of face value, both of which are fixed when the bonds are first issued. The purchasing power of these cash flows is eroded over time by rising prices for goods and services. So, bond prices and interest rates change in response to changes in inflationary expectations. Other factors equal, higher price inflation results in higher long-term rates as investors demand greater compensation (an "inflation premium") for assuming this inflation risk. This is why 30-year Treasuries paid yields greater than 10 percent in the high-inflation period of the late 1970s and early 1980s.

Future price inflation is unknown, especially several years out, so long-term bond prices are more sensitive to changes in inflation expectations than are short-term bonds. Because we recommend bonds as a source of portfolio stability, most investors are best served by holding only short- and intermediate-term bonds and bond funds.

The market provides an estimate of future inflation. The Treasury issues conventional bonds as well as inflation-protected bonds (Treasury Inflation Protected Securities, or TIPS). TIPS differ from conventional bonds because they promise cash flows that increase automatically with prices as measured by the Consumer Price Index (CPI). Because they avoid the risk of unexpected inflation, their yields do not include an inflation premium. The difference in yields between conventional Treasuries and TIPS therefore provides the market's estimate of expected inflation.

On this basis, the current outlook for inflation over the next decade is 2 percent per year, within the range of 0 to 4 percent annual inflation that we have experienced in the U.S. since the early 1990s. Those investors who are particularly averse to unexpected inflation, such as retired investors on a fixed income, should consider devoting a portion of their bond allocation to TIPS.

FEDERAL AND STATE DEATH TAXES: AN UPDATE

“The Estate Tax is a tax on your right to transfer property at your death.”

--Internal Revenue Service

The recently enacted Tax Cuts and Jobs Act doubled the federal estate tax exemption. Individuals with estates of less than \$11.2 million (indexed to inflation) will not be subject to federal estate taxes. The marital exemption – leaving money to a spouse – is unlimited. Moreover, the personal exemption of \$11.2 million is “portable,” meaning it can be carried over to a surviving spouse. The effect of these provisions is that a married couple can avoid Federal estate taxes on amounts less than \$22.4 million (indexed to inflation). The effective marginal tax rate on estates over this level is 40 percent.¹

In 17 states and Washington, D.C., investors below the federal threshold may be subject to state death taxes as well.

In this article we review basic early gifting strategies for avoiding death taxes. We also provide an overview of state death taxes.

Investors with estates that exceed these exemption levels should consult an estate planning attorney, as should any investors who live among those states with death taxes. Even investors who are not subject to any death taxes should consider consulting an attorney to establish a will or trust.

Gifting Exemption

One of the primary ways to avoid death taxes is to give assets away prior to death. However, the federal estate tax unifies gifting and estate taxes, which means that large lifetime gifts will count against the total exemption at death. In other words, if you give away \$11.2 million during life, you will have “used up” your federal exemption and estate taxes will be due on amounts remaining at death.

Fortunately there is an exemption to the annual gift amount. For tax year 2018, this annual gift tax exclusion was increased to \$15,000. Anyone can gift \$15,000 to any individual

without reducing their eventual estate exemption or incurring any immediate tax. This can be a very effective means of reducing one’s taxable estate while still meeting one’s legacy intentions. For example, a married couple could each gift \$15,000 to a daughter and another \$15,000 to a son-in-law, thereby transferring \$60,000 per year (indexed to inflation) to their heirs.

This annual exclusion can transfer a great deal of wealth over the course of several years. Assume a married couple has decided to make gifts to their two children and their spouses. This would allow for \$120,000 in exempt gifts per year. Over 10 years, this would amount to \$1.2 million that would be excluded from the taxable estate. Any growth in the value of the gifted property would be excluded as well. Under the simple assumption that these assets grow at 6 percent per year over ten years, the couple would effectively remove almost \$1.7 million dollars from their estate.

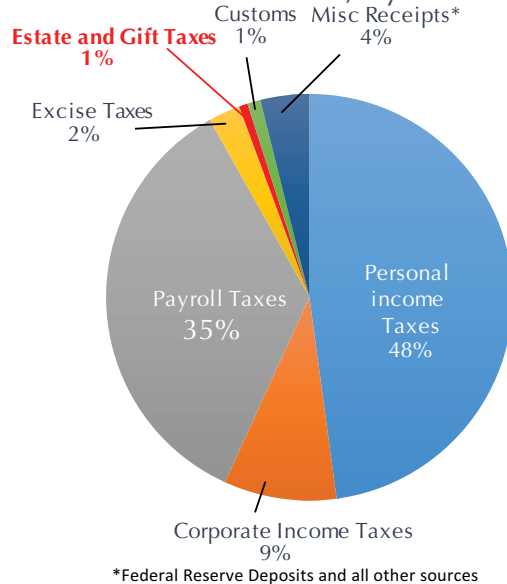
Early gifting is perhaps the most basic and easy-to-understand method for limiting the impact of death taxes. As estate planning attorney can describe more sophisticated techniques appropriate to a variety of circumstances.

Among states, the general trend is toward reducing death taxes. These levies can however prove costly without an effective plan. Because laws vary considerably from state to state, here we attempt to provide an overview only, to alert our readers regarding the onus they might face.

Death Taxes by State

The table nearby summarizes the current status of estate and inheritance

Federal Tax Collections, by Source, 2017



taxes among the states that impose a death tax (Delaware is included as a reminder that that it only recently repealed the state death tax).

It is important to understand the difference between estate tax and an inheritance tax. Estate taxes are assessed against the net value of the property owned by the deceased on the date of death. Since it is based on the value of the estate, no tax will be incurred unless the value less any deductions exceeds the estate tax exemption.

Inheritance taxes on the other hand taxes are assessed to the heirs of the deceased. These are incurred depending on the relationship between the deceased and the heir. While surviving spouses are exempt in all six states that impose an inheritance tax, the rules that apply to other heirs vary depending on the state.

Investors who live a state with death taxes should take note and plan accordingly. Planning for death taxes is perhaps most important in Washington, Rhode Island, Oregon, Massachusetts, Vermont, and Minnesota.

Conclusion

Death taxes are among the least efficient means of generating government

1. The estate tax imposes a graduated rate (similar to the income tax), but the tiers in the rate schedule have not increased with increases in the basic exemption amount. The outcome is that once an estate is large enough to be taxed, it is in the 40% marginal tax rate bracket. The effective tax rate is therefore nearly 40% for any estate large enough to incur federal estate taxes.

Death Tax States: Important Parameters

State	Estate Tax	Inheritance Tax	Exemption Amount (2018)	Range of Rates	
Connecticut	✓		\$2.8M	7.2% - 12%	[1]
Delaware					[2]
Hawaii	✓		\$11.2M	10% - 15-7%	
Illinois	✓		\$4M	0.8% - 16%	
Iowa		✓	minimal	0% - 15%	[3]
Kentucky		✓	minimal	0% - 16%	[4]
Maine	✓		\$11.2M	8% - 12%	
Maryland	✓	✓	\$4M	16%	[5]
Massachusetts	✓		\$1M	0.8% - 16%	[6]
Minnesota	✓		\$2.4M	13% - 16%	
Nebraska		✓	minimal	1% - 18%	[7]
New Jersey		✓	minimal	0% - 16%	[8]
New York	✓		\$5.25M	3.06% - 16%	[9]
Oregon	✓		\$1.0M	10% - 16%	
Pennsylvania		✓	none	0% - 15%	[10]
Rhode Island	✓		\$1.54M	0.8% - 16%	
Vermont	✓		\$2.75M	16%	
Washington	✓		\$2.193M	10% - 20%	
Washington, D.C.	✓		\$11.2M	8% - 16%	

Sources: taxfoundation.org, actec.org, individual state websites.

[1] Connecticut exemption set to match the Federal exemption amount in 2020.

[2] Delaware repealed its estate tax as of Jan. 1, 2018.

[3] Iowa has no inheritance tax for lineal ascendants and descendants.

[4] Kentucky exempts "Class A" beneficiaries. This includes parents, children, grandchildren, brothers, sisters and surviving spouses.

[5] Maryland inheritance tax is 10%, but most relatives are exempt. 16% rate is estate tax. Exemption amount is set to equal Federal amount beginning 2019.

[6] See Box below.

[7] Nebraska imposes an inheritance tax on amounts inherited greater than \$40,000. The inheritance tax is 1% for immediate relatives, 13% for remote relatives, and 18% for non-relatives.

[8] New Jersey repealed its estate tax as of Jan. 1, 2018. The inheritance tax is still in place. "Class A" beneficiaries, including spouses, lineal ascendants and descendants, are exempt. Non-relatives and other relatives subject to a rate as high as 16%.

[9] New York exemption amount set to increase to equal the Federal exemption amount in 2019.

[10] Surviving spouses and children under 21 are exempt. Lineal descendants are subject to a 4.5% rate. Non-relatives are subject to a rate as high as 15%.

revenue. During 2016, estate tax revenues made up only 0.70 percent of total federal receipts (see chart nearby). The fact is, many households have managed to protect their estates from these potential levies, but only at

the direct cost of engaging attorneys, accountants, and life insurers, and the indirect cost of distributing assets in a manner far more complex than they would have otherwise chosen.

The current trend is toward

eliminating or reducing these taxes. Nevertheless, a well-qualified estate planning attorney remains the best recourse for those investors who are vulnerable based on the parameters we have described.

Mired In Massachusetts^[6]

Each "death tax state" has its peculiarities, but the Massachusetts estate tax stands out. Any gross estate (plus adjusted taxable gifts) below the \$1 million threshold is exempt. *But for any estate that exceeds this limit the entire estate value above \$40,000 is taxed* (a graduated rate is applied, with 20 tax brackets that begin at 0.8 percent and top out at 16 percent for estates over \$10,040,000). In other states the estate tax only applies tax amounts *in excess of* the threshold.

As a result, in Massachusetts a \$995,000 estate would incur a tax of \$0 while an estate of \$1.1 million, only \$105,000 larger, would generate a tax of \$38,800! This reflects a 37 percent tax at the margin. Older investors close to the threshold have powerful incentive to keep the value of their taxable estate below the threshold.

The state has its own way of treating lifetime gifts as well. Gifts above the annual \$15,000 exclusion get added back when determining whether the estate is taxable (i.e., whether it exceeds the \$1 million threshold). But these gifts are not included in the estate when the actual tax is calculated.

The bottom line is that making prudent use of lifetime gifts can be especially valuable for Massachusetts residents.

RELYING ON MARKET PRICES¹

To pique the interest of investors, the financial media often features stories about the hidden dangers in the market—and index funds have been a recurring topic lately. According to some stories, the rising popularity of indexing has distorted prices because fewer shares are traded by investors who search for new information and act on it.

Since the index fund was created in the 1970s, pundits have questioned whether too much passive investing would impede price discovery. Richard Posner, a leading figure in the field of law and economics and the most cited legal scholar of the 20th century,² contemplated this question in 1977:

“No one knows just how much stock picking is necessary in order to assure an efficient market, but comparisons with other markets suggest that the required amount is small. In markets for consumer durables, homes and other products, unlike the securities markets, the amount of search is highly variable across consumers, many of whom do little or none; trading may not be frequent; products may not be homogenous (no two homes are as alike as all the shares

of the same common stock); bids and offers may not be centrally pooled so as to maximize the information available to buyers and sellers. Yet these markets are reasonably efficient, albeit less so than the securities markets.”³

Although Posner does not posit how much active management is necessary to make prices fair, the amount is likely far less than what we currently observe in markets. For example, imagine you are having a garage sale after cleaning out the attic of a deceased relative. Among the many artifacts is an original Van Gogh painting. Since you are unaware of its origin and real value, you set the price at \$10. An art connoisseur attending the sale would surely pay \$10—albeit quietly—and profit from the information asymmetry between buyer and seller.

However, if another art connoisseur shows up at the sale before the deal is done, the price is unlikely to remain at \$10. A bidding war between just two informed buyers may drive the price to a fair market value.

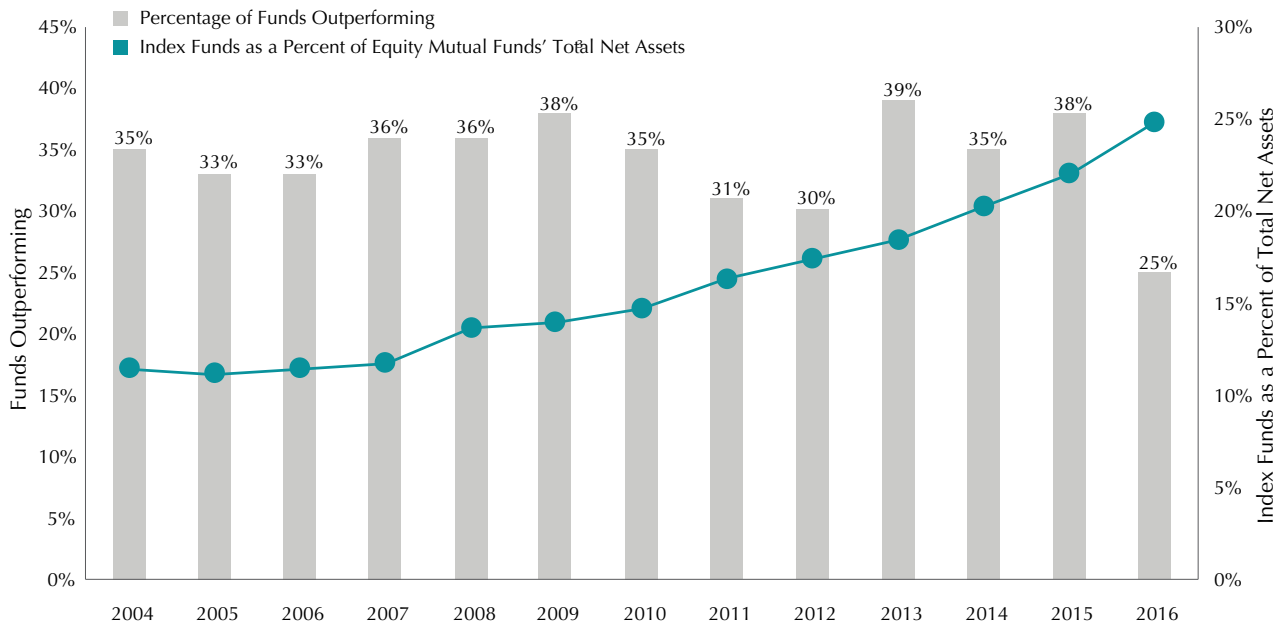
If you prefer theory over anecdote, consider the paradox identified by Sanford Grossman and Nobel laureate

Joseph Stiglitz. They propose that the equilibrium outcome is when the marginal cost of searching for mispriced securities equals the marginal profit associated with exploiting pricing errors. However, if assets invested in index funds increase to the point where mispricing becomes easy to identify and profit from, active investors would reenter the market until the marginal benefit of active investing once again does not exceed the marginal cost.

This theory suggests that the performance of active fund managers offers one barometer for how well markets are pricing securities. If there is insufficient price discovery due to the increase in passive management, one possible outcome is that many active mutual fund managers would outperform benchmarks due to plentiful mispricing opportunities.

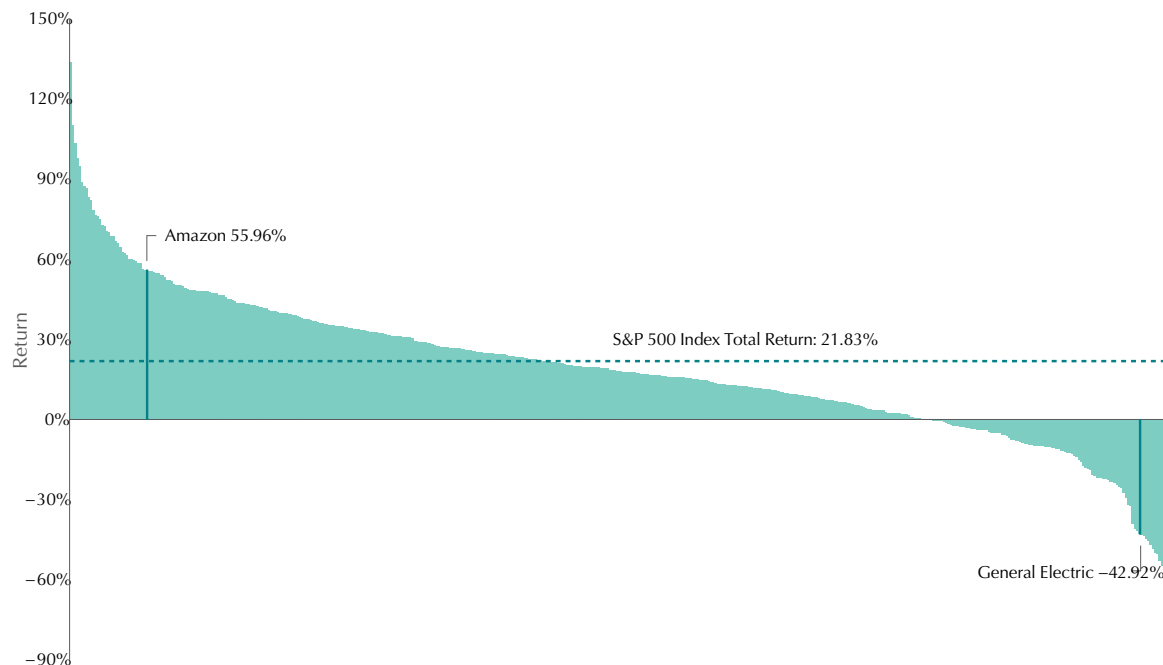
So, what does the research tell us? The line in Exhibit 1 shows the percentage of passively invested equity mutual fund assets in the US.⁴ The bars depict the percentage of active managers that survived and beat an index benchmark over rolling three-

Exhibit 1: Active Manager Performance and Index Fund Share of Total Equity Fund Assets



Equity mutual fund outperformance percentages are shown for the rolling three-year periods ending December 31 of each year, 2004 through 2016. Each sample includes equity funds available at the beginning of the three-year period. Outperforming funds are those that survived and outperformed their respective Morningstar category benchmark over the period.

Sources: US-domiciled open-end mutual fund data is from Morningstar and Center for Research in Security Prices (CRSP) from the University of Chicago. Past performance is no guarantee of future results. For more methodology details, see Appendix and the Mutual Fund Landscape Brochure or contact your investment advisor for more information.

Exhibit 2: Range of S&P 500 Index Constituent Returns in 2017

Returns in USD. Includes 2017 total returns for constituent securities in the S&P 500 Index as of Dec. 31, 2016. Excludes securities that delisted or were acquired during the year. Source: S&P data ©2018 S&P Dow Jones Indices LLC, a division of S&P Global. For illustrative purposes only. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.

year periods from 2004–2016. Although indexed assets have increased steadily in recent years, this growth apparently has not provided more mispricing opportunities for active managers to harvest the supposed low-hanging fruit, as shown by their consistently low levels of outperformance as a group.

It's also unclear whether higher asset flows to index funds would cause distortions in prices because passive investment strategies function as price takers. Exhibit 2 shows that, although the S&P 500 Index returned 21.83% in 2017, Amazon rose 55.96% while General Electric returned -42.92% for the year. Yet both stocks have a similar market capitalization and would have similar weights in traditional market cap-weighted indices. If the flow of assets into index funds were driving prices, you might expect the constituents of the index to have returns similar to each other and the overall return of the index. Yet, the individual constituents of the index had radically divergent returns, ranging from +133.70% to -84.00%.

Investors who actively trade based on new information, expectations, tastes, preferences, and other considerations are still setting prices. The competition and voluntary exchange among those market participants are the mechanisms that make those prices fair.

The index boogeyman may not be real, but he's been part of folklore for a long time—and sounding the alarm on index funds during a sustained period of rising stock prices is hardly a new phenomenon. The view that index funds distort prices was promoted decades ago following a market surge in the '90s.

Princeton University's Burton Malkiel addressed the issue in 2001 and concluded that, "Overall, the evidence is that indexing has not inflated the prices of the stocks in the S&P 500 ... The rise in stock prices during the 1990s—particularly the stocks within the S&P 500 index—therefore cannot be explained by an 'indexing craze.'"⁵

In that regard, the more things change, the more they stay the same.

US-domiciled open-end mutual fund data is from Morningstar and Center for Research in Security Prices (CRSP) from the University of Chicago. Equity fund sample includes the Morningstar historical categories: Diversified Emerging Markets, Europe Stock, Foreign Large Blend, Foreign Large Growth, Foreign Large Value, Foreign Small/Mid Blend, Foreign Small/Mid Growth, Foreign Small/Mid Value, Japan Stock, Large Blend, Large Growth, Large Value, Mid-Cap Blend, Mid-Cap Value, Miscellaneous Region, Pacific/Asia ex Japan Stock, Small Blend, Small Growth, Small Value, and World Stock. For additional information regarding the Morningstar historical categories, please see "The Morningstar Category Classifications" at morningstardirect.morningstar.com/clientcomm/MorningstarCategories_US_April_2016.pdf. Index funds and fund-of-funds are excluded from the sample. The return for funds with multiple share classes is taken as the asset-weighted average of the individual share class observations. Fund share classes are aggregated at the strategy level using Morningstar Fund ID and CRSP portfolio number. Mutual fund investment values will fluctuate, and shares, when redeemed, may be worth more or less than original cost. Diversification neither assures a profit nor guarantees against a loss in a declining market. There is no guarantee investment strategies will be successful. Past performance is no guarantee of future results. Dimensional Fund Advisors LP is an investment advisor registered with the Securities and Exchange Commission. All expressions of opinion are subject to change. This article is distributed for informational purposes, and it is not to be construed as an offer, solicitation, recommendation, or endorsement of any particular security, products, or services.

1. This article is reprinted in its entirety from DFA Funds Northern Exposure. By Brad Steiman Head of Canadian Financial Advisor Services, Vice President, and Director Dimensional Fund Advisors Canada ULC.
2. Fred R. Shapiro, "The Most-Cited Legal Scholars." *Journal of Legal Studies*. (2000) 29 (1): 409–26.
3. John H. Langbein and Richard A. Posner, "Market Funds and Trust Investment Law II," *American Bar Foundation Research Journal* 1 (1977).
4. Index Funds as a Percent of Equity Mutual Funds' Total Net Assets as sourced from the 2017 ICI Fact Book: ici.org/pdf/2017_factbook.pdf.
5. Burton Malkiel & Aleksander Radisich, "The Growth of Index Funds and the Pricing of Equity Securities," *The Journal of Portfolio Management* Winter 2001 pp. 9-21.

THE HIGH-YIELD DOW INVESTMENT STRATEGY

Recommended HYD Portfolio

As of March 15, 2018

	Rank	Yield (%)	Price (\$)	Status	—Percent of Portfolio—	
					Value (%)	No. Shares (%) ¹
Verizon	1	4.89	48.29	Holding**	24.05	32.32
Exxon Mobil	2	4.14	74.42	Buying	14.40	12.56
Chevron	3	3.88	115.58	Holding**	20.56	11.55
IBM	4	3.76	159.61	Holding**	18.76	7.63
Pfizer	5	3.72	36.58	Holding	15.24	27.04
General Electric	9	3.34	14.36	Holding	1.74	7.88
Boeing	19	2.07	329.98	Holding	5.23	1.03
Caterpillar	21	2.02	154.57	Selling	0.00	0.00
Cash (6-mo. T-Bill)	N/A	N/A			0.01	N/A
Totals					100.00	100.00

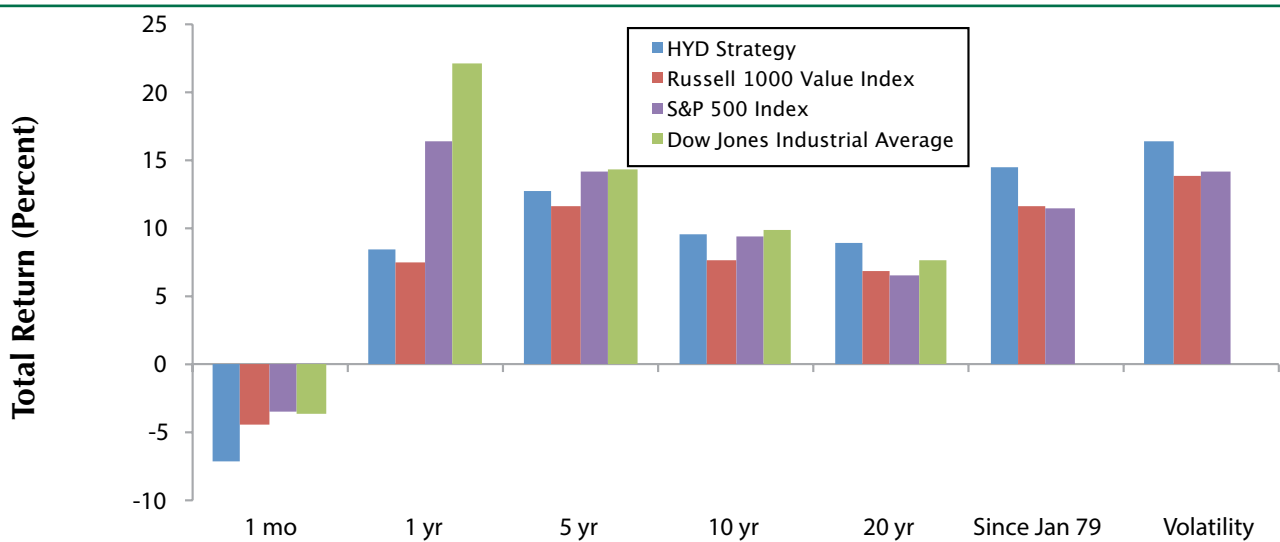
**Currently indicated purchases approximately equal to indicated purchases 18 months ago. 1 Because the percentage of each issue in the portfolio by value reflects the prices shown in the table, we are also showing the number of shares of each stock as a percentage of the total number of shares in the 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 February 28, 2018*. 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).

	<u>1 mo.</u>	<u>1 yr.</u>	<u>5 yrs.</u>	<u>10 yrs.</u>	<u>20 yrs.</u>	<u>Since Jan 79</u>	<u>Volatility (Std. Dev.) since 1979</u>
HYD Strategy	-7.53	8.76	13.25	9.96	9.30	15.12	17.15
Russell 1000 Value Index	-4.78	7.75	12.04	7.89	7.06	12.14	14.40
S&P 500 Index	-3.69	17.10	14.73	9.73	6.86	11.96	14.79
Dow Jones Industrial Average	-3.96	23.10	15.02	10.27	8.00	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.

Representative asset class indexes: U.S. large cap value - Russell 1000 Value Index; U.S. small cap value - Russell 2000 Value Index; U.S. Marketwide - Russell 3000 Index; Global REITs - S&P Global REIT Index; foreign developed markets - MSCI world ex-U.S.(net div.)Index; emerging markets - MSCI Emerging Markets Index(net div.); U.S. Bonds - Barclays U.S. Aggregate Bond Index; Foreign Bonds - Citi World Government Bond Index ex USA; Gold - London PM Fix. Past performance may not be indicative of future results. Therefore, no current or prospective investor should assume that the future performance of any specific investment, investment strategy (including the investments and/or investment strategies recommended by AIS), or product made reference to directly or indirectly, will be profitable or equal to past performance levels. Historical performance results for individual investment indexes and/or categories generally do not reflect the deduction of transaction and/or custodial charges, the deduction of mutual fund fees, or the deduction of advisory fees, the incurrence of which would have the effect of decreasing historical performance. The results portrayed above reflect the reinvestment of dividends and capital gains.

RECENT MARKET STATISTICS

Precious Metals & Commodity Prices (\$)

	3/15/18	Mo. Earlier	Yr. Earlier	Prem. (%)
Gold, London p.m. fixing	1,318.75	1,352.45	1,198.80	
Silver, London Spot Price	16.52	16.83	16.91	
Crude Oil, W. Texas Int. Spot	61.35	61.48	48.86	
Coin Prices (\$)¹				
American Eagle (1.00)	1,343.75	1,343.75	1,238.50	1.90
Austrian 100-Corona (0.98)	1,286.38	1,286.38	1,172.45	-0.46
British Sovereign (0.2354)	310.43	310.43	283.07	0.00
Canadian Maple Leaf (1.00)	1,328.75	1,328.75	1,223.50	0.76
Mexican 50-Peso (1.2056)	1,581.89	1,581.89	1,441.73	-0.50
Mexican Ounce (1.00)	1,336.75	1,336.75	1,227.50	1.36
S. African Krugerrand (1.00)	1,325.75	1,325.75	1,212.50	0.53
U.S. Double Eagle-\$20 (0.9675)				
St. Gaudens (MS-60)	1,300.00	1,295.00	1,220.00	1.89
Liberty (Type I-AU50)	2,000.00	2,000.00	3,000.00	56.75
Liberty (Type II-AU50)	1,325.00	1,325.00	1,325.00	3.85
Liberty (Type III-AU50)	1,290.00	1,275.00	1,205.00	1.11
U.S. Silver Coins (\$1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	11,807.00	11,518.00	12,482.50	-0.04
40% Silver Circ. (292 oz.)	4,716.00	4,641.50	4,895.50	-2.24
Silver Dollars Circ.	22,875.00	22,875.00	21,750.00	79.03

¹Note: Premium reflects percentage difference between coin price and value of metal in a coin. The weight in troy ounces of the precious metal in coins is indicated in parentheses.

Recent Market Returns²

Data through February 28, 2018

	U.S. Stocks (Mktwd)	Foreign Dev. Stocks	Foreign Emerg. Stocks	Global REITs	U.S. Bonds	Foreign Bonds (hedged)	Gold
1-month	-3.69%	-4.75%	-4.61%	-6.68%	-0.95%	0.26%	-2.02%
	↓	↓	↓	↓	↓	↑	↓
3-month	2.40%	1.48%	7.05%	-7.23%	-1.64%	0.18%	2.94%
	↑	↑	↑	↑	↓	↑	↑
1 year	16.22%	18.87%	30.51%	-4.43%	0.51%	1.48%	4.96%
	↑	↑	↑	↓	↑	↑	↑
5 year (annualized)	14.37%	6.58%	5.02%	4.25%	1.71%	1.60%	-3.67%
	↑	↑	↑	↑	↑	↑	↓
15 year (annualized)	10.66%	8.62%	12.81%	8.27%	3.90%	2.70%	9.29%
	↑	↑	↑	↑	↑	↑	↑

Best and worst one-year returns, Jan. 2001 - Feb. 2018

	Best						
Best	56.0%	57.2%	91.6%	85.7%	13.8%	7.1%	57.6%
During:	03/2009-02/2010	04/2003-03/2004	03/2009-02/2010	04/2009-03/2010	11/2008-10/2009	07/2008-06/2009	06/2005-05/2006
Worst	-43.5%	-50.3%	-56.6%	-59.5%	-2.5%	0.1%	-27.4%
During:	03/2008-02/2009	03/2008-02/2009	12/2007-11/2008	03/2008-02/2009	09/2012-08/2013	04/2010-03/2011	12/2012-11/2013

²For representative asset class indexes see box on page 22.

THE DOW JONES INDUSTRIALS RANKED BY YIELD*

Ticker Symbol	Market Prices (\$)			12-Month (\$)		Latest Dividend Amount (\$)	Record Date	Payable Date	Indicated Annual Yield [†] Dividend (\$) (%)	
	3/15/18	2/15/18	3/15/17	High	Low					
Verizon	VZ	48.29	49.74	50.14	54.77	42.80	0.590	4/10/18	5/1/18	2.360 4.89
Exxon Mobil	XOM	74.42	76.21	82.00	89.30	73.53	0.770	2/12/18	3/9/18	3.080 4.14
Chevron	CVX	115.58	112.53	108.88	133.88	102.55	1.120	2/16/18	3/12/18	4.480 3.88
IBM	IBM	159.61	156.01	175.81	176.33	139.13	1.500	2/9/18	3/10/18	6.000 3.76
Pfizer	PFE	36.58	35.71	34.63	39.43	31.67	0.340	2/2/18	3/1/18	1.360 3.72
Coca-Cola	KO	43.67	44.78	42.12	48.62	41.91	0.390	3/15/18	4/2/18	1.560 3.57
Procter and Gamble	PG	78.67	82.41	91.40	94.67	77.90	0.690	1/19/18	2/15/18	2.758 3.51
Merck	MRK	55.25	55.99	64.70	66.41	53.12	0.480	3/15/18	4/6/18	1.920 3.48
General Electric	GE	14.36	14.85	29.76	30.54	13.95	0.120	2/26/18	4/25/18	0.480 3.34
Cisco	CSCO	45.33	44.08	34.24	46.16	30.36	0.330	4/5/18	4/25/18	1.320 2.91
Johnson & Johnson	JNJ	133.06	131.23	128.96	148.32	120.95	0.840	2/27/18	3/13/18	3.360 2.53
McDonald's	MCD	161.61	160.78	127.88	178.70	128.18	1.010	3/1/18	3/15/18	4.040 2.50
Wal-Mart Stores	WMT	87.51	103.23	70.58	109.98	69.33	0.520	3/9/18	4/2/18	2.080 2.38
Intel Corp	INTC	50.88	45.92	35.10	53.78	33.23	0.300	5/7/18	6/1/18	1.200 2.36
Home Depot, Inc.	HD	178.07	185.27	147.95	207.61	144.25	1.030	3/8/18	3/22/18	4.120 2.31
3M Company	MMM	235.87	234.87	191.20	259.77	188.62	1.360	2/16/18	3/12/18	5.440 2.31
DowDupont	DWDP	67.88	71.85	81.49	77.08	59.29	0.380	2/28/18	3/15/18	1.520 2.24
United Tech.	UTX	129.25	130.00	113.08	139.24	109.10	0.700	2/16/18	3/10/18	2.800 2.17
Boeing	BA	329.98	356.46	178.71	371.60	173.75	1.710	2/9/18	3/2/18	6.840 2.07
Travelers	TRV	140.47	140.88	122.99	150.55	113.76	0.720	3/9/18	3/30/18	2.880 2.05
Caterpillar	CAT	154.57	159.98	93.36	173.24	90.34	0.780	1/22/18	2/20/18	3.120 2.02
J P Morgan	JPM	115.24	115.51	91.73	119.33	81.64	0.560	1/5/18	1/31/18	2.240 1.94
Microsoft Corp.	MSFT	94.18	92.66	64.75	97.24	64.12	0.420	5/17/18	6/14/18	1.680 1.78
Walt Disney	DIS	103.24	105.18	111.87	116.10	96.20	0.840	12/11/17	1/11/18	1.680 1.63
American Express	AXP	94.39	96.56	79.23	102.39	75.51	0.350	4/6/18	5/10/18	1.400 1.48
Apple	AAPL	178.65	172.99	140.46	183.50	138.62	0.630	2/12/18	2/15/18	2.520 1.41
Unitedhealth Group	UNH	229.48	226.02	171.78	250.79	162.74	0.750	3/9/18	3/20/18	3.000 1.31
Nike	NKE	66.39	68.29	57.66	70.25	50.35	0.200	3/5/18	4/2/18	0.800 1.21
Goldman Sachs	GS	266.61	267.68	246.78	275.31	209.62	0.750	3/1/18	3/29/18	3.000 1.13
Visa Inc.	V	123.41	122.28	89.92	126.88	87.85	0.210	2/16/18	3/6/18	0.840 0.68

* See the Recommended HYD Portfolio table on page 22 for current recommendations. † Based on indicated dividends and market price as of 3/15/18. Extra dividends are not included in annual yields. All data adjusted for splits and spin-offs. 12-month data begins 3/15/17.

ASSET CLASS INVESTMENT VEHICLES

Data as of February 28, 2018

Fixed Income

	Security Symbol(s) (1)	Avg. Market Cap / Avg. Maturity	Number of Holdings	Expense Ratio (%)	Turnover (%)	Price-to-Book Ratio	Trailing 12-Mo. Yield (%)	Annualized Returns (%)				Tax Cost Ratio - 3 Years (%) (3)
								1-Year	3-Year	5-Year		
Short-Term Bonds	VBISX	2.80 yrs	2527	0.15	51		1.50	-0.12	0.67	0.74	0.65	
Short-Term Bonds	SPDR Portfolio Short Term Corp Bd ETF	1.97 yrs	1046	0.07	67		1.95	0.58	1.10	1.17	0.73	
Short-Term Bonds	iShares 1-3 Year Treasury Bond ETF	1.96 yrs	62	0.15	66		1.03	-0.27	0.26	0.34	0.33	
Interm-Term	Vanguard Total Bond Market	8.40 yrs	17480	0.15	61		2.30	0.32	0.95	1.52	1.08	
Interm-Term	iShares Core US Aggregate Bond ETF	8.36 yrs	6652	0.05	242		2.40	0.49	1.03	1.63	1.03	
Tax-Exempt	Vanguard Ltd-Term Tax-Exempt	3.20 yrs	4861	0.19	19		1.45	0.74	0.85	0.96	0.04	
Tax-Exempt	SPDR Nuveen Blmbg Barclays ST MunBd ETF	3.04 yrs	1326	0.20	32		1.07	0.10	0.48	0.69	0.00	
Tax-Exempt	Vanguard Interm-Term Tx-Ex Inv	5.70 yrs	7458	0.19	15		2.56	2.03	1.84	2.16	0.07	
Inflation-Protected	iShares TIPS Bond ETF	8.22 yrs	38	0.20	32		2.13	-0.31	0.64	-0.24	0.56	
Inflation-Protected	Vanguard Inflation-Protected Securities	8.50 yrs	40	0.20	27		2.36	-0.46	0.62	-0.31	0.74	
International	Vanguard Total International Bond	9.20 yrs	4799	0.13	19		2.21	2.12	2.13	0.00	0.80	

Real Estate (REITs)

U.S. REITs	Vanguard REIT	10.16 B	185	0.26	7	2.03	4.62	-10.31	-0.07	5.42	1.43
U.S. REITs	SPDR Dow Jones REIT	11.22 B	102	0.25	9	2.14	3.43	-10.19	-0.22	5.41	1.52
Int'l REITs	Vanguard Global ex-US Real Estate (2)	6.95 B	635	0.34	6	1.05	3.78	17.72	5.42	5.05	1.46
Int'l REITs	iShares International Developed Property	7.12 B	384	0.48	8	1.00	4.31	14.11	4.28	5.28	1.56
Global (incl. U.S.)	SPDR Dow Jones Global Real Estate ETF	9.29 B	229	0.50	13	1.50	3.52	-3.29	-0.03	4.33	1.39

U.S. Stocks

Large Cap (blend)	Vanguard S&P 500	101.67 B	513	0.14	4	3.01	1.66	16.94	10.99	14.57	0.61
Large Cap (blend)	iShares Core S&P 500	104.05 B	509	0.04	5	3.06	1.72	17.01	11.09	14.68	0.49
Large Cap (blend)	iShares Russell 1000 ETF	80.05 B	982	0.15	4	2.99	1.61	16.58	10.65	14.46	0.45
Large Cap Value	Vanguard Value	97.15 B	332	0.18	7	2.30	2.18	12.43	10.27	13.50	0.77
Large Cap Value	iShares Russell 1000 Value	64.42 B	717	0.20	13	1.98	2.11	7.61	7.83	11.87	0.56
Small Cap (blend)	iShares Core S&P Small-Cap ETF	1.76 B	606	0.07	13	2.15	1.22	10.45	10.61	14.03	0.38
Small Cap (blend)	Schwab US Small-Cap ETF	2.70 B	1724	0.05	11	2.10	1.26	9.99	7.99	12.42	0.49
Small Cap Value	Vanguard Small Cap Value	3.71 B	888	0.19	18	1.86	1.73	5.57	7.99	12.33	0.63
Small Cap Value	iShares Russell 2000 Value	1.66 B	1380	0.24	24	1.48	1.85	3.01	7.98	10.52	0.60
Small Cap Value	iShares Micro-Cap	0.52 B	1378	0.60	21	1.81	1.10	12.87	8.28	12.59	0.39
Marketwide	Vanguard Total Stock Market	58.42 B	3638	0.15	4	2.86	1.59	16.13	10.44	14.22	0.59
Marketwide	Fidelity Total Market Index	58.54 B	3357	0.09	4	2.85	1.55	16.16	10.51	14.26	0.90

Foreign Stocks

Developed Markets	Vanguard FTSE Developed Markets ETF	25.06 B	3858	0.17	11	1.59	2.70	19.74	6.19	0.00	0.77
Developed Markets	iShares Core MSCI EAFE ETF	25.56 B	2530	0.08	2	1.64	2.55	20.98	6.54	7.71	0.71
Emerging Markets	Vanguard Emerging Markets Stock	21.27 B	4150	0.32	6	1.73	2.07	24.97	6.99	4.22	0.84
Emerging Markets	Schwab Emerging Markets Equity ETF	33.42 B	901	0.13	7	1.74	2.22	26.16	7.47	4.73	0.77

Gold-Related Funds

Gold ETFs	iShares Gold Trust			0.25			0.00	5.15	2.63	-3.81	0.00
Gold ETFs	SPDR Gold Shares			0.40			0.00	4.84	2.47	-3.96	0.00

Data provided by the funds and Morningstar. (1) Some funds are available as mutual funds and ETFs, in which case both symbols are shown. In these cases, data represent the mutual fund. The ETF may offer a lower expense ratio and returns may deviate. For Vanguard funds, the investor share class is shown. The Admiral share class, which has a higher minimum investment, may offer lower expenses. (2) VGXRX includes a 0.25% fee on purchases and redemptions, which are paid directly to the fund. (3) This represents the percentage-point reduction in an annualized return that results from income taxes. This calculation (source: Morningstar) assumes investors pay the maximum federal rate on capital gains and ordinary income.

The information herein is derived from generally reliable sources, but cannot be guaranteed. American Investment Services, the American Institute for Economic Research, and the officers, employees, or other persons affiliated with either organization may have positions in the investments referred to herein.