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## A Trillion Here, A Trillion There

Everett Dirksen (U.S. Senator 1951-1969), exasperated with mounting federal expenditures, is said to have quipped “a billion here, a billion there, and pretty soon you’re talking real money.” By today’s federal spending standards, “a trillion” might well be substituted for “a billion.”

Both the deficit and debt are at an all-time high. The annual federal deficit for 2019 is set to exceed \$1 trillion<sup>1</sup> while gross outstanding federal debt – the accumulated annual deficits and surpluses since 1789 – now stands at \$22 trillion. Despite a robust economic expansion since 2009, this debt has increased from 82 percent to 106 percent of GDP.

Congress and the President appear indifferent. In late July they suspended their mutual recriminations long enough to increase spending by \$320 billion over the current spending cap, and to raise the government’s borrowing limit through 2021. Meanwhile the looming 2020 election has elicited spending promises detached entirely from fiscal reality. For example two independent studies have estimated that *over the next 10 years alone* “Medicare for All” would add over \$30 trillion to the federal debt.<sup>2</sup>

The chart below shows that growing tax receipts since the Great Recession (ended June 2009) have been outpaced by spending. Government spending is of great concern to investors because

(continued next page)

### Rates of Interest

As of July 22, 2019

#### Government Obligations<sup>1</sup>

Fed Funds Rate	2.41%
3-Month Treas. Bill	2.02%
10-Yr. Treas. Note	2.05%
30-Yr. Treas. Bond	2.57%
10-Yr. TIPS	0.25%
Muni Bonds - Nat'l 10-Yr.	1.55%

#### Mortgage Rates<sup>2</sup>

15-Yr Fixed	3.23%
30-Yr Fixed	3.81%

#### Banking<sup>3</sup>

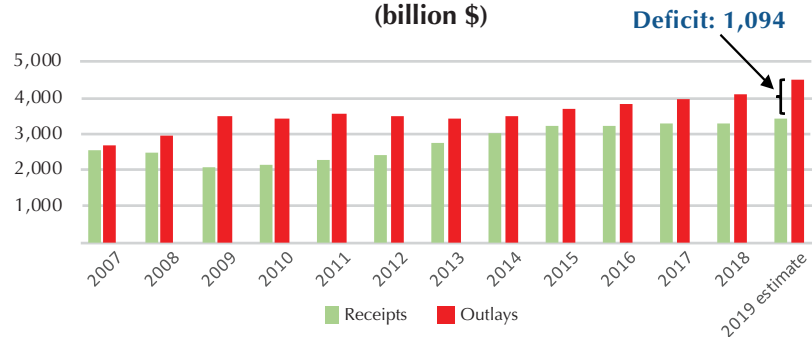
Savings	0.10%
Money Market	0.18%
12-month CD	0.58%

[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).

### Federal Receipts and Outlays... (billion \$)



Source: Office of Management and Budget, Historical tables, Table 1.3

1. White House Office of Management and Budget (OMB).
2. [https://www.mercatus.org/system/files/blahous-costs-medicare-mercatus-working-paper-v1\\_1.pdf](https://www.mercatus.org/system/files/blahous-costs-medicare-mercatus-working-paper-v1_1.pdf), <https://www.urban.org/sites/default/files/publication/80486/200785-The-Sanders-Single-Payer-Health-Care-Plan.pdf>

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government utilizes resources far less efficiently than the private sector; future economic growth and returns to capital are inhibited when land, labor and capital are diverted from the production of goods and services to politically-determined pursuits.

It may seem perilous that the stock market is near an all-time high in the face of this fearful trend. But market participants are well aware of not only the risk posed by this fiscal data, but also prospects for a bright future, thanks to property rights, the rule

of law, and relentless innovation. Rather than ponder why the market is so strong in the face of reckless government spending, investors might instead consider how much higher the market would be if government growth was managed prudently.

## INVESTMENT FALLACIES PART 1

We encourage investors to stick to the basics and to keep things simple. There are, however, widely held investment related notions that are in fact simplistic and can cost investors dearly. Some of these have even been promoted in the media as sound practices.

### “Market Returns are for Suckers”

Humans observe patterns and make simplifying assumptions about the world in order to make life easier. We are also subject to certain biases including overconfidence that our recent observations of reality will extend to the future.

Capital markets provide a wealth of data for pattern seekers. The stock market attracts some of the greatest minds in mathematics, physics, and economics – after all that’s where the money is! However, these great minds have rarely managed to outperform the average market rate of return.

Interpreting patterns is a poor investment strategy. How does an investor know whether an apparent winning strategy is genuine or occurred by chance? Even when a money manager’s returns appear to have “beaten the market” on a risk-adjusted basis, decades of subsequent data are required<sup>1</sup>, typically, to ensure that the manager is truly skilled. The fact is, while there may be a handful of money managers who possess such talent *they cannot be identified in advance*. Of course such scarce talent is not free and economic logic suggests that excess returns earned through skill will invariably revert to the manager rather

than accrue to the investor.

Our aim is not to beat the market but to help ensure that investors’ financial objectives are met.

### “I’ll Wait for the Stock to Come Back”

Investors all too often fret about the price they have paid for a security, and allow that concern to influence their immediate investment decisions. We have often heard investors lament that the value of a particular security had fallen from what they had originally paid for it, and that they will not sell it until it “comes back” to that level.

This rationale is flawed. The cost of any asset is a sunk cost; it is irretrievable and therefore should not affect an investor’s decision. The holder of any asset has two basic choices at any given time: he can continue to hold it, or he can sell it and invest the proceeds in an alternative asset. Each of these options has a future value that is unknown, *but the better outcome has nothing to do with what the investor paid for the asset once upon a time*.

### “Always Dollar Cost Average”

Dollar cost averaging (DCA) is a popular but flawed notion. It simply refers to investing an equal dollar amount in a particular asset at fixed intervals of time. The idea is to take advantage of price volatility; fewer shares will be purchased when prices are high, and more will be purchased when prices are low. If there is any price volatility, an investor who follows this practice will wind up with an average cost per share that is below the average of the share prices that prevailed when he purchased his shares.

If you have a steady cash flow to invest there is nothing wrong with investing this income stream at regular intervals. Indeed millions of investors practice this regularly through tax deductible payroll contributions to their 401(k) plans. But what if you have a lump sum to invest? It turns out DCA is not the panacea it is sometimes made out to be.

Proponents of DCA often present an example, such as an individual with \$1,500 to invest. He can invest \$500 per month for three months or invest the \$1,500 all at once. Suppose that initial purchase price is \$20 per share, and that the price increases by \$10 per month, so the price series is \$20, \$30, and \$40. The average of these prices is \$30.

The accompanying table shows that with dollar cost averaging the investor winds up with 54.17 shares, so that the average cost of his shares is \$1,500 / 54.17, or \$27.69, which is more than 8 percent below the average price of \$30.

But proponents invariably neglect to point out that the investor would have been better off had he invested the \$1,500 immediately. In that case he would have purchased 75 shares that would be worth \$3,000 at the end of the three months versus 54.17 shares worth \$2,167 under DCA.

Security prices change unpredictably over short term intervals, but trend upward over time. Therefore investors who have a truly long-run view, and who are constructing a portfolio that is well-diversified across asset classes should generally not be afraid to invest a large portion of their capital to a given asset class at any point in time. Subsequent rebalancing to match target allocations will ensure that no asset class will become disproportionately large relative to another and thereby help to improve portfolio stability.

Dollar Cost Averaging		
Monthly Investment	Price per share	Shares Purchased
\$500	\$20	25
\$500	\$30	16.67
\$500	\$40	12.5
	Total	54.17

1. Don’t Leave Your Savings to Chance Investment Guide (AIS) Vol. XXXIII, No. 12. December 2011, p. 89

## SOUND MONEY, PROPERTY RIGHTS, AND SOUND INVESTING

The American Institute for Economic Research (AIER) asserts that free societies depend on reliable information. American Investment Services (AIS) in turn is charged with providing information that will help individuals grow and protect their wealth, and with helping to ensure that citizens are well informed regarding the functioning of capital markets.

In this article we explain how our invest approach is consistent with three longstanding tenets of AIER's research: free markets, sound money and property rights.

### Free Markets

Since its founding, AIER has pointed to the fallacies of centrally planned economies and emphasized the superiority of economies based on voluntary exchange. In particular, goods and services will be produced and allocated more efficiently when prices are determined by supply and demand rather than by a central authority.

This dichotomy, free markets versus central planning, is also reflected in the evolution of financial economics.

Since the 1950s the study of finance has evolved as a legitimate field of academic inquiry. Our approach to investing is informed by the work of giants in the field and embraces the central assertions of what is now widely recognized as the Efficient Market Hypothesis (EMH).

EMH asserts that current market prices are the best approximation of a security's intrinsic value and that prices adjust rapidly to reflect the impact of unforeseen events (news) as they occur. In other words EMH is simply an extension of the fundamental assertion that markets work.

There is a great deal of misunderstanding regarding EMH. It does not claim that market prices are always "right." It only asserts that freely determined prices are an estimate of value superior to any other. Its central implication for investors is that it is impossible to identify in advance a money manager who, using publicly available information, can consistently identify profitable opportunities that result from capital market "mispricing."

We cannot rule out the possibility that skilled managers exist. But there is scarce evidence to date that any

prognosticator can hope to provide risk adjusted returns greater than those of the market, just as no central planner can set prices effectively to ensure efficient distribution of goods and services.

### Sound Money

AIER's staff economists have written extensively about the role of money. In order to serve effectively as money any form of purchasing media must demonstrate five fundamental attributes. It must separate sales from purchases, serve as a social institution, be based on trust, provide a store of value, and form a contract.<sup>1</sup>

In a world of fiat currencies investors must be especially vigilant regarding money as a store of value. These currencies, because they can be created at the stroke of a pen, erode investors'

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***“Economics is concerned with the efficient use of scarce resources. Without property rights there can be no exchange. Without exchange there are no prices. Without prices there is no way to measure profit. Without any measure of profit there is no way to determine whether a given use of resources has added value.”***

– Art Carden, Senior Fellow, AIER

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purchasing power over time. Each of our recommended asset classes was selected with this reality in mind.

Ongoing price inflation reduces the real returns earned by long-term fixed income securities. Uncertainty regarding future price inflation further undermines the stability of long-term bond prices. Our bond recommendations therefore emphasize short and intermediate-term fixed-income obligations and inflation adjusted securities. Common stocks and REITs provide ownership in the means of production of goods and services, and therefore provide strong prospects for returns that will outpace price inflation over time. Foreign based stocks offer the same potential and also provide diver-

sification among currencies, which can further reduce the risk of dollar price inflation. Gold has long served as a form of money and provided a store of value during periods of hyperinflation.

### Property Rights

Property rights include the exclusive right to determine the use of a resource, the exclusive right to the services of a resource, and the right to exchange the resource at terms acceptable to buyer and seller. Capital markets with well-enforced property rights ensure household investors that their property will not be seized or valued arbitrarily.

The right to offer shares of ownership in centralized stock exchanges provides an efficient means by which firms can raise capital needed to create goods and services. At the same time individual investors can instantly assume ownership in something as vast as the U.S. economy by simply purchasing a U.S. market-wide index fund. This remarkable mechanism generates hundreds of thousands of transactions per day that would not take place if strong property rights did not exist to ensure transferability of ownership.

Property rights vary among countries. No country is completely free of political risk, such as a change in government that could result in the nationalization of assets owned by U.S. citizens. This risk is highest within emerging market funds. In order to limit the risk associated with emerging markets, investors should utilize only broadly diversified global equity mutual funds and ETFs such as the Vanguard Emerging Markets Stock fund (page 56). As of June 30 this fund provided exposure to over 4,700 stocks in 27 emerging market countries.

### Looking Ahead

Human prosperity has arguably advanced more during the past 300 years than during the 12,000 years of preceding human history. It is no coincidence that only during the past three centuries have sound money, free markets and property rights all been extended broadly. These principles nonetheless continue to come under assault. We will continue to protect the interests of our readers and clients by recommending an optimal investment strategy amidst this ongoing struggle.

1. Steven R. Cunningham PhD, AIER "The Five Pillars of Money" Economic Bulletin, Vol. LI, March 2011, p. 1

## QUARTERLY REVIEW OF CAPITAL MARKETS<sup>1</sup>

Capital markets provided strong returns during the second quarter. Safe haven assets such as gold and high quality bonds provided strong returns but global equities were mostly strong as well, extending gains earned during the first quarter. Gold provided the biggest gain with an 8.8 percent return. In the U.S., large caps dominated small cap returns, and growth stocks outpaced value stocks. REITs provided slightly positive returns. Foreign developed market shares outgained emerging market shares.

### Cash Equivalent Assets<sup>2</sup>

During the last week of June the Federal Reserve Chairman acknowledged U.S. economic growth but expressed concern over trade uncertainty and global growth. The Fed did not change its target federal funds upper limit of 2.5 percent. By quarter-end the 1-month T-bill yield had fallen to 2.12 percent, while the 1-year T-bill yield dipped slightly to 1.92 percent.

Price inflation increased during the quarter; AIER's Everyday Price Index (EPI), which tracks prices for regularly purchased items, such as groceries, restaurant meals, gasoline, and utilities, was up 1.0 percent, while the broader CPI (non-seasonally adjusted) increased by 0.8 percent. Over the past 12 months however the EPI increased only 0.1 percent while prices measured by the CPI increased only 1.8 percent.

Inflation expectations remain tame. The market for U.S. Treasuries implies an expected annual rate of 1.6 percent over the next 10 years. Last month we explained that rapidly advancing technology may help explain the mild price inflation that has prevailed.

### Fixed Income

The U.S. Treasury yield curve nearby depicts falling rates across all maturities. The yield on the 10-year Treasury note fell by 0.41 percent to end at 2.00 percent. The 30-year Treasury bond yield decreased by 0.29 percent to finish at 2.52 percent.

Bond prices move inversely to interest rates. As rates fell short/intermediate term bonds gained 1.92 percent in the U.S. and 1.18 percent in international markets (government bonds, hedged). Municipal bonds returned 1.66 percent. TIPS returned a robust 2.86 percent as

real (inflation-adjusted) interest rates fell. At quarter-end the average 30-year fixed mortgage rate stood at 3.73 percent with 0.5 points.<sup>3</sup>

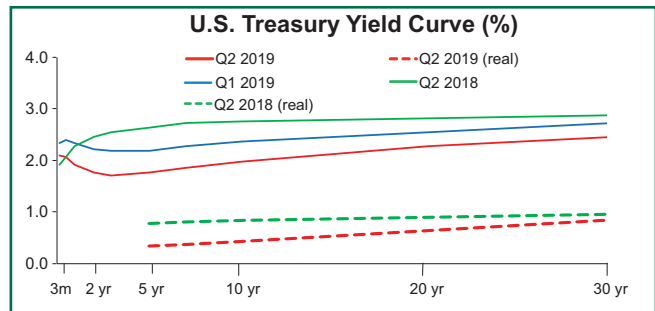
### Real Estate

After a very strong first three months REITs underperformed equities during the second quarter, but nonetheless managed positive returns. U.S. REITs returned 0.84 percent while foreign REITs registered 2.64 percent. A weaker U.S. dollar contributed to the larger returns in non-U.S. markets.

REITs provide a high level of dividend income because they must distribute 90 percent of their earnings to shareholders to avoid corporate taxes. At the end of the second quarter the FTSE NAREIT U.S. All Equity REIT Index had an indicated a dividend yield of 3.75 percent.

### U.S. Stocks

The second quarter was dominated by news concerning tariffs and monetary policy. While the headlines vacillated, U.S. stocks overall finished the quarter with strong gains, outperforming both non-U.S. developed and emerging markets equities. Small caps underperformed large caps overall and value underperformed growth across large and small cap stocks. Our high-yield Dow model registered a loss, with a hypothetical return of -1.9 percent, but returned 7.4



percent over the last 12 months.

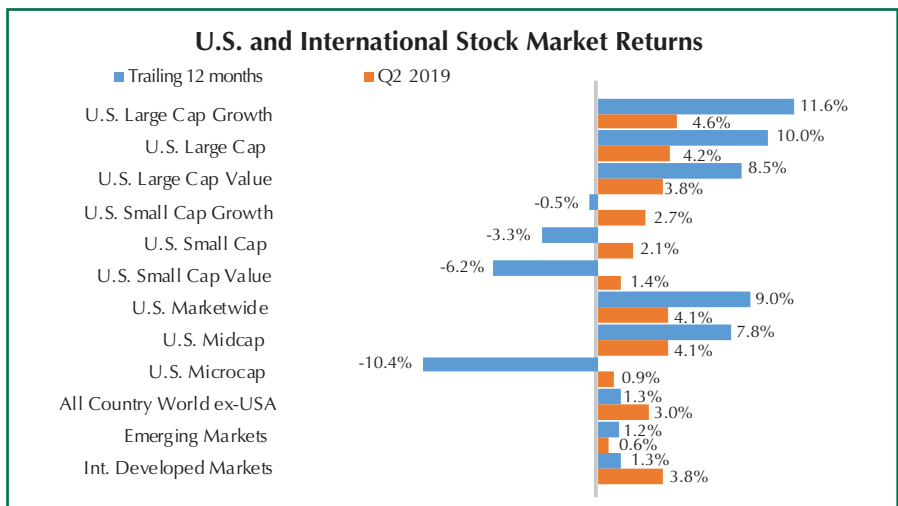
### Foreign Stocks

Developed markets stocks outside the U.S. outperformed emerging markets equities but underperformed the U.S. equity market during the quarter. Small caps underperformed large caps in non-U.S. developed markets while value underperformed growth across large and small cap stocks.

Emerging markets underperformed developed markets, including the U.S. Emerging market value stocks generally outperformed growth stocks while small caps underperformed large caps.

### Gold

Gold provided the strongest returns among our recommended asset classes, returning 8.8 percent. This marked gold's strongest quarter since the first quarter of 2016. A weaker dollar, rising geopolitical tensions, and signs of an economic slowdown all contributed to the price surge. Gold is regarded as a safe haven asset, yet the surge occurred amidst a positive quarter for bonds and equities.



1. This article contains information and excerpts from The Vanguard Group, Fidelity Investments, and Dimensional Fund Advisors, as well as data obtained from several index providers.  
 2. Sources for cash and equivalent data: U.S. Treasury, U.S. Labor Department (Bureau of Labor Statistics), St. Louis Federal Reserve, EPI: American Institute for Economic Research. EPI, CPI not seasonally adjusted.  
 3. Mortgage rates: Freddie Mac

**AIS Sample Standard Allocations<sup>(1)</sup>  
For the Period Ending June 30, 2019**

Asset Class	Sample Percentage Allocations <sup>(2)</sup>			Asset Class Statistics: Risk and Return (annualized, %)				
	Conservative	Moderate	Aggressive	Total Return				Std. Dev.
				1 Year	5 Year	10 Year	15 year	15 year
<b>Cash &amp; Equivalent Assets<sup>(3)</sup></b>	as needed	as needed	as needed	2.31	0.87	0.49	1.38	0.50
<b>U.S. Inv. Grade Fixed Income</b>	70.00	35.00	15.00	5.34	1.82	2.24	2.95	1.73
<b>Global Real Estate</b>	2.50	6.00	8.00	8.81	5.29	12.19	6.89	19.00
<b>U.S. Stocks</b>	15.00	36.00	48.00	8.98	10.19	14.67	8.88	14.30
<b>Foreign Stocks</b>	7.50	18.00	24.00	1.29	2.16	6.54	5.85	16.99
<b>Gold Related</b>	5.00	5.00	5.00	12.68	1.48	4.24	8.87	17.69

Sample Standard Portfolio Statistics: Risk, Return (%) and Growth <sup>(4)</sup>			
	Conservative	Moderate	Aggressive
Portfolio Return 1 Year	5.47	6.01	6.08
Portfolio Return 5 Year (annualized)	2.50	4.49	5.39
Portfolio Return 10 Year (annualized)	4.16	7.66	9.37
Portfolio Return 15 Year (annualized)	4.11	5.97	6.77
Portfolio Standard Deviation 15 Year (annualized)	4.07	8.86	11.76
Growth of \$10,000 over 15 Years	\$18,290	\$23,857	\$26,703

**AIS Sample Enhanced Allocations<sup>(1)</sup>  
For the Period Ending June 30, 2019**

Asset Class	Sample Percentage Allocations <sup>(2)</sup>			Asset Class Statistics: Risk and Return (annualized, %)				
	Conservative	Moderate	Aggressive	Total Return				Std. Dev.
				1 Year	5 Year	10 Year	15 year	15 year
<b>Cash &amp; Equivalent Assets<sup>(3)</sup></b>	as needed	as needed	as needed	2.31	0.87	0.49	1.38	0.50
<b>Fixed Income</b>								
U.S. Short-Term Investment Grade	46.67	23.33	10.00	5.34	1.82	2.24	2.95	1.73
Foreign Investment Grade (hedged)	23.33	11.67	5.00	3.96	2.08	2.02	2.90	1.07
<b>Real Estate</b>								
U.S. REITs	1.67	4.00	5.33	10.80	7.62	15.43	8.92	22.60
Foreign REITs	0.83	2.00	2.67	7.78	3.62	9.84	6.05	17.29
<b>U.S. Stocks</b>								
Large Cap	5.00	12.00	16.00	10.02	10.45	14.77	8.94	14.04
Large Cap Value	5.00	12.00	16.00	8.46	7.46	13.19	7.84	14.38
Small Cap	2.50	6.00	8.00	-3.31	7.06	13.45	8.15	18.68
Small Cap Value	2.50	6.00	8.00	-6.24	5.39	12.40	7.28	18.56
<b>Foreign Stocks</b>								
Developed Markets	5.00	12.00	16.00	1.29	2.04	6.75	5.44	16.42
Emerging Markets	2.50	6.00	8.00	1.21	2.49	5.81	8.70	21.38
<b>Gold Related</b>	5.00	5.00	5.00	12.68	1.48	4.24	8.87	17.69

Sample Enhanced Portfolio Statistics: Risk, Return (%) and Growth <sup>(4)</sup>			
	Conservative	Moderate	Aggressive
Portfolio Return 1 Year	4.54	4.27	3.97
Portfolio Return 5 Year (annualized)	2.36	3.90	4.72
Portfolio Return 10 Year (annualized)	4.08	7.41	9.23
Portfolio Return 15 Year (annualized)	4.12	6.00	6.86
Portfolio Standard Deviation 15 Year (annualized)	4.06	9.19	12.32
Growth of \$10,000 over 15 Years	\$18,331	\$23,965	\$27,051

**1 Performance was achieved by means of retroactive application of a model designed with the benefit of hindsight.** 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 the AIS), or product made reference to directly or indirectly, will be profitable or equal to past performance levels. Historical performance results for investment indexes and/or categories generally 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. The results portrayed in this portfolio reflect the reinvestment of dividends and capital gains.

2 See back page for a list of investment vehicles that correspond to each asset class.

3 Investors should maintain a cash balance tailored to one's circumstances. Considerations should include anticipated short term spending, an emergency reserve and price inflation.

**4 Sample Portfolio Statistics are hypothetical and do not reflect historical recommendations of AIS.** Annual portfolio rebalancing is assumed. Sample portfolio returns reflect the deduction of 0.725% management fee, the PAM rate charged to a \$500,000 account managed by AIS. A maximum annual management fee for the PAM service of 1.50% applies to accounts of \$100,000 (our minimum account size) in Assets Under Management ("AUM"). The fee decreases thereafter as AUM increases. Accounts with AUM less than \$500,000 would incur a fee greater than 0.725% and, therefore, returns would be lower than indicated. See AIS ADV Part 2 for full details, available at [https://www.americaninvestment.com/images/pdf/AIS-Firm-Brochure\\_31-March-2018.pdf](https://www.americaninvestment.com/images/pdf/AIS-Firm-Brochure_31-March-2018.pdf).

## THE HIGH-YIELD DOW INVESTMENT STRATEGY

### Recommended HYD Portfolio

As of July 15, 2019

	Rank	Yield (%)	Price (\$)	Status	—Percent of Portfolio—	
					Value (%)	No. Shares (%) <sup>1</sup>
Dow, Inc.	1	5.50	50.93	Buying	5.70	8.83
IBM	2	4.52	143.32	Holding**	24.62	13.57
Exxon Mobil	3	4.51	77.08	Holding**	23.71	24.30
Verizon	4	4.19	57.58	Holding**	25.57	35.07
Chevron	5	3.79	125.72	Holding	14.08	8.85
Pfizer	6	3.37	42.75	Selling	4.35	8.03
Proctor & Gamble	14	2.58	115.48	Holding	1.97	1.35
Cash (6-mo. T-Bill)	N/A	N/A			0.01	N/A
<b>Totals</b>					<b>100.00</b>	<b>100.00</b>

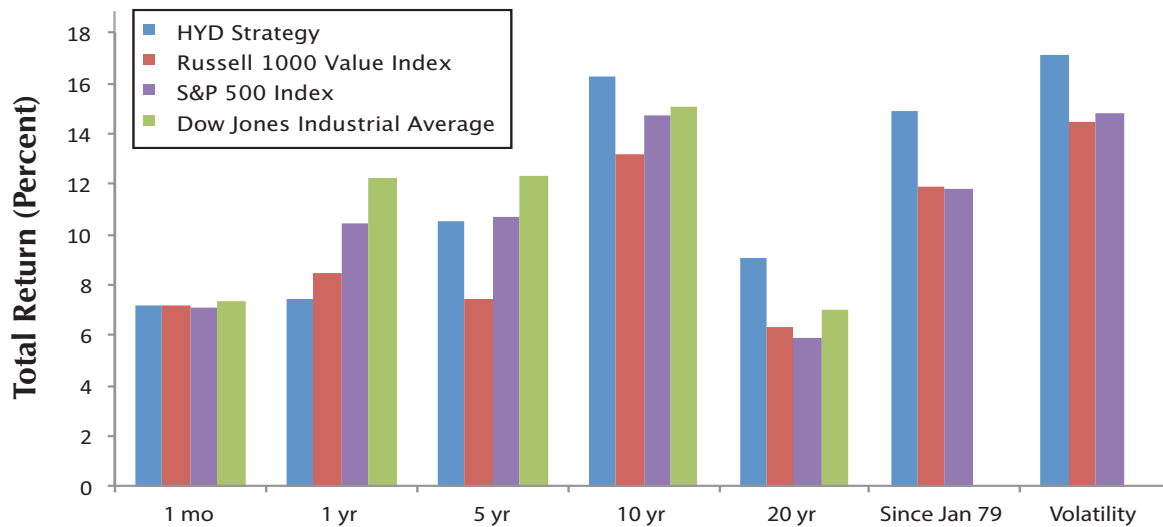
\*\*Currently indicated purchases approximately equal to indicated purchases 18 months ago.<sup>1</sup> Because the percentage of each issue in the portfolio by value reflects the prices shown in the table, we are also showing the number of shares of each stock as a percentage of the total number of 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](http://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 June 30, 2019\*. Returns for the 5-, 10- and 20-year periods are annualized, as is the volatility (standard deviation) of returns. (January 1979 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 since 1979</u>
HYD Strategy	7.19	7.42	10.49	16.28	9.04	14.90	17.12
Russell 1000 Value Index	7.18	8.46	7.46	13.19	6.31	11.93	14.44
S&P 500 Index	7.05	10.42	10.71	14.70	5.90	11.84	14.84
Dow Jones Industrial Average	7.31	12.20	12.29	15.03	7.03	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.

Unless otherwise specified returns and data cited within this publication are derived from the following sources: **U.S. stock benchmarks:** U.S. Marketwide - Russell 3000 Index; U.S. Large Cap Stocks - Russell 1000 Index; U.S. Large Cap Value - Russell 1000 Value Index; U.S. Large Cap Growth - Russell 1000 Growth Index; U.S. Midcap Stocks - Russell Midcap Index; U.S. Small Cap Stocks - Russell 2000 Index; U.S. Small Cap Value - Russell 2000 Value Index; U.S. Small Cap Growth - Russell 2000 Growth Index; U.S. Micro-caps - Russell Microcap Index. **Fixed income benchmarks:** Cash & Equivalents - ICE BofAML US 3-Month Treasury Bill Index; U.S. Short-Term Investment Grade - Bloomberg Barclays US Government/Credit Bonds Index 1-5 Years; U.S. Bonds - Bloomberg Barclays US Aggregate Bond Index; U.S. Government Bonds - Bloomberg Barclays US Government Bond Index; TIPS - Bloomberg Barclays US TIPS Index; Municipal Bonds - Bloomberg Barclays Municipal Bond Index 5 Years; Foreign Bonds (hedged) - FTSE Non-USD World Government Bond Index 1-5 Years (hedged to USD). **Foreign stock benchmarks:** All returns in U.S. dollars. Developed Markets - MSCI World ex USA Index (net div.); Developed Markets Value - MSCI World ex USA Value Index (net div.); Developed Markets Growth - MSCI World ex USA Growth Index (net div.); Developed Markets Small Cap - MSCI World ex USA Small Cap Index (net div.); Developed Markets Small Cap Value - MSCI World ex USA Small Value Index (net div.); Developed Markets Small Cap Growth - MSCI World ex USA Small Growth Index (net div.); Emerging Markets - MSCI Emerging Markets Index (net div.); Emerging Markets Value - MSCI Emerging Markets Value Index (net div.). **Real estate benchmarks:** Global REITs - S&P Global REIT Index (net div.); U.S. REITs - S&P United States REIT Index (gross div.); International REITs - S&P Global ex US REIT Index (net div.). **Gold benchmark:** Gold London PM Fix Price. All data from DFA Returns 2.0 program, except Gold data from World Gold Council and Currency data from St. Louis Federal Reserve. Country performance provided by Dimensional Fund Advisors, based on respective indexes in the MSCI All Country World ex USA IMI Index (for developed markets) and MSCI Emerging Markets IMI Index. Sector returns represented by S&P 500 sectors.

## RECENT MARKET STATISTICS

## Precious Metals &amp; Commodity Prices (\$)

	7/15/19	Mo. Earlier	Yr. Earlier	Prem. (%)
Gold, London p.m. fixing	<b>1,412.40</b>	1,351.25	1,241.70	
Silver, London Spot Price	<b>15.32</b>	15.03	15.81	
Crude Oil, W. Texas Int. Spot	<b>59.30</b>	52.47	71.03	

## Coin Prices (\$)¹

American Eagle (1.00)	<b>1,427</b>	1,437	1,267	1.06
Austrian 100-Corona (0.98)	<b>1,378</b>	1,378	1,211	-0.43
British Sovereign (0.2354)	<b>332</b>	332	292	0.00
Canadian Maple Leaf (1.00)	<b>1,422</b>	1,422	1,252	0.71
Mexican 50-Peso (1.2056)	<b>1,695</b>	1,695	1,489	-0.47
Mexican Ounce (1.00)	<b>1,430</b>	1,430	1,260	1.27
S. African Krugerrand (1.00)	<b>1,419</b>	1,419	1,249	0.50
U.S. Double Eagle-\$20 (0.9675)				
St. Gaudens (MS-60)	<b>1,282</b>	1,262	1,280	-6.18
Liberty (Type II-AU50)	<b>1,292</b>	1,282	1,325	-5.45
Liberty (Type III-AU50)	<b>1,272</b>	1,252	1,270	-6.92
U.S. Silver Coins (\$1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	<b>10,147</b>	10,399	12,241	-7.37
40% Silver Circ. (292 oz.)	<b>4,147</b>	4,222	4,821	-8.24

¹Premium 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. Premium will vary; these indicated premiums are provided in The CDN Monthly Greysheet.

## Recent Market Returns

Data through May 31, 2019

	U.S. Stocks (Mktwd)	Foreign Dev. Stocks	Foreign Emerg. Stocks	Global REITs	U.S. Bonds	Foreign Bonds (hedged)	Gold
1-month	7.02%	5.94%	6.24%	1.98%	1.26%	0.60%	8.76%
	↑	↑	↑	↑	↑	↑	↑
3-month	4.10%	3.79%	0.61%	1.29%	3.08%	1.18%	8.77%
	↑	↑	↑	↑	↑	↑	↑
1 year	8.98%	1.29%	1.21%	8.81%	7.87%	3.96%	12.68%
	↑	↑	↑	↑	↑	↑	↑
5 year (annualized)	10.19%	2.04%	2.49%	5.29%	2.95%	2.08%	1.48%
	↑	↑	↑	↑	↑	↑	↑
15 year (annualized)	8.88%	5.44%	8.70%	6.89%	4.27%	2.90%	8.87%
	↑	↑	↑	↑	↑	↑	↑

## Best and worst one-year returns, Jan. 2001 - June 2019

Best	<b>56.0%</b>	<b>57.2%</b>	<b>91.6%</b>	<b>85.7%</b>	<b>13.8%</b>	<b>7.1%</b>	<b>57.6%</b>
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	<b>-43.5%</b>	<b>-50.3%</b>	<b>-56.6%</b>	<b>-59.5%</b>	<b>-2.5%</b>	<b>0.1%</b>	<b>-27.4%</b>
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

## THE DOW JONES INDUSTRIALS RANKED BY YIELD\*

Ticker Symbol	Market Prices (\$)			12-Month (\$)		Latest Dividend Amount (\$)	Record Date	Payable Date	Indicated Annual Dividend (\$)	Yield† (%)	
	7/15/19	6/15/19	7/13/18	High	Low						
Dow Chemical	DOW	50.93	51.15	n/a	60.52	46.75	0.700	5/31/19	6/14/19	2.800	5.50
IBM	IBM	143.32	135.15	145.90	154.36	105.94	1.620	5/10/19	6/10/19	6.480	4.52
Exxon Mobil	XOM	77.08	74.35	83.31	87.36	64.65	0.870	5/13/19	6/10/19	3.480	4.51
Verizon	VZ	57.58	58.28	51.41	61.58	50.05	0.603	7/10/19	8/1/19	2.410	4.19
Chevron	CVX	125.72	120.81	124.04	128.55	100.22	1.190	5/17/19	6/10/19	4.760	3.79
Pfizer	PFE	42.75	42.76	37.53	46.47	37.14	0.360	8/2/19	9/3/19	1.440	3.37
3M Company	MMM	172.84	166.69	201.18	219.75	159.32	1.440	5/24/19	6/12/19	5.760	3.33
Walgreen's	WBA	55.89	52.57	65.17	86.31	49.31	0.458	8/20/19	9/12/19	1.830	3.27
J P Morgan	JPM	113.90	109.82	106.36	119.24	91.11	0.900	10/4/19	10/31/19	3.600	3.16
Coca-Cola	KO	52.13	51.31	44.74	52.47	44.25	0.400	9/16/19	10/1/19	1.600	3.07
Caterpillar	CAT	139.64	127.23	140.75	159.37	112.06	1.030	7/22/19	8/20/19	4.120	2.95
Johnson & Johnson	JNJ	134.71	140.09	125.93	148.99	121.00	0.950	8/27/19	9/10/19	3.800	2.82
Merck	MRK	80.96	82.78	62.89	87.07	62.38	0.550	6/17/19	7/8/19	2.200	2.72
Procter and Gamble	PG	115.48	111.20	79.31	116.52	77.54	0.746	7/19/19	8/15/19	2.984	2.58
Intel Corp	INTC	50.12	46.19	52.22	59.59	42.36	0.315	8/7/19	9/1/19	1.260	2.51
Home Depot, Inc.	HD	218.70	205.77	198.69	219.30	158.09	1.360	6/6/19	6/20/19	5.440	2.49
Cisco	CSCO	58.05	54.75	41.78	58.26	40.25	0.350	7/5/19	7/24/19	1.400	2.41
Boeing	BA	361.61	347.16	350.79	446.01	292.47	2.055	8/9/19	9/6/19	8.220	2.27
United Tech.	UTX	133.23	125.30	129.51	144.40	100.48	0.735	8/16/19	9/10/19	2.940	2.21
McDonald's	MCD	214.21	205.29	158.51	216.26	153.13	1.160	9/3/19	9/17/19	4.640	2.17
Travelers	TRV	154.83	150.11	126.63	155.09	111.08	0.820	6/10/19	6/28/19	3.280	2.12
Wal-Mart Stores	WMT	114.98	109.07	87.70	115.49	85.78	0.530	8/9/19	9/3/19	2.120	1.84
Unitedhealth Group	UNH	265.96	245.37	258.70	287.94	208.07	1.080	6/17/19	6/25/19	4.320	1.62
Goldman Sachs	GS	211.58	191.66	226.41	245.08	151.70	0.850	8/30/19	9/27/19	3.400	1.61
Apple	AAPL	205.21	192.74	191.33	233.47	142.00	0.770	5/13/19	5/16/19	3.080	1.50
Microsoft Corp.	MSFT	138.90	132.45	105.43	140.67	93.96	0.460	8/15/19	9/12/19	1.840	1.32
American Express	AXP	128.57	122.00	100.50	129.34	89.05	0.390	7/5/19	8/9/19	1.560	1.21
Walt Disney	DIS	145.06	141.65	110.00	145.43	100.35	0.880	7/8/19	7/25/19	1.760	1.21
Nike	NKE	89.48	83.44	77.38	90.00	66.53	0.220	6/3/19	7/1/19	0.880	0.98
Visa Inc.	V	180.57	169.66	139.42	181.84	121.60	0.250	8/16/19	9/3/19	1.000	0.55

† Based on indicated dividends and market price as of 4/15/19. Extra dividends are not included in annual yields. All data adjusted for splits and spin-offs. 12-month data begins 4/15/18.

**ASSET CLASS INVESTMENT VEHICLES**

**Data as of June 30, 2019**

**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	Vanguard Short-Term Bond Adm	2.90 yrs	2443	0.07	48		2.17	5.24	1.65	1.74	0.76
Short-Term Bonds	SPDR Portfolio Short Term Corp Bd ETF	1.95 yrs	1178	0.07	56		2.71	4.90	2.18	1.86	0.89
Short-Term Bonds	iShares 1-3 Year Treasury Bond ETF	1.95 yrs	79	0.15	62		2.05	3.83	1.15	1.08	0.55
Interm-Term	Vanguard Total Bond Market Adm	8.20 yrs	17354	0.05	54		2.77	7.87	2.22	2.91	1.10
Interm-Term	iShares Core US Aggregate Bond ETF	7.93 yrs	7452	0.05	146		2.69	7.72	2.19	2.90	1.05
Tax-Exempt	Vanguard Ltd-Term Tax-Exempt Inv	2.80 yrs	5222	0.17	28		1.88	3.82	1.55	1.57	0.00
Tax-Exempt	SPDR Nuveen Blimbg Barclays ST MunBd ETF	3.14 yrs	1090	0.20	27		1.32	3.33	1.06	1.18	0.00
Tax-Exempt	Vanguard Interm-Term Tx-Ex Inv	5.30 yrs	8426	0.17	15		2.71	6.39	2.22	3.17	0.00
Inflation-Protected	iShares TIPS Bond ETF	7.99 yrs	39	0.19	21		2.16	4.62	1.92	1.62	0.93
Inflation-Protected	Vanguard Inflation-Protected Securities Inv	8.40 yrs	42	0.20	27		2.39	4.66	1.88	1.60	1.08
International	Vanguard Total International Bond Adm	9.60 yrs	5876	0.11	22		2.88	7.96	3.39	4.30	0.97

**Real Estate (REITs)**

U.S. REITs	Vanguard REIT Adm	14.74 B	192	0.11	24	2.49	4.04	12.41	4.82	7.65	1.50
U.S. REITs	SPDR Dow Jones REIT	13.54 B	96	0.25	6	2.28	3.69	9.39	3.51	7.34	1.51
Int'l REITs	Vanguard Global ex-US Real Estate Adm (2)	6.40 B	614	0.12	7	0.93	3.44	6.54	8.59	4.54	1.64
Int'l REITs	iShares International Developed Property	6.71 B	363	0.48	9	0.91	4.21	4.44	6.09	3.71	1.68
Global (incl. U.S.)	SPDR Dow Jones Global Real Estate ETF	10.31 B	230	0.50	11	1.46	3.36	7.46	3.28	4.81	1.41

**U.S. Stocks**

Large Cap (blend)	Vanguard S&P 500 Adm	103.37 B	513	0.04	4	2.94	1.97	10.47	15.32	10.67	0.58
Large Cap (blend)	iShares Core S&P 500	104.70 B	509	0.04	5	2.87	2.02	10.27	14.14	10.65	0.50
Large Cap (blend)	iShares Russell 1000 ETF	81.36 B	981	0.15	6	2.78	2.29	9.74	13.96	10.29	0.53
Large Cap Value	Vanguard Value Adm	80.51 B	343	0.05	8	2.02	2.58	9.90	13.44	9.24	0.75
Large Cap Value	iShares Russell 1000 Value	60.52 B	725	0.20	17	1.79	2.90	8.04	9.96	7.25	0.66
Small Cap (blend)	iShares Core S&P Small-Cap ETF	1.58 B	606	0.07	14	1.66	1.43	-4.84	11.93	8.38	0.38
Small Cap (blend)	Schwab US Small-Cap ETF	2.69 B	1748	0.04	9	1.81	1.41	-1.42	11.32	6.94	0.43
Small Cap Value	Vanguard Small Cap Value Adm	3.38 B	850	0.07	18	1.49	2.24	-1.60	11.09	6.67	0.67
Small Cap Value	iShares Russell 2000 Value	1.65 B	1354	0.24	26	1.24	2.34	-6.53	9.58	5.23	0.62
Small Cap Value	iShares Micro-Cap	0.51 B	1430	0.60	25	1.51	1.20	-10.73	10.93	5.43	0.35
Marketwide	Vanguard Total Stock Market Adm	60.33 B	3601	0.04	3	2.72	1.82	9.07	15.29	10.18	0.65
Marketwide	Fidelity Total Market Index	64.40 B	3383	0.02	8	2.87	1.72	8.97	15.22	10.17	0.90

**Foreign Stocks**

Developed Markets	Vanguard FTSE Developed Markets Adm	22.48 B	3934	0.07	3	1.34	2.78	0.79	9.97	n/a	0.79
Developed Markets	iShares Core MSCI EAFE ETF	23.40 B	2502	0.07	2	1.39	3.17	0.17	8.96	2.61	0.84
Emerging Markets	Vanguard Emerging Markets Stock Adm	19.62 B	4107	0.14	11	1.49	2.54	4.98	10.42	2.31	0.84
Emerging Markets	Schwab Emerging Markets Equity ETF	29.82 B	1225	0.13	18	1.53	3.04	4.57	10.06	2.83	0.81

**Gold-Related Funds**

Gold ETFs	SPDR Gold Minishares			0.18			0.00	n/a	n/a	n/a	0.00
Gold ETFs	GraniteShares Gold Trust			0.17			0.00	12.37	n/a	n/a	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, Adm indicates the Admiral share class is shown; Inv indicates the Investor share class is shown. (2) VGRXL 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. The calculation assumes investors pay the maximum federal rate on capital gains and ordinary income. The calculation comes directly from Morningstar.

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