

\*See box, page 46, for representative indexes.

## Large and In Charge? Giant Firms atop Market Is Nothing New.

A top-heavy stock market with the largest 10 stocks accounting for over 20% of market capitalization and a marquee technology firm perched at No. 1? This sounds like a description of the current US stock market, dominated by Apple and the other FAANG stocks,<sup>1</sup> but it is actually a reference to 1967, when IBM represented a larger portion of the market than Apple at the end of 2019 (5.8% vs. 4.1%).

As we see in Exhibit 1, it is not particularly unusual for the market to be concentrated in a handful of stocks. The combined market capitalization weight of the 10 largest stocks, just over 20% at the end of last year, has been higher in the past.

A breakdown of the largest US stocks by decade in Exhibit 2 shows some companies have stayed on top for a long time. AT&T was among the largest two for six straight decades beginning in 1930. General Motors and General Electric ranked in the top 10 at the start of multiple decades. IBM and Exxon were also mainstays in the second half of the 20th century. Hence, concentration of the stock market in a few large companies such as the FAANG stocks in recent years is not a new normal; it is old normal.

Moreover, while the definition of “high-tech” is constantly evolving, firms dominating the market have often been on the cutting edge of technology. AT&T offered the first mobile telephone service in 1946. General Motors pioneered such innovations as the electric car starter, airbags, and the automatic

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### Rates of Interest

As of June 24, 2020

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

Fed Funds Rate	0.08%
3-Month Treas. Bill	0.16%
10-Yr. Treas. Note	0.72%
30-Yr. Treas. Bond	1.49%
10-Yr. TIPS	-0.66%
Muni Bonds - Nat'l 10-Yr.	0.90%

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

15-Yr Fixed	2.58%
30-Yr Fixed	3.13%

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

Savings	0.06%
Money Market	0.09%
12-month CD	0.25%

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

[2] Freddie Mac. Average (National average mortgages with 0.8 points).

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

transmission. General Electric built upon the original Edison light bulb invention, contributing to further breakthroughs in lighting technology, such as the fluorescent bulb, halogen bulb, and the LED. So technological innovation dominating the stock market is not a new normal; it is an old normal too.

Another trend attributed to a new normal is the extraordinary performance of FAANG stocks over the past decade, leading some to wonder if we should expect these stocks to continue such strong performance going forward. Investors should remember that any expectations about the future operational performance of a firm are already reflected in its current price. While positive developments for the company that exceed current expectations may lead to further appreciation of its stock price, those unexpected changes are not predictable.

To this point, charting the performance of stocks following the year they joined the list of the 10 largest firms shows decidedly less stratospheric results. On average, these stocks outperformed the market by an annualized 0.7% in the subsequent three-year period.

Over five- and 10-year periods, these stocks underperformed the market on average.

The only constant is change, and the more things change the more they stay the same. This seems an apt description of the dominant stocks atop the market. While the types of businesses most prominent in the market vary through time, the fact that a small subset of companies' stocks account for an outsized portion of the stock market is not new. And it remains impossible to systematically predict which large companies will outperform the stock market and which will underperform it. This underscores the importance of having a broadly diversified equity portfolio that provides exposure to a vast array of companies and sectors.

**Exhibit 1**

**Same Old Story**

Weight of largest stocks by market capitalization in US stock market, 1927–2019

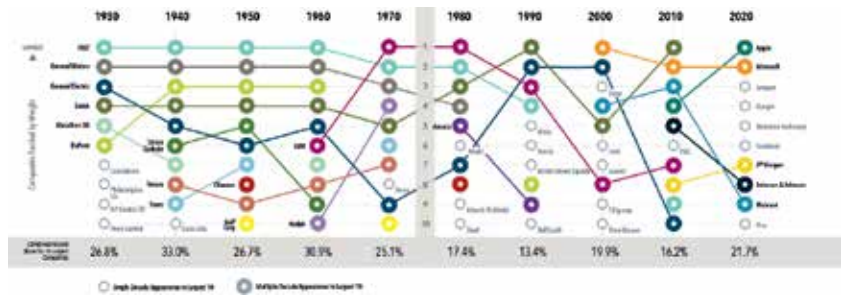


Source: Dimensional, using data from CRSP and Compustat. Includes all US common stocks. Largest stocks identified at the end of each calendar year by sorting stocks on market capitalization. CRSP and Compustat data provided by the Center for Research in Security Prices, University of Chicago.

**Exhibit 2**

**Big Board**

Largest 10 US stocks at the start of each decade

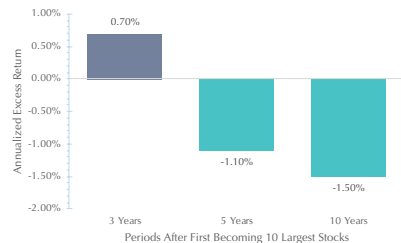


Source: Dimensional, using data from CRSP and Compustat. Includes all US common stocks. Largest stocks identified at the end of the calendar year preceding the respective decade by sorting eligible US stocks on market capitalization using data provided by the Center for Research in Security Prices, University of Chicago.

**Exhibit 3**

**Power Down**

Annualized return in excess of market for stocks after joining list of 10 largest US stocks, 1927–2019



Source: Dimensional, using data from CRSP and Compustat. Includes all US common stocks. Largest stocks identified at the end of each calendar year by sorting eligible US stocks on market capitalization using data from CRSP. Market is represented by the Fama/French Total US Market Research Index. Excess return for each stock is the difference in annualized compound returns between the stock and the market, computed from the first month following initial classification in the top 10. Stocks in the sample are required to have at least 36 months of returns data following classification in the top 10.

1. Facebook, Amazon, Apple, Netflix, and Google (a subsidiary of Alphabet) are often referred to as the FAANG stocks.

## IRS GUIDANCE EXPANDS 2020 RMD WAIVERS

As part of the Coronavirus relief “CARES Act,” retirees are not required to take required minimum distributions from IRAs and 401(k)s in 2020. This is a great opportunity for IRA owners who don’t need to take withdrawals to meet their spending needs. However,

the initial guidance had left out anyone who had already taken their distribution in January, and the original due date to reverse RMDs was July 15.

On June 23, the IRS issued [additional guidance](#) whereby any distribution that has been taken at any point during

2020, including distributions taken in January, may be rolled back into an IRA by August 31.

According to the release, “The 60-day rollover period for any RMDs already taken this year has been extended to August 31, 2020, to give taxpayers time

to take advantage of this opportunity.”

For IRA owners who can afford to reverse their taxable distribution, this provision will allow these funds to continue to grow tax-deferred and reduce their taxable income in 2020. Lower taxable income can also result in lower taxable Social Security and lower

Medicare premiums, depending on the taxpayer's other income. IRA owners who have already taken a distribution can revisit their decision.

Because the RMD suspension reduces taxable income for 2020, the idea of converting a portion of an IRA to a Roth may be more appealing for retirees,

depending on individual circumstances. We encourage clients who have already taken a distribution to discuss with their advisor or accountant whether a reversal and or a Roth conversion might be advantageous

## IN MEMORIAM: LAWRENCE PRATT

It is with great sorrow that we report the passing of Larry Pratt on June 27. Larry served in several roles at AIER and AIS. He made a profound contribution to both organizations, through illuminating our readers and helping our clients prosper.

Larry started at AIER in 1973 and went on to take on nearly every job and hold nearly every title. He first worked on the research staff under the guidance of AIER's founder, Col. E.C. Harwood, eventually he became Director of Research and Education. He also served as President of AIS during in the 1990s, and was the driving force behind much of its investment research.

Larry's name may not be as familiar to supporters of AIER as it should be. For most of his tenure AIER did not print by-lines identifying the authors of articles. Suffice to say, his articles stood out for their sharp analysis, persuasive-

ness, timeliness, relevance, wit, and humor (example: he titled an article comparing the dollar to other fiat currencies "The World's Tallest Dwarf"). It's not easy to write about economics for non-economists in an engaging way, but Larry viewed that as an essential part of the job. That he was able to do so week after week for nearly four decades is astonishing.

In addition to countless articles, he wrote a number of books, including *How to Invest Wisely*. He also edited many articles and books for AIER, often taking the straw of early drafts and spinning it into gold. He also taught a seminar in AIER's Summer Fellowship Program, on "Thinking Like an Economist," aimed at encouraging the summer fellows (mostly graduate students in economics) to consider how they might help non-economists to better understand the world.

Larry's research spanned numerous

areas ranging from monetary economics to personal finance. His varied interests, including history and science, served him well. Staff would frequently turn to Larry for help with various aspects of inquiry, ranging from empirical methodology to government policy.

While Larry focused primarily on educating the layman, he made important contributions to the discipline. In the early 1980s he quietly lent critical support to the "supply-side revolution" by providing key analytical support behind his friend George Gilder's seminal work "Wealth and Poverty." His work on the high-yield Dow investment approach preceded, and ultimately improved upon, more popular but simplistic approaches.

Larry's many contributions serve as inspiration for future generations of AIER scholars and AIS staff. He will be missed greatly.

## HOW THE FEDERAL RESERVE LITERALLY MAKES MONEY<sup>1</sup>

The Federal Reserve has vowed to provide up to [US\\$2.3 trillion](#) in lending to support households, employers, financial markets and state and local governments struggling as a result of the coronavirus and corresponding stay-at-home orders.

Let that number sink in: \$2,300,000,000,000.

I have a [Ph.D. in economics](#), direct the [Sound Money Project](#) at the American Institute for Economic Research and write regularly on Federal Reserve policy. And, yet, it is difficult for me to wrap my head around a number that large. If you were to stack 2.3 trillion \$1 bills, it [would reach over halfway to the Moon](#).

Put simply, it is a lot of money. Where does it all come from?

Unlike the trillions of dollars the [Treasury is spending to save the economy](#) by bailing out companies or beefing up unemployment checks, [very little of the Fed's money](#) actually comes from taxpayers or sales of government

bonds. Most of it, in fact, emerges right out of thin air. And that has costs.

### Printing Green

It is common to hear people say the Fed prints money.

That's not technically correct. The Bureau of Engraving and Printing, an agency of the U.S. Treasury, [does the printing](#). The Fed, for its part, purchases cash from the Bureau at cost and then puts it in circulation.

Although you may have heard some economists talk about the Fed figuratively [dropping cash from helicopters](#), its method of distribution isn't quite as colorful. Instead, it gives banks cash in exchange for old, worn-out notes or digital balances held by the banks at the Fed. In this way, the Fed can help banks accommodate changes in demand for banknotes, like those in advance of [major holidays](#) or after [natural disasters](#).

These exchanges are dollar-for-dollar swaps. The Fed does not typically increase the [monetary base](#) – the total amount of currency in circulation and reserves held by banks at the central bank – when it distributes new banknotes.

### Magicking Green

To put more money into circulation, the Fed typically purchases financial assets – in much the same way that it plans to spend that \$2.3 trillion.

To understand how, one must first recognize that the Fed is a bankers' bank. That is, banks hold deposits at the Fed much like you or I might hold deposits in a checking account at Chase or Bank of America. That means when the Fed purchases a government bond from a bank or makes a loan to a bank, it does not have to – and usually doesn't – pay with cash. Instead, the Fed just credits the selling or borrowing bank's account.

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The Fed does not print money to buy assets because it does not have to. It can create money with a mere keystroke.

So as the Fed buys Treasuries, mortgage-backed securities, corporate debt and other assets [over the coming weeks and months](#), money will rarely change hands. It will just move from one account to another.

## Costs of Magical Money

While the Fed can create money [out of thin air](#), that does not mean it does so without cost. Indeed, there are two potential costs of creating money that one should keep in mind.

The first results from inflation, which denotes a general increase in prices and, correspondingly, a fall in the purchasing power of money. Money is a highly liquid – easily exchangeable – asset we use to make purchases. When the Fed creates more money than we want to hold on to, we exchange the excess money for less liquid assets, including goods and services. Prices are driven up in the process. When the Fed does this routinely, expected inflation gets built

into long-term contracts, like mortgages and employment agreements. Businesses incur costs from having to [change prices more frequently](#), while consumers have to [make more frequent trips to the bank or ATM](#).

The other cost is a consequence of reallocating credit.

Suppose the Fed makes a loan to the “Bank of Fast and Loose Lending.” If the bank wasn’t able to secure alternative funding, this suggests that other private financial institutions deemed its lending practices too risky. In making the loan, the Fed has only created more money. It has not created more real resources that can be bought with money. And so, by giving the Bank of Fast and Loose Lending a lifeline, the Fed enables it to take scarce real resources away from other productive ventures in the economy.

The [cost to society](#) is the difference between the value of those real resources as employed by the Bank of Fast and Loose Lending and the value of those real resources as employed in the productive ventures forgone.

## Uncharted Waters

In recent years, the Fed has shown itself to be quite adept at keeping inflation low, even when making large-scale asset purchases.

The central bank purchased nearly [\\$3.6 trillion](#) worth of assets from September 2008 to January 2015, yet annual inflation averaged roughly [1.5% over the period](#) – well below its [2% target](#).

I’m less sanguine about the Fed’s ability to keep the costs of reallocating credit low. Congress has [traditionally limited](#) the Fed to making loans to banks and other financial market institutions. But now it is [tasking the Fed](#) with providing direct assistance to [nonbank businesses and municipalities](#) – areas where the Fed lacks experience.

It is difficult to predict how well the Fed will manage its new lending facilities. But its limited experience making loans to small businesses – [in the 1930s, for example](#) – does little to alleviate the concerns of myself and others.

Congress gave the Fed the ability to create money from thin air. The Fed should wield this power wisely.

1. This article appeared in [AIER’s Daily Economy](#) and was originally published in [The Conversation](#).

## WHERE DID THE WEALTH GO?

In recessions, people ask: “Where did the wealth go?” For example, it was estimated that between 2006 and 2009 [“homeowners’ equity has fallen by over 50 percent](#), or about six trillion dollars.” Well, that’s a lot of wealth. Where did it go?

The common, but naive, answer is “Rich people took it; in fact, that’s how they got rich in the first place!” Given that most of the wealth was lost by “rich people,” who disproportionately own stock or the other assets whose values fell, that seems unlikely. This view takes wealth as fixed, and therefore zero-sum: for me to be wealthy, you have to be poor. That [fallacy underpins many misguided regulatory and tax policies](#).

Remember: market systems are platforms that nurture [specialization](#) and [voluntary mutual aid](#). If we all specialize, and then exchange, we all become wealthier because specialization creates sharply increasing returns to scale in output and innovation. More stuff plus better stuff equals more wealth. Profits, and financial wealth, are simply the reward for enabling many voluntary exchanges, [as I explained here](#).

Wealth is not the only thing we should care about, of course. But the folks telling us we shouldn’t care about wealth come from wealthy countries, and take their wealth for granted. It’s much easier to manage problems, ranging from [social problems](#) to [climate change](#), if you have the resources to respond. And that takes wealth. That’s why the failure to understand wealth is so important.

Wealth is the result of the stuff that is exchanged, not the money. As Alfred Marshall said in his landmark book *Principles of Economics*, “All wealth consists of desirable things; that is, things which satisfy human wants directly or indirectly.” Marshall goes on to note that not all desirable things are wealth, because we also desire family affections and trusted friends. But all wealth consists of access to desirable things; poverty is the lack of such access, not a shortage of money.

And that suggests an answer to the question about “where does wealth go, in a recession?” A recession is a reduction in access to desirable things. As [I have argued in talking to Russ Roberts on EconTalk, the most important idea](#)

[in economics is opportunity cost](#), often taking the form of transactions that fail to take place. Those are real losses: if I want some potatoes, and have money, and you have some potatoes and want money, we should exchange. Failing to exchange is hard to measure of course, and that’s why [Bastiat was concerned with “the unseen.”](#)

The misconception arises in conceiving wealth as money, and even worse as physical currency. The latter mistake is easily dealt with, since only [about 10% of the total “money” we use takes the form of pieces of paper and coins](#). If you consider wealth the value of assets and financial instruments, currency is far less than 1% of the total.

But even when we think of wealth as “value,” it is easy to become confused. The problem is the premise that wealth is an objective thing. It’s not: value is subjective. My financial wealth, at one level, is simply the liquidated value of all of my assets. To “liquidate” something, I have to convert it to cash or some other exchangeable form of value. Suppose I own a restaurant, or a farm, or shares of stock; it’s cumbersome to offer



those in payment at the grocery (plus, it's hard to make change: "Okay, you paid the farm. But this food only costs 1/1 millionth of the farm, so I owe you a lot of dirt back.") The problem is that the value of the restaurant, or the farm, or the stock, is only what someone will pay me for it; the value is not intrinsic.

From that perspective, it's easy to see "where the money went:" It never existed in the first place. If my stock had a quoted price of \$100 on an exchange, and that price fell to \$75 per share, that means the forecast of the present value of future earnings for that company fell. The stock is a claim on the future stream of profits; the estimated value of the stream fell because of new taxes, new regulations, changes in consumer preferences, or the invention of a new competing product.

That still doesn't really explain what happens to wealth, at the national level, though. We all feel like we have been made poorer by the government policies locking down the economy since March. Some have been harmed more than others, but almost everyone has had their wealth reduced.

How? The answer is that wealth is stuff, and services, or rather wealth is the use of stuff and access to services. There was a "[Planet Money](#)" episode recently on NPR where they got the "Where did the money go?" question from a listener.

(Listener) "In the past several months of the pandemic, we've lost hundreds of millions of dollars. And I'm curious where all of that money goes. It can't just disappear. Where does the money go?" (Actually, [estimates of the costs of the government-imposed lockdown are as](#)

[high as \\$80 trillion...](#))

(Berkeley Econ Prof Martha Olney): In a normal time, one person will spend money, and that becomes the income of the next person...And so we have this flow of funds through the economy, and that's what generates income for a person....So for instance, if I take my car to my mechanic who lives across the street and I pay him for his service, that becomes income for my mechanic. The mechanic then goes to the grocery store and buys groceries at the grocery store. His spending becomes income for the grocer. The grocer goes to the drugstore and buys some medicine, and the grocer's spending becomes income for the people at the drugstore.

That notion of wealth is what most macroeconomists will tell you. And it's not technically wrong. But it is entirely useless for understanding what wealth is, and what has been lost in the lockdown. To see the problem, consider this: suppose I have a lot of bread, and you have a lot of cheese. On Monday, you pay me \$50 for some of my bread; on Tuesday, I pay you \$40 for some of your cheese. Then we both eat bread and cheese. How would we measure the wealth in that system? The total economic activity is the sum of all the sales of goods, in this case \$50 plus \$40 = \$90. Many macroeconomists look at the money moving around and take that to be the relevant measure of wealth.

This smacks of the "Midas Fallacy," of course, in which the King of Phrygia, desiring to be wealthy, asked Dionysius for the ability to transform anything he touched to gold. It quickly became clear that true wealth was not money, but the

ability to acquire the things that money can buy. Midas would have starved if he had not renounced the "gift of the golden touch."

Which brings us back to our example: the increase in wealth is not the money, it's the bread and the cheese! Wealth is not money, it's access to things, and to services. In Prof. Olney's example, look at what is "unseen:" The professor does not get her car fixed. The mechanic does not get any groceries. The grocer doesn't get the drugs she needs to buy.

The cost of the economic lockdown is not the loss of income; that's just a way of accounting or measuring value. In my earlier example, the loss of wealth was not the money that the farmer lost, or that the restaurateur gave up; it was the fact that the farm shut down, and the restaurant closed.

The cost of the lockdown is the forgone economic activity, all the meals and haircuts and vacations and flights and trips to the theater and the movies and the nightclub. Those things are gone, and they cannot be made up. We had access to fewer desirable things; that's where the wealth went.

The wealth didn't go anywhere. No one took it, and it won't be coming back. An economy is a way of using prices, with dollars as an accounting tool, to encourage division of labor and the exchange of physical goods and services. If you block the movement of those goods and services, you destroy wealth. It's not the money, it's all the exchanges that failed to happen that are the loss of wealth.

## THE COMING FLOOD OF FORMS

Investors who work with a broker-dealer (BD) or SEC-registered investment advisor (RIA) face a deluge of mandatory notices in their mail box or email inbox. The SEC has required that a new form, the Client Relationship Summary (CRS), be delivered to existing retail investors by July 30.

Form CRS is intended to provide a basic summary of each firm's services, fees, conflicts of interest and disciplinary information. This information must be presented in a narrowly prescribed manner to facilitate comparison with other firms.

Form CRS recipients include retail clients in our Professional Asset

Management program as well as retail investors who work with another RIA or a BD. Our clients can expect to receive a form CRS from us and possibly from their custodian. Notably, there are no exclusions to those considered retail investors, so even sophisticated or high-net worth individuals such as Warren Buffet will be receiving these forms.

This SEC directive will generate numerous deliveries in years to come. Retail investors who are clients of an RIA can expect to receive an additional CRS each time: 1. their RIA recommends a rollover, 2. the investor opens a new account, or 3. the RIA recommends a new investment product or service that does

not necessarily involve opening a new account and would not be held in an existing account. The delivery requirements for BDs are even more demanding.

Retail investors with multiple financial service providers will receive multiple CRSs initially and on an ongoing basis. Summaries may be delivered electronically, which will reduce mailbox clutter but increase incoming email. This "notification overload" serves as one more reason to consider consolidating your assets with a single RIA.

## THE HIGH-YIELD DOW INVESTMENT STRATEGY

### HYD Model Portfolio

As of June 15, 2020

	Rank	Yield (%)	Price (\$)	Status	—Percent of Portfolio—	
					Value (%)	No. Shares (%) <sup>1</sup>
Exxon Mobil	1	7.38	47.14	Holding**	21.13	27.08
Dow, Inc.	2	6.67	41.98	Buying	22.16	31.90
Chevron	3	5.66	91.23	Holding**	12.02	7.96
IBM	4	5.36	121.65	Holding**	25.93	12.88
Verizon	7	4.38	56.15	Selling	18.75	20.18
Cash (6-mo. T-Bill)	N/A	N/A			0.01	N/A
Totals					100.00	100.00

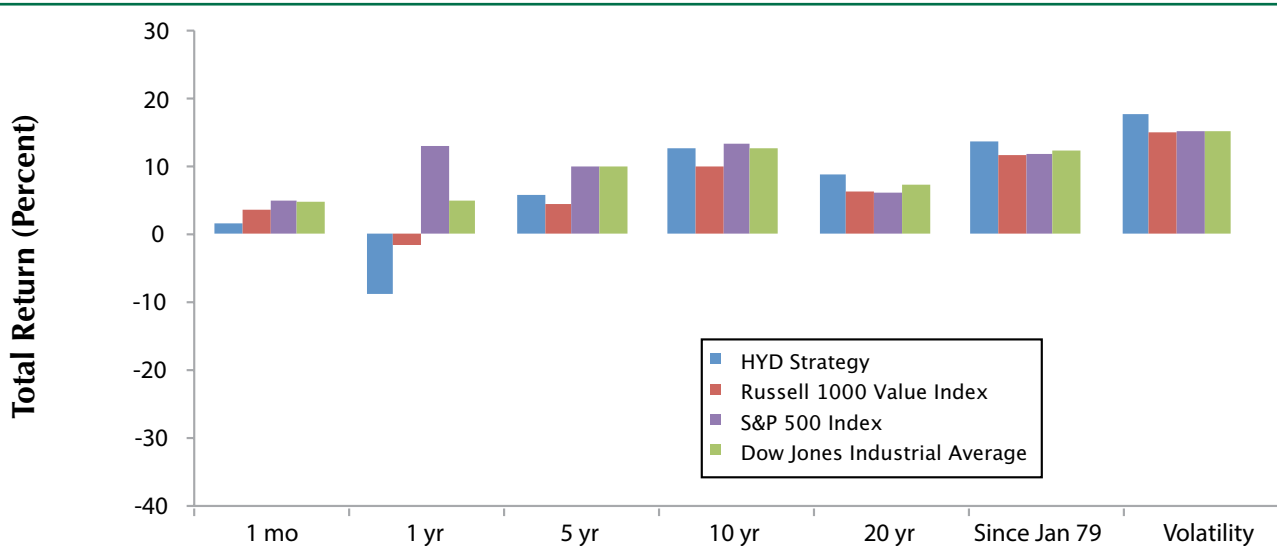
\*\*Currently indicated purchases approximately equal to indicated purchases 18 months ago. <sup>1</sup>Because the percentage of each issue in the portfolio by value reflects the prices shown in the table (closing prices on the date indicated), we are also showing the number of shares of each stock 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](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 May 31, 2020\*. 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	1.46	-8.89	5.63	12.50	8.68	13.41	17.49
Russell 1000 Value Index	3.43	-1.64	4.36	9.85	6.10	11.42	14.77
S&P 500 Index	4.76	12.84	9.86	13.15	5.94	11.70	15.03
Dow Jones Industrial Average	4.66	4.83	9.76	12.39	7.04	12.15	14.89



\*Data assume all purchases and sales at mid-month prices (+/-\$.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 (\$)					Recent Market Returns							
	6/15/20	Mo. Earlier	Yr. Earlier	Prem. (%)	Data through May 31, 2020							
					U.S. Stocks (Mktwd)	Foreign Dev. Stocks	Foreign Emerg. Stocks	Global REITs	U.S. Bonds	Foreign Bonds (hedged)	Gold	
Gold, London p.m. fixing	<b>1,710.45</b>	1,735.35	1,351.25		5.35%	4.25%	0.77%	0.89%	0.47%	0.11%	2.60%	
Silver, London Spot Price	<b>17.08</b>	16.25	15.03		↑	↑	↑	↑	↑	↑	↑	
Crude Oil, W. Texas Int. Spot	<b>37.07</b>	29.44	52.47		2.89%	-4.23%	-6.95%	-16.59%	1.65%	0.18%	9.12%	
					↑	↓	↓	↓	↑	↑	↑	
Coin Prices (\$)¹					1 year	11.46%	-3.12%	-4.39%	-16.17%	9.42%	2.76%	32.54%
American Eagle (1.00)	<b>1,783</b>	1,809	1,376	4.25	↑	↓	↓	↓	↑	↑	↑	
Austrian 100-Corona (0.9802)	<b>1,677</b>	1,701	1,318	0.00	5 year (annualized)	9.17%	0.74%	0.88%	0.36%	3.94%	2.22%	7.76%
British Sovereign (0.2354)	<b>403</b>	409	318	0.00	↑	↑	↑	↑	↑	↑	↑	
Canadian Maple Leaf (1.00)	<b>1,755</b>	1,780	1,361	2.63	15 year (annualized)	8.66%	3.98%	6.07%	3.92%	4.39%	2.75%	9.91%
Mexican 50-Peso (1.2057)	<b>2,062</b>	2,092	1,621	0.00	↑	↑	↑	↑	↑	↑	↑	
Mexican Ounce (1.00)	<b>1,728</b>	1,753	1,369	1.05	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>
S. African Krugerrand (1.00)	<b>1,755</b>	1,780	1,358	2.63	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
U.S. Double Eagle-\$20 (0.9675)					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>
St. Gaudens (MS-60)	<b>1,764</b>	1,752	1,262	6.60	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
Liberty (Type II-AU50)	<b>1,656</b>	1,594	1,282	0.07	Best and worst one-year returns, Jan. 2001 - May 2020							
Liberty (Type III-AU50)	<b>1,745</b>	1,754	1,252	5.45								
U.S. Silver Coins (\$1,000 face value, circulated)												
90% Silver Circ. (715 oz.)	<b>12,192</b>	12,519	10,399	-0.19								
40% Silver Circ. (295 oz.)	<b>4,297</b>	4,147	4,222	-14.75								
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. Premiums will vary; these indicated premiums are provided in The CDN Monthly Greysheet.												

## THE DOW JONES INDUSTRIALS RANKED BY YIELD\*

Ticker Symbol	Market Prices (\$)			12-Month (\$)		Latest Dividend Amount (\$)	Record Date	Payable Date	Indicated Annual Dividend (\$)	Yield† (%)	
	6/15/20	5/15/20	6/15/19	High	Low						
Exxon Mobil	XOM	47.14	42.00	74.35	77.93	30.11	0.870	5/13/20	6/10/20	3.480	7.38
Dow Chemical	DOW	41.98	33.56	51.15	56.25	21.95	0.700	5/29/20	6/12/20	2.800	6.67
Chevron	CVX	91.23	89.16	120.81	127.00	51.60	1.290	5/19/20	6/10/20	5.160	5.66
IBM	IBM	121.65	116.98	135.15	158.75	90.56	1.630	5/8/20	6/10/20	6.520	5.36
Pfizer	PFE	33.36	37.76	42.76	44.56	27.88	0.380	5/8/20	6/5/20	1.520	4.56
Walgreen's	WBA	41.49	38.40	52.57	64.50	36.65	0.458	5/20/20	6/12/20	1.830	4.41
Verizon	VZ	56.15	54.71	58.28	62.22	48.84	0.615	7/10/20	8/3/20	2.460	4.38
3M Company	MMM	157.73	138.69	166.69	187.72	114.04	1.470	5/22/20	6/12/20	5.880	3.73
J P Morgan	JPM	101.25	85.90	109.82	141.10	76.91	0.900	7/6/20	7/31/20	3.600	3.56
Coca-Cola	KO	46.30	43.26	51.31	60.13	36.27	0.410	6/15/20	7/1/20	1.640	3.54
Caterpillar	CAT	123.61	107.92	127.23	150.55	87.50	1.030	7/20/20	8/20/20	4.120	3.33
Merck	MRK	74.02	79.78	82.78	92.64	65.25	0.610	6/15/20	7/7/20	2.440	3.30
Cisco	CSCO	45.35	44.27	54.75	58.26	32.40	0.360	7/6/20	7/22/20	1.440	3.18
Travelers	TRV	114.85	90.31	150.11	155.09	76.99	0.850	6/10/20	6/30/20	3.400	2.96
Johnson & Johnson	JNJ	141.25	150.44	140.09	157.00	109.16	1.010	5/26/20	6/9/20	4.040	2.86
Raytheon Tech.	RTX	67.05	52.73	n/a	99.71	43.44	0.475	8/14/20	9/10/20	1.900	2.83
Procter and Gamble	PG	116.69	114.61	111.20	128.09	94.34	0.791	4/24/20	5/15/20	3.164	2.71
McDonald's	MCD	189.49	173.81	205.29	221.93	124.23	1.250	6/1/20	6/15/20	5.000	2.64
Home Depot, Inc.	HD	241.36	239.33	205.77	259.29	140.63	1.500	6/4/20	6/18/20	6.000	2.49
Goldman Sachs	GS	206.31	171.87	191.66	250.46	130.85	1.250	6/1/20	6/29/20	5.000	2.42
Intel Corp	INTC	60.10	58.28	46.19	69.29	43.63	0.330	5/7/20	6/1/20	1.320	2.20
Wal-Mart Stores	WMT	118.08	125.94	109.07	133.38	102.00	0.540	8/14/20	9/8/20	2.160	1.83
Unitedhealth Group	UNH	286.28	290.96	245.37	315.84	187.72	1.250	6/22/20	6/30/20	5.000	1.75
American Express	AXP	103.95	82.22	122.00	138.13	67.00	0.430	7/2/20	8/10/20	1.720	1.65
Microsoft Corp.	MSFT	188.94	183.16	132.45	203.95	130.78	0.510	8/20/20	9/10/20	2.040	1.08
Nike	NKE	97.84	86.99	83.44	105.62	60.00	0.245	6/1/20	7/1/20	0.980	1.00
Apple	AAPL	342.99	307.71	192.74	372.38	192.58	0.820	5/11/20	5/14/20	3.280	0.96
Walt Disney	DIS	117.08	109.05	141.65	153.41	79.07	0.880	12/16/19	1/16/20	0.880	0.75
Visa Inc.	V	191.76	183.49	169.66	214.17	133.93	0.300	5/14/20	6/2/20	1.200	0.63
Boeing	BA	190.94	120.00	347.16	391.00	89.00	0.000	Dividend suspended		0.000	0.00

† Based on indicated dividends and market price as of 6/15/20. Extra dividends are not included in annual yields.

All data adjusted for splits and spin-offs. 12-month data begins 6/15/19.

**ASSET CLASS INVESTMENT VEHICLES**

**Data as of June 2, 2020**

**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	2.80 yrs	2545	0.07	44		2.11	5.78	3.31	2.50	0.83
Short-Term Bonds	SPDR Portfolio Short Term Corp Bd ETF	1.94 yrs	1146	0.07	46		2.60	4.69	3.12	2.49	1.00
Short-Term Bonds	iShares 1-3 Year Treasury Bond ETF	1.89 yrs	80	0.15	56		1.85	4.42	2.52	1.73	0.69
Interm-Term	Vanguard Total Bond Market Adm	8.10 yrs	17920	0.05	31		2.52	9.46	5.10	4.01	1.11
Interm-Term	iShares Core US Aggregate Bond ETF	7.78 yrs	7917	0.04	108		2.51	9.31	5.03	3.97	1.07
Tax-Exempt	Vanguard Ltd-Term Tax-Exempt Inv	3.00 yrs	6533	0.17	21		1.80	2.84	2.19	1.97	0.00
Tax-Exempt	SPDR Nuveen Blimbg Barclays ST MunBd ETF	2.86 yrs	1011	0.20	35		1.35	3.65	2.00	1.76	0.00
Tax-Exempt	Vanguard Interm-Term Tx-Ex Inv	5.40 yrs	9756	0.17	8		2.49	3.75	3.45	3.38	0.00
Inflation-Protected	iShares TIPS Bond ETF	8.40 yrs	45	0.19	17		2.15	8.19	4.36	3.42	0.91
Inflation-Protected	Vanguard Inflation-Protected Securities Inv	8.50 yrs	47	0.20	26		2.13	7.78	4.08	3.27	1.02
International	Vanguard Total International Bond Adm	9.90 yrs	5601	0.11	26		3.28	5.12	4.63	4.02	1.16

**Real Estate (REITs)**

U.S. REITs	Vanguard REIT Adm	16.72 B	185	0.12	6	2.19	4.10	-5.48	2.72	4.10	1.53
U.S. REITs	SPDR Dow Jones REIT	12.93 B	95	0.25	9	1.88	4.48	-16.33	-1.35	1.14	1.48
Int'l REITs	Vanguard Global ex-US Real Estate Adm (2)	5.69 B	644	0.12	7	0.81	9.78	-12.47	-1.28	0.43	1.94
Int'l REITs	iShares International Developed Property	5.55 B	353	0.48	9	0.81	8.81	-12.77	-1.84	0.22	1.89
Global (incl. U.S.)	SPDR Dow Jones Global Real Estate ETF	9.30 B	233	0.50	7	1.20	5.39	-16.50	-2.66	-0.36	1.52

**U.S. Stocks**

Large Cap (blend)	Vanguard S&P 500 Adm	127.33 B	516	0.04	4	2.74	1.88	13.23	10.05	9.86	0.51
Large Cap (blend)	iShares Core S&P 500	126.12 B	509	0.04	5	2.79	2.24	13.24	10.06	9.87	0.54
Large Cap (blend)	iShares Russell 1000 ETF	97.26 B	1002	0.15	6	2.69	1.88	12.93	9.83	9.50	0.50
Large Cap Value	Vanguard Value Adm	81.25 B	338	0.05	12	1.79	2.97	0.39	4.58	6.21	0.69
Large Cap Value	iShares Russell 1000 Value	53.56 B	771	0.19	17	1.51	3.04	-1.24	2.32	4.28	0.69
Small Cap (blend)	iShares Core S&P Small-Cap ETF	1.43 B	610	0.07	14	1.34	1.81	-7.08	0.15	4.10	0.43
Small Cap (blend)	Schwab US Small-Cap ETF	2.43 B	1715	0.04	11	1.45	1.75	-2.67	1.88	3.60	0.50
Small Cap Value	Vanguard Small Cap Value Adm	3.09 B	853	0.07	19	1.17	2.50	-11.42	-2.54	1.55	0.61
Small Cap Value	iShares Russell 2000 Value	1.33 B	1387	0.24	26	0.92	2.53	-14.15	-4.62	0.71	0.60
Small Cap Value	iShares Micro-Cap	0.44 B	1389	0.60	25	1.20	1.47	-4.16	0.01	2.08	0.36
Marketwide	Vanguard Total Stock Market Adm	76.84 B	3519	0.04	4	2.53	1.77	11.94	9.40	9.22	0.59
Marketwide	Fidelity Total Market Index	77.08 B	3426	0.02	11	2.52	1.89	11.90	9.35	9.19	0.85

**Foreign Stocks**

Developed Markets	Vanguard FTSE Developed Markets Adm	21.54 B	3898	0.07	2	1.24	3.41	-0.46	0.24	1.58	0.84
Developed Markets	iShares Core MSCI EAFE ETF	21.44 B	2564	0.07	3	1.31	3.71	-0.21	0.38	1.75	0.79
Emerging Markets	Vanguard Emerging Markets Stock Adm	23.15 B	4180	0.14	9	1.42	3.72	-2.81	0.48	0.60	0.92
Emerging Markets	Schwab Emerging Markets Equity ETF	34.08 B	1432	0.11	13	1.45	3.92	-3.27	0.60	1.10	0.96

**Gold-Related Funds**

Gold ETFs	SPDR Gold Minishares			0.18			0.00	32.98	n/a	n/a	0.00
Gold ETFs	GraniteShares Gold Trust			0.17			0.00	33.03	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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