



AIS

INVESTMENT GUIDE

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See box, page 78, for representative indexes.

Rates of Interest

As of October 25, 2019

Government Obligations¹

Fed Funds Rate	1.85%
3-Month Treas. Bill	1.64%
10-Yr. Treas. Note	1.77%
30-Yr. Treas. Bond	2.26%
10-Yr. TIPS	0.15%
Muni Bonds - Nat'l 10-Yr.	1.50%

Mortgage Rates²

15-Yr Fixed	3.18%
30-Yr Fixed	3.75%

Banking³

Savings	0.09%
Money Market	0.16%
12-month CD	0.51%

[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).

Zero Transaction Fees and Your Portfolio

Amidst heated competition, Charles Schwab & Co., TD Ameritrade and Fidelity, among others, have eliminated transaction fees for online trading of ETFs and common stocks. Schwab eliminated its fees on October 7 and its competitors immediately followed suit.

This is terrific news not only for our Professional Asset Management (PAM) clients, who utilize these custodians, but for all investors. Portfolios can be rebalanced more cost effectively and year-end tax swapping strategies can be implemented more readily (see “Year End Tax Considerations, page 76, for more detail). Investors with smaller portfolios benefit in particular.

The “march to zero” began over 40 years ago, on May 1, 1975. Until then brokers charged a fixed-rate commission for stock trades (ETFs did not exist), regardless of the size of the trade being placed. This was a wonderful arrangement for brokers, but not so much for smaller investors. The brokerage industry fought the SEC to retain the fixed-rate structure but lost.

Discount brokers, led by Schwab, quickly emerged. At the same time the cost of placing, routing and executing orders was falling dramatically thanks to advances in information technology. As competition increased, brokers offered various fee arrangements designed to soften the blow to their bottom line, such as tiered structures based on trade size and minimum account balances. At the end, however, zero was inevitable.

How do these firms stay business if they are assessing \$0 for trades? The term “broker” is a bit vague. These firms are in fact also custodians of client assets, and as such they derive revenues by other means. These include securities lending, margin loans, and fees generated through expense ratios assessed in proprietary money market funds and ETFs.

Many conventional mutual fund trades, unlike ETF trades, will continue to incur fees, but this does not mean ETFs are inherently better. Mutual funds retain certain advantages; for example, partial shares can be purchased and dividends can be efficiently reinvested. Fund families such as Dimensional Fund Advisors also employ trading techniques and practices that index ETFs (as well as index mutual funds) do not. The optimal choice depends on the asset class and investor preferences.

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QUARTERLY REVIEW OF CAPITAL MARKETS¹

Among the asset classes listed on page 75, global REITs and gold provided the highest returns during the third quarter and have been the top performers since the year began.

In the U.S., the Fed cut short-term interest rates twice, which eased fears of recession, but once again, news and commentary on the trade front vacillated. The overall U.S. stock market ended the quarter with a slight gain of just over 1 percent despite considerable volatility during the three months.

Foreign stock returns were reduced by a stronger dollar.

Cash Equivalent Assets²

The Federal Reserve cut its Fed Funds target rate a quarter percentage point in July, marking the first cut in a decade, and followed up with a second cut in August. The target range now stands at 1.75 percent to 2.00 percent. By quarter end the one-year Treasury bill rate had fallen to 1.75 percent.

Price inflation remains tame. AIER's Everyday Price Index (EPI) fell, registering a change of -0.37 percent for the quarter and -0.20 percent for the past twelve months. The broader non-seasonally adjusted Consumer Price Index rose by 0.24 percent and by 1.70 percent for the twelve months.

At the end of September the market was pricing in expected annual inflation of 1.53 percent over the next 10 years.

Fixed Income

The accompanying U.S. Treasury yield curve shows that lower rates also extended to bonds of all maturities during the quarter. The yield on the 5, 10 and 30-year Treasury obligations, fell to 1.55 percent, 1.68 percent, and 2.12 percent, respectively.

Lower interest rates mean higher bond prices. In terms of total returns, short/intermediate-term corporate bonds gained 0.89 percent while the U.S. aggregate bond index gained 2.27 percent. Short-term municipal bonds gained 0.54 percent. Treasury Inflation Protected bonds (TIPS) returned 1.35 percent as

real interest rates fell.

Mortgage rates fell during the quarter as well. By quarter-end the average 30-year fixed mortgage rate had decreased to 3.64 percent with 0.6 points.³

Real Estate

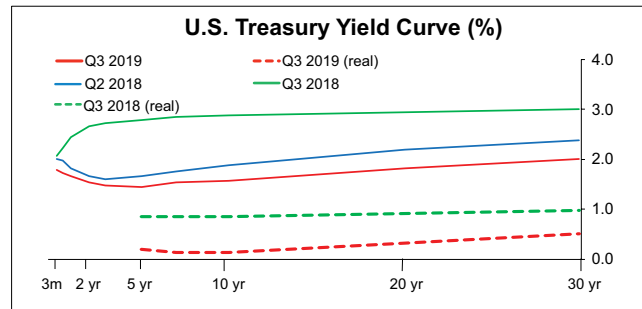
Global REITs rebounded during the third quarter, registering a 5.72 percent return, the largest gains among our favored asset classes. U.S. REITs returned 7.46 percent return, out pacing non-U.S. REITs, which gained 3.19 percent in U.S. dollar terms. Falling interest rates during the quarter boosted returns. REIT prices tend to be inversely related to interest rates because, like bonds, REITs distribute a relatively high level of investment income.

U.S. Stocks

The ongoing bull market in U.S. stocks maintained its status as the longest on record. The overall market eked out a gain of 1.16 percent during the third quarter. But this modest return was belied by substantial volatility that was driven by the Fed's short term interest rate cuts and vacillating news regarding a potential trade deal with China.

Returns along the size and style dimensions fell within a narrow band.

Small caps returned -2.40 percent while large caps returned 1.42 percent. Value underperformed growth among large cap stocks but outperformed in small caps. Our hypothetical high-yield Dow model



managed a return of 0.55 percent.

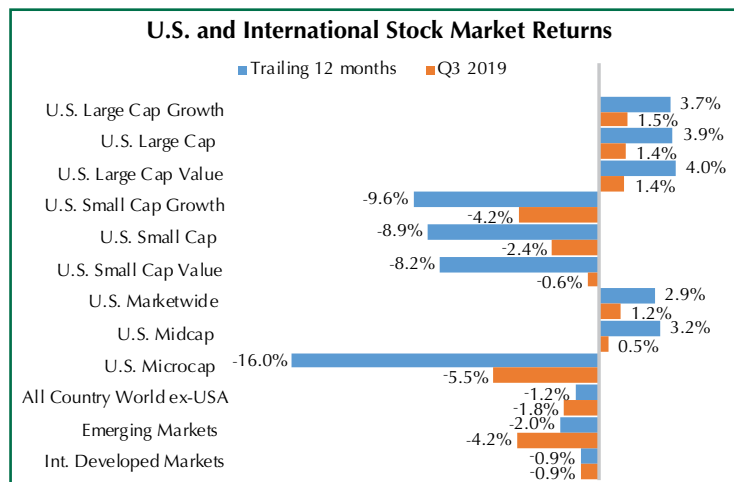
Foreign Stocks

In U.S. dollar terms, developed markets outside the U.S. outperformed emerging markets but underperformed the U.S. market during the third quarter. Emerging markets underperformed developed markets, including the U.S.

Returns to U.S. investors were impaired by a strengthening dollar, which gained 2.1 percent against major currencies. The dollar was bolstered as capital flowed to U.S. capital markets amidst relatively strong U.S. economic growth.

Gold

The gold price increased by 5.42 percent during the third quarter. The price was boosted by lower interest rates and unease regarding trade and global growth. Gold becomes relatively more attractive as a safe-haven asset when rates fall because, unlike U.S. Treasury obligations, it provides no income.



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⁽¹⁾
For the Period Ending September 30, 2019

Asset Class	Sample Percentage Allocations ⁽²⁾			Asset Class Statistics: Risk and Return (annualized, %)				
	Conservative	Moderate	Aggressive	Total Return				Std. Dev.
				1 Year	5 Year	10 Year	15 year	15 year
Cash & Equivalent Assets⁽³⁾	as needed	as needed	as needed	2.39	0.98	0.54	1.39	0.50
U.S. Inv. Grade Fixed Income	70.00	35.00	15.00	6.01	2.01	2.12	2.89	1.73
Global Real Estate	2.50	6.00	8.00	15.08	7.36	9.71	6.72	18.94
U.S. Stocks	15.00	36.00	48.00	2.92	10.44	13.08	9.10	14.27
Foreign Stocks	7.50	18.00	24.00	-1.23	2.90	4.45	5.66	17.00
Gold Related	5.00	5.00	5.00	25.10	4.17	4.13	8.89	17.77
Sample Standard Portfolio Statistics: Risk, Return (%) and Growth⁽⁴⁾								
				Conservative	Moderate	Aggressive		
	Portfolio Return 1 Year			5.43	4.37	3.43		
	Portfolio Return 5 Year (annualized)			2.91	5.04	6.00		
	Portfolio Return 10 Year (annualized)			3.60	6.50	7.86		
	Portfolio Return 15 Year (annualized)			4.08	5.98	6.78		
	Portfolio Standard Deviation 15 Year (annualized)			4.07	8.84	11.74		
	Growth of \$10,000 over 15 Years			\$18,211	\$23,907	\$26,767		

AIS Sample Enhanced Allocations⁽¹⁾
For the Period Ending September 30, 2019

Asset Class	Sample Percentage Allocations ⁽²⁾			Asset Class Statistics: Risk and Return (annualized, %)				
	Conservative	Moderate	Aggressive	Total Return				Std. Dev.
				1 Year	5 Year	10 Year	15 year	15 year
Cash & Equivalent Assets⁽³⁾	as needed	as needed	as needed	2.39	0.98	0.54	1.39	0.50
Fixed Income								
U.S. Short-Term Investment Grade	46.67	23.33	10.00	6.01	2.01	2.12	2.89	1.73
Foreign Investment Grade (hedged)	23.33	11.67	5.00	4.91	2.21	2.04	2.90	1.07
Real Estate								
U.S. REITs	1.67	4.00	5.33	17.81	9.88	12.86	8.86	22.53
Foreign REITs	0.83	2.00	2.67	12.80	5.35	7.29	5.66	17.28
U.S. Stocks								
Large Cap	5.00	12.00	16.00	3.87	10.62	13.23	9.17	14.02
Large Cap Value	5.00	12.00	16.00	4.00	7.79	11.46	7.82	14.42
Small Cap	2.50	6.00	8.00	-8.89	8.19	11.19	8.19	18.61
Small Cap Value	2.50	6.00	8.00	-8.24	7.17	10.06	7.23	18.59
Foreign Stocks								
Developed Markets	5.00	12.00	16.00	-0.95	3.06	4.78	5.36	16.42
Emerging Markets	2.50	6.00	8.00	-2.02	2.33	3.37	7.82	21.41
Gold Related	5.00	5.00	5.00	25.10	4.17	4.13	8.89	17.77
Sample Enhanced Portfolio Statistics: Risk, Return (%) and Growth⁽⁴⁾								
				Conservative	Moderate	Aggressive		
	Portfolio Return 1 Year			4.78	3.14	2.07		
	Portfolio Return 5 Year (annualized)			2.81	4.56	5.50		
	Portfolio Return 10 Year (annualized)			3.51	6.17	7.61		
	Portfolio Return 15 Year (annualized)			4.08	5.94	6.79		
	Portfolio Standard Deviation 15 Year (annualized)			4.05	9.18	12.31		
	Growth of \$10,000 over 15 Years			\$18,216	\$23,771	\$26,805		

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.

YEAR-END TAX CONSIDERATIONS

As we approach year-end, investors with taxable accounts should consider taking action to reduce any liability for taxes due on capital gains they may have realized throughout the year. Here we describe techniques for offsetting these gains, as well as other means of reducing your tax burden in 2020 and beyond.

Tax Year 2019

In terms of total returns 2019 so far has been a banner year. All of the asset classes we describe have positive returns year-to-date (see Table 1), so investors who periodically rebalance their portfolios may have taxable gains to report. Keep in mind your realized gain liability will include not just gains from securities you sold during the year but also year-end distributions from open end mutual funds you may own.

What's My Rate?

Before making any year-end portfolio rebalancing decisions, it is important to estimate your marginal income tax rate, which is the effective rate you would pay on an additional dollar of taxable income.

Estimating your marginal tax bracket is complicated by a variety of deductions, exemptions and tax credits, but tax software or a tax professional can help you with the calculation.

Short-term capital gains (gains on investments held exactly one year or less) are treated as ordinary income, so these gains are taxed at your marginal income tax rate. Rates levied on long-term capital gains (investments held longer than one year) and qualified dividends face a different schedule based on one's filing status and taxable income. This is summarized in Table 2.

While most taxpayers confront a long-term capital gain levy of 15 percent, those in the highest tax bracket incur 20 percent. Investors in higher tax brackets might also confront the net income investment tax (NIIT). The NIIT can impose an additional 3.8 percent on dividends, interest, and any net gains from the disposition of property such as common stocks or mutual funds.

The tax code provides strong incentive to hold investments for longer than

one year, and to avoid recognizing gains at all until it's time to "spend down" – often in retirement. With the exception of sales from portfolio rebalancing, that can mean holding investments for decades. There are several additional techniques beyond simply deferring your gains that can boost after-tax returns.

Tax Losses

As the year draws to a close, it is wise to review taxable accounts to consider whether to sell any investments that might have unrealized losses. These losses can be used to offset taxable gains realized throughout the year. Furthermore, any net capital losses (losses remaining after offsetting realized gains) of up to \$3,000 can be used to offset ordinary income. Net losses in excess of \$3,000 can be carried forward to offset gains or income in future years.

Caution is in order. Selling securities for the sole purpose of realizing losses may be shortsighted if the sale will alter your desired asset class exposure. If you sell a position that eliminates or reduces your exposure to an asset class, your portfolio will be under-diversified relative to your target allocation plan.

It might seem that you could avoid this risk by simply buying the same security back immediately, but the IRS "wash sale" rule blocks that simple strategy. This rule disallows losses on the sale of securities 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. You could wait the required 30 days to repurchase the security sold, but securities prices can change a great deal in a month, so this strategy risks selling shares but then repurchasing them only after a substantial increase in price.

Tax Swapping

Fortunately, there is a way to generate a loss for tax purposes without enduring 30 days of heightened portfolio risk. Investors can sell a security with tax losses and *immediately* purchase another security that is not identical but is *in the same asset class* as the security that was sold. As long as the two securities are not

Table 1: Hypothetical Total Returns
(Jan. 1, 2019 - Oct. 31, 2019)

Asset Class	Return
Short/Int Term Fixed Income	4.48%
Global Real Estate	22.15%
U.S. Small Cap Value	12.82%
U.S. Large Cap Value	17.81%
AIS HYD	12.67%
U.S. Marketwide	20.09%
Foreign Developed Markets	13.57%
Foreign Emerging Markets	5.89%
Gold	15.89%

considered to be substantially identical, the loss will be allowed. The key is to identify a replacement security with price changes that are highly correlated with those of the security being sold.

For example, so far this year (through the third quarter) emerging market stocks have generated positive returns. However these shares have negative returns over twelve months, so investors may have unrealized losses in the Vanguard Emerging Markets ETF (this fund, symbol VWO, is listed on the back page). One could sell his position in VWO at a loss and immediately invest the proceeds in the Schwab Emerging Markets ETF (SCHE, also listed on the back page). It is unlikely that the loss on VWO would run afoul of the wash rule, even though the purchase was made within the 30-days of the sale. Before investing, consult a tax professional to ensure that any substitute investment is not considered substantially identical to that being replaced.

For our clients, we are actively assessing potential tax losses and harvesting those losses when they exceed certain thresholds. This should help to offset capital gains distributions from mutual funds and may help offset dividends and income earned throughout the year.

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

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.

Table 2: Investment Taxes 2019

Single	Married filing jointly	Married filing separately	Head of household	Tax rate
Long-term capital gains and qualified dividends tax (thresholds for taxable income)				
Up to \$39,375	Up to \$78,750	Up to \$39,375	Up to \$52,750	0%
\$39,376 up to \$434,550	\$78,751 up to \$488,850	\$39,376 up to \$244,425	\$52,751 up to \$461,700	15%
More than \$434,550	More than \$488,850	More than \$244,425	More than \$461,700	20%
Net investment income tax (thresholds for Modified Adjusted Gross Income (MAGI))				
More than \$200,000	More than \$250,000	More than \$125,000	More than \$200,000	3.8% *
*The 3.8% net investment income tax (NIIT, also known as the Medicare surtax) applies to the lesser of net investment income or MAGI exceeding the thresholds shown above. This tax doesn't apply to municipal bond interest, qualified retirement plan withdrawals, or IRA withdrawals. Source: IRS, Vanguard.				

Tax Efficient Vehicles

While investors have thousands of investment vehicles from which to choose, we recommend index-type funds. These funds, which follow an indexed or similarly structured strategy often outperform 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.

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, so capital gain distributions generated from these funds will often be well below those of actively managed alternatives. Exchange-traded index funds can be even more efficient. 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 health savings accounts (HSAs). 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 it is practical, you should concentrate your least tax-efficient holdings (such as taxable bonds) in your tax deferred accounts, leaving your taxable accounts for your most tax-efficient assets.

For more on asset location, see our article [Location, Location, Location](#) (April 2017 *Investment Guide*).

Watch Your Step

Older investors who plan to bequeath assets to their heirs should keep in mind that under the current tax code the cost basis of securities owned will “step up” to market value upon death. This effectively eliminates any unrealized capital gain tax liability for heirs. We have encountered many senior investors who own stocks that have appreciated substantially over the years. From an after-tax estate planning perspective it can be prudent to refrain from selling those shares, even if it means assuming greater risk exposure to a single stock. Whether this trade-off is worthwhile depends greatly on individual circumstances.

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 different account types. 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 through a full or partial account rollover. You should consult an accountant before pursuing this option.

For more on Roth conversions see [A New Opportunity for Roth Conversions](#) (January 2018 *Investment Guide*) and [A Roth Conversion, Is Now the Time?](#) (August 2018 *Investment Guide*). 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 can generate 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.

We have considerable experience in establishing and managing CRUTs and other planned giving alternatives. We can explain the mechanics of these accounts to you, as potential donor, or to a charitable organization you know. To learn more contact us at (413) 528-1216 ext. 3155.

THE HIGH-YIELD DOW INVESTMENT STRATEGY

Recommended HYD Portfolio

As of October 15, 2019							—Percent of Portfolio—	
	Rank	Yield (%)	Price (\$)	Status	Value (%)	No. Shares (%) ¹		
Dow, Inc.	1	5.93	47.20	Buying	9.82	15.75		
Exxon Mobil	2	5.01	69.42	Holding**	22.45	24.51		
IBM	3	4.53	143.00	Holding**	25.79	13.67		
Chevron	4	4.09	116.31	Buying	12.08	7.87		
Verizon	5	4.06	60.55	Selling	25.38	31.76		
Pfizer	6	3.95	36.50	Selling	2.48	5.15		
Proctor & Gamble	15	2.55	117.20	Holding	2.00	1.29		
Cash (6-mo. T-Bill)	N/A	N/A			0.01	N/A		
Totals					100.00	100.00		

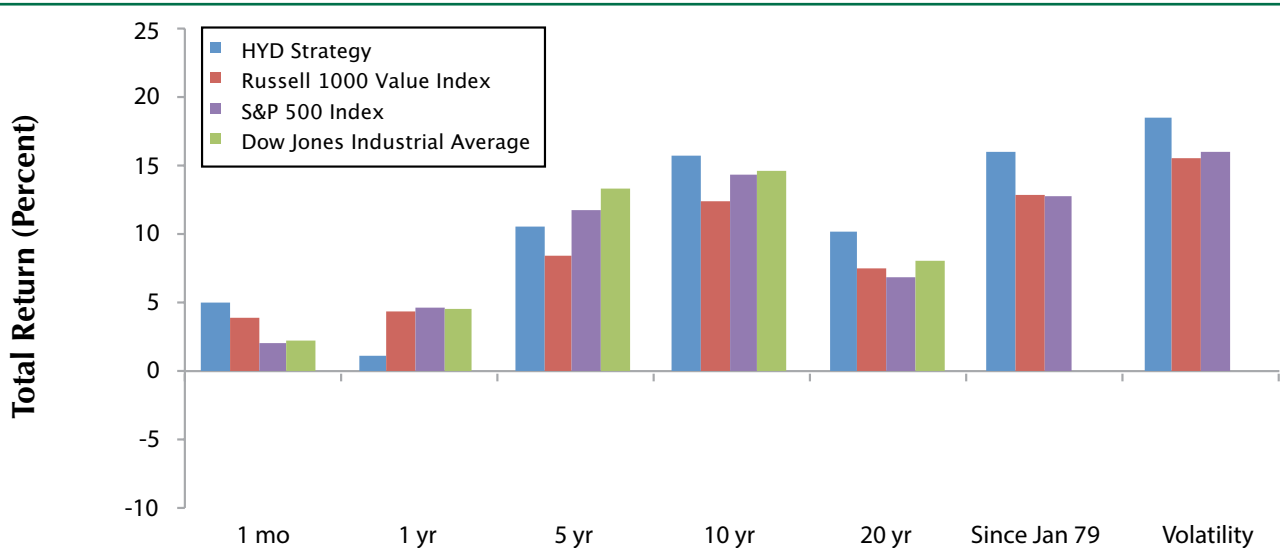
**Currently indicated purchases approximately equal to indicated purchases 18 months ago. ¹Because the percentage of each issue in the portfolio by value reflects the prices shown in the table (closing prices on the date indicated), we are also showing the number of shares of each stock as a percentage 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 September 30, 2019*. Returns for the 5-, 10- and 20-year periods are annualized, as is the volatility (standard deviation) of returns.

	<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	4.59	1.01	9.73	14.58	9.44	14.81	17.09
Russell 1000 Value Index	3.57	4.00	7.79	11.46	6.93	11.89	14.42
S&P 500 Index	1.87	4.25	10.84	13.24	6.33	11.81	14.80
Dow Jones Industrial Average	2.05	4.21	12.28	13.56	7.42	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 Average 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 0.725% management fee, the annual rate assessed to a \$500,000 account managed through our Professional Asset Management 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. Microcaps - 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 & Commodity Prices (\$)				Prem. (%)	Recent Market Returns							
	10/15/19	Mo. Earlier	Yr. Earlier		Data through September 30, 2019							
Gold, London p.m. fixing	1,487.80	1,503.10	1,229.95		U.S. Stocks (Mktwd)	Foreign Dev. Stocks	Foreign Emerg. Stocks	Global REITs	U.S. Bonds	Foreign Bonds (hedged)	Gold	
Silver, London Spot Price	17.67	18.15	14.74		1-month	1.76%	2.81%	1.91%	2.57%	-0.53%	0.09%	-2.82%
Crude Oil, W. Texas Int. Spot	52.81	63.10	71.84			↑	↑	↑	↑	↓	↑	↓
Coin Prices (\$)¹					3-month	1.16%	-0.93%	-4.25%	5.72%	2.27%	1.17%	5.42%
American Eagle (1.00)	1,503	1,518	1,255	1.01		↑	↓	↓	↑	↑	↑	↑
Austrian 100-Corona (0.9802)	1,452	1,467	1,199	-0.41	1 year	2.92%	-0.95%	-2.02%	15.08%	10.30%	4.91%	25.10%
British Sovereign (0.2354)	350	354	290	0.00		↑	↓	↓	↑	↑	↑	↑
Canadian Maple Leaf (1.00)	1,498	1,513	1,240	0.67	5 year (annualized)	10.44%	3.06%	2.33%	7.36%	3.38%	2.21%	4.17%
Mexican 50-Peso (1.2057)	1,786	1,804	1,475	-0.45		↑	↑	↑	↑	↑	↑	↑
Mexican Ounce (1.00)	1,506	1,521	1,248	1.21	15 year (annualized)	9.10%	5.36%	7.82%	6.72%	4.21%	2.90%	8.89%
S. African Krugerrand (1.00)	1,495	1,510	1,237	0.47		↑	↑	↑	↑	↑	↑	↑
U.S. Double Eagle-\$20 (0.9675)					Best and worst one-year returns, Jan. 2001 - Sept. 2019							
St. Gaudens (MS-60)	1,457	1,389	1,220	1.22	Best	56.0%	57.2%	91.6%	85.7%	13.8%	7.1%	57.6%
Liberty (Type II-AU50)	1,467	1,402	1,325	1.91	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
Liberty (Type III-AU50)	1,442	1,382	1,169	0.18	Worst	-43.5%	-50.3%	-56.6%	-59.5%	-2.5%	0.1%	-27.4%
U.S. Silver Coins (\$1,000 face value, circulated)					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
90% Silver Circ. (715 oz.)	12,529	11,446	11,844	-0.83	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.							
40% Silver Circ. (295 oz.)	5,121	4,686	4,821	-1.77								

THE DOW JONES INDUSTRIALS RANKED BY YIELD*

Ticker Symbol	Market Prices (\$)			12-Month (\$)		Latest Dividend Amount (\$)	Record Date	Payable Date	Indicated Annual Dividend (\$)	Yield† (%)	
	10/15/19	9/13/19	10/15/18	High	Low						
Dow Chemical	DOW	47.20	48.20	n/a	60.52	40.44	0.700	11/29/19	12/13/19	2.800	5.93
Exxon Mobil	XOM	69.42	72.64	80.82	83.75	64.65	0.870	8/13/19	9/10/19	3.480	5.01
IBM	IBM	143.00	143.67	141.13	152.95	105.94	1.620	8/9/19	9/10/19	6.480	4.53
Chevron	CVX	116.31	121.50	116.94	127.34	100.22	1.190	8/19/19	9/10/19	4.760	4.09
Verizon	VZ	60.55	59.96	53.60	61.58	52.28	0.615	10/10/19	11/1/19	2.460	4.06
Pfizer	PFE	36.50	36.91	43.12	46.47	33.97	0.360	11/8/19	12/2/19	1.440	3.95
3M Company	MMM	162.98	171.44	198.94	219.75	150.58	1.440	8/16/19	9/12/19	5.760	3.53
Walgreen's	WBA	54.51	55.99	74.72	86.31	49.03	0.458	11/18/19	12/12/19	1.830	3.36
Caterpillar	CAT	131.03	133.78	141.80	144.77	111.75	1.030	10/21/19	11/20/19	4.120	3.14
Cisco	CSCO	46.36	50.03	44.67	58.26	40.25	0.350	10/4/19	10/23/19	1.400	3.02
J P Morgan	JPM	119.96	120.23	106.34	126.82	91.11	0.900	10/4/19	10/31/19	3.600	3.00
Coca-Cola	KO	53.51	54.26	44.91	55.92	44.42	0.400	12/2/19	12/16/19	1.600	2.99
Johnson & Johnson	JNJ	132.84	130.78	133.95	148.99	121.00	0.950	11/26/19	12/10/19	3.800	2.86
Merck	MRK	85.04	82.61	69.46	87.35	70.12	0.550	9/16/19	10/7/19	2.200	2.59
Procter and Gamble	PG	117.20	122.12	80.13	125.77	86.74	0.746	10/18/19	11/15/19	2.984	2.55
Goldman Sachs	GS	206.46	219.90	215.22	234.06	151.70	1.250	12/2/19	12/30/19	5.000	2.42
McDonald's	MCD	207.22	209.81	163.67	221.93	169.04	1.250	12/2/19	12/16/19	5.000	2.41
Intel Corp	INTC	52.65	52.54	44.53	59.59	42.86	0.315	11/7/19	12/1/19	1.260	2.39
Home Depot, Inc.	HD	235.62	233.98	191.17	238.99	158.09	1.360	9/5/19	9/19/19	5.440	2.31
Travelers	TRV	143.31	146.31	123.39	155.09	111.08	0.820	12/10/19	12/31/19	3.280	2.29
Boeing	BA	370.96	379.76	358.88	446.01	292.47	2.055	11/8/19	12/6/19	8.220	2.22
United Tech.	UTX	136.15	138.06	130.33	144.40	100.48	0.735	11/15/19	12/10/19	2.940	2.16
Unitedhealth Group	UNH	238.59	233.61	260.25	287.94	208.07	1.080	9/16/19	9/24/19	4.320	1.81
Wal-Mart Stores	WMT	119.53	117.43	93.82	120.71	85.78	0.530	12/6/19	1/2/20	2.120	1.77
American Express	AXP	117.59	119.20	102.62	129.34	89.05	0.430	10/4/19	11/8/19	1.720	1.46
Microsoft Corp.	MSFT	141.57	137.32	107.60	144.96	93.96	0.510	11/21/19	12/12/19	2.040	1.44
Walt Disney	DIS	129.76	137.93	113.44	147.15	100.35	0.880	7/8/19	7/25/19	1.760	1.36
Apple	AAPL	235.32	218.75	217.36	247.63	142.00	0.770	8/12/19	8/15/19	3.080	1.31
Nike	NKE	94.79	87.32	74.99	96.87	66.53	0.220	9/3/19	9/30/19	0.880	0.93
Visa Inc.	V	178.75	177.27	137.23	187.05	121.60	0.250	8/16/19	9/3/19	1.000	0.56

† Based on indicated dividends and market price as of 10/15/19. Extra dividends are not included in annual yields.

All data adjusted for splits and spin-offs. 12-month data begins 10/15/18.

ASSET CLASS INVESTMENT VEHICLES

Data as of September 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	2427	0.07	48		2.22	1.94	1.94	1.94	0.78
Short-Term Bonds	SPDR Portfolio Short Term Corp Bd ETF	1.93 yrs	1155	0.07	46		2.79	2.37	2.07	2.07	0.91
Short-Term Bonds	iShares 1-3 Year Treasury Bond ETF	1.95 yrs	87	0.15	62		2.11	1.40	1.40	1.19	0.59
Interm-Term	Vanguard Total Bond Market Adm	8.30 yrs	17409	0.05	54		2.74	2.90	2.90	3.35	1.09
Interm-Term	iShares Core US Aggregate Bond ETF	7.78 yrs	7640	0.05	146		2.71	2.84	3.32	3.32	1.05
Tax-Exempt	Vanguard Ltd-Term Tax-Exempt Inv	2.90 yrs	5636	0.17	28		1.89	1.76	1.62	1.62	0.00
Tax-Exempt	SPDR Nuveen Blimbg Barclays ST MunBd ETF	3.01 yrs	971	0.20	35		1.37	1.30	1.17	1.17	0.00
Tax-Exempt	Vanguard Interm-Term Tx-Ex Inv	5.30 yrs	8788	0.17	15		2.65	2.80	3.17	3.17	0.00
Inflation-Protected	iShares TIPS Bond ETF	0.00 yrs	40	0.19	21		1.85	2.08	2.36	2.36	0.86
Inflation-Protected	Vanguard Inflation-Protected Securities Inv	8.70 yrs	41	0.20	27		2.29	1.96	2.28	2.28	1.16
International	Vanguard Total International Bond Adm	10.10 yrs	6033	0.11	22		2.81	4.10	4.54	4.54	0.96

Real Estate (REITs)

U.S. REITs	Vanguard REIT Adm	16.24 B	187	0.11	24	2.61	3.36	7.06	9.94	9.94	1.53
U.S. REITs	SPDR Dow Jones REIT	14.12 B	96	0.25	9	2.33	3.21	6.23	9.43	9.43	1.49
Int'l REITs	Vanguard Global ex-US Real Estate Adm (2)	6.19 B	609	0.12	7	0.94	3.76	6.08	5.58	5.58	1.63
Int'l REITs	iShares International Developed Property	6.40 B	363	0.48	9	0.94	4.22	8.78	5.41	5.35	1.67
Global (incl. U.S.)	SPDR Dow Jones Global Real Estate ETF	10.47 B	232	0.50	11	1.50	3.12	12.74	5.01	6.71	1.40

U.S. Stocks

Large Cap (blend)	Vanguard S&P 500 Adm	111.02 B	512	0.04	4	3.09	1.98	13.36	10.80	10.80	0.55
Large Cap (blend)	iShares Core S&P 500	109.58 B	508	0.04	5	3.05	2.06	13.37	10.80	10.80	0.53
Large Cap (blend)	iShares Russell 1000 ETF	83.96 B	1005	0.15	6	2.93	1.84	13.04	10.49	10.49	0.51
Large Cap Value	Vanguard Value Adm	83.01 B	355	0.05	8	2.08	2.49	11.45	9.33	9.33	0.69
Large Cap Value	iShares Russell 1000 Value	56.36 B	767	0.19	17	1.83	2.35	9.26	7.61	7.61	0.65
Small Cap (blend)	iShares Core S&P Small-Cap ETF	1.58 B	605	0.07	14	1.58	1.44	9.32	9.84	9.84	0.40
Small Cap (blend)	Schwab US Small-Cap ETF	2.43 B	1756	0.04	9	1.61	1.51	8.13	7.80	7.80	0.44
Small Cap Value	Vanguard Small Cap Value Adm	3.52 B	861	0.07	18	1.50	2.04	7.33	7.60	7.60	0.61
Small Cap Value	iShares Russell 2000 Value	1.49 B	1406	0.24	26	1.15	1.91	6.43	7.05	7.05	0.58
Small Cap Value	iShares Micro-Cap	0.41 B	1408	0.60	25	1.23	1.16	-16.13	5.30	6.13	0.33
Marketwide	Vanguard Total Stock Market Adm	65.17 B	3592	0.04	3	2.86	1.80	12.81	10.42	10.42	0.61
Marketwide	Fidelity Total Market Index	65.34 B	3429	0.02	8	2.85	1.70	12.80	10.43	10.43	0.90

Foreign Stocks

Developed Markets	Vanguard FTSE Developed Markets Adm	22.72 B	3936	0.07	3	1.36	3.10	6.28	3.62	3.62	0.80
Developed Markets	iShares Core MSCI EAFE ETF	23.11 B	2486	0.07	2	1.37	3.20	-1.47	6.58	3.86	0.84
Emerging Markets	Vanguard Emerging Markets Stock Adm	20.24 B	4149	0.14	11	1.49	2.76	1.27	5.26	2.01	0.81
Emerging Markets	Schwab Emerging Markets Equity ETF	28.89 B	1330	0.13	18	1.51	3.16	0.95	5.64	2.44	0.81

Gold-Related Funds

Gold ETFs	SPDR Gold Minishares	GLDM		0.18			0.00	23.43	n/a	n/a	0.00
Gold ETFs	GraniteShares Gold Trust	BAR		0.17			0.00	23.58	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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