



WEALTH ADVISORS

TRUST MATTERS.

August 2023

Point of View – Economy – Markets



Important Information

The views and opinions expressed are those of the speaker and are subject to change based on factors such as market and economic conditions. These views and opinions are not an offer to buy a particular security and should not be relied upon as investment advice. Past performance cannot guarantee comparable future results.



Important Information

Performance quoted is past performance and cannot guarantee comparable future results; current performance may be higher or lower.

Results shown assume the reinvestment of dividends.

An investment cannot be made directly in an index.

Investments with higher return potential carry greater risk for loss.

Investing in small companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity.

Foreign securities have additional risks, including exchange rate changes, political and economic upheaval, the relative lack of information about these companies, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Investing in emerging markets involves greater risk than investing in more established markets such as risks relating to the relatively smaller size and lesser liquidity of these markets, high inflation rates, adverse political developments and lack of timely information.

Fluctuations in the price of gold and precious metals often dramatically affect the profitability of the companies in the gold and precious metals sector. Changes in political or economic climate for the two largest gold producers, South Africa and the former Soviet Union, may have a direct effect on the price of gold worldwide.

THE WALL STREET JOURNAL.

A Soft Landing In Sight For U.S. Economy

Economic output accelerated in recent months on the back of solid consumer spending. Inflation cooled to 3% in June, according to the Fed's preferred gauge. And wage growth, while still elevated, slowed, the Labor Department said Friday.

"We've seen so far the beginnings of disinflation without any real costs in the labor market. And that's a really good thing," Fed Chairman Jerome Powell said Wednesday after the central bank decided to raise interest rates to a 22-year high.

How to explain the stock market?

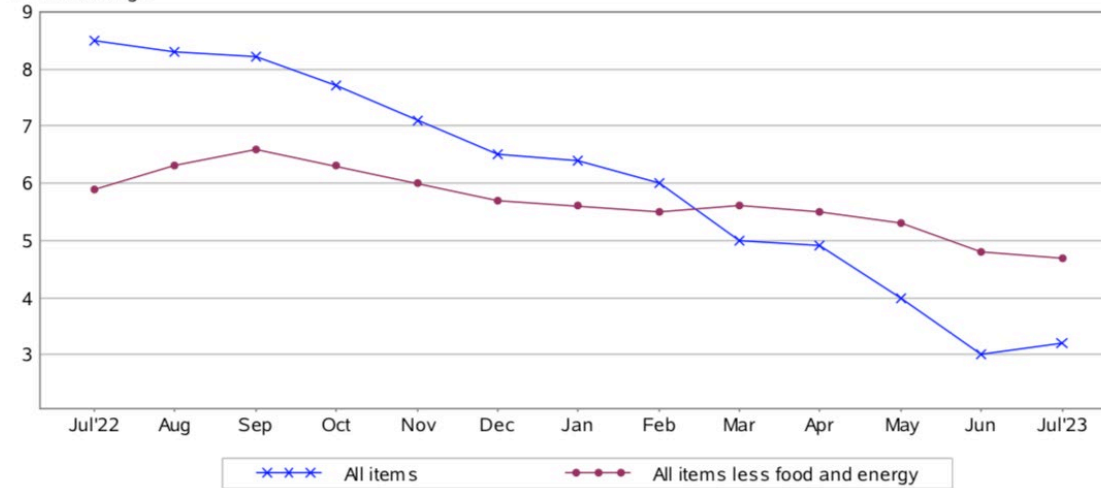
- Cooler inflation
- No recession
- Rising earnings

Inflation

CPI – headline and core

Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, July 2022 - July 2023

Percent change



Up +4.7% y/y
in July.

Up +3.2% y/y
in July.

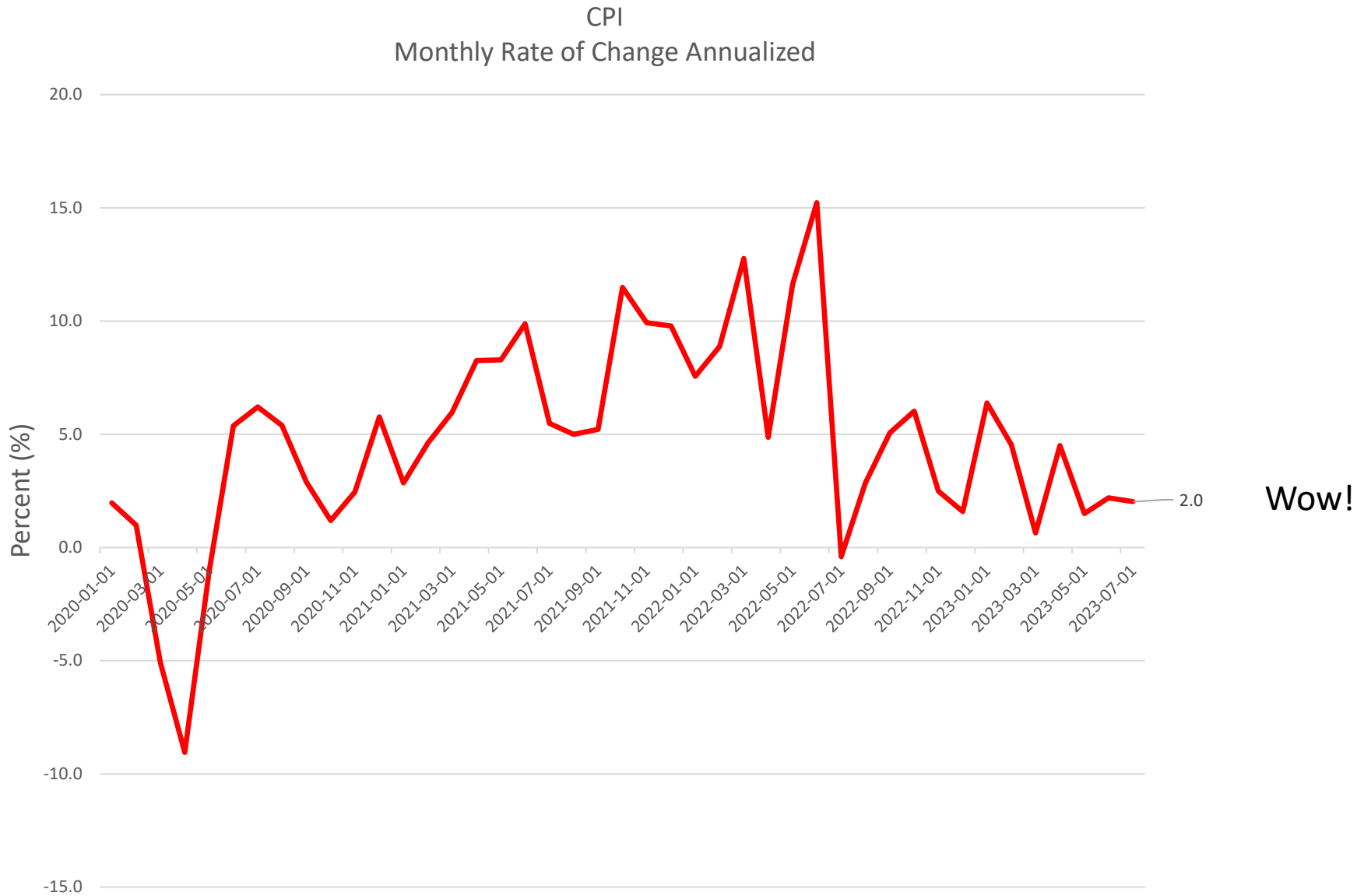
Table A. Percent changes in CPI for All Urban Consumers (CPI-U): U.S. city average

	Seasonally adjusted changes from preceding month							Un- adjusted 12-mos. ended Jul. 2023
	Jan. 2023	Feb. 2023	Mar. 2023	Apr. 2023	May 2023	Jun. 2023	Jul. 2023	
All items.....	0.5	0.4	0.1	0.4	0.1	0.2	0.2	3.2
Food.....	0.5	0.4	0.0	0.0	0.2	0.1	0.2	4.9
Food at home.....	0.4	0.3	-0.3	-0.2	0.1	0.0	0.3	3.6
Food away from home ¹	0.6	0.6	0.6	0.4	0.5	0.4	0.2	7.1
Energy.....	2.0	-0.6	-3.5	0.6	-3.6	0.6	0.1	-12.5
Energy commodities.....	1.9	0.5	-4.6	2.7	-5.6	0.8	0.3	-20.3
Gasoline (all types).....	2.4	1.0	-4.6	3.0	-5.6	1.0	0.2	-19.9
Fuel oil ¹	-1.2	-7.9	-4.0	-4.5	-7.7	-0.4	3.0	-26.5
Energy services.....	2.1	-1.7	-2.3	-1.7	-1.4	0.4	-0.1	-1.1
Electricity.....	0.5	0.5	-0.7	-0.7	-1.0	0.9	-0.7	3.0
Utility (piped) gas service.....	6.7	-8.0	-7.1	-4.9	-2.6	-1.7	2.0	-13.7
All items less food and energy.....	0.4	0.5	0.4	0.4	0.4	0.2	0.2	4.7
Commodities less food and energy commodities.....	0.1	0.0	0.2	0.6	0.6	-0.1	-0.3	0.8
New vehicles.....	0.2	0.2	0.4	-0.2	-0.1	0.0	-0.1	3.5
Used cars and trucks.....	-1.9	-2.8	-0.9	4.4	4.4	-0.5	-1.3	-5.6
Apparel.....	0.8	0.8	0.3	0.3	0.3	0.3	0.0	3.2
Medical care commodities ¹	1.1	0.1	0.6	0.5	0.6	0.2	0.5	4.1
Services less energy services.....	0.5	0.6	0.4	0.4	0.4	0.3	0.4	6.1
Shelter.....	0.7	0.8	0.6	0.4	0.6	0.4	0.4	7.7
Transportation services.....	0.9	1.1	1.4	-0.2	0.8	0.1	0.3	9.0
Medical care services.....	-0.7	-0.7	-0.5	-0.1	-0.1	0.0	-0.4	-1.5

Source: BLS. Data through July 2023.

Inflation

CPI – monthly annualized



THE WALL STREET JOURNAL.

Inflation Eases, Fueling Hope on Fed Rates

Price pressures continued cooling last month, inflation figures showed Thursday, likely deterring the Federal Reserve from raising interest rates at its September meeting.

The core CPI, in particular, adds to recent data that calls into question whether the central bank will need to raise rates again this year, as most officials had projected in June.

The new numbers lowered the three-month annualized rate of core inflation to 3.1%, the lowest such reading in two years, from 5% in May. “My God, that’s incredible,” said Laurence Meyer, a former Fed governor. “There’s absolutely no question that core inflation has turned the corner faster” than the Fed anticipated.



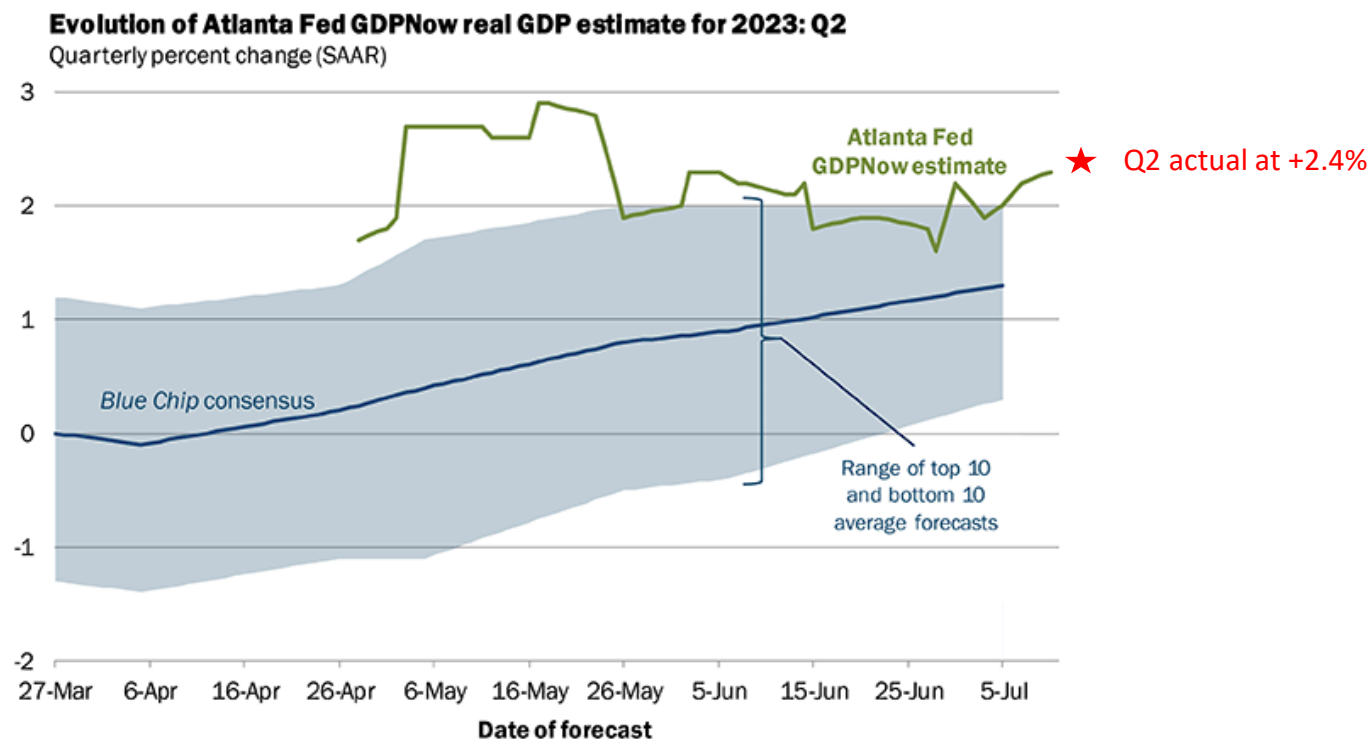
GDP forecast

Atlanta Fed's GDPNow forecast – 2nd quarter

Latest estimate: 2.3 percent -- July 10, 2023

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2023 is **2.3 percent** on July 10, up from 2.1 percent on July 6. After recent releases from the US Bureau of Economic Analysis, the US Bureau of Labor Statistics, and the US Census Bureau, the nowcast of second-quarter real gross private domestic investment growth increased from 9.6 percent to 10.5 percent.

The next GDPNow update is **Tuesday, July 18**. Please see the "Release Dates" tab below for a list of upcoming releases.



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Source: Federal Reserve Bank of Atlanta, July 10, 2023.



GDP forecast

Atlanta Fed's GDPNow forecast – 3rd quarter

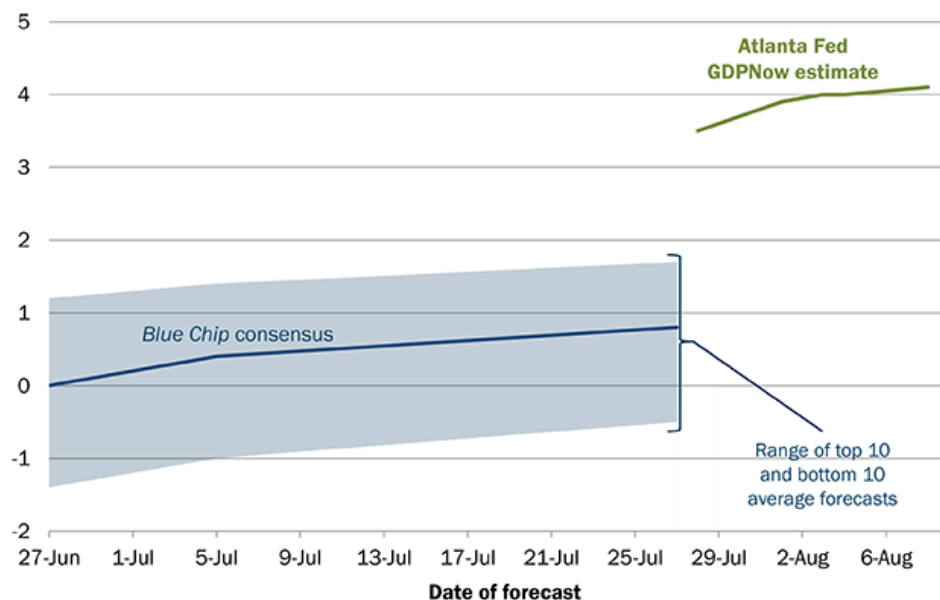
Latest estimate: 4.1 percent -- August 08, 2023

The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2023 is **4.1 percent** on August 8, up from 3.9 percent on August 1. After recent releases from the US Census Bureau, the Institute for Supply Management, the US Bureau of Economic Analysis, and the US Bureau of Labor Statistics, an increase in the nowcast of third-quarter real gross private domestic investment growth from 5.2 percent to 8.1 percent was slightly offset by decreases in the nowcasts of third-quarter real personal consumption expenditures growth and third-quarter real government spending growth from 3.5 percent and 2.9 percent, respectively, to 3.2 percent and 2.7 percent, while the nowcast of the contribution of the change in real net exports to second-quarter real GDP growth increased from 0.08 percentage points to 0.11 percentage points.

The next GDPNow update is **Tuesday, August 15**. Please see the "Release Dates" tab below for a list of upcoming releases.

Evolution of Atlanta Fed GDPNow real GDP estimate for 2023: Q3

Quarterly percent change (SAAR)



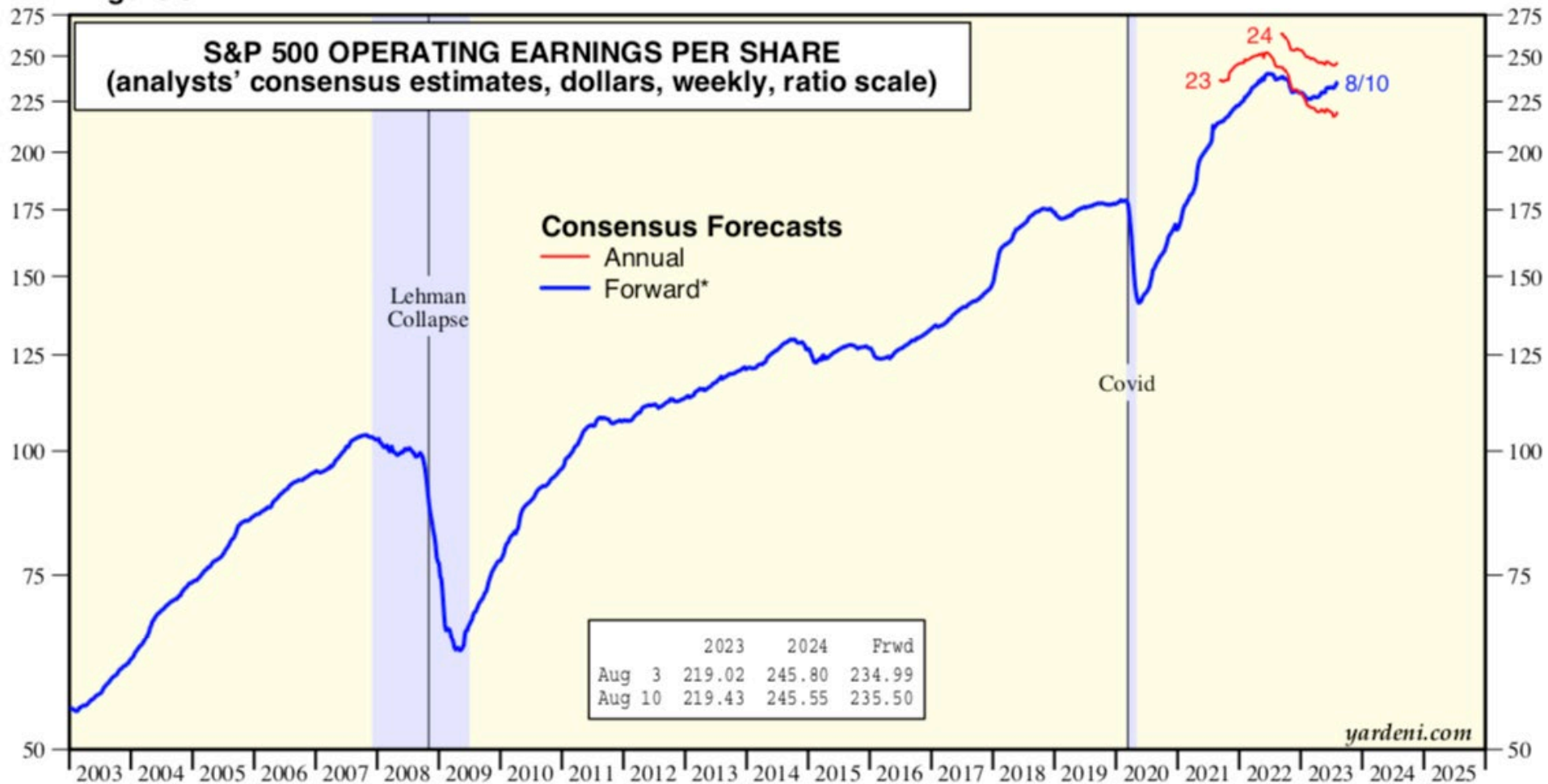
Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Source: Federal Reserve Bank of Atlanta, August 8, 2023.

S&P forward earnings estimates moving higher

Figure 5.



* Time-weighted average of analysts' consensus estimates for S&P 500 operating earnings for current year and next year.
 Note: Shaded areas are recessions according to the National Bureau of Economic Research.
 Note: Lehman collapsed 9/15/2008. COVID-19 = WHO declares global pandemic on 3/11/2020.
 Source: I/B/E/S data by Refinitiv.

Diverging Data

Bad news

- LEI
- Inverted yield curve
- Weak July manufacturing PMI
- Federal budget deficit

Good news

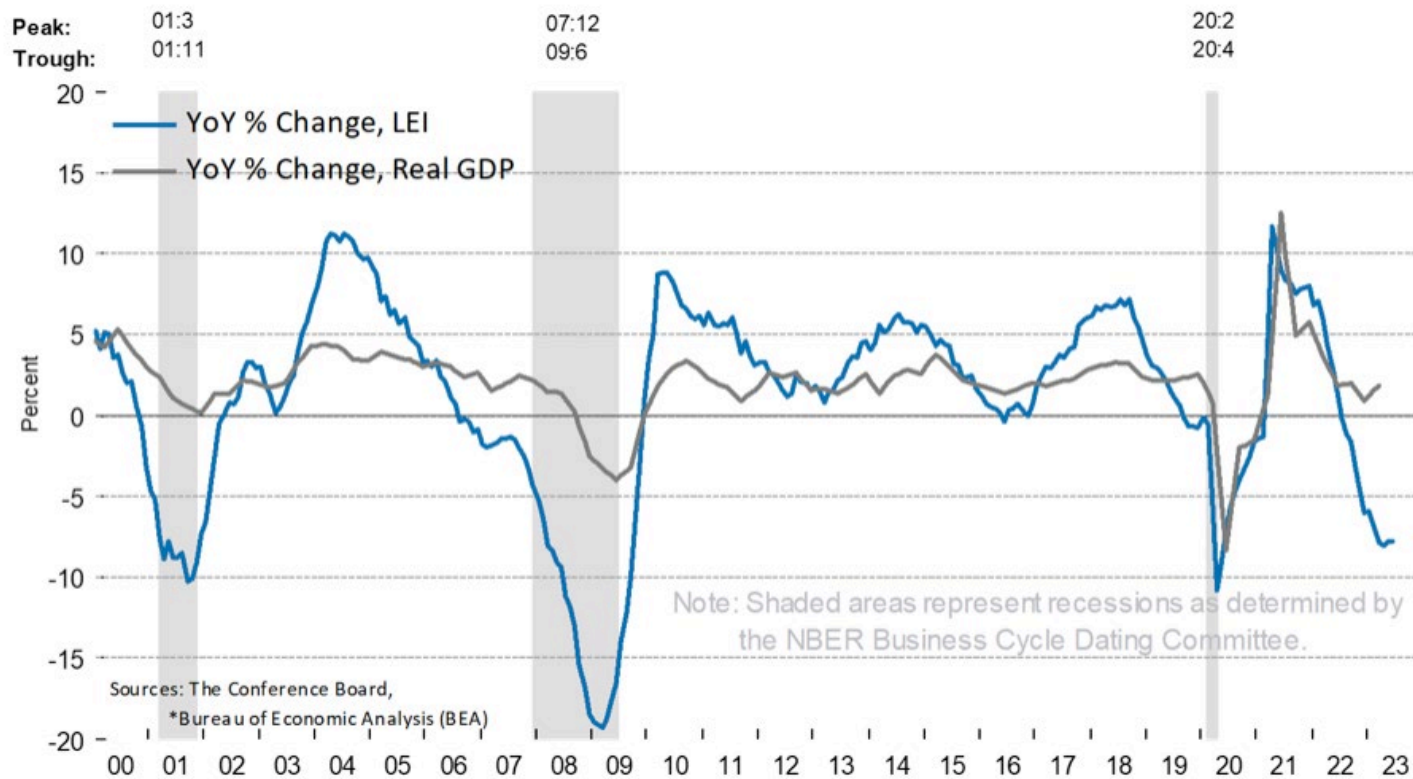
- Strong hiring data
- Strong Q2 GDP
- Strong Q3 GDPNow forecast
- Strong July services PMI
- Strong July car sales
- Strong July retail sales
- Strong June housing starts
- Oil down
- Consumers have cash – M2
- Strong corporate balance sheets
- Strong bank capital
- Inflation is moderating

Bad news

- LEI
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U.S. index of leading economic indicators – signaling recession

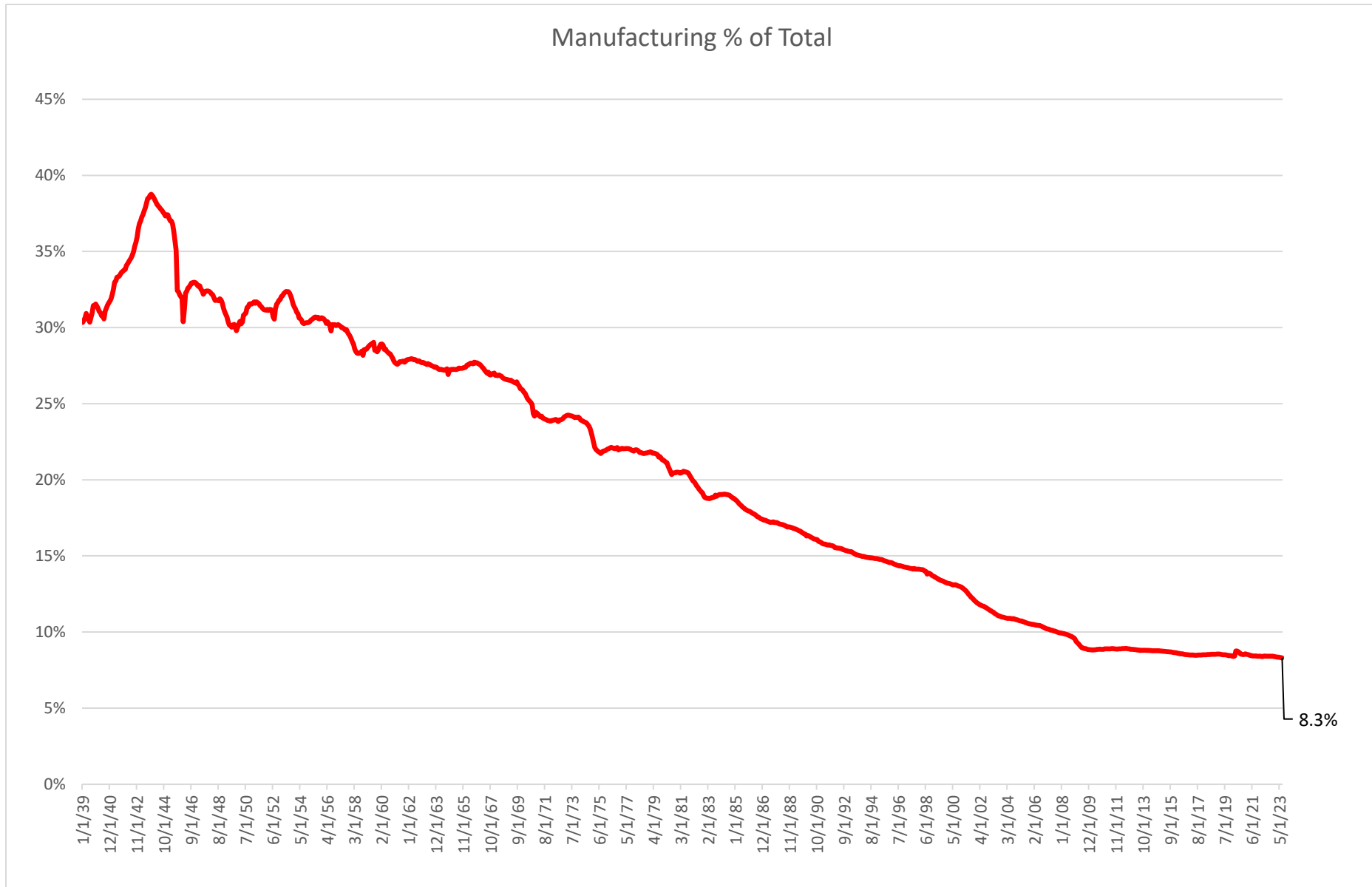


“The Leading Index has been in decline for fifteen months—the longest streak of consecutive decreases since 2007-08, during the runup to the Great Recession. Taken together, June’s data suggests economic activity will continue to decelerate in the months ahead. We forecast that the US economy is likely to be in recession from Q3 2023 to Q1 2024.”

This chart shows how the LEI has definitively rolled over well in advance of the last recessions.

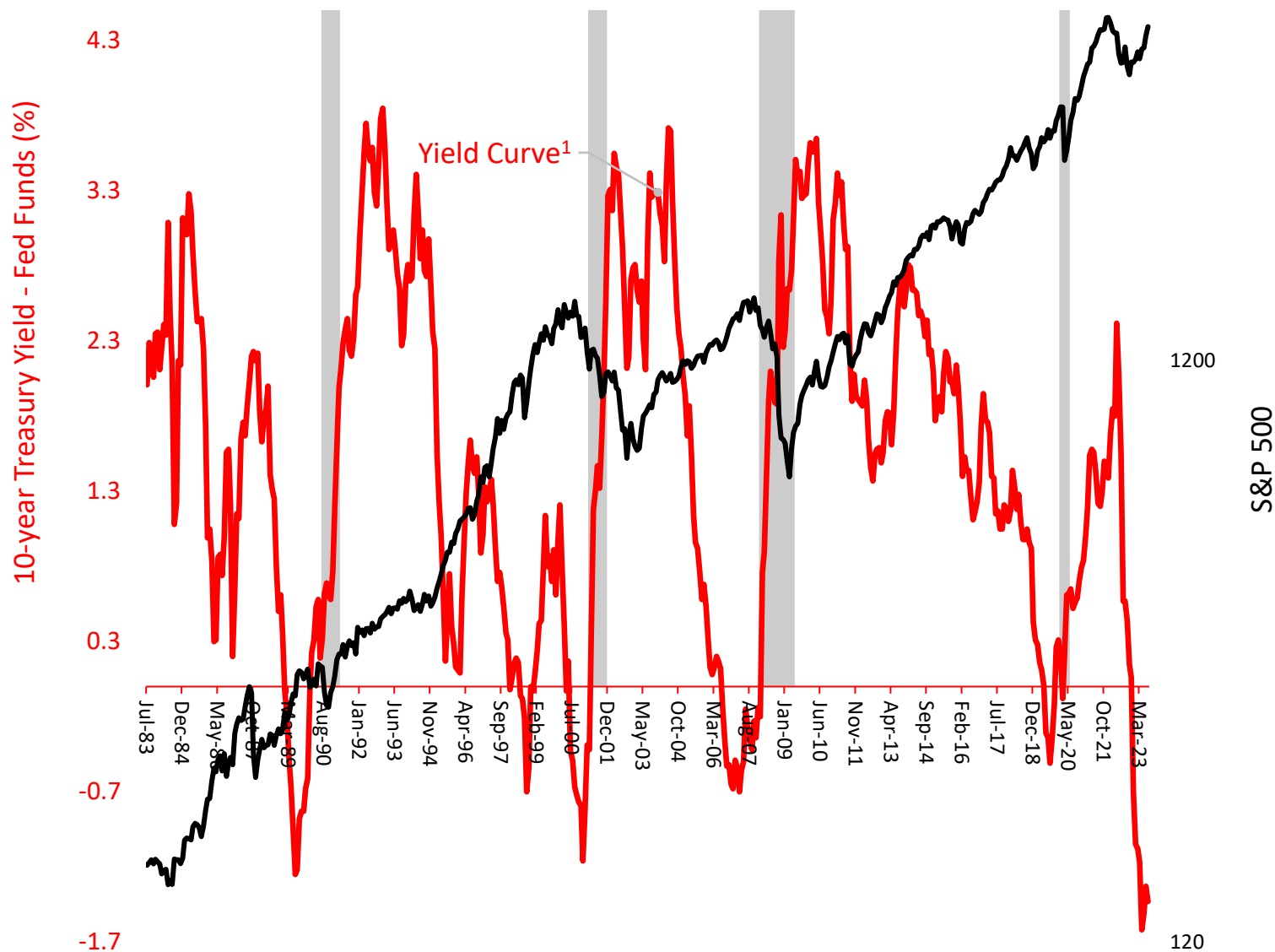
The Conference Board Leading Economic Index® (LEI) components: 1) average weekly hours worked, manufacturing; 2) average weekly initial unemployment claims; 3) manufacturers' new orders – consumer goods and materials; 4) ISM index of new orders; 5) manufacturers' new orders, nondefense capital goods; 6) building permits – new private housing units; 7) stock prices, S&P 500; 8) Leading Credit Index™; 9) interest rate spread; 10-year Treasury minus fed funds; 10) index of consumer expectations.
Source: ©The Conference Board. Data through June released July 20, 2023.

Manufacturing jobs % of total employment



Federal Reserve policy

Yield curve vs. the S&P 500



When the yield curve has inverted the economy has usually turned down into recession with a lag of a year or more.

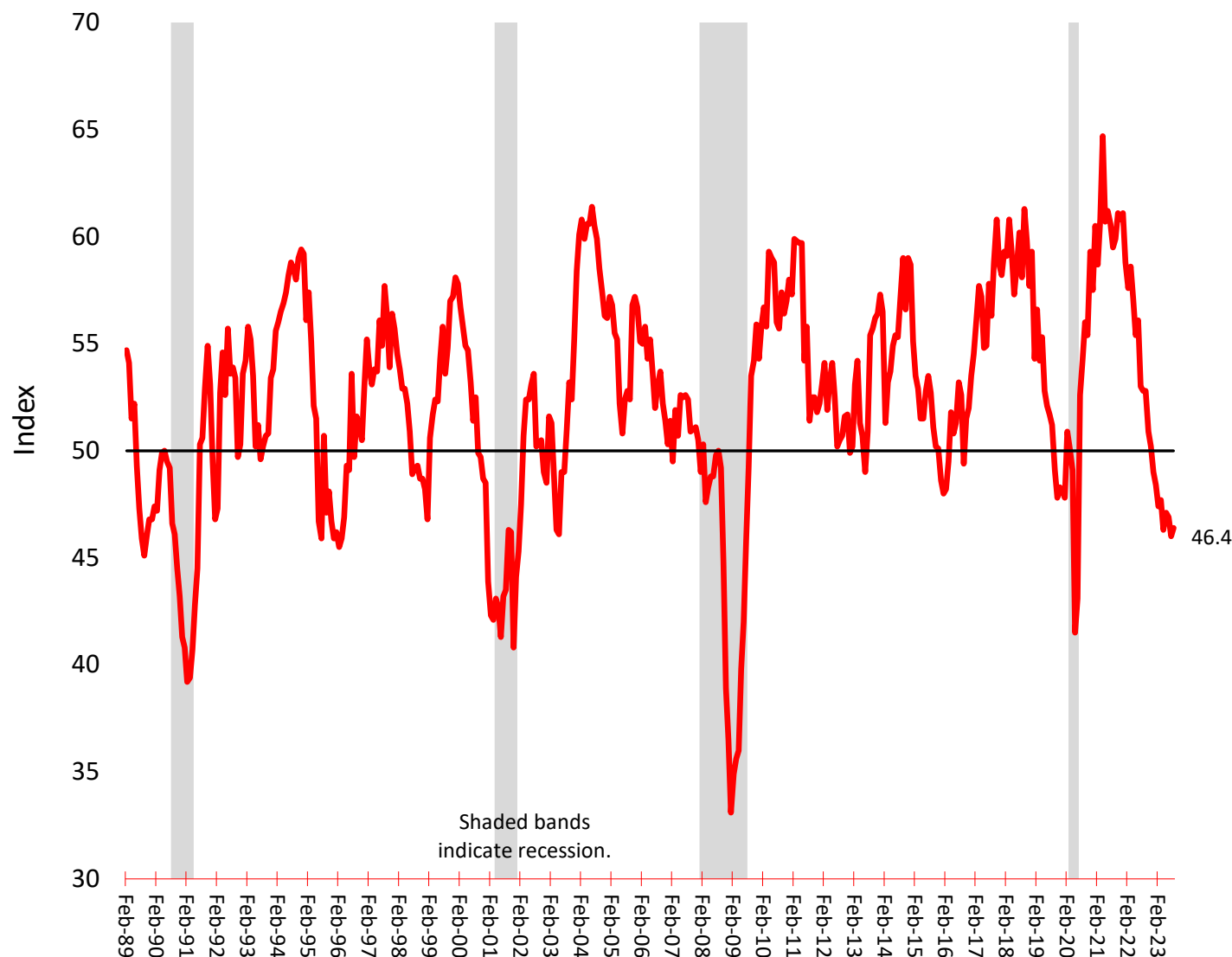
Today, the yield curve is inverted.

Sources: NBER, Federal Reserve and Standard & Poor's. Data through July 2023.

¹The interest rate on the 10-year Treasury bond (long term) minus the fed funds rate (short term).



ISM manufacturing PMI



July at 46.4.

July new orders 47.3.

Note the historic volatility in the manufacturing PMI.

Note how this indicator has slumped well below 50 even during periods of strong economic expansion, eg. 1995, 1999, 2003, 2013, 2016.

Source: Copyright 2023, Institute for Supply Management. Data through July 2023.

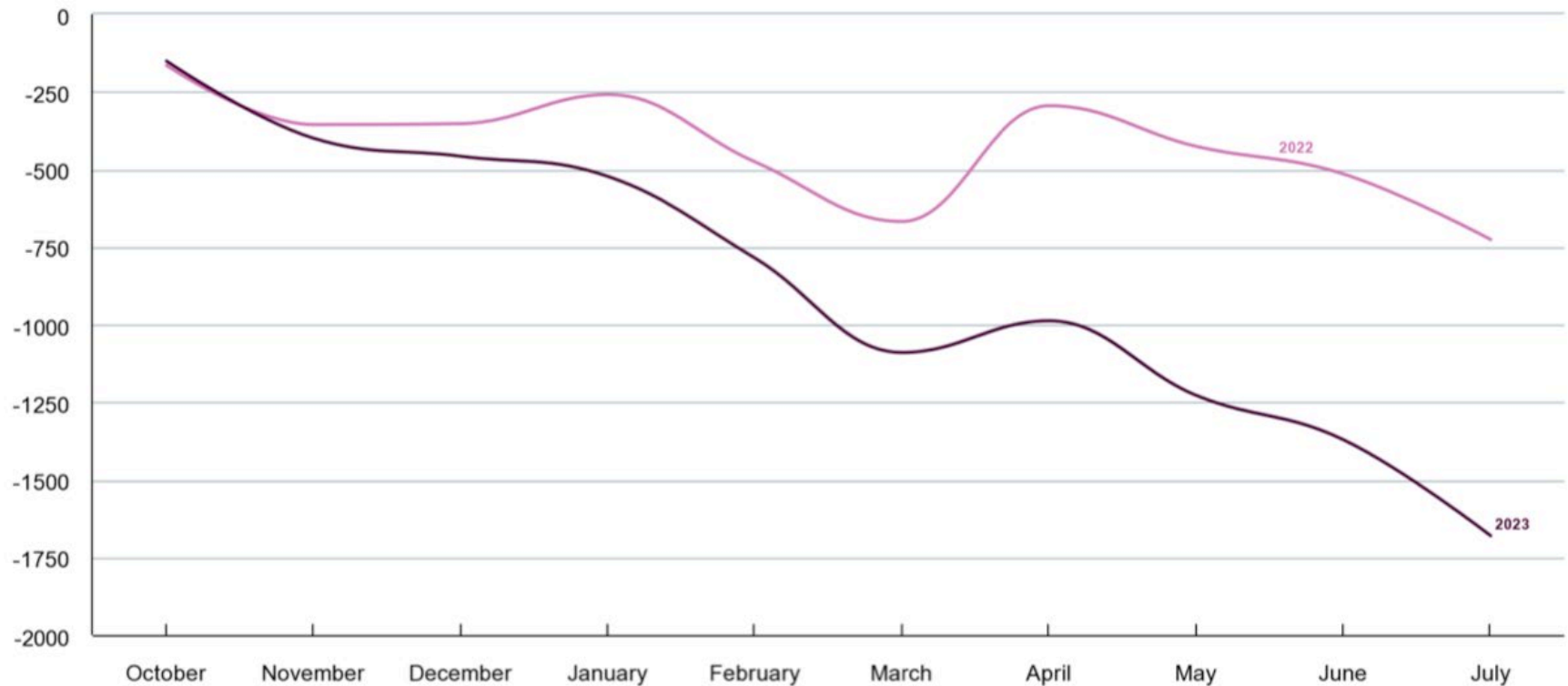
ISM: "A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting. A Manufacturing PMI® above 48.7 percent, over a period of time, generally indicates an expansion of the overall economy."

Economic data

Federal budget deficit

Figure 1.
Cumulative Monthly Deficits
Fiscal Years 2022 and 2023

Billions of Dollars



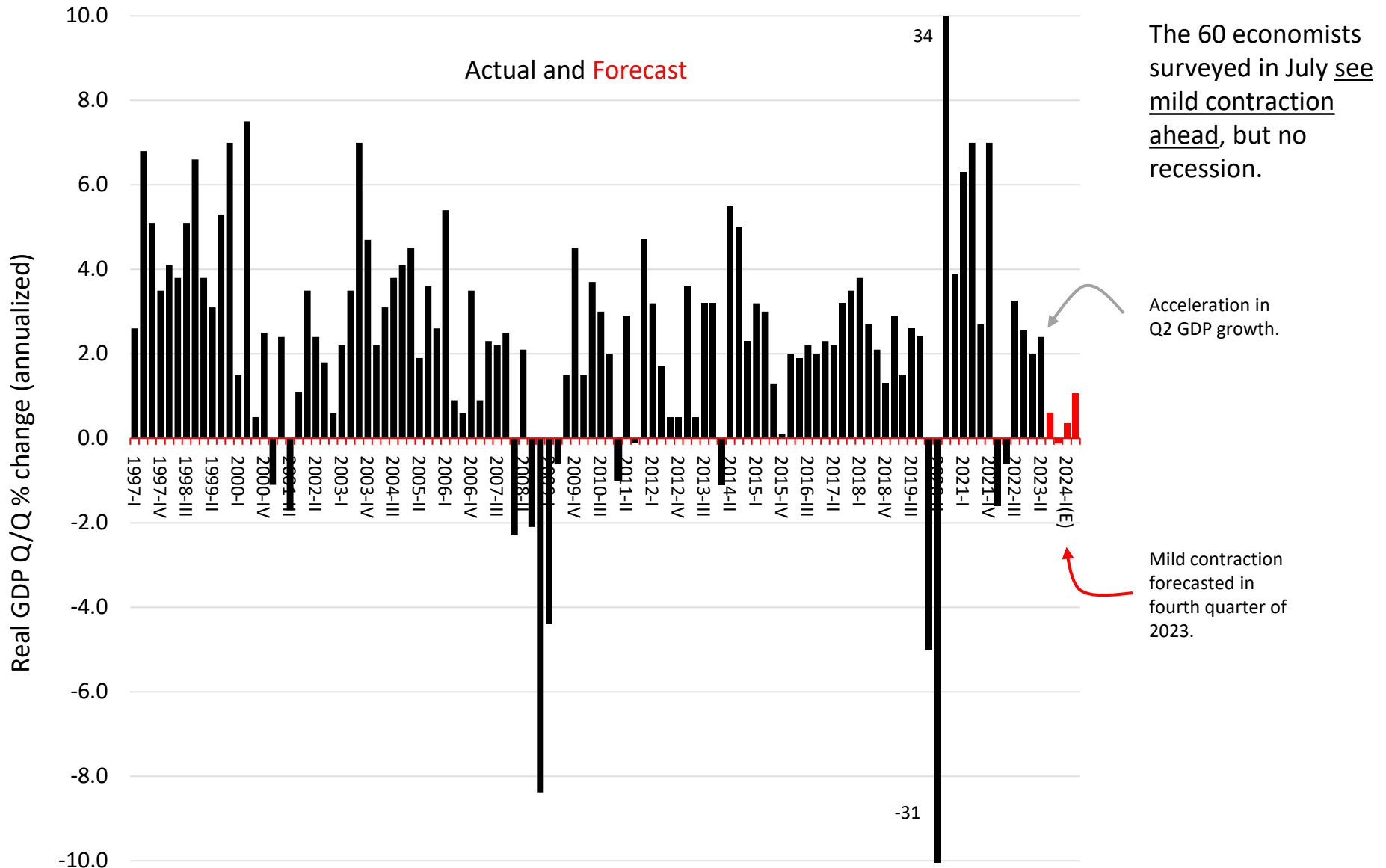
Data Sources: Congressional Budget Office; Department of the Treasury.
The value shown for July 2023 is CBO's estimate.
Values for all months have been adjusted to exclude the effects of timing shifts.

Good news

- Strong hiring data
- Strong Q2 GDP
- Strong Q3 GDPNow forecast
- Strong July services PMI
- Strong July car sales
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- Oil down
- Consumers have cash – M2
- Strong corporate balance sheets
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- Inflation is moderating

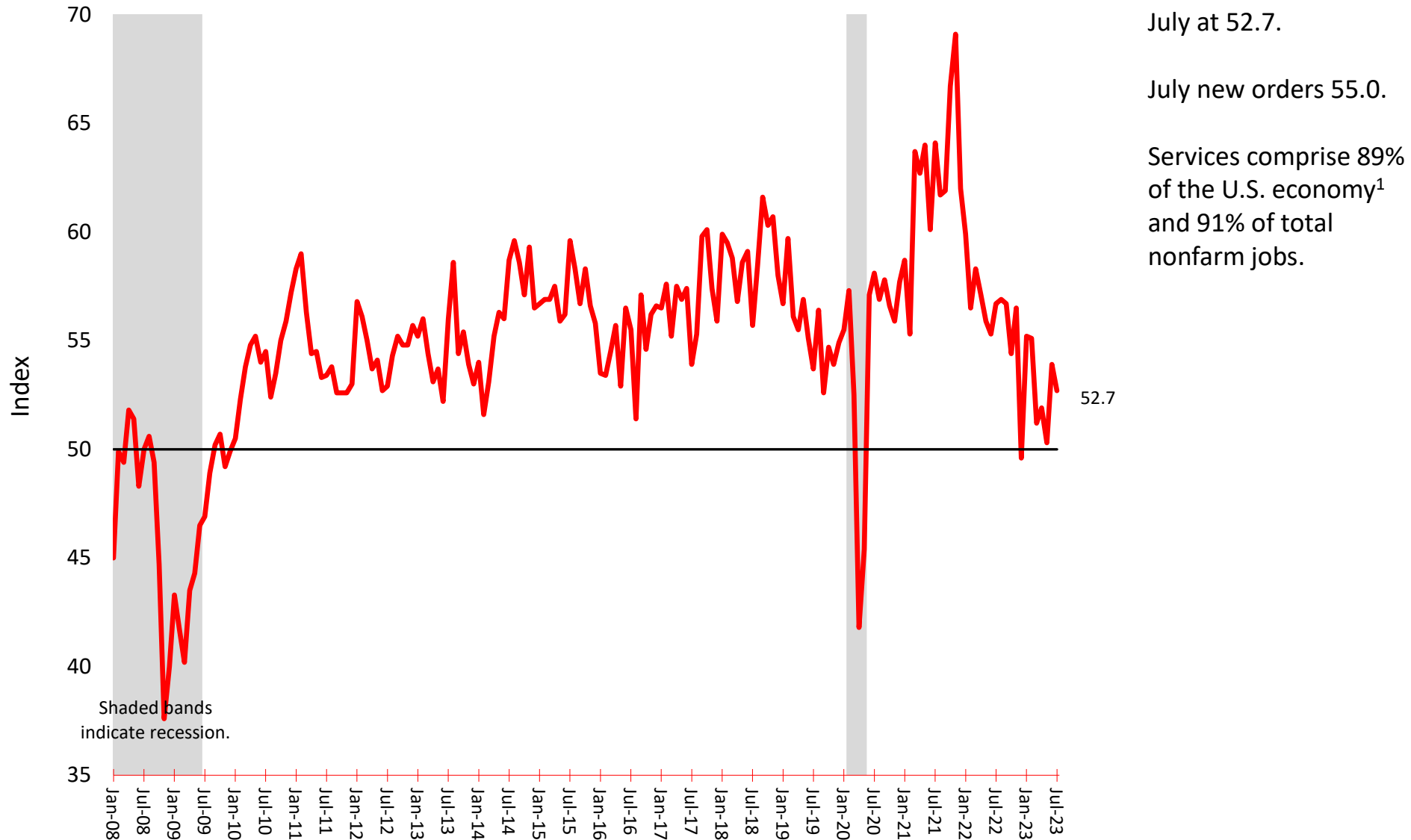


GDP



Economic data

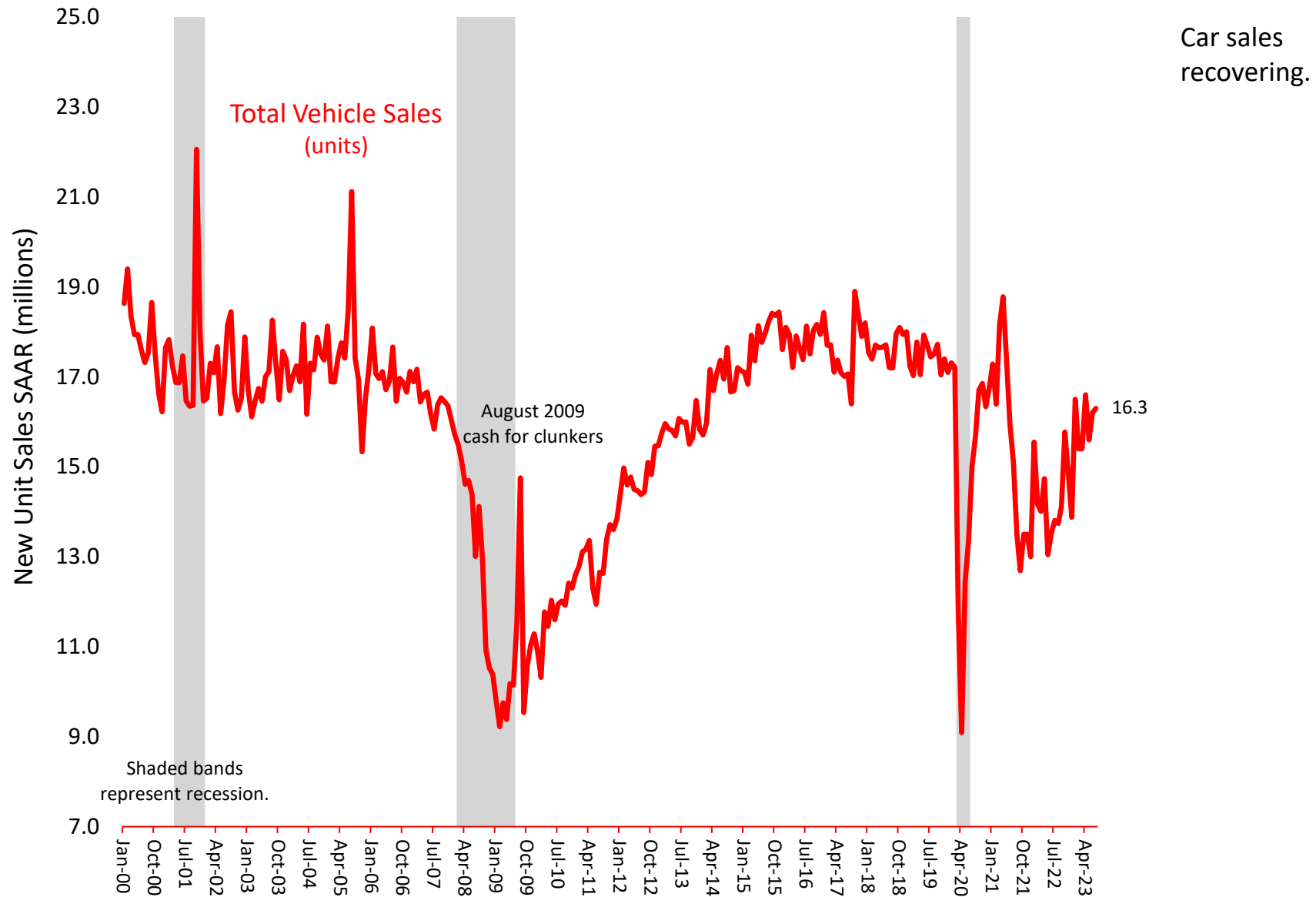
ISM services PMI



Source: Copyright 2023, Institute for Supply Management; data through July 2023. This data series was created in 2008. ISM: "A reading above 50 percent indicates that the services sector economy is generally expanding; below 50 percent indicates that it is generally contracting." "A Services PMI® above 50.1 percent, over time, generally indicates an expansion of the overall economy." ¹Value added as a percent of GDP.

Economic data

Vehicle sales



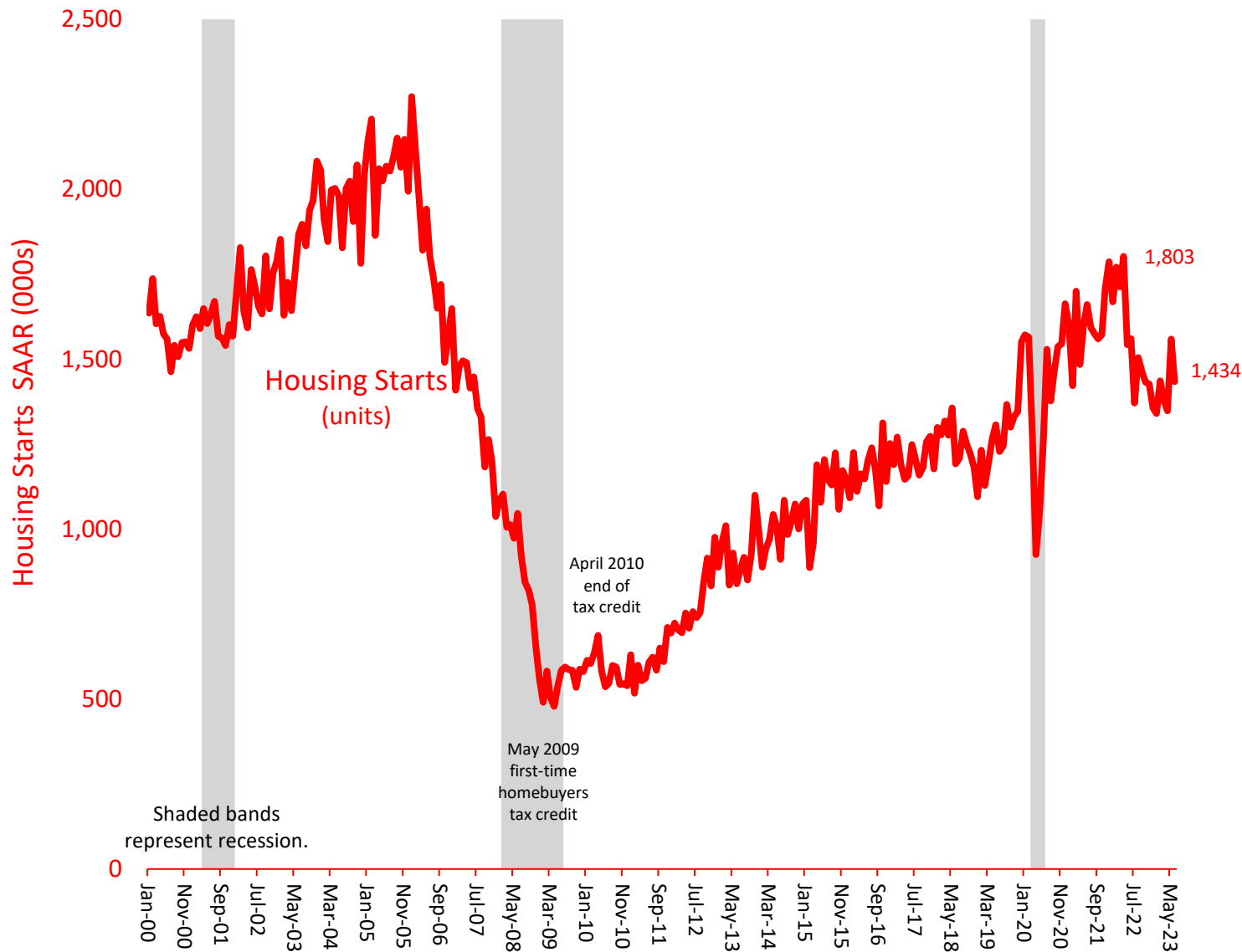
THE WALL STREET JOURNAL.

U.S. Auto Sales Defy Gloomy Forecasts

U.S. new-vehicle sales rose an estimated 13% during the first half of the year, a pace far ahead of industry forecasts as car buyers shake off concerns about rising interest rates and inflationary pressures.

Economic data

Housing starts



1.434 million in June.

June permits at 1.440 million.

“Housing starts also remain(ed) well below the projected rate of 1.6 to 1.8 million that is consistent with long-term demographics and the replacement of the existing housing stock (Herbert, McCue, and Spader 2016).”¹

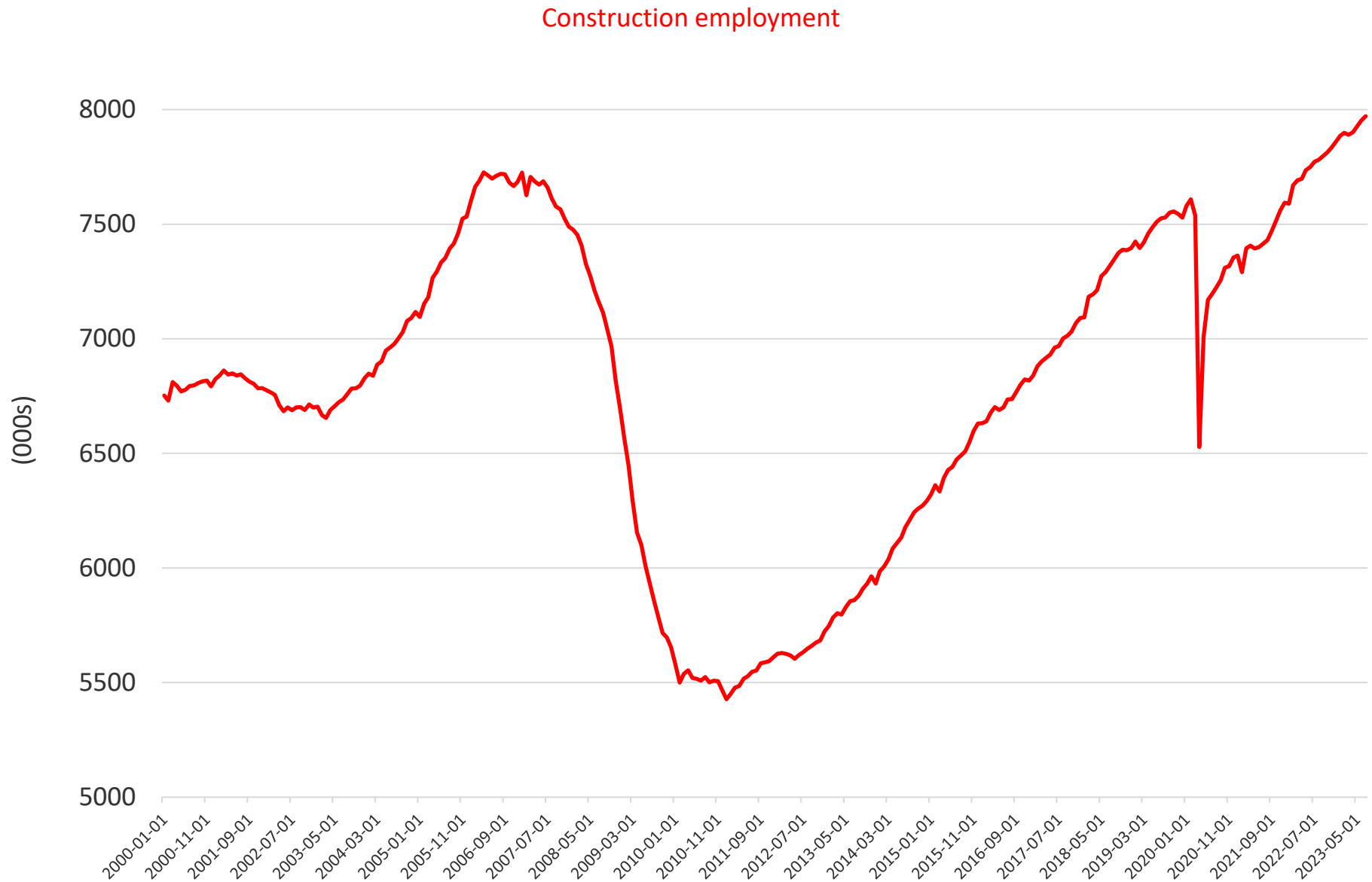
Sources: BEA and U.S. Census Bureau. Data through June 2023.

¹ *Economic Report of the President*, Council of Economic Advisors, February 2018

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Excavator Sales Surge to Record on Heels of Boom in Construction

Construction employment – record high



THE WALL STREET JOURNAL.

Shoppers Boost Retail Sales for Fourth Straight Month

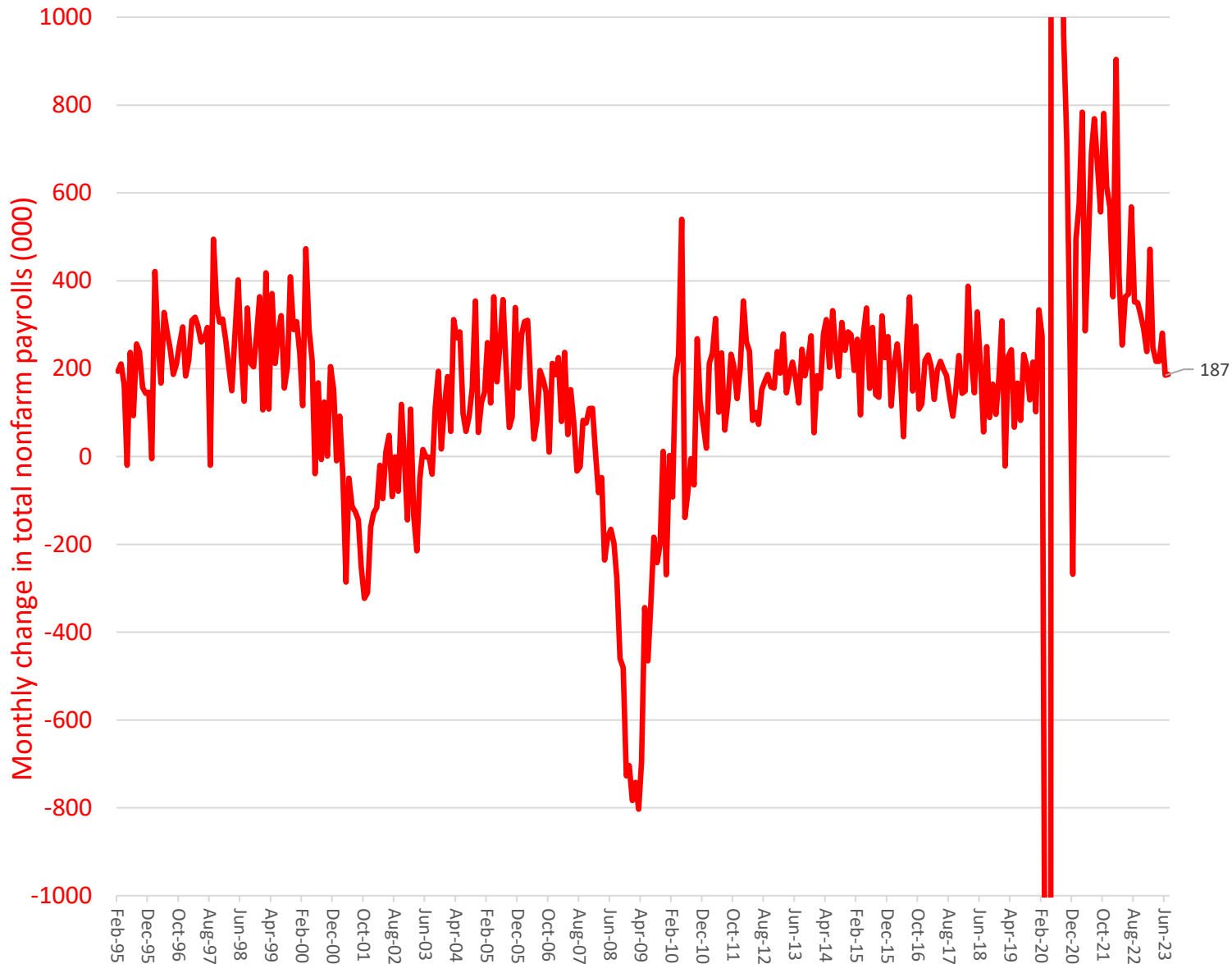
Americans increased their retail spending in July for the fourth month in a row, a sign the strong labor market is continuing to encourage consumers to open their wallets.

Retail sales—a measure of spending at stores, online and in restaurants—rose a seasonally adjusted 0.7% last month from the month before, the Commerce Department said Tuesday.

That was a faster pace than in June and was higher than the 0.2% increase in consumer prices last month, a sign that Americans' spending is outpacing inflation.

Economic data

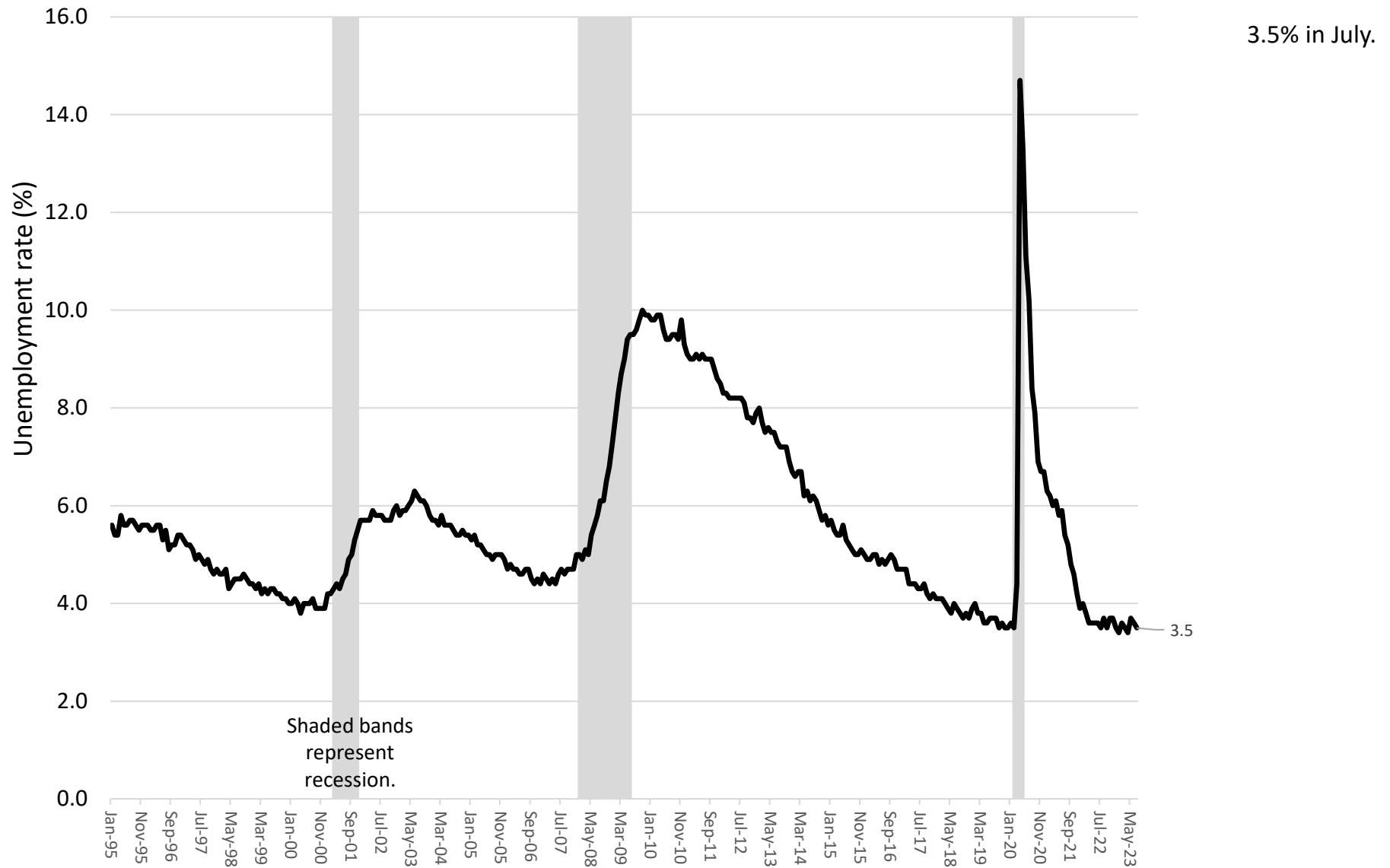
Net new job formation



187,000 jobs gained in July on the establishment survey.

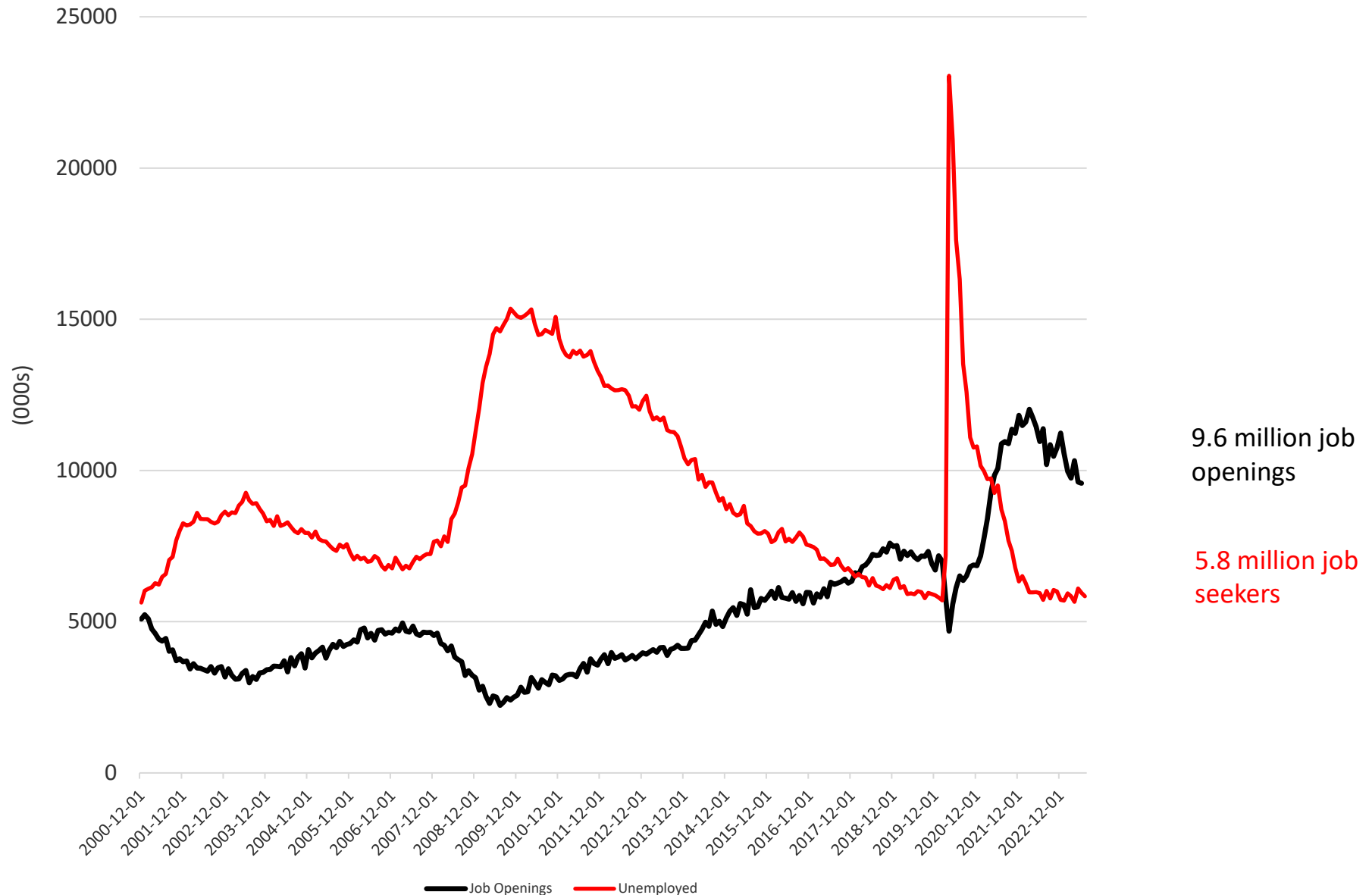
Economic data

Unemployment rate

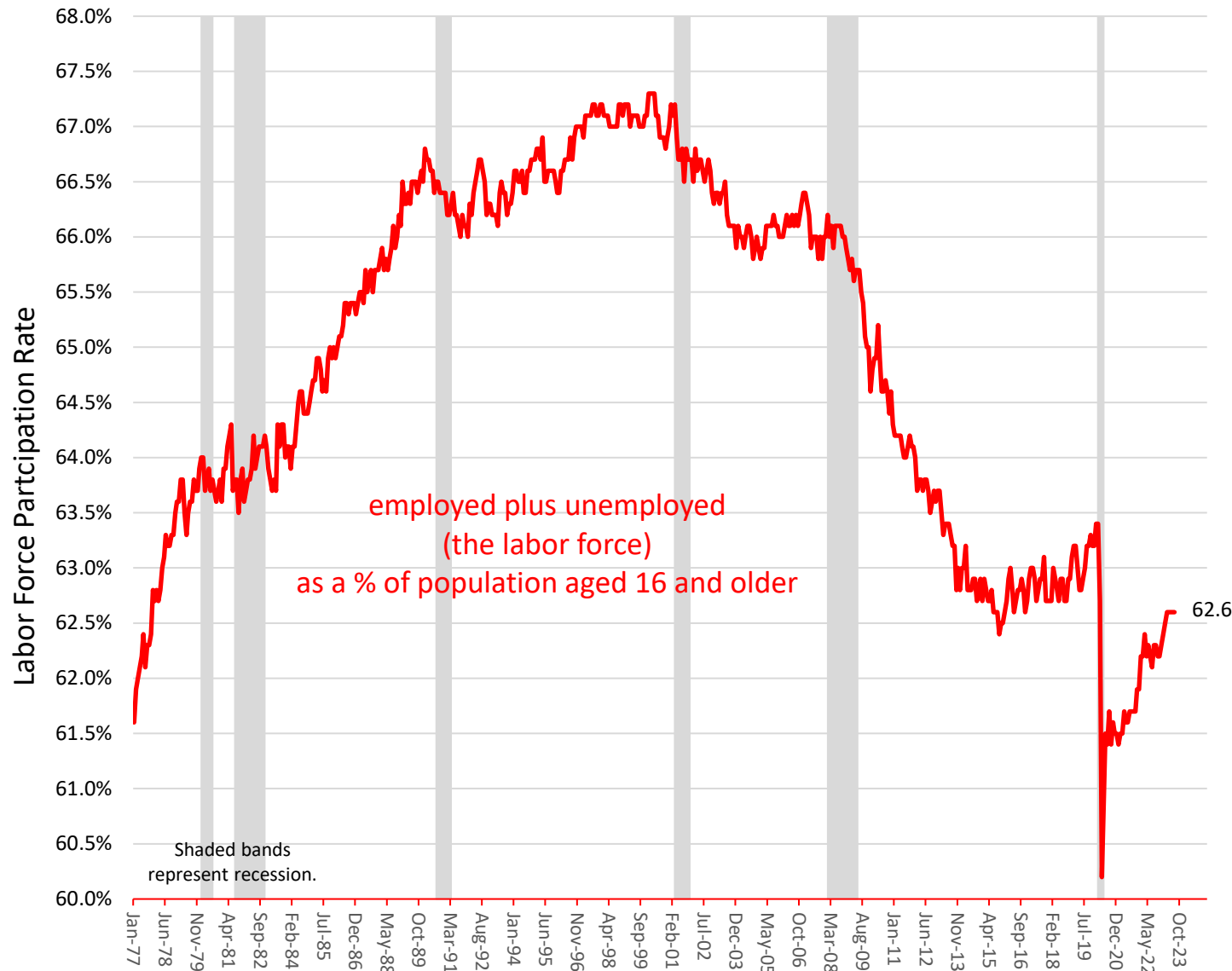


Source: Bureau of Labor Statistics. Data through July 2023.

“Excess demand” for labor – this time is different



Labor force participation rate¹ – recovering from Covid



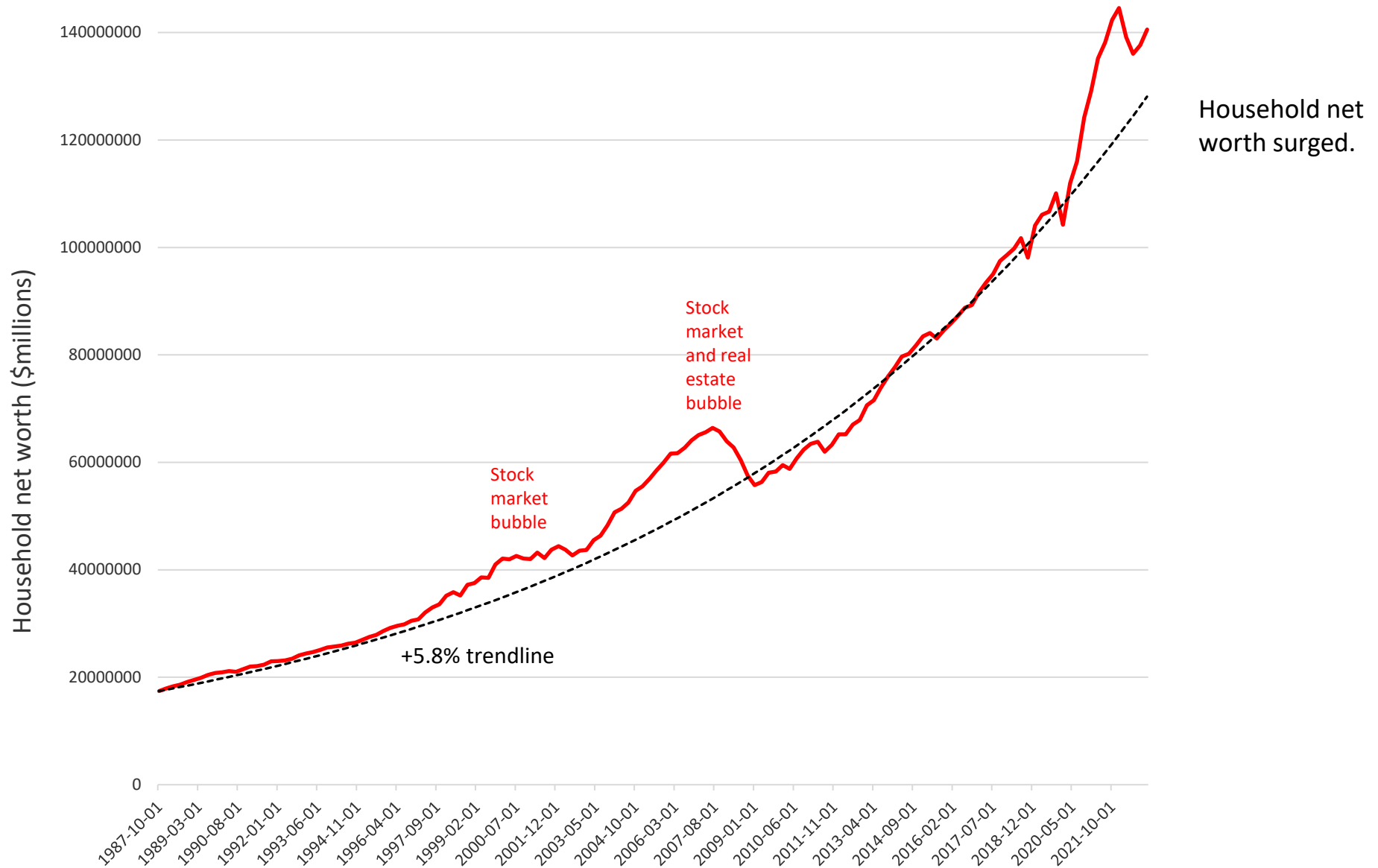
Americans were joining and staying in the labor force in increasing numbers ... until Covid-19.

A reduction in immigration and a surge in retirements have subtracted from the labor force.

Source: BLS. Data through July 2023.

¹Labor force participation rate: the proportion of the civilian noninstitutional population 16 years of age and older either at work or actively seeking work.

Household net worth – the wealth effect



Household balance sheets

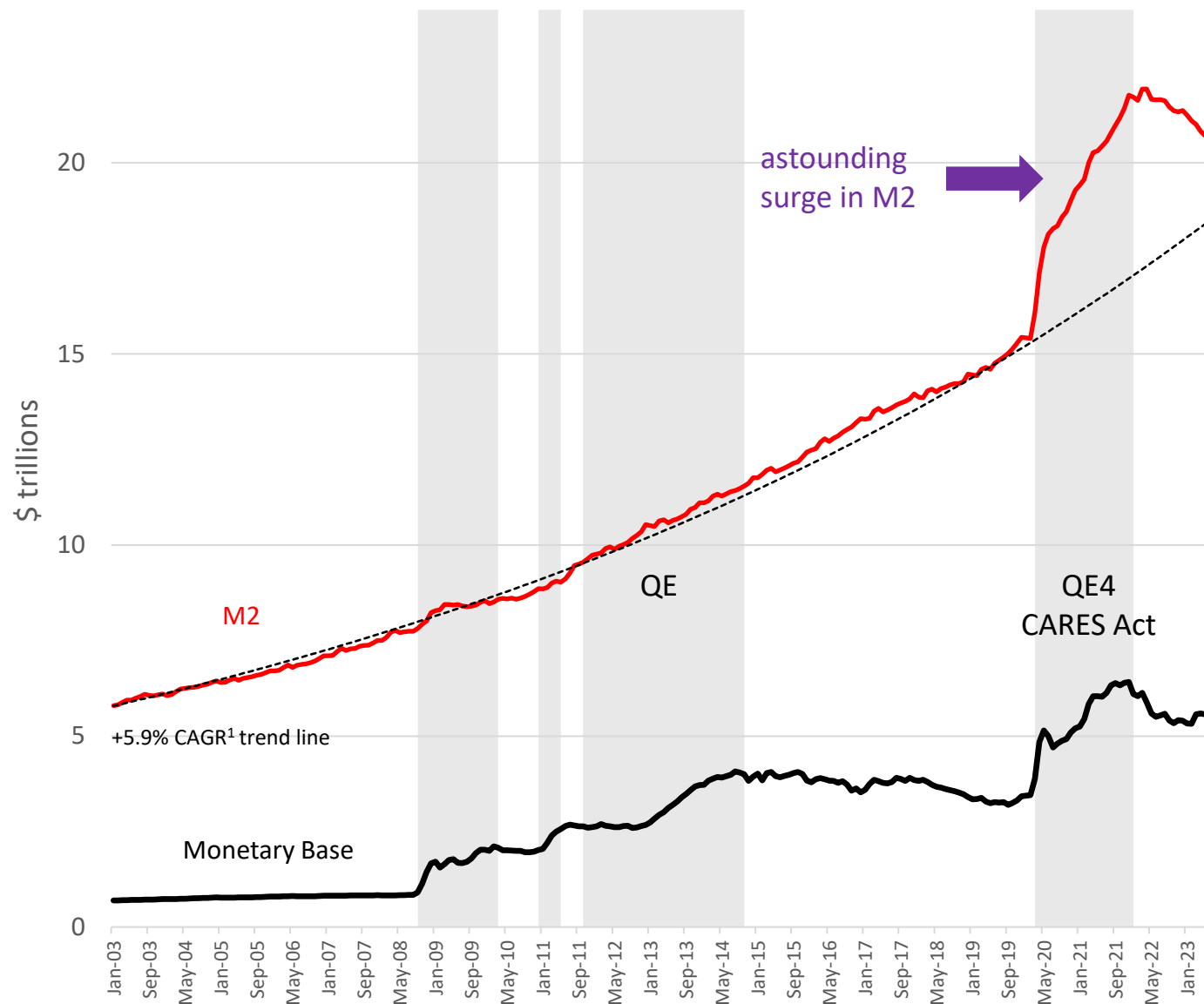
Financial obligations ratio



This measure shows that percent of monthly after-tax income that the average household pays for fixed recurring monthly obligations, such as a mortgage, car payment, utilities, real estate taxes, etc.



The monetary base and the money supply



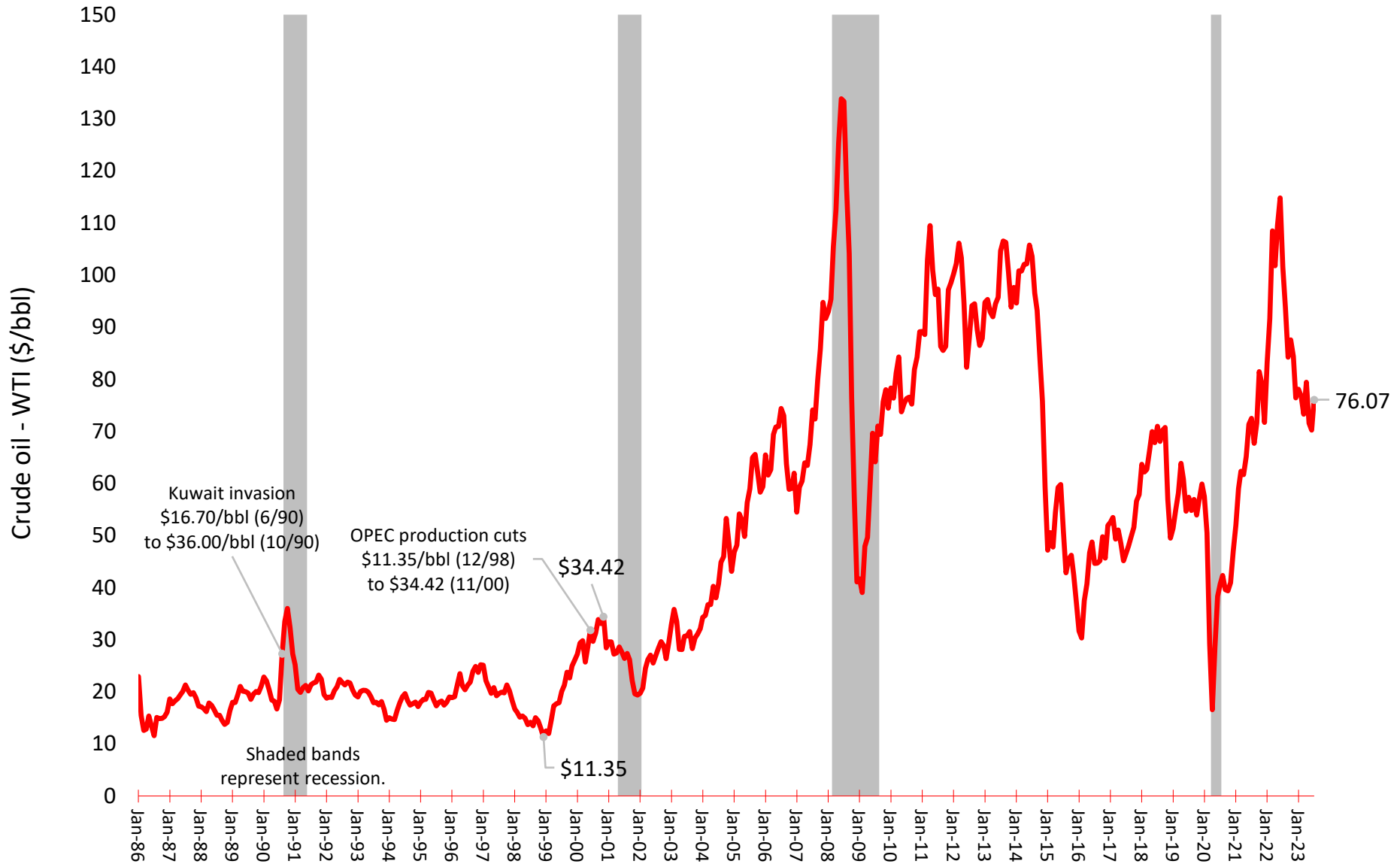
M2: currency held by the public plus checking, savings and money market accounts.

A quadrupling of the monetary base with QE did not affect M2 growth. The CARES Act and subsequent stimulus did ... by putting money directly into consumers' and businesses' accounts.

Monetary base: currency in circulation plus reserve balances (deposits held by banks in their accounts at the Federal reserve).

Oil

WTI spot crude oil prices



Source: U.S. Energy Information Agency. Data through July 2023.



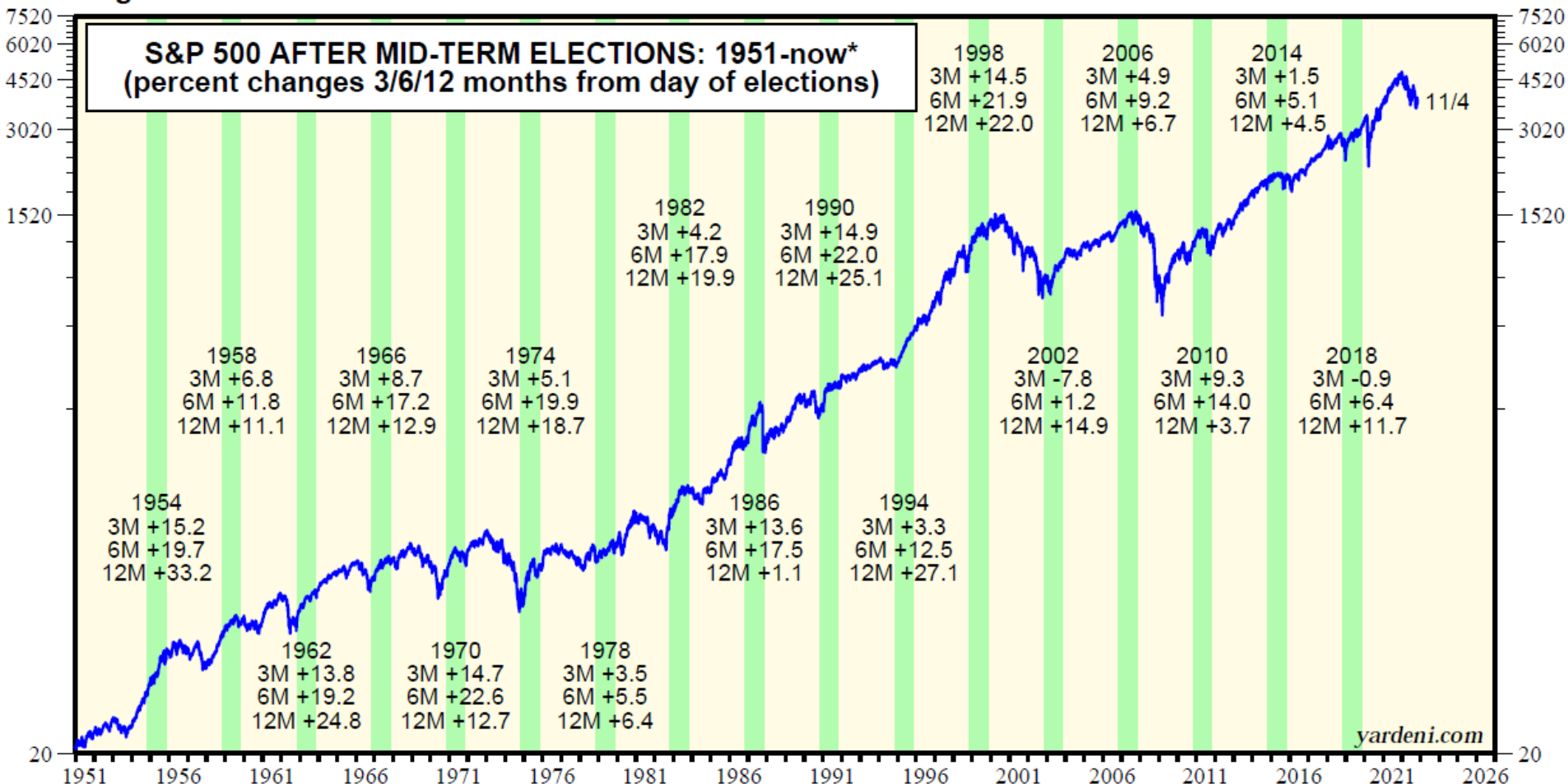
Stock Market

- mid-term election years
- bull market
- stocks vs. recessions
- “parabolic” is normal
- 2023/2024 earnings estimates
- P/E multiple

Stock market

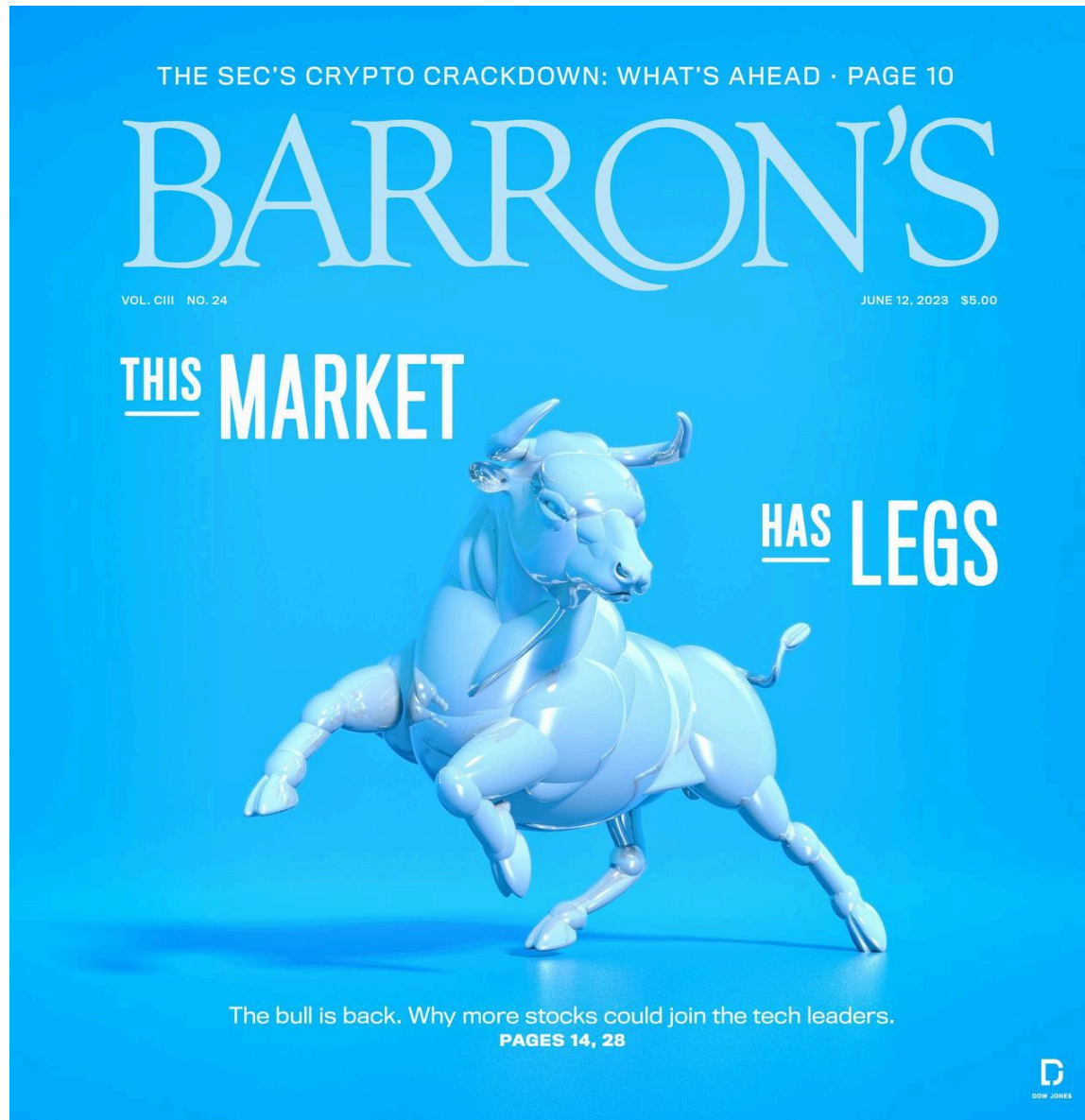
S&P 500 and mid-term elections

Figure 3.



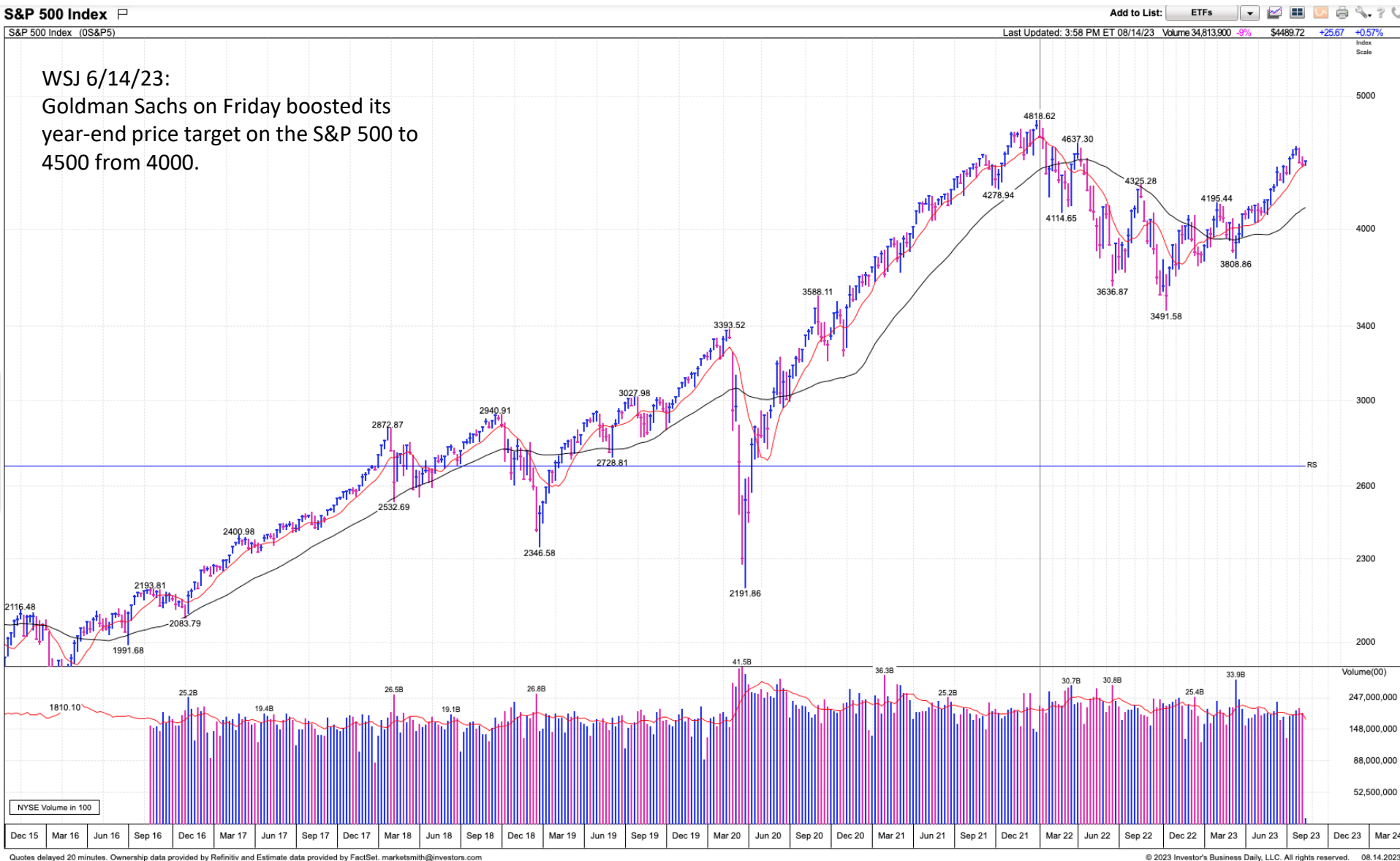
* S&P 500 up (down) during 12-month span following election day in green (red) shaded area. Prior to 1969, markets were closed on election day, therefore used "latest close" for those dates.

Source: Haver Analytics, Standard & Poor's, YRI calculations.

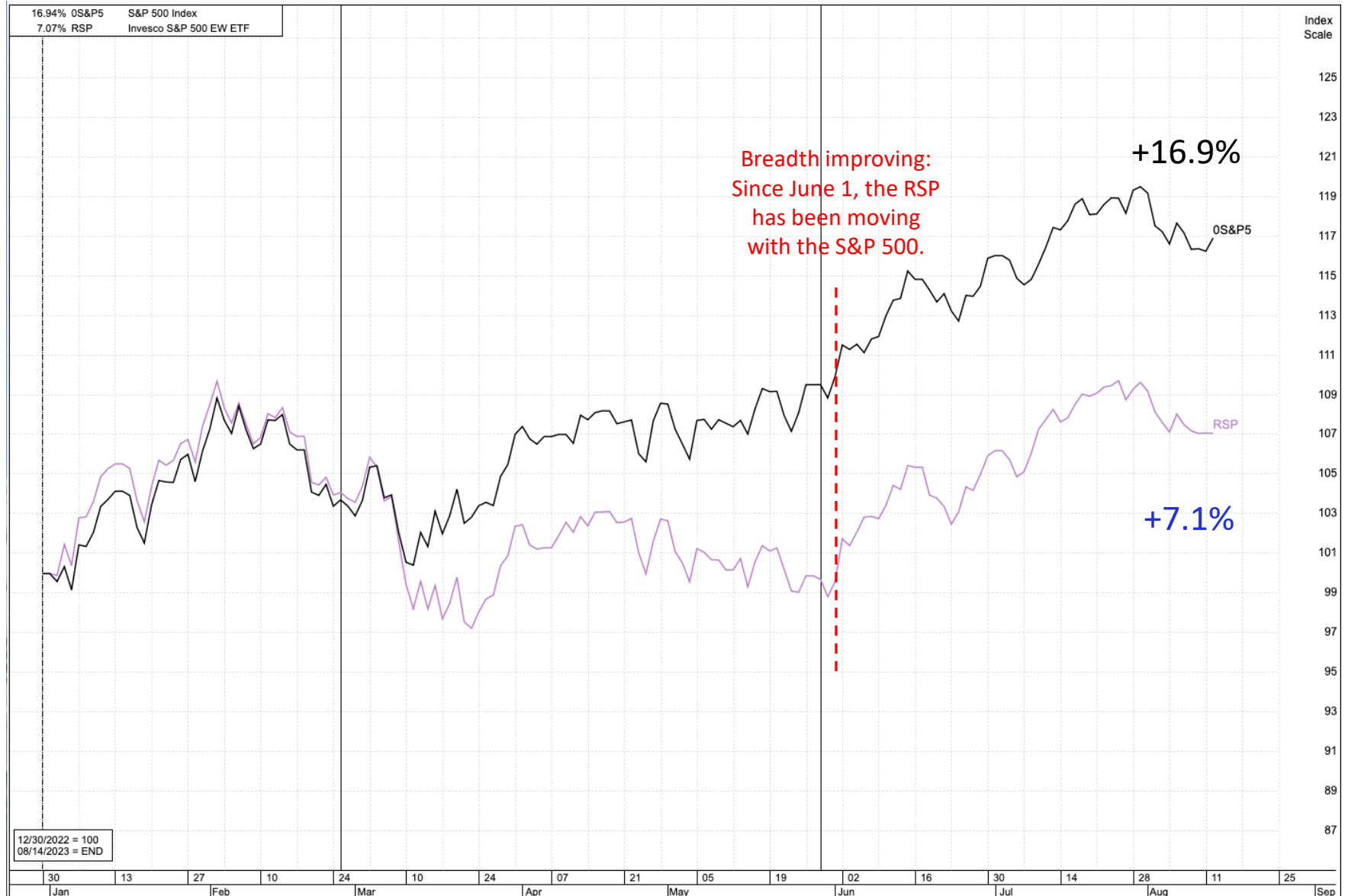


Stock market

S&P 500



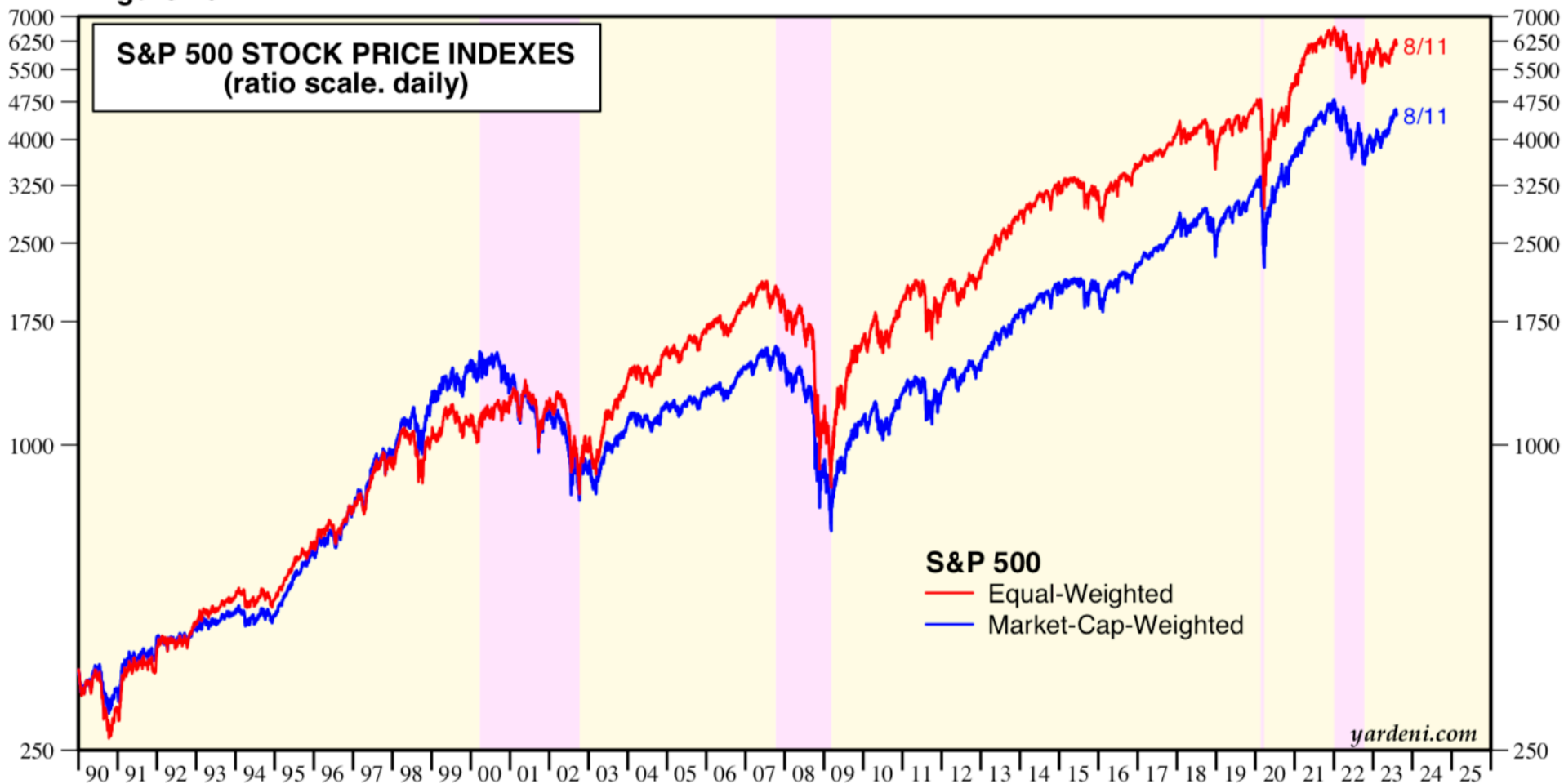
S&P 500 vs. S&P 500 equal-weighted YTD



Stock market

S&P 500 vs. S&P 500 equal-weighted

Figure 20.

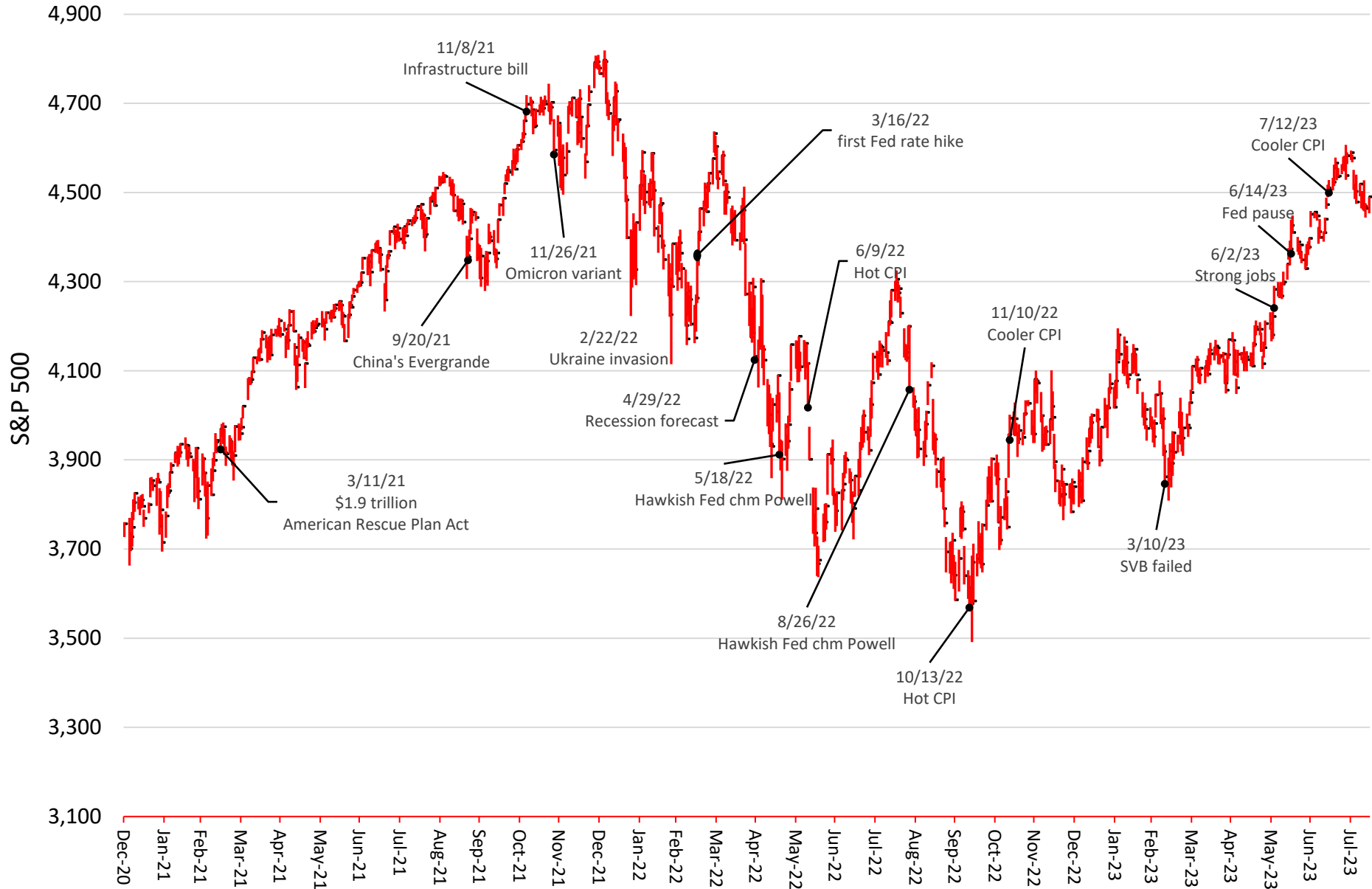


Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas are bull markets.

Source: Haver Analytics and Standard & Poor's.

Stock market

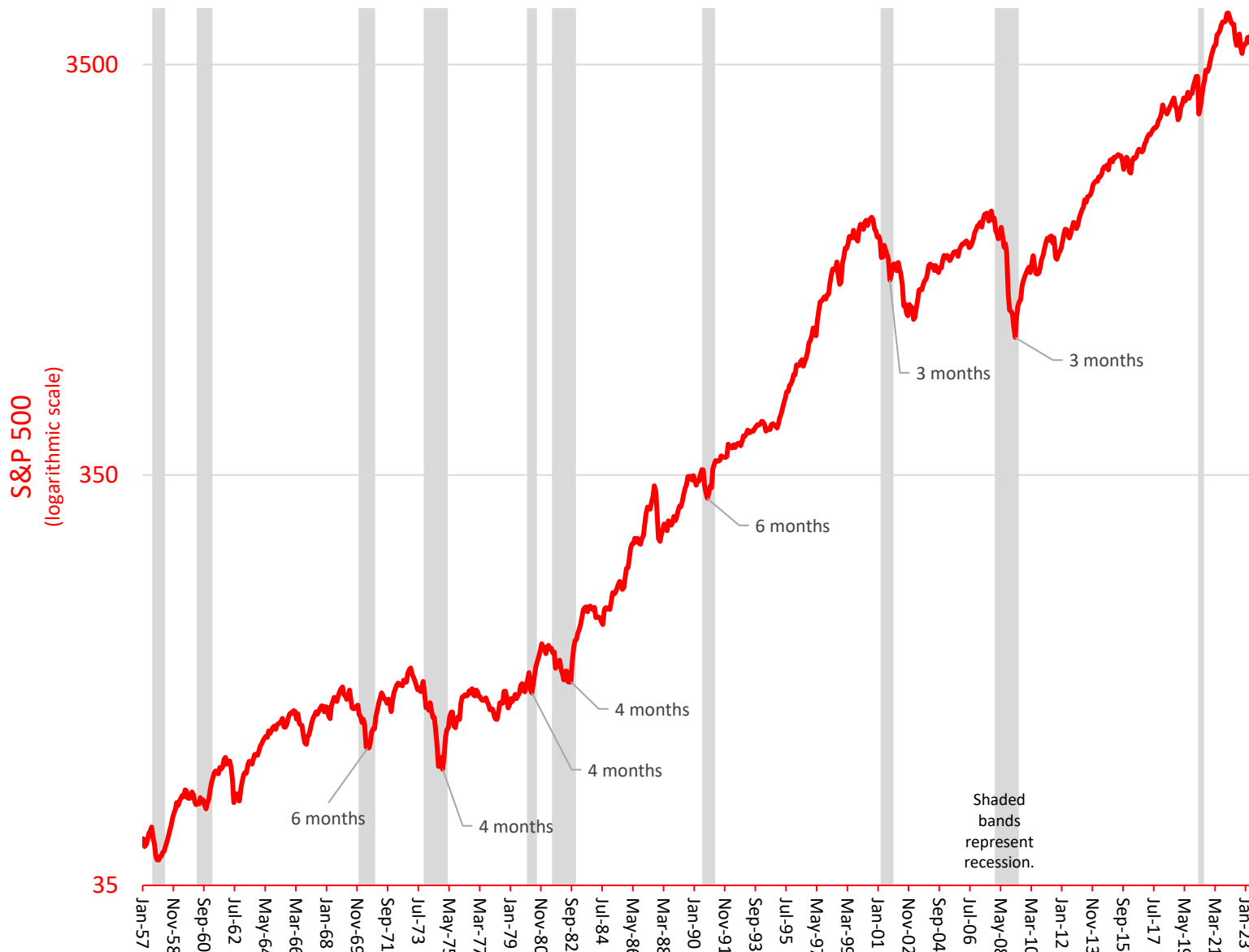
S&P 500



Source: Standard & Poor's. Data through August 14, 2023.

Stock market

S&P 500 vs. recessions

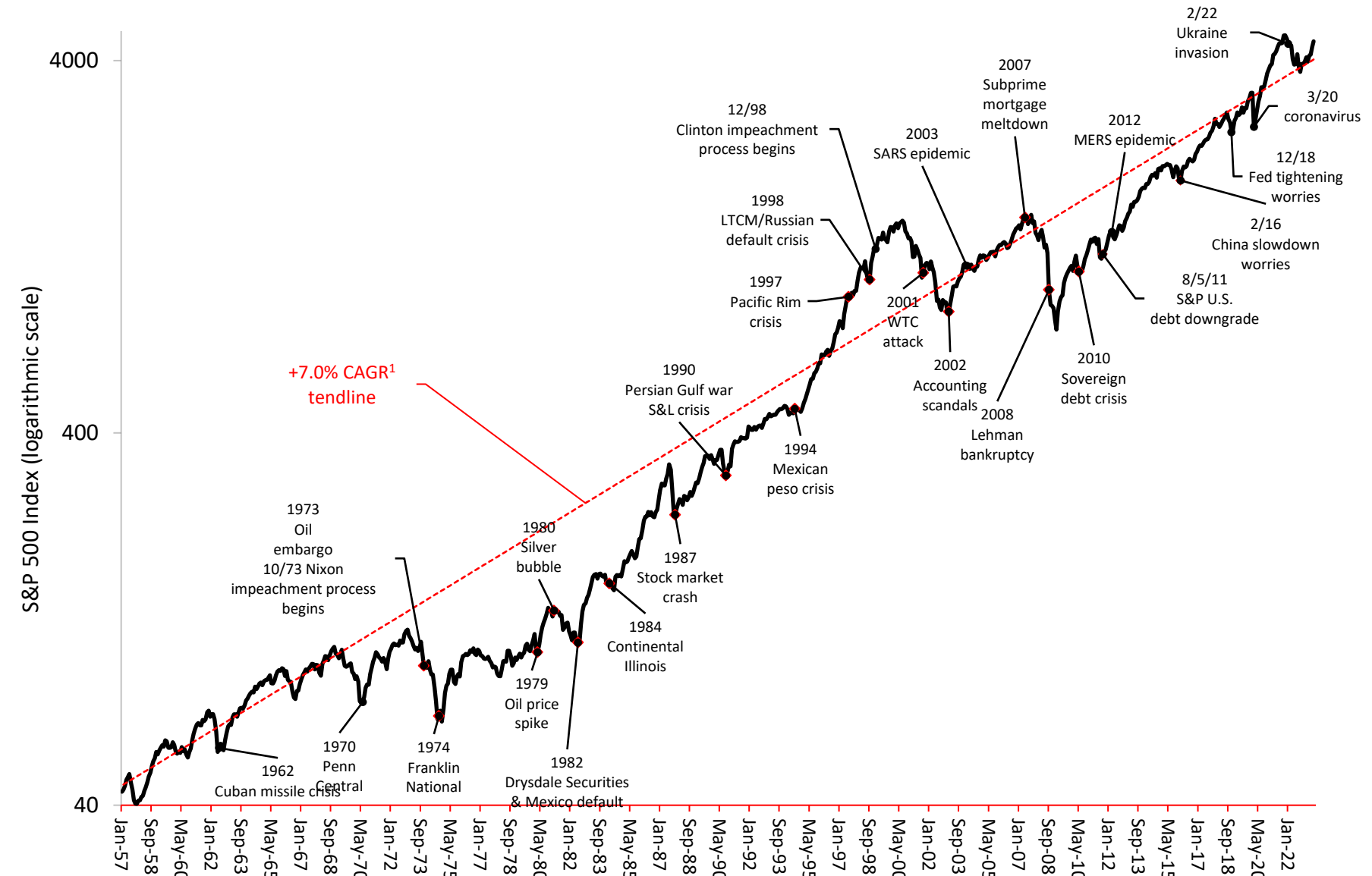


Big declines are associated with recessions.

Stocks often bottom months before recession-end.

Stock market

S&P 500 and crises



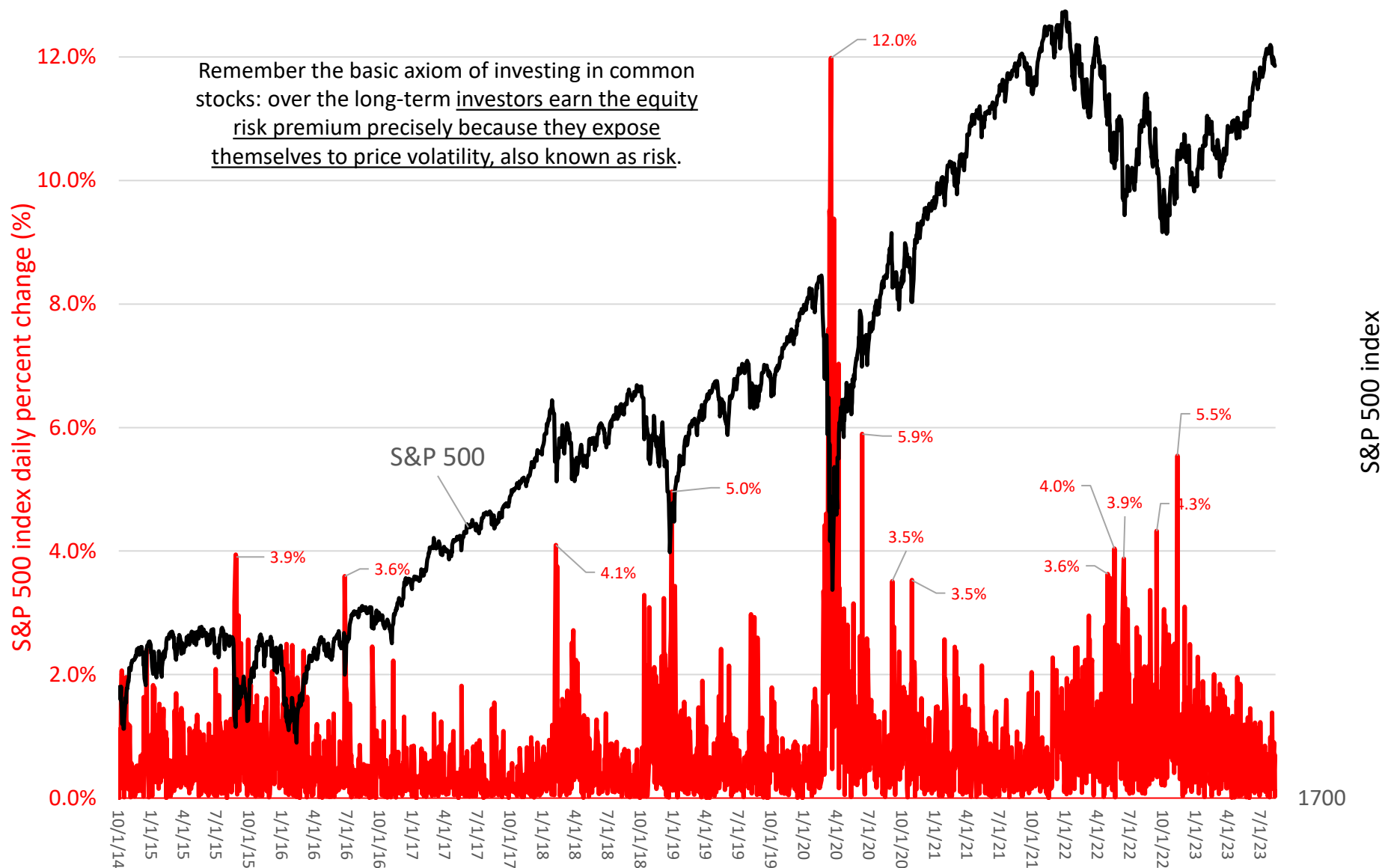
Source: Standard and Poor's. Data through July 2023. ¹ Compound annual growth rate.



Stock market

S&P 500 volatility

Remember the basic axiom of investing in common stocks: over the long-term investors earn the equity risk premium precisely because they expose themselves to price volatility, also known as risk.



Source: Standard & Poor's, data through August 11, 2023.

Stock market

S&P 500

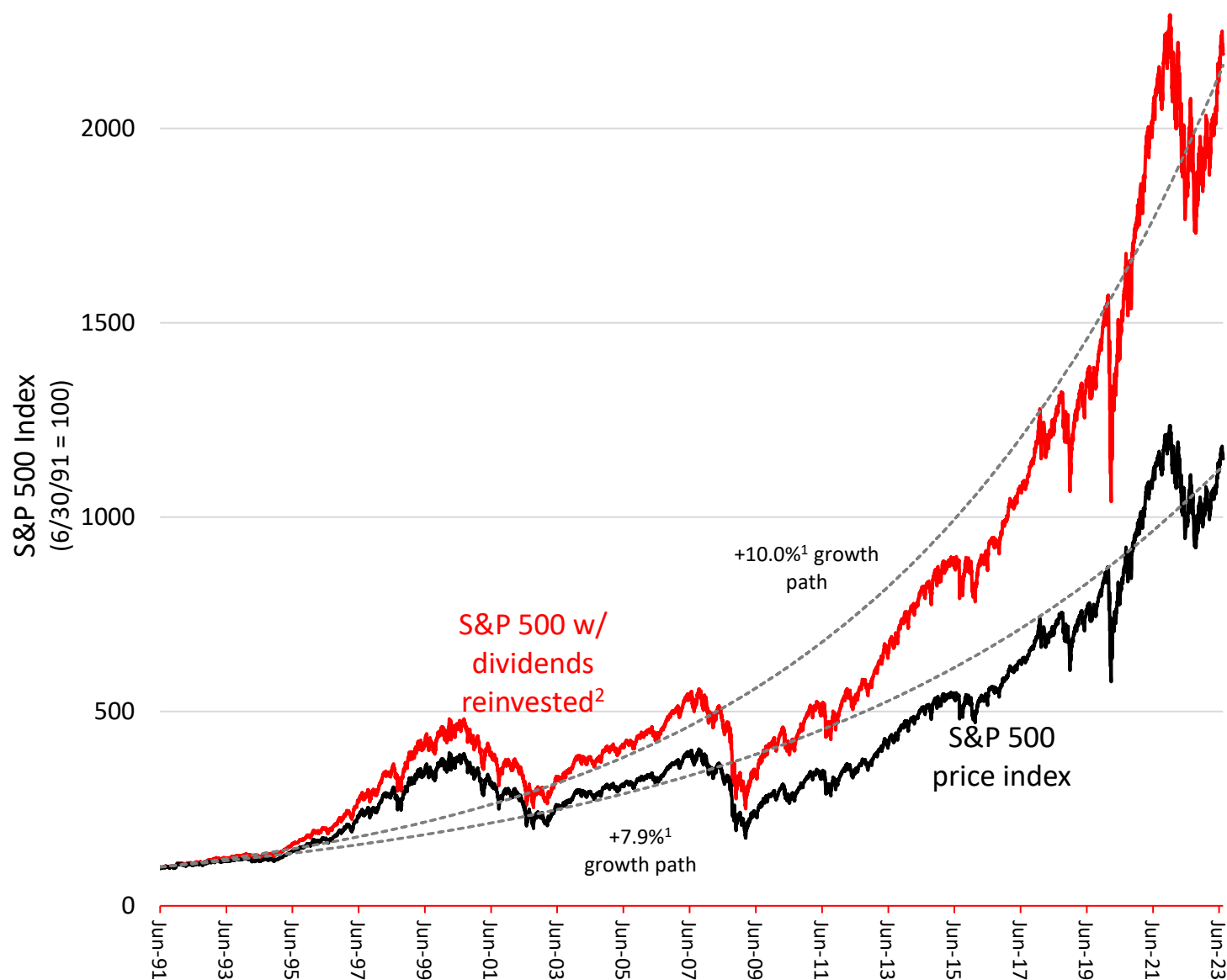
S&P 500 Price Index



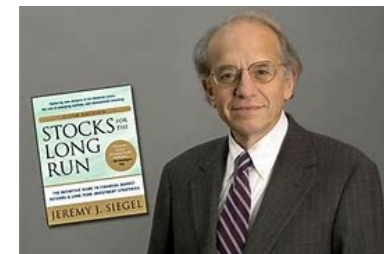


Stock market arithmetic

Total return = 7.9% earnings-driven price + 2.1% dividends reinvested



+10% per year S&P 500 total return over the last 30 years is in line with the stock market's long-term returns going back to 1926, or back even further to 1871.³



Source: Standard and Poor's. Data through August 11, 2023.¹ Compound annual growth rate. ² S&P 500 total return index.

³ per Professor Jeremy Siegel's seminal *Stocks for the Long Run*, first published in 1994.

Stock market arithmetic

Total return = 7.9% earnings-driven price + 2.1% dividends reinvested

On a logarithmic scale a constant rate of appreciation, say 10%, is represented by a constant interval on the y-axis, say one-eighth of an inch.

Hence, the +10% growth trajectory is a straight line rather than a hyperbolic curve (previous chart).

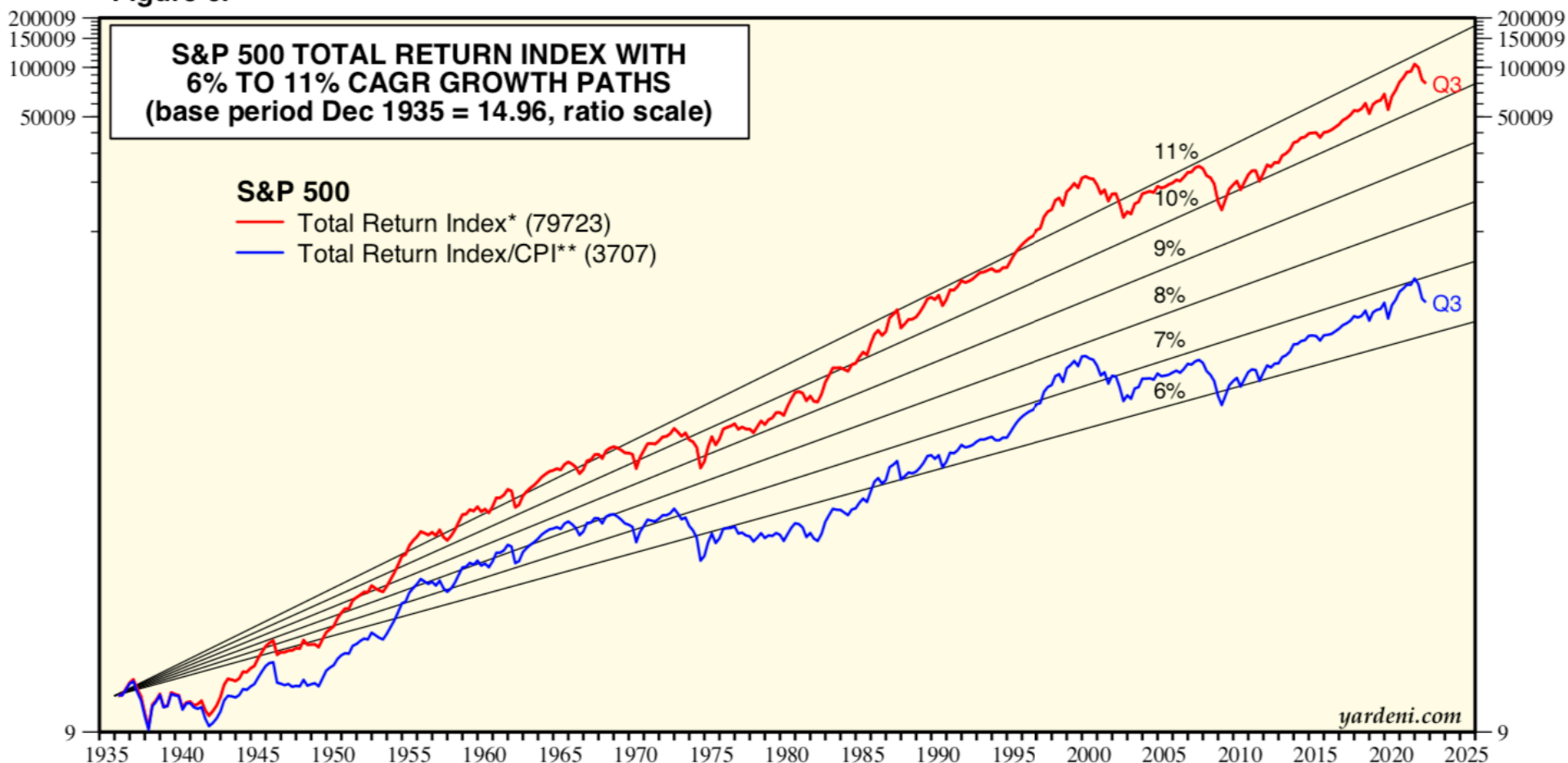


Source: Standard and Poor's. Data through August 11, 2023. ¹ Compound annual growth rate. ² S&P 500 total return index.



Total return and real total return

Figure 6.



* Includes reinvested dividends.

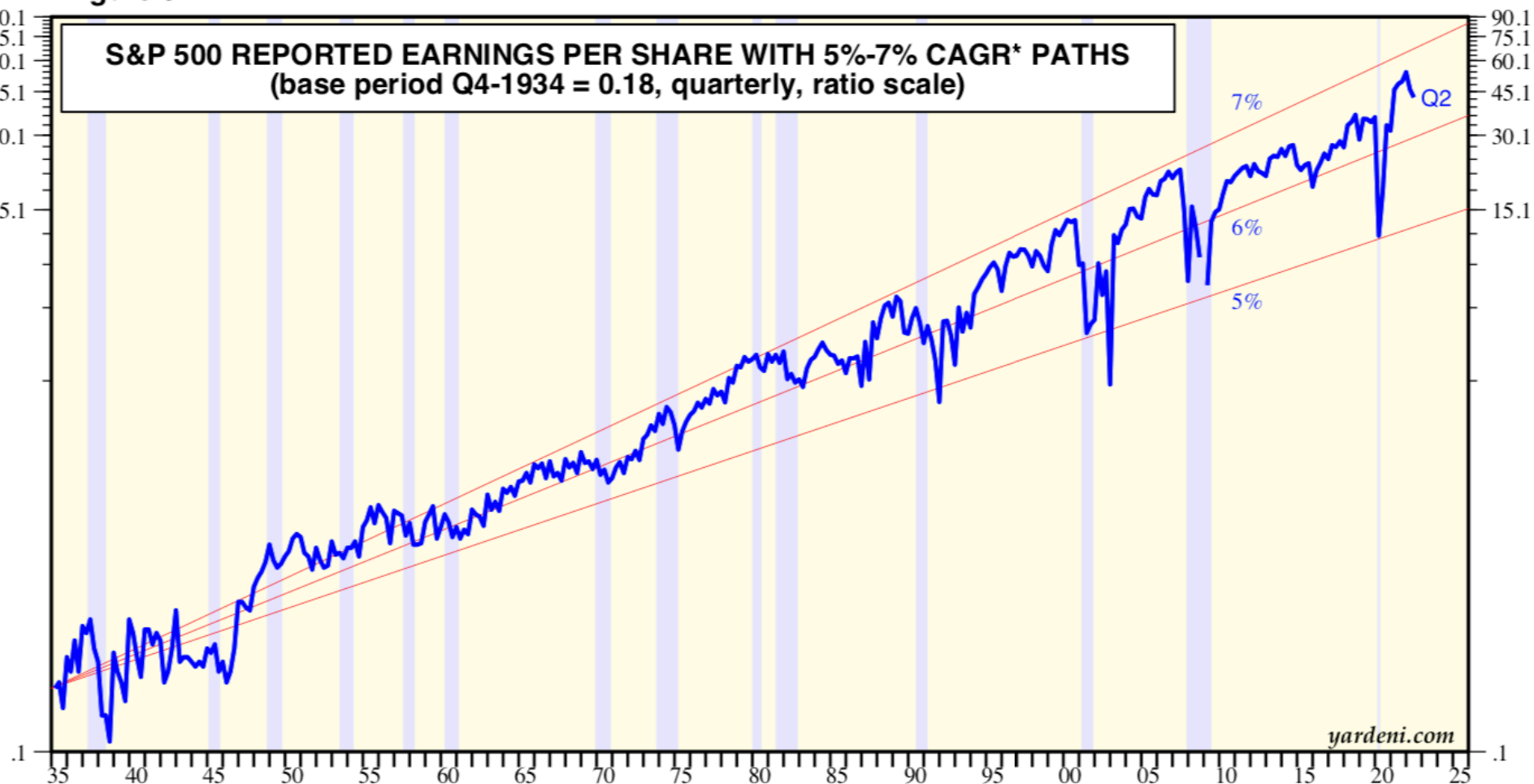
** Using last month of quarter CPI. Compounded monthly using base value.

Source: Standard & Poor's.



85 years of S&P 500 earnings growth

Figure 9.



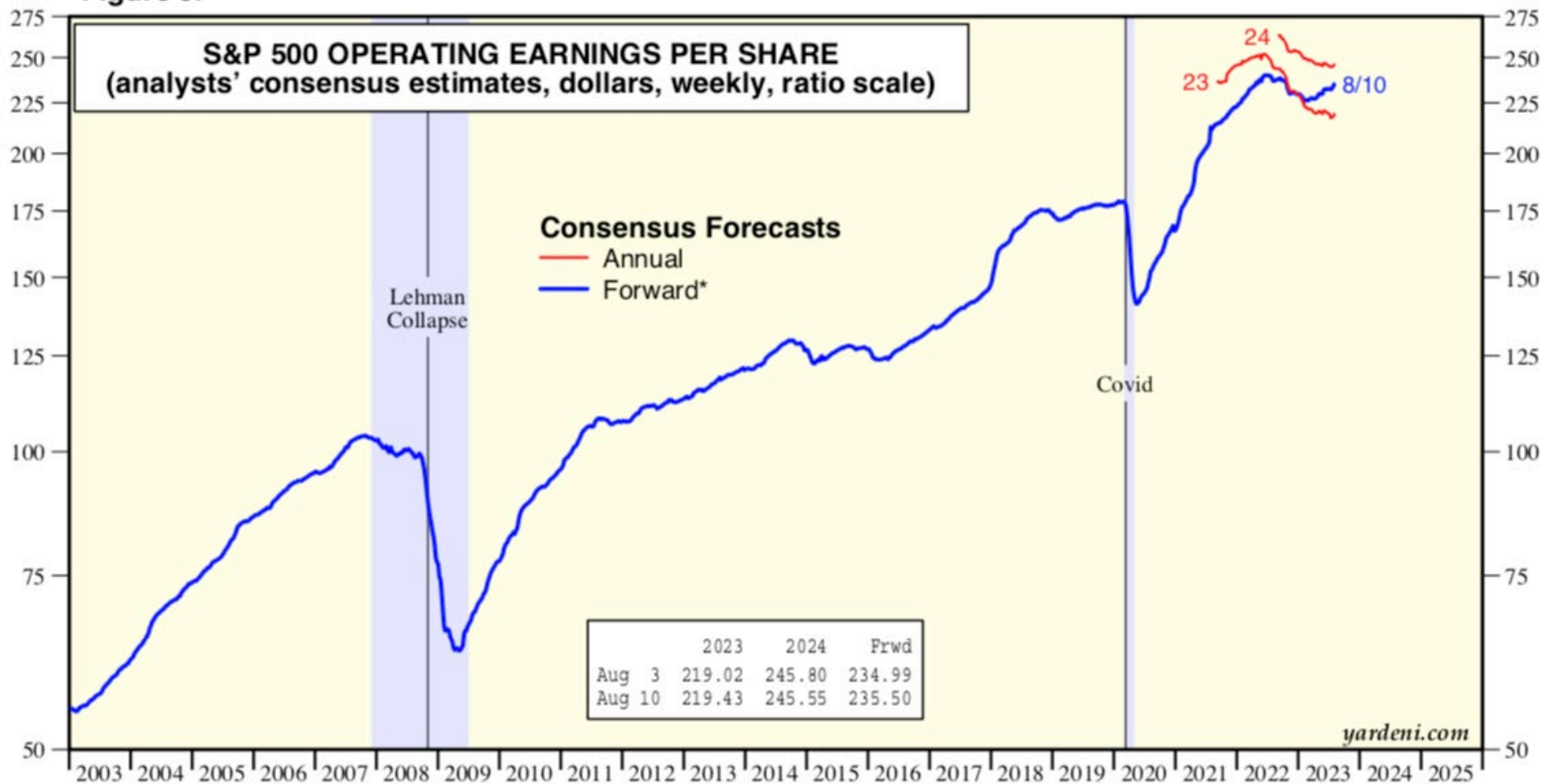
* Compounded annual growth rate from base value using monthly data. Q4-2008 not shown because of large negative value.

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.

Source: Standard & Poor's.

S&P forward earnings estimates moving higher

Figure 5.

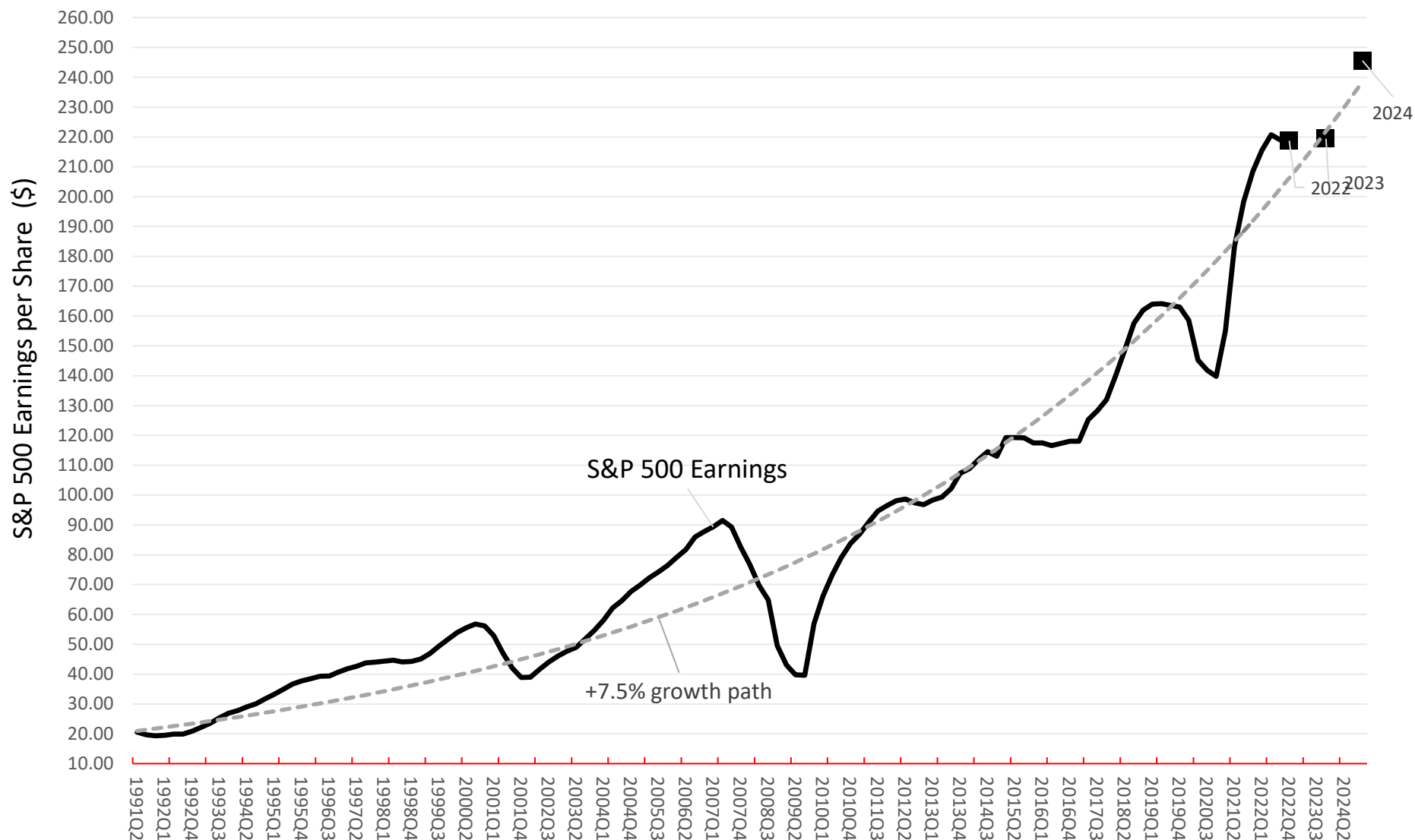


* Time-weighted average of analysts' consensus estimates for S&P 500 operating earnings for current year and next year.
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Earnings

S&P 500 earnings – actual and I/B/E/S estimates



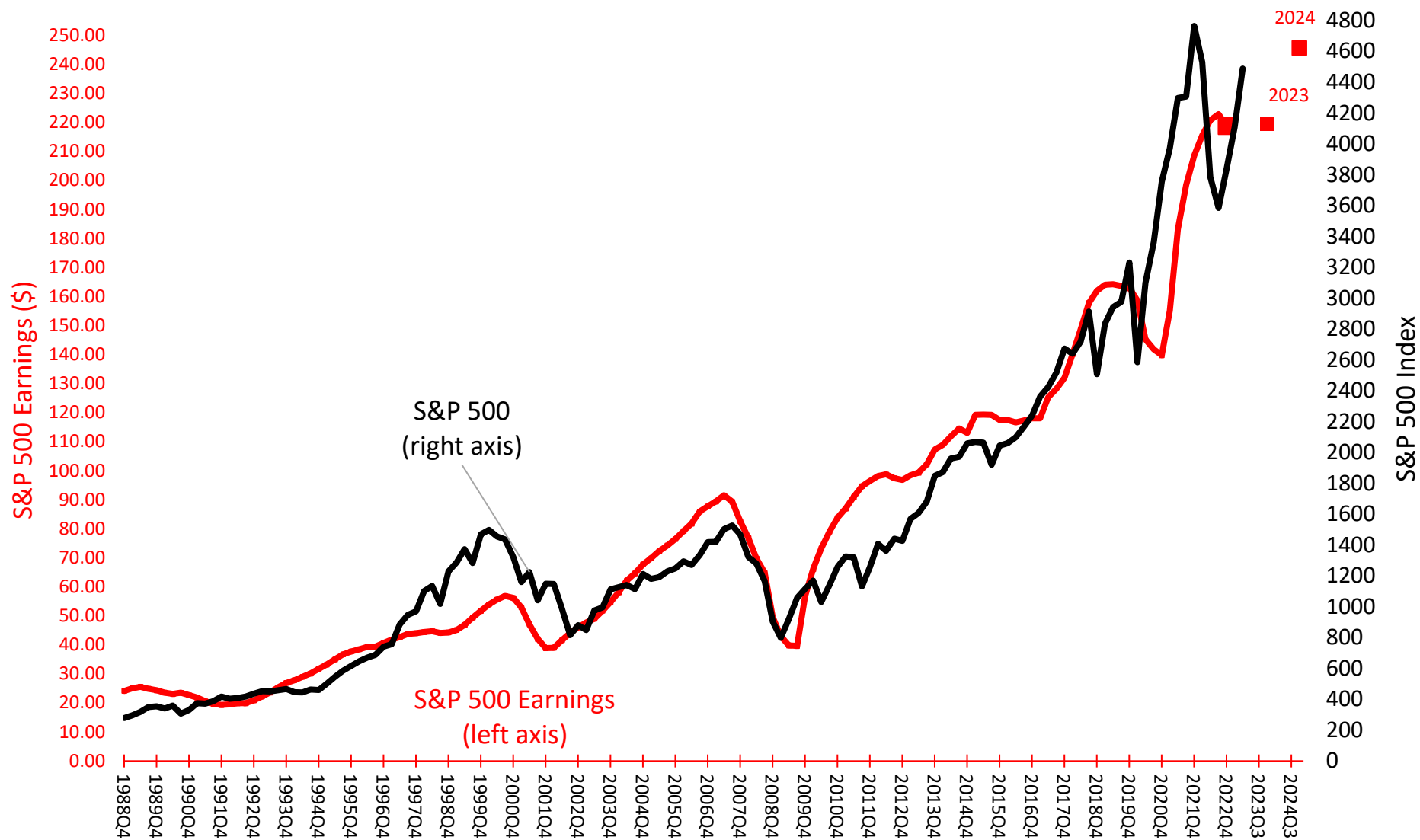
2023 (estimated) and 2024 (estimated) bottom-up S&P 500 operating earnings per share as of August 14, 2023: for 2023(e), \$219.43; for 2024(e), \$245.55.

Sources: Yardeni Research, Inc. and Thomson Reuters I/B/E/S for actual and estimated operating earnings from 2015. Standard and Poor's for actual operating earnings data through 2014.



Valuation

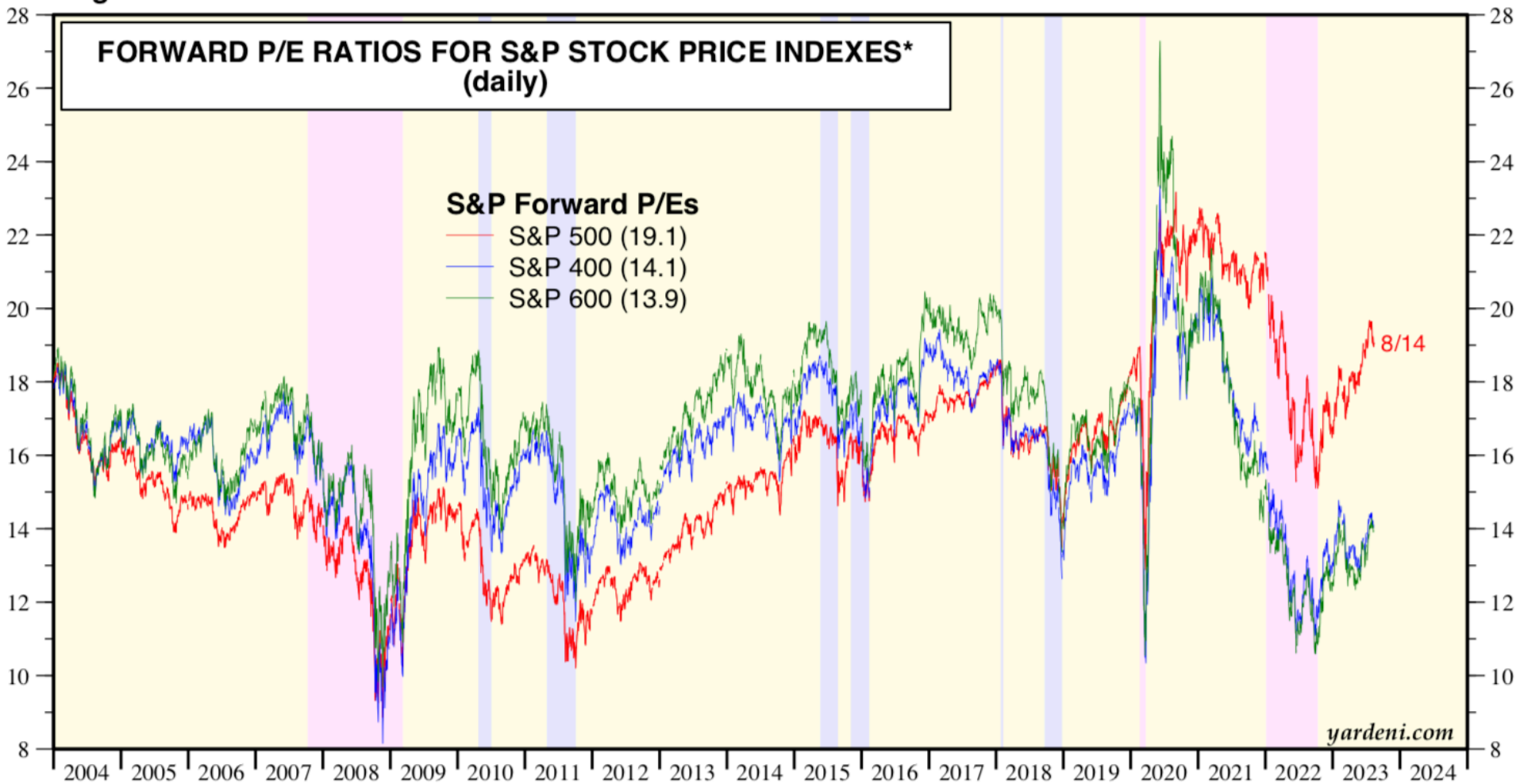
S&P 500 vs. actual and I/B/E/S estimated earnings



2023 (estimated) and 2024 (estimated) bottom-up S&P 500 operating earnings per share as of August 14, 2023: for 2023(e), \$219.43; for 2024(e), \$245.55. Sources: Yardeni Research, Inc. and Thomson Reuters I/B/E/S for actual and estimated operating earnings from 2015. Standard and Poor's for actual operating earnings data through 2014; index price data through August 14, 2023.

S&P 500 index forward P/E ratio

Figure 3.



* Daily stock price index divided by 52-week forward consensus expected operating earnings per share.

Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Blue shaded areas are correction declines of 10% to less than 20%. Yellow areas are bull markets.

Source: Standard & Poor's and I/B/E/S data by Refinitiv.

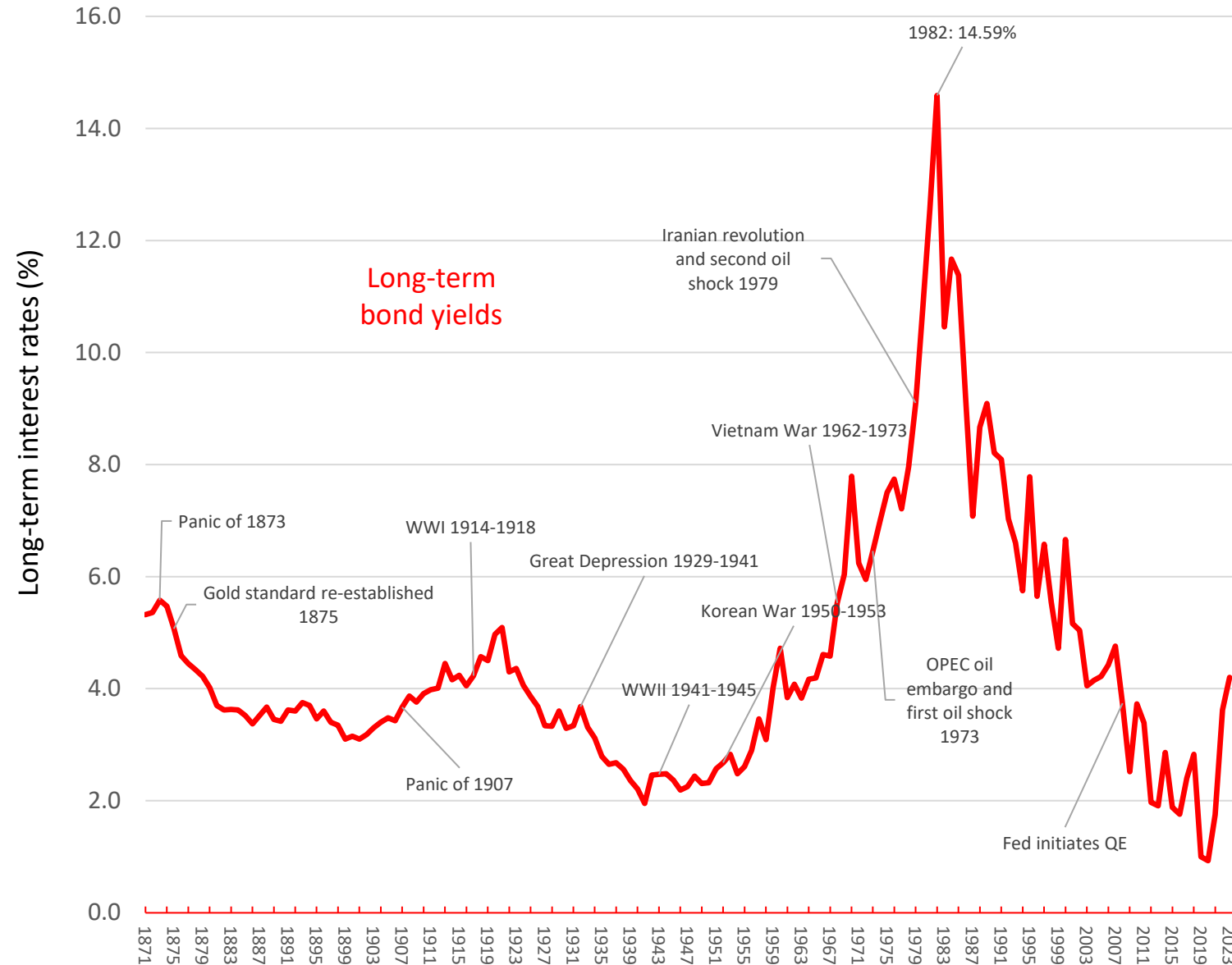
Source: Yardeni Research, Inc., with permission, August 14, 2023.

Bond Yields

- Normal yields by historic comparison

Bond yields

U.S. Treasury bond yields



Rising from the lowest long-term interest rates in U.S. history.

Source: Online Data Robert Shiller, data through 2016; 10-year U.S. Treasury bond yield data from 2017; data through August 14, 2023.

Federal Reserve

- Paused rate hikes
- Inverted the yield curve
- Special liquidity facility
- Raised growth forecast

THE WALL STREET JOURNAL.

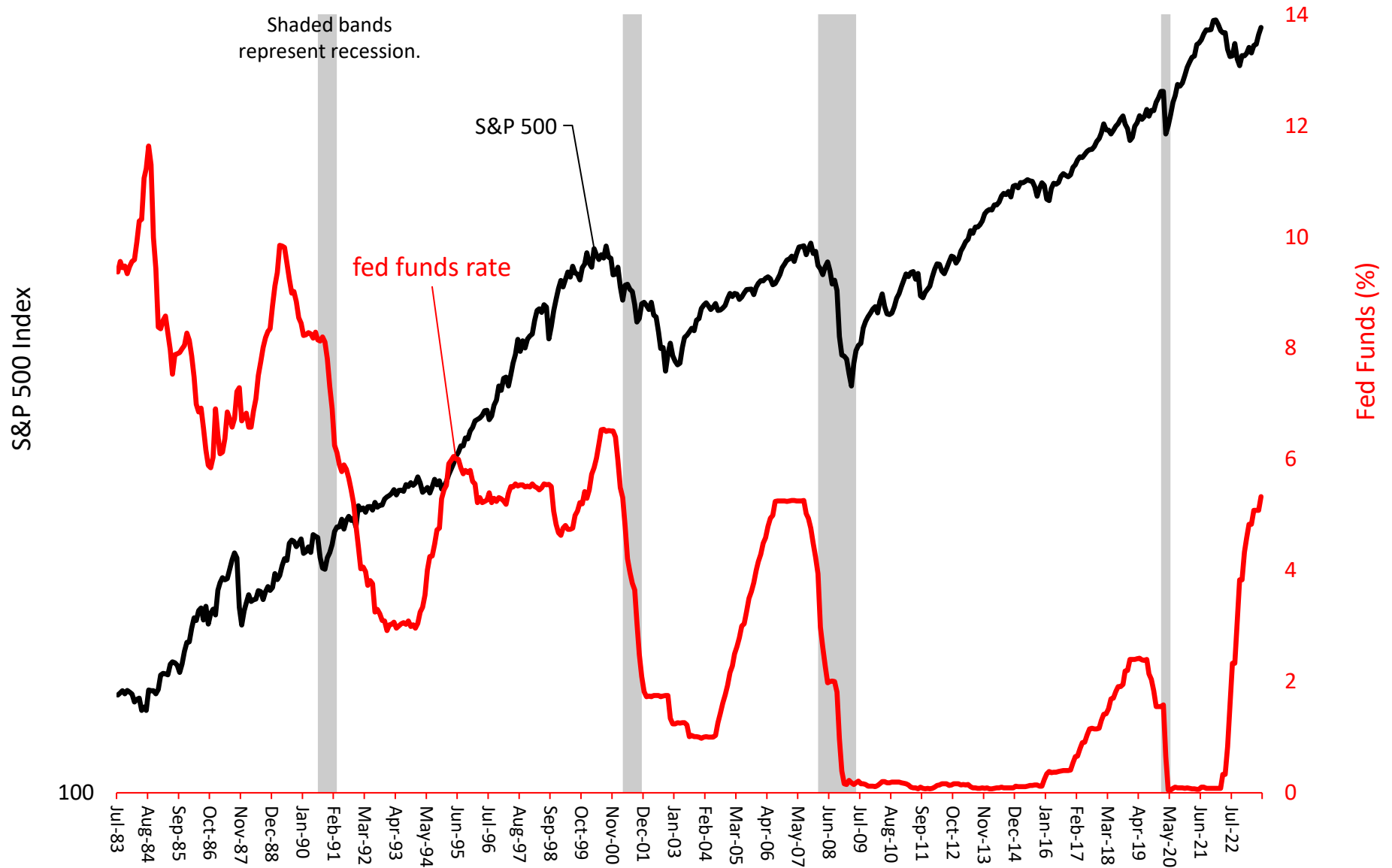
Fed Lifts Rates to Highest Level in 22 Years

The Federal Reserve resumed lifting interest rates Wednesday with a quarter-percentage-point increase that will bring them to a 22-year high.

Fed Chair Jerome Powell said it was too soon to tell whether the hike would conclude a series of increases aimed at cooling the economy and bringing down inflation. The central bank would decide whether to keep lifting rates based on how the economy fares in the months ahead, “with a particular focus on making progress on inflation,” he said at a news conference.

Stock market

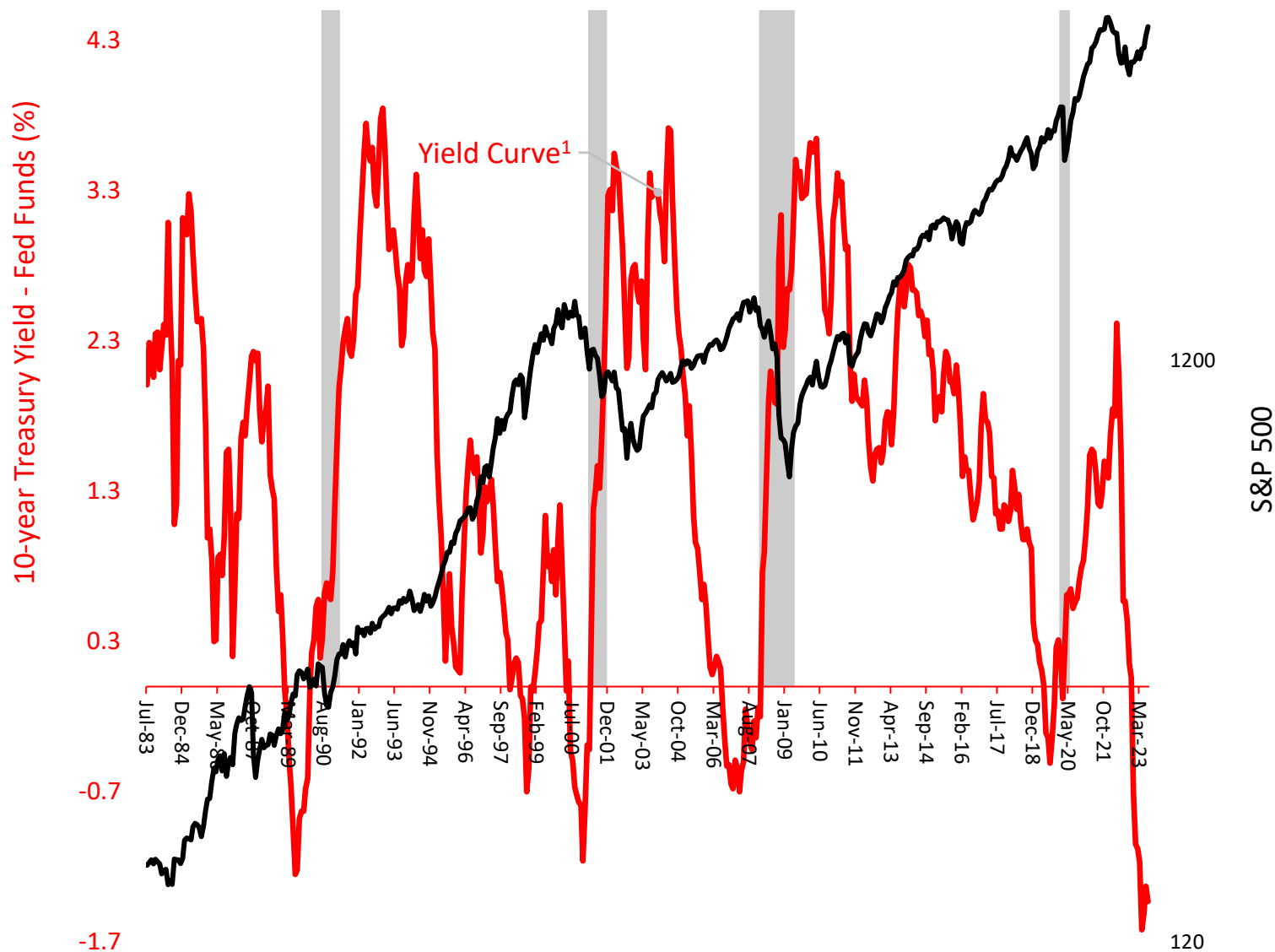
S&P 500 vs. fed funds rate



Sources: Federal Reserve, Standard & Poor's. Data through July 2023.

Federal Reserve policy

Yield curve vs. the S&P 500



When the yield curve has inverted the economy has usually turned down into recession with a lag of a year or more.

Today, the yield curve is inverted.

Sources: NBER, Federal Reserve and Standard & Poor's. Data through July 2023.

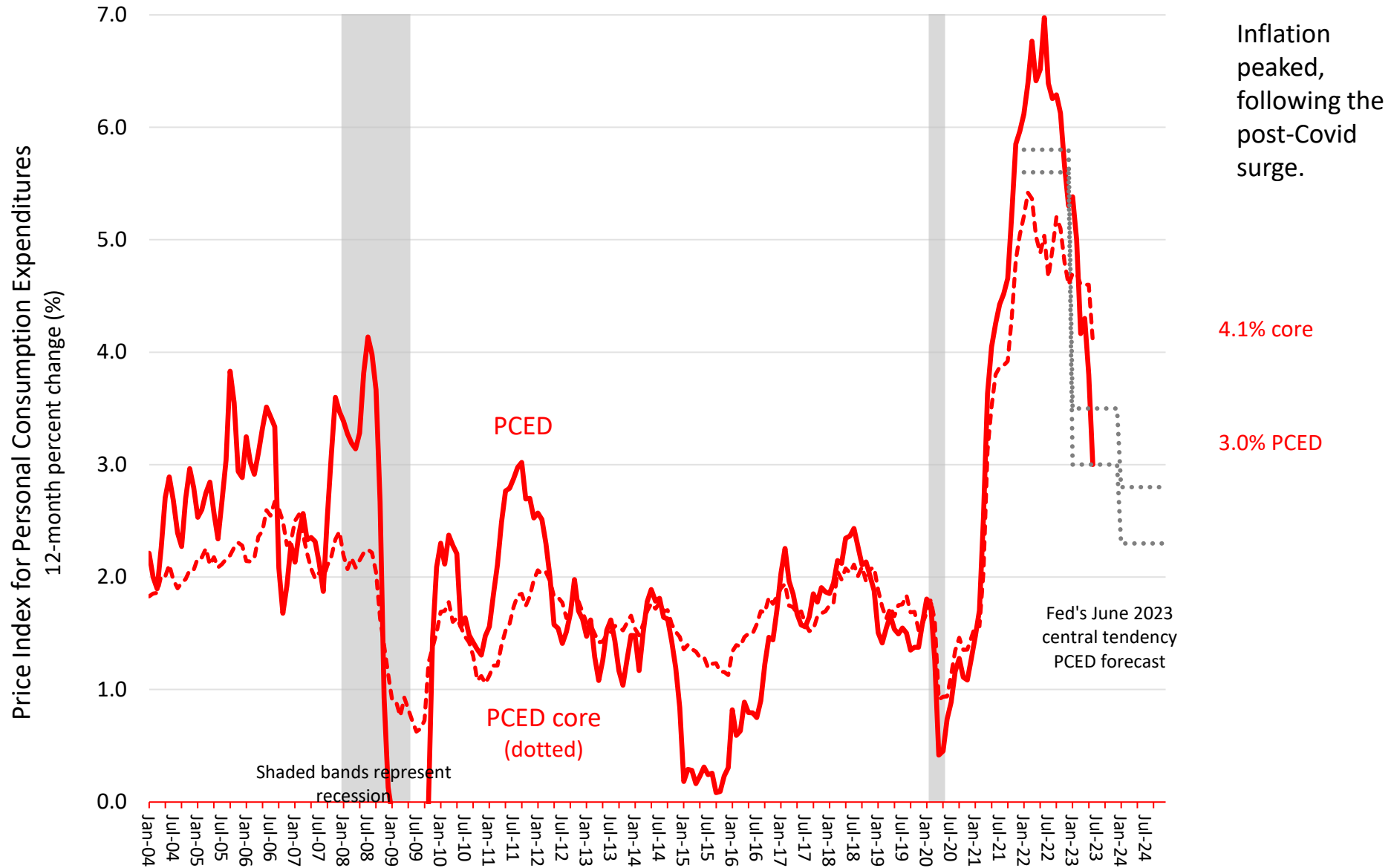
¹The interest rate on the 10-year Treasury bond (long term) minus the fed funds rate (short term).

Inflation

- Year-over-year headline PCED +3.0%, +4.1% core
- M2 driving inflation
- Inflation expectations (TIPS spread) falling

Inflation

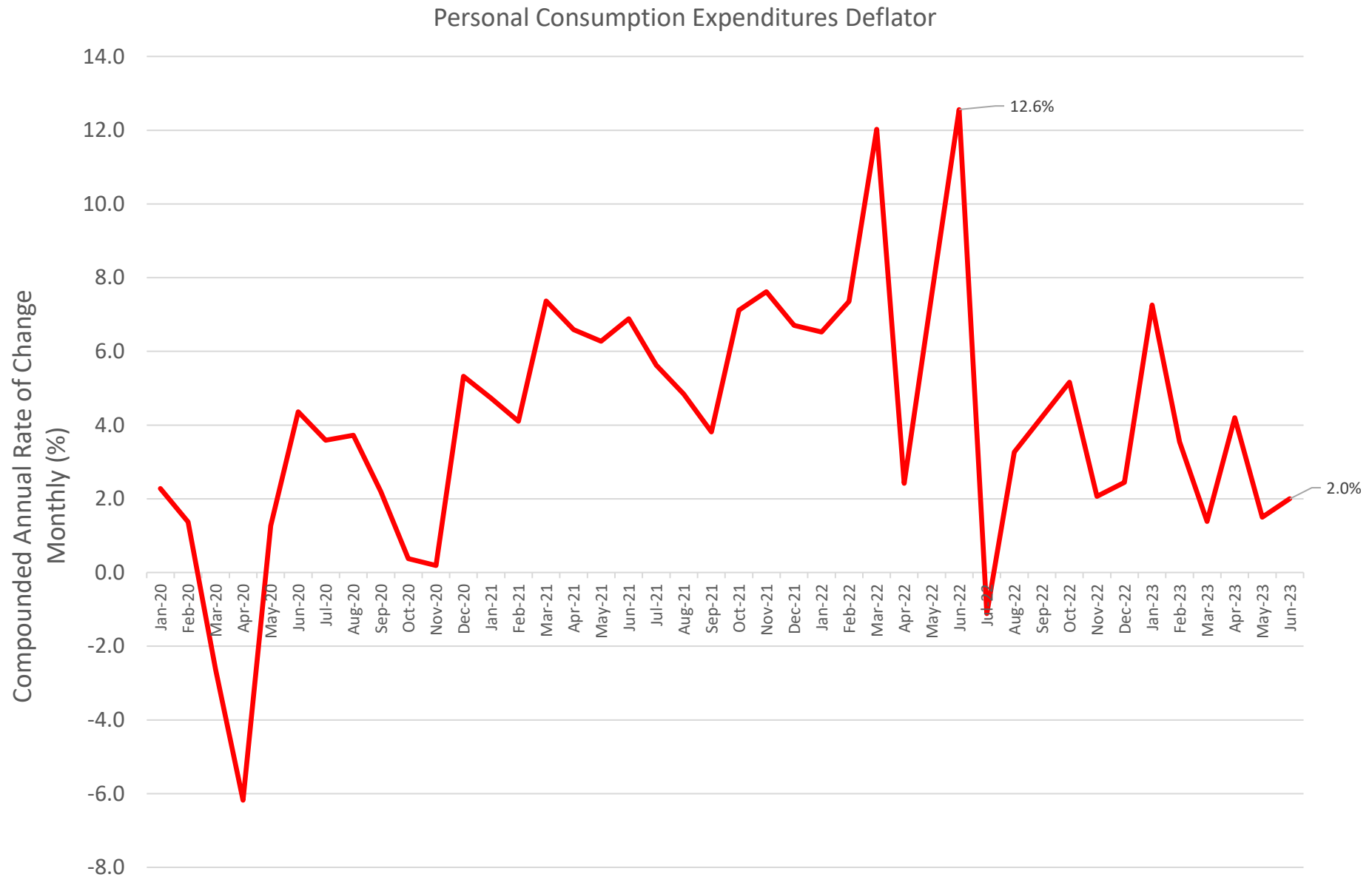
PCED – headline and core



Source: NBER, Federal Reserve Bank of St. Louis. Data through June 2023.

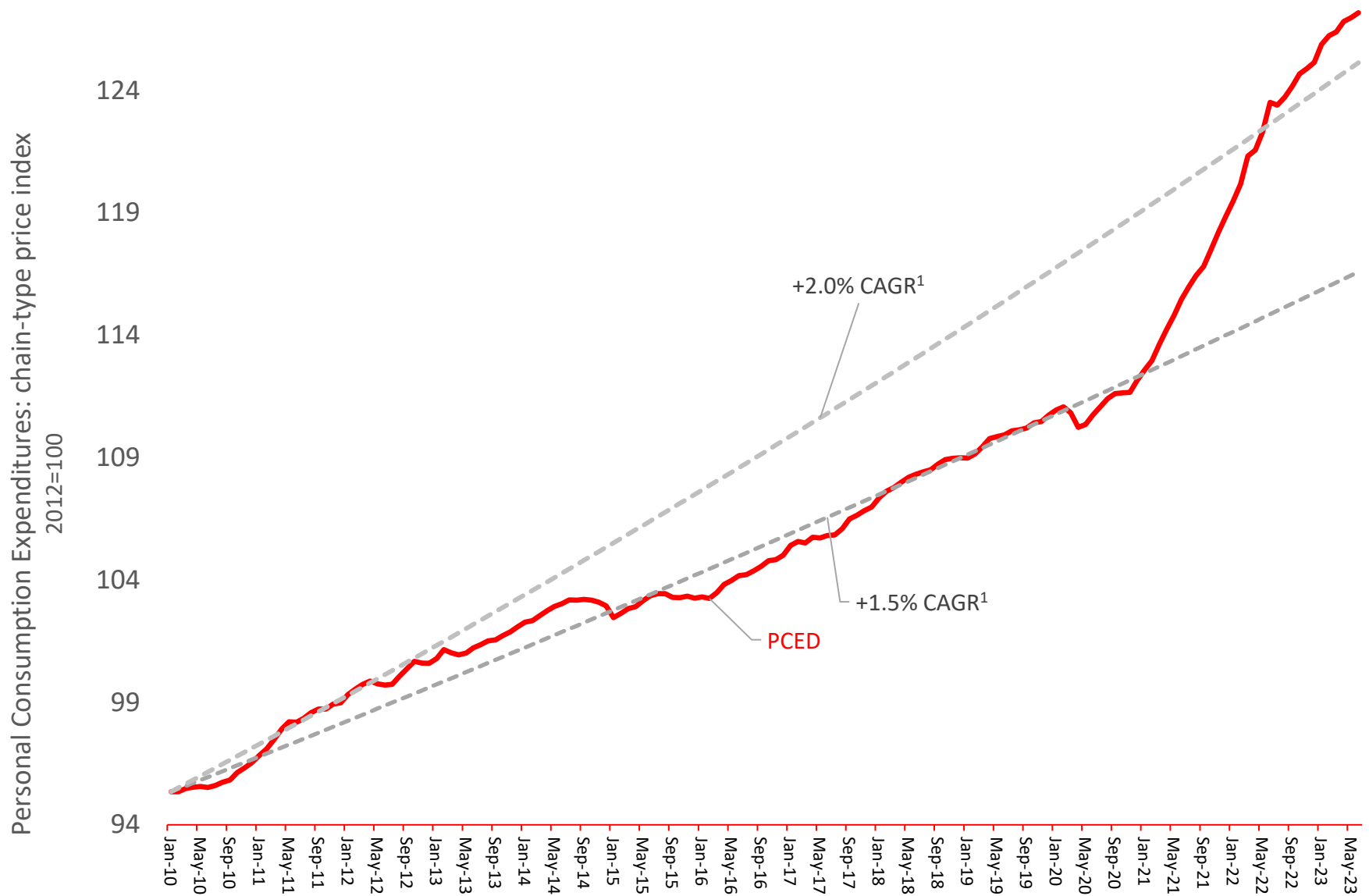
Inflation

PCED – monthly rate of change annualized



Source: Federal Reserve Bank of St. Louis. Data through June 2023.

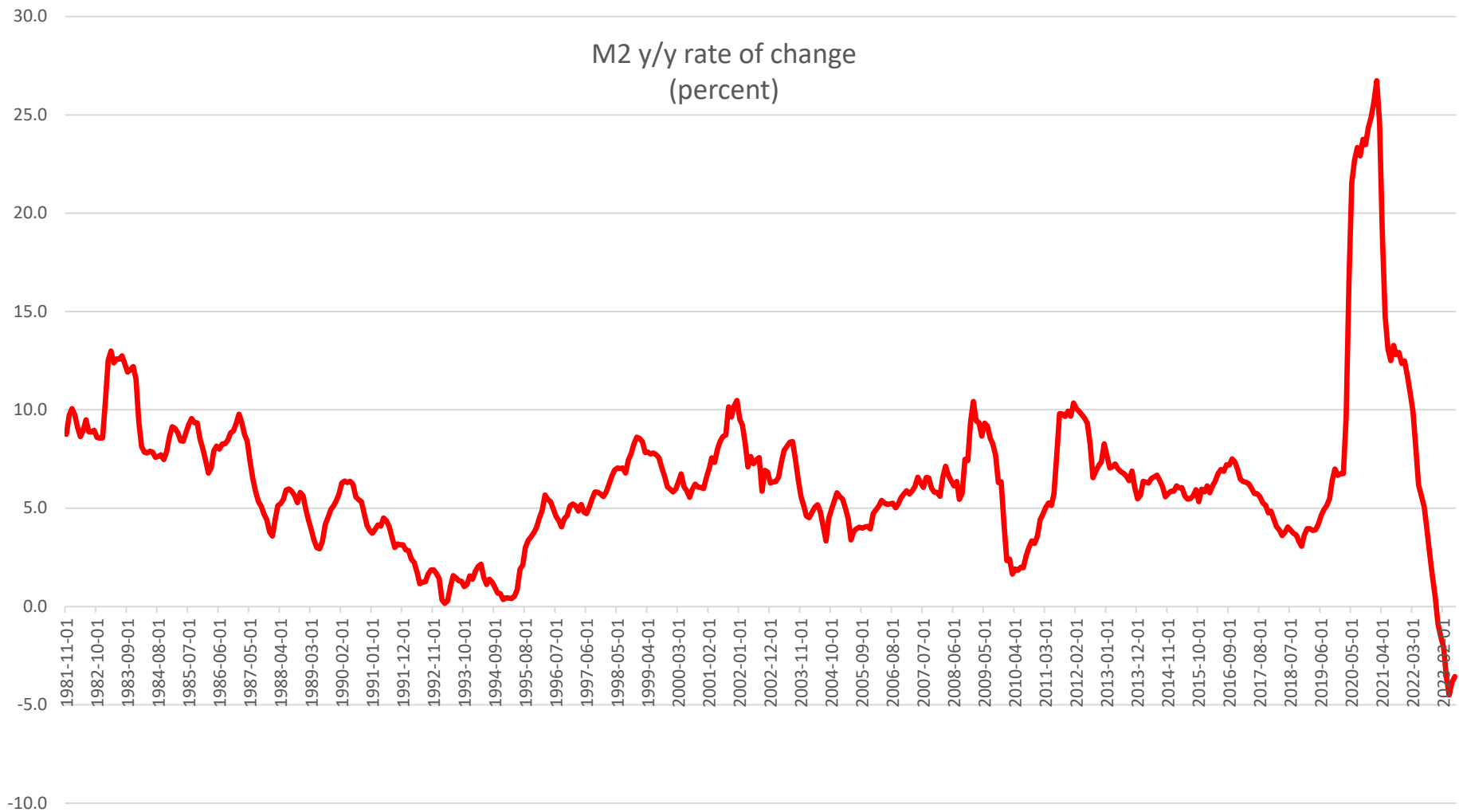
Inflation PCED – headline



Source: Federal Reserve Bank of St. Louis. Data through June 2023.

Federal Reserve policy

The money supply – y/y rate of change



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Get Ready for Deflation

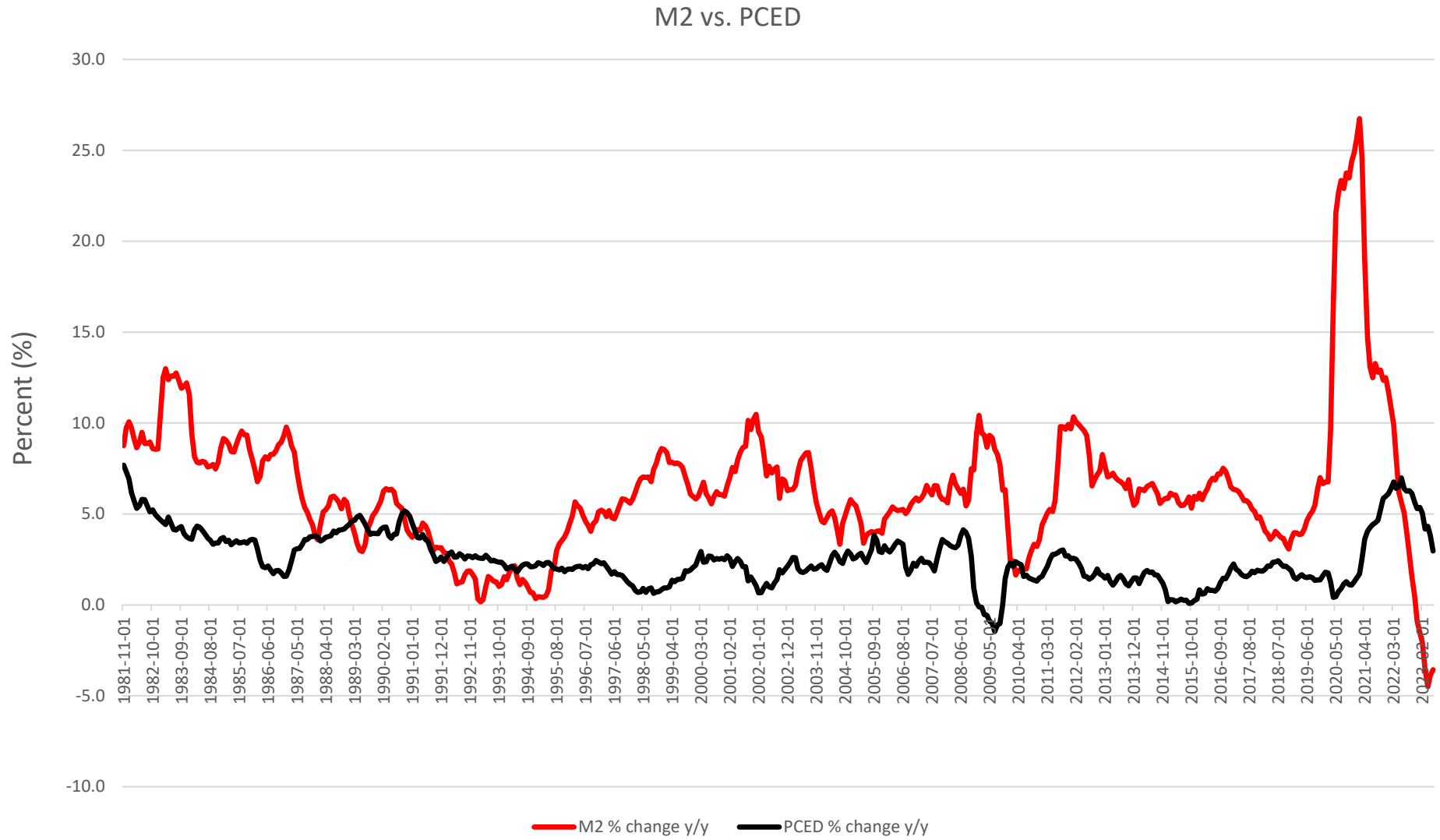
The record increase in the money supply caused by \$6 trillion in pandemic relief payments in 2020 and 2021 unleashed the present inflation.

The aggressive tightening regime the Fed has undertaken, including an unprecedented four back-to-back 75-basis-point rate increases, deserves little credit for the recent decrease in inflation. The drop has been caused primarily by the sharp slowing in money-supply growth resulting from the end of federal pandemic stimulus payments.

Slowing money growth now is interacting with higher rates, and the result is contraction. M2 has shrunk 4.63% in the past year. This is the only contraction in U.S. history, so there is a lot we can't predict here, but it would be extraordinary if such a contraction didn't result in deflation, just as the large money-supply increase two years ago resulted in inflation.

Inflation

M2 vs. inflation



Inflation

CBO's forecast

Figure 1.

Measures of PCE Inflation

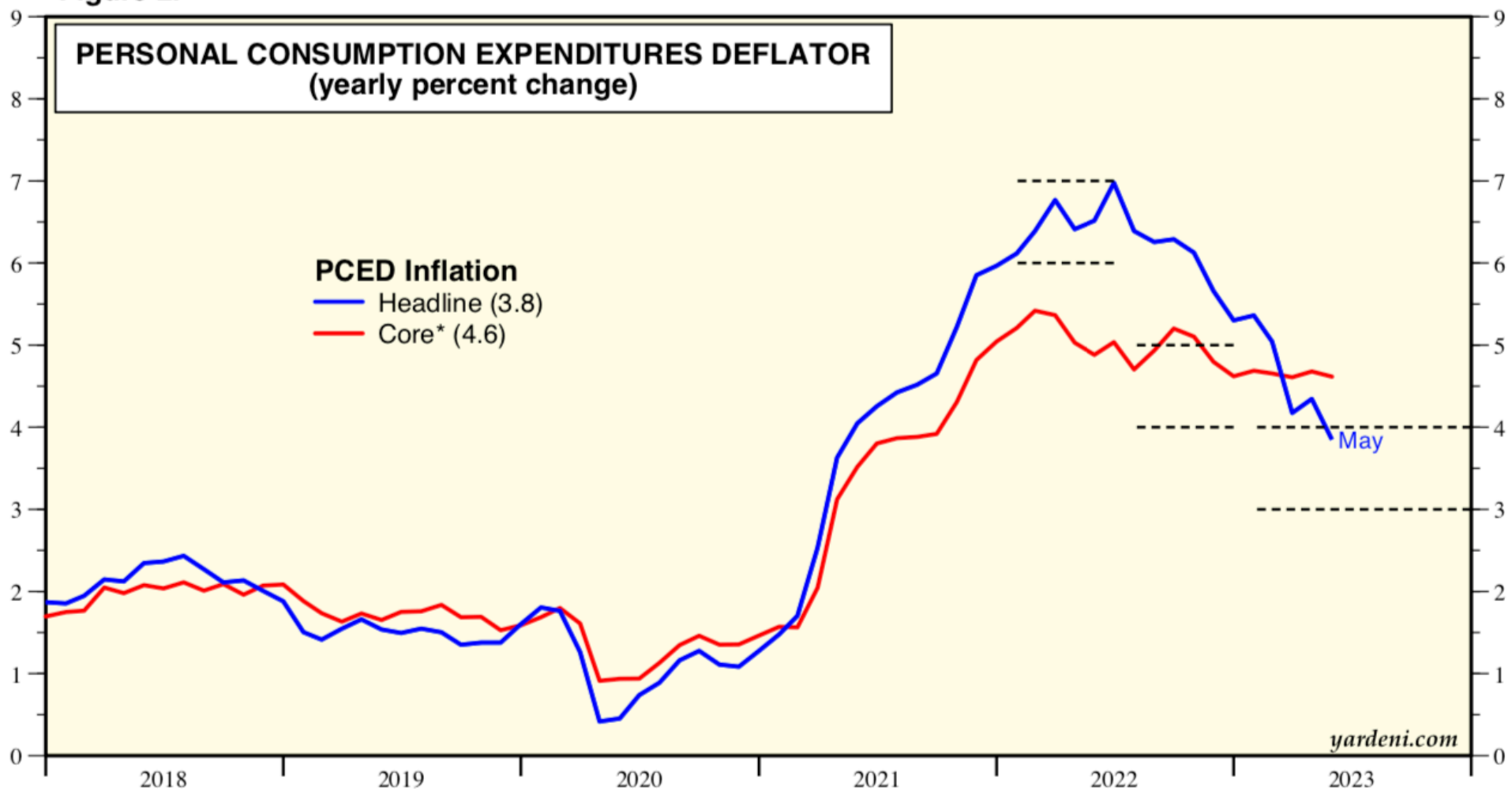
Percent



In CBO's projections, inflation gradually slows as factors that caused demand to grow faster than supply in the wake of the coronavirus pandemic continue to ease. The rate of inflation continues to exceed the Federal Reserve's long-run goal of 2 percent, but it approaches that goal in 2025.



Figure 2.



* Excluding food & energy.
Note: Dashed ranges are YRI forecasts for headline PCED inflation rate.
Source: Bureau of Economic Analysis.

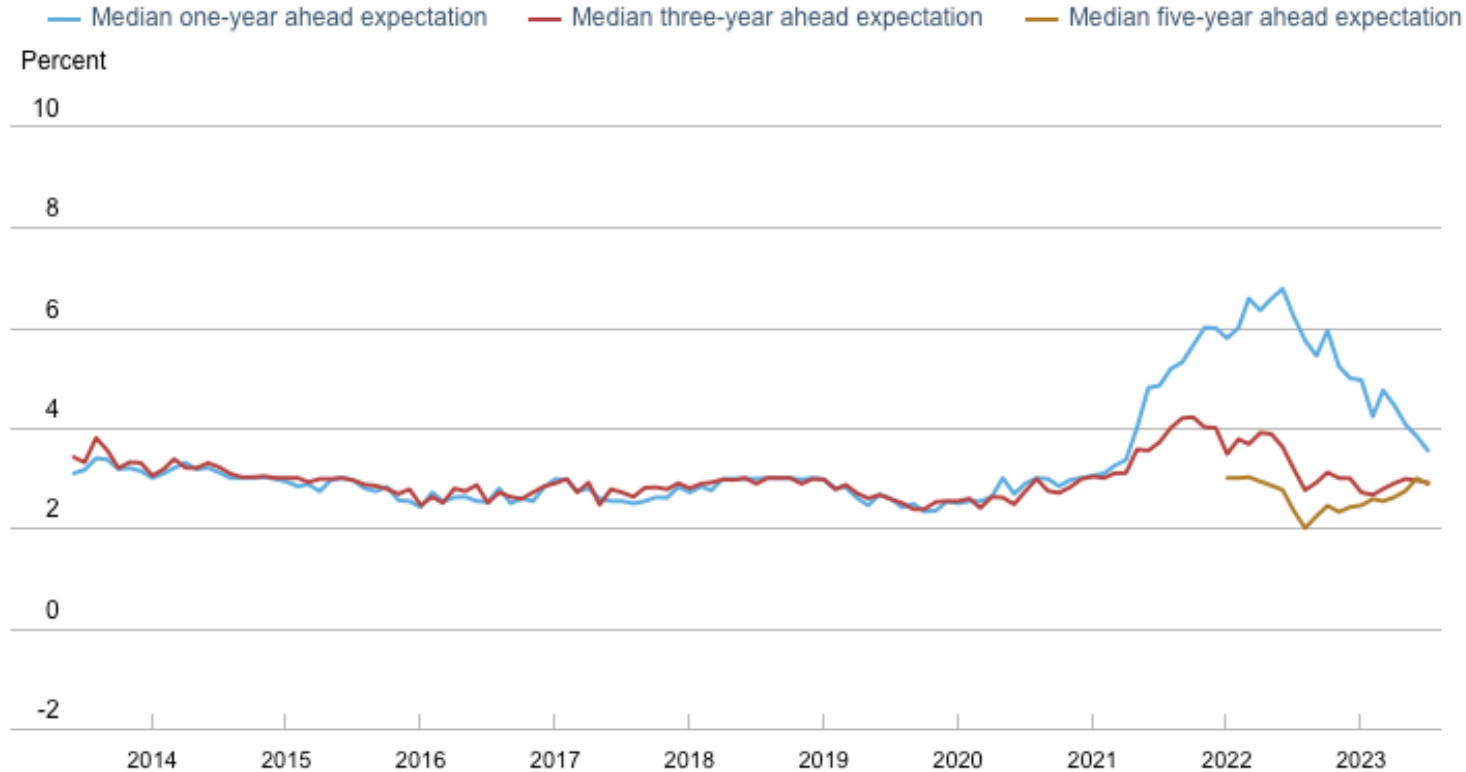
Inflation

Inflation expectations

OVERVIEW

DEMOGRAPHICS

☒ Main ☐ 1-year detail ☐ 3-year detail ☐ 5-year detail



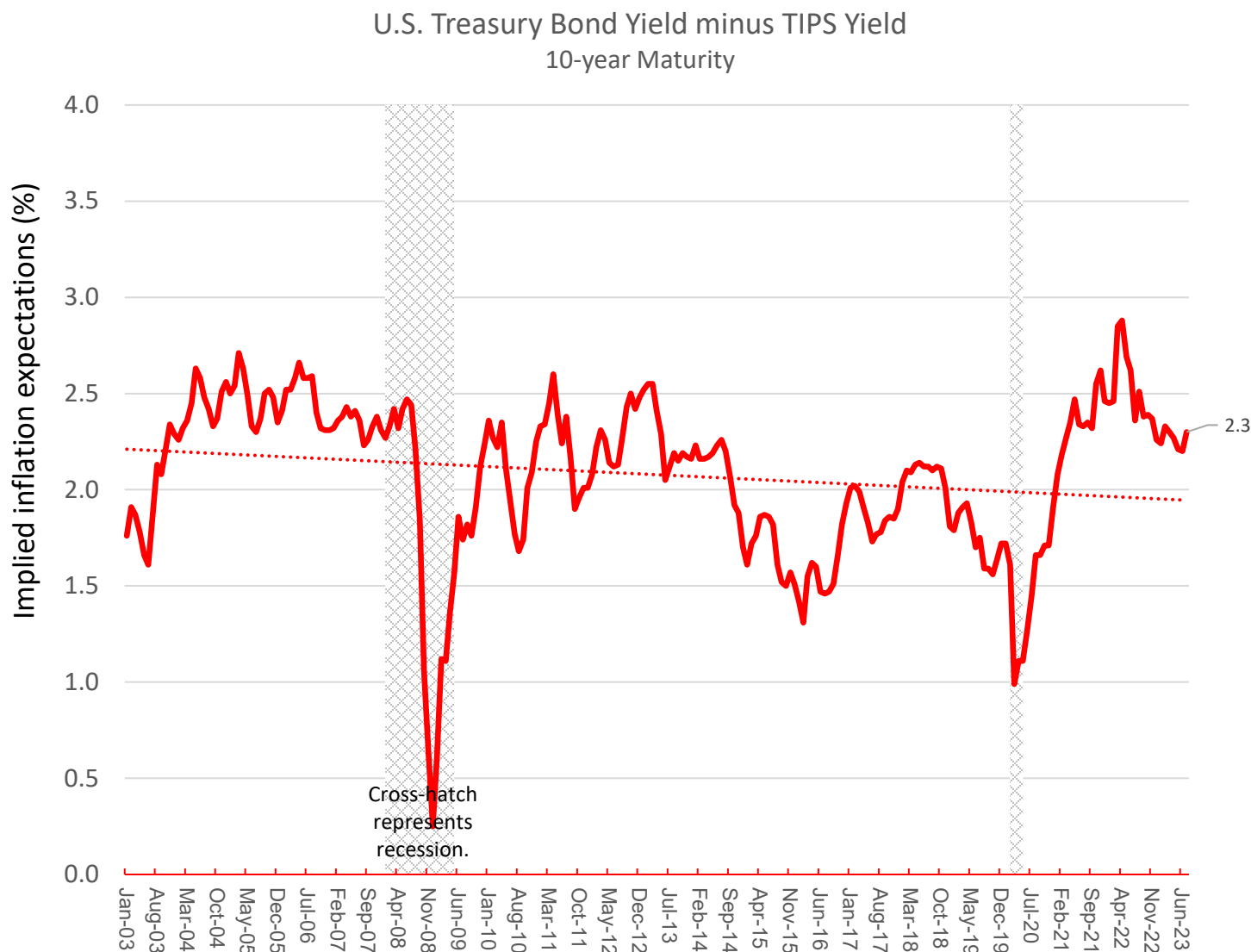
Consumers expect substantially moderating inflation.

Source: New York Fed Survey of Consumer Expectations

Note: Collection of data for the five-year-ahead inflation expectation began in January 2022.

Inflation

Inflation expectations



The difference between the nominal 10-year Treasury bond yield and the TIPS yield gives the market's opinion for a 10-year inflation forecast.

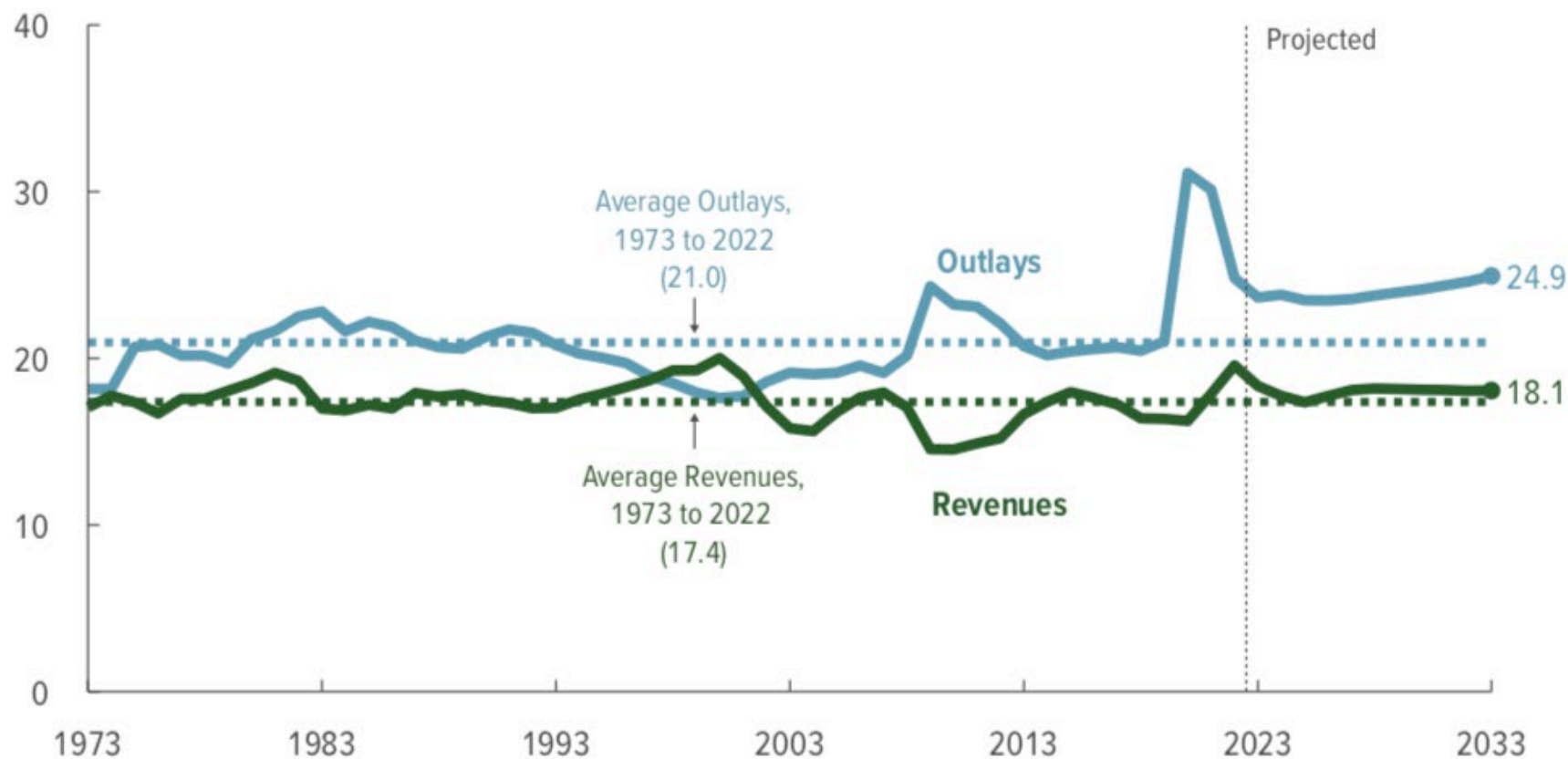
It had been trending lower for 15 years but has moved higher post-Covid.



Figure 1-3.

Total Outlays and Revenues

Percentage of GDP



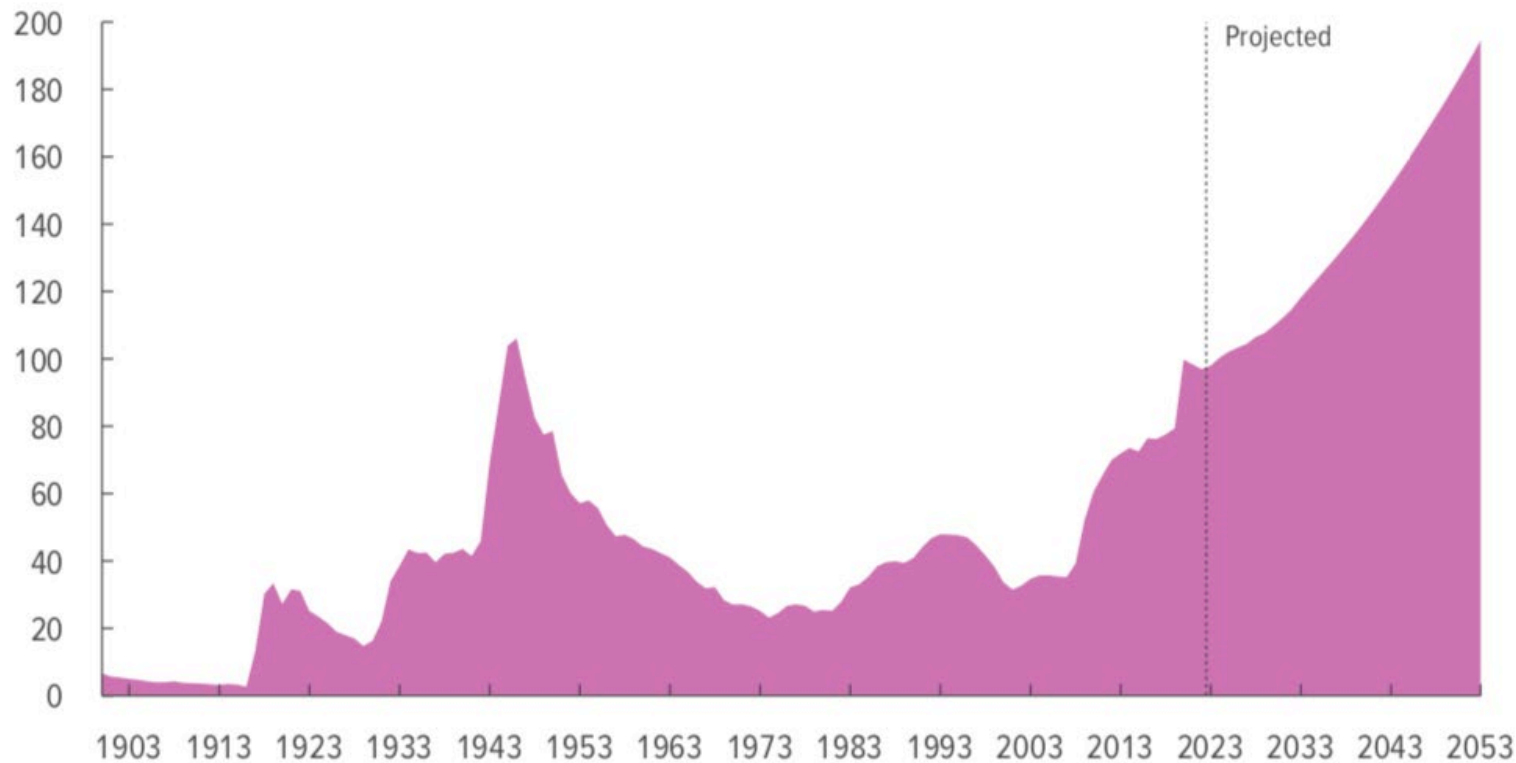
Source: Congressional Budget Office, *The Budget and Economic Outlook: 2023 to 2033*, released February 2023.



Figure 1-2.

Federal Debt Held by the Public, 1900 to 2053

Percentage of GDP



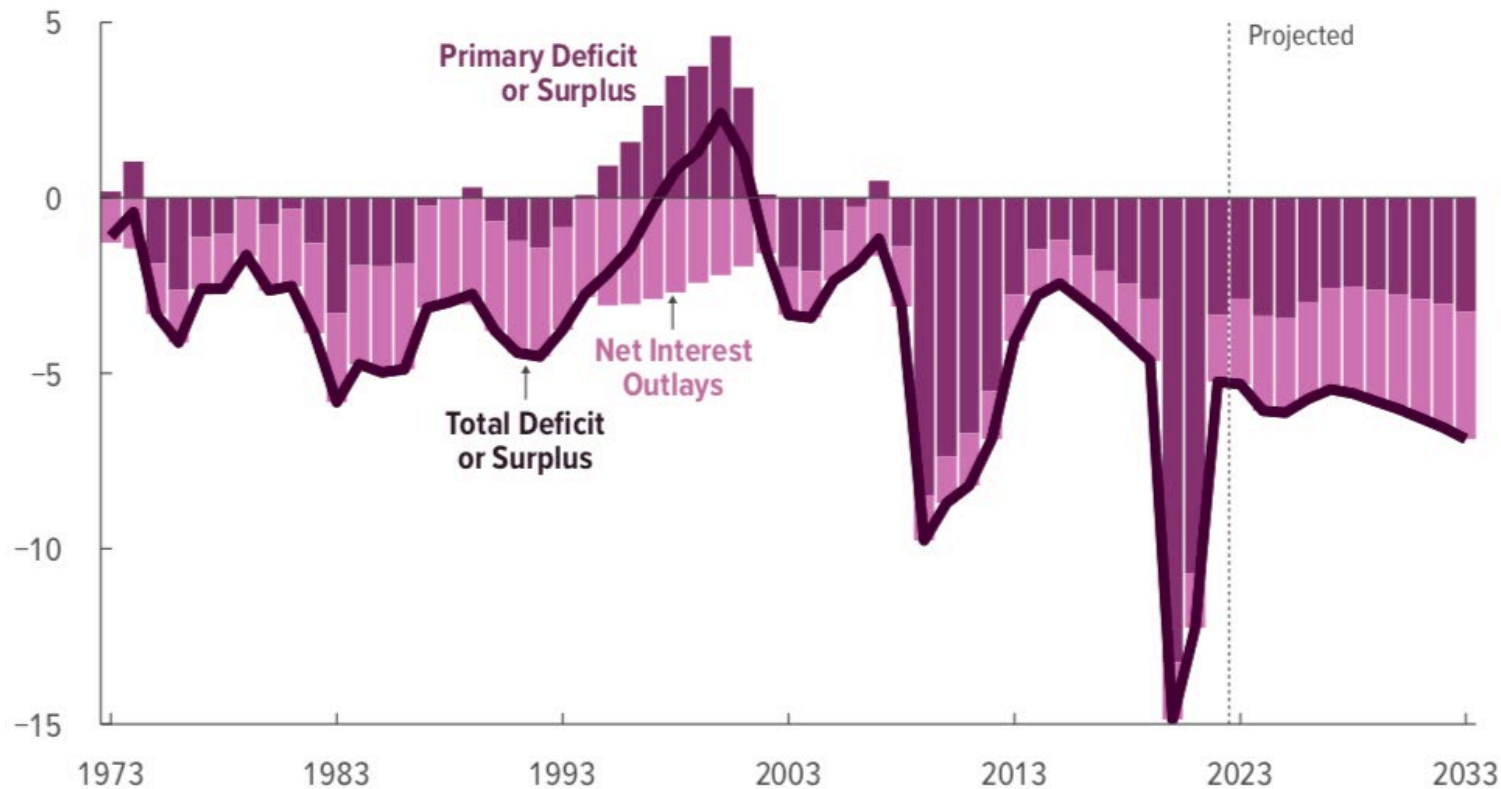
Debt/GDP grows significantly over 30 years.



Figure 1-1.

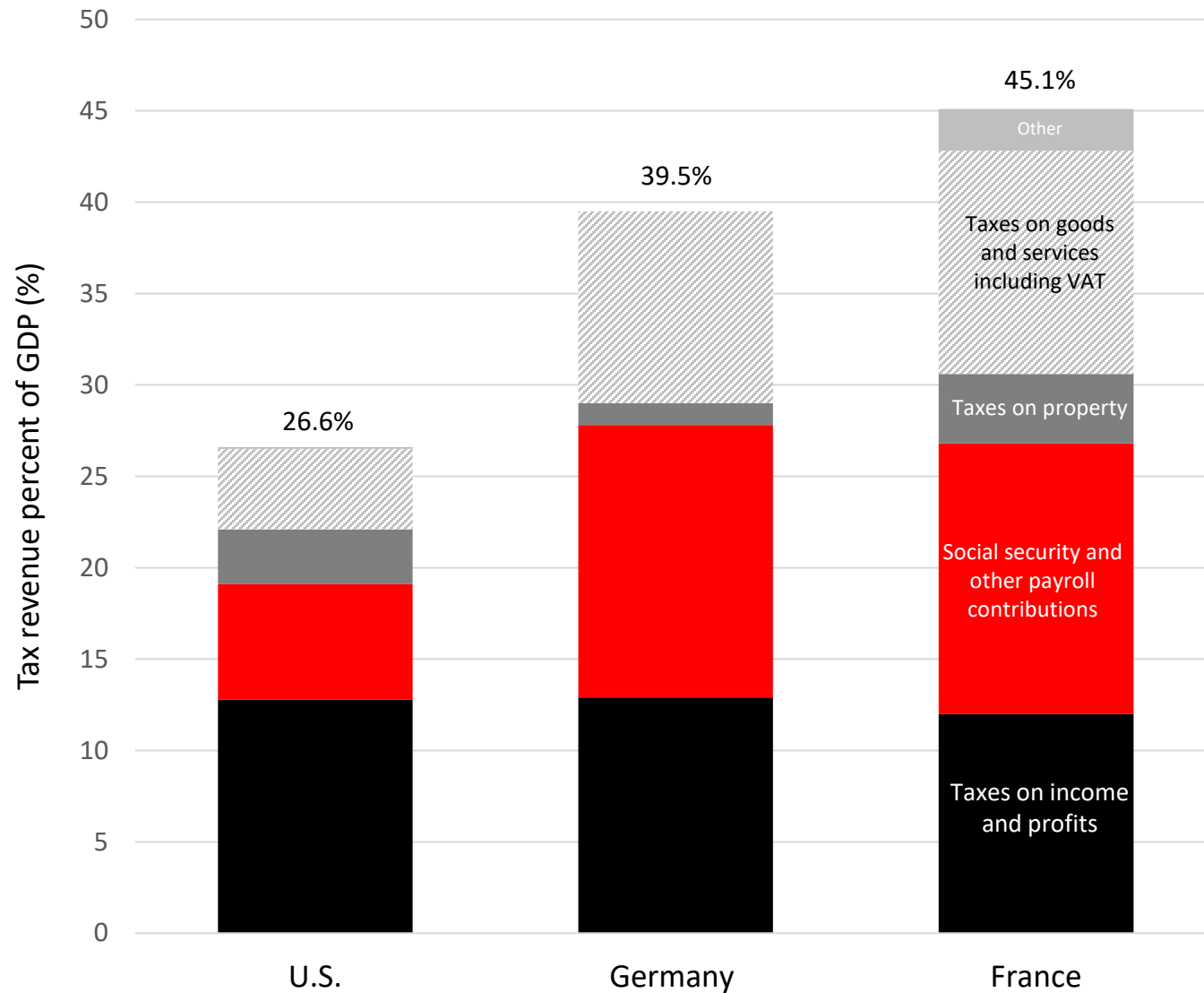
Total Deficits, Primary Deficits, and Net Interest Outlays

Percentage of GDP



Net interest becomes the major part of deficits.

Tax structure U.S. vs. France and Germany



The U.S. has a much lower total tax burden and takes a very different approach to raising tax revenues compared to most other developed economies.

BARRON'S

Barron's: Do you still think your hypothetical chimpanzee is better than the experts?

Burton Malkiel: I believe more strongly in my hypothesis today than I did 50 years ago.

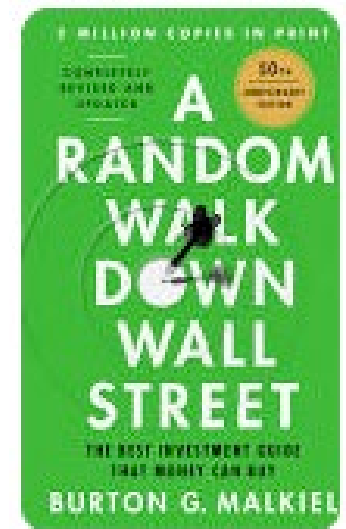
... year after year two-thirds of the active managers are outperformed by a simple index fund. And the one-third that win in one year aren't the same as the one-third that win in the next year.

When you compound the returns over 10 years, or 20 years, these Spiva¹ reports show that 90% of the active managers are outperformed by a simple index fund. The same results hold in international markets and the bond market.

I'm not saying that no one can outperform. But when you try to go active, you are much more likely to be in the 90% of the distribution where you underperform, rather than the 10% where you outperform.



Burton G. Malkiel
Princeton professor and author



BARRON'S

Squeaking By

Despite Warren Buffett's stock-picking prowess, Berkshire stock has only managed to keep up with the S&P 500.

	1-Yr Return	5-Yr Return	10-Yr Return	20-Yr Return
Berkshire	0.6%	11.0%	12.0%	10.3%
S&P 500	0.5	11.1	12.2	10.1

Note: Five-, 10-, and 20-year returns are annualized

Source: Bloomberg

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The opinions expressed are those of the author, are based on current market conditions and are subject to change without notice.

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