

"There Is a Path"

By Brian W. Kelly, Publisher

There is a path to higher stock prices and more gains this year for our model portfolios. But after the initial surge to new market highs as trade tensions with China ease for now, it may feel like threading a needle.

Yes, with the announcement of a truce after the crucial meeting between Presidents Trump and Xi at the Osaka G-20 meeting, we all avoided a big hit to global stock prices. But kicking the can down the road (again) means the issue is still hanging overhead, and it increases the pressure to steer these negotiations into port. Here in the US, comments from Federal Reserve members indicate they've pivoted and are willing to—as Chairman Powell says—"support activity as needed." That's good, but there is now a growing disparity in expectations between the markets and the Fed.

All of this adds up, as we see it, to increased volatility as we enter the summer months. However, we also see a sturdy US economy, especially in the service sector which is four times bigger than manufacturing. This will provide the fundamental building block for equity gains as 2019 continues.

Trade deal with China

Picking up the theme from last month's issue, the mood is considerably better as we go to press. Presidents Trump and Xi agreed on Saturday to no new tariffs, and the Trump Administration will now allow Chinese telecom giant Huawei to buy (previously restricted) US products. More importantly, both sides have agreed to rekindle negotiations.

US Treasury Secretary Steven Mnuchin told us the two countries were "90% of the way toward a deal" before talks stalled in May and the countries imposed tit-for-tat tariffs. While the G-20 meeting results were certainly choreographed, most importantly we avoided a negative scenario which could have cost US stocks an estimated 7–10% in value. Mnuchin is hopeful that "there's a path" to a deal

that can be struck by year-end, but would not elaborate on what the final 10% of the agreement might entail or what the sticking points are.

Our opinion on China trade has not changed. We expect an agreement, mainly because both sides are highly motivated. President Xi would benefit from positive economic news as his party tries to tighten its hold on semi-autonomous Hong Kong. And President Trump would clearly benefit as he readies for Campaign 2020. Although the timeline is unclear, perceived progress will push global stocks higher. This deal is a critical factor in eliminating headwinds that are affecting global economic growth.

Economic Snapshot

Date	Report	Current	Expected	Prior
6/7	Non-farm Payrolls (May)	75k	180K	224K
6/14	Retail Sales (May)	0.5%	0.6%	0.3%
6/21	Existing Homes (May)	5.34M	5.25M	5.21M
6/25	New Homes (May)	626K	669K	679K
6/25	Consumer Conf (Jun)	121.5	131.1	131.3
6/26	Durable Goods (May)	-1.3%	-0.3%	-2.8%
6/3	ISM Manufacturing (Jun)	51.7	51.0	52.1

Notes: The May jobs report was accompanied by downward revisions for March & April. While declines have been expected after several years of strong gains, May was softer than predicted. The upswing in May retail sales, coupled with a positive revision for April, gives hope that the consumer will counterbalance lagging areas in the economy. Existing home sales were stronger than expected in May, mainly due to the decline in mortgage rates. The average 30-year rate has declined to 3.84% from 4.94% last November. Will this trend in mortgage rates push new home sales, which have flat-lined over the last year? Trade uncertainty has been holding back US orders for durable goods, with the volatile transportation sector front-and-center. Trade and tariffs likewise pushed down June Consumer Confidence; progress coming out of the just-concluded G-20 meeting should encourage consumers. The June ISM Manufacturing number shows continued expansion, but at a slower pace.

Market Trends

	Trailing 12-Mo Trend	Forward 6-Mo Estimate
Economy	Higher	Flat (steady)
Interest Rates (10-yr Treas.)	Lower	Flat/Higher
Dollar	Higher	Flat
Inflation	Lower	Flat/Higher
Dow	Higher	Higher
NASDAQ	Higher	Higher
Europe	Flat/Higher	Higher
Japan (Nikkei)	Flat	Higher
Hong Kong (Hang Seng)	Flat	Higher

The Fed

Is a Fed cut in July a done deal? We think so, but after that it's anybody's guess. We're in the camp that says the Fed will announce a 25 basis point cut at the next meeting, but then adopt a wait-and-see approach. Currently, futures odds have a 25bp cut at 74%, and a 50bp cut at a surprising 26%.

The above odds give you a taste of the varying expectations on the street. One of our contacts at Eaton Vance

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characterized a 50bp move as “unbelievable” and actually sees the Fed hiking once before year end and then hitting the sidelines in 2020. (Eaton Vance is more optimistic about the economy looking ahead than most market observers.) However, futures trading points to four cuts over the next year and another analyst at a big Wall Street house believes anything short of that would trigger at least a 7% drop in stock prices.

Here’s our chance to say “unbelievable.” We see the Fed’s “wait-and-see” approach taking us close to year end, and given the resilience of the US economy and the upcoming election, three more cuts before next July seems highly unlikely. Furthermore, if the economy continues to deliver modest growth (say in the 2.0%–2.75% range) expectations will move into line with what we consider to be likely Fed action.

Overseas, there has been talk of the European Central Bank cutting rates as well. Unfortunately, with interest rates so low there is not much room to create a significant effect. All in all, however, global central banks remain accommodative and will remain so for the foreseeable future.

World Markets: 2019 Returns

Index	June	YTD 6/30/19
Brazil – Ibovespa	4.0%	14.9%
China – Shanghai Comp	2.8	19.4
Europe – Euro STOXX 50	5.9	15.7
India – S&P BSE SENSEX	-0.8	9.2
Japan – Nikkei 225	3.3	6.3
Mexico – Bolsa IPC	1.0	3.7
U.S. – S&P 500	6.9	17.3

Indexes do not include dividends

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Keep it up

With the uncertainty surrounding the Trump-Xi meeting behind us, we can take a short breather when it comes to Sino-US trade relations. Unfortunately, it won't be much of a respite and as we were reminded today in Europe, tariffs are not limited to the US-China relationship. With global economic slowing the biggest risk to investment performance in the intermediate-term, real progress on trade will be the primary factor in improving worldwide business and investor confidence.

We are monitoring risks closely, but are not persuaded to reduce equity exposure in a broad sense at this time. As you'll see in the Quarterly Report below, all subscribers are enjoying very good returns and being too cautious would be very costly. Remember, alternative to stocks are currently not that competitive. That said, we are looking at the makeup of the Conservative models and may have changes to announce in the next month to position them more distinctly from the other models.

Stay the course. Summer can be a soft time for stocks, so use any downturn as a buying opportunity.

Have a happy and safe Independence Day holiday!

The Second Quarter 2019 Report

Despite a reporting period marked by trade-related volatility, the portfolios posted strong gains in the 2nd Quarter. Once again, all nine models outperformed the average asset allocation fund (our benchmark) for the period. The *MONEYLETTER* Venturesome model led the way with a +4.9% return for the quarter.

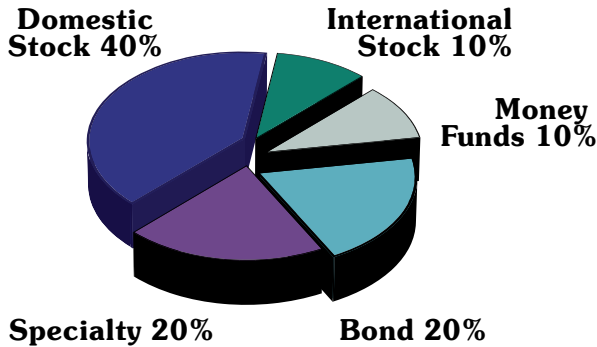
Table 1
2019 2nd Quarter Performance

Portfolio	1st Q	2nd Q
<i>MONEYLETTER</i>		
Venturesome	13.9%	4.9%
Moderate	10.2	3.2
Conservative	10.6	3.4
Fidelity		
Venturesome	12.7	2.9
Moderate	9.6	3.0
Conservative	10.0	3.3
Vanguard		
Venturesome	13.4	4.0
Moderate	10.0	3.1
Conservative	9.7	3.4
Asset Allocation Funds (Avg. of 2,109 funds)	7.8%	1.8%
Vanguard 500 Index Fund	13.6	4.3

The top performing funds list fell into a much narrower band than last quarter. The #1 fund for the reporting period was Wasatch Global Opportunities Investor (ticker:

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The Conservative Model Portfolios seek steady long-term growth of capital with limited short-term volatility



Trades

Hotline 6/5	Sold	Bought
MONEYLETTER Conservative	American Century Ultra TWCUX 881 shares @ \$46.47	YCG Enhanced YCGEX 2,178 shares @ \$18.80
Hotline 6/12	Sold	Bought
Vanguard Conservative	Vanguard Explorer VEXPX 267 @ \$100.33	Vanguard Mid Cap Growth Investor VMGRX 951 @ \$28.14

MONEYLETTER

Fund Name	Ticker Symbol	Purchase Date	Shares	NAV	Value	Portfolio Percent	Monthly Return
Schwab Investor MF	SWRXX	—	28,668	\$1.00	\$28,668	9%	0.2%
Akre Focus Retail	AKREX	12/28/17	1,350	42.88	57,894	19%	4.1%
YCG Enhanced	YCGEX	06/06/19	2,178	19.27	41,971	14%	5.9%
William Blair Growth N	WBG SX	10/25/18	3,123	9.68	30,229	10%	5.8%
Wasatch Global Opportunities Inv	WAGOX	03/15/18	8,499	3.60	30,595	10%	5.0%
SPDR SSgA Ultra Short Term Bond	ULST	03/07/19	700	40.42	28,283	9%	0.3%
SPDR DoubleLine Total Return Tactical	TOTL	11/03/16	495	49.07	24,295	8%	1.1%
Berwyn Income	BERIX	12/13/13	1,868	13.15	24,562	8%	2.5%
Fidelity Balanced	FBALX	04/24/08	1,646	23.60	38,850	13%	5.0%
TOTAL (as of 06/30/19)					\$305,347		3.4%
2019 YTD Performance (as of 06/30/19): 14.3%							
2009: 23.3% 2010: 14.5% 2011: 0.1% 2012: 7.9% 2013: 20.2% 2014: 3.9% 2015: 1.0% 2016: 3.0% 2017: 11.5% 2018: -2.8%							

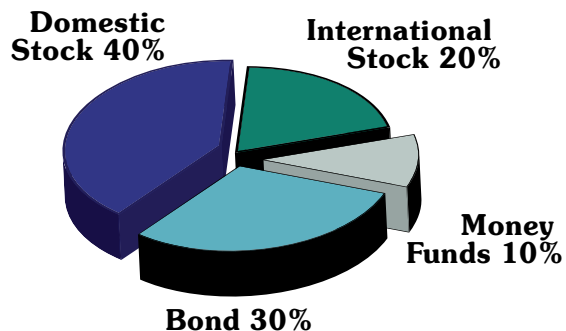
Fidelity

Fidelity Cash Reserves	FDRXX	—	22,275	\$1.00	\$22,275	9%	0.2%
Fidelity Blue Chip Growth	FBGRX	05/11/17	265	101.01	26,738	11%	7.2%
Fidelity Export & Multinational	FEXPX	11/29/18	1,202	20.86	25,082	10%	7.5%
Fidelity Focused Stock	FTQGX	11/02/17	1,365	25.19	34,377	14%	5.7%
Fidelity Growth Discovery	FDSVX	06/08/17	707	37.74	26,689	10%	6.6%
Fidelity Worldwide	FWWFX	07/26/18	866	27.74	23,719	9%	5.5%
Fidelity Limited Term Bond	FLTB	03/07/19	484	50.70	24,557	10%	0.9%
Fidelity Total Bond	FTBFX	11/03/16	1,932	10.79	20,850	8%	1.4%
Fidelity Puritan	FPURX	12/13/13	1,145	22.12	25,331	10%	4.8%
Fidelity Balanced	FBALX	11/27/02	1,059	23.60	24,988	10%	5.0%
TOTAL (as of 06/30/19)					\$254,606		4.6%
2019 YTD Performance (as of 06/30/19): 13.6%							
2009: 24.6% 2010: 9.9% 2011: -1.3% 2012: 11.1% 2013: 16.7% 2014: 5.3% 2015: -0.1% 2016: 2.1% 2017: 16.6% 2018: -1.9%							

Vanguard

Vanguard Prime MMF/Inv	VMMXX	—	22,891	\$1.00	\$22,891	9%	0.2%
Vanguard Mid-Cap Growth ETF	VOT	04/18/19	186	149.31	27,822	11%	6.4%
Vanguard Mid Cap Growth Inv	VMGRX	06/13/19	951	28.56	27,151	11%	6.7%
Vanguard U.S. Growth Inv	VWUSX	06/22/17	521	41.20	21,464	9%	7.4%
Vanguard Dividend Appreciation ETF	VIG	11/29/18	268	115.16	30,850	13%	6.6%
Vanguard International Growth Inv	VWIGX	09/28/17	801	29.53	23,644	10%	8.2%
Vanguard Ultra-Short-Term Bond Inv	VUBFX	03/07/19	2,273	10.03	22,794	9%	0.3%
Vanguard S-T Investment Grade	VFSTX	12/13/13	1,441	10.71	15,429	6%	0.8%
Vanguard Wellington	VWELX	12/13/13	511	41.35	21,119	9%	4.4%
Vanguard Balanced Index	VBINX	11/27/02	816	37.07	30,239	12%	4.6%
TOTAL (as of 06/30/19)					\$243,403		4.8%
2019 YTD Performance (as of 06/30/19): 13.5%							
2009: 15.8% 2010: 13.8% 2011: 1.3% 2012: 6.4% 2013: 18.0% 2014: 5.7% 2015: 0.4% 2016: 5.3% 2017: 12.7% 2018: -4.0%							

The Moderate Model Portfolios seek greater long-term growth than the Conservative Portfolio by taking prudent risks



Trades

Hotline 6/5	Sold	Bought
MONEYLETTER Moderate	Matthews Asia Growth MPACX 1,077 shares @ \$24.62	Wasatch Global Opportunities Inv WAGOX 7,616 shares @ \$3.48

Hotline 6/12	Sold	Bought
Vanguard Moderate	Vanguard Explorer VEXPX 471 @ \$100.33	Vanguard Mid Cap Growth Investor VMGRX 1,681 @ \$28.14

MONEYLETTER

Fund Name	Ticker Symbol	Purchase Date	Shares	NAV	Value	Portfolio Percent	Monthly Return
Schwab Investor MMF	SWRXX	—	35,516	\$1.00	\$35,516	11%	0.2%
William Blair Growth N	WBG SX	10/25/18	4,855	9.68	46,992	14%	5.8%
Akre Focus Retail	AKREX	01/17/19	1,435	42.88	61,546	18%	4.1%
Baron Partners Retail	BPTRX	06/01/17	615	59.91	36,853	11%	8.7%
AmerCent Emerging Markets	TWMIX	08/16/17	2,872	11.14	31,993	10%	7.3%
Wasatch Global Opportunities	WAGOX	06/06/19	7,616	3.60	27,418	8%	5.0%
SPDR DoubleLine Total Return Tactical	TOTL	11/03/16	578	49.07	28,353	8%	1.1%
Fidelity Floating Rate High Inc	FFRHX	07/15/10	6,957	9.48	65,953	20%	0.3%
TOTAL (as of 06/30/19)					\$334,624		3.6%
2019 YTD Performance (as of 06/30/19): 13.8%							

2009:30.2% 2010:19.4% 2011:-5.8% 2012:10.0% 2013:21.8% 2014:4.1% 2015:-1.2% 2016:2.6% 2017:9.3% 2018:-6.6%

Fidelity

Fidelity Cash Reserves	FDRXX	—	35,617	\$1.00	\$35,617	10%	0.2%
Fidelity Export & Multinational	FEXPX	11/29/18	2,401	20.86	50,084	14%	7.5%
Fidelity Blue Chip Growth	FBGRX	05/11/17	623	101.01	62,977	17%	7.2%
Fidelity Growth Discovery	FDSVX	05/25/17	1,198	37.74	45,218	12%	6.6%
Fidelity Emerging Markets	FEMKX	01/11/18	1,079	32.17	34,721	10%	6.8%
Fidelity Worldwide	FWWFX	06/07/18	1,259	27.40	34,496	9%	5.5%
Fidelity Total Bond	FTBFX	11/03/16	2,967	10.79	32,013	9%	1.4%
Fidelity Floating Rate High Inc	FFRHX	07/15/10	7,200	9.48	68,259	19%	0.3%
TOTAL (as of 06/30/19)					\$363,385		4.3%
2019 YTD Performance (as of 06/30/19): 12.8%							

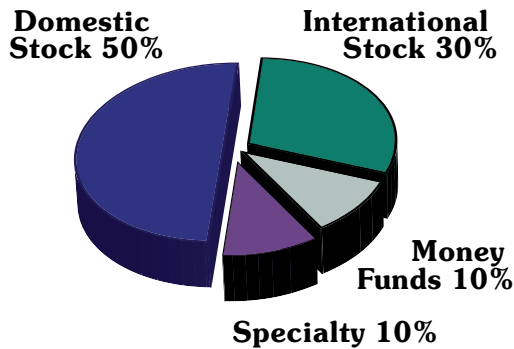
2009:32.3% 2010:17.0% 2011:-5.0% 2012:12.7% 2013:19.2% 2014:5.8% 2015:-0.1% 2016:0.9% 2017:15.3% 2018:-3.3%

Vanguard

Vanguard Prime MMF/Inv	VMMXX	—	27,771	\$1.00	\$27,771	10%	0.2%
Vanguard Dividend Appreciation ETF	VIG	01/24/19	374	115.16	43,103	15%	6.6%
Vanguard Mid Cap Growth Inv	VMGRX	06/13/19	1,681	28.56	48,007	17%	6.7%
Vanguard Mega Cap Growth ETF	MGK	06/12/17	256	129.47	33,175	12%	6.8%
Vanguard Global Equity Inv	VHGEX	08/09/18	810	30.95	25,075	9%	6.5%
Vanguard International Growth Inv	VWIGX	06/07/18	1,067	29.53	31,502	11%	8.2%
Vanguard Ultra-Short-Term Bond Inv	VUBFX	03/07/19	2,727	10.03	27,352	10%	0.3%
Vanguard S-T Investment Grade	VFSTX	12/13/13	4,463	10.71	47,798	17%	0.8%
TOTAL (as of 06/30/19)					\$283,783		4.6%
2019 YTD Performance (as of 06/30/19): 13.5%							

2009:27.5% 2010:15.6% 2011:-1.1% 2012:10.9% 2013:21.3% 2014:5.8% 2015:0.6% 2016:2.9% 2017:11.8% 2018:-6.8%

The Venturesome Model Portfolios seek maximum long-term growth by accepting greater short-term volatility



Trades

Hotline 6/12	Sold	Bought
Vanguard Venturesome	Vanguard Explorer VEXPX 297 shares @ \$100.33	Vanguard Mid Cap Growth Investor VMGRX 1,060 shares @ \$28.14

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Next Issue: Volume 40, No. 8

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MONEYLETTER

Fund Name	Ticker Symbol	Purchase Date	Shares	NAV	Value	Portfolio Percent	Monthly Return
Schwab Investor MF	SWRXX	—	38,248	\$1.00	\$38,248	10%	0.2%
William Blair Growth N	WBG SX	10/25/18	4,653	9.68	45,043	11%	5.8%
Akre Focus Retail	AKREX	01/17/19	1,600	42.88	68,616	17%	4.1%
Baron Partners Retail	BPTRX	05/04/17	887	59.91	53,165	13%	8.7%
Kinetics Paradigm No Load	WWNPX	10/25/18	939	53.27	50,004	13%	6.7%
Fidelity Real Estate Income	FRIFX	05/05/16	2,636	12.35	32,554	8%	1.8%
AmerCent Emerging Markets	TWMIX	08/03/17	2,902	11.14	32,324	8%	7.3%
Wasatch Global Opportunities Inv	WAGOX	03/15/18	13,217	3.60	47,583	12%	5.0%
Hennessy Japan Small Cap Inv	HJPSX	06/07/18	2,139	14.67	31,377	8%	3.1%
TOTAL (as of 06/30/19)					\$398,914		4.9%

2019 YTD Performance (as of 06/30/19): 19.5%

2009:31.0% 2010:15.7% 2011:-10.3% 2012:9.7% 2013:32.0% 2014:7.5% 2015:2.9% 2016:4.5% 2017:16.2% 2018:-8.7%

Fidelity

Fidelity Cash Reserves	FDRXX	—	39,400	\$1.00	\$39,400	9%	0.2%
Fidelity Export & Multinational	FEXPX	11/29/18	2,468	20.86	51,472	12%	7.5%
Fidelity Blue Chip Growth	FBGRX	05/11/17	647	101.01	65,305	15%	7.2%
Fidelity Growth Discovery	FDSVX	05/25/17	1,348	37.74	50,890	12%	6.6%
Fidelity Focused Stock	FTQGX	01/17/19	2,612	25.19	65,808	15%	5.7%
Fidelity China Region	FHKCX	08/10/17	951	34.56	32,857	8%	8.9%
Fidelity Emerging Markets	FEMKX	05/18/17	1,626	32.17	52,319	12%	6.8%
Fidelity Japan Smaller Companies	FJSCX	06/07/18	2,128	16.51	35,137	8%	3.8%
Fidelity Real Estate Income	FRIFX	05/05/16	3,041	12.35	37,562	9%	1.8%
TOTAL (as of 06/30/19)					\$430,750		5.5%

2019 YTD Performance (as of 06/30/19): 16.0%

2009:38.3% 2010:18.7% 2011:-9.7% 2012:13.6% 2013:26.2% 2014:6.2% 2015:1.7% 2016:1.2% 2017:22.2% 2018:-6.6%

Vanguard

Vanguard Prime MMF/Inv	VMMXX	—	28,212	\$1.00	\$28,212	10%	0.2%
Vanguard Mid Cap Growth Inv	VMGRX	06/13/19	1,060	28.56	30,275	10%	6.7%
Vanguard Mega Cap Growth ETF	MGK	06/08/17	417	129.47	53,944	18%	6.8%
Vanguard Dividend Appreciation ETF	VIG	01/24/19	342	115.16	39,385	13%	6.6%
Vanguard U.S. Growth Inv	VWUSX	06/22/17	773	41.20	31,855	11%	7.4%
Vanguard Global Equity Inv	VHGEX	08/09/18	1,423	30.95	44,049	15%	6.5%
Vanguard International Growth Inv	VWIGX	10/05/17	1,443	29.53	42,598	15%	8.2%
Vanguard Balanced Index	VBINX	03/08/18	609	37.07	22,562	8%	4.6%
TOTAL (as of 06/30/19)					\$292,880		6.2%

2019 YTD Performance (as of 06/30/19): 17.9%

2009:26.9% 2010:18.0% 2011:-6.1% 2012:10.7% 2013:29.9% 2014:6.1% 2015:-2.4% 2016:3.9% 2017:15.7% 2018:-8.5%

Bond Funds
06/30/2019

Ticker Symbol	FUND NAME	Fund Type	Risk Profile			TOTAL RETURN			PRICE PER SHARE	Std. Dev.	Yield	NTF/wf
			Conservative	Moderate	Venturesome	1 mo.	6 mo.	12 mo.				
EVBLX	Eaton Vance Floating Rate A	BnkLoan	H	H	*	0.0%	4.5%	2.7%	\$9.17	2.6	4.11%	FSA
FFRHX	Fidelity Floating Rate High Inc	BnkLoan	H	H	*	0.3	5.7	4.0	9.48	2.8	4.62	Fsa
BKLN	INVESCO Senior Loan	BnkLoan	H	H	*	0.5	6.6	3.9	22.66	3.1	4.87	—
PRFRX	T. Rowe Price Floating Rate (2%r<90d)	BnkLoan	H	H	*	0.4	5.5	4.2	9.68	2.5	4.63	fsA
BUFHX	Buffalo High-Yield (2%r<180d)	HighYld	*	*	*	1.3	7.8	5.4	11.00	3.2	4.62	FSA
FAGIX	Fidelity Capital & Income	HighYld	*	*	*	2.8	12.9	5.7	10.00	6.8	4.55	Fsa
SPHIX	Fidelity High Income	HighYld	*	*	*	2.0	9.6	6.2	8.86	4.8	5.13	Fsa
JAHYX	Janus Henderson High Yield T	HighYld	*	*	*	2.1	9.9	7.2	8.34	4.3	5.32	FSA
JNK	SPDR Barclays Capital High Yield Bond	HighYld	*	*	*	3.1	10.7	8.4	108.44	4.8	5.59	—
PRHYX	T. Rowe Price High Yld (closed,2%r<90d)	HighYld	*	*	*	1.7	9.6	7.2	6.59	4.0	5.42	fsA
TGHNX	TCW High Yield Bond N	HighYld	*	*	*	1.6	8.4	8.1	6.47	2.9	4.56	FSA
VAGIX	Value Line Core Bond Fund	HighYld	*	*	*	1.2	6.0	7.0	15.11	2.9	2.30	FSA
VWEHX	Vanguard Hi-Yield Corp Inv	HighYld	*	*	*	2.7	10.9	8.9	5.86	4.5	5.59	fsa
BEGBX	American Century International Bond Inv	Int'l	*	*	*	2.8	5.5	3.9	13.17	6.6	1.33	FSA
FNMIX	Fidelity New Markets Income	Int'l	*	*	*	2.3	9.1	7.1	15.19	6.5	4.44	Fsa
PCY	INVESCO Emerging Mkts Sovereign Debt	Int'l	*	*	*	4.8	12.8	15.2	29.04	7.1	4.77	—
EMB	iShares JPM USD Emerging Markets Bond	Int'l	*	*	*	3.5	11.3	12.5	112.85	6.2	5.51	—
PYGFX	Payden Global Fixed Income	Int'l	*	H	*	1.6	6.9	7.5	9.13	2.4	5.18	FsA
PREMX	T. Rowe Price Emerging Mkts (2%r<90d)	Int'l	*	*	*	3.5	10.9	10.1	11.90	6.8	4.62	fsA
RPIBX	T. Rowe Price Intl Bond (2%r<90d)	Int'l	*	*	*	2.9	5.5	4.9	9.01	6.8	1.96	fsA
VGOVX	Vanguard Emerg Mkts Govt Bd Index (.75%)	Int'l	*	*	*	3.3	9.8	11.4	10.05	4.8	4.30	a
VWOB	Vanguard Emerg Mkts Govt Bd Index ETF	Int'l	*	*	*	3.3	10.0	11.9	80.12	4.8	4.43	—
BNDX	Vanguard Total Intl Bd Index ETF	Int'l	*	*	*	1.6	6.1	8.0	57.25	2.5	2.90	—
VTIBX	Vanguard Total Intl Bd Index Inv	Int'l	*	*	*	1.6	6.0	7.7	11.44	2.5	2.87	fsa
TGINX	TCW Emerging Markets Inc N	Int'l	*	*	*	3.8	11.5	11.1	10.80	6.5	4.26	FSA
BFAFX	AmerFunds Bond Fund of America F1	IntTerm	*	*	*	1.3	6.0	7.5	13.16	2.8	2.40	FS
ACITX	American Century Inflation Adj Bond Inv	IntTerm	*	*	*	0.7	6.1	4.0	11.62	3.1	2.69	FSA
DODIX	Dodge & Cox Income	IntTerm	*	*	*	1.5	6.6	7.6	13.91	2.3	3.07	fsa
FTRGX	Federated Total Return Govt Bond Inst	IntTerm	*	*	*	0.8	4.8	7.0	10.99	3.0	2.27	fsa
FTHRX	Fidelity Intermediate Bond	IntTerm	*	*	*	1.0	5.3	6.9	11.01	2.2	2.24	Fsa
FBNDX	Fidelity Investment Grade Bond	IntTerm	*	*	*	1.5	7.0	8.4	8.09	3.0	2.79	Fsa
FTBFX	Fidelity Total Bond	IntTerm	B	B	*	1.4	7.0	7.8	10.79	2.8	3.03	Fsa
IEF	iShares Barclays 7-10 Year Treasury	IntTerm	*	*	*	1.2	6.7	10.0	109.83	4.8	2.27	—
AGG	iShares Barclays Aggregate Bond	IntTerm	*	*	*	1.1	5.8	7.7	111.10	3.0	2.69	—
TIP	iShares TIPS Bond	IntTerm	*	*	*	0.8	6.1	4.6	114.88	2.9	2.16	—
MGFIX	Managers Bond Service	IntTerm	*	*	*	1.7	7.1	7.2	26.85	3.0	3.43	FSA
MBDFX	Managers PIMCO Bond (\$100k)	IntTerm	*	*	*	1.3	6.7	8.0	10.35	3.3	2.35	fsa
MWTRX	Metropolitan West Total Return Bond M	IntTerm	*	*	*	1.0	6.1	7.6	10.90	2.9	2.64	FSA
PRFIX	Parnassus Fixed-Income	IntTerm	*	*	*	1.5	7.6	8.6	16.92	3.0	2.55	FSA
SCHR	Schwab Intermediate-Term U.S. Treasury	IntTerm	*	*	*	0.9	4.9	7.6	54.86	3.2	2.33	—
SCHZ	Schwab U.S. Aggregate Bond ETF	IntTerm	*	*	*	1.4	6.1	7.8	52.88	3.1	2.78	—
SCHP	Schwab U.S. TIPS ETF	IntTerm	*	*	*	0.8	6.2	4.8	56.06	2.9	2.06	—
TOTL	SPDR DoubleLine Total Return Tactical	IntTerm	H	H	*	1.1	5.1	6.9	48.93	2.3	3.42	—
PRCIX	T. Rowe Price New Income	IntTerm	*	*	*	1.0	6.3	7.5	9.60	3.0	2.73	fsA
USAIX	USAA Income	IntTerm	*	*	*	1.3	7.5	8.2	13.28	3.1	3.32	FSA
VIPSX	Vanguard Inflation Protected Securities	IntTerm	*	*	*	0.8	6.1	4.7	13.17	3.0	2.39	fsa
VFICX	Vanguard Interm-Term Investment-Grade	IntTerm	*	*	*	1.7	7.7	9.5	9.95	3.1	3.15	fsa
VFITX	Vanguard Intermediate Term Treasury Inv	IntTerm	*	*	*	1.0	5.2	7.7	11.34	3.2	2.48	fsa
VBIIX	Vanguard Intermediate-Term Bond Index	IntTerm	*	*	*	1.5	7.7	9.9	11.70	3.8	2.69	fsa
BND	Vanguard Total Bond Market ETF	IntTerm	*	*	*	1.3	6.1	7.9	82.88	3.1	2.76	—
VBMFX	Vanguard Total Bond Market Index Inv	IntTerm	*	*	*	1.2	6.1	7.7	10.93	3.1	2.68	fsa
WTIBX	Westcore Plus Bond	IntTerm	*	*	*	1.1	6.3	7.4	10.77	2.8	3.12	FSA
FGOVX	Fidelity Government Income	LngTerm	*	*	*	0.8	4.9	6.8	10.43	3.1	1.98	Fsa
TLT	iShares Barclays 20+ Year Treasury Bond	LngTerm	*	*	*	1.0	10.5	12.1	132.55	10.1	2.43	—
LQD	iShares iBoxx \$ Invest Grade Corp Bond	LngTerm	*	*	*	3.3	11.9	12.6	124.02	4.8	3.43	—
PRPIX	T. Rowe Price Corporate Income	LngTerm	*	*	*	1.5	8.7	9.3	9.69	3.9	3.14	fsA
PRULX	T. Rowe Price U.S. Treasury Long-Term	LngTerm	*	*	*	0.8	10.4	11.7	13.37	9.8	2.26	fsA
VBLTX	Vanguard Long-Term Bond Index Inv	LngTerm	*	*	*	2.5	13.0	13.7	14.68	7.7	3.50	fsa
VWVEX	Vanguard Long-Term Inv-Grade Inv	LngTerm	*	*	*	3.1	14.0	14.7	10.69	7.2	3.84	fsa
VUSTX	Vanguard Long-Term Treasury Inv	LngTerm	*	*	*	1.0	10.6	12.1	12.90	9.9	2.63	fsa
JAFIX	Janus Henderson Flexible Bond T	Multi	*	*	*	1.4	6.0	6.6	10.39	2.8	2.99	FSA
LSBDX	Loomis Sayles Bond Instl (\$100k)	Multi	*	*	*	2.5	8.1	5.6	13.68	3.9	3.46	fsa
LSBRX	Loomis Sayles Bond Retail	Multi	*	*	*	2.5	8.0	5.3	13.61	3.9	3.23	FSA
PRSNX	T. Rowe Price Global Multi-Sector	Multi	*	*	*	1.6	6.9	8.6	11.47	2.82	3.43	fsA
RPSIX	T. Rowe Price Spectrum Income	Multi	*	*	*	2.0	7.5	6.6	12.57	3.2	3.21	fsA
FLT B	Fidelity Limited Term Bond ETF	ShtTerm	B	B	*	0.9	4.1	5.7	50.70	1.4	2.62	—
ULST	SPDR \$Sga Ultra Short Term Bond ETF	ShtTerm	B	B	*	0.3	1.8	2.8	40.33	0.3	2.40	—
VFSTX	Vanguard Short-Term Inv Grade Inv	ShtTerm	H	H	*	0.8	4.1	5.4	10.71	1.3	2.82	fsa
VUBFX	Vanguard Ultra-Short-Term Bond Investor	ShtTerm	B	B	*	0.3	2.0	3.4	10.03	0.4	2.50	fsa
BTTRX	American Century Zero Coupon 2025 Inv	ZeroCpn	*	*	*	1.1	6.0	8.5	105.34	4.7	3.46	FSA

WAGOX) at +7.8%. The top performers averaged +5.6% for the period, about 1.3% ahead of the Vanguard 500 Index Fund, a market proxy.

Table 2

2019 2nd Quarter Top Performing Funds (Funds Held Throughout the 2nd Quarter)

Fund	Total Return
Wasatch Global Opportunities Inv	7.8%
Baron Partners Retail	7.4
Akre Focus Retail	5.9
Kinetics Paradigm No Load	5.7
Vanguard U.S. Growth	5.6
Vanguard Dividend Appreciation ETF	5.5
William Blair Growth N	4.9
Fidelity Emerging Markets	4.5
Vanguard Mega Cap Growth ETF	4.5
Vanguard Global Equity Inv	4.5
Asset Allocation Funds (Avg. of 2,109 funds)	1.8%
Vanguard 500 Index Fund	4.3%

The Investment Committee

Brian W. Kelly, Publisher

Brian has enjoyed a long career in financial publishing and is responsible for all aspects of *MONEYLETTER's* operations. He has been a member of The Investment Committee, working closely with Walter Frank, since 1986. Brian is a graduate of the College of the Holy Cross.

Cynthia Andrade, Contributing Editor

Cyndi has been a financial writer and editor since 1980. She has written freelance pieces for firms such as Fidelity Investments, Institute for International Research, State Street Research, and Lipper Inc. Cyndi is a Chartered Financial Analyst and has a degree in Finance/Quantitative Methods from Babson College.

Bruce W. Hardy, Investment Consultant

Bruce is a former mutual fund portfolio manager and has been developing financial products for both institutional and individual investors for more than 30 years. He has held key management positions with W.E. Donoghue & Co., David L. Babson & Co., and BankBoston and is currently President of PRI Financial Advisors, Inc. Bruce received his MBA from Boston University and is a graduate of Middlebury College.

Total Returns—June 30, 2019

	1-mo	6-mo	1-yr	3-yr	YTD
S&P 500	7.1%	18.5%	10.4%	48.9%	18.5%
Asset Allocation Funds (Avg 2,109 Funds)	4.2	9.8	1.5	26.7	9.8

100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Gabelli US Treasury MMF/CI AAA	2.34%	2.36%	2.16%
Schwab US Treas MF/Investor	1.99	2.04	1.82
Fidelity Treasury Only MMF	1.96	2.00	1.84
PNC Treasury MMF/CI A	1.92	1.97	1.83
Amer Century Capital Presv Fund/Inv	1.89	1.95	1.76
JPMorgan 100% US Treas Secs MMF/Mrg	1.80	1.83	1.66
Western Asset US Treas Res/CI N	1.78	1.83	1.65
Wells Fargo 100% Treas MMF/CI A	1.77	1.81	1.65

GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
Invesco Premier Portfolio/Inst	2.43%	2.45%	2.31%
Vanguard Prime MMF/Investor	2.39	2.41	2.30
Northern MMF	2.24	2.25	2.14
Schwab Retirement Advantage MF	2.20	2.22	2.10
Fidelity Money Market Fund	2.15	2.17	2.08
Dreyfus BASIC MMF	2.12	2.13	2.01
Principal MMF/Class A	2.11	2.15	1.91
T. Rowe Price Cash Reserves Fund	2.10	2.12	2.00
DWS MM Prime Ser/DWS MMF	2.08	2.09	1.90
Putnam MMF/CI A	2.08	2.09	1.96

TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard Municipal MMF/Investor	1.72%	1.51%	1.46%
Invesco T-F Cash Reserve/Inst	1.67	1.42	1.33
BNY Mellon National Muni MMF/CI M	1.64	1.38	1.25
Fidelity Municipal MMF	1.51	1.29	1.25
Northern Municipal MMF	1.51	1.31	1.20
Amer Century T-F MMF/Inv Class	1.49	1.20	1.11
Fidelity Tax-Exempt MMF	1.46	1.22	1.18
USAA Tax Exempt MMF	1.37	1.14	1.09
T. Rowe Price Tax-Exempt MF/Inv	1.34	1.27	1.17
T. Rowe Price Summit Muni MMF	1.30	1.21	1.15

TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Vanguard PA Muni MMF	1.72%	1.51%	1.38%
Vanguard NY Muni MMF	1.71	1.48	1.42
Fidelity NY AMT T-F MMF	1.61	1.38	1.28
Federated NY Muni Cash Tr/Wealth	1.58	1.42	1.30
Vanguard NJ Muni MMF	1.58	1.44	1.38
Fidelity MA AMT T-F MMF	1.55	1.35	1.26
Fidelity NJ AMT T-F MMF	1.49	1.35	1.26
Vanguard CA Muni MMF	1.48	1.32	1.33
Federated CA Muni Cash Tr/Wealth	1.47	1.30	1.29
Fidelity NY Municipal MMF	1.47	1.20	1.13

Taxable equivalent yield = yield / (1-total effective tax bracket).

7-day and 30-day yields are compound yields as of 06/24/19. Third column refers to 1-year total return. Criteria for inclusion include: top-yielding unrestricted retail funds only, with minimum initial investment < \$25,000 and assets > \$50 million.

Source: iMoney.net's Money Fund Report (800) 343-5413

(continued from page 12)

ket capitalization weighted and targets the faster-growing and more highly valued stocks in the mid-cap space. Its sector weightings can also differ quite a bit from VMGRX: For example, VOT has a 10% stake in the real estate sector where the actively managed fund has none.

Vanguard Mid-Cap Growth Investor Shares (VMGRX)
(800) 662-7447 • Minimum Inv \$3,000/\$3,000 IRA

Cynthia Andrade (CFA), Contributing Editor

Vanguard Mid-Cap Growth Added to Model Portfolios

Investors in the three Vanguard model portfolios were advised of a trade on June 12: Sell Vanguard Explorer Investor (VEXPX) and Buy Vanguard Mid-Cap Growth Investor (VMGRX). The latter fund is run using a multi-manager approach, with all three of its advisors employing a fundamental, bottom-up approach to select stocks with outstanding managements and potential for growth. Each manager independently manages a portion of fund assets. Vanguard has used a multimanager approach in various funds since 1987, in cases where the firm believes that a combination of different but complementary managers will lessen portfolio volatility and provide the potential for superior long-term performance.

The managers and their strategies

In mid-December, Vanguard altered the management structure of the Mid-Cap Growth fund from two sub-advisors to three. The announcement was made in conjunction with the merger of Vanguard Morgan Growth into Vanguard U.S Growth. With that merger (effective in April), Vanguard shuffled its advisory team, removing William Blair Investment Management.

RS Investments, already a manager for Mid-Cap Growth, remained with the fund. Vanguard added two new managers: Frontier Capital Management, a long-term subadvisor to Vanguard, and a growth equity team from Wellington Management. Here, a look at the three strategies.

RS Investments (manages 50% of fund assets). On board since the end of 2016, RS Investments combines quantitative screening with fundamental analysis to find stocks capable of sustainable earnings growth. The quantitative model starts with 60 factors analyzing growth, quality, valuation, and sentiment. The managers then examine fundamental factors to determine if a company can maintain sustainable growth. Finally, the team uses scenario analysis to set upside and downside target prices, with only stocks with a better than 2:1 upside-to-downside ratio making the cut.

Wellington Management (responsible for 45% of assets). This advisor uses traditional bottom-up methods of stock picking—fundamental research and analysis—to find companies with perceived above-average growth prospects. The team focuses on sustainable earnings power. Through analysis of return on investment capital forecasts, price-to-sales ratios, and risk factors, it develops bottom-up price valuations for stocks. It tends to take larger positions in established growth stocks and smaller

stakes in emerging names. Compared to the other managers, its portfolio sleeve tends to feature higher growth but also higher valuations.

Frontier Capital Management (manages 5% of assets). Frontier also focuses on stock picking via bottom-up fundamental research. It targets companies with above-average growth prospects, good business models, sound management, and competitive advantages that will allow for superior rates of return on capital over a business cycle. The managers emphasize company and supplier visits, and consider secular industry trends. They also consider relative price-earnings ratios, and have a longer-term time horizon of three-to-five years. The approach aims to balance growth with reasonable valuation.

Top Five Sectors and Holdings (% of Total Net Assets)

Information Tech	35.6	Global Payments	2.2
Consumer Disc	17.2	ServiceNow	2.2
Health Care	15.0	The Cooper Companies	1.7
Industrials	14.0	O'Reilly Automotive	1.7
Materials	4/0	SS&C Tech Holdings	1.6

Sectors as of May 31, 2019; Holdings as of March 31, 2019.

Portfolio highlights

Looking at the fund's sector distribution, it differs only slightly from the Russell Midcap Growth Index benchmark. The portfolio is well diversified with about 150 holdings, and only 16% of assets in the top ten issues.

Good performers this year through the end of June include many of its top ten holdings. Global Payments, a leading provider of payment processing and software solutions that focuses on serving small- and mid-size merchants, recently announced a merger with Total System Services. Its stock has advanced 54% this year. ServiceNow, up 54%, provides software solutions to structure and automate various business processes. It commands a high market share and has grown rapidly.

Vanguard Mid-Cap Growth Investor generally has been a strong performer in its category over the years. This year, the fund's 27.7% return through June 28 landed it in the top 70% of the Morningstar mid-cap growth category.

Vanguard Conservative Model investors might note they already hold Vanguard Mid-Cap Growth ETF (VOT). While in the same space, the funds are constructed quite differently. Both are broadly diversified, with minimal overlap in top holdings. VOT tracks an index that is mar-

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