

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

## Inflation Implications in Perspective

Price inflation is a threat to investors, but it can be managed effectively. To do so, it is essential to screen out the fear-inducing noise in the media, which can encourage impulsive decision-making. Instead, investors should examine the data, inflation’s various impacts, and the opportunities available.

As of this writing, it appears likely that the markets will deliver negative returns in both bonds and stocks for the second consecutive quarter. Recent inflation is a key factor behind this highly unusual phenomenon.

As usual, the media has piled on. Explanations for the inflation spike differ (some are very bad), as do forecasts of future inflation. Some project prolonged price rises, citing unprecedented monetary expansion, while others blame transitory events, most notably supply chain disruptions and surging oil prices. These mixed messages can only confuse and frighten household investors.

An increasingly politicized citizenry does not help. According to the Wall Street Journal, the widely cited University of Michigan Survey of Consumers found that, “In October 2020, before the presidential election, members of both parties expected roughly 3% inflation over the next year. By this May, Republicans expected 9.6% inflation on average but Democrats only 4.5%.”<sup>1</sup>

Readers should be wary. Facile investment guidance flourishes in this charged atmosphere. Intuitively appealing but doubtful claims are a dime a dozen. For example, consumer staples stocks are said to be more inflation-resistant than other equities because consumers cut back on discretionary purchases when inflation rises but continue to buy staple goods. Such products are relatively “price inelastic” in the parlance of economics. But this is well known, so we expect that current share prices already reflect this consideration. Indeed, timing strategies based on

(continued next page)

### Rates of Interest

As of June 24, 2022

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

Fed Funds Rate	1.58%
3-Month Treas. Bill	1.59%
10-Yr. Treas. Note	3.09%
30-Yr. Treas. Bond	3.21%
10-Yr. TIPS	0.59%
Muni Bonds - Nat'l 10-Yr.	2.90%

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

15-Yr Fixed	4.92%
30-Yr Fixed	5.81%

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

Savings	0.08%
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 0.9 points).

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

industry trends are unsupported by data.

The fact is, future inflation and its impact on capital markets are uncertain. Inflation is just one of the innumerable risks that households face. But for investors, it is uncertainty that creates the opportunity for gain. To optimize this trade-off, [a well-designed portfolio](#) will include both assets that account for inflation expectations and holdings that explicitly protect against unexpected inflation.

Investors should also monitor the break-even inflation rate, or BEI. As we have [explained](#), this rate represents the consensus of millions of bond market participants. While far from perfect, BEI serves as the best estimate of future inflation. Currently, the market is expecting 1-year inflation of 4.6 percent. So, over the next twelve months, the market is optimistic that inflation will recede from its 40-year high of 8.6 percent. Bear in mind that rising inflation news is not all bad. Borrowers with fixed rate obliga-

tions, such as most home mortgages and car loans, benefit from lower monthly payments in real dollars. For investors, higher interest rates mean higher returns on cash equivalent assets, while the decline in stock and bond markets provide opportunity for investors to lock in tax losses with minimal risk through [tax swapping](#). All else equal, the bear market also means that Roth IRA conversions will generate lower income taxes on amounts converted.

1. Josh Zumbrun, *The Wall Street Journal*, June 24, 2022.

## BONDS DURATION, INTEREST RATE RISK AND PRICE INFLATION

*Rising inflation drives bond prices down and interest rates higher because cash flows from fixed income securities, by definition, do not change as prices of goods and services increase. Duration is the best way to measure the extent to which a bond or bond fund is susceptible to this risk.*

### Bond Returns: Yield to Maturity

Conventional bonds are not complicated securities. A bondholder can expect to receive regular fixed “coupon” payments (most often these are semi-annual payments) plus a return of the bond’s face value at a fixed date in the future (maturity date). A bond with a \$1,000 face value with a 5 percent annual coupon (paid semiannually) maturing in 6 1/2 years would make 13 coupon payments of \$25 every six months and return its \$1,000 face value upon maturity.

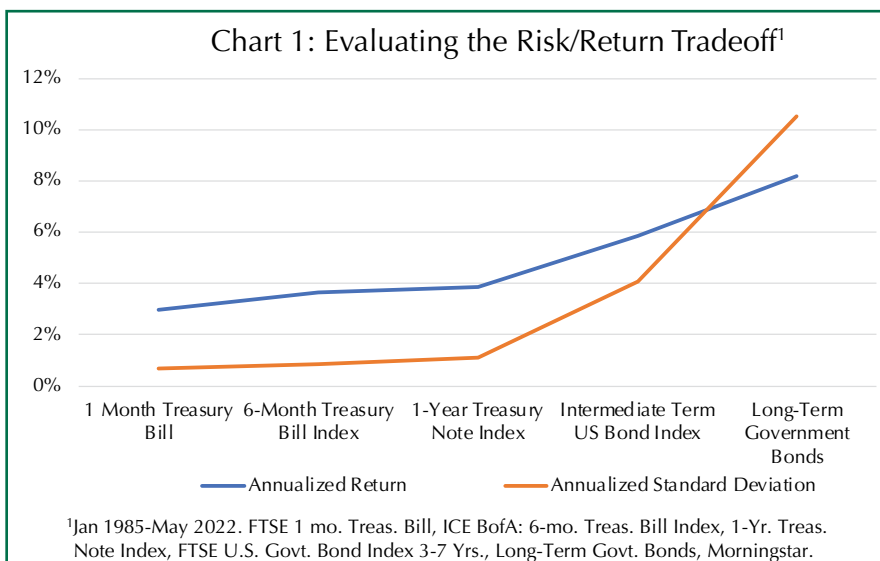
An investor can calculate the nominal rate of return, known as yield to maturity (YTM) expected on a bond, assuming the bond does not default, and it is indeed held until maturity. YTM accounts for a bond’s purchase price, redemption value, time to maturity, coupon yield, and the time between interest payments. YTM recognizes the time value of money, or the concept that a dollar received today is worth more than a dollar to be received in the future. It is an internal rate of return because it assumes that all cash flows (i.e. future coupon payments and the face value payment at maturity) are reinvested at the YTM rate. YTM is simply the discount rate at which the present value of all future payments would equal the present price of the bond. For example, if the bond described above could be purchased today for \$900, its YTM would be 3.50 percent.<sup>1</sup>

### Bond Risk

The primary risks inherent in bonds include the risk of default (credit risk) and interest rate risk (term risk). Our focus here is on interest rate risk.

The price of a previously issued bond will fall when market interest rates rise, and vice versa. Consider the bond described earlier, which pays a 5 percent annual coupon. That rate, and the \$25 semi-annual coupon payments it generates, will remain fixed for the life of the bond. If interest rates were to rise, so newly issued bonds of similar risk and maturity with higher coupon payments became available, the market price of the existing 5 percent bond would have to fall in order to entice a potential buyer. Conversely, when interest rates fall, the price of existing bonds can be expected to rise.

Bond prices, therefore move regularly in response to changes in prevailing interest rates. Interest rate changes pose a risk to any investor who owns a portfolio of bonds. Long-term bonds are exposed to this risk (as well as default risk) for a longer period versus short-term bonds, and generally are more sensitive to interest rate changes; that is, their prices (other factors equal) are more volatile relative to short term bonds. Long-term bond holders can typically expect to receive a higher yield to maturity in exchange for bearing this risk. However, we have long asserted that investors who are seeking bonds as a source of portfolio stability avoid bonds with maturities that extend beyond five years. Beyond this point the risk-return tradeoff becomes markedly less attractive. This progression is depicted in Chart 1.



**Table 1: Calculating Duration**

\$1,000 Face Value

10% Annual Coupon (Paid Annually)

5 Year Maturity

Yield to Maturity = 8%

(1)	(2)	(3)	(4)	(5)	(6)
Year	Cash Flow (\$)	Present Value Factor	(2) X (3) (\$)	(4) / Price	(1) X (5)
1	100	0.926	92.60	0.0857	0.0857
2	100	0.857	85.70	0.0793	0.1587
3	100	0.794	79.40	0.0735	0.2205
4	100	0.735	73.50	0.0680	0.2721
5	1,100	0.681	749.10	0.6934	3.4671
<b>Price =</b>			<b>1,080.30</b>	<b>Duration =</b>	<b>4.2041</b>

**Duration Matters Most**

Clearly, the length of a bond's "life" significantly impacts the risk and return an investor will experience. However, it is inadequate to consider only a bond's maturity when assessing its vulnerability to interest rate risk. Consider two 20-year bonds, one with an 8 percent coupon and another with a 12 percent coupon. Though they mature on the same date, an investor will recover his original purchase price sooner with the 12 percent coupon bond, since each semi-annual payment is higher. To determine the *effective* maturity of a bond, a measure is needed that will also account for the entire pattern (both the size and timing) of its cash flows over the remainder of the bond's lifetime. This is reflected in a bond's duration.<sup>2</sup>

Duration measures a bond's *economic* lifetime. It is the number of years needed to fully recover the purchase price of a bond, given the present value of its cash flows. A bond's duration is derived by calculating the weighted average time necessary to recover its remaining interest payments plus principal. Longer duration bonds carry more risk, as more time is required to recover the holder's original investment.

Table 1 provides an example of how duration is calculated. For simplicity, we have assumed that the bond pays a 10 percent coupon annually (rather than semi-annually).

Cash flows from the bond include five coupon payments of \$100, plus the return of face value (the bond's original purchase price of \$1,000) at the end of year five. Note that the sum of the present value of each year's cash flow is equal to \$1,080, which is the bond's current market price, based on the prevailing discount rate of 8 percent (the current yield to maturity for bonds of similar credit risk with the same maturity date). The price reflects a premium of \$80 above its face value because it is paying a coupon rate of 10 percent, which exceeds the 8 percent total return on comparable bonds.

On the other hand, the bond's duration is based on the present value of each year's cash flow weighted by when it will be received. These weighted cash flows are divided by the bond's price and totaled to determine the number of years required for an investor to recover the bond's price. Several observations come to light:

- For any coupon-paying bond, duration will be less than maturity (in this case duration is 4.2 years while maturity is 5 years).
- Duration is inversely related to coupon rate (assuming maturity and yield to maturity are held constant) because higher

coupons result in quicker recovery of a bond's value.

- Duration increases with a bond's time to maturity (assuming the coupon rate and yield to maturity are held constant).
- Holding time to maturity and coupon rate constant, duration is inversely related to yield to maturity (the total rate of return on the bond) because a higher rate of return results in a quicker recovery of a bond's value.

Because a short-duration bond will be exposed to interest rate risk for a shorter period versus a similar bond of longer duration, the shorter-duration bond will be less sensitive to changes in interest rates. Perhaps the most useful aspect of duration is that, if the calculation is modified slightly<sup>3</sup>, investors can use it to measure the interest rate sensitivity of a bond. Modified duration can be used to calculate the approximate percentage change in a bond's price that results from a given percentage change in prevailing interest rates. For example, the modified duration of the bond in Table 1 is  $3.89 = 4.2041 / (1 + 0.08)$ . If interest rates were to rise by 20 basis points (0.20 percent), this bond would fall in value by approximately 78 basis points ( $3.89 \times 0.20 = 0.78$  percent) from \$1,080 to \$1,072.

(continued next page)

1. Investors can obtain a bond's YTM from their broker and can easily be verified with most financial calculators.

2. The calculation for duration may be formally expressed as:

$$D = \sum_{t=1}^n PV(CF_t) \times \frac{t}{P_B}$$

Where: t = the time period at which the cash flow is expected, n = number of periods until maturity, PV (CF<sub>t</sub>) = present value of the cash flow in period t discounted at the yield to maturity, P<sub>B</sub> = market price of the bond.

3. Modified duration =  $D_m = D / (1+r)$  where D = duration, r = the bond's yield to maturity.

Duration can also be used to measure the interest rate sensitivity of a bond mutual fund. Page 48 lists several bond funds along with several criteria, including duration.

### Inflation, Interest Rates, and Duration

Price inflation is at its highest in 40 years. Since conventional bonds pay a fixed rate of interest until maturity, bondholders (lenders) stand to lose purchasing power when consumer prices increase. It is no surprise that interest rates have in-

creased in recent months as inflation has surged. Investors demand higher returns as compensation for the risk of further loss of purchasing power.

We have consistently explained in these pages that for most household investors, the purpose of owning bonds in a portfolio is to offset the volatility of common stocks. We have also emphasized that in the absence of sound money inflation will always remain a threat, even during prolonged periods of relatively mild inflation. Since long-term bonds are more vulnerable to inflation-induced interest rate increases, we continue

to emphasize short to intermediate term bond portfolios for most household investors.

A good financial planner will listen carefully to each investor's goals and preferences and recommend a bond portfolio designed accordingly. Some investors may be willing to hold bond funds with longer durations than others. We screen a variety of funds from which we can select the optimal fund or funds for each of our clients. For more information, please contact us at (413) 645 3327.

## INFLATION, RECESSIONS, AND THE STOCK MARKET

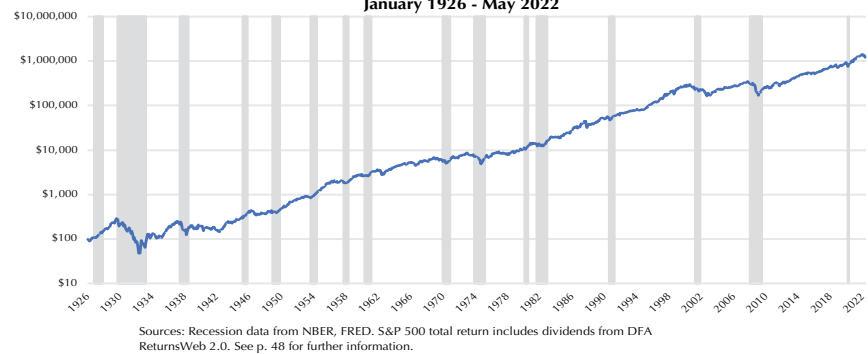
In May only 50 percent of AIER's leading Indicators were expanding. This is down from 92 percent in March 2021. In short, recession has grown more likely. The Fed has raised the recessionary stakes by adopting a tighter monetary policy to thwart inflation. The path to lower inflation and continued expansion is narrow.

The charts nearby might provide reassurance. Chart 1 tracks the long-term growth of \$100 invested in U.S. stocks, with recessions shaded in grey. The market has trended upward over time despite several recessions. A discerning eye will note that the market has generally fallen before the onset of recession and recovered before expansion resumed. The stock market is forward-looking while recessions are only apparent after the fact. Attempts to time the market around the business cycle are ill-advised.

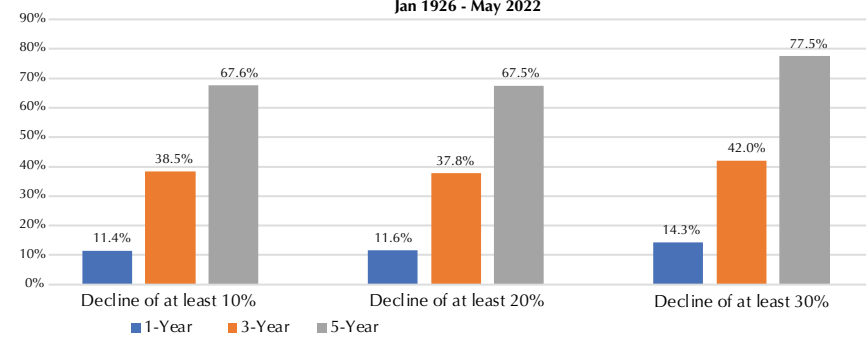
Chart 2 shows that the market has on average provided strong returns following sharp declines. For example, since 1926 there have been 394 (month-end) occurrences when the market was at least 10 percent below its all-time high. The average 1-year return following these 394 occasions was 11.4 percent. This is close to the average annual return across the entire time span of 96+ years.

Chart 3 shows inflation expectations in the bond market. The break-even inflation rate (BEI) suggests that over the next one, five and ten years, annual inflation might subside. BEI over the next 12 months (not shown) is 4.6 percent versus actual trailing inflation of 8.6 percent through May.

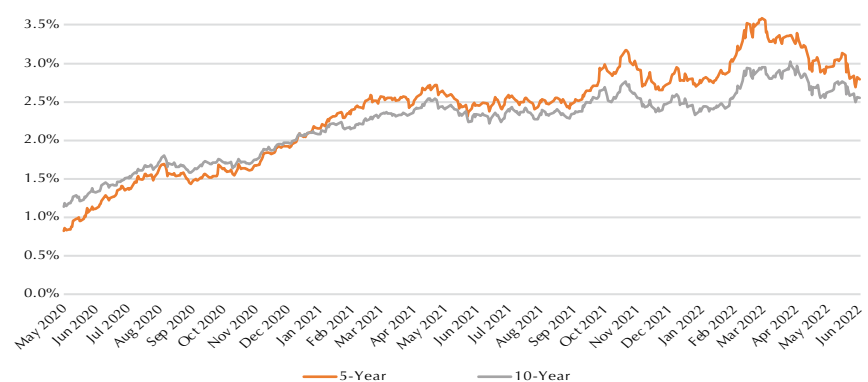
**Chart 1: Hypothetical Growth of \$100 Invested S&P 500 (Total Return) January 1926 - May 2022**



**Chart 2: Average Total Return (Cumulative), S&P 500 Following Declines from All-Time Highs Jan 1926 - May 2022**



**Chart 3: Breakeven Inflation**



## FIVE SIMPLE WAYS TO SUPPORT CHILDREN AND GRANDCHILDREN FINANCIALLY

There are several options for parents and grandparents who seek to help children and grandchildren achieve financial goals. Family support can satisfy important practical and emotional objectives. Many techniques provide distinct tax advantages. Below are several simple, practical solutions to help children and grandchildren.

### Open a Roth IRA

Roth contributions are made with after-tax dollars, investment earnings grow tax-deferred, and qualified withdrawals are entirely tax-free. An account established on behalf of a loved one can serve as an excellent gifting vehicle thanks to these tax advantages.

The child must have earned income during the taxable year to fund a Roth IRA. This may include summer jobs, work-study programs, or internships. Roth IRA contributions are limited to the greater of \$6,000 or 100 percent of earned income. Roth IRAs provide ample investment flexibility. An aggressive, growth-oriented investment approach typically suits young individuals with long time horizons.

Roth IRAs are primarily a long-term, retirement savings vehicles. The Roth IRA owner must hold the account for at least 5 years and satisfy one of several *qualifying events* (e.g., age 59.5 or older) to withdraw earnings tax-free. However, a Roth IRA holder may withdraw principal (contributions) at any time tax-free. This provides available resources should the child or grandchild require funds before retirement age.

### Open a Section 529 Plan

529 College Savings Plan are a tax-advantaged gifting vehicle. 529 assets typically fund college expenses, though limited amounts can also be used for K-12 tuition costs. 529 plans enjoy high aggregate contribution limits and no income eligibility requirements. Virtually anyone can contribute. In addition, while contributions are not deductible for federal income tax purposes, 529 assets grow tax-deferred and qualified withdrawals for educational expenses are tax-free. Lastly, 529 plans are typically considered a *parental asset* for financial aid purposes. This classification helps to maximize

financial aid eligibility.

529 Plans allow parents, relatives, and even friends to contribute substantial amounts on behalf of a child's college education.<sup>1</sup> The most overlooked benefit of the 529 plan is flexibility. Qualified 529 distributions are not restricted to college tuition payments. Other college-related expenses, such as off-campus housing, textbooks, and computer software may also qualify. Moreover, 529 assets can be transferred to another relative should the original beneficiary forgo college.

529 Plans offer a menu of investment options. AIS typically encourages families to coordinate investment selection with the child's time horizon. An aggressive, growth-oriented allocation may be suitable during infancy. However, it is typically advisable to reduce portfolio risk as the child approaches college age.

### Gift Appreciated Securities

Parents and grandparents may choose to gift securities outright to a younger family person. This strategy carries three distinct advantages. Firstly, securities held or transferred to a taxable account (e.g., individual brokerage) carry few restrictions. A recipient may buy, sell, or hold the security at his or her discretion. Secondly, the giver removes any future appreciation potential from his or her future estate. This is important for wealthy individuals anticipating federal estate taxes. Lastly, the security's dividends, interest, and other income shift to the child or grandchild. This is particularly advantageous if the recipient is in a lower tax bracket. Parents or grandparents with appreciated securities in taxable accounts can avoid considerable taxation by gifting those assets to children or grandchildren. The recipient assumes the couple's cost basis and holding period for tax reporting purposes.

An important caveat exists the kiddy tax. The kiddy tax assesses any *unearned income* exceeding \$2,300 (2022) at the parent's marginal tax rate. Unearned income may include interest, dividends, and capital gains. The kiddy tax applies to children and adolescents who are:

1. Under age 18
2. Aged 18-24, and provide less than half of his or her overall support

3. Under age 24 and full-time student

Ultimately, kiddy tax exposure depends upon the child's total investment assets. Givers should remain mindful of the kiddy tax when considering large gifts of income-producing assets (such as REITs and bonds). Lower value securities may not trigger kiddy taxes. Moreover, non-dividend paying stocks (e.g., growth stocks) escape kiddy taxes until sold.

### Pay Tuition or Student Loans

A grandparent or parent may cover a child or grandchild's tuition or medical expenses through direct payments. Direct payments avoid any gift or estate tax consequences. This strategy serves practical goals, such as health and education. It also assures the giver that funds will serve their intended purpose.

Alternatively, a parent or grandparent may cover all or part of one's student loan balance after graduation. This strategy does not impact financial aid eligibility since the child already graduated. Moreover, this approach hedges against the possibility that a child does not complete his or her degree. The gift may be contingent upon earning a diploma.

### Gift Taxes

Gift and estate taxes represent a complicated area of tax law. For individuals who pass away in 2022, assets exceeding \$12,060,000 (2022) are subject to estate taxes (\$24.12 million for married couples). Moreover, lifetime gifts may be included in an individual's estate. Wealthier individuals are encouraged to consult a competent estate attorney and/or financial planner. An experienced professional may reduce estate tax exposure and optimize lifetime giving techniques.

### Stay Coordinated

It is important to coordinate the use of gifts, Section 529 plans, and Roth IRAs with college financial aid considerations. We have covered [financial aid eligibility](#) and [college savings strategies](#) extensively in previous issues. Similarly, families should examine current tax ramifications (income taxes, kiddy tax) alongside future tax considerations (estate tax). Competent financial planners can reconcile these objectives within a cohesive plan.

1. Aggregate contribution limits vary by state and range from \$235,000 to \$529,000 in 2021.

**THE HIGH-YIELD DOW INVESTMENT STRATEGY**

**HYD Model Portfolio**

As of June 15, 2022

	Rank	Yield (%)	Price (\$)	Status	Percent of Portfolio	
					Value (%)	No. Shares (%) <sup>1</sup>
Verizon	1	5.21	49.15	Buying	21.49	33.83
Dow, Inc.	2	4.88	57.41	Holding**	21.92	29.54
IBM	3	4.82	137.06	Holding**	24.28	13.71
Walgreen Boots	4	4.69	40.73	Holding**	4.40	8.36
3M Company	5	4.44	134.33	Holding	1.36	0.78
Chevron	9	3.46	164.26	Selling	26.35	12.41
Kyndryl	NA	NA	10.30	Selling	0.18	1.36
Cash (6-mo. T-Bill)	N/A	N/A			0.01	N/A
Totals					100	100

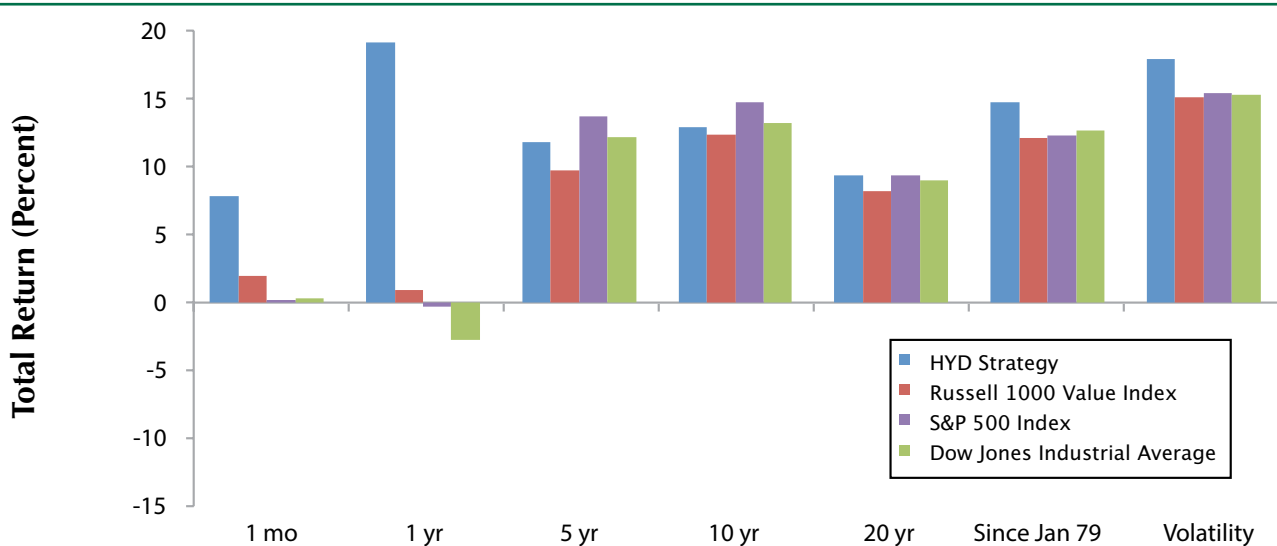
\*\*Currently indicated purchases approximately equal to indicated purchases 18 months ago. <sup>1</sup>Because the percentage of each issue in the portfolio by value reflects the prices shown in the table (closing prices on the date indicated), we are also showing the number of shares of each stock 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, 2022\*. Returns for the 5-, 10- and 20-year periods and since 1979 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	7.63	18.68	11.49	12.57	9.13	14.40	17.48
Russell 1000 Value Index	1.94	0.93	9.50	12.06	8.03	11.83	14.76
S&P 500 Index	0.18	-0.30	13.38	14.40	9.15	12.00	15.06
Dow Jones Industrial Average	0.33	-2.65	11.87	12.91	8.80	12.34	14.89



\*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 1% 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. 1-Year Treasury Notes - ICE BofA 1-Year US Treasury Note Index; U.S. Short-Term Investment Grade - Bloomberg US Government/Credit Bonds Index 1-5 Years; U.S. Bonds - Bloomberg US Aggregate Bond Index; U.S. Government Bonds - Bloomberg US Government Bond Index; TIPS - Bloomberg US TIPS Index; Municipal Bonds - Bloomberg 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 price: LBMA price. All return data from DFA Returns 2.0 program (gold returns based on spot price) 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							
	6/15/22	Mo. Earlier	Yr. Earlier	Prem. (%)	Data through May 31, 2022							
					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>1,823.75</b>	1,811.55	1,865.10		-0.13%	0.83%	0.44%	-4.95%	0.64%	-0.12%	-3.14%	
Silver, London Spot Price	<b>21.46</b>	20.84	27.63		↓	↑	↑	↓	↑	↓	↓	
Crude Oil, W. Texas Int. Spot	<b>120.92</b>	105.00	72.06									
Coin Prices (\$)¹					1-month	3-month	1 year	5 year (annualized)	15 year (annualized)			
American Eagle (1.00)	<b>1,901</b>	1,889	1,944	4.25	↓	↓	↓	↑	↑	↑	↑	
Austrian 100-Corona (0.9802)	<b>1,788</b>	1,776	1,828	0.00	↓	↓	↓	↓	↓	↓	↓	
British Sovereign (0.2354)	<b>429</b>	426	439	0.00	↓	↓	↓	↓	↓	↓	↓	
Canadian Maple Leaf (1.00)	<b>1,869</b>	1,857	1,910	2.47	↓	↓	↓	↓	↓	↓	↓	
Mexican 50-Peso (1.2057)	<b>2,199</b>	2,184	2,249	0.00	↓	↓	↓	↓	↓	↓	↓	
Mexican Ounce (1.00)	<b>1,842</b>	1,830	1,883	0.99	↑	↑	↑	↑	↑	↑	↑	
S. African Krugerrand (1.00)	<b>1,869</b>	1,857	1,910	2.47	↑	↑	↑	↑	↑	↑	↑	
U.S. Double Eagle-\$20 (0.9675)					↑	↑	↑	↑	↑	↑	↑	
St. Gaudens (MS-60)	<b>1,890</b>	2,030	1,820	n/a	↑	↑	↑	↑	↑	↑	↑	
Liberty (Type II-AU50)	<b>1,870</b>	1,927	1,807	n/a	↑	↑	↑	↑	↑	↑	↑	
Liberty (Type III-AU50)	<b>1,874</b>	1,907	1,807	n/a	↑	↑	↑	↑	↑	↑	↑	
U.S. Silver Coins (\$1,000 face value, circulated)												
90% Silver Circ. (715 oz.)	<b>19,806</b>	21,861	19,461	n/a								
40% Silver Circ. (295 oz.)	<b>6,213</b>	7,217	7,338	n/a								
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.					<b>Best and worst one-year returns, Jan. 2001 - May 2022</b>							
					Best	<b>62.5%</b>	<b>57.2%</b>	<b>91.6%</b>	<b>85.7%</b>	<b>13.8%</b>	<b>7.1%</b>	<b>54.6%</b>
					During:	04/2020-03/2021	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>-8.5%</b>	<b>-2.4%</b>	<b>-28.0%</b>
					During:	03/2008-02/2009	03/2008-02/2009	12/2007-11/2008	03/2008-02/2009	06/2021-05/2022	06/2021-05/2022	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† (%)	
	6/15/22	5/15/22	6/15/21	High	Low						
Verizon	VZ	49.15	48.18	57.29	57.39	45.55	0.640	4/8/22	5/2/22	2.560	5.21
Dow Chemical	DOW	57.41	67.56	67.22	71.86	52.07	0.700	5/31/22	6/10/22	2.800	4.88
IBM	IBM	137.06	133.60	149.36	144.73	114.56	1.650	5/10/22	6/10/22	6.600	4.82
Walgreen's	WBA	40.73	43.55	54.24	55.00	39.72	0.478	5/20/22	6/10/22	1.910	4.69
3M Company	MMM	134.33	149.30	200.61	203.21	133.09	1.490	5/20/22	6/12/22	5.960	4.44
Intel Corp	INTC	38.65	43.60	57.99	58.37	37.54	0.365	5/7/22	6/1/22	1.460	3.78
Cisco	CSCO	43.80	49.56	53.79	64.29	41.02	0.380	4/6/22	4/27/22	1.520	3.47
J P Morgan	JPM	115.41	119.09	155.18	172.96	113.17	1.000	7/6/22	7/31/22	4.000	3.47
Chevron	CVX	164.26	167.87	110.30	182.40	92.86	1.420	5/19/22	6/10/22	5.680	3.46
Amgen	AMGN	235.58	243.40	239.85	258.45	198.64	1.940	5/17/22	6/8/22	7.760	3.29
Merck	MRK	84.63	90.41	75.70	94.92	70.89	0.690	3/15/22	4/7/22	2.760	3.26
Coca-Cola	KO	59.67	65.72	55.41	67.20	52.28	0.440	6/15/22	7/1/22	1.760	2.95
Goldman Sachs	GS	290.07	306.99	371.30	426.16	278.32	2.000	6/1/22	6/29/22	8.000	2.76
Proctor and Gamble	PG	132.51	153.62	134.65	165.35	129.50	0.913	4/22/22	5/16/22	3.652	2.76
Home Depot, Inc.	HD	279.73	296.03	306.45	420.61	275.55	1.900	6/2/22	6/16/22	7.600	2.72
Johnson & Johnson	JNJ	169.99	176.85	164.49	186.69	155.72	1.130	5/24/22	6/7/22	4.520	2.66
Caterpillar	CAT	206.00	204.33	219.46	237.90	179.67	1.200	4/25/22	5/20/22	4.800	2.33
McDonald's	MCD	238.90	245.04	236.35	271.15	217.68	1.380	3/1/22	3/15/22	5.520	2.31
Travelers	TRV	165.54	172.78	154.62	187.98	144.44	0.930	6/10/22	6/30/22	3.720	2.25
Honeywell	HON	184.97	193.53	222.50	236.86	174.42	0.980	5/13/22	6/3/22	3.920	2.12
Wal-Mart Stores	WMT	119.38	148.05	140.00	160.77	117.27	0.560	8/12/22	9/6/22	2.240	1.88
American Express	AXP	146.16	158.75	166.27	199.55	143.25	0.520	7/1/22	8/10/22	2.080	1.42
Unitedhealth Group	UNH	464.33	485.40	400.28	553.29	383.12	1.650	3/14/22	3/22/22	6.600	1.42
Nike	NKE	113.44	113.01	130.29	179.10	103.46	0.305	6/6/22	7/1/22	1.220	1.08
Microsoft Corp.	MSFT	251.76	261.12	258.36	349.67	241.51	0.620	5/19/22	6/9/22	2.480	0.99
Visa Inc.	V	196.16	199.23	232.98	252.67	186.67	0.375	5/13/22	6/1/22	1.500	0.76
Apple	AAPL	135.43	147.11	129.64	182.94	128.46	0.230	5/9/22	5/12/22	0.920	0.68
Walt Disney	DIS	95.88	107.33	175.86	187.58	93.10	0.000	No dividend		0.000	0.00
Salesforce	CRM	168.55	166.91	242.58	311.75	154.55	0.000	No dividend		0.000	0.00
Boeing	BA	133.72	127.20	246.54	252.30	113.02	0.000	No dividend		0.000	0.00

† Based on indicated dividends and market price as of 6/15/22. Extra dividends are not included in annual yields.

All data adjusted for splits and spin-offs. 12-month data begins 6/15/21.

**ASSET CLASS INVESTMENT VEHICLES**

**Data as of June 24, 2022**

**Fixed Income**

	Security Symbol(s) (1)	Avg. Market Cap / Duration	Number of Holdings	Expense Ratio (%)	Turnover (%)	Price-to-Book Ratio	Trailing 12-Mo. Yield (%)	Annualized Returns (%)			Tax Cost Ratio - 3 Years (%) (3)
								3-Year	5-Year	10-Year	
Short-Term Bonds	Vanguard Short-Term Bond Adm	2.70 yrs	2652	0.07	37		1.13	0.01	0.94	1.09	0.66
Short-Term Bonds	SPDR Portfolio Short Term Corp Bd ETF	1.90 yrs	1204	0.04	56		1.01	0.59	1.40	1.49	0.72
Short-Term Bonds	iShares 1-3 Year Treasury Bond ETF	1.89 yrs	68	0.15	148		0.28	0.01	0.73	0.63	0.37
Core Bonds	Vanguard Total Bond Market Adm	6.75 yrs	17233	0.05	69		2.12	-1.09	0.59	1.45	0.93
Core Bonds	iShares Core US Aggregate Bond ETF	6.78 yrs	10345	0.03	163		1.89	-1.14	0.59	1.44	0.85
Core Bonds	DFA Core Fixed Income	6.39 yrs	790	0.20	17		2.20	-1.00	0.78	1.70	0.97
Tax-Exempt	Vanguard Ltd-Term Tax-Exempt Inv	2.27 yrs	9899	0.17	37		1.20	0.40	1.06	1.17	0.00
Tax-Exempt	Vanguard Interm-Term Tx-Ex Inv	4.35 yrs	13999	0.17	18		2.21	-0.07	1.29	2.13	0.01
Inflation-Protected	iShares TIPS Bond ETF	7.44 yrs	50	0.19	34		5.99	3.30	3.15	1.74	1.25
Inflation-Protected	Vanguard Inflation-Protected Securities Inv	7.37 yrs	48	0.20	24		6.33	3.29	3.12	1.70	1.29
International	Vanguard Total International Bond Adm	7.85 yrs	6674	0.11	25		3.27	-2.26	0.54	n/a	1.03

**Real Estate (REITs)**

U.S. REITs	Vanguard REIT Adm	22.61 B	175	0.12	7	2.56	3.04	4.99	5.94	8.16	1.39
U.S. REITs	SPDR Dow Jones REIT	19.05 B	119	0.25	6	2.24	3.01	2.52	4.23	6.99	1.44
Int'l REITs	Vanguard Global ex-US Real Estate Adm (2)	5.61 B	736	0.12	7	0.84	7.26	-4.47	-0.08	4.29	1.81
Int'l REITs	iShares International Developed Property	5.93 B	416	0.48	12	0.88	4.55	-3.62	0.01	4.55	1.64
Global (incl. U.S.)	SPDR Dow Jones Global Real Estate ETF	13.13 B	281	0.50	6	1.58	3.30	-0.07	2.18	5.31	1.44

**U.S. Stocks**

Large Cap (blend)	Vanguard S&P 500 Adm	191.32 B	508	0.04	2	3.36	1.45	11.73	11.87	13.52	0.40
Large Cap (blend)	DFA US Equity ETF	127.58 B	678	0.13	7	3.31	1.25	11.39	11.44	n/a	0.68
Large Cap Value	Vanguard Value Adm	106.47 B	352	0.05	9	2.49	2.24	9.28	9.57	12.20	0.62
Large Cap Value	DFA US Marketwide Value	65.94 B	366	0.22	0	1.81	1.61	8.16	7.36	11.91	0.96
Small Cap (blend)	iShares Core S&P Small-Cap ETF	2.07 B	608	0.06	16	1.65	1.64	9.00	7.70	11.82	0.49
Small Cap (blend)	DFA US Small Cap	2.70 B	2064	0.27	12	1.74	1.00	9.58	7.03	11.00	0.93
Small Cap Value	Vanguard Small Cap Value Adm	5.74 B	931	0.07	16	1.73	1.86	8.43	6.86	11.12	0.53
Small Cap Value	iShares Micro-Cap	0.55 B	1754	0.60	44	1.39	0.91	7.34	5.34	9.63	0.36
Small Cap Value	DFA U.S. Small Cap Value	2.58 B	1026	0.30	22	1.12	1.37	12.16	7.19	10.73	1.31
Marketwide	Vanguard Total Stock Market Adm	112.96 B	4103	0.04	4	3.10	1.43	10.96	11.17	13.15	0.38
Marketwide	DFA US Core Equity Market ETF	68.54 B	2475	0.14	4	2.81	1.27	11.35	10.82	13.06	0.76

**Foreign Stocks**

Developed Markets	Vanguard FTSE Developed Markets Adm	29.03 B	4128	0.07	3	1.50	3.19	2.79	3.07	6.34	0.75
Developed Markets	DFA International Core Equity	12.11 B	5360	0.24	8	1.33	3.24	3.60	2.98	6.65	0.87
Emerging Markets	Vanguard Emerging Markets Stock Adm	23.82 B	4536	0.14	9	1.61	3.04	2.55	3.44	3.63	0.88
Emerging Markets	DFA Emerging Markets Core Equity	11.86 B	6733	0.39	10	1.24	2.86	3.27	3.20	4.17	0.81

**Gold-Related Funds**

Gold ETFs	SPDR Gold Minishares			0.10			0.00	8.52	n/a	n/a	0.00
Gold ETFs	GraniteShares Gold Trust			0.17			0.00	8.52	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.

The information herein is derived from generally reliable sources, but cannot be guaranteed. American Investment Services, the American Institute for Economic Research, and the officers, employees, or other persons affiliated with either organization may have positions in the investments referred to herein. This communication is for informational purposes only. It is not intended to provide, and should not be interpreted as individualized investment, legal or tax advice. To obtain such advice, please consult with an appropriate professional.