The Value of Dividends
Ghouls and Goblins Galore

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- John joined AFAM in 1987
- Worked with Al Frank, founder of AFAM
- Chief Portfolio Manager since 1990
- Manager of AFAM proprietary mutual fund
- AFAM Merged with Kovitz in 2018

"Successful speculating is more a matter of character than mathematics, analysis or luck."

– Al Frank

November 2, 2021

the Prudent Speculator

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Social media powerhouse Facebook on Oct. 28 announced plans to change its corporate name to Meta Platforms...which ignited a 26% after-hours gain that day in Meta Materials, a small Nova Scotian specialty chemicals company. Never mind that Meta Materials has nothing to do with Facebook, with the financial press quick to point out that folks were buying the wrong stock. Of course, that seemingly important fact did not slow interest in the Canadian company as the stock price jumped 6% in trading on Nov. 1 with more than 19 million shares changing hands.

Lest readers think this is a once in a lifetime occurrence, the Facebook disclosure led to a 30% three-day increase in assets in the Roundhill Ball Metaverse ETF, which had the good fortune of owning the META ticker symbol. Now to be fair, the Roundhill ETF boasts a 6% stake in Meta Platforms amongst its 43 holdings and Mark Zuckerberg and Co. have brought the word Metaverse into the public eye, but cases of mistaken identity happen more often that one might imagine. In fact, a research paper published in 2019 by Vadim Balashov and Andrei Nikiforov found 254 instances of companies that saw fluctuations in their stock price related to events at another company with a similar name or stock ticker.

Long-time followers of our publication will remember modem maker Zoom Telephonics, which thanks to its name and ZOOM ticker symbol skyrocketed not once (on Xoom.com confusion in 1999), not twice (on Zoom Video confusion in 2019), but three times (on ZoomInfo confu-

> "In a free society, one does not have to deal with those who are irrational. One is free to avoid them."
>
> — Ayn Rand

We would not be surprised to see the major market averages suffer a sizable setback, especially as 10% corrections occur every 11 months on average, but we believe that we are prudently investing in businesses that trade for reasonable, if not inexpensive, valuation metrics. To be sure, we are playing in an entirely different sandbox, with many market players more excited by "meme" stocks, SPACs and more than a few profitless companies.

Of course, given that one of our core tenets is to seek to avoid permanent impairment of investment capital, we sleep much better at night knowing that TPS Portfolio sports respective trailing and forward P/E ratios of 15.5 and 13.7, compared to 25.9 and 21.9 for the S&P 500. And we like that it also owns a price to sales ratio of 1.2 (vs. 3.1 for the S&P). Further, given low yields on fixed income and no yields on cash, we can't help but be excited by TPS Portfolio's dividend yield of 2.2% (vs. 1.3% for the S&P).

Anything can happen as we go forward, but vaccines and therapeutics are working in the COVID-19 battle, and supply-chain challenges are likely to sort themselves out. The outlook for U.S. and global GDP growth is robust as we head into 2022, with continued healthy corporate profit growth likely to boost the kind of stocks that we have long championed. And, contrary to popular belief, whether it is periods of rising interest rates, higher inflation rates, Fed Tapering, or increased capital gains, corporate or personal income taxes, equities have performed well, on average, with Value historically leading the way.

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Perspective

“If you do not change direction, you may end up where you are heading”

—Lao Tzu

Selloffs, downturns, pullbacks, corrections and even Bear Markets are events that equity investors always have had to endure on their way to the best long-term performance of any of the financial asset classes.

Advancing Markets

Minimum Rise %	Average Gain	Average # Days	Count	Frequency (in Years)	Last Start	Last End
20.0%	113.2%	993	27	3.4	3/23/2020	11/8/2021
17.5%	68.1%	581	39	2.3	3/23/2020	11/8/2021
15.0%	66.7%	564	45	2.0	3/23/2020	11/8/2021
12.5%	45.0%	339	72	1.3	3/23/2020	11/8/2021
10.0%	35.4%	248	98	0.9	3/23/2020	11/8/2021
7.5%	23.8%	150	157	0.6	9/23/2020	11/8/2021
5.0%	14.8%	73	307	0.3	10/4/2021	11/8/2021

Declining Markets

Minimum Decline %	Average Loss	Average # Days	Count	Frequency (in Years)	Last Start	Last End
-20.0%	-35.4%	286	26	3.5	2/19/2020	3/23/2020
-17.5%	-30.4%	217	38	2.4	2/19/2020	3/23/2020
-15.0%	-28.4%	189	44	2.1	2/19/2020	3/23/2020
-12.5%	-22.8%	138	71	1.3	2/19/2020	3/23/2020
-10.0%	-19.6%	102	97	0.9	2/19/2020	3/23/2020
-7.5%	-15.5%	65	156	0.6	9/2/2020	9/23/2020
-5.0%	-10.9%	36	306	0.3	9/2/2021	10/4/2021

From 02.20.28 through 11.08.21. Price return series. We defined a Declining Market as an instance when stocks dropped the specified percentage or more without a recovery of equal magnitude, and an Advancing Market as in instance when stocks appreciated the specified percentage or more without a decline of equal magnitude. SOURCE: Kovitz using data from Bloomberg, Morningstar and Ibbotson Associates

LONG-TERM RETURNS

	Annualized Return	Standard Deviation
Value Stocks	13.2%	26.0%
Growth Stocks	9.9%	21.3%
Dividend Paying Stocks	10.7%	18.0%
Non-Dividend Paying Stocks	9.3%	29.3%
Long-Term Corporate Bonds	6.1%	7.6%
Long-Term Gov't Bonds	5.5%	8.6%
Intermediate Gov't Bonds	5.1%	4.3%
Treasury Bills	3.3%	0.9%
Inflation	3.0%	1.8%

From 06.30.27 through 09.30.21. Growth stocks = 50% Fama-French small growth and 50% Fama-French large growth returns rebalanced monthly. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the end of each June using NYSE breakpoints via Eugene F. Fama and Kenneth R. French. Dividend payers = 30% top of Fama-French dividend payers, 40% of middle Fama-French dividend payers, and 30% bottom of Fama-French dividend payers rebalanced monthly. Non-dividend payers = Fama-French stocks that do not pay a dividend. Long term corporate bonds represented by the Ibbotson Associates SBBI US LT Corp Total Return index. Long term government bonds represented by the Ibbotson Associates SBBI US LT Govt Total Return index. Intermediate term government bonds represented by the Ibbotson Associates SBBI US IT Govt Total Return index. Treasury bills represented by the Ibbotson Associates SBBI US 30 Day TBill Total Return index. Inflation represented by the Ibbotson Associates SBBI US Inflation index. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French and Ibbotson Associates

PERSPECTIVE: 10% UPS AND DOWNS SINCE TPS INCEPTION

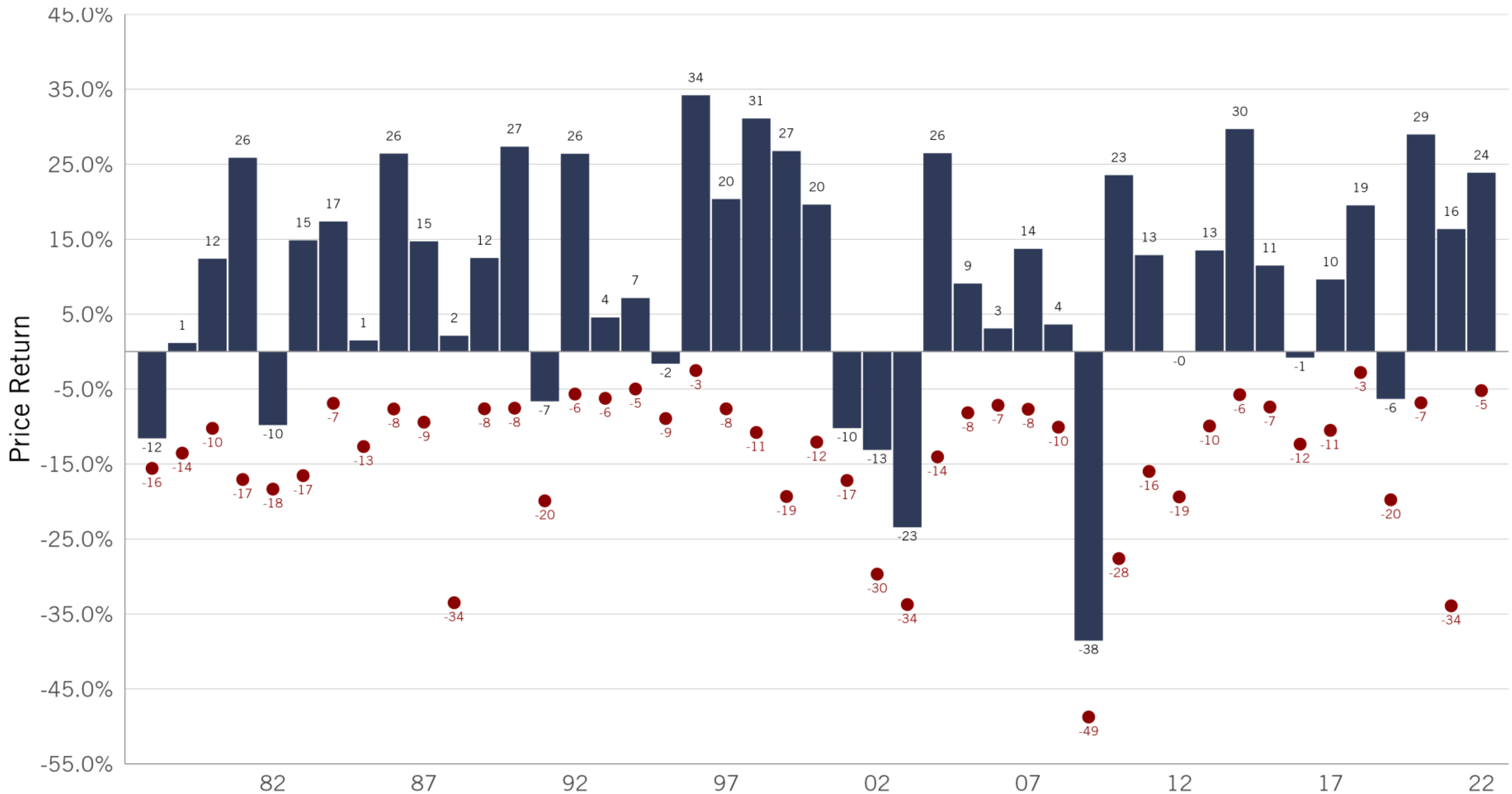
S&P 500 Moves (on a Closing Basis) of 10% Without a Comparable Move in the Other Direction

9/12/1978	11/14/1978	-13.55%	BEAR	11/14/1978	10/5/1979	20.30%	BULL
10/5/1979	11/7/1979	-10.25%	BEAR	11/7/1979	2/13/1980	18.59%	BULL
2/13/1980	3/27/1980	-17.07%	BEAR	3/27/1980	11/28/1980	43.07%	BULL
11/28/1980	9/25/1981	-19.75%	BEAR	9/25/1981	11/30/1981	12.04%	BULL
11/30/1981	3/8/1982	-15.05%	BEAR	3/8/1982	5/7/1982	11.30%	BULL
5/7/1982	8/12/1982	-14.27%	BEAR	8/12/1982	10/10/1983	68.57%	BULL
10/10/1983	7/24/1984	-14.38%	BEAR	7/24/1984	8/25/1987	127.82%	BULL
8/25/1987	10/19/1987	-33.24%	BEAR	10/19/1987	10/21/1987	14.92%	BULL
10/21/1987	10/26/1987	-11.89%	BEAR	10/26/1987	11/2/1987	12.33%	BULL
11/2/1987	12/4/1987	-12.45%	BEAR	12/4/1987	10/9/1989	60.68%	BULL
10/9/1989	1/30/1990	-10.23%	BEAR	1/30/1990	7/16/1990	14.23%	BULL
7/16/1990	10/11/1990	-19.92%	BEAR	10/11/1990	10/7/1997	232.74%	BULL
10/7/1997	10/27/1997	-10.80%	BEAR	10/27/1997	7/17/1998	35.32%	BULL
7/17/1998	8/31/1998	-19.34%	BEAR	8/31/1998	9/23/1998	11.37%	BULL
9/23/1998	10/8/1998	-10.00%	BEAR	10/8/1998	7/16/1999	47.88%	BULL
7/16/1999	10/15/1999	-12.08%	BEAR	10/15/1999	3/24/2000	22.45%	BULL
3/24/2000	4/14/2000	-11.19%	BEAR	4/14/2000	9/1/2000	12.10%	BULL
9/1/2000	4/4/2001	-27.45%	BEAR	4/4/2001	5/21/2001	19.00%	BULL
5/21/2001	9/21/2001	-26.43%	BEAR	9/21/2001	1/4/2002	21.40%	BULL
1/4/2002	7/23/2002	-31.97%	BEAR	7/23/2002	8/22/2002	20.68%	BULL
8/22/2002	10/9/2002	-19.31%	BEAR	10/9/2002	11/27/2002	20.87%	BULL
11/27/2002	3/11/2003	-14.71%	BEAR	3/11/2003	10/9/2007	95.47%	BULL
10/9/2007	3/10/2008	-18.64%	BEAR	3/10/2008	5/19/2008	12.04%	BULL
5/19/2008	10/10/2008	-36.97%	BEAR	10/10/2008	10/13/2008	11.58%	BULL
10/13/2008	10/27/2008	-15.39%	BEAR	10/27/2008	11/4/2008	18.47%	BULL
11/4/2008	11/20/2008	-25.19%	BEAR	11/20/2008	1/6/2009	24.22%	BULL
1/6/2009	3/9/2009	-27.62%	BEAR	3/9/2009	4/23/2010	79.93%	BULL
4/23/2010	7/2/2010	-15.99%	BEAR	7/2/2010	4/29/2011	33.35%	BULL
4/29/2011	10/3/2011	-19.39%	BEAR	10/3/2011	5/21/2015	93.85%	BULL
5/21/2015	8/25/2015	-12.35%	BEAR	8/25/2015	11/3/2015	12.97%	BULL
11/3/2015	2/11/2016	-13.31%	BEAR	2/11/2016	1/26/2018	57.07%	BULL
1/26/2018	2/8/2018	-10.16%	BEAR	2/8/2018	9/20/2018	13.55%	BULL
9/20/2018	12/24/2018	-19.78%	BEAR	12/24/2018	2/19/2020	44.02%	BULL
2/19/2020	3/23/2020	-33.92%	BEAR	3/23/2020	11/8/2021	110.14%	BULL
Average Drop		-18.35%		**Average Gain**		42.77%	

SOURCE: Kovitz using data from Bloomberg

The five-week February/March Bear Market brought on by the COVID-19 Pandemic and Great Lockdown is no doubt still fresh on the mind of investors, given that the S&P 500 plunged 33.9%. Of course, stocks have again rebounded, with the tremendous volatility last year representing the 33rd pullback of 10% or more without an intervening 10% recovery since the launch of *The Prudent Speculator* more than 44 years ago. Happily, the returns in the winning periods have dwarfed the losses!

While the S&P 500 has enjoyed excellent long-term returns and endured a relatively small number of negative full years since the founding of *The Prudent Speculator* in 1977, there have been corrections of 10% or more in 27 of the 45 years, including a 34% one (on a closing basis) in 2020.



From 12.31.76 through 11.11.21. Price returns do not include dividends. Intra-year drops refer to the largest drops between high and low close prices during a calendar year. 2019 return is year to date. SOURCE: Kovitz using data from Bloomberg Finance L.P.

PERSPECTIVE: MANAGING EMOTIONS A CHALLENGE EVEN FOR 'EINSTEIN'

Given that he has had major health issues, it was nice to see Peter Tuchman's smiling face as the Dow Jones Industrial Average closed above 35,000 for the first time on 7.23.21.

Of course, Wall Street's most photographed trader (per *Marketwatch*) may be no better visual aid to remind folks that investing is an emotional roller coaster. For example, in 2019, Mr. Tuchman was positively giddy about the Dow breaking through 27,000 in July, yet a few weeks later he had seemingly pulled all his hair out as stocks plunged after an escalation in the trade skirmish.

PERSPECTIVE: MARKETS IN TURMOIL IS GOOD FOR RATINGS

CNBC August 2011

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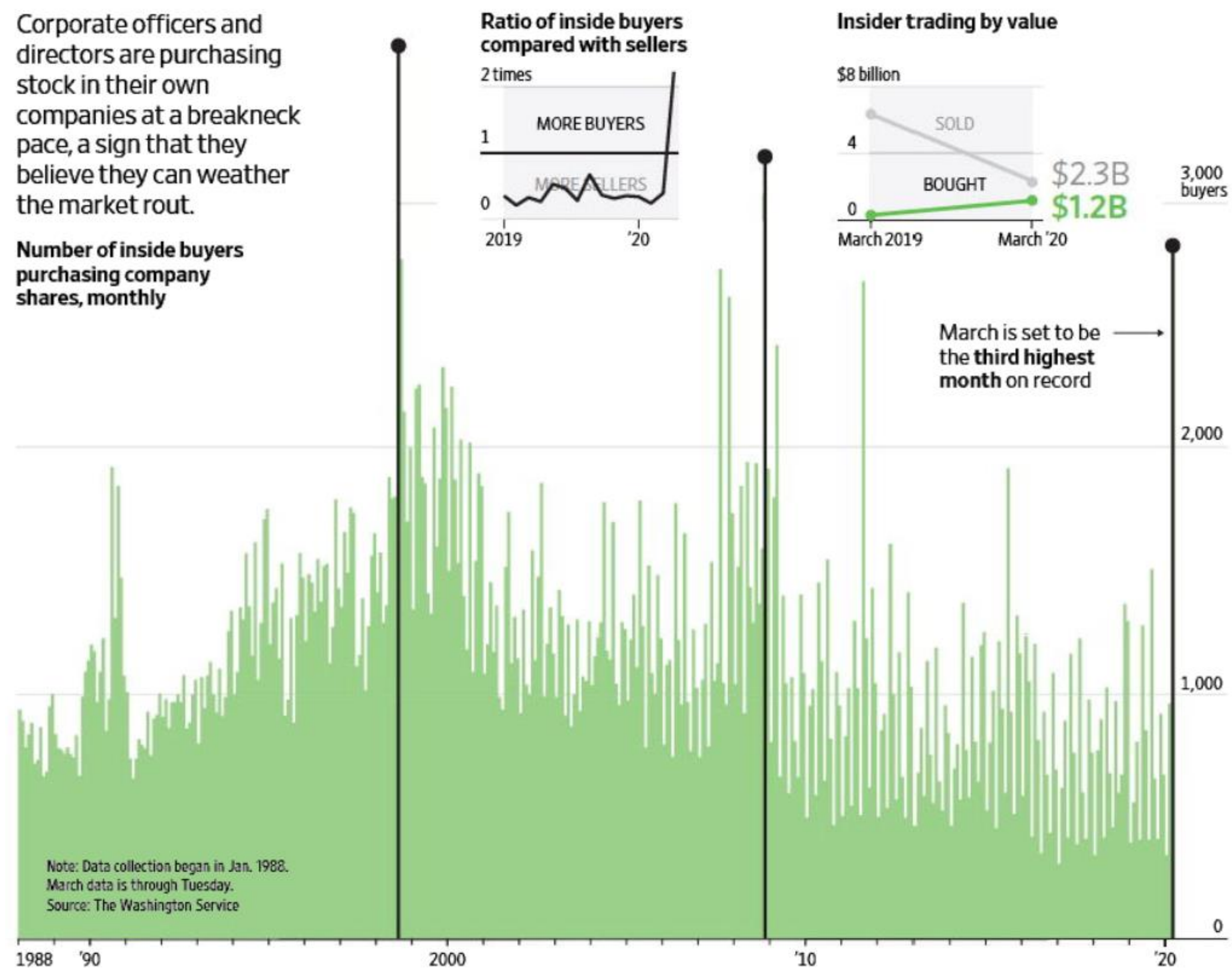
Tonight, fear and uncertainty grip the world markets, and everything is spiraling out of control. What can you do to keep your money safe?

CNBC March 23, 2020

PERSPECTIVE: MAYBE THE SKY WASN'T FALLING IN MARCH 2020

THE WALL STREET JOURNAL.

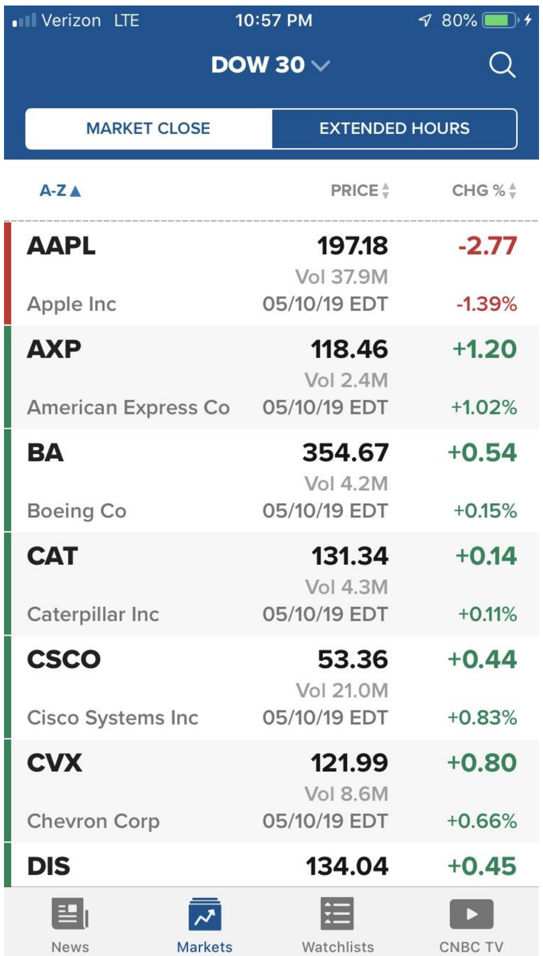


More than 2,800 executives and directors have purchased nearly $1.19 billion in company stock since the beginning of March. That's the third-highest level on both an individual and dollar basis since 1988, according to the Washington Service, which provides data analytics about trading activity by insiders.

WSJ – March 26, 2020

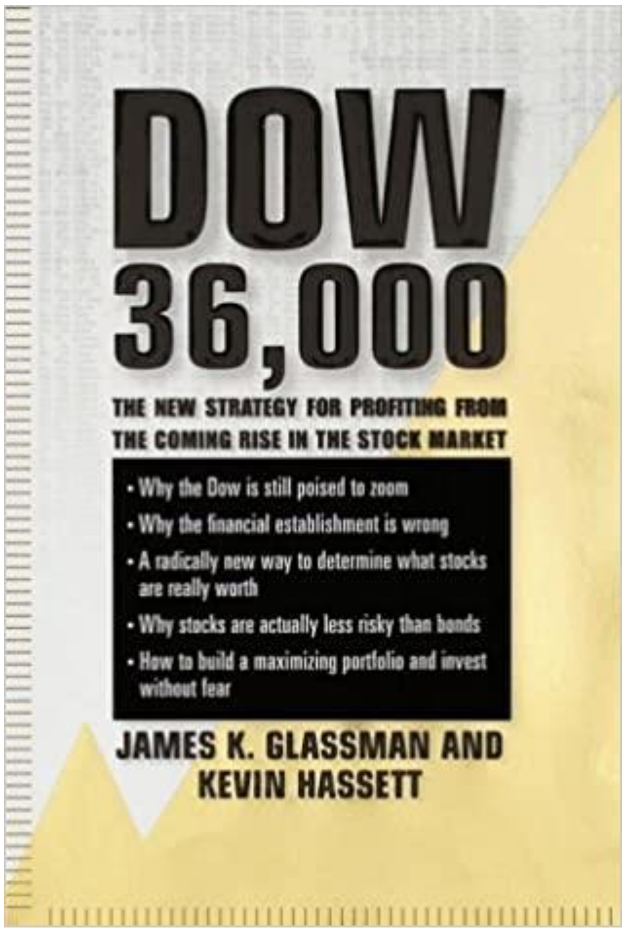
PERSPECTIVE: 24/7 ACCESS TO PORTFOLIO INFO IS A PROBLEM

Myopic loss aversion is the combination of a greater sensitivity to losses than to gains and a tendency to evaluate outcomes frequently…The investors who got the most frequent feedback (and thus the most information) took the least risk and earned the least money.



PERSPECTIVE: JAMES K. GLASSMAN – DOW 36,000 VS. SAFETY NET

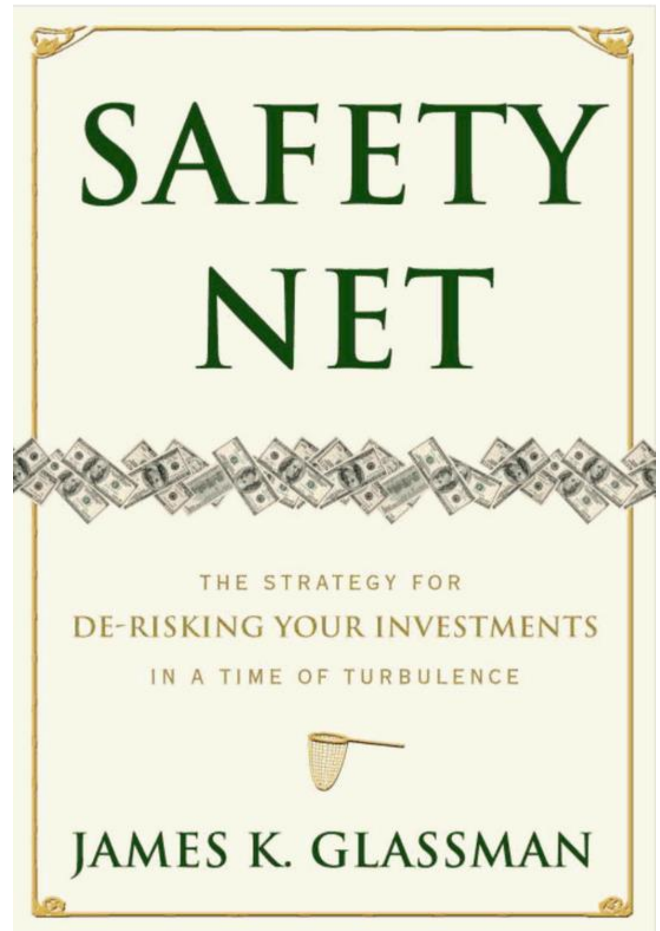
There is no assurance that the Dow Jones Industrial Average will continue its upward trajectory, but James K. Glassman's famous Dow 36,000 projection has been hit. Alas, he advised loading up on stocks at Dow 10,000 in 1999 and de-risking portfolios at Dow 12,000 in 2011…the only problem with market timing is getting the timing right.



September 20, 1999

"In theory, historical averages show that stocks are a good buy if you can hang on through the miserable periods. But most investors find that excruciatingly difficult to do—a fact that I never fully appreciated in my 30 years of writing about investing."

— James K. Glassman, February 24, 2011



February 22, 2011

PERSPECTIVE: MIRACLE OF COMPOUNDING: DOW 1,000,000 IN 2079

Peter Tuchman @EinsteinoWallSt · 8h

Record close ... DOW 36,000

Even caught me off guard ....boom Shaka laka giddyup 💥💥🚀🚀🚀🚀🚀

1 3 22

Interesting that the milestone caught Wall Street's most photographed trader, Peter Tuchman, off guard, and we fear that James K. Glassman, he of *Dow 36,000* fame, may have missed out on the rally, even as his latest *Wall Street Journal* OpEd is entitled, *Get Ready for Dow One Million.*

Why the Dow 36000 Forecast Was Right

By Kenneth Rogoff

Journalist James Glassman and economist Kevin Hassett took to these pages in March 1998 to dismiss concerns of a stock market bubble and offer a rationale for why stocks could still go a lot higher. That was already sticking their necks out. But then they stuck them out further, arguing—with many qualifications—that over the long run the Dow Jones Industrial Average could go to 35000. Their simple policy advice: Buy a diversified portfolio of stocks, and don't put too much money in bonds. Over the long run, stocks offer a higher return without significantly greater risk. Their basic rationale, which depended on investors gradually coalescing around their view, was that stocks had to rise as the market risk premium came into line with empirical reality.

Later, in 1999, they stuck their necks out even further in a best-selling book titled "Dow 36,000." In it, their very rough guess on timing was five years. The left hated them, in no small part because Mr. Hassett is a prominent conservative economist. The right liked them, partly for the same reason. On balance, it is probably fair to say that the book was viewed as somewhere between outrageous and absurd.

Well, this summer, 22 years later, the Dow closed above 35000 for the first time, and 36000 is within reach. Is it time to admit the book might also have been a wee bit prescient? In my view, it is.

Admittedly, making that judgment is a little like deciding how to grade a student who intuited a strong answer to a very difficult exam problem but whose proof had a significant logical flaw. At the time of the Journal piece, the Dow had hit a lofty 8800, a value that had unnerved many pundits, especially considering the Dow had been 3400 only five years earlier. Indeed, when the Dow hit 6400 in December 1996, Federal Reserve chairman Alan Greenspan, worried that the financial system might be reaching a vulnerable zone, gave his legendary "irrational exuberance" speech. Mr. Greenspan was hardly alone; a few days before his speech, Yale finance expert Robert J. Shiller (a Nobel laureate in 2013) had given a presentation to the Federal Reserve Board explaining his view that there was a high risk of a stock market crash.

For years, the Glassman-Hassett analysis was widely denigrated, particularly by left-leaning commentators, who delighted in equating conservative and stupid. Nobel Prize-winning economist Paul Krugman called the idea "silly," albeit having once exposited their case for much higher stock prices quite eloquently.

Hassett and Glassman were mocked in 1998 but have been vindicated by rising stocks. The danger now? Rising interest rates.

Berkeley economist Brad DeLong echoed a review castigating the book's "incredibly money-losing advice." And those were not the worst. I confess that I, too, strongly questioned Messrs. Glassman and Hassett's zero long-run risk logic, although I did stress that there was academic gravitas to their core point that, historically, a diversified portfolio of U.S. stocks has typically outperformed safe bonds over very long periods—say, of 25 to 30 years—even if one can construct exceptions.

Truth be told, Messrs. Glassman and Hassett's theory was "Stocks for the Long Run," Jeremy Siegel's 1994 best-seller, on steroids. Mr. Siegel in turn had extended and reinterpreted Rajnish Mehra and Edward C. Prescott's seminal 1985 paper on the "equity premium puzzle." Rather than view the consistent excess long-run real returns on stocks as a theoretical puzzle, as Messrs. Mehra and Prescott did, Mr. Siegel argued that the long-run excess return on stocks was a massive investment opportunity, offering to patient investors a much higher return on modestly higher risk.

Messrs. Glassman and Hassett took the argument one step further still, basically guessing that stocks would keep rising and rising as the arguments of Messrs. Siegel, Mehra and Prescott became more widely accepted, leading investors to bid up stock prices.

So, what, if anything, did they get wrong? Well, for starters, stocks are certainly risky in the short to medium run, and for a lot of investors that is a big deal. If you have $40 million and overnight it becomes $20 million, you can probably afford to be patient, however long it takes for the market to come back. But if you are elderly with $300,000 in retirement savings, seeing it collapse to $150,000 is pretty painful, and the knowledge your investment will be worth much more if you can wait two decades won't dull the pain.

Even a long-lived foundation or university faces constraints from trustees and regulators that can effectively force an uncomfortable spending adjustment if the market collapses. The pool of players who care about short and medium returns is very substantial. The Mehra-Prescott model does not allow for liquidity constraints, which are important for a sizable chunk of the market.

Now that the Dow is approaching 36000, is it actually because people are putting more and more of their investments into risky assets? In part, yes. But surely the biggest driver of prices for all long-lived assets—including equities, housing, art and even bitcoin—has been the extraordinarily low level of real interest rates. It's not so much that the equity premium has fallen as that the interest rate on bonds has collapsed.

Nevertheless, Messrs. Glassman and Hassett also got something very right. Their extreme take on the equity premium puzzle—the mystery of why the average return on stocks seems so high relative to safe bonds—hits an important point that has operational significance for many investors. Those with the wealth and liquidity to ride out short- and medium-run fluctuations have an enormous advantage. For those with little wealth, the advice to invest in stocks is not very helpful. Yet for the majority of middle-income Americans, who certainly understand long-term investing when it comes to housing, the equity premium is something they should know about and make their own decisions.

What's next? The two-plus decades of experience since "Dow 36,000" has changed my mind far more about the equilibrium real interest rate than it has about the riskiness of stocks, including in the medium and long run. Risk markets could wilt if and when global real interest rates start trending up, or if there were a real or cyber war. There is ample reason to be nervous. Nevertheless, if Messrs. Glassman and Hassett decide to publish a new edition called "Dow 72,000," I will buy a copy.

Mr. Rogoff is a professor of economics at Harvard and a former chief economist at the International Monetary Fund.

Miracle of Compounding - Dow 50000 by 2027

(Initial Value of Dow Jones Industrial Average = 36328, November 5, 2021)

	Inflation 3.0%	Intermediate Gov't Bonds TR 5.1%	Dow Jones Industrial Average Price Return 5.9%	Corporate Bonds TR 6.1%	S&P 500 TR 10.3%	Fama/French Dividend Stocks TR 10.7%	Fama/French Value Stocks TR 13.2%
Nov-21	36,328	36,328	**36,328**	36,328	36,328	36,328	36,328
Nov-22	37,418	38,181	**38,471**	38,544	40,070	40,215	41,123
Nov-23	38,540	40,128	**40,741**	40,895	44,197	44,518	46,552
Nov-24	39,697	42,174	**43,145**	43,390	48,749	49,282	52,696
Nov-25	40,887	44,325	**45,690**	46,037	53,770	54,555	59,652
Nov-26	42,114	46,586	**48,386**	48,845	59,309	60,392	67,526
Nov-27	43,378	48,962	**51,241**	51,824	65,418	66,854	76,440
Nov-28	44,679	51,459	**54,264**	54,986	72,156	74,007	86,530
Nov-29	46,019	54,083	**57,466**	58,340	79,588	81,926	97,952
Nov-30	47,400	56,842	**60,856**	61,898	87,785	90,692	110,882
Nov-31	48,822	59,740	**64,447**	65,674	96,827	100,396	125,518
Nov-36	56,598	76,609	**85,838**	88,302	158,079	166,900	233,312
Nov-41	65,612	98,242	**114,330**	118,727	258,078	277,456	433,681
Nov-46	76,063	125,982	**152,279**	159,634	421,337	461,245	806,125
Nov-51	88,178	161,556	**202,824**	214,636	687,871	766,779	1,498,423
Nov-61	118,503	265,675	**359,816**	388,022	1,833,420	2,119,075	5,177,243
Nov-71	159,259	436,895	**638,322**	701,473	4,886,716	5,856,289	17,888,043
Nov-81	214,030	718,463	**1,132,398**	1,268,132	13,024,835	16,184,480	61,805,497

Compounded at average annualized rates that have been the historical returns on each investment from June 1927 to September 2021. Source: Kovitz using data from Morningstar, Bloomberg and Professor's Eugene F. Fama & Kenneth R. French. Past performance not a guarantee of future performance.

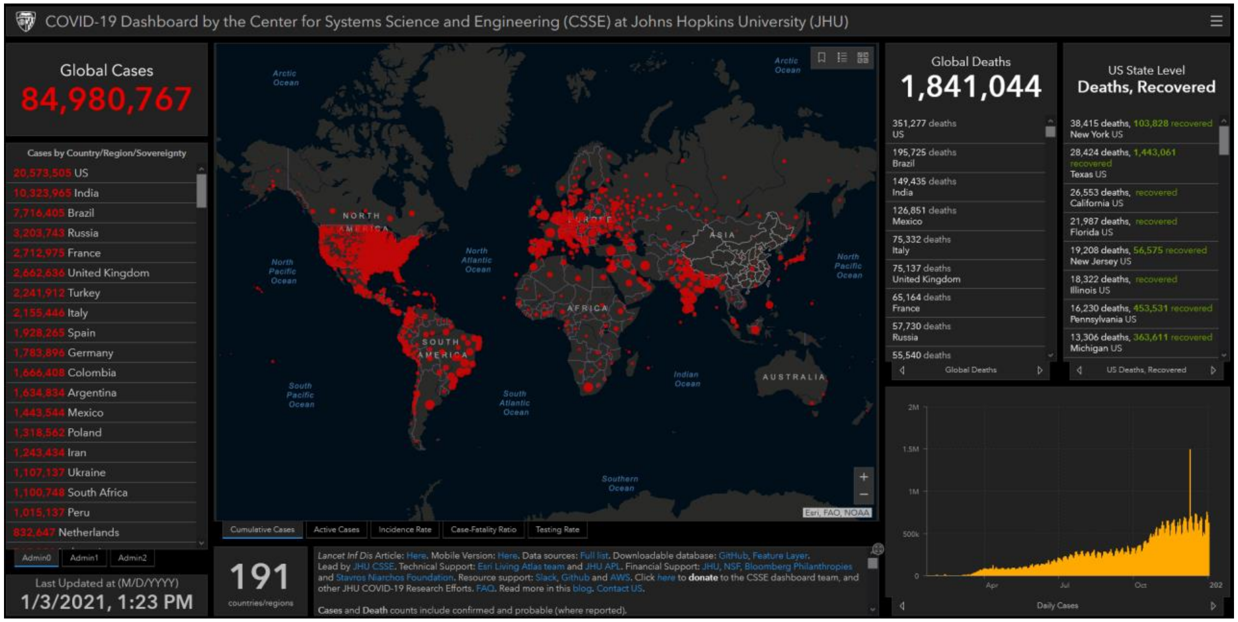
Ghouls & Goblins (Busting Myths)

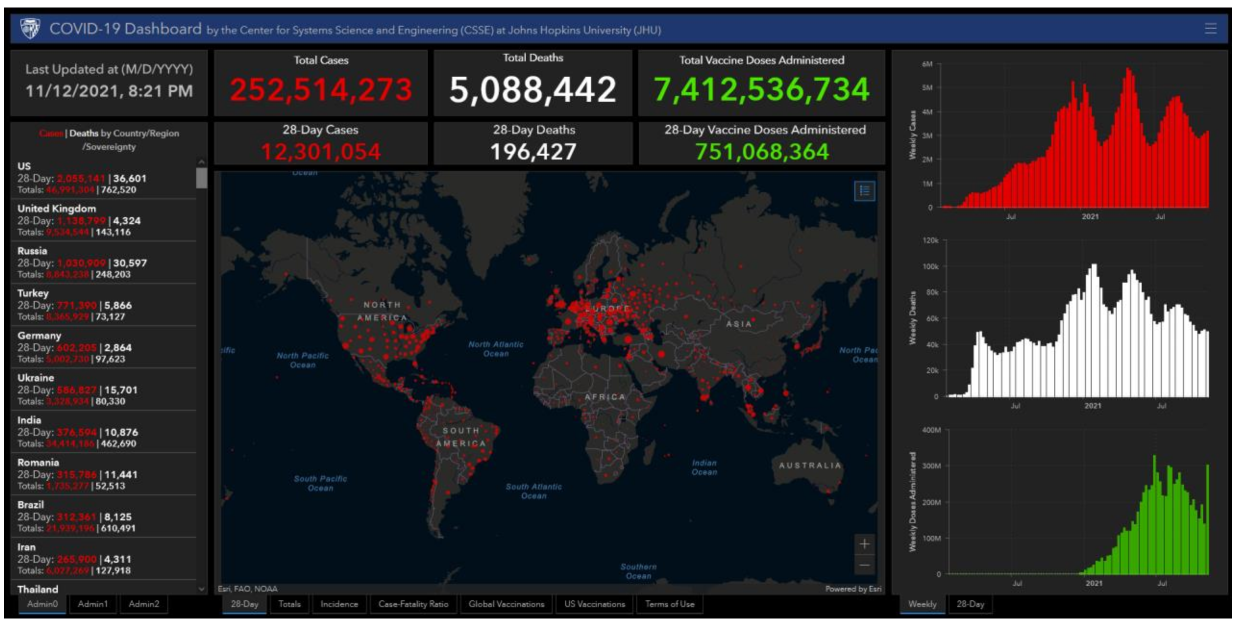
“Fear cannot be banished, but it can be calm and without panic; it can be mitigated by reason and evaluation.”

– Vannevar Bush

COVID-19 Will Doom Mankind… or at Least the Stock Market

GHOULS & GOBLINS: COVID-19 GLOBAL DEATH COUNT HAS SOARED





Certainly, we do not mean to downplay the suffering many have endured at the hands of the coronavirus, especially as the global death count has soared from 1.8 million at the start of 2021 to over 5 million today. But the discovery of effective vaccines, innovative treatments and more recently, oral antiviral medications, is likely to soon move COVID-19 from pandemic to endemic, while life for many has returned to some semblance of normality.

https://www.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6

GHOULS & GOBLINS: VACCINES - MODERNA, PFIZER/BIONTECH & OTHERS

HEALTH

Moderna's Covid-19 vaccine is strongly effective, early look at data show

By MATTHEW HERPER @matthewherper *and* HELEN BRANSWELL @HelenBranswell / NOVEMBER 16, 2020 Reprints

RUBY WALLAU FOR STAT

Moderna's vaccine against Covid-19 is strongly effective, the company said Monday, building excitement about the potential of controlling the global pandemic.

The news comes exactly a week after results from Pfizer and BioNTech, which announced broadly similar results.

The Moderna vaccine reduced the risk of Covid-19 infection by 94.5%. There were 95 cases of infection among patients in the company's 30,000-patient study. Only five of them occurred in patients who developed Covid-19 after receiving Moderna's vaccine, mRNA-1273.

Anthony Fauci, director of the National Institute of Allergy and Infectious Diseases, admitted the preliminary data for the Moderna and the Pfizer vaccines — the only two so far to have early estimates of vaccine efficacy — are better than he had anticipated.

HEALTH

Pfizer, BioNTech submit formal application to FDA to authorize Covid-19 vaccine

By HELEN BRANSWELL @HelenBranswell / NOVEMBER 20, 2020 Reprints

SPENCER PLATT/GETTY IMAGES

The drug maker Pfizer and its German partner BioNTech applied on Friday to the Food and Drug Administration for an emergency use authorization for their Covid-19 vaccine, a watershed moment in the effort to curb the global pandemic.

Hours later, the FDA announced that a panel of outside experts, the Vaccines and Related Biological Products Advisory Committee or VRBPAC, will meet Dec. 10 to review the data and advise the agency on whether to approve the emergency use request and what conditions, if any, to put on the vaccine's use. It it unlikely to be authorized for use in children under the age of 12, for instance, because it hasn't yet been tested in pre-teens.

It is widely expected that the FDA will then issue an emergency use authorization for the two-dose vaccine, which has been shown to be highly effective in preventing Covid infections. Officials have said they hope to begin vaccination of health workers — who will be at the front of the line for the limited first doses — in some locations within days of the authorization.

GHOULS & GOBLINS: PFIZER & MERCK ANTIVIRALS

HEALTH

Experimental Pfizer pill prevents Covid hospitalizations and deaths

By Matthew Herper Nov. 5, 2021 Reprints

An experimental antiviral pill from Pfizer reduced Covid patients' risk of death and hospitalization by 89% in a large study.

JEFF KOWALSKY/AFP VIA GETTY IMAGES

An experimental antiviral pill developed by Pfizer reduced the risk of death and hospitalization by 89% in patients who were newly diagnosed with Covid-19 in a large study, the company said Friday.

The development of oral medicines that can be used to treat Covid early on could blunt the impact of the pandemic.

Nahid Bhadelia, the founding director of the Center for Emerging Infectious Diseases Policy & Research at Boston University, called oral antiviral pills "incredibly important" because existing treatments such as monoclonal antibodies must be given intravenously or as shots.

"With an oral antiviral, patients have more time and greater access to a treatment that will keep them out of the hospital," Bhadelia said. "But the promise of oral antivirals will only be recognized if they're available at your local pharmacy, and you can afford it, and you can get the test that tells you that you're positive for Covid, so you can actually take advantage of this drug. So, the promise is there, but the rest of the pieces need to come together."

HEALTH

Merck's antiviral pill reduces hospitalization of Covid patients, a possible game-changer for treatment

By Matthew Herper Oct. 1, 2021 Reprints

KENA BETANCUR/GETTY IMAGES

An investigational antiviral pill reduced the chances that patients newly diagnosed with Covid-19 would be hospitalized by about 50%, a finding that could give doctors a desperately needed new way to treat the sick, the drug maker Merck announced Friday.

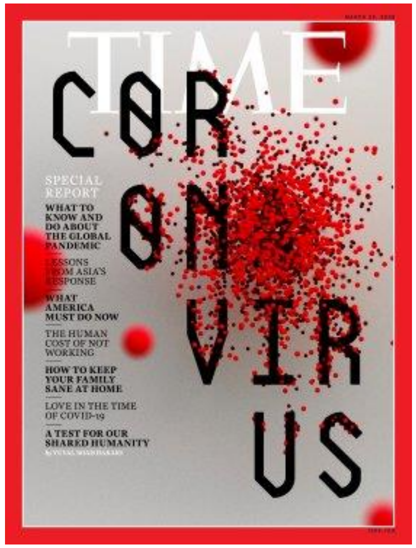
A five-day course of molnupiravir, developed by Merck and Ridgeback Biotherapeutics, reduced both hospitalization and death compared to a placebo. In the placebo group, 53 patients, or 14.1%, were hospitalized or died. For those who received the drug, 28, or 7.3%, were hospitalized or died.

A simple oral medication to help treat Covid-19 has been an elusive goal since the start of the pandemic. Other drugs, including Gilead's remdesivir, have also been shown to reduce hospitalizations if given early in the course of disease, but must be given intravenously.

"If this pans out, it will change the landscape," said Andy Pavia, chief of the Division of Pediatric Infectious Diseases at University of Utah. "There's still a lot we need to know. What does the side effect profile look like? Do we know how to dose it in populations that are different such as children and the obese? But as a top-line result, this is definitely exciting."

GHOULS & GOBLINS: VIRUSUS HAVE YET TO KILL THE STOCK MARKET

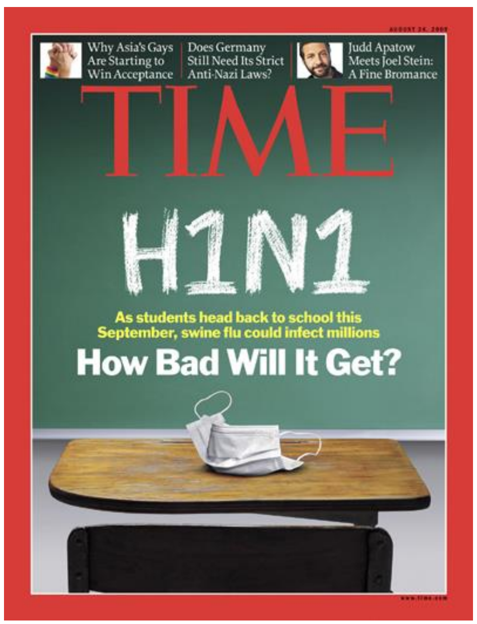
September 29, 2014



March 30, 2020

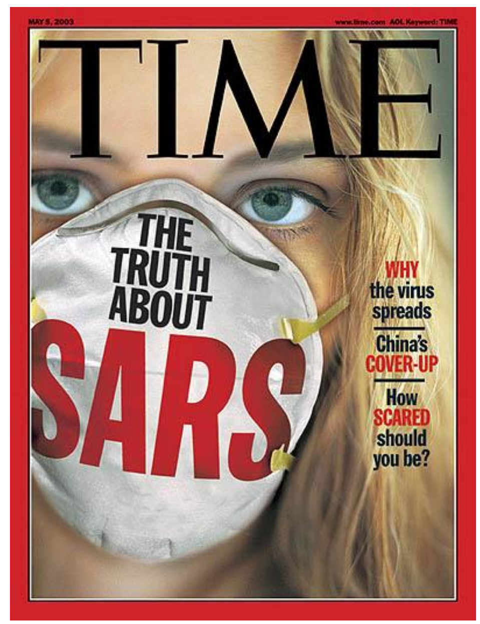
Magazine Cover	Date	S&P End Value	3 Months Later	6 Months Later	12 Months Later	36 Months Later	60 Months Later	Event thru Present
Time Magazine: The Aids Hysteria	7/4/1983	168.91	-2%	-1%	-9%	49%	61%	2651%
Time Magazine: The Truth About SARS	5/5/2003	926.55	4%	14%	21%	43%	52%	402%
Time Magazine: Avian Flu Death Threat	9/26/2005	1,215.63	4%	7%	10%	0%	-6%	282%
Time Magazine: H1N1 How Bad Will It Get?	8/24/2009	1,025.57	8%	8%	3%	38%	94%	353%
Bloomberg BusinessWeek: Ebola Is Coming	9/29/2014	1,977.80	6%	4%	-5%	27%	50%	135%
Time Magazine: Coronavirus	3/30/2020	2,626.65	18%	28%	51%			77%
Price Changes Only. Does not Include Dividends								
		Averages:	**6%**	**10%**	**12%**	**31%**	**50%**	**650%**

Source: Kovitz using data from Bloomberg. As of 11.10.21

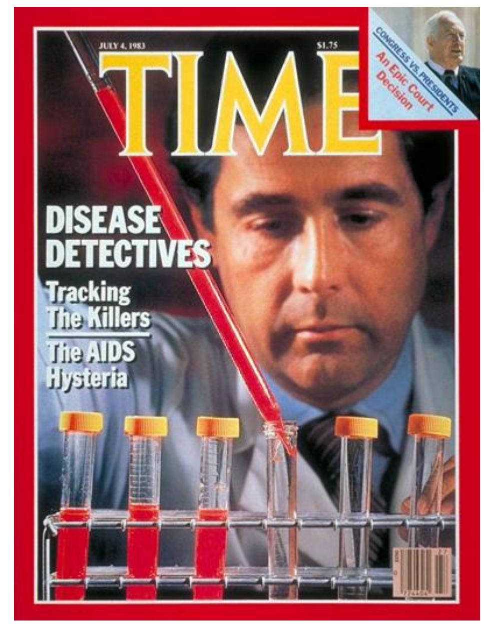


August 24, 2009

September 26, 2005

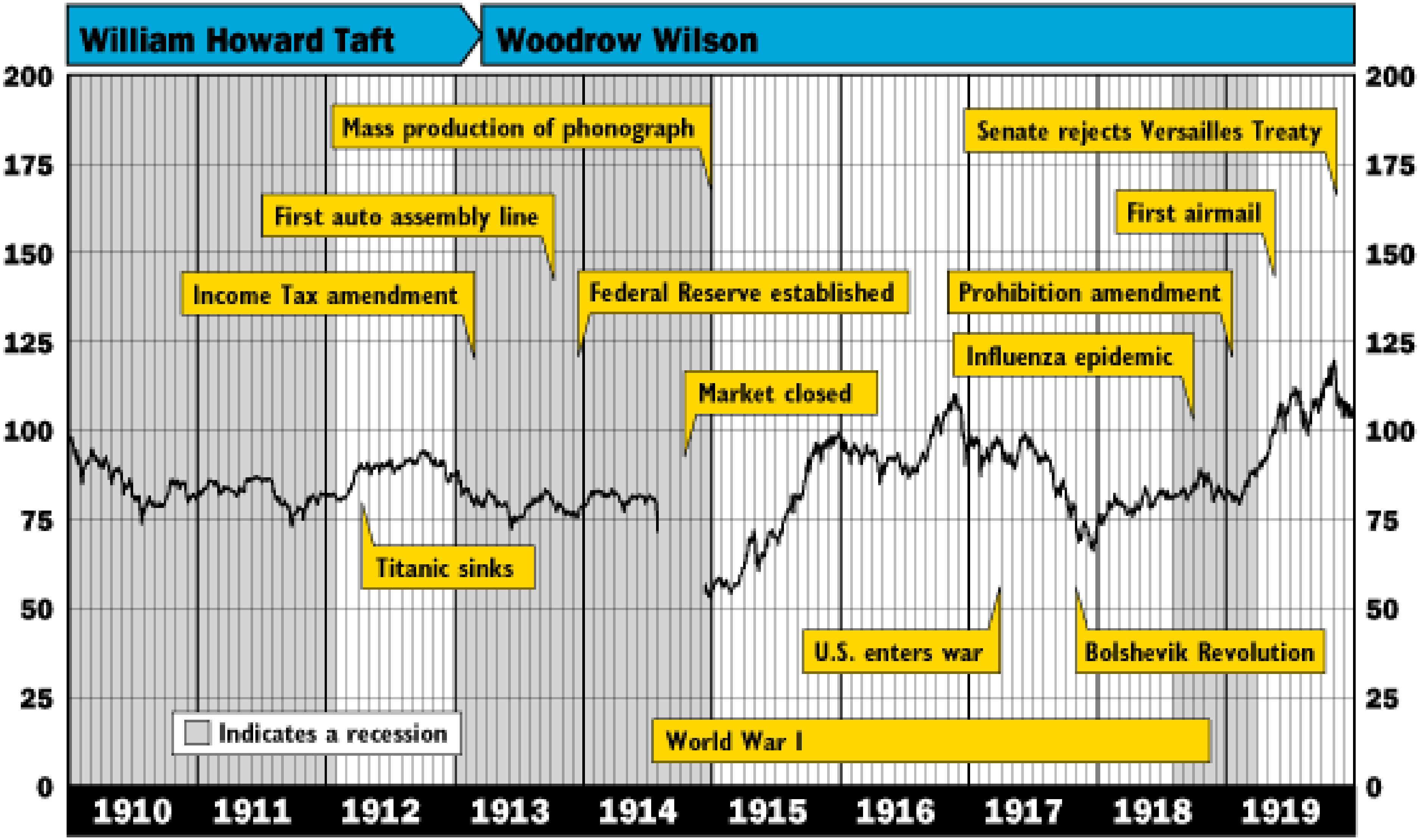


May 5, 2003



July 4, 1983

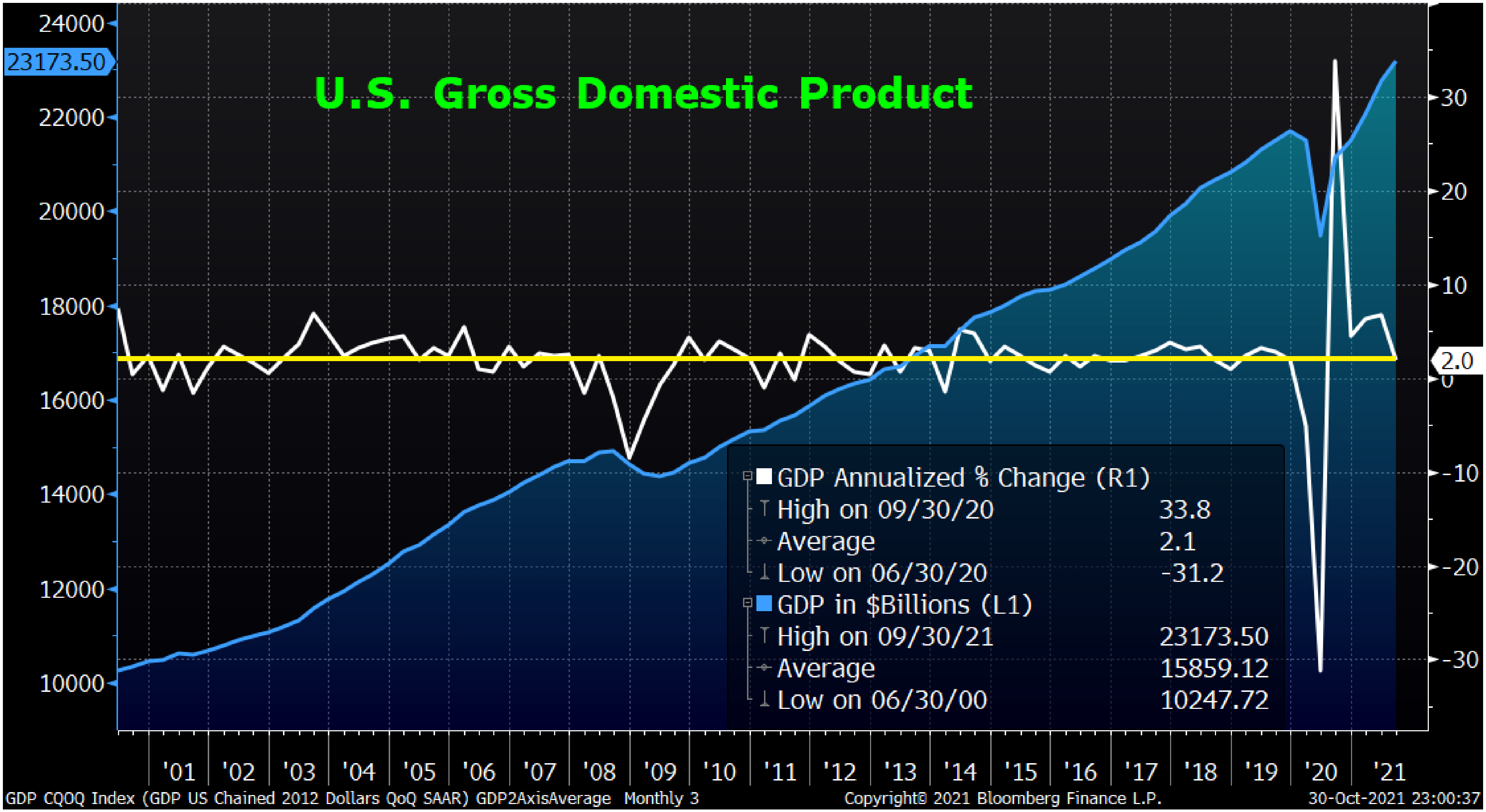
It was 100 years ago, and life obviously is different today, but stocks managed to gain ground during the 1918-1919 Spanish Flu Pandemic, despite 50 million deaths worldwide, with 675,000 of those in the U.S.



https://leduc998.wordpress.com/2008/05/14/dow-jones-history-1910-1919/

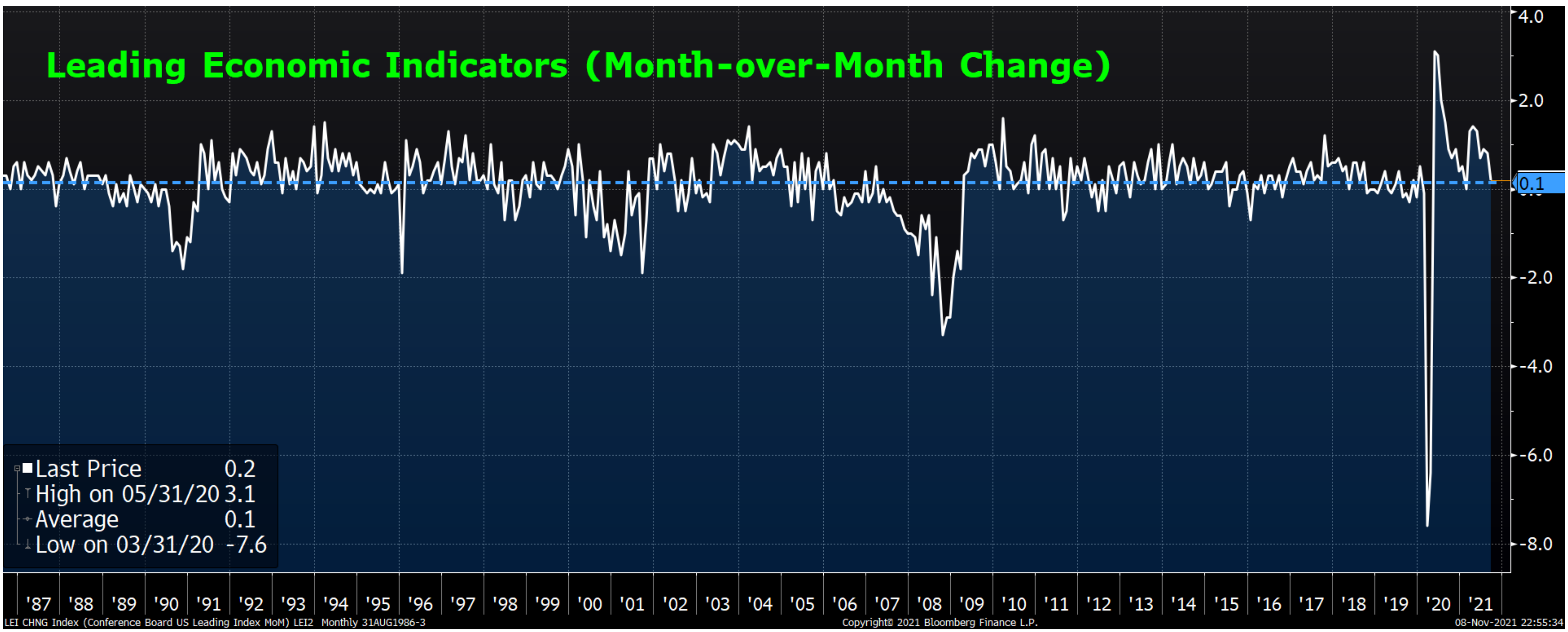
The Economic Outlook is Suspect

Third quarter 2021 real (inflation-adjusted) domestic economic growth came in at a decent 2.0% rate on an annualized basis, and the current-dollar GDP figure of $23.2 trillion is now at an all-time high, above the pre-pandemic $21.7 trillion posted in Q4 2019.



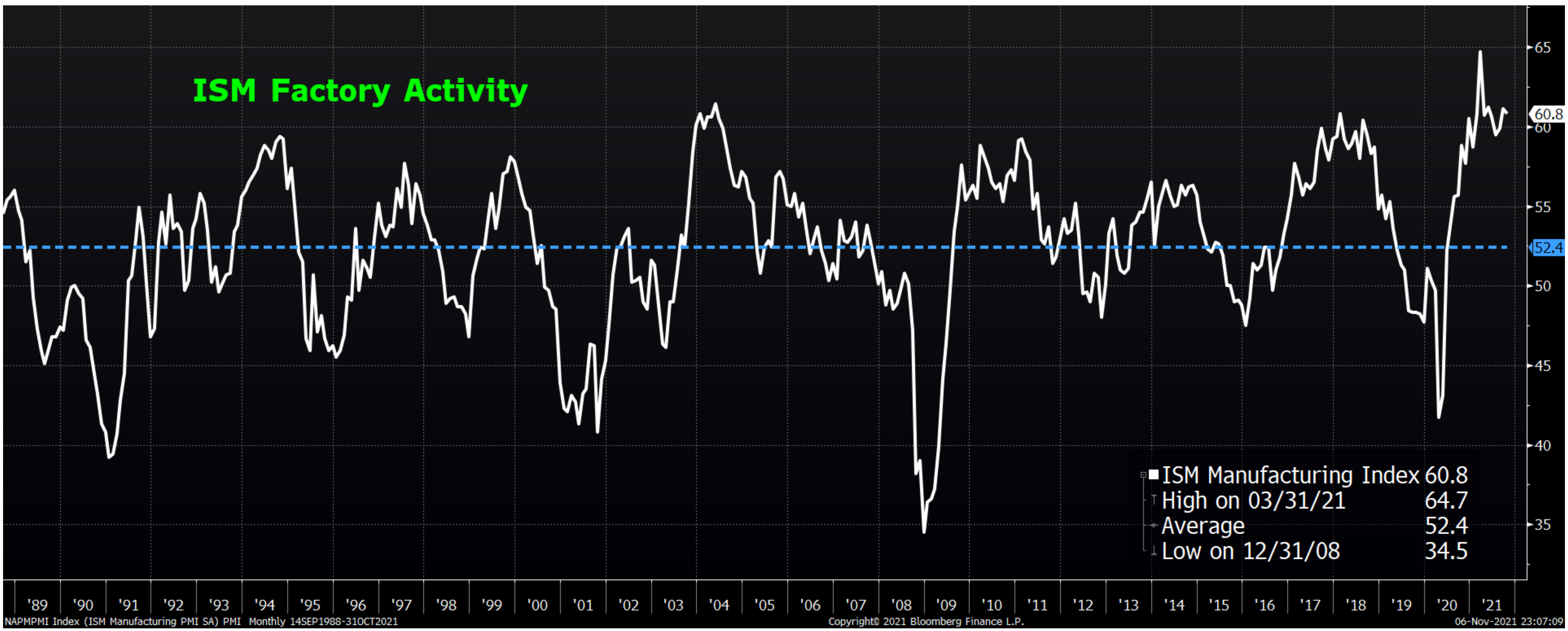
GHOULS & GOBLINS: LEI UP 0.2%...3.8% GDP GROWTH LIKELY IN 2022

"The U.S. LEI rose again in September, though at a slower rate, suggesting the economy remains on a more moderate growth trajectory compared to the first half of the year. The Delta variant, rising inflation fears, and supply chain disruptions are all creating headwinds for the U.S. economy. Despite the LEI's slower growth in recent months, the strengths among the components remain widespread. Indeed, The Conference Board continues to forecast strong growth ahead: 5.7 percent year-over-year for 2021 and 3.8 percent for 2022."



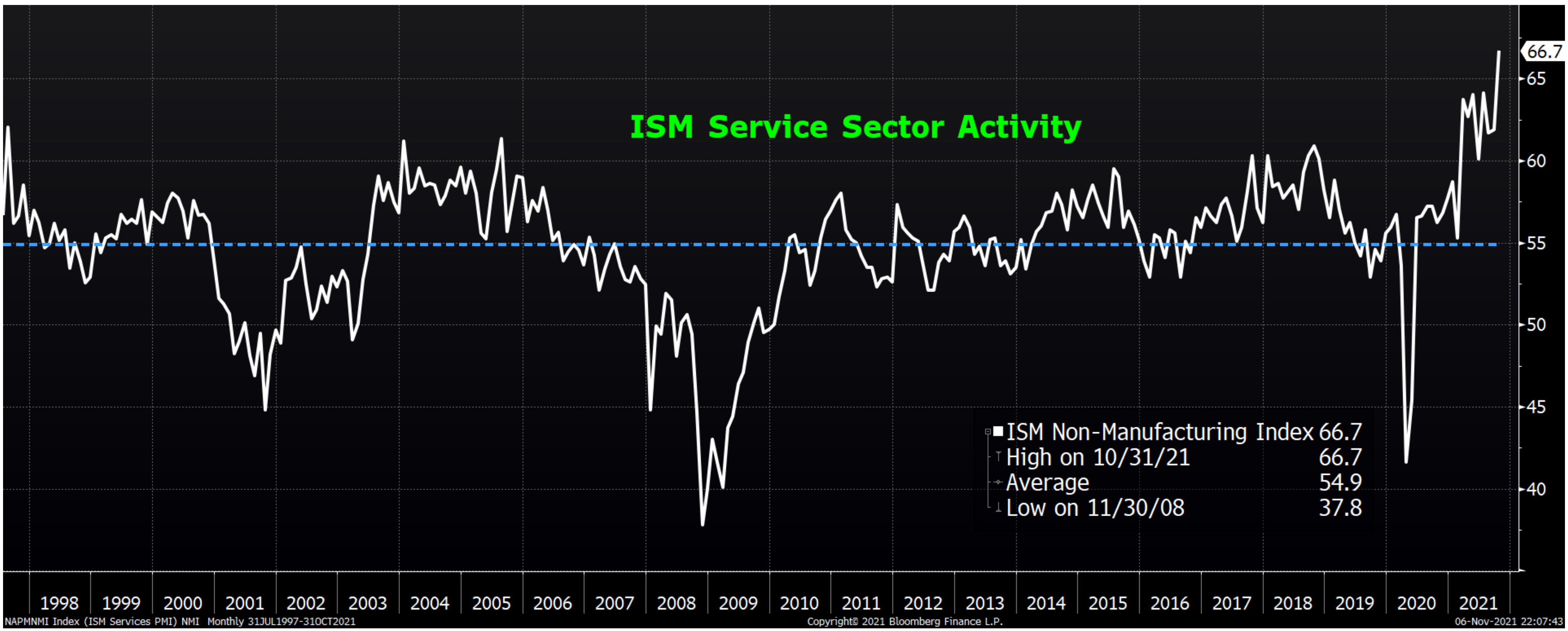
GHOULS & GOBLINS: ISM PMI = 5.0% ANNUALIZED GDP GROWTH

The latest data point on the health of the manufacturing sector came in at a better-than-expected 60.8 in October, down from a reading of 61.1 in September, and residing at a level well above average for the 30-year history of the gauge. The Institute for Supply Management stated, "The past relationship between the Manufacturing PMI and the overall economy… corresponds to a 5.0% increase in real gross domestic product (GDP) on an annualized basis."

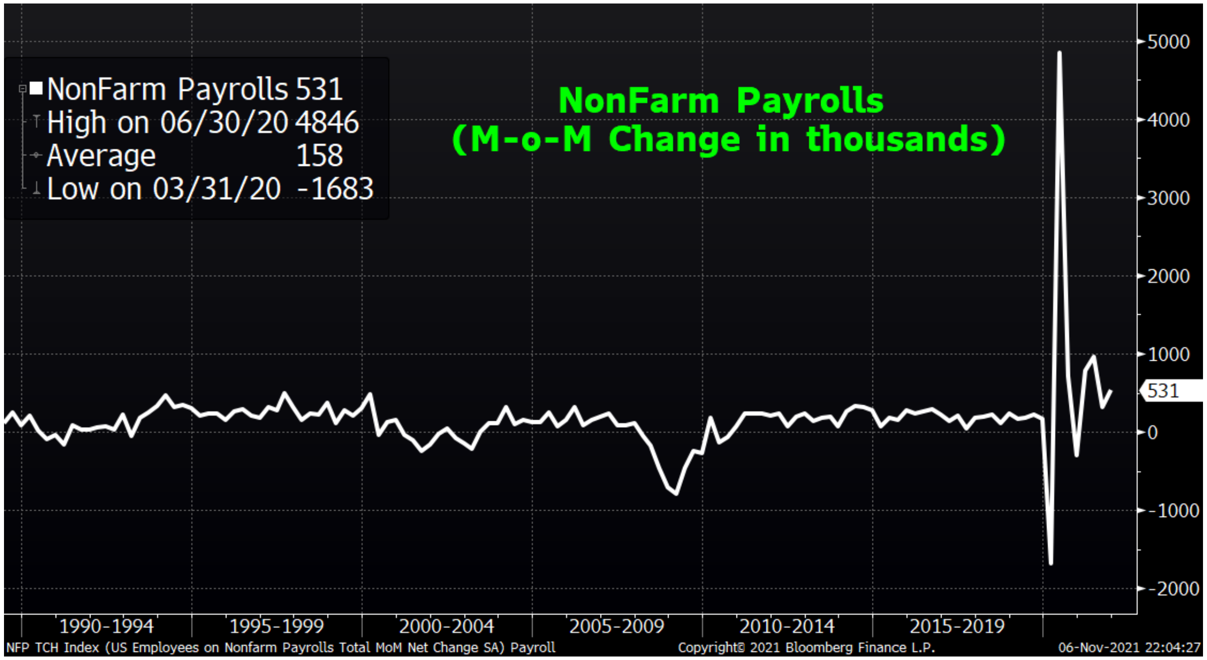


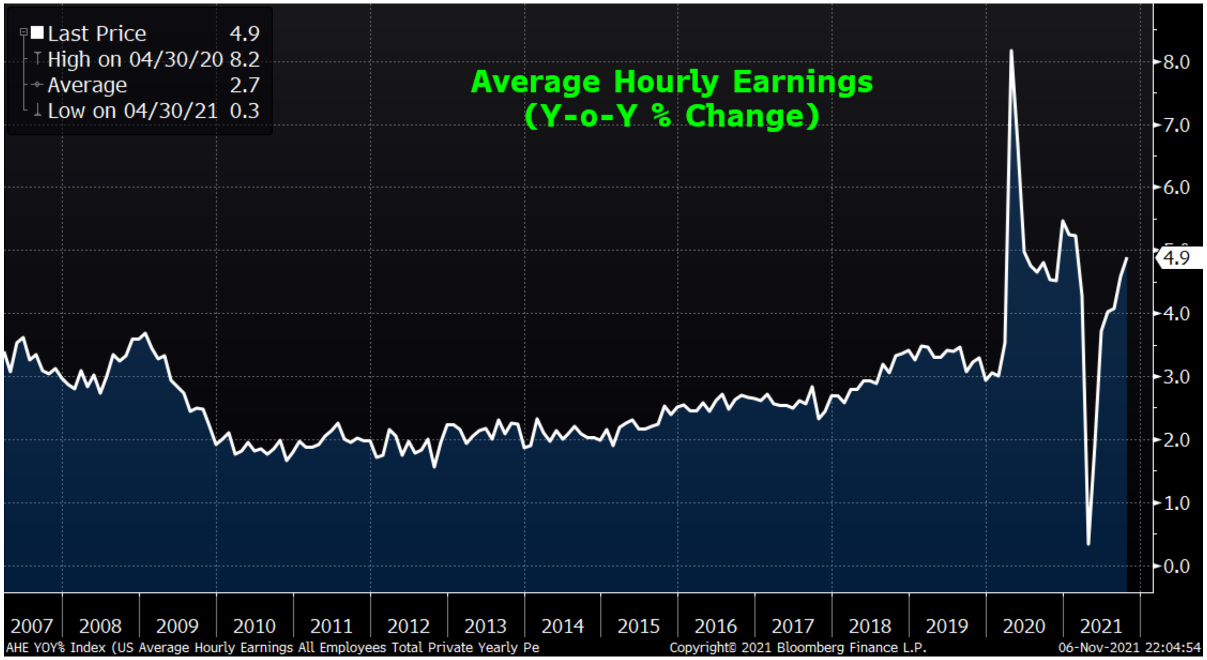
GHOULS & GOBLINS: ISM NMI = 6.1% ANNUALIZED GDP GROWTH

The latest read on the health of the service sector jumped to 66.7 in October, thrashing forecasts, hitting the highest level in the history of the index and suggesting a strongly growing non-manufacturing economy, with the Institute for Supply Management stating, "The past relationship between the Services PMI and the overall economy…corresponds to a 6.1% increase in real gross domestic product (GDP) on an annualized basis."



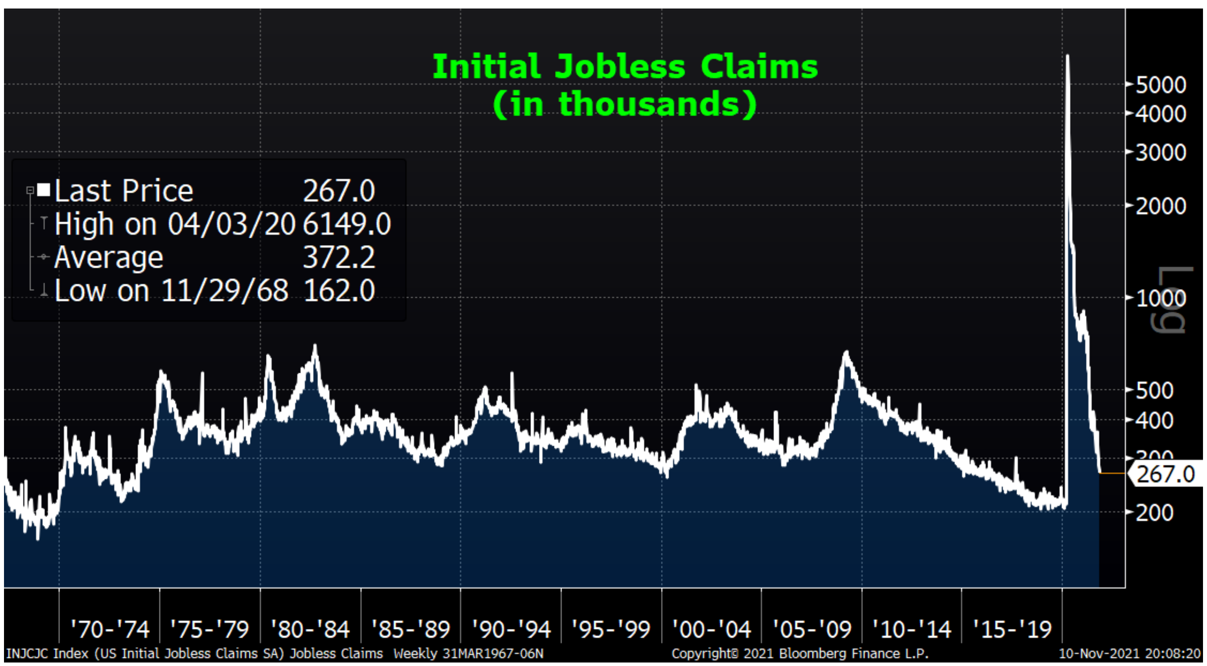
GHOULS & GOBLINS: STRONG JOBS REPORT





Economists were looking for a big gain of 450,000 payrolls, so the increase of 531,000 in October beat expectations and the August and September tallies were revised higher by a combined 235,000 jobs. Restaurants and factories led the charge, while wages continued to rise as employers struggled to fill positions, with early retirements, lack of child care, virus fears and Uncle Sam's largesse keeping many folks from returning to work.

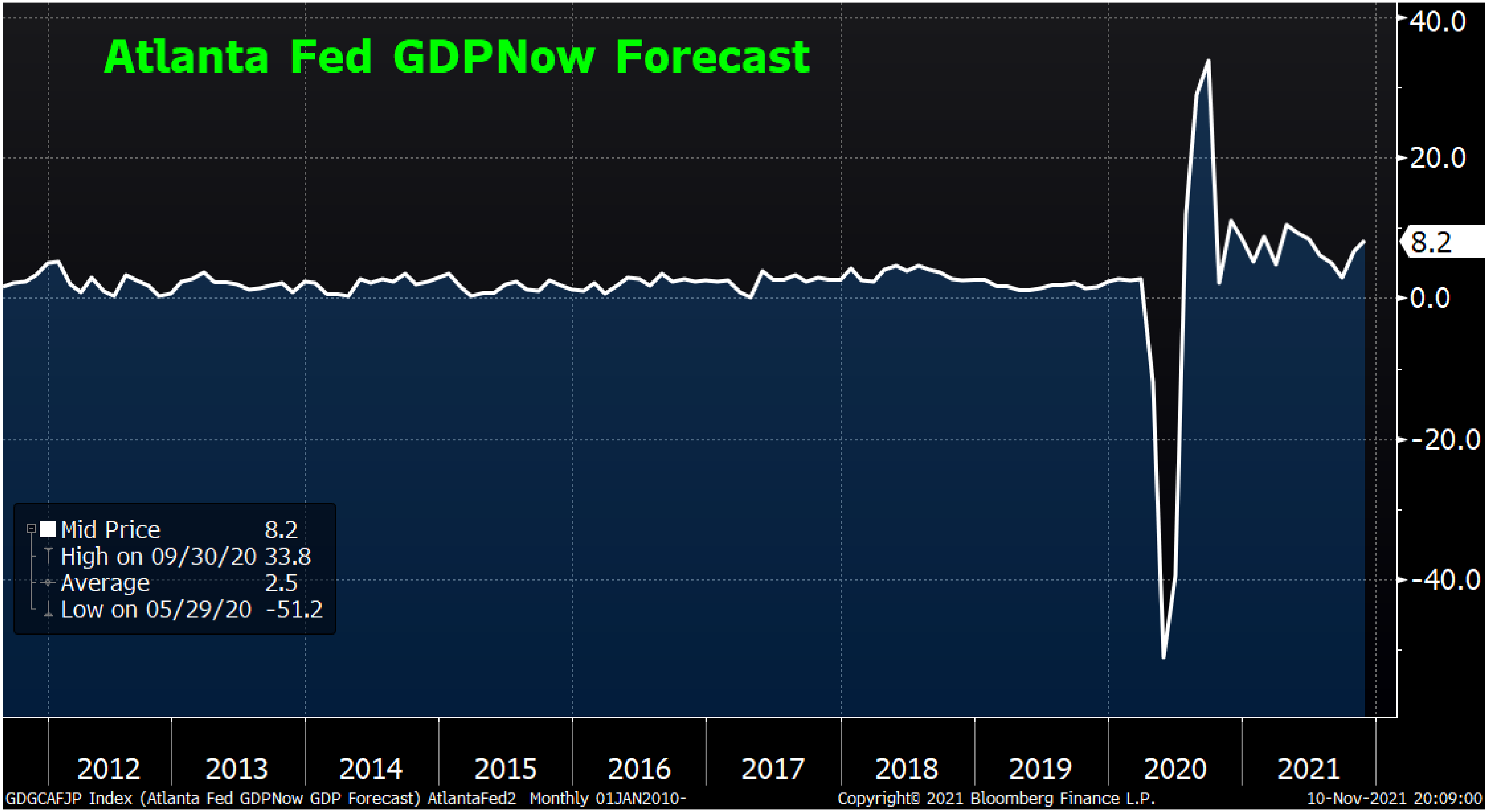
GHOULS & GOBLINS: PANDEMIC LOWS



With more new jobs created than expected, the unemployment rate for October improved again, coming in 4.6%, a fresh pandemic low and down from 4.8% in September. Thanks to an increase in female workers, the labor force increased by 104,000. Seventeen months ago, the jobless rate hit a record 14.8%, so the labor situation has improved considerably, and first-time filings for jobless benefits in the latest week dipped to 267,000, a new pandemic low.

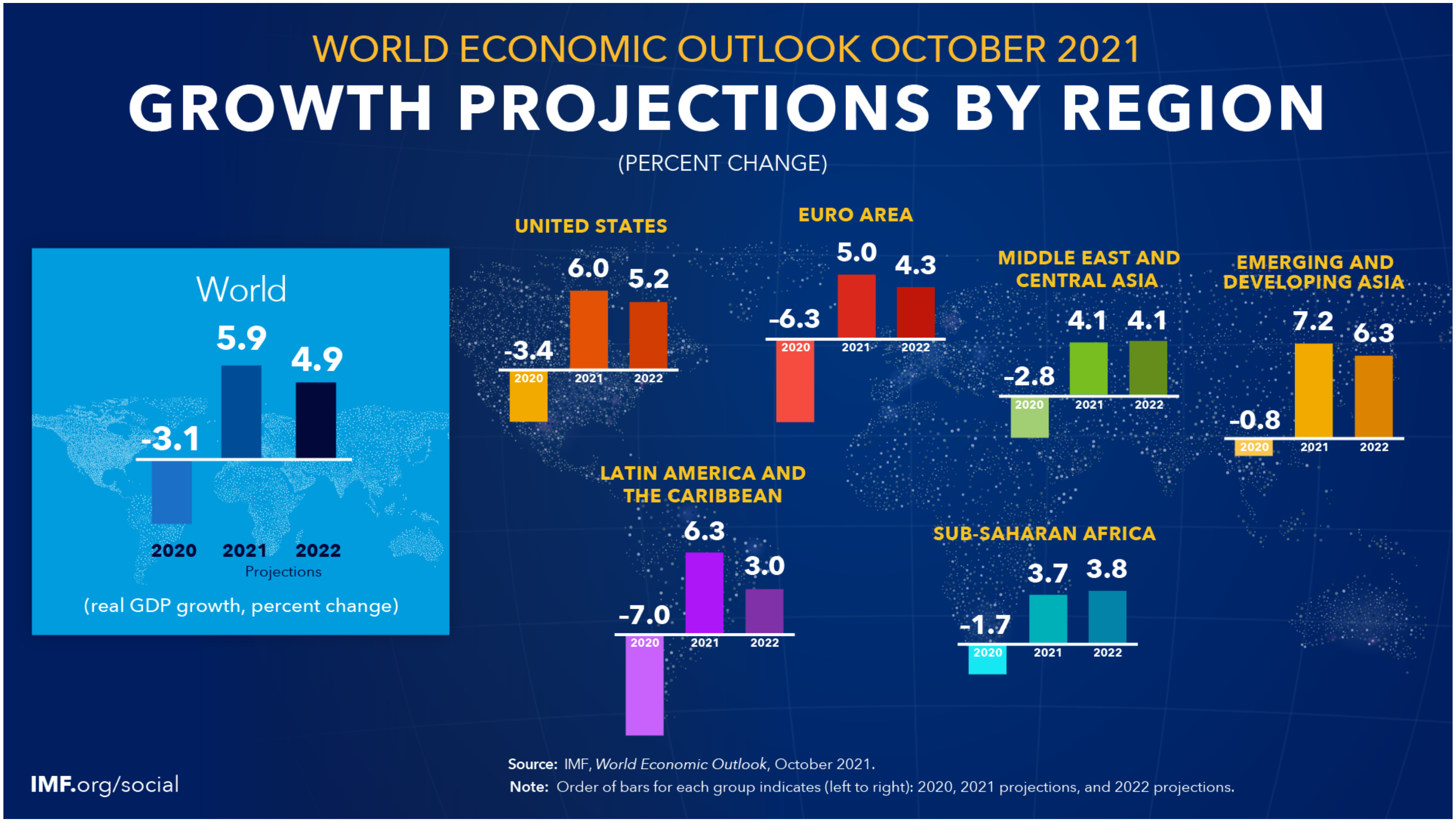
GHOULS & GOBLINS: BIG JUMP IN U.S. GDP GROWTH ESTIMATED FOR Q4

While Q1 and Q2 2021 saw an acceleration, the economic rebound slowed in Q3 to 2.0%, but the Atlanta Fed's current projection for Q4 2021 GDP growth on an annualized basis stands at a robust 8.2%.



GHOULS & GOBLINS: IMF OCTOBER WORLD ECONOMIC OUTLOOK

"The global economic recovery is continuing, even as the pandemic resurges. The fault lines opened up by COVID-19 are looking more persistent—near-term divergences are expected to leave lasting imprints on medium-term performance. Vaccine access and early policy support are the principal drivers of the gaps. The global economy is projected to grow 5.9% in 2021 and 4.9% in 2022, 0.1% point lower for 2021 than in the July forecast. The downward revision for 2021 reflects a downgrade for advanced economies—in part due to supply disruptions—and for low-income developing countries, largely due to worsening pandemic dynamics. This is partially offset by stronger near-term prospects among some commodity-exporting emerging market and developing economies. Rapid spread of Delta and the threat of new variants have increased uncertainty about how quickly the pandemic can be overcome." – *IMF World Economic Outlook Update, October 2021*



The Fed Will Take Away the Punch Bowl

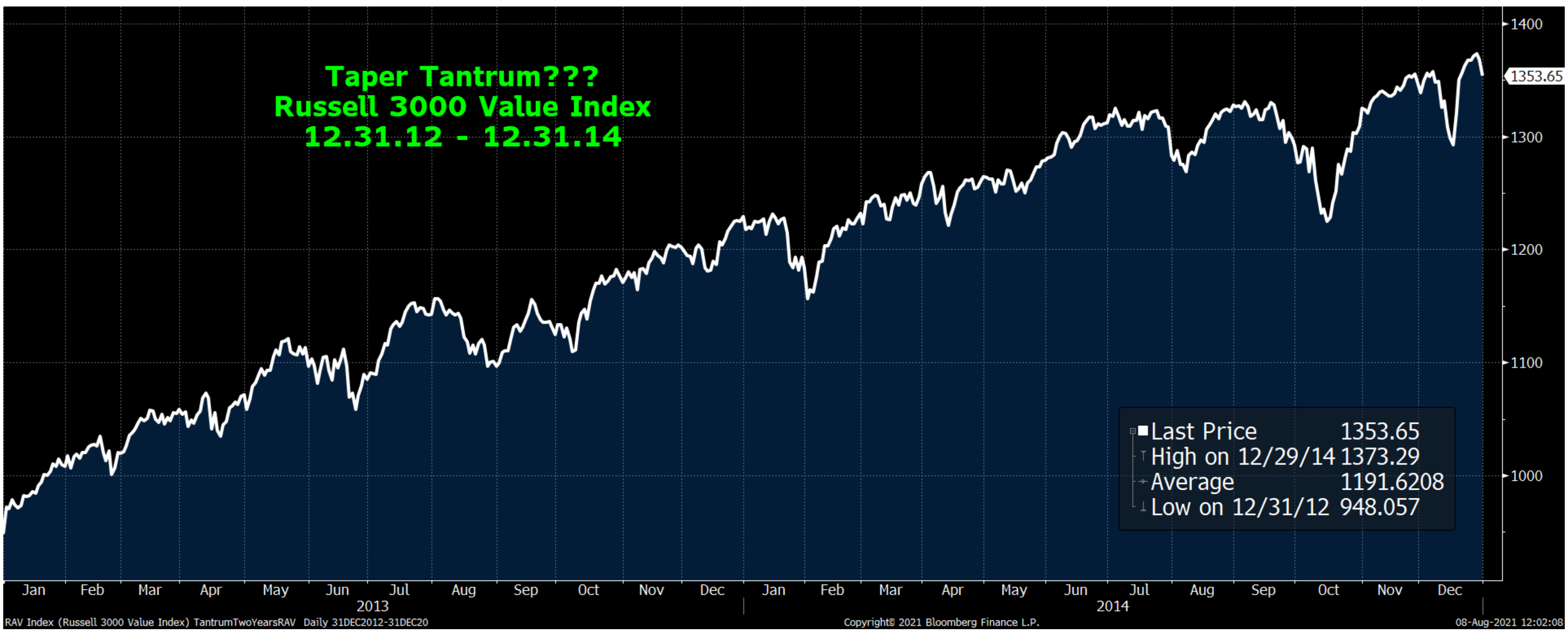
The Federal Reserve is committed to using its full range of tools to support the U.S. economy in this challenging time, thereby promoting its maximum employment and price stability goals.

With progress on vaccinations and strong policy support, indicators of economic activity and employment have continued to strengthen. The sectors most adversely affected by the pandemic have improved in recent months, but the summer's rise in COVID-19 cases has slowed their recovery. Inflation is elevated, largely reflecting factors that are expected to be transitory. Supply and demand imbalances related to the pandemic and the reopening of the economy have contributed to sizable price increases in some sectors. Overall financial conditions remain accommodative, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses.

The path of the economy continues to depend on the course of the virus. Progress on vaccinations and an easing of supply constraints are expected to support continued gains in economic activity and employment as well as a reduction in inflation. Risks to the economic outlook remain.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. With inflation having run persistently below this longer-run goal, the Committee will aim to achieve inflation moderately above 2 percent for some time so that inflation averages 2 percent over time and longer-term inflation expectations remain well anchored at 2 percent. The Committee expects to maintain an accommodative stance of monetary policy until these outcomes are achieved. The Committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent and expects it will be appropriate to maintain this target range until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time. In light of the substantial further progress the economy has made toward the Committee's goals since last December, the Committee decided to begin reducing the monthly pace of its net asset purchases by $10 billion for Treasury securities and $5 billion for agency mortgage-backed securities. Beginning later this month, the Committee will increase its holdings of Treasury securities by at least $70 billion per month and of agency mortgage-backed securities by at least $35 billion per month. Beginning in December, the Committee will increase its holdings of Treasury securities by at least $60 billion per month and of agency mortgage-backed securities by at least $30 billion per month. The Committee judges that similar reductions in the pace of net asset purchases will likely be appropriate each month, but it is prepared to adjust the pace of purchases if warranted by changes in the economic outlook. The Federal Reserve's ongoing purchases and holdings of securities will continue to foster smooth market functioning and accommodative financial conditions, thereby supporting the flow of credit to households and businesses.

With folks trying to figure out when the Federal Reserve might become less accommodative, pundits have been offering reminders like, "In 2013, the Fed's previous taper announcement drove markets into a tantrum and led long-term debt to sell off." Memories become fuzzy with time and the yield on the 10-Year U.S. Treasury did soar from 1.63% on 5.22.13 to 3.02% on 12.31.13, due to fears about Fed tightening, but stocks performed very well in 2013 and 2014, even as the actual tapering of bond purchases began in January 2014. Indeed, **the Russell 3000 Value index returned 50%** and had only two downturns of 5% or greater during the period, just a third of the three-per-year average.

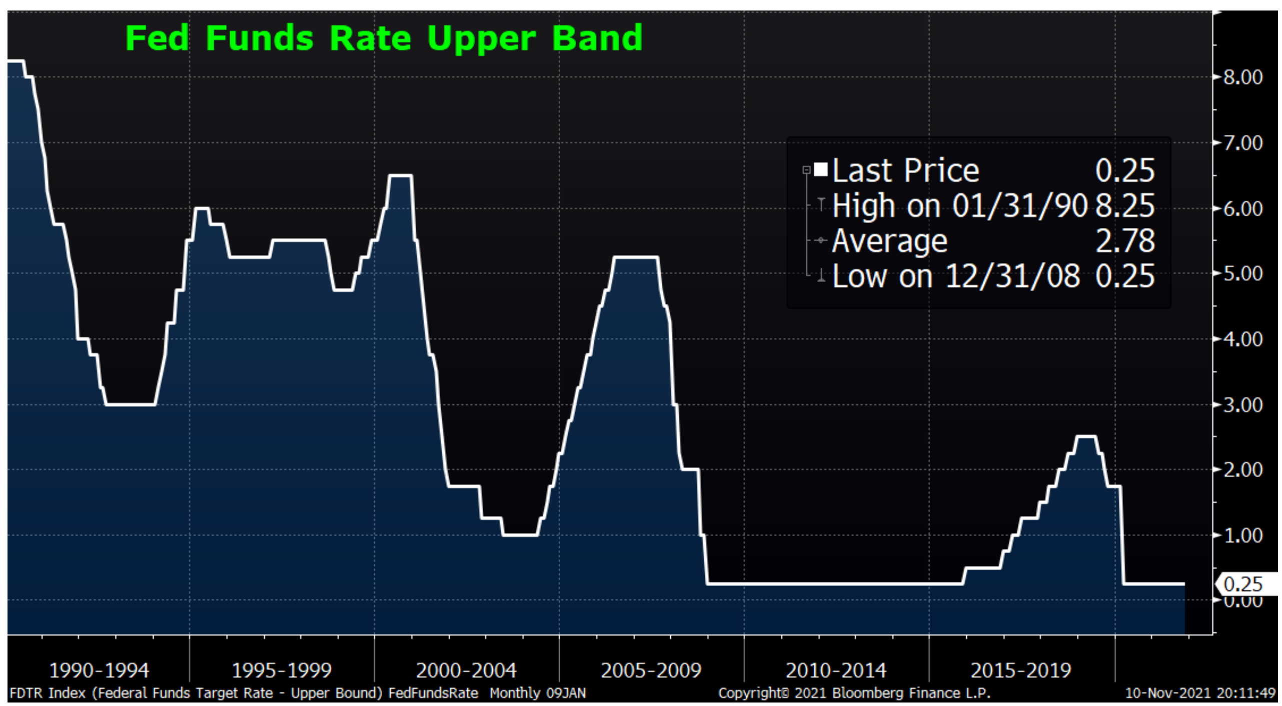


GHOULS & GOBLINS: ACCOMMODATIVE FEDERAL RESERVE

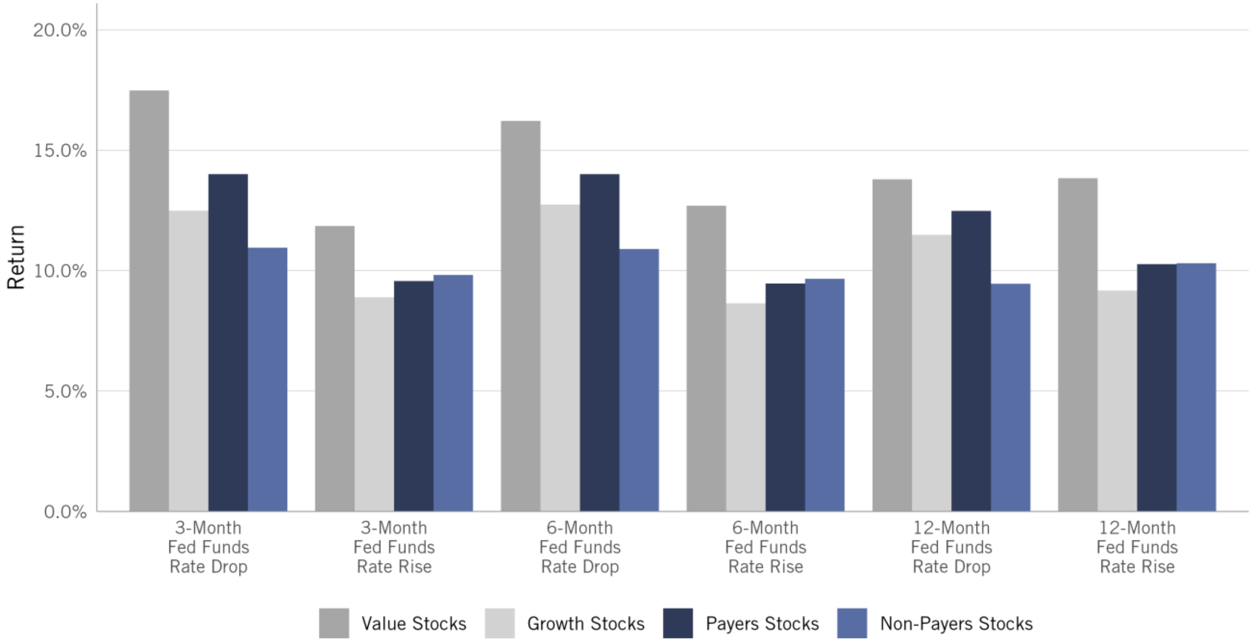
FOMC Participants' Fed Funds Rate Target Level Number with each projection					
Midpoint of Target Range	2021	2022	2023	2024	Longer Run
3.125					
3.000					2
2.875					
2.750					
2.625				1	
2.500					9
2.375				1	1
2.250					4
2.125				6	
2.000					1
1.875				1	
1.750					
1.625			3	2	
1.500					
1.375					
1.250					
1.125			6	3	
1.000					
0.875			1	3	
0.750					
0.625		3	3	1	
0.500					
0.375		6	4		
0.250					
0.125	18	9	1		
0.000					

Source: Federal Reserve, September 22, 2021

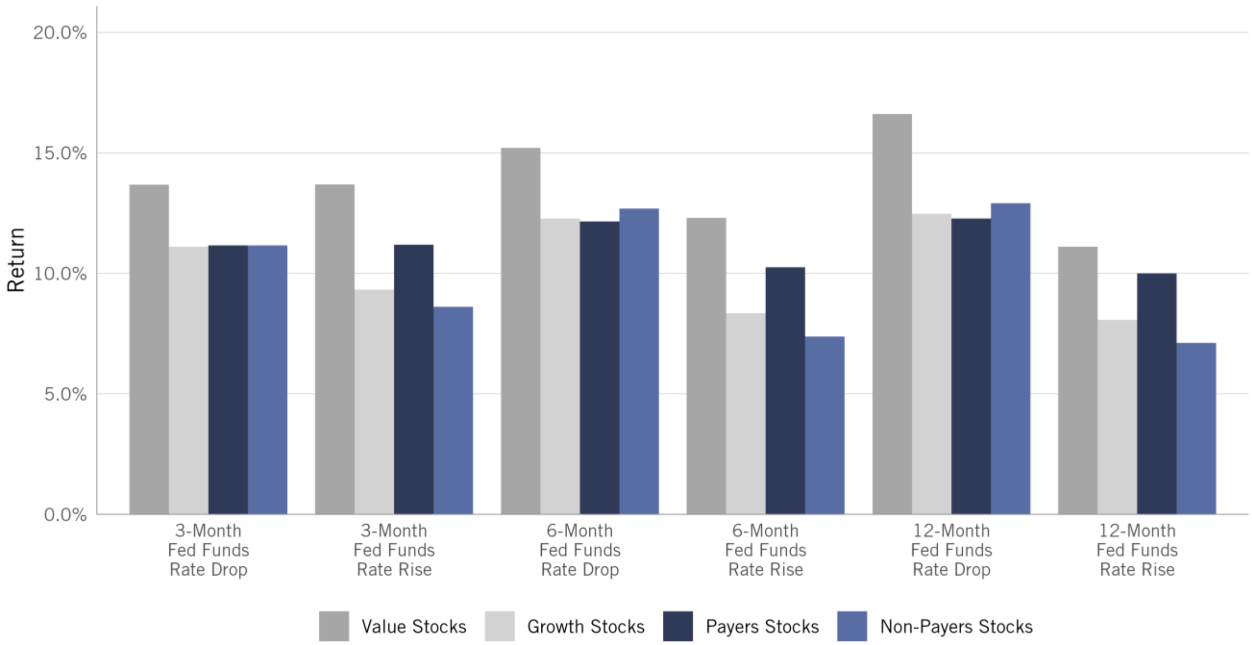
The weaker economic outlook for 2021 offered last week by Jerome H. Powell & Co. was unsurprising, so we might look favorably upon the so-called "dot-plot" suggesting that the Federal Reserve may initiate a couple of upticks in the Fed Funds rate next year, especially as 15 of the 17 longer-run estimates are below the average rate since 1990.



GHOULS & GOBLINS: FED FUNDS RATE Δ EQUITY RETURNS



From 07.31.54 through 06.30.21. Concurrent annualized 12-month returns. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French



From 07.31.54 through 06.30.21. Subsequent annualized 12-month returns. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French

Many think the Federal Reserve hiking the Fed Funds rate will prove to be a big headwind for equities, but seven decades of returns data show that stocks in general have performed admirably on average, both concurrent with and subsequent to increases (as well as decreases) in the Fed Funds rate over 3-, 6-, and 12-month time spans, with Value Stocks leading the charge no matter the direction.

Despite tons of evidence to the contrary, the financial press likes to point out that rising bond yields are bad for stocks. That is not to say that equities are immune to higher interest rates, and there will always be periods of time when stocks get hit as bond yields climb, but stocks have performed fine on average whether rates are rising or falling. We find it more interesting that there is usually little mention of the risk associated with bonds. After all, yields increase when bond prices fall!

STREETWISE | By James Mackintosh

Market Is Right to Be Spooked by Rising Bond Yields

No one likes losing money, but Tuesday's stock-price fall worries me more than the headline of a 2% fall in the S&P 500 should. In itself, 2% is no biggie: Three days this year had bigger falls, and on average we have had seven worse days a year since 1964.

What bothers me is that the rise in bond yields that triggered the fall was quite small and there could easily be a lot more to come. The 10-year Treasury yield rose 0.05 percentage point, taking it above 1.5%, and the 30 year rose slightly more to just above 2%. Yields need to rise four times as much just to get back to where they were in March.

Why, you might reasonably ask, are stocks suddenly

flip side, if yields come back down, it might be good for stocks—as it was on Friday—rather than bad, as has usually been the case for a couple of decades.

To see the threat, think back to the spring, when yields were marching higher. The outlook for inflation is about the same (investors are pricing it as high but temporary). The outlook for economic growth is worse, which provides less support for stocks generally. But central banks shifted stance from super-easy for pretty much forever to start talking about tightening.

This is the wrong sort of rise in bond yields. When yields were rising up to their March high of 1.75% for the 10-year Treasury, stocks were on a tear because yields were being driven up by the prospect of higher economic growth, and so stronger prof-

Bond yields and stocks mostly rose and fell together after 2000, but not recently.

Equity-bond yield correlation*

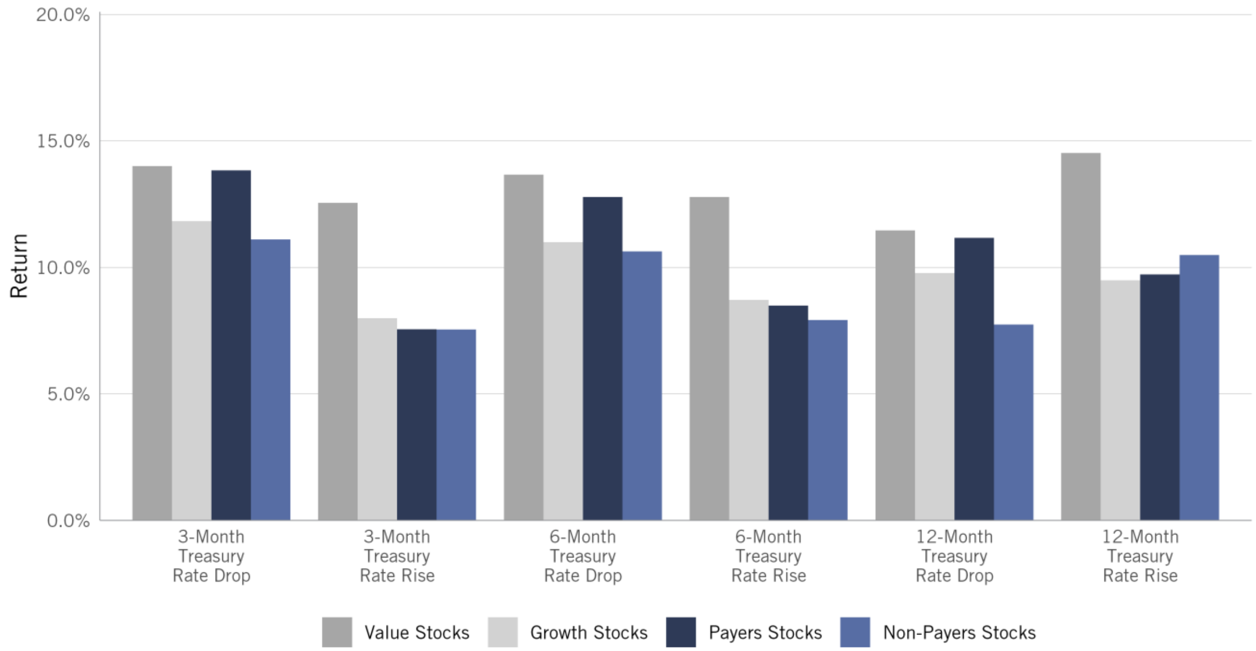
200-day correlation between one-day changes in S&P 500 and 10-year Treasury yield

triggers for the market's reassessment. First, Fed policy makers upped their "dotplot" predictions for interest rates next year and the year after, along with inflation. Second, the Bank of England, faced with an energy price crunch and higher-than-forecast inflation, warned of a possible rate rise before the end of this year. Many emerging-market central banks raised rates, as did oil-producer Norway.

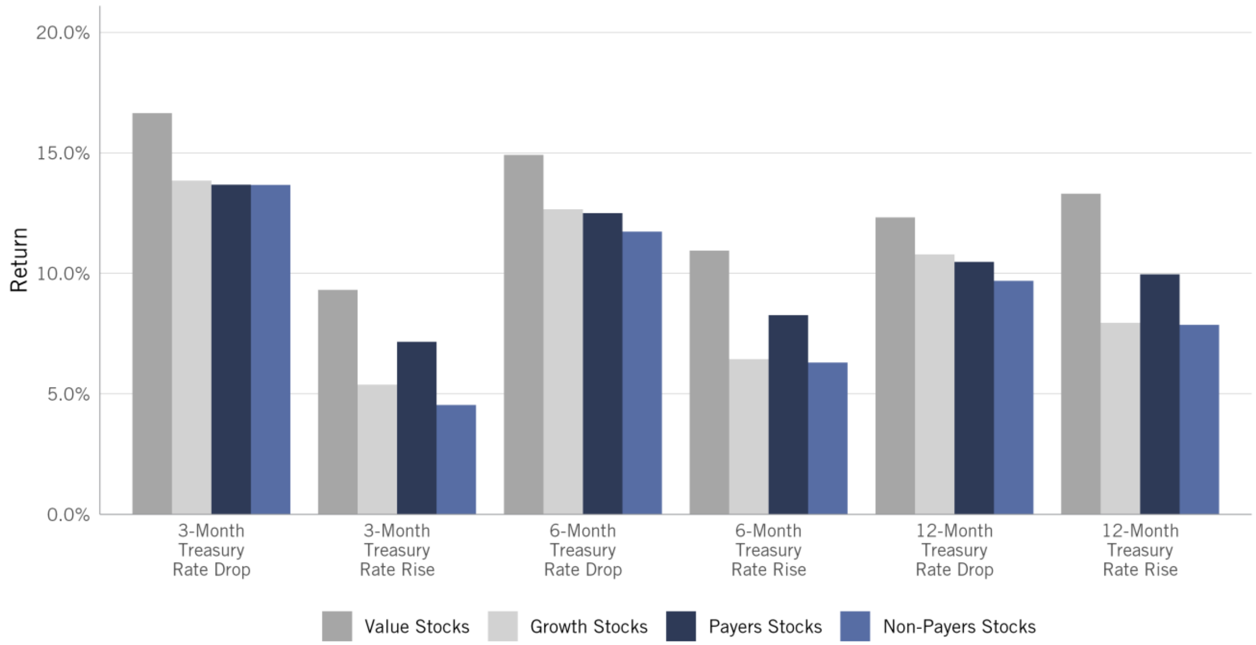
If the economy reacts badly to higher yields, though, the Fed and Bank of England might well shift back to uber-dovishness. The withdrawal of emergency government spending measures in much of the world will also give the doves a new reason to keep rates low.

Finally, there's uncertainty about the market reaction itself. Maybe Tuesday's bond

GHOULS & GOBLINS: 10-YEAR TREASURY Δ AND VALUE & DIVS



From 06.30.27 through 06.30.21. Concurrent annualized 12-month returns. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French



From 06.30.27 through 06.30.21. Subsequent annualized 12-month returns. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French

Many think rising interest rates will prove to be a big headwind for equities, but nine decades of returns data show that stocks in general have performed admirably on average, both concurrent with and subsequent to increases (as well as decreases) in the yield on the 10-Year U.S. Treasury over 3-, 6-, and 12-month time spans, with Value Stocks leading the charge no matter the direction.

GHOULS & GOBLINS: RISING RATES NOT BAD FOR STOCKS ON AVERAGE

Rising Long-Term Government Rates - Annual Returns Review

Name	Value Stocks	Growth Stocks	Dividend Payers	Non-Dividend Payers	Long-Term Corp Bonds	Long-Term Government Bonds	Intermediate-Term Govt Bonds	U.S. Treasury Bills
Arithmetic Average	17.8%	12.5%	11.2%	15.7%	1.0%	-1.0%	2.2%	3.7%
Geometric Average	13.5%	9.4%	9.1%	10.1%	0.8%	-1.1%	2.1%	3.7%
Median	17.0%	12.2%	14.3%	10.9%	1.3%	-0.2%	1.8%	3.3%
Max	126.6%	93.1%	69.8%	88.2%	14.6%	9.2%	9.7%	14.7%
Min	-54.0%	-42.2%	-47.4%	-50.9%	-8.1%	-14.9%	-5.1%	0.0%
Count	46	46	46	46	46	46	46	46

Source: Kovitz using data from Ibbotson Associates SBBI. From 1930 to 2020.

Falling Long-Term Government Rates - Annual Returns Review

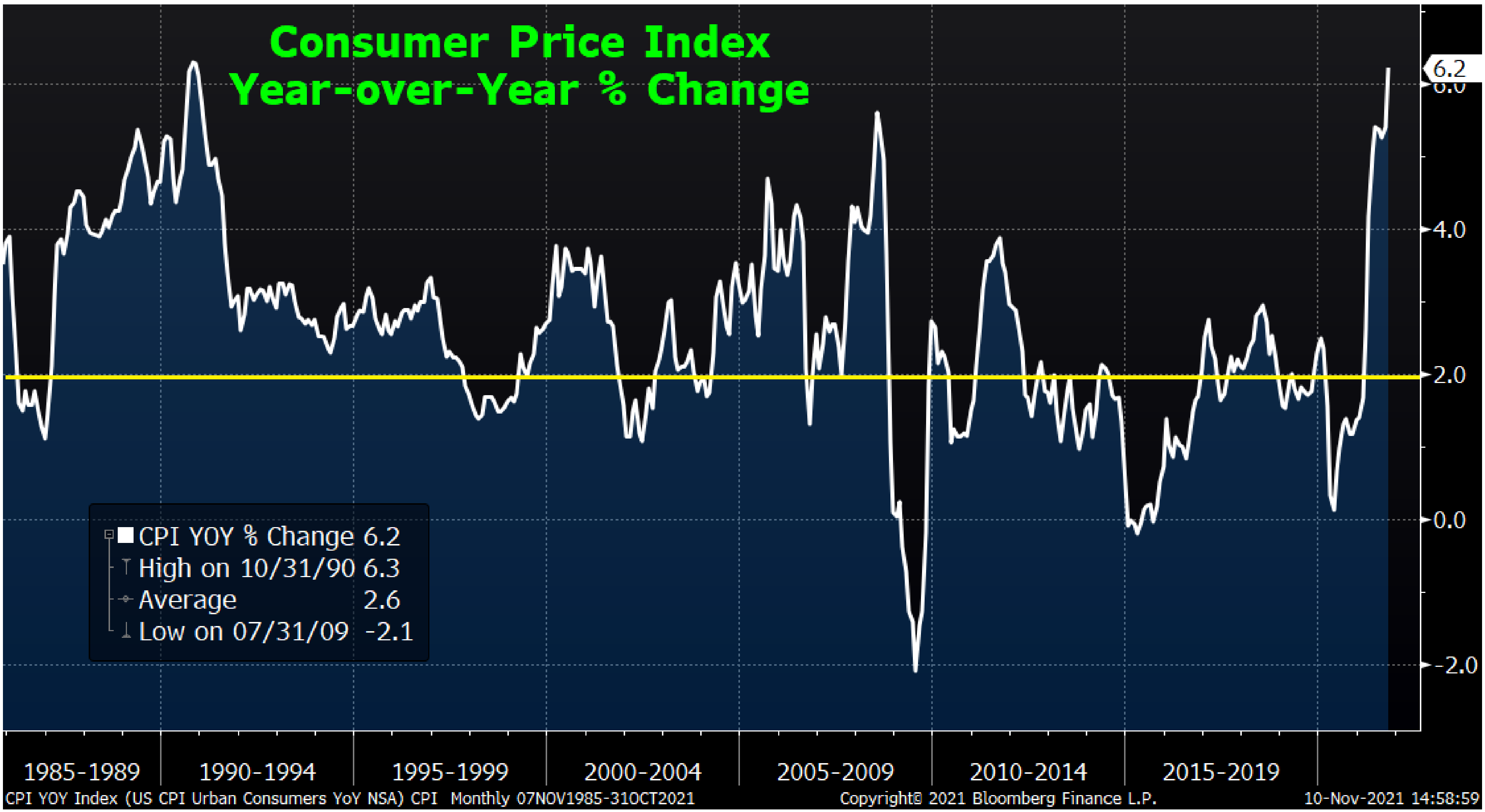
Name	Value Stocks	Growth Stocks	Dividend Payers	Non-Dividend Payers	Long-Term Corp Bonds	Long-Term Government Bonds	Intermediate-Term Govt Bonds	U.S. Treasury Bills
Arithmetic Average	15.7%	12.7%	14.3%	11.5%	12.3%	13.4%	8.5%	2.9%
Geometric Average	12.9%	10.5%	12.6%	7.6%	12.0%	13.1%	8.4%	2.9%
Median	16.4%	13.8%	14.9%	12.3%	10.8%	10.7%	7.8%	2.1%
Max	71.1%	48.3%	53.5%	90.5%	42.6%	40.4%	29.1%	10.5%
Min	-43.6%	-37.0%	-34.8%	-48.6%	2.6%	2.8%	1.4%	0.0%
Count	45	45	45	45	45	45	45	45

Source: Kovitz using data from Ibbotson Associates SBBI. From 1930 to 2020.

Inflation Will Ruin Stocks

GHOULS & GOBLINS: INFLATION AT THE CONSUMER LEVEL SOARS 5.4%

Inflation in the U.S. soared in October, with the Consumer Price Index rising by 6.2% on a year-over-year basis and 0.9% compared to the September reading, with hefty price hikes for groceries, gasoline, heating fuels, new vehicles, rent and furniture the main drivers.



GHOULS & GOBLINS: 5%+ INFLATION & EQUITY RETURNS

Inflation Jumps to 13-Year High

May price rise was 5% as the economic rebound from virus lockdowns accelerated

By Gwynn Guilford

The U.S. economy's rebound from the pandemic is driving the biggest surge in inflation in nearly 13 years, with consumer prices rising in May by 5% from a year ago.

The Labor Department said last month's increase in the consumer-price index was the largest since August 2008, when the reading rose 5.4%. The core-price index, which excludes the often-volatile categories of food and energy, jumped 3.8% in May from the year before—the largest increase for that reading since June 1992.

Consumers are seeing higher prices for many of their purchases, particularly big-ticket items such as vehicles. Prices for used cars and trucks leapt 7.3% from the previous month, driving one-third of the rise in the overall index. The indexes for furniture, airline fares and apparel also rose sharply in May.

A separate reading showed the U.S. labor market continued to heal from the pandemic, with initial claims for unemployment benefits falling to another pandemic low.

Stocks edged higher on the inflation and labor-market news. The S&P 500 set a closing record, while both the Nasdaq Composite and the Dow Jones Industrial Average are within 1% of new highs.

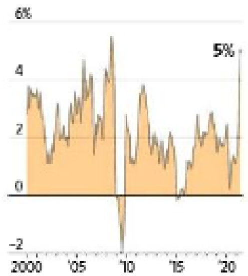
May's jump in prices extends a trend that accelerated this spring amid widespread Covid-19 vaccinations, relaxed business restrictions, trillions of dollars in federal pandemic relief programs and ample household savings—all of which have stoked demand for people to spend and travel more.

Overall prices jumped at a 9.7% annualized rate over the three months ended in May. On a month-to-month basis, overall prices rose a seasonally adjusted 0.6% and core

Please turn to page A4

◆ Jobless claims drop, but hiring falls short........ A2
◆ Heard on the Street: Step into inflation's looking-glass..... B10

Consumer-price index



Note: Seasonally adjusted; percentage change from a year ago
Source: Labor Department

While many transitory factors appear to continue to be the cause, the consumer price index has jumped above 5% on a year-over-year basis the past six months...which if history is a guide bodes well for equity prices, <u>especially Value stocks</u>, over the next 3, 6 and 12 months!

Inflation Rate >= 5.0% and Ensuing Value/Growth Returns Since 1957

Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	4.2%	3.3%	8.3%	6.5%	19.3%	15.1%
Geometric Average	3.6%	2.5%	6.9%	4.7%	17.2%	12.0%
Median	4.4%	3.5%	6.7%	4.8%	18.8%	15.8%
Max	39.6%	32.9%	63.0%	60.8%	75.1%	84.2%
Min	-36.0%	-33.7%	-54.2%	-41.7%	-30.3%	-48.0%
Count	156	156	156	156	156	156

Source: Kovitz using data from Ibbotson Associates 03.31.57 - 03.31.21.

Inflation Rate >= 5.0% and Ensuing Value/Growth Returns Since 1927

Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	3.7%	2.6%	8.0%	5.5%	19.4%	13.5%
Geometric Average	3.0%	1.9%	6.3%	4.0%	16.4%	10.9%
Median	3.6%	2.2%	5.6%	4.1%	16.6%	11.3%
Max	50.9%	32.9%	82.7%	60.8%	134.0%	84.2%
Min	-36.0%	-33.7%	-54.2%	-41.7%	-55.8%	-48.0%
Count	228	228	228	228	228	228

Source: Kovitz using data from Ibbotson Associates 07.31.27 - 03.31.21.

Inflation Rate < 5.0% and Ensuing Value/Growth Returns Since 1957

Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	3.7%	2.9%	7.5%	5.8%	14.7%	11.2%
Geometric Average	3.2%	2.4%	6.6%	5.0%	12.9%	9.5%
Median	4.0%	3.3%	8.1%	6.3%	16.9%	12.6%
Max	37.8%	32.5%	68.5%	46.3%	105.8%	93.6%
Min	-39.5%	-34.9%	-46.3%	-36.6%	-52.2%	-39.9%
Count	610	610	607	607	601	601

Source: Kovitz using data from Ibbotson Associates 03.31.57 - 03.31.21.

Inflation Rate < 5.0% and Ensuing Value/Growth Returns Since 1927

Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	4.3%	3.2%	8.3%	6.3%	16.2%	12.1%
Geometric Average	3.2%	2.5%	6.3%	4.9%	12.0%	9.2%
Median	4.0%	3.7%	8.2%	6.7%	16.3%	13.1%
Max	200.5%	136.1%	244.7%	140.3%	357.8%	221.9%
Min	-43.1%	-40.4%	-56.1%	-47.0%	-71.3%	-64.8%
Count	895	895	892	892	886	886

Source: Kovitz using data from Ibbotson Associates 07.31.27 - 03.31.21.

Why an Unpleasant Inflation Surprise Could Be Coming

If inflation turns up, economists have long assumed it would do so slowly, giving the Fed plenty of time to respond. But Michael Feroli of J.P. Morgan notes this assumption is built on models in which the world behaves in a predictable, linear way. In fact, he says, the world isn't linear and inflation can change suddenly for unexpected reasons: it "is sluggish and slow-moving, until it isn't."

A case in point: in 1966, inflation, which had run below 2% for nearly a decade, suddenly accelerated to over 3%. Some of the circumstances echo the present: unemployment had slid to 4%, taxes had been cut and federal spending for the Vietnam War and Lyndon Johnson's "Great Society" programs was surging. Deutsche Bank economists note the budget deficit jumped by more than 2% of gross domestic product between 1965 and 1968, similar to what they project between 2016 and 2019. Except in recessions, stimulus of this size "is unprecedented outside of these two episodes," they said.

The effect of an overheating economy was then compounded by policy errors. Fed chairmen William McChesney Martin Jr. and Arthur Burns were too optimistic about how low unemployment could go without pushing prices higher, and succumbed to pressure from Johnson and then Richard Nixon to keep interest rates low. **From 1966 to 1981, inflation and interest rates climbed to double digits, decimating stock and bond values.**

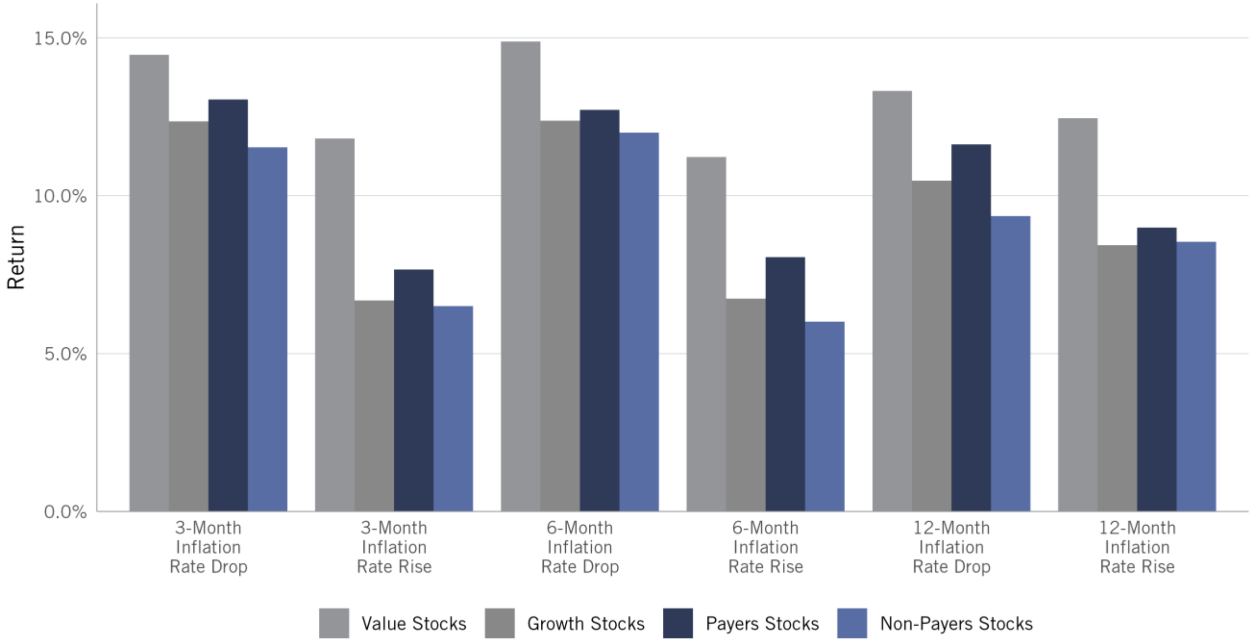
Wall Street Journal, February 28, 2018

In yet another example of fear over facts, *The Wall Street Journal* warned of dire consequences should we have another inflation and interest rate scare like 1965-1981. If past is prologue, as Value investors, we hope they are right.

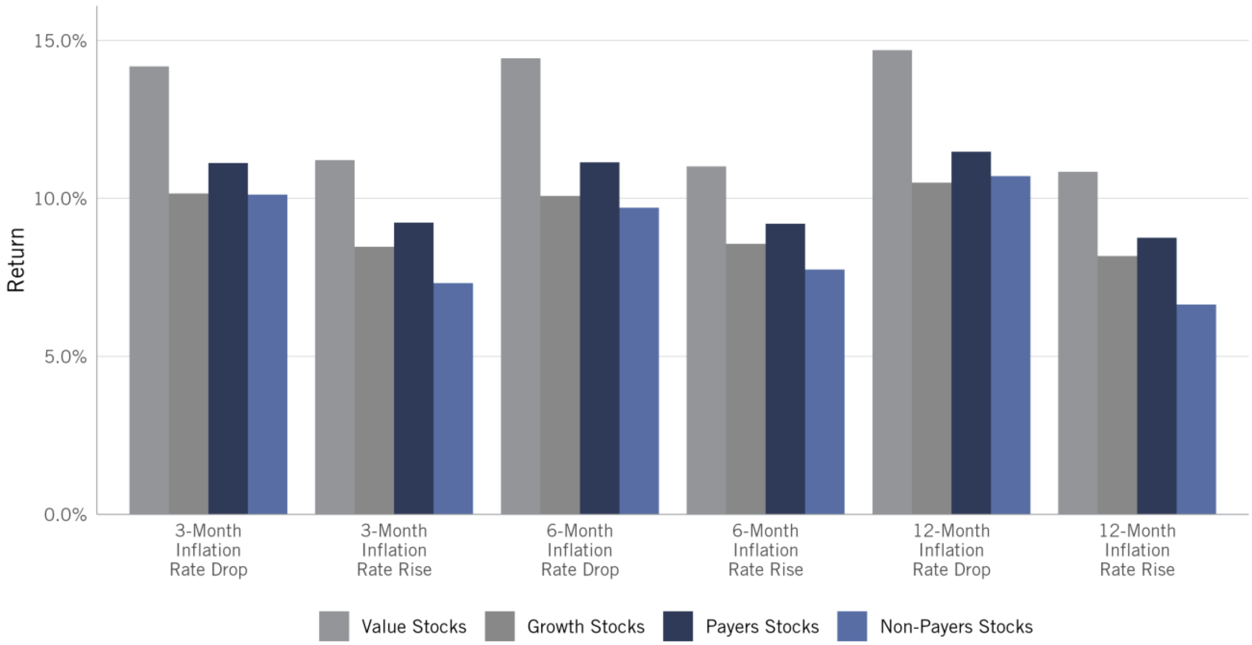
Annualized Returns December 1965 - December 1981	
Inflation	7.0%
IA SBBI US 1 Yr Treasury TR	7.1%
IA SBBI US 30 Day TBill TR	6.8%
IA SBBI US LT Govt Bonds TR	2.5%
IA SBBI US IT Govt Bonds TR	5.8%
IA SBBI US LT Corp Bonds TR	2.9%
FF Growth Stocks TR	7.4%
S&P 500 TR	6.0%
Dow Jones Industrials TR	3.9%
FF Value Stocks TR	13.4%

Source: Morningstar

GHOULS & GOBLINS: INFLATION Δ AND VALUE/GROWTH & DIV/NO DIVS



From 12.31.27 through 06.30.21. Concurrent annualized 12-month returns. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French



From 12.31.27 through 06.30.21. Subsequent annualized 12-month returns. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French

Many have incorrectly warned that rising inflation rates will prove fatal for equities, as nine decades of returns data show that stocks in general have performed admirably on average, both concurrent with and subsequent to increases (as well as decreases) in the inflation rate over 3-, 6-, and 12-month time spans, with Value Stocks and Dividend Payers leading the charge.

Higher Taxes Will Send Stocks South

GHOULS & GOBLINS: U.S. TAX RATES HISTORICAL PERSPECTIVE

We, like almost everyone else, do not want to pay higher taxes, and we are not suggesting anyone should be happy about future tax hikes. However, the increased individual income tax and corporate tax rates that are being bandied about in Washington generally would not be that high by historical standards.

Long-Term U.S. Tax Rates

Tax years 1930 through 2020. SOURCE: Kovitz using data from the Internal Revenue Service

While there is plenty of dispersion in the returns and it is difficult to draw conclusions from a data set with only 9 constituents, the historical evidence would argue that there is no need to head for the hills if Washington enacts a corporate tax hike…though Value stocks, as is usually the case, have been the place to be.

Years With Max U.S. Corporate Tax Rate Increase

Year & Change	Value Stocks	Growth Stocks	Dividend Payers	Non-Dividend Payers	Long-Term Corp Bonds	Long-Term Government Bonds	Intermediate-Term Govt Bonds	U.S. Treasury Bills
1968: 53% up from 48%	36.3%	17.5%	14.3%	20.7%	2.6%	-0.3%	4.5%	5.2%
1952: 52% up from 51%	13.9%	10.5%	14.5%	9.9%	3.5%	1.2%	1.6%	1.7%
1951: 51% up from 42%	13.0%	18.9%	20.6%	7.1%	-2.7%	-3.9%	0.4%	1.5%
1941: 44% up from 38%	-3.4%	-14.6%	-12.1%	-16.3%	2.7%	0.9%	0.5%	0.1%
1940: 38% up from 19%	-7.2%	-6.5%	-5.1%	-12.2%	3.4%	6.1%	3.0%	0.0%
1938: 19% up from 15%	27.1%	39.5%	30.7%	35.7%	6.1%	5.5%	6.2%	0.0%
1936: 15% up from 14%	65.0%	29.8%	28.7%	53.5%	6.7%	7.5%	3.1%	0.2%
1932: 14% up from 12%	3.2%	-7.2%	-5.2%	0.0%	10.8%	16.8%	8.8%	1.0%
1930: 12% up from 11%	-43.6%	-31.6%	-31.1%	-48.6%	8.0%	4.7%	6.7%	2.4%
Arithmetic Average	11.6%	6.3%	6.1%	5.5%	4.6%	4.3%	3.9%	1.3%
Geometric Average	7.5%	4.0%	4.2%	1.2%	4.5%	4.1%	3.8%	1.3%
Median	13.0%	10.5%	14.3%	7.1%	3.5%	4.7%	3.1%	1.0%
Max	65.0%	39.5%	30.7%	53.5%	10.8%	16.8%	8.8%	5.2%
Min	-43.6%	-31.6%	-31.1%	-48.6%	-2.7%	-3.9%	0.4%	0.0%
Count	9	9	9	9	9	9	9	9

Tax Years 1930 through 2020. Kovitz using data from Professors Eugene F. Fama and Kenneth R. French, Morningstar and the Internal Revenue Service.

Years With Max U.S. Individual Income Tax Rate Increase

Year & Change	Value Stocks	Growth Stocks	Dividend Payers	Non-Dividend Payers	Long-Term Corp Bonds	Long-Term Government Bonds	Intermediate-Term Govt Bonds	U.S. Treasury Bills
2013: 39.6% up from 35%	41.0%	38.4%	34.1%	39.9%	-7.1%	-12.8%	-3.7%	0.0%
1993: 39.6% up from 31%	22.9%	5.7%	9.9%	16.9%	13.2%	18.2%	11.2%	2.9%
1991: 31% up from 28%	33.8%	48.3%	32.6%	53.3%	19.9%	19.3%	15.5%	5.6%
1969: 77% up from 75%	-20.9%	-11.5%	-10.8%	-24.9%	-8.1%	-5.1%	-0.7%	6.6%
1968: 75% up from 70%	36.3%	17.5%	14.3%	20.7%	2.6%	-0.3%	4.5%	5.2%
1952: 92% up from 91%	13.9%	10.5%	14.5%	9.9%	3.5%	1.2%	1.6%	1.7%
1951: 91% up from 84%	13.0%	18.9%	20.6%	7.1%	-2.7%	-3.9%	0.4%	1.5%
1950: 84% up from 82%	54.2%	27.2%	31.3%	55.8%	2.1%	0.1%	0.7%	1.2%
1944: 94% up from 88%	44.0%	27.9%	23.6%	41.8%	4.7%	2.8%	1.8%	0.3%
1942: 88% up from 81%	35.6%	15.9%	20.2%	35.6%	2.6%	3.2%	1.9%	0.3%
1940: 81% up from 79%	-7.2%	-6.5%	-5.1%	-12.2%	3.4%	6.1%	3.0%	0.0%
1936: 79% up from 63%	65.0%	29.8%	28.7%	53.5%	6.7%	7.5%	3.1%	0.2%
1932: 63% up from 25%	3.2%	-7.2%	-5.2%	0.0%	10.8%	16.8%	8.8%	1.0%
Arithmetic Average	25.7%	16.5%	16.0%	22.9%	4.0%	4.1%	3.7%	2.0%
Geometric Average	23.3%	15.2%	15.1%	20.1%	3.7%	3.7%	3.6%	2.0%
Median	33.8%	17.5%	20.2%	20.7%	3.4%	2.8%	1.9%	1.2%
Max	65.0%	48.3%	34.1%	55.8%	19.9%	19.3%	15.5%	6.6%
Min	-20.9%	-11.5%	-10.8%	-24.9%	-8.1%	-12.8%	-3.7%	0.0%
Count	13	13	13	13	13	13	13	13

Tax Years 1930 through 2020. Kovitz using data from Professors Eugene F. Fama and Kenneth R. French, Morningstar and the Internal Revenue Service.

While there is plenty of dispersion in the returns and it is difficult to draw conclusions from a data set with only 10 constituents, the historical evidence would argue that there is no need to head for the hills if Washington enacts a capital gains tax hike…and Value stocks, as is usually the case, have been the place to be.

Years With Max U.S. Long-Term Capital Gain Tax Rate Increase

Year & Change	Value Stocks	Growth Stocks	Dividend Payers	Non-Dividend Payers	Long-Term Corp Bonds	Long-Term Government Bonds	Intermediate-Term Govt Bonds	U.S. Treasury Bills
2013: 23.8% up from 15%	41.0%	38.4%	34.1%	39.9%	-7.1%	-12.8%	-3.7%	0.0%
1987: 28% up from 20%	-4.3%	-3.1%	3.4%	-4.6%	-0.3%	-2.7%	2.9%	5.5%
1972: 35% up from 32.5%	12.5%	10.7%	16.8%	2.8%	7.3%	5.7%	5.2%	3.8%
1971: 32.5% up from 30.2%	14.5%	25.7%	14.9%	18.0%	11.0%	13.2%	8.7%	4.4%
1970: 30.2% up from 27.5%	8.2%	-13.3%	3.8%	-32.1%	18.4%	12.1%	16.9%	6.5%
1969: 27.5% up from 26.9%	-20.9%	-11.5%	-10.8%	-24.9%	-8.1%	-5.1%	-0.7%	6.6%
1968: 26.9% up from 25%	36.3%	17.5%	14.3%	20.7%	2.6%	-0.3%	4.5%	5.2%
1952: 26% up from 25%	13.9%	10.5%	14.5%	9.9%	3.5%	1.2%	1.6%	1.7%
1942: 25% up from 15%	35.6%	15.9%	20.2%	35.6%	2.6%	3.2%	1.9%	0.3%
1934: 23.7% up from 12.5%	-4.7%	23.0%	6.1%	-7.5%	13.8%	10.0%	9.0%	0.2%
Arithmetic Average	13.2%	11.4%	11.7%	5.8%	4.4%	2.5%	4.6%	3.4%
Geometric Average	11.5%	10.2%	11.1%	3.2%	4.1%	2.2%	4.5%	3.4%
Median	13.2%	13.3%	14.4%	6.4%	3.1%	2.2%	3.7%	4.1%
Max	41.0%	38.4%	34.1%	39.9%	18.4%	13.2%	16.9%	6.6%
Min	-20.9%	-13.3%	-10.8%	-32.1%	-8.1%	-12.8%	-3.7%	0.0%
Count	10	10	10	10	10	10	10	10

Tax Years 1930 through 2020. Kovitz using data from Professors Eugene F. Fama and Kenneth R. French, Morningstar, Congressional Research Service and the Internal Revenue Service.

GHOULS & GOBLINS: CAPITAL GAINS TAX REGIMES

Higher Tax Regimes - Max U.S. Long-Term Capital Gains Tax Rate > 23.8%: Annual Returns

Name	Value Stocks	Growth Stocks	Dividend Payers	Non-Dividend Payers	Long-Term Corp Bonds	Long-Term Government Bonds	Intermediate-Term Govt Bonds	U.S. Treasury Bills
Arithmetic Average	20.2%	14.3%	14.6%	18.0%	4.3%	4.0%	4.5%	3.9%
Geometric Average	17.7%	12.2%	13.3%	13.5%	4.1%	3.7%	4.3%	3.9%
Median	19.8%	14.7%	14.9%	15.2%	2.8%	2.8%	2.9%	3.5%
Max	72.4%	58.2%	53.5%	90.5%	27.2%	31.7%	16.9%	11.2%
Min	-20.9%	-34.2%	-23.6%	-40.0%	-8.1%	-9.2%	-5.1%	0.3%
Count	49	49	49	49	49	49	49	49

Tax Years 1930 through 2020. Kovitz using data from Professors Eugene F. Fama and Kenneth R. French, Morningstar, Congressional Research Service and the Internal Revenue Service.

Lower Tax Regimes - Max U.S. Long-Term Capital Gains Rate <= 23.8%: Annual Returns

Name	Value Stocks	Growth Stocks	Dividend Payers	Non-Dividend Payers	Long-Term Corp Bonds	Long-Term Government Bonds	Intermediate-Term Govt Bonds	U.S. Treasury Bills
Arithmetic Average	12.6%	10.6%	10.5%	8.5%	9.1%	8.6%	6.3%	2.7%
Geometric Average	8.2%	7.3%	7.9%	3.7%	8.8%	8.0%	6.1%	2.6%
Median	12.9%	10.3%	12.5%	10.3%	8.8%	6.2%	6.5%	1.0%
Max	126.6%	93.1%	69.8%	73.9%	42.6%	40.4%	29.1%	14.7%
Min	-54.0%	-42.2%	-47.4%	-50.9%	-7.4%	-14.9%	-3.7%	0.0%
Count	42	42	42	42	42	42	42	42

Tax Years 1930 through 2020. Kovitz using data from Professors Eugene F. Fama and Kenneth R. French, Morningstar, Congressional Research Service and the Internal Revenue Service.

Stocks are Too Expensive

GHOULS & GOBLINS: INTEREST RATES VERY SUPPORTIVE

The so-called Fed Model suggests that the yield on 10-Year Treasuries should be similar to the S&P 500 Earnings Yield, which is the inverse of the P/E ratio. If the 10-Year is greater than the S&P Earnings Yield, a market is overvalued and if the reverse is true, as it is today, a market is undervalued. Though many dismiss the Fed Model, investing is always a choice of this or that, and we like today's rich (and rising) earnings yield (3.91% vs. 1.55% 10-Year) and S&P 500 dividend yield of 1.29%.

GHOULS & GOBLINS: DIVIDENDS HAVE GROWN OVER TIME

Dividends are never guaranteed, but Corporate America has a history of raising payouts. Believe it or not, per share dividends for the S&P 500 actually inched up in 2020, despite the pandemic and associated economic turmoil, while in the last two weeks, *TPS* stocks Snap-on, EOG Resources, Westrock, MDC Holdings all hiked their payouts.

COUNT OF S&P 500 DIVIDEND ACTIONS	INCREASES	INITIATIONS	DECREASES	SUSPENSIONS
2021 (as of 11.11.21)	304	19	3	1
2020	287	11	27	42
2019	355	6	7	0
2018	374	6	3	0
2017	351	5	9	2
2016	344	7	19	2
2015	344	7	16	3
2014	375	8	8	0
2013	366	15	12	0
2012	333	15	11	1
2011	320	22	5	0
2010	243	13	4	1
2009	151	6	68	10
2008	236	5	40	22

Source: Standard & Poor's.

S&P 500 DIVIDENDS PER SHARE	
2022 (Est.)	$65.82
2021 (Est.)	$61.35
2020	$58.95
2019	$58.69
2018	$53.86
2017	$50.47
2016	$46.73
2015	$43.49
2014	$39.44
2013	$34.99
2012	$31.25
2011	$26.43
2010	$22.73
2009	$22.41
2008	$28.39

Source: Bloomberg. As of 11.12.21

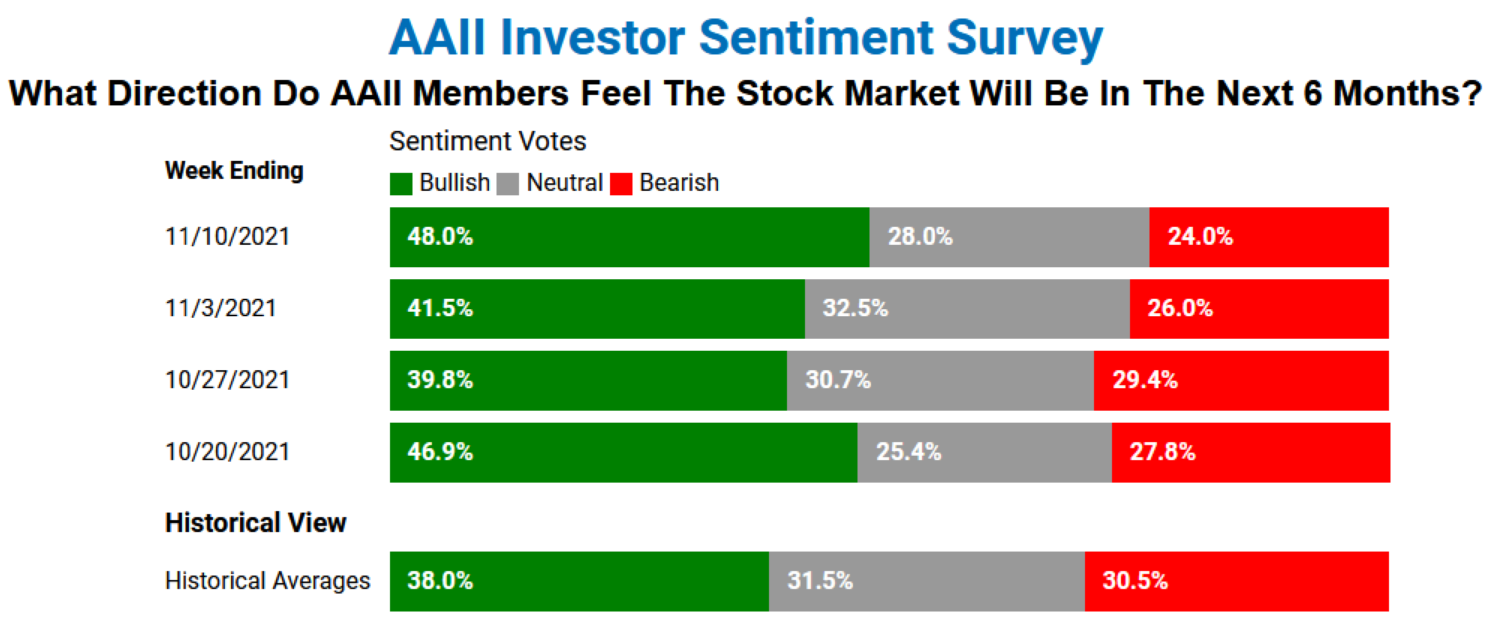
CURRENT PORTFOLIO AND INDEX VALUATIONS

Name	Price to Earnings Ratio	Price to Fwd. Earnings Ratio	Price to Sales Ratio	Price to Book Ratio	Dividend Yield
TPS Portfolio	15.8	14.2	1.2	2.6	2.1
ValuePlus	16.4	14.1	1.6	2.5	2.0
Dividend Income	14.4	13.3	1.0	2.3	2.7
Focused Dividend Income	15.4	14.0	1.3	2.5	2.4
Focused ValuePlus	15.4	14.6	1.5	2.8	2.1
Small-Mid Dividend Value	13.0	12.0	0.8	1.8	2.2
Russell 3000	28.8	23.5	2.9	4.5	1.2
Russell 3000 Growth	41.7	34.1	5.1	13.3	0.7
Russell 3000 Value	21.4	17.5	1.9	2.6	1.9
Russell 1000	26.7	23.0	3.0	4.7	1.2
Russell 1000 Growth	39.1	33.0	5.5	14.3	0.7
Russell 1000 Value	19.7	17.2	2.0	2.7	1.9
S&P 500 Index	25.6	22.4	3.1	4.8	1.3
S&P 500 Growth Index	34.8	30.1	5.8	11.2	0.7
S&P 500 Value Index	19.4	17.1	2.0	2.8	2.0
S&P 500 Pure Value Index	12.4	11.0	0.8	1.4	2.2

As of 11.12.21. Weights based on model portfolios. Harmonic mean used to calculate the portfolio price metrics. Companies with negative earnings are excluded from the P/E and Estimated P/E calculations. SOURCE: Kovitz using data from Bloomberg Finance L.P.

Everyone is Bullish

GHOULS & GOBLINS: AAII BULLS JUMP



AAII Bull-Bear Spread

Decile	Low Reading of the Range	High Reading of the Range	Count	R3K Next 1-Week Arithmetic Average TR	R3K Next 1-Week Geometric Average TR	R3K Next 1-Month Arithmetic Average TR	R3K Next 1-Month Geometric Average TR	R3K Next 3-Month Arithmetic Average TR	R3K Next 3-Month Geometric Average TR	R3K Next 6-Month Arithmetic Average TR	R3K Next 6-Month Geometric Average TR
	Below & Above Median Bull Bear Spread = 8.00										
BELOW	-54.0	8.0	911	0.27%	0.23%	1.28%	1.15%	3.66%	3.28%	7.16%	6.41%
ABOVE	8.1	62.9	876	0.17%	0.15%	0.51%	0.42%	1.97%	1.71%	4.59%	4.12%
	Ten Groupings of 1787 Data Points										
1	-54.0	-15.0	182	0.55%	0.49%	2.15%	1.91%	5.86%	5.31%	10.63%	9.40%
2	-14.9	-7.3	176	0.35%	0.33%	1.04%	0.91%	3.80%	3.45%	7.10%	6.33%
3	-7.3	-1.3	178	0.33%	0.30%	1.49%	1.39%	3.28%	2.87%	7.15%	6.51%
4	-1.2	3.0	180	0.07%	0.04%	1.10%	1.01%	3.01%	2.65%	6.45%	5.92%
5	3.0	8.0	195	0.06%	0.03%	0.65%	0.56%	2.44%	2.19%	4.64%	4.13%
6	8.1	12.1	161	0.10%	0.08%	0.38%	0.25%	1.62%	1.38%	4.49%	4.01%
7	12.2	16.5	179	0.20%	0.18%	0.68%	0.59%	2.51%	2.26%	5.11%	4.68%
8	16.6	22.0	185	0.17%	0.15%	0.73%	0.66%	2.11%	1.84%	6.14%	5.72%
9	22.0	29.1	172	0.09%	0.07%	0.40%	0.32%	2.04%	1.77%	4.37%	3.79%
10	29.2	62.9	179	0.27%	0.25%	0.31%	0.24%	1.51%	1.28%	2.78%	2.34%

From 07.31.87 through 11.11.21. Unannualized. SOURCE: Kovitz using data from American Association of Individual Investors and Bloomberg

The gauge is widely viewed with a contrarian eye, so the tally of Bulls in the latest AAII Sentiment Survey rising 6.5 points from the week prior and the number of Bears falling 2.0 points is not great. The 24.0-point Bull-Bear spread is in the 9th decile, where future returns have been just OK.

GHOULS & GOBLINS: INFLOWS CONTINUE…INTO BOND FUNDS

Combined Estimated Long-Term Fund Flows and ETF Net Issuance

Millions of dollars

Week Ended	11/3/2021	10/27/2021	10/20/2021	10/13/2021	10/6/2021
Total Equity	4,114	17,358	12,931	437	1,623
Domestic	1,313	9,936	9,427	-1,084	-5,807
World	2,801	7,422	3,504	1,521	7,430
Hybrid	-701	249	397	-795	-1,414
Total Bond	12,176	7,214	10,858	3,890	986
Taxable	10,691	6,588	10,403	3,381	352
Municipal	1,485	626	455	509	634
Commodities	189	132	-31	612	-52
Total	15,778	24,953	24,154	4,145	1,143

Source: Investment Company Institute

Investment Company Institute

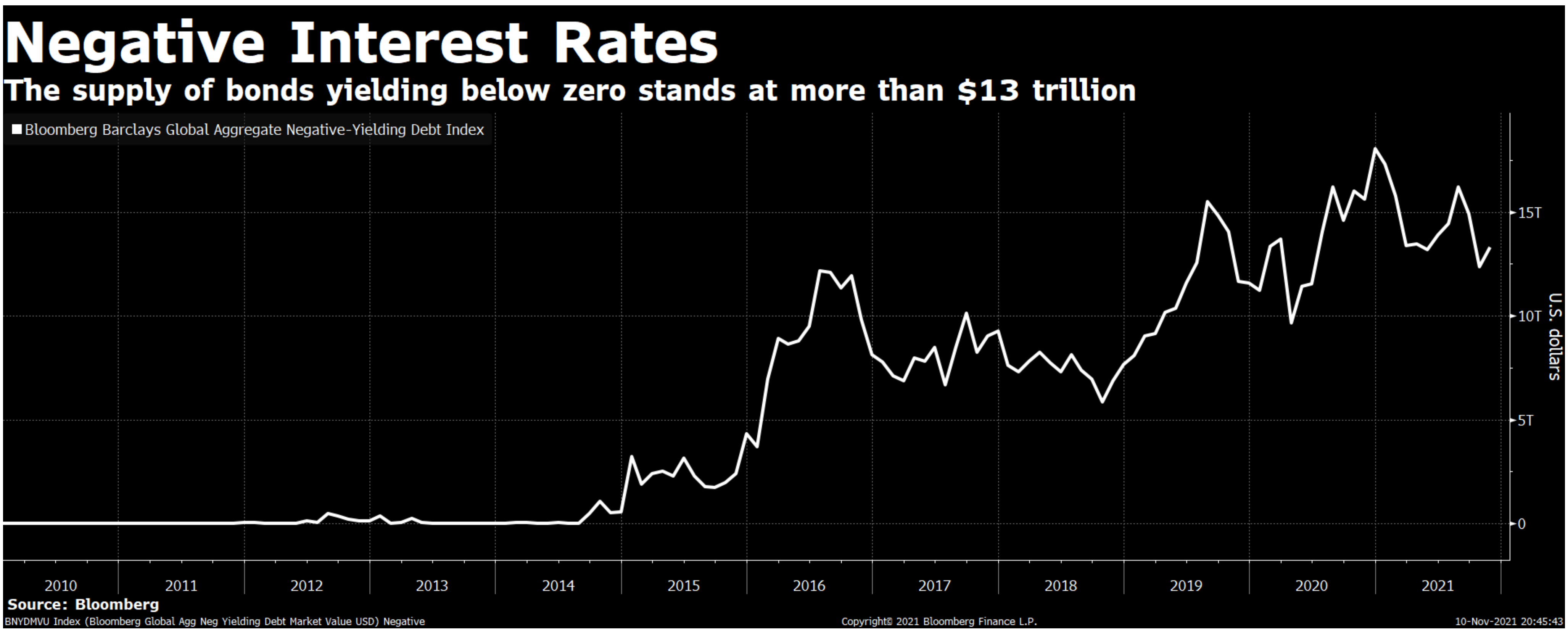
Long-Term Mutual Fund and Exchange-Traded Fund (ETF) Flows

Millions, U.S. dollars

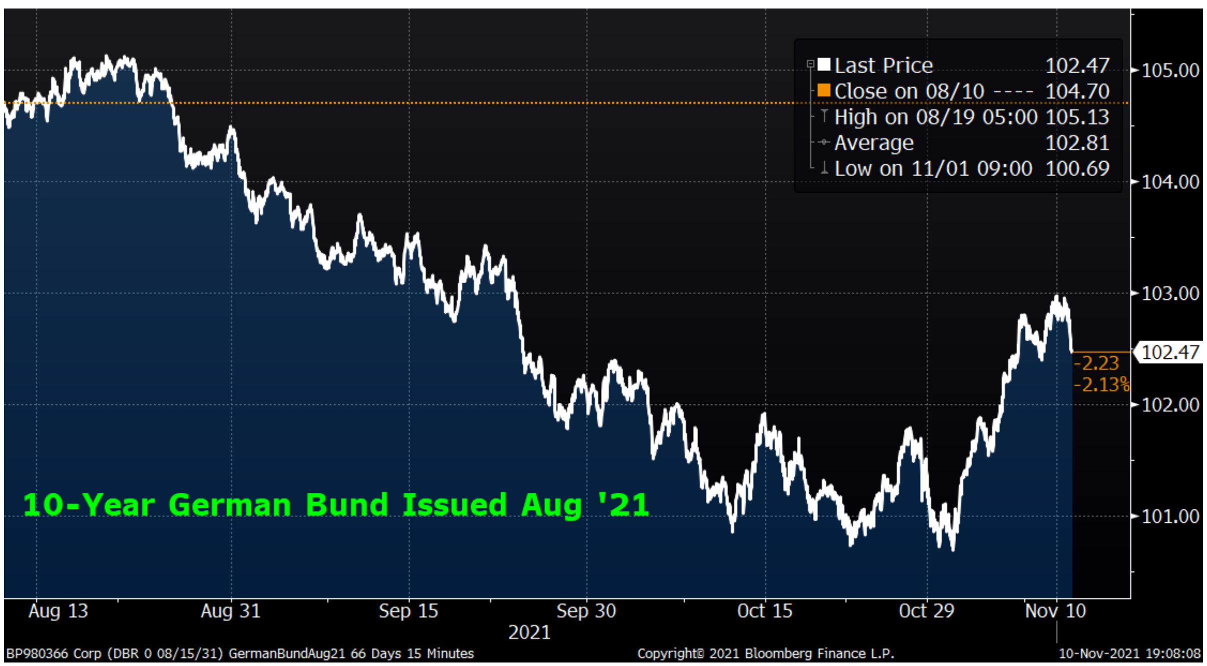
Month	Stocks Domestic	Bonds Total	Month	Stocks Domestic	Bonds Total	Month	Stocks Domestic	Bonds Total	Month	Stocks Domestic	Bonds Total
Jan-15	-14,465	17,535	Oct-16	-23,109	13,855	Jul-18	1,007	22,495	Apr-20	2,664	14,672
Feb-15	5,547	30,321	Nov-16	22,993	-13,289	Aug-18	-6,660	17,219	May-20	-20,929	73,166
Mar-15	-1,494	4,905	Dec-16	18,859	-4,142	Sep-18	886	18,526	Jun-20	-24,819	100,103
Apr-15	-34,681	11,027	Jan-17	5,097	31,037	Oct-18	-9,657	-27,700	Jul-20	-46,524	98,490
May-15	-17,287	5,010	Feb-17	17,613	33,991	Nov-18	2,783	-7,459	Aug-20	-57,594	84,113
Jun-15	-7,023	6,324	Mar-17	9,411	36,562	Dec-18	-28,953	-49,512	Sep-20	-28,900	51,000
Jul-15	-14,864	-1,255	Apr-17	-8,266	22,064	Jan-19	-21,195	29,308	Oct-20	-52,484	63,918
Aug-15	-18,569	-18,122	May-17	-10,725	33,070	Feb-19	3,632	45,138	Nov-20	41,143	58,854
Sep-15	-4,725	-10,849	Jun-17	-7,944	29,372	Mar-19	-3,654	38,412	Dec-20	-34,003	76,186
Oct-15	-807	15,397	Jul-17	-12,518	29,139	Apr-19	-5,307	40,565	Jan-21	-37,308	93,759
Nov-15	654	-5,573	Aug-17	-22,771	25,078	May-19	-24,652	21,332	Feb-21	45,112	71,788
Dec-15	476	-25,043	Sep-17	-9,775	33,440	Jun-19	-11,997	39,771	Mar-21	53,232	51,294
Jan-16	-27,222	7,686	Oct-17	3,166	36,110	Jul-19	-7,889	44,811	Apr-21	-484	79,731
Feb-16	-9,108	11,915	Nov-17	-4,417	19,788	Aug-19	-29,908	22,304	May-21	8,332	39,543
Mar-16	7,711	29,296	Dec-17	-9,054	19,491	Sep-19	-4,650	38,482	Jun-21	-4,043	56,808
Apr-16	-12,610	22,114	Jan-18	10,778	46,287	Oct-19	-24,645	43,187	Jul-21	-5,075	32,387
May-16	-14,252	16,925	Feb-18	-41,444	2,706	Nov-19	-11,716	44,480	Aug-21	6,163	52,887
Jun-16	-15,530	16,623	Mar-18	-22,152	14,148	Dec-19	-27,500	50,733	Sep-21	-346	42,135
Jul-16	292	33,575	Apr-18	-7,403	24,176	Jan-20	-24,544	73,855	Oct-21	13,785	35,124
Aug-16	-9,956	30,859	May-18	10,068	11,749	Feb-20	-28,220	25,064	Totals:	-708,625	2,118,221
Sep-16	-5,713	24,669	Jun-18	-21,004	16,995	Mar-20	-7,485	-273,714			

While net inflows into U.S. equity funds returned in the last three reported week, the long-playing investor love affair with fixed income remains intact, per data on flows for stock and bond mutual and exchange traded funds as calculated by the Investment Company Institute. With the major equity market averages near all-time highs, one wonders where stocks would be if bonds weren't so popular!

Incredibly, investors around the world continue to love government debt, despite losses this year on the price of the bonds to go along with the negative yields. Yes, we understand that the pros can utilize derivatives and leverage to attempt to hedge against the guaranteed loss of principal if the debt is held to maturity but hoping for a greater fool to drive prices higher and yields even lower in the interim seems to us like reward-free risk.



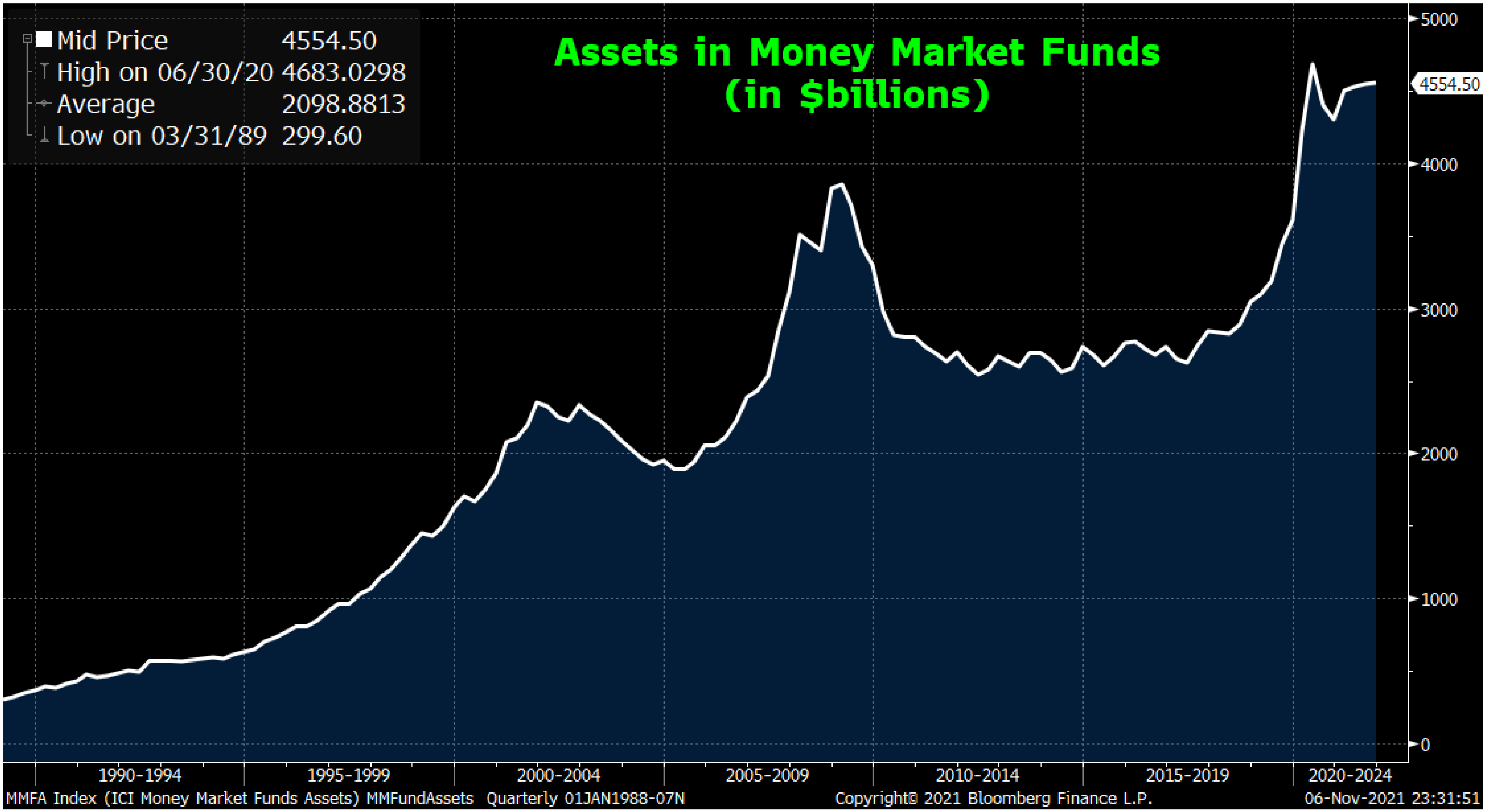
GHOULS & GOBLINS: REWARD FREE RISK – GERMAN BUNDS



On 8.11.21, Germany issued €5 billion of 10-year bonds with a coupon of 0% in a deal that attracted plenty of "interest" at a price of €104.56. That is not a typo! In order to receive €100 back in 10 years and NO interest along the way, "investors" gladly paid €104.56, locking in a sizable loss if held to maturity. Hoping to lose roughly 0.46% per annum, they must be thrilled with more than four times their expected annual return (the bonds have lost more than 2.1%) in just three months!

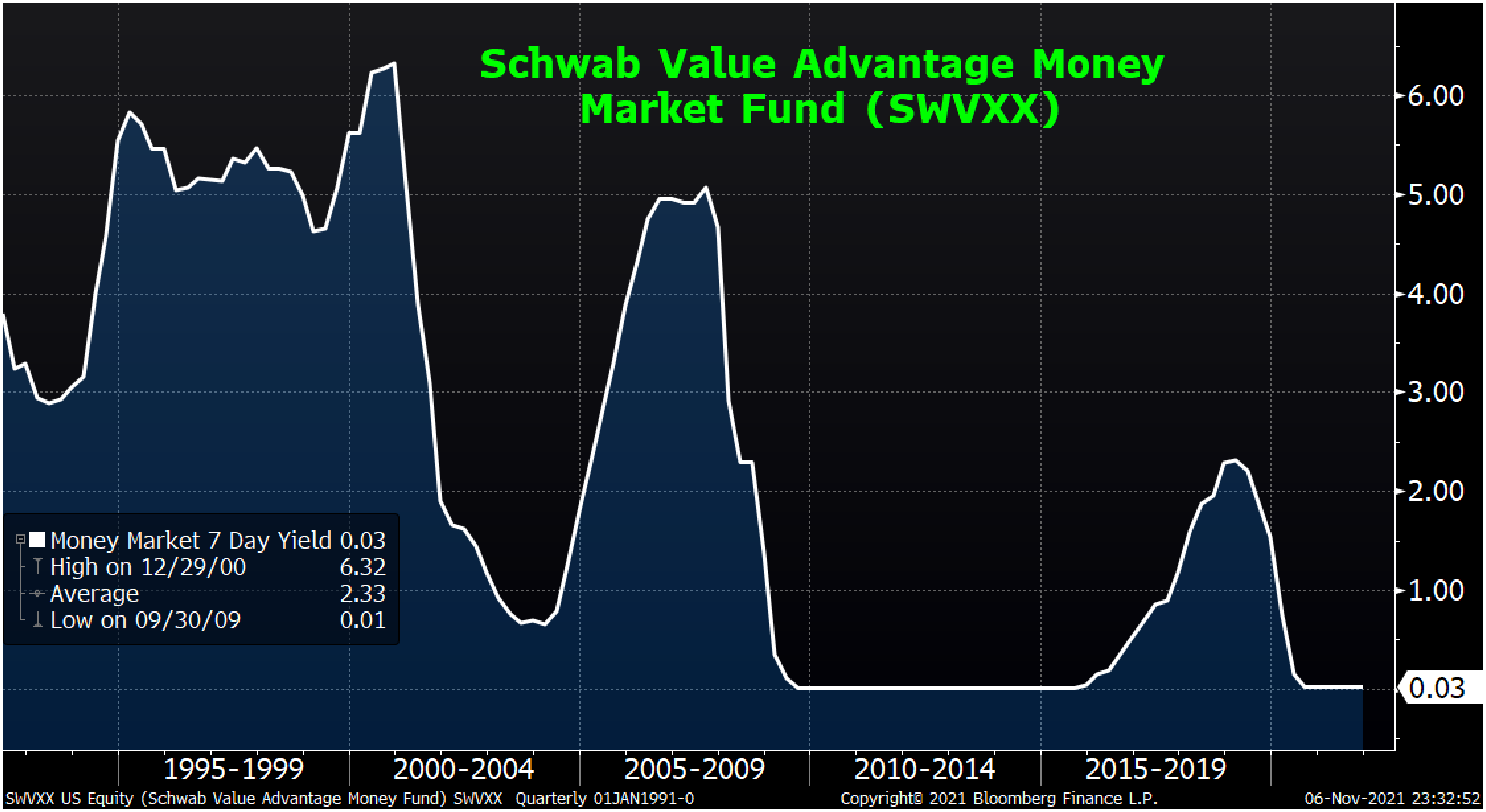
GHOULS & GOBLINS: MONEY MARKET FUND ASSETS OVER TIME

Despite yields near zero, total assets in money market funds have seldom been greater…which we think bodes very well for stocks, given previous asset spikes in 2000 following the bursting of the Tech Bubble and in 2008 after the brunt of the Global Financial Crisis damage.



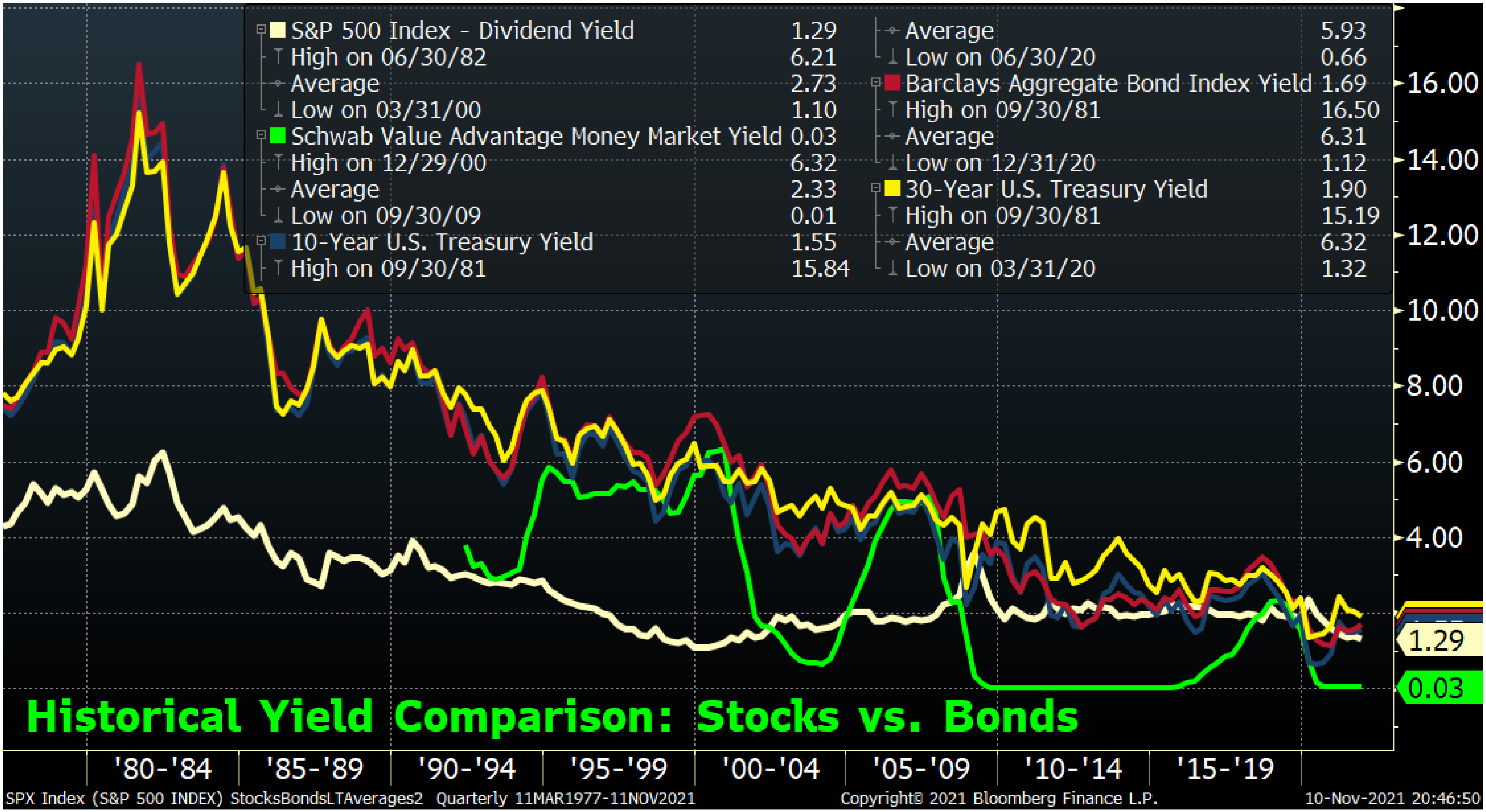
GHOULS & GOBLINS: MONEY MARKET FUND YIELDS OVER TIME

The yield on the Schwab Value Advantage Prime Money Market Fund has cratered to 0.03% today, which sharply contrasts to the respective 5.00%+ and 6.00%+ at prior market peaks in 2007 and 2000.



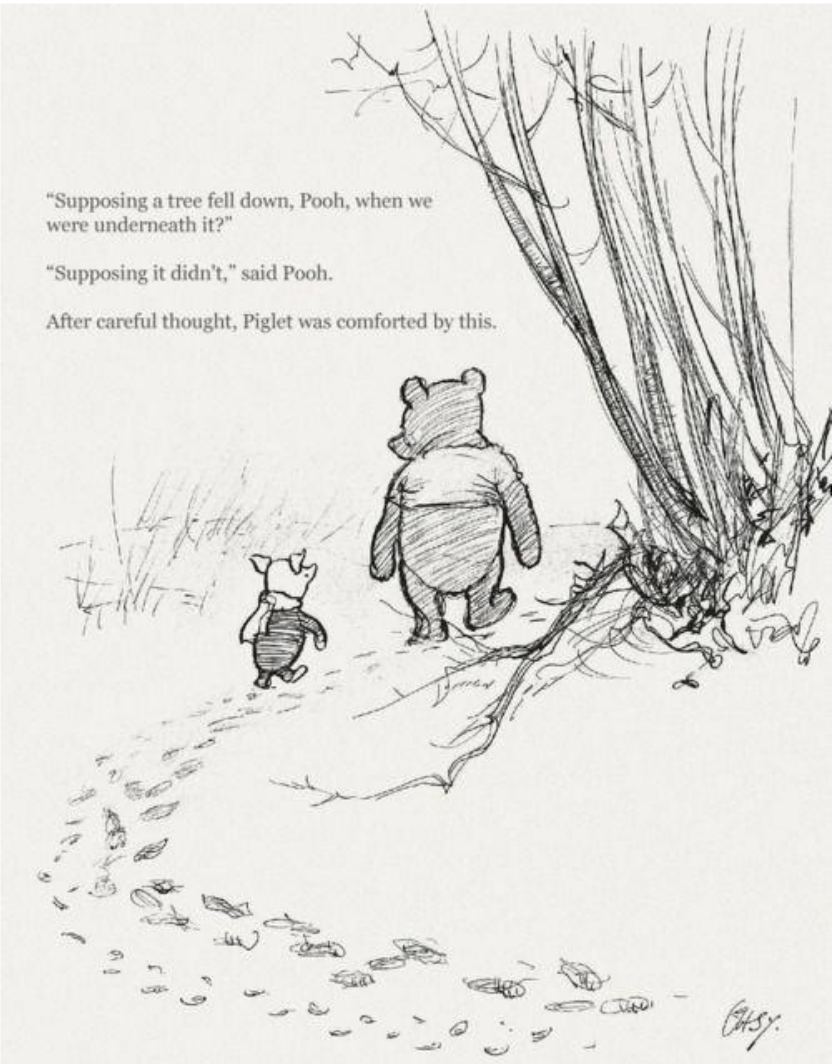
GHOULS & GOBLINS: EQUITY VS. FIXED INCOME YIELDS

Though stocks are not necessarily a substitute for cash, government or corporate bonds, the payout on the S&P 500 (1.29%) is generous versus the income provided by fixed income. Incredibly, **equities yield not much less than the Barclays Aggregate Bond Index and 43 times the yield of a "generous" Money Market Fund!**



There is Just Too Much to Worry About

Capitol Hill has joined Evergrande, COVID-19, geopolitics, inflation, supply chain issues and Fed Tapering as bogeymen spooking investors, but history is filled with plenty of frightening events, yet equities have provided handsome rewards…for those who stick with them.



Event	Reaction Dates		S&P Start Value	S&P End Value	Event Gain/Loss	12 Months Later	36 Months Later	60 Months Later	Event End thru Present
Pearl Harbor	12/6/1941	12/10/1941	9.32	8.68	-7%	8%	51%	76%	53434%
Truman Upset Victory	11/2/1948	11/10/1948	16.70	15.00	-10%	8%	52%	62%	30878%
Korean War	6/23/1950	7/13/1950	19.14	16.69	-13%	32%	45%	153%	27741%
Eisenhower Heart Attack	9/23/1955	9/26/1955	45.63	42.61	-7%	8%	17%	25%	10805%
Suez Canal Crisis	10/30/1956	10/31/1956	46.37	45.58	-2%	-10%	26%	51%	10095%
Sputnik	10/3/1957	10/22/1957	43.14	38.98	-10%	31%	37%	41%	11821%
Cuban Missile Crisis	8/23/1962	10/23/1962	59.70	53.49	-10%	36%	72%	78%	8587%
JFK Assassination	11/21/1963	11/22/1963	71.62	69.61	-3%	24%	14%	53%	6575%
MLK Assassination	4/3/1968	4/5/1968	93.47	93.29	0%	8%	8%	16%	4881%
Kent State Shootings	5/4/1970	5/14/1970	79.00	75.44	-5%	35%	40%	22%	6059%
Arab Oil Embargo	10/18/1973	12/5/1973	110.01	92.16	-16%	-28%	12%	6%	4942%
Nixon Resigns	8/9/1974	8/29/1974	80.86	69.99	-13%	24%	38%	56%	6539%
U.S.S.R. in Afghanistan	12/24/1979	1/3/1980	107.66	105.22	-2%	30%	31%	56%	4316%
Hunt Silver Crisis	2/13/1980	3/27/1980	118.44	98.22	-17%	37%	55%	83%	4631%
Falkland Islands War	4/1/1982	5/7/1982	113.79	119.47	5%	39%	51%	147%	3789%
U.S. Invades Grenada	10/24/1983	11/7/1983	165.99	161.91	-2%	4%	52%	69%	2770%
U.S. Bombs Libya	4/15/1986	4/21/1986	237.73	244.74	3%	20%	27%	57%	1799%
Crash of '87	10/2/1987	10/19/1987	328.07	224.84	-31%	23%	39%	85%	1967%
Gulf War Ultimatum	12/24/1990	1/16/1991	329.90	316.17	-4%	32%	50%	92%	1370%
Gorbachev Coup	8/16/1991	8/19/1991	385.58	376.47	-2%	11%	23%	77%	1134%
ERM U.K. Currency Crisis	9/14/1992	10/16/1992	425.27	411.73	-3%	14%	42%	132%	1029%
World Trade Center Bombing	2/26/1993	2/27/1993	443.38	443.38	0%	5%	46%	137%	948%
Russia Mexico Orange County	10/11/1994	12/20/1994	465.79	457.10	-2%	33%	107%	210%	917%
Oklahoma City Bombing	4/19/1995	4/20/1995	504.92	505.29	0%	28%	122%	184%	820%
Asian Stock Market Crisis	10/7/1997	10/27/1997	983.12	876.99	-11%	21%	57%	2%	430%
Russian LTCM Crisis	8/18/1998	10/8/1998	1,101.20	959.44	-13%	39%	11%	8%	384%
Clinton Impeachment	12/19/1998	2/12/1999	1,188.03	1,230.13	4%	13%	-10%	-6%	278%
USS Cole Yemen Bombings	10/11/2000	10/18/2000	1,364.59	1,342.13	-2%	-20%	-23%	-12%	246%
September 11 Attacks	9/10/2001	9/21/2001	1,092.54	965.80	-12%	-12%	17%	36%	381%
Iraq War	3/19/2003	5/1/2003	874.02	916.30	5%	21%	42%	54%	407%
Madrid Terrorist Attacks	3/10/2004	3/24/2004	1,123.89	1,091.33	-3%	7%	32%	-26%	326%
London Train Bombing	7/6/2005	7/7/2005	1,194.94	1,197.87	0%	6%	5%	-11%	288%
2008 Market Crash	9/15/2008	3/9/2009	1,192.70	676.53	-43%	69%	103%	178%	587%
Price Changes Only - Does Not Include Dividends				**Averages:**	**-7%**	**18%**	**39%**	**66%**	**6399%**

As of 11.10.21. Source: Kovitz using Bloomberg and Ned Davis Research Events & Reaction Dates

GHOULS & GOBLINS: MEDIA OFTEN POSITIVELY BIASED TOWARD BONDS

Incognito Mode
Firms re-evaluate anonymous staff feedback B2

EXCHANGE

Time Warp
It's not too late to cut your 2020 taxes B5

BUSINESS | FINANCE | TECHNOLOGY | MANAGEMENT THE WALL STREET JOURNAL. ****** Saturday/Sunday, March 6 - 7, 2021 | B1

DJIA 31496.30 ▲ 572.16 1.9% NASDAQ 12920.15 ▲ 1.5% STOXX 600 408.68 ▼ 0.8% 10-YR. TREAS. ▼ 1/32, yield 1.551% OIL $66.09 ▲ $2.26 GOLD $1,698.00 ▼ $2.20 EURO $1.1913 YEN 108.38

Treasury Yields Touch Recent Highs

Positive jobs report bolsters optimism for economic rebound; 'market is confused'

BY SAM GOLDFARB AND PAUL J. DAVIES

Yields on U.S. government bonds swung sharply Friday after new data showed a big jump in employment in February, creating more optimism about the economic outlook and debate about the path of interest rates.

CREDIT MARKETS

The yield on the benchmark 10-year U.S. Treasury note settled at 1.551%, according to Tradeweb. That was down from 1.626% right after the report but still up slightly from 1.547% Thursday.

Yields, which rise when bond prices fall, have been surging for weeks based largely on investors' hopes for the near future, when vaccines may have tamed the coronavirus pandemic even as the government continues to pump money into the economy with various stimulus programs.

Some solid economic data, though, has also helped—the latest coming Friday, when the Labor Department said that the economy added 379,000 jobs in February, much more than economists had anticipated.

Friday's move also comes a day after Fed Chairman Jerome Powell made his own contribution to the selling in the bond market. Appearing at The Wall Street Journal Jobs Summit, Mr. Powell said the recent increase in Treasury yields had caught his attention and suggested the Fed might intervene if overall financial conditions tighten much further. But he didn't signal that the Fed was anywhere close to buying more long-term Treasurys in an effort to contain yields, as some investors had thought was possible.

the labor market is at maximum strength.

Many investors, though, don't seem to fully believe or understand the Fed's new policy, creating a challenge for the central bank as yields rise.

"The problem the Fed has now is that the bond market is clearly confused," said Hugh Gimber, a strategist at J.P. Morgan Asset Management.

Despite the sharp increase in Treasury yields, many analysts say the Fed isn't likely to intervene in the market unless there is more severe selling in riskier assets, such as stocks and corporate bonds. Those play roles in determining the cost of raising money for businesses and influencing sentiment.

Some analysts say there are important factors beyond the economic outlook that are driving yields higher. One is the sheer volume of new Treasurys that are entering the market as the government funds its efforts to fight the pandemic.

Another is uncertainty over whether the Fed will extend an exemption allowing banks to hold less capital compared with the size of their balance sheets, which is set to expire at the end of the month.

The exemption enables large banks to exclude their holdings of Treasurys and central bank reserves when working out how much capital they need to meet a standard known as the supplementary leverage ratio. The banks will need more capital to hit the same ratio levels if the exemption is allowed to expire, and analysts say they might do that by selling Treasurys.

Trend-following hedge funds have also contributed to the sharp increase in yields. Such funds have placed their largest bets against Treasurys since late 2016, according to David Bieber, quantitative analyst at Citigroup, having added to their positions significantly since last week's volatility.

Tech-Heavy Nasdaq Logs Third Down Week in Row

BY KAREN LANGLEY AND JOE WALLACE

U.S. stocks surged Friday, ending a wild week during which investors continued to rotate out of big technology shares and into the cyclical sectors that tend to thrive in a recovering economy.

The S&P 500 rose 0.8% for the week, as advances by the energy, financial and industrial sectors offset declines in the technology and consumer discretionary groups. The tech-heavy Nasdaq Composite rose 1.5% on Friday but was still down 2.1% for the week—its third consecutive week losing ground. The index is off 8.3% from its Feb. 12 high.

The Dow Jones Industrial Average, which is less oriented toward fast-growing technology stocks, advanced 1.8%.

"This last week has been a classic correction in growth versus value," said Tom Plumb, president and portfolio manager at Plumb Funds. "But it doesn't mean that it portends something much greater."

Stocks have stumbled in recent

Please turn to page B11

Nasdaq Drops for Third Week

Continued from page B1

weeks as a climb in bond yields has called into question whether low interest rates, which propelled valuations higher for much of the past year, will continue. Yields, which rise as bond prices fall, have rallied in response to expectations of a quickening pace of growth and inflation as the economy reopens from the coronavirus pandemic.

FRIDAY'S MARKETS

The potential for more widespread economic growth and higher interest rates has reduced the relative appeal of the technology and other growth-oriented shares that had rallied throughout much of the pandemic.

The yield on the 10-year U.S. Treasury note rose this week to 1.551%, the highest since February 2020. Federal Reserve Chairman Jerome Powell provided no sign the central bank would seek to stem the rise when he spoke Thursday at The Wall Street Journal Jobs Summit.

"It is all about the bond-yield moves. It is all about Je-

It is perplexing that the media seems to ignore the losses incurred in the bond market, given upbeat headlines like "Treasury Yields Touch Recent Highs," with readers having to wait until the third paragraph to learn that yields rise when prices fall. Meanwhile, despite a huge rally in stocks on Friday, and a handsome advance for the S&P 500 for the week, *The Wall Street Journal* dismissed those gains and chose to highlight the 5-day loss for the Nasdaq index.

GHOULS & GOBLINS: MEDIA OFTEN NEGATIVELY BIASED TOWARD STOCKS

The New York Times

TheUpshot

This Is a Terrible Time for Savers

In an upside-down world of financial markets, expected returns after inflation are at record lows.

By Neil Irwin

Published Aug. 9, 2021 Updated Aug. 13, 2021

If you are saving money for the future, one way or another you had best be prepared to lose some of it.

That is the implication of today's upside-down world in the financial markets. The combination of high inflation, strong economic growth and very low interest rates has meant that "real" interest rates — what you can earn on your money after accounting for inflation — are lower than they have been in modern times.

This outcome is a result of a glut of global savings and the Federal Reserve's extraordinary efforts to bring the economy back to health. And it means the choice for a saver is stark. You can invest in safe assets and accept a high likelihood that you will get back less, in terms of purchasing power, than you put in. Or you can invest in risky assets in which you have a shot at positive returns but also a substantial risk of losing money should market sentiment turn negative.

"For people who are risk averse, they have to get used to the worst of all possible worlds, which is watching their little pool of capital go down in real terms year after year after year," said Sonal Desai, the chief investment officer of Franklin Templeton Fixed Income.

Inflation outpacing interest rates is good news in certain circumstances: if you are able to borrow money at a fixed rate, for example, and use it to make an investment that will provide something of value over time, whether a house, farmland or equipment for a business.

But consider the options if you are not in that position, and instead are saving money that you expect to need five years down the road — for the down payment on a house, or a child's college expenses.

You could keep the money in cash, such as through a bank deposit or money market mutual fund. Short-term interest rates are at zero or very close to it, depending on the specific place the money is parked, and Federal Reserve officials expect to keep rates there for perhaps another couple of years. Inflation has been at 4% to 5% over the last year, and many forecasters expect it to come down slowly.

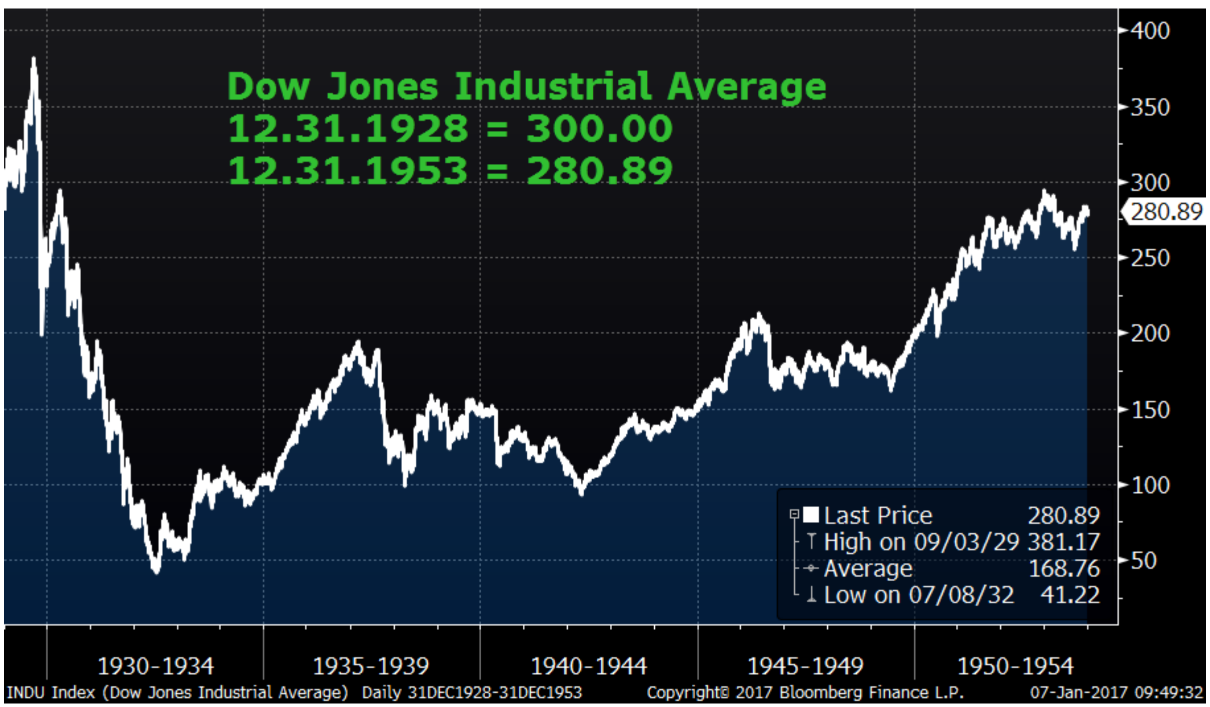
Or, you could buy a safe Treasury bond that matures in five years. The annual yield on that bond, as of Friday, was 0.77%. That means that if annual inflation is above that, the buying power of your savings will diminish over time.

The highest-yielding federally insured bank certificates of deposit over that span offer only a little bit more, just over 1%.

If We Have a Big Downturn, it Could Take Decades to Get Even

GHOULS & GOBLINS: DOW WENT NOWHERE FROM 1929 to 1954

Illustrating that index values tell only part of the story, the Dow Jones Industrial Average actually lost ground over a 25-year time span from the beginning of 1929 to the beginning of 1954, yet the total return on stocks ranged from 4.02% to 8.32% per annum, with Large Caps annualized return coming in at a respectable 5.90%. The reason for the difference between the price-return-only Dow measure and the actual returns investors might have earned is dividends and their reinvestment.

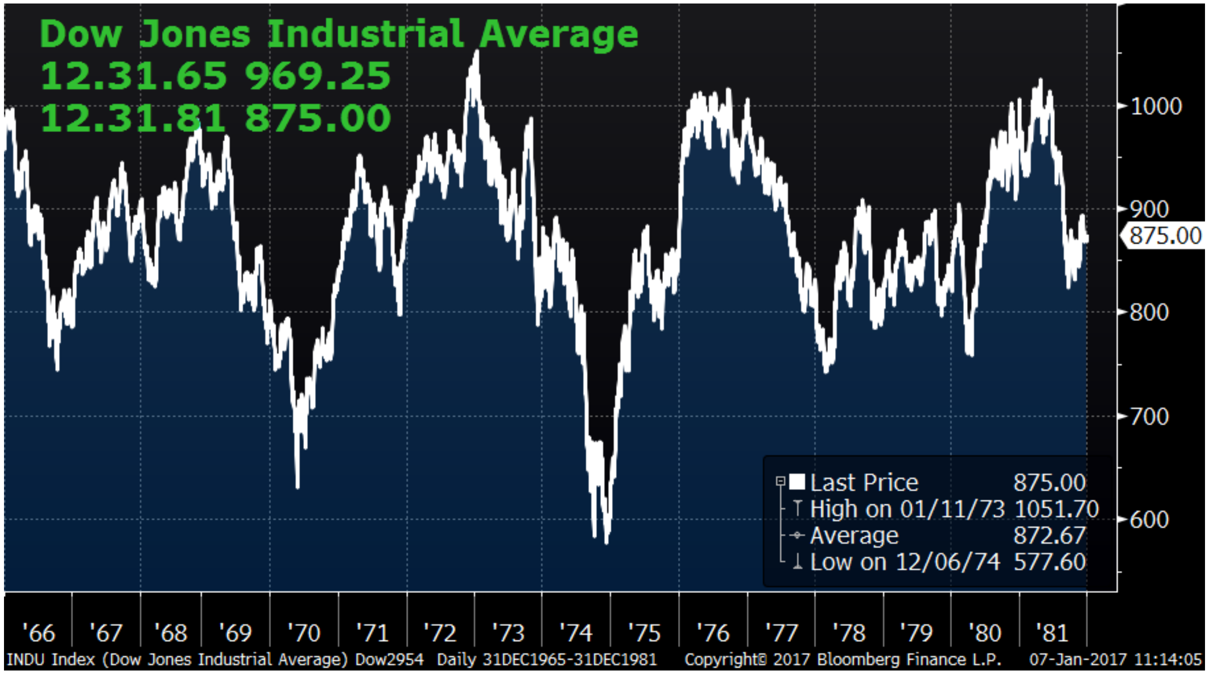


Annualized Total Returns	
25 Years	
12.31.28 - 12.31.53	
FF Value	8.32%
FF Growth	5.64%
FF Divs	6.03%
FF No Divs	4.02%
FF Large Company	5.90%

Source: Kovitz Investment Group using data from Morningstar and Professors Fama & French

GHOULS & GOBLINS: DOW WENT NOWHERE FROM 1966 to 1982

Incredibly, the Dow Jones Industrial Average actually lost ground over a 16-year time span from the beginning of 1966 to the beginning of 1982, yet the total return on Value stocks was a superb 13.39% per annum. Obviously, stock picking mattered as Large Company annualized return was *only* 5.95%, though Non-Dividend Payers outperformed Dividend Payers by more than one percent per year. Despite losing nearly 10% of its price, the Dow's total return during the period was 3.94% per annum.



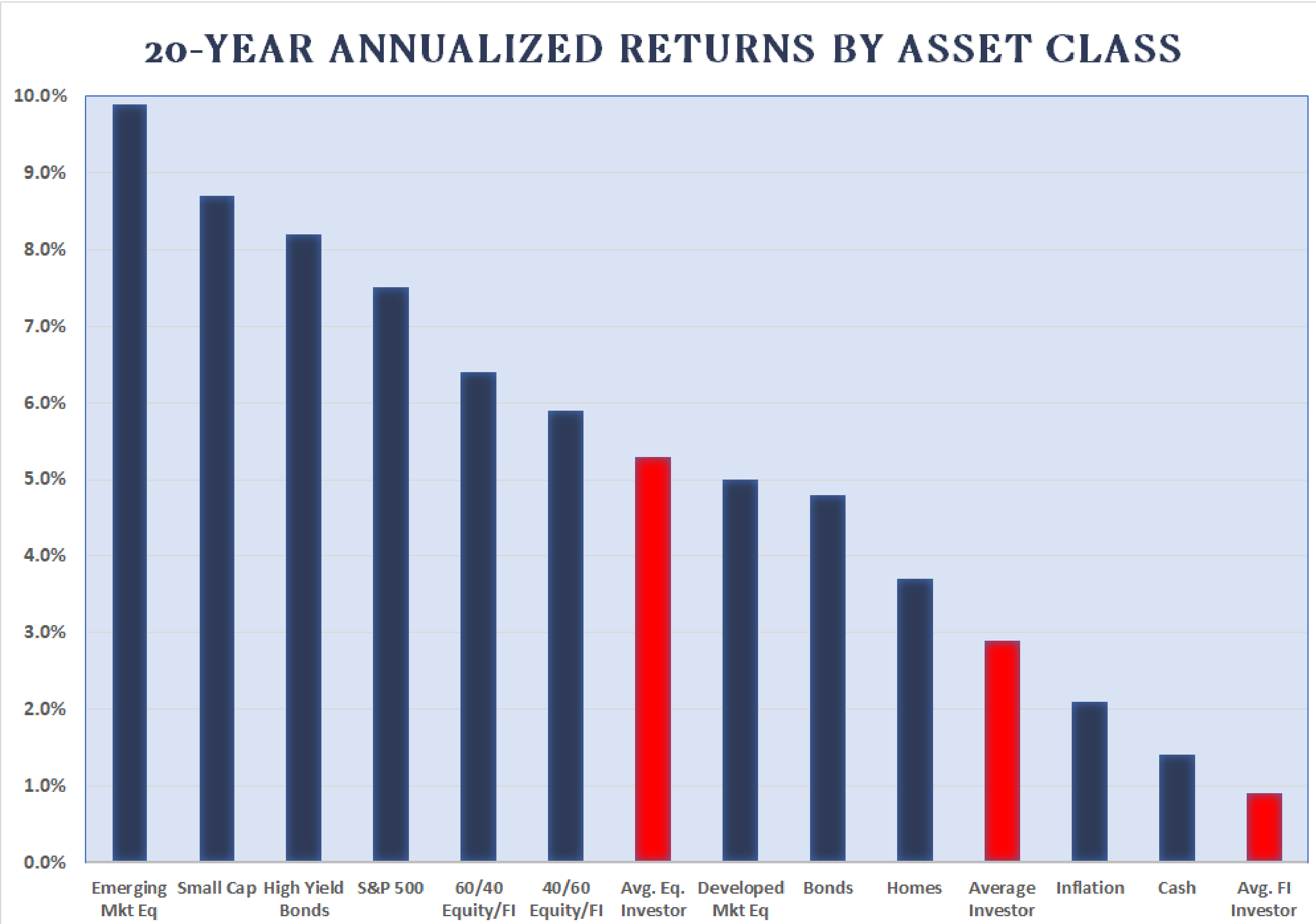
Annualized Total Returns	
16 Years	
12.31.65 - 12.31.81	
FF Value	13.39%
FF Growth	7.35%
FF Divs	7.29%
FF No Divs	8.44%
FF Large Company	5.95%

Source: Kovitz Investment Group using data from Morningstar and Professors Fama & French

"The secret to making money in stocks is not to get scared out of them."

—Peter Lynch

THE ONLY PROBLEM WITH MARKET TIMING IS GETTING THE TIMING RIGHT



From 2001 to 2020. Emerging Mkt Eq: MSCI EM Index; Small Cap: Russell 2000 Index; High Yield Bonds: Bloomberg Barclays Global HY Index; S&P 500: Standard & Poor's 500 Index; 60/40 Equity/FI: Annually Rebalanced 60% S&P 500 & 40% Bloomberg Barclays U.S. Aggregate Bond Index; 40/60 Equity/FI: Annually Rebalanced 40% S&P 500 & 60% Bloomberg Barclays U.S. Aggregate Bond Index; Avg. Eq. Investor: DALBAR analysis of average equity fund aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior Developed Mkt Eq: MSCI EAFE Index; Bonds: Bloomberg Barclays U.S. Aggregate Bond Index; Homes: Median Sale Price of Existing Single-Family Homes; Average Investor: DALBAR analysis of average asset allocation fund aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior; Inflation: CPI; Cash: Bloomberg Barclays 1-3m Treasury. Avg. FI Investor: DALBAR analysis of average bond fund aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior.

Alas, per findings from research firm DALBAR, emotional decision-making and lousy market timing have cost folks dearly, with the average equity fund investor trailing the S&P 500 by 220 basis points per annum over the last 20 years, and the comparisons even worse for asset allocation and fixed income investors.

“The first rule of compounding is to never interrupt it unnecessarily.”

—Charlie Munger

In Dividends We Trust

"Do you know the only thing that gives me pleasure? It's to see my dividends coming in."

—John D. Rockefeller

We remain perplexed that so many investors would rather risk their money in record-low-yielding fixed income instruments, when dividend payments have risen over time (i.e. they are not fixed) and dividend-payers have enjoyed superb long-term total returns.

DIVIDENDS GENERALLY RISE OVER TIME

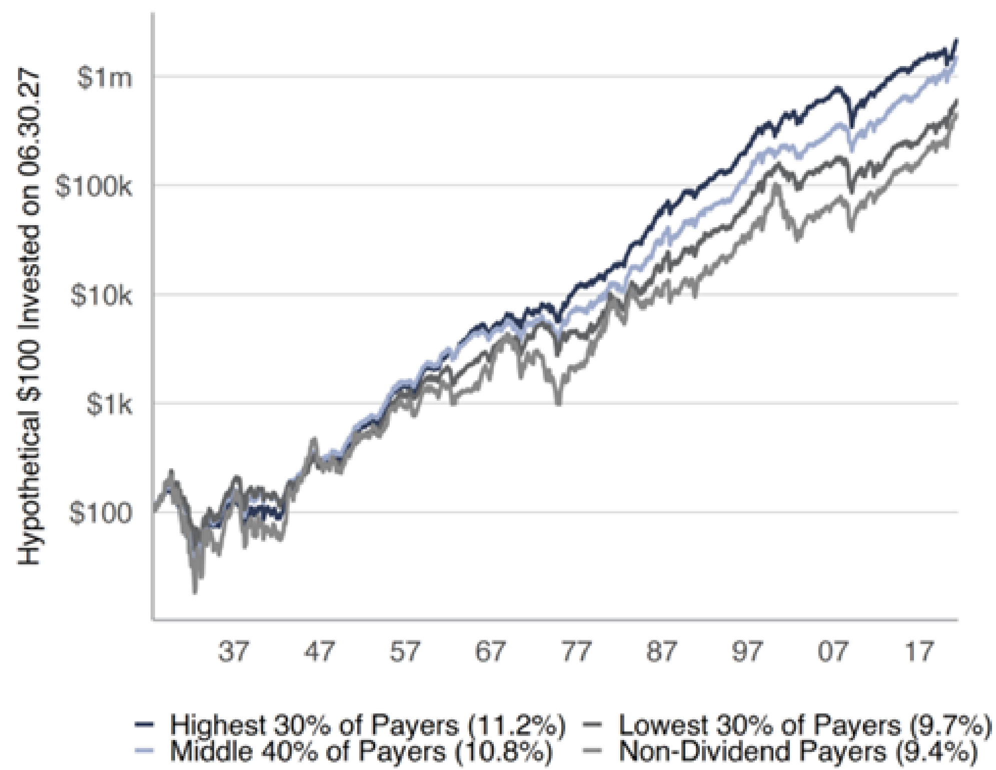
There are occasional hiccups when economic contractions occur, but the long-term trend in dividend payouts has been higher.

	S&P 500	S&P 500 Value	S&P 500 Growth	Russell 3000	R3000 Value	R3000 Growth
Index Value	**4308**	**1438**	**2984**	**2560**	**2039**	**2204**
2021 Yield	**1.4%**	**2.2%**	**0.7%**	**1.4%**	**2.0%**	**0.7%**
2022 Est	$65.30	$34.09	$23.28	$36.45	$43.22	$17.13
2021 Est	$60.69	$31.66	$21.68	$34.61	$41.27	$16.04
2020 Div	$58.95	$31.18	$20.07	$33.36	$39.62	$15.34
2019 Div	$58.69	$32.36	$23.31	$33.33	$43.30	$43.30
2018 Div	$53.86	$27.22	$24.64	$31.72	$40.33	$40.33
2017 Div	$50.47	$27.93	$20.32	$28.62	$38.23	$38.23
2016 Div	$46.73	$24.19	$21.95	$26.58	$35.91	$35.91
2015 Div	$43.86	$23.93	$18.48	$24.76	$33.19	$33.19
2014 Div	$40.16	$21.94	$17.56	$22.40	$30.45	$30.45
2013 Div	$35.00	$19.47	$15.04	$19.87	$26.87	$26.87
2012 Div	$31.97	$17.38	$14.18	$18.76	$24.38	$24.38
2011 Div	$26.62	$13.89	$12.58	$14.95	$20.75	$20.75
2010 Div	$23.59	$12.28	$11.08	$13.21	$18.35	$18.35
2009 Div	$23.59	$14.25	$8.91	$13.03	$18.91	$18.91
2008 Div	$28.46	$20.34	$8.23	$15.63	$26.59	$26.59

As of 09.30.21. SOURCE: Kovitz using data from Bloomberg Finance L.P.

DIVIDEND PAYERS WIN THE RETURNS RACE

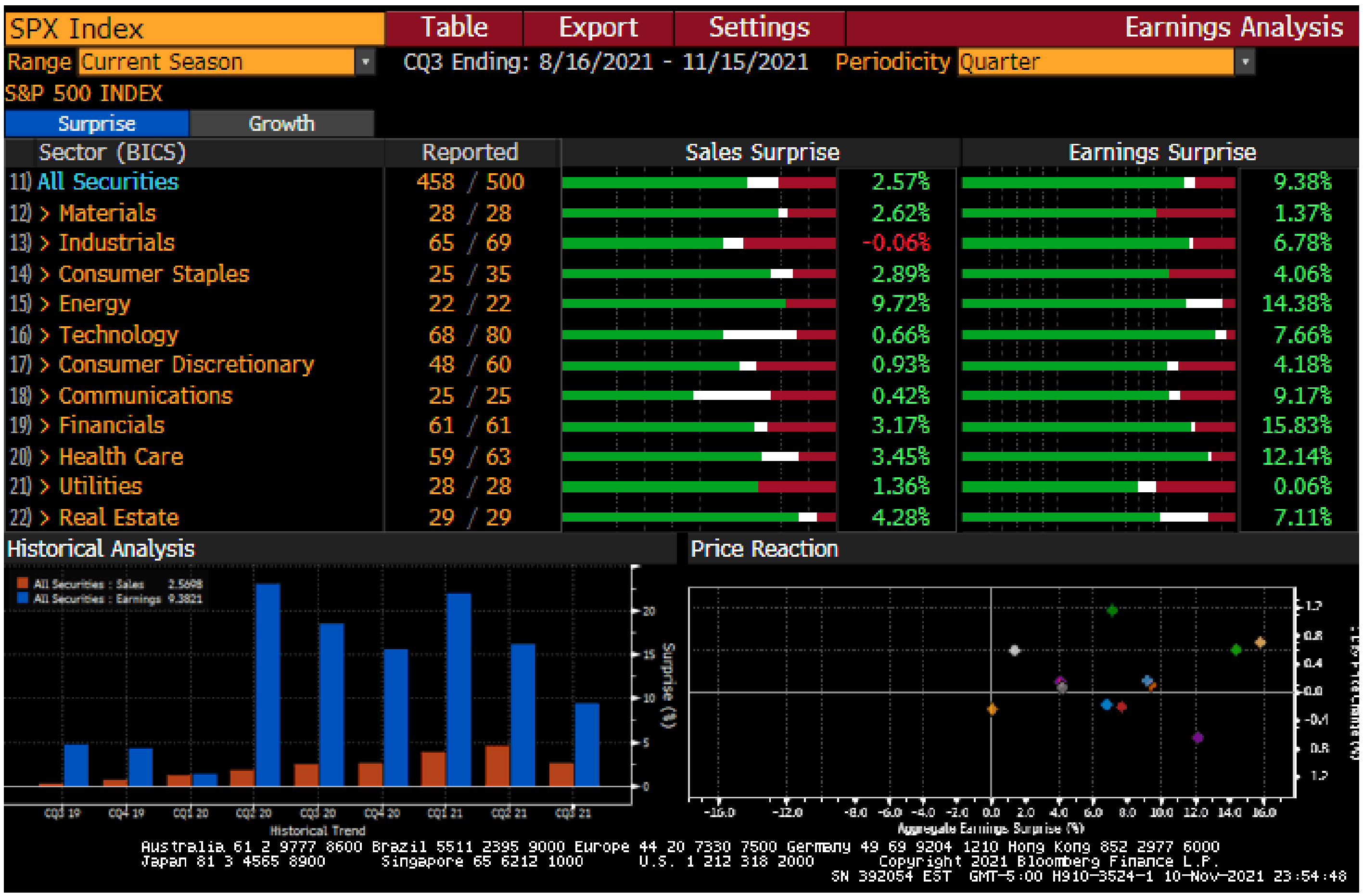
More than nine decades of historical evidence illustrate that the greater the income a stock produces the better the overall return.



From 06.30.27 through 07.31.21. Dividend yield. Logarithmic scale. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

IN DIVIDENDS WE TRUST: FANTASTIC EPS GROWTH LIKELY IN '21 AND '22

Q3 earnings reporting season has turned out to be very good vs. analyst projections that were still too pessimistic in their top- and bottom-line estimates. Thus far, 81.2% of the S&P 500 companies have topped EPS expectations and 67.8% have exceeded revenue forecasts.



Sector (BICS)	Reported	Sales Surprise	Earnings Surprise
11) All Securities	458 / 500	2.57%	9.38%
12) > Materials	28 / 28	2.62%	1.37%
13) > Industrials	65 / 69	-0.06%	6.78%
14) > Consumer Staples	25 / 35	2.89%	4.06%
15) > Energy	22 / 22	9.72%	14.38%
16) > Technology	68 / 80	0.66%	7.66%
17) > Consumer Discretionary	48 / 60	0.93%	4.18%
18) > Communications	25 / 25	0.42%	9.17%
19) > Financials	61 / 61	3.17%	15.83%
20) > Health Care	59 / 63	3.45%	12.14%
21) > Utilities	28 / 28	1.36%	0.06%
22) > Real Estate	29 / 29	4.28%	7.11%

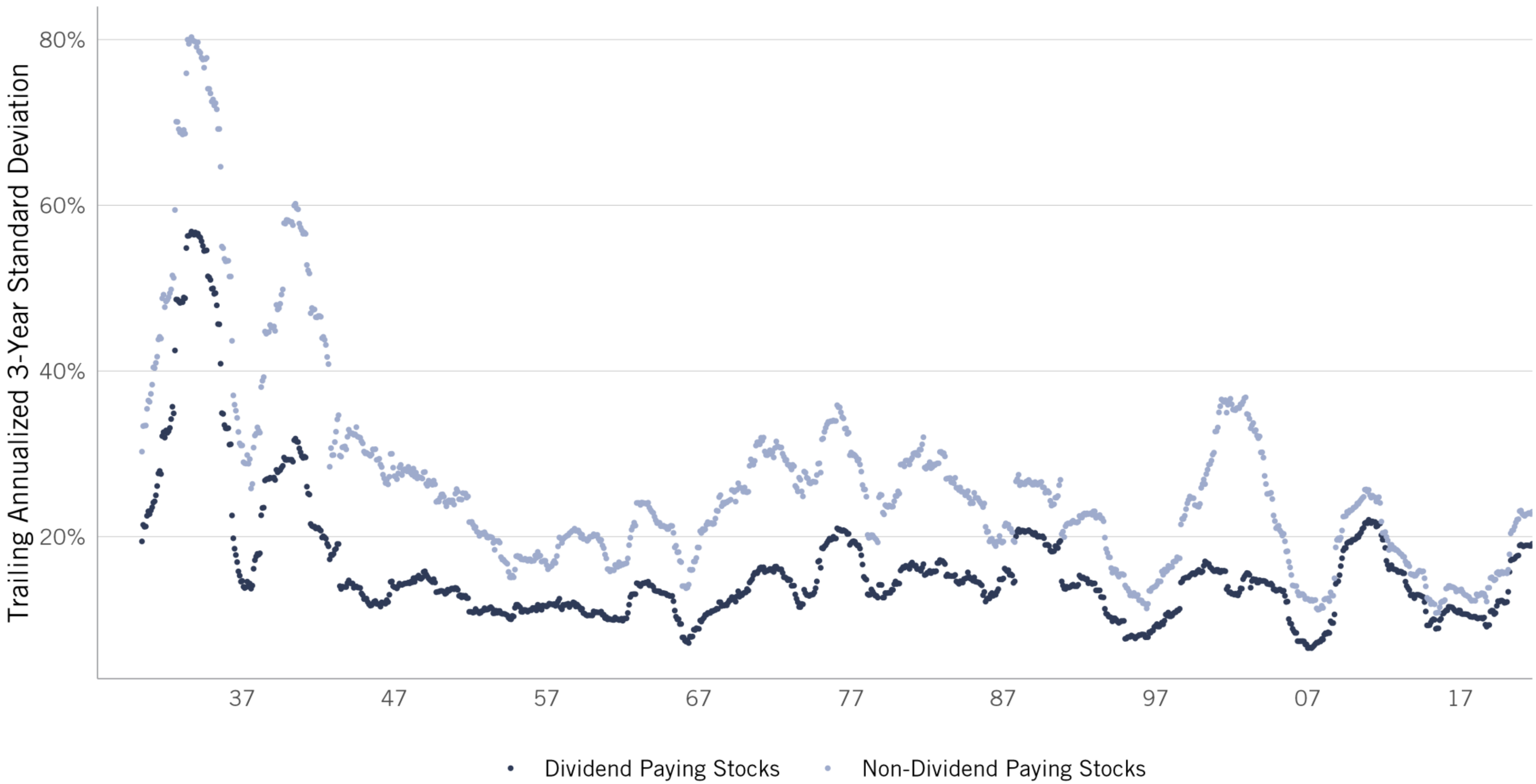
S&P 500 Earnings Per Share

Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2022	$56.95	$218.95
9/30/2022	$56.29	$212.46
6/30/2022	$54.29	$208.27
3/31/2022	$51.42	$206.03
12/31/2021	$50.46	$202.02
9/30/2021	$52.10	$189.74
ACTUAL		
6/30/2021	$52.05	$175.54
3/31/2021	$47.41	$150.28
12/31/2020	$38.18	$122.37
9/30/2020	$37.90	$123.37
6/30/2020	$26.79	$125.28
3/31/2020	$19.50	$138.63
12/31/2019	$39.18	$157.12
9/30/2019	$39.81	$152.97
6/30/2019	$40.14	$154.54
3/31/2019	$37.99	$153.05
12/31/2018	$35.03	$151.60
9/30/2018	$41.38	$150.42
6/30/2018	$38.65	$140.37
3/31/2018	$36.54	$132.23
12/31/2017	$33.85	$124.51

Source: Standard & Poor's. As of 11.11.21

IN DIVIDENDS WE TRUST: PAYERS HAVE BEEN LESS VOLATILE

Though we do not necessarily think that volatility equals risk, most prefer a smoother ride when it comes to their investments. Happily, dividend payers would seem to allow folks to have their cake and eat it too, given higher returns historically and lower standard deviation.



From 06.30.27 through 09.30.21. Trailing annualized 3-Year standard deviation. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

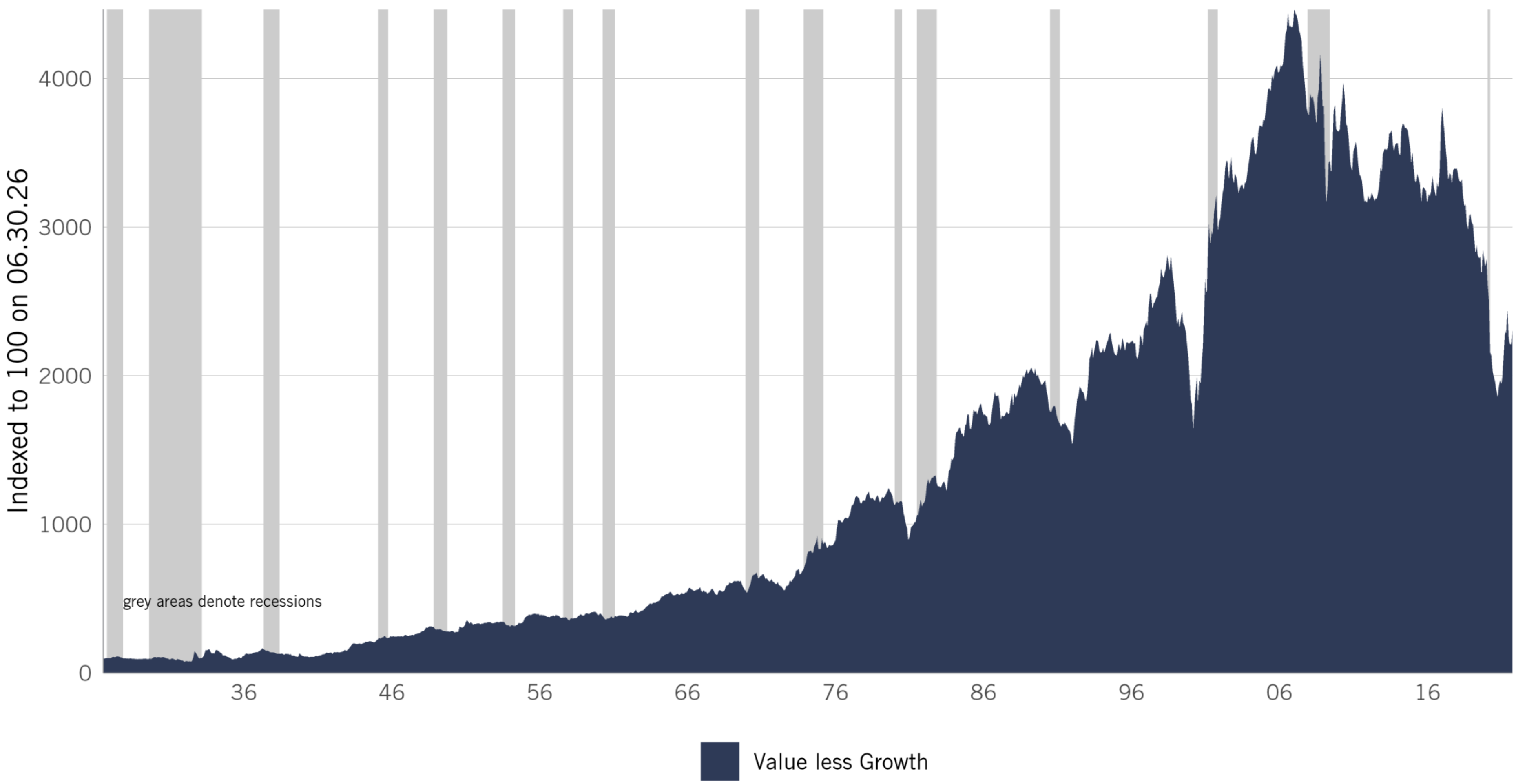
Valuable Properties

"Investors should purchase stocks like they purchase groceries, not like they purchase perfume."

—Benjamin Graham

VALUABLE PROPERTIES: FAMA/FRENCH CUMULATIVE VALUE VERSUS GROWTH

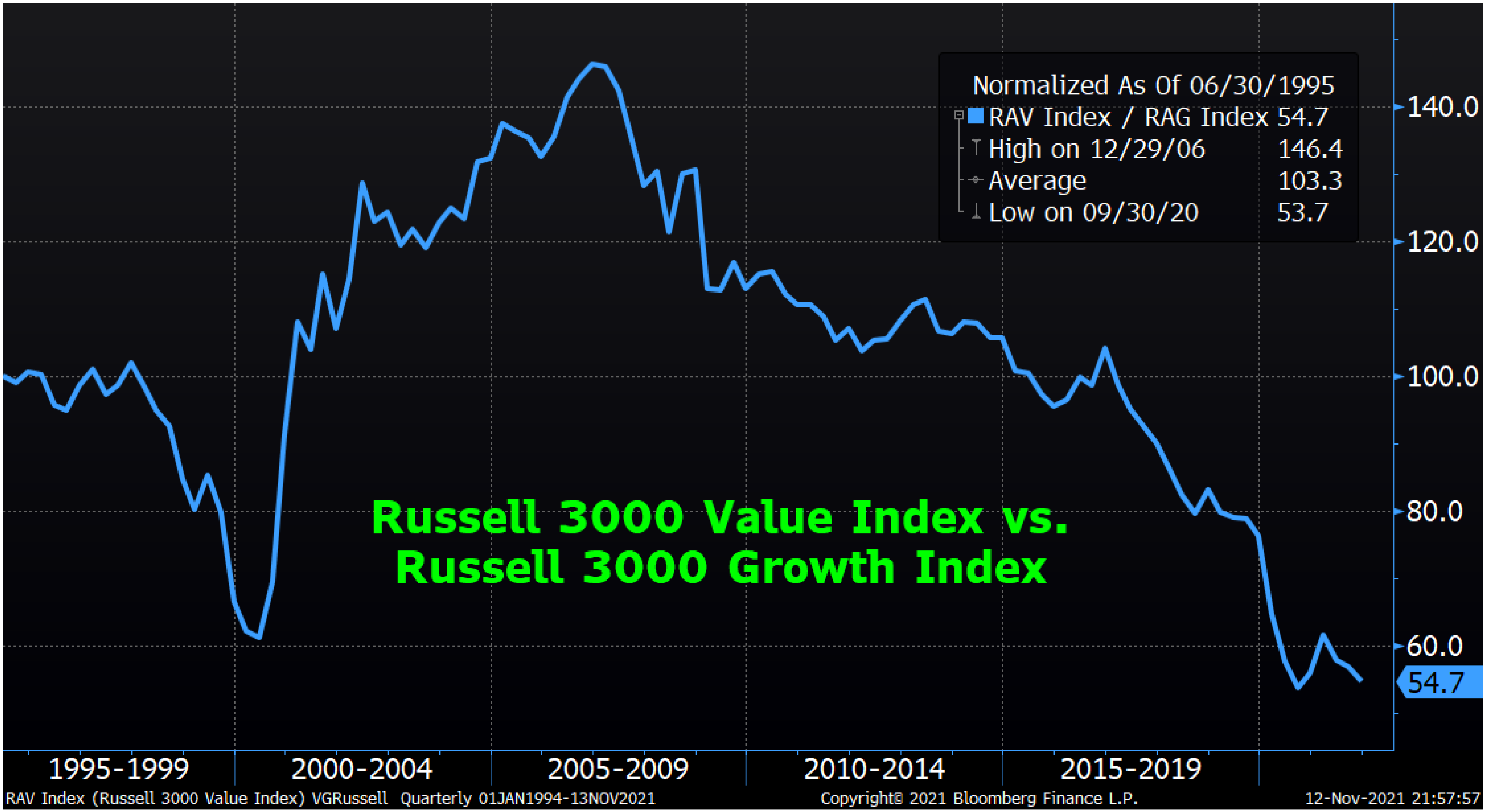
Certainly, we respect that we live in a what-have-you-done-for-me-lately world, but Value has crushed Growth over the long haul, with the best time to buy inexpensive stocks through the years being after periods of lagging performance.



From 06.30.26 through 09.30.21. Growth stocks = 50% Fama-French small growth and 50% Fama-French large growth returns rebalanced monthly. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the end of each June using NYSE breakpoints via Eugene F. Fama and Kenneth R. French. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

VALUABLE PROPERTIES: R3K VALUE "BUY" SIGNAL LIKE 2000

Stocks with inexpensive financial metrics have lagged badly in the wake of COVID-19, but the R3K Value index relative to the R3K Growth index on a total return basis is now near 2000 levels.



Despite enduring significant volatility along the way, not to mention suffering through a miserable 2002, 2008 and 2011, Value strategies performed admirably, with the S&P 500 Pure Value index the easy winner, following the bursting of the Tech Bubble in March 2000.

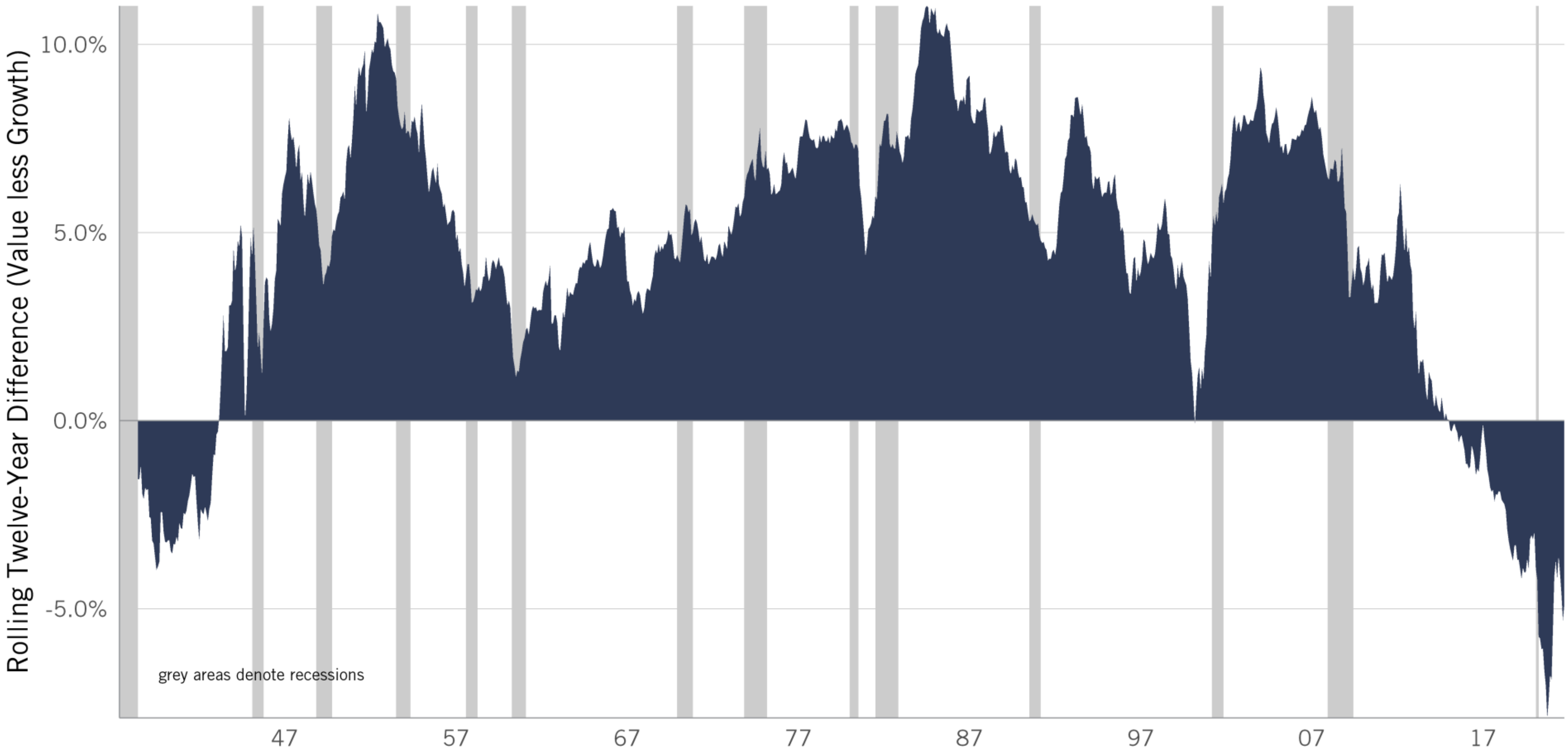
Total Returns Matrix Post March 31, 2000

Name	1-Year	3-Year	5-Year	7-Year	10-Year	15-Year	20-Year	Symbol
Dow Jones Industrial Average TR	-8.21	-22.70	6.14	30.81	25.09	132.79	224.39	DJITR Index
Russell 3000 Total Return Growth Index	-42.52	-58.70	-43.96	-31.70	-33.57	37.77	119.25	RU30GRTR Index
Russell 3000 Total Return Value Index	**1.48**	**-17.20**	**33.14**	**76.71**	**41.17**	**167.78**	**190.12**	**RU30VATR Index**
Russell 3000 Total Return Index	-22.26	-40.39	-11.79	12.17	-0.73	97.19	161.01	RU30INTR Index
S&P 500 Growth Total Return Index	-38.19	-50.50	-34.68	-23.23	-25.53	54.87	143.54	SPTRSGX Index
S&P 500 Value Total Return Index	**-1.07**	**-30.12**	**10.04**	**46.09**	**15.97**	**114.98**	**154.67**	**SPTRSVX Index**
S&P 500 Total Return Index	-21.68	-40.93	-14.84	6.40	-6.35	84.03	154.83	SPXT Index
S&P 500 Pure Growth Total Return Index	-31.60	-54.66	-26.15	-10.93	-8.12	119.03	177.90	SPTRXPG Index
S&P 500 Pure Value Total Return Index	**23.92**	**3.59**	**103.40**	**183.68**	**140.69**	**438.00**	**352.33**	**SPTRXPV Index**

Source Kovitz using data from Bloomberg. Forward returns starting 03.31.00

VALUABLE PROPERTIES: VALUE USUALLY WINS THE 10-YEAR RACE

While the current bout of outperformance for Growth has persisted longer than we might have liked, students of market history will undoubtedly like the odds for a Value resurgence going forward.



From 06.30.26 through 09.30.21. Growth stocks = 50% Fama-French small growth and 50% Fama-French large growth returns rebalanced monthly. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the end of each June using NYSE breakpoints via Eugene F. Fama and Kenneth R. French. Annualized total return. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

VALUABLE PROPERTIES: NO MATTER THE HOLD, ODDS FAVOR VALUE

PERFORMANCE: VALUE VERSUS GROWTH

	Fama-French Value	Fama-French Growth	Difference (Value-Growth)	Periods Value Beat Growth	Number of Periods
1-Month	13.40%	9.96%	3.44%	53%	1144
3-Month	13.41%	10.00%	3.41%	57%	1142
6-Month	13.42%	10.00%	3.42%	59%	1139
1-Year	13.28%	9.94%	3.34%	61%	1133
3-Year	13.01%	9.43%	3.58%	70%	1109
5-Year	13.27%	9.45%	3.82%	75%	1085
10-Year	14.18%	9.87%	4.32%	83%	1025
20-Year	15.11%	10.04%	5.07%	99%	905
30-Year	15.47%	10.28%	5.19%	100%	785

From 06.30.26 through 09.30.21. Geometric average of rolling returns for each given time window. Returns are annualized for periods greater than one year. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

VALUABLE PROPERTIES: HARD TO COMPLAIN ABOUT RECENT VALUE RETURNS

We understand that splashy headlines sell newspapers, and September was miserable, but though volatility has picked up considerably, stocks haven't exactly been in turmoil in Q4…or in 2021 for that matter. Now it is a different story this year for supposedly safe bonds.


THE WALL STREET JOURNAL.

DOW JONES | News Corp ★★★★★ FRIDAY, OCTOBER 1, 2021 - VOL. CCLXXVIII NO. 78 WSJ.com ★★★★ $4.00

DJIA 33843.92 ▼ 546.80 1.6% NASDAQ 14448.58 ▼ 0.4% STOXX 600 454.81 ▼ 0.05% 10-YR. TREAS. ▲ 4/32, yield 1.528% OIL $75.03 ▲ $0.20 GOLD $1,755.30 ▲ $33.80 EURO $1.1577 YEN 111.28

What's News

Business & Finance

Markets closed out the quarter on a tumultuous note, with stocks pulling back from all-time highs and Treasury yields hovering around their highest level since June. On Thursday, the Dow, S&P 500 and Nasdaq fell 1.6%, 1.2% and 0.4%, respectively. A1, B6-7, B11

◆ Facebook came under fire at a Senate hearing, where it faced accusations that it disregarded internal research that showed Instagram is harmful for significant numbers of teen girls. A1

◆ Disney and Scarlett Johansson have resolved their legal battle over her salary in the movie "Black Widow," the two sides said. A1

◆ Bed Bath & Beyond lost more than a fifth of its market value after the company reported a sharp drop in quarterly sales. B1

◆ Lordstown Motors said it plans to sell its factory in Ohio to contract assembler Foxconn, marking a major pivot for the cash-strapped electric-truck startup. B1

◆ Morgan Stanley and Interactive Brokers are facing federal scrutiny in connection with a Venezuelan businessman under investigation for allegedly helping to launder billions of dollars. B1

◆ Zoom Video's nearly $15 billion bid to acquire Five9 was shot down, as the deal failed to gain enough votes from Five9 shareholders. B4

◆ Activist investors including Starboard and Elliott have taken stakes in insurance broker Willis Towers Watson. B11

World-Wide

◆ House Democrats dropped plans to vote on a roughly

The S&P 500 rose for a sixth straight quarter, despite registering a 4.8% decline for September.

Index performance, year to date

S&P 500 +14.7% · Nasdaq Composite +12.1% · Dow Jones Industrial Average +10.6%

Number of S&P 500 companies mentioning inflation on their earnings calls each quarter: 2Q 2021 224 companies. Most since FactSet began tracking data in 2010

Source: FactSet

Stocks End Quarter in Turmoil, Worst Month Since March '20

By Akane Otani

Markets closed out the quarter on a tumultuous note. Stocks pulled back from all-time highs. Shares of large, fast-growing companies had their worst month since the pandemic-fueled selloff of March 2020, and Treasury yields are around their highest level since June.

All three major U.S. indexes finished Thursday lower after a choppy session. Stocks jumped to start the day but then quickly wobbled and turned negative, with losses accelerating in the final minutes of trading. The economically sensitive Dow Jones Industrial Average fell 546.80 points, or 1.6%, to 33843.92, weighed down by losses in companies ranging from machinery giant Caterpillar to home-improvement retailer Home Depot.

The S&P 500 lost 51.92 points, or 1.2%, to 4307.54. The Nasdaq Composite edged down 63.86 points, or 0.4%, to 14448.58.

It is hardly the sanguine end to the quarter that investors had hoped for. Many money managers said they are heading into the final few months of the year feeling on edge.

Central bankers who had thought this year's rise in inflation would wind up being a short-term phenomenon aren't sure how long transitory pressures will persist. Strategists who had predicted another strong quarter of economic growth are cutting estimates because of supply-chain bottlenecks and the highly contagious Delta variant of Covid-19. Economic data have also been falling short of expectations. Citigroup's Economic Surprise Index, which tracks how much

Please turn to page A2

◆ Quarterly markets review and outlook B6-7

Democrats Put Off Action on $1 Trillion Package

Infrastructure vote is delayed as factions fail to bridge differences on larger spending bill

WASHINGTON—House Democrats dropped plans to vote on a roughly $1 trillion infrastructure bill Thursday night, as they came up short of striking an agreement around a separate social-policy and climate package they hope will unite the party's dueling factions.

By Kristina Peterson, Andrew Duehren and Eliza Collins

Key lawmakers said they were making progress toward a framework mapping out the overall level of spending and central planks of the healthcare, education and climate package, but that the discussions required more time. Majority Leader Steny Hoyer (D., Md.) advised lawmakers shortly before 11 p.m. that the House wouldn't hold further votes that day.

White House officials and top Democrats had held a stream of meetings with lawmakers in a scramble to bring the party together on advancing President Biden's domestic agenda in Congress by the end of the day before ultimately calling off their original plan.

"I don't see a deal tonight, I really don't," said Sen. Joe Manchin (D., W.Va.) after leaving a meeting with White House officials with fellow centrist Democratic Sen. Kyrsten Sinema of Arizona. "We just—we need a little bit more time," he said, predicting they would come to

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◆ Biden signs bill averting government shutdown A4

Total Returns Matrix

Sept. 2021	Since 9.30.21	2021 YTD	Name
-1.78	-0.37	-4.42	Bloomberg Global-Aggregate Bond
-0.87	-0.14	-1.69	Bloomberg U.S. Aggregate Bond
-4.20	6.83	19.79	Dow Jones Industrial Average
-3.72	7.39	21.36	New York Stock Exchange
-5.49	10.67	25.59	Russell 3000 Growth
-3.38	6.82	24.53	**Russell 3000 Value**
-4.49	8.82	25.13	Russell 3000
-4.65	8.88	26.21	S&P 500
-5.79	11.23	29.52	S&P 500 Growth
-3.29	6.14	22.39	**S&P 500 Value**
-5.33	13.30	34.26	S&P 500 Pure Growth
-1.67	7.92	35.48	**S&P 500 Pure Value**

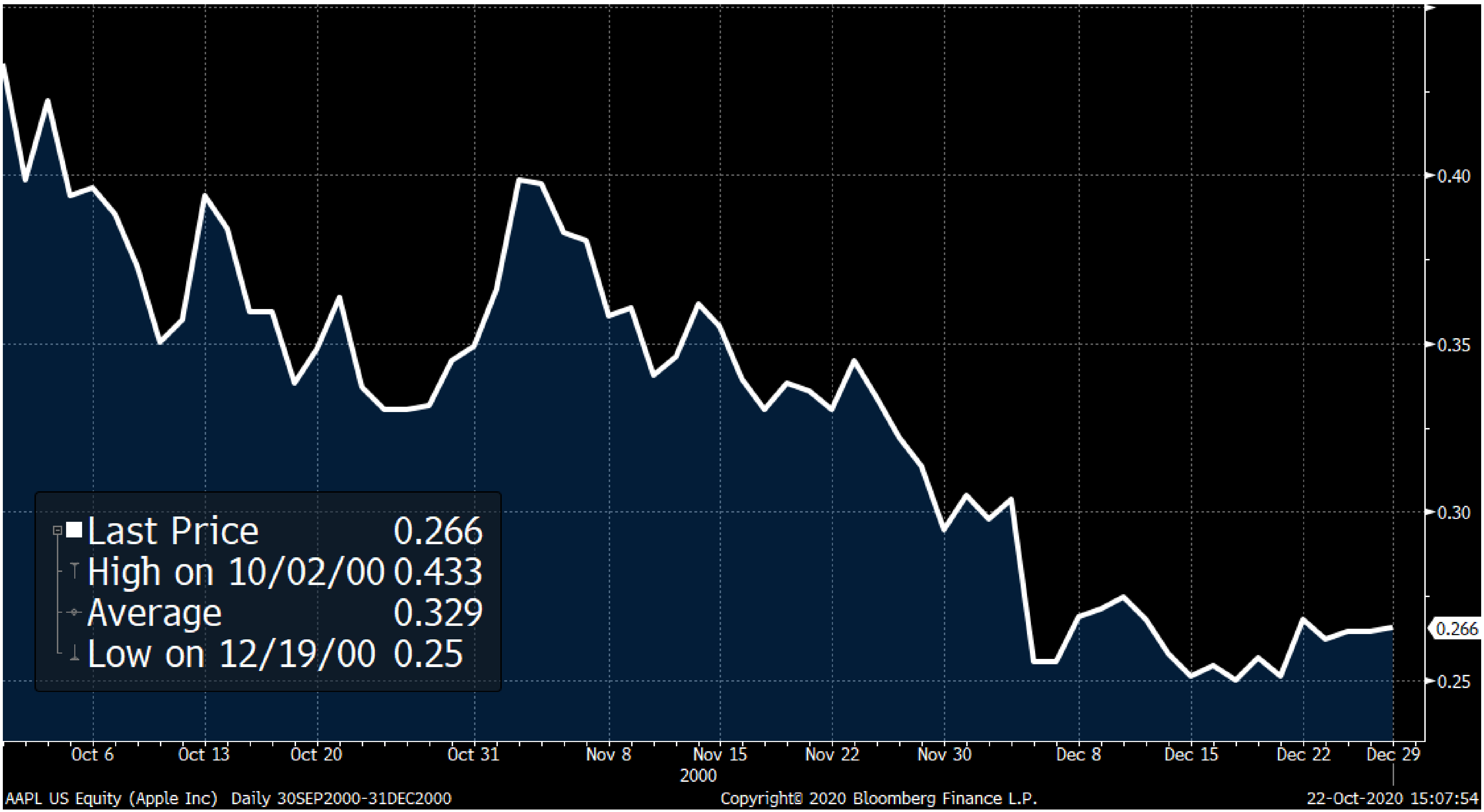
As of 11.12.21. Source Kovitz using data from Bloomberg

Where to Invest in 2022

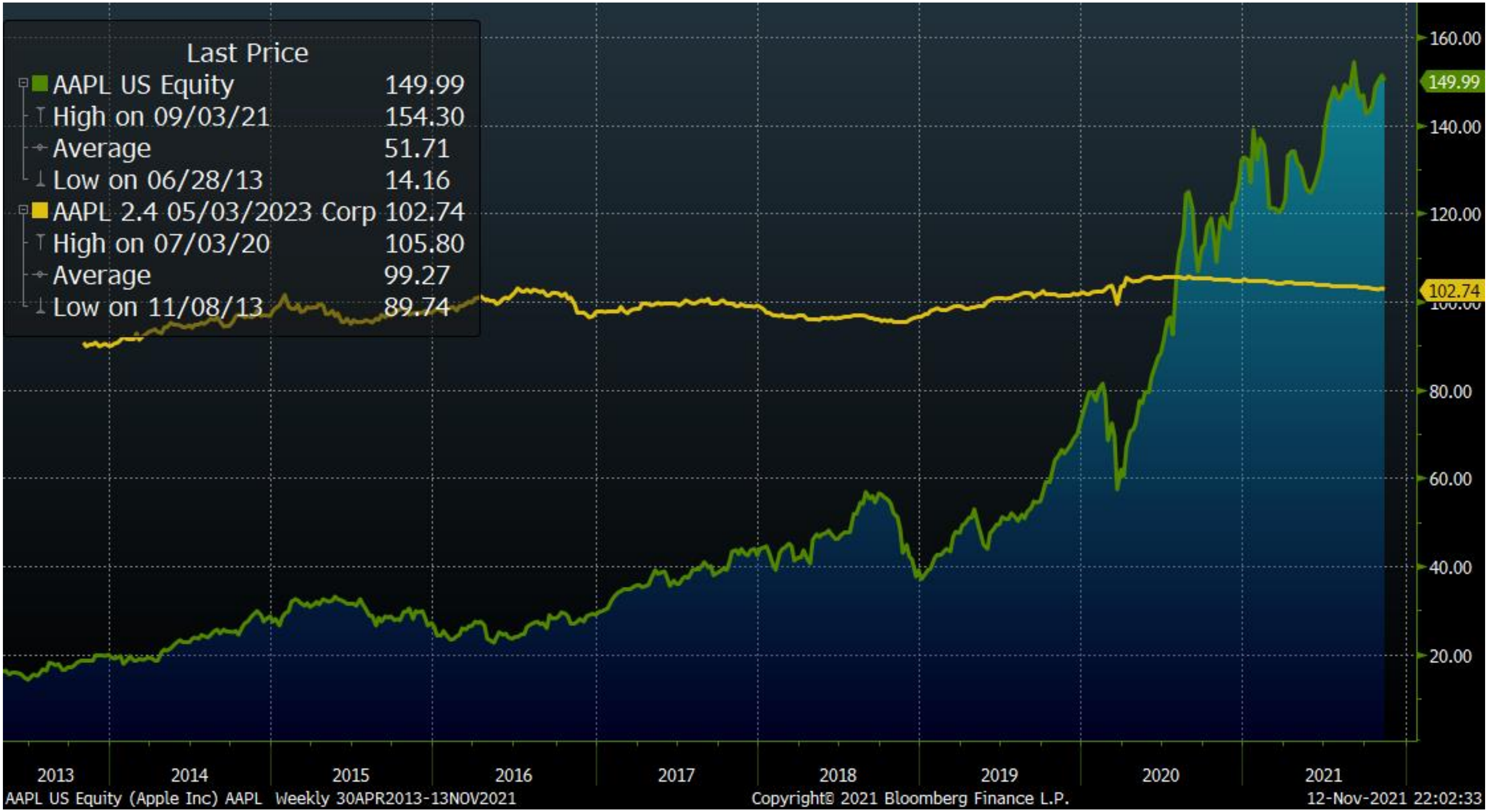
“Whether we’re talking about socks or stocks, I like to buy quality merchandise when it is marked down.”

—Warren Buffett

Even a stock like Apple has endured tremendous volatility, plunging from a split-adjusted $0.40 in October 2000 to $0.27 three months later, a stomach-churning short-term loss of more than 30%.



Investors gobbled up an Apple 10-Year bond yielding 2.4% in May 2013 when the stock yielded 2.8%. Given an 89% increase in the dividend over the past 8+ years, the AAPL buyer back then now has a 5.3% yield! At least the bond buyer minimized their volatility!



Given that the most folks are investing for long-term objectives, we remain puzzled that so many continue to think about risk in terms of volatility of one-month returns. After all, while there is no assurance that past is prologue, the odds of losing money in Value Stocks or Dividend Payers is far lower over three-, five- and 10-year periods.

PATIENCE IS VIRTUOUS

VALUE STOCKS

	Count >0%	Count <=0%	Percent >0%
1 Month	714	417	63.1%
3 Months	764	365	67.7%
6 Months	800	326	71.0%
1 Year	818	302	73.0%
2 Year	923	185	83.3%
3 Year	957	139	87.3%
5 Year	959	113	89.5%
7 Year	1012	36	96.6%
10 Year	978	34	96.6%
15 Year	952	0	100.0%
20 Year	892	0	100.0%

DIVIDEND PAYERS

	Count >0%	Count <=0%	Percent >0%
1 Month	718	413	63.5%
3 Months	785	344	69.5%
6 Months	815	311	72.4%
1 Year	851	269	76.0%
2 Year	945	163	85.3%
3 Year	938	158	85.6%
5 Year	986	86	92.0%
7 Year	1006	42	96.0%
10 Year	977	35	96.5%
15 Year	952	0	100.0%
20 Year	892	0	100.0%

From 07.31.27 through 09.30.21. Value stocks represented by 50% small value and 50% large value returns rebalanced monthly. Dividend payers represented by 30% top of dividend payers, 40% of middle dividend payers, and 30% bottom of dividend payers rebalanced monthly. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

Inexpensive Names with Generous Dividend Yields in Excess of the 30-Year U.S. Treasury

Healthcare Provider **CVS Health (CVS):** NTM P/E of 12 and 2.2% yield

Appliance Giant **Whirlpool (WHR):** NTM PE of 9 and 2.5% yield

Insurance Titan **MetLife (MET):** NTM P/E of 9 and 3.0% yield

Data Storage Concern **Seagate Tech (STX):** NTM P/E of 11 and 2.8% yield

Bargain Stocks That Have Been Laggards of Late

Package and Freight Shipper **FedEx (FDX):** NTM P/E of 12 and 1.2% yield

Department Store Operator **Kohl's (KSS):** NTM P/E of 9 and 1.7% yield

Defense Contractor **Lockheed-Martin (LMT):** NTM P/E of 13 and 3.3% yield

Telecom titan **Verizon (VZ):** NTM P/E of 10 and 4.9% yield

Overlooked Small-Cap Companies

Specialty Retailer **Big Lots (BIG):** NTM P/E of 9 and 2.5% yield

Homebuilder **MDC Holdings (MDC):** NTM P/E of 5 and 3.9% yield

Chip Equipment Maker **Kulicke & Soffa (KLIC):** NTM P/E of 8 and 1.2% yield

Staffing Concern **Manpower (MAN):** NTM P/E of 13 and 2.5% yield

Growth at a Reasonable Price Stocks

Internet Services & Marketing Behemoth **Alphabet (GOOG):** 17 times the ’24 EPS Estimate and Balance Sheet is loaded with $130 billion of cash

Entertainment Producer **Walt Disney (DIS):** 23 times ’24 EPS Estimate and unrivaled content and ability to monetize that content like no other company in the world

Consumer Electronics King **Apple (AAPL):** 23 times ’24 EPS estimate but tons of cash on the balance sheet and a huge installed base of iPhone and App Store users

Semiconductor Heavyweight **Qualcomm (QCOM):** 14 times ’24 EPS estimate and 1.7% yield

Commodity Exposed Bargains

Construction Equipment Leader **Caterpillar (CAT):** NTM P/E of 18 and 2.1% yield, while stock has pulled back more than 15% from its highs

Crop Nutrient Provider **Nutrien (NTR):** NTM P/E of 8 and 2.5% yield

Gold Miner **Newmont (NEM):** NTM P/E of 17 and 3.8% yield – gold has yet to rally much

Corrugated Packaging Producer **Westrock (WRK):** NTM P/E of 10 and 2.0% yield

Inexpensive Major European Companies

Insurance Giant **Allianz (ALIZY):** NTM P/E of 9 and 3.4% net dividend yield

Global Automaker and EV leader **Volkswagen (VWAGY):** NTM P/E of 8 and 1.1% net dividend yield

Integrated Energy Concern **TotalEnergies (TTE):** NTM P/E of 8 and 5.0% net dividend yield

Chemical Producer **BASF (BASFY):** NTM P/E of 12 and net dividend yield of 4.0%

"In a free society, one does not have to deal with those who are irrational. One is free to avoid them."

—Ayn Rand

November 2, 2021

the Prudent Speculator

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Established in March 1977 • 20 Enterprise, Suite 305 • Aliso Viejo, California 92656 • 800.258.7786

Social media powerhouse Facebook on Oct. 28 announced plans to change its corporate name to Meta Platforms...which ignited a 26% after-hours gain that day in Meta Materials, a small Nova Scotian specialty chemicals company. Never mind that Meta Materials has nothing to do with Facebook, with the financial press quick to point out that folks were buying the wrong stock. Of course, that seemingly important fact did not slow interest in the Canadian company as the stock price jumped 6% in trading on Nov. 1 with more than 19 million shares changing hands.

Lest readers think this is a once in a lifetime occurrence, the Facebook disclosure led to a 30% three-day increase in assets in the Roundhill Ball Metaverse ETF, which had the good fortune of owning the META ticker symbol. Now to be fair, the Roundhill ETF boasts a 6% stake in Meta Platforms amongst its 43 holdings and Mark Zuckerberg and Co. have brought the word Metaverse into the public eye, but cases of mistaken identity happen more often that one might imagine. In fact, a research paper published in 2019 by Vadim Balashov and Andrei Nikiforov found 254 instances of companies that saw fluctuations in their stock price related to events at another company with a similar name or stock ticker.

Long-time followers of our publication will remember modem maker Zoom Telephonics, which thanks to its name and ZOOM ticker symbol skyrocketed not once (on Xoom.com confusion in 1999), not twice (on Zoom Video confusion in 2019), but three times (on ZoomInfo confu-

> "In a free society, one does not have to deal with those who are irrational. One is free to avoid them."
>
> — Ayn Rand

We would not be surprised to see the major market averages suffer a sizable setback, especially as 10% corrections occur every 11 months on average, but we believe that we are prudently investing in businesses that trade for reasonable, if not inexpensive, valuation metrics. To be sure, we are playing in an entirely different sandbox, with many market players more excited by "meme" stocks, SPACs and more than a few profitless companies.

Of course, given that one of our core tenets is to seek to avoid permanent impairment of investment capital, we sleep much better at night knowing that TPS Portfolio sports respective trailing and forward P/E ratios of 15.5 and 13.7, compared to 25.9 and 21.9 for the S&P 500. And we like that it also owns a price to sales ratio of 1.2 (vs. 3.1 for the S&P). Further, given low yields on fixed income and no yields on cash, we can't help but be excited by TPS Portfolio's dividend yield of 2.2% (vs. 1.3% for the S&P).

Anything can happen as we go forward, but vaccines and therapeutics are working in the COVID-19 battle, and supply-chain challenges are likely to sort themselves out. The outlook for U.S. and global GDP growth is robust as we head into 2022, with continued healthy corporate profit growth likely to boost the kind of stocks that we have long championed. And, contrary to popular belief, whether it is periods of rising interest rates, higher inflation rates, Fed Tapering, or increased capital gains, corporate or personal income taxes, equities have performed well, on average, with Value historically leading the way.

DISCLOSURES: ALL TPS RECOMMENDATIONS

Ticker	Company	Ticker	Company	Ticker	Company	Ticker	Company	Ticker	Company
AAPL	Apple	CE	Celanese	GOOG	Alphabet	MAN	ManpowerGroup	QCOM	Qualcomm
ABT	Abbott Labs	CFG	Citizens Financial	GS	Goldman Sachs	MCK	McKesson	RCL	Royal Caribbean
ADM	Archer-Daniels	CHNG	Change Healthcare	GT	Goodyear Tire	MDC	MDC Holdings	REG	Regency Centers
ALB	Albemarle	CMA	Comerica	HAS	Hasbro	MDT	Medtronic PLC	SIEGY	Siemens AG
ALIZY	Allianz SE	CMCSA	Comcast	HFC	HollyFrontier	MET	MetLife	SJM	JM Smucker
ALK	Alaska Air Group	CMI	Cummins	HMC	Honda Motor	MMM	3M Co	SNA	Snap-On Inc
ALL	Allstate	COF	Capital One Fin'l	HPE	Hewlett Packard Ent	MOS	Mosaic Co	SNY	Sanofi
AMGN	Amgen	COHU	Cohu	IBM	IBM	MRK	Merck & Co	STX	Seagate Tech
ANTM	Anthem	CSCO	Cisco Systems	INT	World Fuel Services	MS	Morgan Stanley	SYF	Synchrony Fin'l
APD	Air Products	CVS	CVS Health	INTC	Intel	MSFT	Microsoft	T	AT&T
ARE	Alexandria RE	DAL	Delta Air Lines	IP	Int'l Paper	MU	Micron Tech	TAK	Takeda Pharma
AVGO	Broadcom	DE	Deere & Co	JBL	Jabil	NEM	Newmont Corp	TFC	Truist Financial
AXAHY	AXA SA	DIS	Walt Disney	JNJ	Johnson & Johnson	NLOK	NortonLifeLock	TGT	Target
AYI	Acuity Brands	DLR	Digital Realty	JNPR	Juniper Networks	NSC	Norfolk Southern	TKR	Timken
BAC	Bank of America	DOC	Physicians Realty	JPM	JPMorgan Chase	NTAP	NetApp	TPR	Tapestry
BASFY	BASF SE	DPSGY	Deutsche Post AG	JWN	Nordstrom	NTR	Nutrien Ltd	TSN	Tyson Foods
BHE	Benchmark Elect	EOG	EOG Resources	KEY	KeyCorp	NYCB	NY Community Banc	TTE	TotalEnergies SE
BHF	Brighthouse Fin'l	ETN	Eaton Corp PLC	KIM	Kimco Realty	OGN	Organon	VTRS	Viatris
BIG	Big Lots	FDX	FedEx	KLIC	Kulicke & Soffa	OMC	Omnicom Group	VWAGY	Volkswagen AG
BIIB	Biogen	FITB	Fifth Third Bancorp	KR	Kroger Co	ONB	Old National Bancorp	VZ	Verizon
BK	Bank of New York	FL	Foot Locker	KSS	Kohl's Corp	ORCL	Oracle	WHR	Whirlpool
BLK	Blackrock	GBX	Greenbrier	LEG	Leggett & Platt	OZK	Bank OZK	WM	Waste Management
BMY	Bristol-Myers	GD	General Dynamics	LITE	Lumentum Holdings	PFE	Pfizer	WMT	Walmart
C	Citigroup	GILD	Gilead Sciences	LMT	Lockheed Martin	PNC	PNC Financial	WRK	WestRock
CAH	Cardinal Health	GLW	Corning	LOW	Lowe's Cos	PNW	Pinnacle West	XOM	Exxon Mobil
CAT	Caterpillar	GM	General Motors	LRCX	Lam Research	PRU	Prudential Fin'l	ZBH	Zimmer Biomet

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The list of stocks on Slide 94-96 represent what we believe to be stocks that offer capital appreciation potential. Such stocks are included in the full list of recommendations shown on Slide 99. The full list of recommendations comprises the AFAM Strategies, which are managed by the AFAM Division of Kovitz Investment Group Partners, LLC (KIG).

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