



## Earnings Provide Strong Support for US Stocks

### Opportunity in Emerging Markets for Aggressive Investors

By Walter S. Frank, Chief Investment Officer

A strong second quarter earnings season has done its part in pushing US stock prices close to all-time highs as we go to press. With about 60% S&P 500 companies reporting, 73% have reported earnings that were above expectations according to FACTSET Earnings Insight (through 7/28/17). In addition, based on current data and economic conditions, earnings expectations are likely to resist much of the decline that is typical in the second half of the year.

Overseas we're seeing similar developments. European stocks have taken a breather over the last three months after a long run up, but positive corporate earnings reports and strength in commodities are welcome factors both there and in Asia. That said, we believe it's time for more aggressive investors to take advantage of opportunities in emerging markets stocks. Many countries in the emerging world have put tremendous effort into updating market regulations and stabilizing their economies. Accordingly, we are recommending a fund switch for Moderate and Venturesome investors in the MONEYLETTER portfolios.

#### A closer look at US earnings

Earnings in the technology and financial sectors have been, and will be, a key driver for stock prices. When all is said and done, year-over-year earnings growth for these important sectors should be well above estimates for the 2nd Quarter season. (Keep in mind these two sectors represent approximately 37% of the S&P 500's market capitalization.) Another important sector—energy—is benefitting from improved conditions as well. The price of West Texas

Intermediate Crude is about \$10 per barrel higher than at this time last year...when energy sector earnings were actually negative.

The rest of this year looks to be more resilient for earnings than historical norms. Over the last 20 years earnings expectations have declined about 7% over the course of the calendar year. Through July of this year, earnings expectations have been revised down only 1%. Accelerating economic growth outside of the US, a range-bound dollar, and more efficient energy operations should lead to more sustained pace of earnings growth. Any policy reform out of Washington, DC would be gravy.

Here is a taste of 2nd Quarter earnings results:

Company	2Q EPS	Comment
Amazon	\$0.40	\$1.42 estimate. Miss on earnings but beat on top line revenue.
Facebook	\$1.32	\$1.13 estimate. (+17%)
Fiat/Chrysler	\$0.80	\$0.53 estimate. (+51%)
GM	\$1.89	\$1.69 estimate. (+12%)
JP Morgan	\$1.82	\$1.65 estimate. (+10%)

Overall, earnings have been a big prop for the market recently, but we'll need to monitor the situation closely in the event economic growth stagnates. Is a pace of 8-10% earnings growth sustainable with a 2% -ish growth economy? Not over the long term, but over the intermediate-term it is. And if we see an increase to 2.5% or 3% sustained growth, corporate earnings can grow enough to keep multiples from exploding.

#### Emerging markets on a roll

There are several factors that have pushed emerging markets (EM) stocks up 24% so far this year. One that has been in the news lately is the low inflation story coming out of the US. EM investors have taken comfort with the threat of the Fed hiking interest rates aggressively off the table for the foreseeable future. Another positive has been an increase in Chinese corporate earnings.

But perhaps the biggest argument for EM stocks and funds is the diverging returns between them and US equities. Through June 30, the MSCI Emerging Markets Index was trading at a 14.6x P/E ratio, compared to 21.9x for the S&P 500. That's a 33.5% discount, and according to FACTSET it represents one of the largest valuation gaps since 2005.

Over the last 20 years, when the valuation gap has been this large EM stocks have outperformed the S&P 500 89% of the time over the following five years. We won't overwhelm you with historical data here, but taking the 2005

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#### Market Trends

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

(continued from page 1)

example, over the next three years EMs returned 32% per year vs. a cumulative return of just 28.2% for the US benchmark index.

### World Markets: 2017 Returns

Index	July	YTD 7/31/17
Brazil – Ibovespa	4.8%	9.5%
China – Shanghai Comp	2.5	5.5
Europe – Euro STOXX 50	0.2	4.8
India – S&P BSE SENSEX	5.2	22.1
Japan – Nikkei 225	-0.5	4.2
Mexico – Bolsa IPC	2.3	11.8
U.S. – S&P 500	1.9	10.3

Indexes do not include dividends.

Looking for more? MSCI (Morgan Stanley Capital International) recently decided to add 222 Chinese large-cap stocks to its emerging markets index next year. This is important as it will draw additional institutional money to EM products. And after bottoming in early 2016, corporate profits for EM companies on the whole turned positive at the beginning of this year. Taken all together, we find the factors supporting emerging markets compelling.

While this is not our style, for more speculative investors the play may be “frontier markets.” These are markets that haven’t yet achieved a designation as an emerging market by MSCI. Sandra Ackermann-Schaufler of SEI recently said, “there is a lot of benefit to stay away from more developed [EM] countries, such as Korea and Taiwan,” because the less developed countries have much younger populations and are “more geared toward the consumer sector.”

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Again, markets like Kazakhstan, Argentina, and Kenya are only appropriate for investors with a high risk tolerance.

### Economic Snapshot

Date	Report	Current	Expected	Prior
7/14	Retail Sales (June)	-0.2%	0.1%	-0.1%
7/14	Consumer Price Idx	0.0%	0.0%	-0.1%
7/24	Existing Homes (June)	5.52M	5.58M	5.62M
7/25	Consumer Conf (July)	121.1	116.8	117.3
7/26	New Homes (June)	610K	610K	610K
7/27	Durable Goods (June)	6.5%	2.9%	-0.1%
8/1	ISM Manufacturing (July)	56.3	56.2	57.8

*Highlights: Consumer confidence is at a 16-year high despite the expectation of a July drop. The Durable Goods report was skewed by a huge month at Boeing. Without transportation, orders grew only 0.2%. Housing remains healthy, with price high and activity hampered by tight supply. Today’s manufacturing report is near a 3-year high.*

### The Fed, our conclusion, and action

The Federal Reserve Open Market Committee is proceeding as expected, with no surprises at the recent July meeting. We believe they will announce a plan to attack the bloated balance sheet at the September meeting, and that one more hike is in the cards for later this year. All things considered, the Fed won’t spook the market and will go to great lengths to avoid another situation like the “taper tantrum” in 2013.

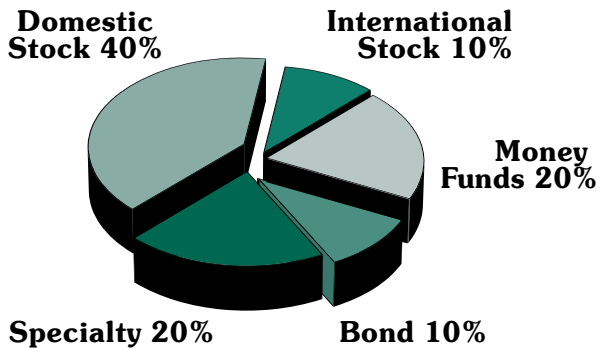
With second quarter GDP growth better (+2.6%) we believe steady, if not spectacular, economic growth will outweigh political concerns both here and abroad. Consumer spending will continue to be the primary impetus, supported by rising employment and household wealth. These factors, coupled with strong corporate earnings and a positive outlook for emerging markets, result in the following recommendations:

1. Maintain your current asset allocations and remain in position to add to your first half gains.
2. Moderate and Venturesome investors following the *MONEYLETTER* model portfolios should switch approximately 10% of their portfolio within the International Stock fund allocation and into emerging markets funds. Specifically, you should sell Oakmark Global Investor (ticker: OAKGX) in favor of American Century Emerging Markets (TWMIX).
3. Subscribers who follow the Fidelity-only and Vanguard-only models should hold their positions. The Fidelity Venturesome portfolio already owns Fidelity Emerging Markets, and we choose to hold the other Fidelity and Vanguard international stock positions in these models at this time. \$

**Brian W. Kelly** contributed to this article. Brian has been the publisher of *Moneyletter* since 1998.

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

No trades this month.



**Total Returns—July 31, 2017**

	1-mo	6-mo	1-yr	3-yr	YTD
S&P 500	2.1%	9.5%	16.0%	35.8%	11.6%
Asset Allocation	2.2	8.9	12.6	17.4	10.9
Funds (Avg) 1,416 Funds					

**MONEYLETTER**

Fund Name	Ticker Symbol	Purchase Date	Shares	NAV	Value	Portfolio Percent	Monthly Return
Schwab Investor MF	SWRXX	—	48,525	\$1.00	\$48,525	18%	0.7%
Baron Asset Retail	BARAX	06/12/17	593	69.99	41,477	16%	2.0%
Parnassus Endeavor	PARWX	09/22/16	1,183	36.69	43,409	17%	1.1%
PRIMECAP Odyssey Growth	POGRX	05/25/17	683	32.92	22,485	9%	0.5%
T. Rowe Price Global Stock	PRGSX	10/27/16	774	34.96	27,056	10%	2.2%
SPDR DbleLine Total Return Tactical	TOTL	11/03/16	465	49.33	22,940	9%	0.5%
Berwyn Income	BERIX	12/13/13	1,669	13.89	23,177	9%	0.7%
Fidelity Balanced	FBALX	04/24/08	1,382	24.13	33,359	13%	1.7%
<b>TOTAL (as of 07/31/17)</b>					<b>\$262,428</b>		<b>1.1%</b>

**2017 YTD Performance (as of 07/31/17): 6.6%**

2007: 2.6% 2008: -29.7% 2009: 23.3% 2010: 14.5% 2011: 0.1% 2012: 7.9% 2013: 20.2% 2014: 3.9% 2015: 1.0% 2016: 3.0%

**Fidelity**

Fidelity Cash Reserves	FDRXX	—	38,425	\$1.00	\$38,425	18%	1.0%
Fidelity Blue Chip Growth	FBGRX	05/11/17	240	83.20	19,970	9%	3.4%
Fidelity Contrafund	FCNTX	10/01/15	229	118.28	27,090	13%	3.5%
Fidelity 500 Index Inv	FUSEX	03/24/16	291	86.46	25,186	12%	2.1%
Fidelity Growth Discovery	FDSVX	06/08/17	643	31.61	20,339	9%	3.4%
Fidelity Int'l Small Cap	FISMX	06/11/15	762	28.50	21,713	10%	3.3%
Fidelity Total Bond	FTBFX	11/03/16	1,816	10.70	19,436	9%	0.6%
Fidelity Puritan	FPURX	12/13/13	962	22.65	21,796	10%	2.0%
Fidelity Balanced	FBALX	11/27/02	889	24.13	21,456	10%	1.7%
<b>TOTAL (as of 07/31/17)</b>					<b>\$215,411</b>		<b>2.1%</b>

**2017 YTD Performance (as of 07/31/17): 9.9%**

2007: 13.3% 2008: -28.8% 2009: 24.6% 2010: 9.9% 2011: -1.3% 2012: 11.1% 2013: 16.7% 2014: 5.3% 2015: -0.1% 2016: 2.1%

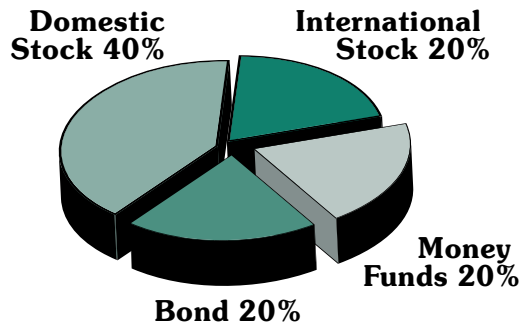
**Vanguard**

Vanguard Prime MMF/Inv	VMMXX	—	38,040	\$1.00	\$38,040	18%	1.1%
Vanguard Extended Market Index Inv	VEXMX	08/11/16	303	78.51	23,763	11%	1.1%
Vanguard Windsor	VWNDX	03/16/17	1,297	22.54	29,243	14%	1.8%
Vanguard U.S. Growth Inv	VWUSX	06/22/17	453	34.95	15,842	8%	3.5%
Vanguard Morgan Growth Inv	VMRGX	06/12/17	974	29.00	28,260	13%	3.6%
Vanguard Global Equity	VHGEX	02/05/15	587	29.17	17,135	8%	2.6%
Vanguard S-T Investment Grade	VFSTX	12/13/13	1,372	10.70	14,678	7%	0.4%
Vanguard Wellington	VWELX	12/13/13	438	41.44	18,133	9%	1.2%
Vanguard Balanced Index	VBINX	11/27/02	782	33.19	25,960	12%	1.2%
<b>TOTAL (as of 07/31/17)</b>					<b>\$211,054</b>		<b>1.6%</b>

**2017 YTD Performance (as of 07/31/17): 6.5%**

2007: 9.1% 2008: -23.2% 2009: 15.8% 2010: 13.8% 2011: 1.3% 2012: 6.4% 2013: 18.0% 2014: 5.7% 2015: 0.4% 2016: 5.3%

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



## Trades

Hotline 08/02	Sold	Bought
MONEYLETTER Moderate	Oakmark Global Investor OAKGX	American Century Emerging Markets TWMIX

**MONEYLETTER Customer Service:**  
**(800) 890-9670**

MONEYLETTER

Fund Name	Ticker Symbol	Purchase Date	Shares	NAV	Value	Portfolio Percent	Monthly Return
Schwab Investor MMF	SWRXX	—	58,300	\$1.00	\$58,300	19%	0.7%
Parnassus Endeavor	PARWX	09/22/16	1,324	36.69	48,569	16%	1.1%
Fidelity OTC Portfolio	FOCPX	05/25/17	428	105.68	45,271	15%	2.7%
Baron Partners Retail	BPTRX	06/01/17	615	47.24	29,060	10%	-0.7%
Oakmark Global I	OAKGX	02/23/17	957	32.62	31,233	10%	3.6%
iShares MSCI Eurozone	EZU	06/08/17	722	41.63	30,066	10%	3.2%
SPDR DbleLine Total Return Tactical	TOTL	11/03/16	543	49.33	26,771	9%	0.5%
Fidelity Floating Rate High Inc	FFRHX	07/15/10	3,227	9.69	31,270	10%	0.9%
<b>TOTAL (as of 07/31/17)</b>					<b>\$300,540</b>		<b>1.3%</b>
<b>2017 YTD Performance (as of 07/31/17): 4.3%</b>							

2007: 23.2% 2008: -35.7% 2009: 30.2% 2010: 19.4% 2011: -5.8% 2012: 10.0% 2013: 21.8% 2014: 4.1% 2015: -1.2% 2016: 2.6%

Fidelity

Fidelity Cash Reserves	FDRXX	—	56,273	\$1.00	\$56,273	18%	1.0%
Fidelity Contrafund	FCNTX	10/01/15	444	118.28	52,519	17%	3.5%
Fidelity Blue Chip Growth	FBGRX	05/11/17	565	83.20	47,037	15%	3.4%
Fidelity Growth Discovery	FDSVX	05/25/17	1,090	31.61	34,459	11%	3.4%
Fidelity Int'l Small Cap	FISMX	06/11/15	1,139	28.50	32,472	10%	3.3%
Fidelity Europe	FIEUX	06/08/17	760	40.55	30,809	10%	1.9%
Fidelity Total Bond	FTBFX	11/03/16	2,788	10.70	29,842	9%	0.6%
Fidelity Floating Rate High Inc	FFRHX	07/15/10	3,254	9.69	31,527	10%	0.9%
<b>TOTAL (as of 07/31/17)</b>					<b>\$314,938</b>		<b>2.1%</b>
<b>2017 YTD Performance (as of 07/31/17): 9.0%</b>							

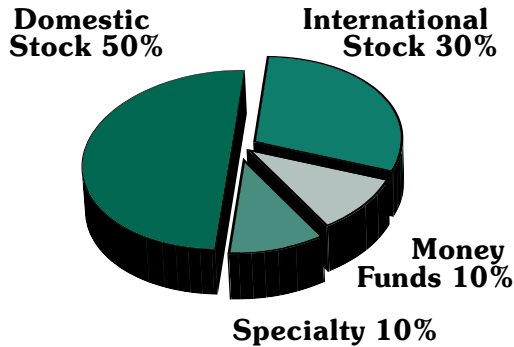
2007: 22.1% 2008: -30.4% 2009: 32.3% 2010: 17.0% 2011: -5.0% 2012: 12.7% 2013: 19.2% 2014: 5.8% 2015: -0.1% 2016: 0.9%

Vanguard

Vanguard Prime MMF/Inv	VMMXX	—	48,250	\$1.00	\$48,250	19%	1.1%
Vanguard Extended Market Index Inv	VEXMX	08/11/16	522	78.51	40,944	16%	1.1%
Vanguard Windsor	VWNDX	03/16/17	1,802	22.54	40,619	16%	1.8%
Vanguard Mega Cap Growth ETF	MGK	06/12/17	251	102.71	25,765	10%	2.7%
Vanguard Int'l Explorer	VINEX	06/11/15	1,107	20.58	22,777	9%	3.5%
Vanguard European Stock Index Inv	VEURX	06/12/17	1,018	30.42	30,974	12%	3.0%
Vanguard Mortgage-Backed Securities	VMBS	04/02/15	432	52.80	22,824	9%	0.5%
Vanguard S-T Investment Grade	VFSTX	12/13/13	2,130	10.70	22,787	9%	0.4%
<b>TOTAL (as of 07/31/17)</b>					<b>\$254,940</b>		<b>1.5%</b>
<b>2017 YTD Performance (as of 07/31/17): 6.3%</b>							

2007: 12.2% 2008: -31.5% 2009: 27.5% 2010: 15.6% 2011: -1.1% 2012: 10.9% 2013: 21.3% 2014: 5.8% 2015: 0.6% 2016: 2.9%

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



Trades

Hotline 08/02	Sold	Bought
MONEYLETTER Venturesome	Oakmark Global Investor OAKGX	American Century Emerging Markets TWMIX

Email: [service@moneyletter.com](mailto:service@moneyletter.com)

MONEYLETTER

Fund Name	Ticker Symbol	Purchase Date	Shares	NAV	Value	Portfolio Percent	Monthly Return
Schwab Investor MF	SWRXX	—	29,921	\$1.00	\$29,921	9%	0.7%
Parnassus Endeavor	PARWX	09/22/16	1,261	36.69	46,254	13%	1.1%
Fidelity OTC Portfolio	FOCPX	05/25/17	478	105.68	50,472	15%	2.7%
Baron Partners Retail	BPTRX	05/04/17	887	47.24	41,921	12%	-0.7%
William Blair Small Cap Growth N	WBSNX	08/04/16	1,338	29.06	38,888	11%	-0.3%
Fidelity Real Estate Income	FRIFX	05/05/16	2,353	12.38	29,128	9%	1.0%
Oakmark Global I	OAKGX	02/23/17	967	32.62	31,557	9%	3.6%
Oakmark International I	OAKIX	04/06/17	1,495	27.68	41,377	12%	5.0%
iShares MSCI Eurozone	EZU	06/08/17	796	41.63	33,153	10%	3.2%
<b>TOTAL (as of 07/31/17)</b>					<b>\$342,671</b>		<b>1.7%</b>
<b>2017 YTD Performance (as of 07/31/17): 8.9%</b>							

2007: 25.6% 2008: -36.3% 2009: 31.0% 2010: 15.7% 2011: -10.3% 2012: 9.7% 2013: 32.0% 2014: 7.5% 2015: 2.9% 2016: 4.5%

Fidelity

Fidelity Cash Reserves	FDRXX	—	38,995	\$1.00	\$38,995	11%	1.0%
Fidelity Contrafund	FCNTX	10/01/15	363	118.28	42,919	12%	3.5%
Fidelity Blue Chip Growth	FBGRX	05/11/17	586	83.20	48,776	13%	3.4%
Fidelity Growth Discovery	FDSVX	05/25/17	1,227	31.61	38,782	11%	3.4%
Fidelity OTC Portfolio	FOCPX	08/04/16	482	105.68	50,983	14%	2.7%
Fidelity EMEA	FEMEX	12/01/16	3,265	9.16	29,909	8%	4.9%
Fidelity Emerging Markets	FEMKX	05/18/17	1,604	29.28	46,952	13%	5.1%
Fidelity Europe	FIEUX	06/08/17	905	40.55	36,697	10%	1.9%
Fidelity Real Estate Income	FRIFX	05/05/16	2,715	12.38	33,609	9%	1.0%
<b>TOTAL (as of 07/31/17)</b>					<b>\$367,622</b>		<b>2.9%</b>
<b>2017 YTD Performance (as of 07/31/17): 13.0%</b>							

2007: 29.6% 2008: -38.4% 2009: 38.3% 2010: 18.7% 2011: -9.7% 2012: 13.6% 2013: 26.2% 2014: 6.2% 2015: 1.7% 2016: 1.2%

Vanguard

Vanguard Prime MMF/Inv	VMMXX	—	22,233	\$1.00	\$22,233	9%	1.1%
Vanguard Windsor	VWNDX	03/16/17	1,136	22.54	25,616	10%	1.8%
Vanguard Mega Cap Growth ETF	MGK	06/08/17	456	102.71	46,790	18%	2.7%
Vanguard Extended Market Index Inv	VEXMX	08/11/16	414	78.51	32,480	13%	1.1%
Vanguard U.S. Growth Inv	VWUSX	06/22/17	673	34.95	23,511	9%	3.5%
Vanguard Int'l Explorer	VINEX	06/04/15	1,365	20.58	28,098	11%	3.5%
Vanguard Pacific Stock Index	VPACX	12/04/14	2,123	12.86	27,299	11%	2.6%
Vanguard European Stock Index Inv	VEURX	06/08/17	840	30.42	25,540	10%	3.0%
Vanguard REIT Index Inv	VGSIX	05/05/16	807	27.98	22,577	9%	1.2%
<b>TOTAL (as of 07/31/17)</b>					<b>\$254,144</b>		<b>2.2%</b>
<b>2017 YTD Performance (as of 07/31/17): 8.4%</b>							

2007: 15.6% 2008: -37.7% 2009: 26.9% 2010: 18.0% 2011: -6.1% 2012: 10.7% 2013: 29.9% 2014: 6.1% 2015: -2.4% 2016: 3.9%









Specialty Funds

RANK	07/31 2017	1Mo Ago	6Mo Ago	Ticker Symbol	FUND NAME	Fund Type	Conservative	Moderate	Venturesome	TOTAL RETURN			PRICE	RISK		NTF/wf
										1 mo.	6 mo.	12 mo.	PER SHARE	Std. Dev.	Beta	
1	10	1	PSI	PowerShares Dynamic Semiconductors ETF	Tech	*	*	*	7.6%	18.9%	51.8%	\$44.88	19.4	—	—	
2	2	—	PRGTX	T. Rowe Price Global Technology	Tech	*	*	*	5.0	22.4	35.2	17.79	16.3	—	A	
3	3	20	FSPTX	Fidelity Select Technology	Tech	*	*	*	5.2	21.4	35.6	169.30	14.8	—	Fsa	
4	6	40	IGV	iShares North American Tech-Software	Tech	*	*	*	3.9	21.4	29.1	142.20	15.0	—	—	
5	21	75	PRMTX	T. Rowe Price Media & Telecommunications	Comm	*	*	*	6.0	19.7	27.8	94.32	13.2	—	A	
6	14	54	IXN	iShares Global Technology ETF	Tech	*	*	*	4.5	19.2	31.0	136.90	13.7	—	—	
7	8	17	MTK	SPDR Morgan Stanley Technology ETF	Tech	*	*	*	3.4	17.6	33.5	75.37	14.9	—	—	
8	15	59	RYIIX	Rydex Internet Inv	Tech	*	*	*	4.9	18.2	29.1	108.00	15.2	—	Fsa	
9	17	38	ICTEX	ICON Information Technology S	Tech	*	*	*	4.2	18.1	30.2	18.38	12.6	—	FSA	
10	1	51	XBI	SPDR S&P Biotech ETF	Health	*	*	*	1.3	20.7	26.3	78.17	34.5	—	—	
11	23	145	PBW	PowerShares WilderHill Clean Energy ETF	NatRes	*	*	*	4.6	22.0	17.7	4.54	21.6	—	—	
12	22	70	PSJ	PowerShares Dynamic Software ETF	Tech	*	*	*	4.0	18.9	24.4	58.30	13.8	—	—	
13	24	44	IGM	iShares North American Technology ETF	Tech	*	*	*	4.3	16.7	28.6	150.90	13.9	—	—	
14	13	32	PRSCX	T. Rowe Price Science & Tech	Tech	*	*	*	3.8	17.0	28.5	46.42	15.2	—	A	
15	29	42	VGT	Vanguard Information Technology ETF	Tech	*	*	*	4.1	16.4	28.9	146.70	14.0	—	—	
16	45	12	RYSIX	Rydex Electronics Inv	Tech	*	*	*	5.3	13.6	32.0	117.20	18.1	—	Fsa	
17	26	41	IYW	iShares US Technology ETF	Tech	*	*	*	3.6	15.6	28.2	144.80	14.6	—	—	
18	31	37	RYTIX	Rydex Technology Inv	Tech	*	*	*	4.1	15.7	27.2	82.36	14.4	—	Fsa	
19	18	26	FSLBX	Fidelity Sel Brokerage & Inv (.75%r<30d)	FinServ	*	*	*	2.9	13.0	33.9	76.34	18.8	—	Fsa	
20	32	24	IXG	iShares Global Financials ETF	FinServ	*	*	*	3.6	12.1	33.9	65.40	14.1	—	—	
21	41	62	XLK	SPDR Technology Select Sector ETF	Tech	*	*	*	4.5	15.0	25.1	57.16	13.2	—	—	
22	53	89	FBSOX	Fidelity Select IT Services	Tech	*	*	*	4.5	16.5	20.5	49.45	13.4	—	Fsa	
23	33	16	FDCPX	Fidelity Select Computers (.75%r<30d)	Tech	*	*	*	3.5	13.3	28.8	87.67	16.9	—	Fsa	
24	64	53	FSDAX	Fidelity Select Defense & Aerospace	Cycls	*	*	*	4.1	14.1	25.0	147.90	13.3	—	Fsa	
25	66	80	FWRLX	Fidelity Select Wireless (.75%r<30d)	Comm	*	*	*	4.5	14.1	20.8	9.90	11.8	—	Fsa	
26	5	96	FBIOX	Fidelity Select Biotechnology	Health	*	*	*	2.6	17.1	14.9	216.70	29.4	—	Fsa	
27	36	60	FSCSX	Fidelity Select Software & IT Services	Tech	*	*	*	4.0	13.3	22.3	154.90	14.5	—	Fsa	
28	9	85	ITB	iShares US Home Construction ETF	Cycls	*	*	*	-0.2	17.3	17.4	33.86	19.3	—	—	
29	27	6	IVG	iShares US Financial Services ETF	FinServ	*	*	*	1.6	8.3	37.2	115.20	17.7	—	—	
30	34	14	PRISX	T. Rowe Price Financial Services	FinServ	*	*	*	2.1	9.2	33.3	27.18	15.2	—	FSA	
31	7	120	RYOIX	Rydex Biotechnology Inv	Health	*	*	*	2.2	16.7	13.3	87.78	25.8	—	Fsa	
32	70	56	FSPCX	Fidelity Select Insurance (.75%r<30d)	FinServ	*	*	*	3.2	10.7	26.3	85.56	12.4	—	Fsa	
33	11	94	PSCHE	PowerShares S&P SC Health Care ETF	Health	*	*	*	-1.8	17.3	15.7	86.30	17.2	—	—	
34	37	11	XLF	SPDR Financial Select Sector ETF	FinServ	*	*	*	1.7	8.4	32.1	25.09	15.0	—	—	
35	20	115	PRHSX	T. Rowe Price Health Sciences	Health	*	*	*	1.6	15.8	13.5	71.75	16.6	—	—	
36	12	113	PBE	PowerShares Dynamic Biotech & Genome ETF	Health	*	*	*	2.0	15.0	14.2	46.57	26.5	—	—	
37	42	10	VFH	Vanguard Financials ETF	FinServ	*	*	*	1.6	7.6	31.4	63.54	14.4	—	—	
38	19	147	IBB	iShares Nasdaq Biotechnology ETF	Health	*	*	*	2.9	14.9	10.5	319.10	24.2	—	—	
39	61	151	FIREX	Fidelity Intl Real Estate (1.5%r<90d)	RealEs	*	*	*	2.5	15.3	9.7	11.17	10.5	—	Fsa	
40	25	141	JAGLX	Janus Henderson Global Life Sciences T	Health	*	*	*	1.0	16.6	8.1	54.64	17.4	—	FSA	
41	4	106	FSMEX	Fidelity Select Medical Equip/Systems	Health	*	*	*	-1.5	16.2	12.9	45.56	14.9	—	Fsa	
42	16	124	FSPHX	Fidelity Select Health Care	Health	*	*	*	0.7	16.0	9.8	226.00	16.4	—	Fsa	
43	94	118	FSUTX	Fidelity Select Utilities	Utility	*	*	*	4.3	13.5	10.4	82.98	12.4	—	Fsa	
44	40	90	FDSLX	Fidelity Select Leisure (.75%r<30d)	Consmr	*	*	*	-0.9	13.1	18.7	156.70	11.1	—	Fsa	
45	82	46	FBMPX	Fidelity Select Multimedia (.75%r<30d)	Comm	*	*	*	5.9	6.9	24.0	84.87	14.9	—	Fsa	
46	69	7	FSELX	Fidelity Sel Semiconductors (.75%r<30d)	Tech	*	*	*	2.8	7.1	27.3	104.70	17.1	—	Fsa	
47	62	43	FSVLX	Fidelity Sel Consumr Finance (.75%r<30d)	FinServ	*	*	*	2.6	8.4	23.6	14.54	14.5	—	Fsa	
48	58	19	FIDSX	Fidelity Select Financial Services	FinServ	*	*	*	1.9	7.2	27.5	104.60	13.5	—	Fsa	
49	60	35	IYF	iShares US Financials ETF	FinServ	*	*	*	1.8	8.2	24.8	109.50	13.0	—	—	
50	46	13	ICFSX	ICON Financial S	FinSer	*	*	*	1.2	6.3	30.0	9.63	16.8	—	FSA	
51	35	139	VHT	Vanguard Health Care ETF	Health	*	*	*	0.6	14.7	9.3	148.30	13.6	—	—	
52	38	154	VGHGX	Vanguard Health Care Inv	Health	*	*	*	0.6	15.4	6.7	213.10	13.1	—	fsc	
53	73	48	CGMRX	CGM Realty	RealEs	*	*	*	4.7	8.2	18.3	33.99	16.6	—	sa	
54	44	152	XLV	SPDR Health Care Select Sector ETF	Health	*	*	*	0.8	14.2	7.9	79.89	12.6	—	—	
55	39	142	IYH	iShares US Healthcare ETF	Health	*	*	*	0.6	14.0	8.5	167.20	13.2	—	—	
56	74	22	FSCHX	Fidelity Select Chemicals	Cycls	*	*	*	3.9	6.3	21.6	165.50	16.4	—	Fsa	
57	30	102	FSHCX	Fidelity Sel Health Care Svcs (.75%r<30d)	Health	*	*	*	-1.2	12.3	14.3	91.26	13.6	—	Fsa	
58	28	144	RYHIX	Rydex Health Care Inv	Health	*	*	*	-0.2	14.2	8.0	30.13	15.3	—	Fsa	
59	52	23	PXQ	PowerShares Dynamic Networking ETF	Tech	*	*	*	1.3	8.2	20.8	44.20	17.2	—	—	
60	57	61	XLI	SPDR Industrial Select Sector ETF	Cycls	*	*	*	0.3	8.8	20.2	68.31	12.2	—	—	
61	97	160	IRFAX	Cohen & Steers Intl Realty A (NL@Schwab)	RealEs	*	*	*	3.3	12.9	5.3	11.49	11.6	—	fSa	
62	54	67	RYLIX	Rydex Leisure Inv	Consmr	*	*	*	0.5	9.4	17.9	73.71	11.1	—	Fsa	
63	49	29	FSAIX	Fidelity Sel Air Transport (.75%r<30d)	Cycls	*	*	*	-1.0	6.9	26.4	78.77	14.6	—	Fsa	
64	47	4	RYKIX	Rydex Banking Inv	FinServ	*	*	*	0.5	2.8	34.0	79.15	18.1	—	Fsa	
65	48	162	IXJ	iShares Global Healthcare ETF	Health	*	*	*	0.1	13.8	5.8	109.50	11.9	—	—	
66	65	9	IGN	iShares N Amer Tech - Multimedia Ntwk	Tech	*	*	*	1.2	5.2	25.5	46.37	15.6	—	—	
67	76	45	RYFIX	Rydex Financial Services Inv	FinServ	*	*	*	1.9	6.9	19.9	68.50	12.4	—	Fsa	
68	71	86	VCR	Vanguard Consumer Discretionary ETF	Consmr	*	*	*	1.5	8.6	14.5	144.10	12.0	—	—	
76	89	104	FPURX	Fidelity Puritan	Hybrid	B	*	*	2.0	8.4	11.8	22.65	7.6	—	Fsa	
77	90	100	FBALX	Fidelity Balanced	Hybrid	B	*	*	1.7	8.3	12.0	24.13	7.6	—	Fsa	
91	98	105	VWELX	Vanguard Wellington Inv (closed)	Hybrid	B	*	*	1.2	6.5	10.9	41.44	7.0	—	fsc	
95	99	109	VBINX	Vanguard Balanced Index Inv	Hybrid	B	*	*	1.3	6.3	9.0	33.19	6.4	—	fsc	
107	103	119	FRIFX	Fidelity Real Estate Income (.075%r<90d)	RealEs	*	*	B	1.0	5.7	5.6	12.38	5.3	—	Fsa	
127	122	127	BERIX	Berwyn Income (1%r<30d)	Hybrid	B	*	*	0.7	2.6	4.5	13.89	3.8	—	fsc	
139	135	161	VGSIX	Vanguard REIT Index Inv	RealEs	*	*	B	1.2	3.9	-6.7	27.98	15.1	—	fsc	

**Bond Funds**  
07/31/2017

Ticker Symbol	FUND NAME	Fund Type	Conservative Moderate Venturesome			TOTAL RETURN			PRICE PER SHARE	Std. Dev.	Yield	NTF/wff
						1 mo.	6 mo.	12 mo.				
EBVLX	Eaton Vance Floating Rate A	BnkLoan	B	B	*	0.5%	2.1%	6.8%	\$9.32	3.2	3.33%	FSA
<b>FFRHX</b>	<b>Fidelity Floating Rate High Inc (1%r&lt;60d)</b>	<b>BnkLoan</b>	<b>B</b>	<b>B</b>	<b>*</b>	<b>0.9</b>	<b>2.3</b>	<b>6.6</b>	<b>9.69</b>	<b>3.2</b>	<b>3.52</b>	<b>Fsa</b>
BKLN	PowerShares Senior Loan	BnkLoan	B	B	*	0.8	1.6	4.2	23.27	3.1	3.70	—
PRFRX	T. Rowe Price Floating Rate (2%r<90d)	BnkLoan	B	B	*	0.7	1.8	5.1	9.92	2.2	4.15	fsA
BUFHx	Buffalo High-Yield (2%r<180d)	HighYld	*	*	*	0.7	3.5	6.4	11.31	3.4	4.17	FSA
FAGIX	Fidelity Capital & Income (1%r<90d)	HighYld	*	*	*	1.9	5.8	12.7	10.18	6.0	3.92	Fsa
SPHIX	Fidelity High Income (1%r<90d)	HighYld	*	*	*	1.3	4.8	11.9	9.00	6.3	5.18	Fsa
JAHYX	Janus Henderson High Yield T	HighYld	*	*	*	1.2	3.5	9.3	8.56	4.7	5.91	FSA
NTEX	Northeast Investors	HighYld	*	*	*	2.1	3.8	15.6	4.89	12.6	6.03	fa
PHYDX	PIMCO High Yield D	HighYld	*	*	*	1.0	4.6	9.4	9.06	5.2	4.86	FSA
JNk	SPDR Barclays Capital High Yield Bond	HighYld	*	*	*	1.0	4.3	9.5	37.40	6.5	5.83	—
PRHYX	T. Rowe Price High Yld (closed,2%r<90d)	HighYld	*	*	*	1.2	4.4	10.4	6.81	5.4	5.56	fsA
TGHNX	TCW High Yield Bond N	HighYld	*	*	*	0.8	4.2	7.2	6.43	3.4	4.21	FSA
VAGIX	Value Line Core Bond Fund	HighYld	*	*	*	0.4	2.6	-0.4	15.00	2.8	1.87	FSA
VWEHX	Vanguard Hi-Yield Corp Inv	HighYld	*	*	*	1.1	5.0	9.2	5.99	4.6	4.88	fsa
SSTHX	Wells Fargo Adv S-T High-Yld A	HighYld	*	*	*	0.4	1.5	2.9	8.09	1.7	2.86	S
BGBX	American Century International Bond Inv	Int'l	*	*	*	2.9	7.6	-1.9	13.14	7.7	0.00	FSA
FNMIX	Fidelity New Markets Income (1%r<90d)	Int'l	*	*	*	0.7	5.4	8.2	16.26	7.4	5.24	Fsa
EMB	iShares JPM USD Emerging Markets Bond	Int'l	*	*	*	1.2	5.2	3.9	115.26	5.8	4.62	—
PYGFX	Payden Global Fixed Income	Int'l	*	H	*	0.5	2.8	0.6	9.06	2.6	1.59	FsA
PEMDX	PIMCO Emerging Markets D	Int'l	*	*	*	1.0	6.0	7.3	10.57	8.3	4.67	FSA
PCY	PowerShares Emerg Mkts Sovereign Debt	Int'l	*	*	*	1.0	5.3	2.6	29.43	6.7	4.98	—
PREMX	T. Rowe Price Emerging Mkts (2%r<90d)	Int'l	*	*	*	0.5	5.1	7.1	12.64	6.8	6.39	fsA
RPIBX	T. Rowe Price Intl Bond (2%r<90d)	Int'l	*	*	*	2.5	7.4	-1.3	9.02	7.8	1.62	fsA
VGOVX	Vanguard Emerg Mkts Govt Bd Index (.75%)	Int'l	*	*	*	0.8	4.7	4.4	10.06	5.4	4.39	a
VWOB	Vanguard Emerg Mkts Govt Bd Index ETF	Int'l	*	*	*	0.8	4.6	4.3	80.42	5.4	4.57	—
TGINX	TCW Emerging Markets Inc N	Int'l	*	*	*	1.2	5.6	7.9	10.89	6.5	5.06	FSA
BFAFX	AmerFunds Bond Fund of America F1	IntTerm	*	*	*	0.5	2.5	0.1	12.96	3.0	1.73	FS
ACITX	American Century Inflation Adj Bond Inv	IntTerm	*	*	*	0.5	1.9	0.4	11.56	4.0	2.44	FSA
DODIX	Dodge & Cox Income	IntTerm	*	*	*	0.7	3.1	2.9	13.85	2.7	2.86	fsa
DLTNX	DoubleLine Total Return Bond N	IntTerm	H	H	*	0.5	2.6	1.1	10.70	2.0	3.46	FSA
FTHRX	Fidelity Intermediate Bond	IntTerm	*	*	*	0.5	2.0	0.4	10.91	2.2	2.19	Fsa
FBNDX	Fidelity Investment Grade Bond	IntTerm	*	*	*	0.6	2.5	1.0	7.93	3.1	2.11	Fsa
FMSFX	Fidelity Mortgage Securities	IntTerm	*	*	*	0.4	1.9	0.2	11.27	1.9	2.12	Fsa
<b>FTBFX</b>	<b>Fidelity Total Bond</b>	<b>IntTerm</b>	<b>B</b>	<b>B</b>	<b>*</b>	<b>0.6</b>	<b>2.7</b>	<b>1.5</b>	<b>10.70</b>	<b>3.1</b>	<b>2.50</b>	<b>Fsa</b>
AGG	iShares Barclays Aggregate Bond	IntTerm	*	*	*	0.3	2.5	-0.6	109.65	2.9	2.40	—
MGFIX	Managers Bond Service	IntTerm	*	*	*	0.9	4.6	3.5	27.21	3.4	3.35	FSA
MBDFX	Managers PIMCO Bond (\$100k)	IntTerm	*	*	*	0.5	2.9	-0.8	10.14	3.4	2.07	fsa
MWTRX	Metropolitan West Total Return Bond M	IntTerm	*	*	*	0.4	2.3	-0.4	10.68	2.5	1.72	FSA
PRFIX	Parnassus Fixed-Income	IntTerm	*	*	*	0.6	2.6	0.0	16.69	2.5	2.24	FSA
PTMDX	PIMCO Mortgage-Backed Securities D	IntTerm	*	*	*	0.4	2.5	1.0	10.54	1.8	2.78	FSA
PTIDX	PIMCO Total Return D	IntTerm	*	*	*	0.6	3.2	1.4	10.27	3.3	2.51	FSA
SCHZ	Schwab U.S. Aggregate Bond ETF	IntTerm	*	*	*	0.4	2.6	-0.6	52.37	2.9	2.34	—
<b>TOTL</b>	<b>SPDR DoubleLine Total Return Tactical</b>	<b>IntTerm</b>	<b>H</b>	<b>H</b>	<b>*</b>	<b>0.5</b>	<b>2.8</b>	<b>1.4</b>	<b>49.33</b>	<b>—</b>	<b>2.99</b>	<b>—</b>
PRCIX	T. Rowe Price New Income	IntTerm	*	*	*	0.4	2.7	-0.2	9.51	2.9	2.57	fsA
TGMNX	TCW Total Return Bond N	IntTerm	*	*	*	0.3	2.3	-0.8	10.30	2.4	2.28	FSA
USAIX	USAA Income	IntTerm	*	*	*	0.7	3.5	1.7	13.20	3.2	3.37	fsA
VFIIX	Vanguard GNMA Inv	IntTerm	*	*	*	0.4	1.6	0.1	10.54	1.9	2.14	fsa
VFCIX	Vanguard Inter-Term Investment-Grade	IntTerm	*	*	*	0.9	3.3	0.7	9.84	3.3	2.49	fsa
VBIIx	Vanguard Intermediate-Term Bond Index	IntTerm	*	*	*	0.7	3.2	-1.5	11.47	4.1	2.27	fsa
<b>VMBS</b>	<b>Vanguard Mortgage-Backed Secs ETF</b>	<b>IntTerm</b>	<b>H</b>	<b>H</b>	<b>*</b>	<b>0.5</b>	<b>1.8</b>	<b>-0.2</b>	<b>52.80</b>	<b>1.9</b>	<b>1.83</b>	<b>—</b>
BND	Vanguard Total Bond Market ETF	IntTerm	*	*	*	0.4	2.6	-0.7	81.99	3.1	2.43	—
VBMFx	Vanguard Total Bond Market Index Inv	IntTerm	*	*	*	0.4	2.4	-0.8	10.79	3.1	2.16	fsa
WTIBX	Westcore Plus Bond	IntTerm	*	*	*	0.4	2.9	0.7	10.73	2.9	3.55	FSA
LQD	iShares iBoxx \$ Invest Grade Corp Bond	LngTerm	*	*	*	0.8	4.9	0.9	121.11	5.0	3.17	—
PRPIX	T. Rowe Price Corporate Income	LngTerm	*	*	*	0.9	4.4	1.1	9.72	4.2	3.14	fsA
VBLTX	Vanguard Long-Term Bond Index Inv	LngTerm	*	*	*	0.3	5.9	-3.6	14.09	8.8	3.39	fsa
VWESX	Vanguard Long-Term Investment-Grade Inv	LngTerm	*	*	*	0.7	6.7	-0.8	10.52	8.0	3.66	fsa
FSICX	Fidelity Strategic Income	Multi	*	*	*	1.3	4.7	6.4	11.10	4.2	3.22	Fsa
JAFIX	Janus Henderson Flexible Bond T	Multi	*	*	*	0.4	2.7	0.2	10.41	2.7	2.76	FSA
LSBDX	Loomis Sayles Bond Instl (\$100k)	Multi	*	*	*	1.4	5.1	7.4	14.34	5.8	2.62	fsa
LSBRX	Loomis Sayles Bond Retail	Multi	*	*	*	1.3	4.9	7.1	14.26	5.8	2.39	FSA
PONDX	PIMCO Income D	Multi	*	*	*	0.6	4.8	8.7	12.37	2.5	4.64	FSA
RPSIX	T. Rowe Price Spectrum Income	Multi	*	*	*	1.0	4.2	4.6	12.77	3.8	3.36	fsA
PRSNX	T. Rowe Price Strategic Income	Multi	*	*	*	0.3	3.6	3.5	11.43	3.4	3.36	fsA
MGIDX	Managers Intermediate Duration Govt	ShtTerm	*	*	*	0.5	1.7	0.1	10.73	1.7	1.29	FSA
PLDDX	PIMCO Low Duration D	ShtTerm	*	*	*	0.3	1.0	1.6	9.87	1.2	1.58	FSA
VCSH	Vanguard Short-Term Corporate Bond ETF	ShtTerm	H	H	*	0.4	1.9	1.3	80.23	1.5	2.14	—
<b>VFSTX</b>	<b>Vanguard Short-Term Inv Grade Inv</b>	<b>ShtTerm</b>	<b>H</b>	<b>H</b>	<b>*</b>	<b>0.4</b>	<b>1.5</b>	<b>1.1</b>	<b>10.70</b>	<b>1.3</b>	<b>1.75</b>	<b>fsa</b>
BTRRX	American Century Zero Coupon 2025 Inv	ZeroCpn	*	*	*	0.3	4.3	-3.4	99.19	6.8	3.39	FSA

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- 7/14—Miller Opportunity LMOFX. "Volatile fund, only for aggressive investors."
- 6/30—Value Line Larger Companies VALLX. "Up 21.6% YTD through 6/29/17. #3 on our Domestic Stock Fund list."
- 6/16—SPDR S&P China ETF GXC. "Tencent and Alibaba Top 2 holdings."
- 6/2—PowerShares QQQ.
- 5/19—iShares MSCI Eurozone EZU. "Up 17.5% YTD. "Top 5 holdings in France & Germany."

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- From Fidelity Investments: "The Top 5 mistakes people make when investing in ETFs."
- From TheStreet.com: an article titled, "Draghi's Upbeat Tone Lifts German Bond Yields, Could Signal Next Leg Up for European Stocks."

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#### 100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Gabelli US Treasury MMF/CI AAA	0.82%	0.78%	0.37%
PNC Treasury MMF/CI A	0.68	0.66	0.24
Ready Assets US Treasury MF	0.57	0.50	0.15
Fidelity Treasury Only MMF	0.52	0.47	0.10
Amer Century Capital Presv Fund/Inv	0.44	0.42	0.08
Schwab US Treasury Money Fund	0.34	0.28	0.05
BIF Treasury Fund	0.33	0.27	0.04
Western Asset US Treas Res/CI N	0.33	0.29	0.06
Wells Fargo 100% Treas MMF/CI A	0.29	0.24	0.03
The US Treasury Trust/CI S	0.00	0.00	0.00

#### GENERAL PURPOSE TAXABLE FUNDS

	7-Day	30-Day	1-Year
Vanguard Prime MMF/Investor	1.12%	1.10%	0.72%
Fidelity Money Market Fund	0.97	0.96	0.61
Northern MMF	0.94	0.93	0.58
T. Rowe Price Cash Reserves Fund	0.84	0.80	0.37
Schwab Retirement Advantage MF	0.83	0.81	0.46
Dreyfus BASIC MMF	0.79	0.77	0.42
Western Asset Prime Oblig MMF/CI A	0.79	0.79	0.00
Principal Funds MMF/Class A	0.77	0.74	0.26
Putnam MMF/CI A	0.74	0.71	0.27
Schwab Advisor Cash Resvs/PremSwp	0.74	0.72	0.38

#### TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Northern Municipal MMF	0.74%	0.79%	0.70%
Vanguard Municipal MMF/Investor	0.73	0.75	0.57
Fidelity Municipal MMF	0.53	0.55	0.35
BNY Mellon National Muni MMF/CI M	0.49	0.56	0.38
Fidelity Tax-Exempt MMF	0.44	0.46	0.33
T. Rowe Price Summit Muni MMF	0.44	0.45	0.26
Amer Century T-F MMF/Inv Class	0.43	0.46	0.31
T. Rowe Price Tax-Exempt MF/Inv	0.43	0.44	0.21
USAA Tax Exempt MMF	0.35	0.39	0.32
Morgan Stanley T-F Daily Inc Tr/R	0.23	0.26	0.10

#### TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard NY Muni MMF	0.70%	0.73%	0.55%
Vanguard CA Muni MMF	0.67	0.70	0.53
Vanguard NJ Muni MMF	0.65	0.68	0.50
Vanguard PA Muni MMF	0.65	0.69	0.52
Federated CA Muni Cash Tr/Wealth	0.61	0.64	0.72
Federated NY Muni Cash Tr/Wealth	0.61	0.64	0.45
Fidelity NJ AMT T-F MMF	0.57	0.59	0.41
Fidelity NY AMT T-F MMF	0.57	0.59	0.45
Fidelity CA AMT T-F MMF	0.54	0.56	0.42
Fidelity MA AMT T-F MMF	0.53	0.56	0.40

**Taxable equivalent yield = yield / (1-total effective tax bracket).** 7-day and 30-day yields are compound yields as of 07/25/17. 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

## Fixed Income Update

Amey Stone opens her Current Yield column in the July 31 Barron's with the following observation: "Take a look at interest rates this year and you'd think nothing much had happened. The yield on the 10-year Treasury note began 2017 at 2.45% and closed on Friday at 2.29%." She continues, "Don't be misled. Even if the 10-year yield hasn't moved much, a lot has changed."

As we know, the Federal Reserve has hiked interest rates twice this year, although it left interest rates unchanged at its July meeting. Still, it did indicate it would begin shrinking its balance sheet, perhaps as early as September. Meanwhile, global economic growth has been improving.

So why is the 10-year rate lower? One big factor has been soft inflation readings for much of this year, which led the bond market to pull back expectations for future Fed interest rate hikes. Nonetheless, a potential uptick in inflation could still be on the horizon.

Against this backdrop, riskier bond categories have had the best returns this year. Morningstar's Emerging Markets Local-Currency Bond category is the big winner, with an 11.7% total return. The Emerging Markets, Long-Term Bond, World Bond, and High Yield Bond categories follow in performance, all with gains above 5%.

*MONEYLETTER* often recommends bond fund allocations as a key diversification and risk-management tool. (As such, we typically do not allocate to these riskier categories.) Since bonds have a low correlation with the stock market, they often prove a stable haven in times of stock market turbulence. And they provide yields above what can be earned in cash. Our bond fund recommendations fall in the short, intermediate, intermediate government, and bank loan categories. Average returns from these areas have ranged between 1.5% and 3.1% this year. Meanwhile, money market funds have been beneficiaries of Fed rate hikes. In August 2016, the top-yielding Vanguard Prime MMF/Investor had a yield of 0.45%. You will see in this issue, that fund now yields 1.12%.

### Model portfolio holdings in brief

**Fidelity Floating Rate High Income (FFRHX):** This fund invests in bank loans—loans made by banks typically to companies as part of a leveraged buyout deal. Yields on the loans rise and fall with interest rates. Generally, these loans are made to lower-credit quality borrowers. The Fidelity offering focuses on the higher-quality end of the bank loan market. It also holds a cash position that is usually greater than that of the average bank loan

fund (11.5% recently), which also mutes risk. FFRHX has advanced 2.6% this year.

**Fidelity Total Bond (FTBFX):** Falling in the intermediate-term bond category, FTBFX focuses on investment grade bonds like its benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index. But it can also invest up to 20% of assets in non-investment grade debt. Manager Ford O'Neil targets fund duration near the benchmark, and seeks to add value via sector, individual security, or yield curve moves. Recently, the fund had a higher quality profile and shorter average maturity than its typical peer. FTBFX is up 3.2% in 2017.

**SPDR Doubleline Total Return Tactical (TOTL):** An actively managed ETF, the fund aims to best the Bloomberg Barclays U.S. Aggregate Bond Index by "exploiting mispriced areas of the bond market" as well as investing in other bond sectors including high yield and emerging markets. It employs active sector and security selection. More than two-thirds of assets are invested in AAA-rated debt, with mortgage-backed securities the largest sector at 52% of assets. Treasuries are next at 16.6%. TOTL has gained 3.4% through the end of July.

**Vanguard Mortgage Backed Securities (VMBS):** A focus on mortgage-backed securities issued by Fannie Mae, Freddie Mac, and Ginnie Mae gives this ETF an AAA-rated portfolio. Of the three agencies, Ginnie Mae (GNMA) is the only one guaranteed by the US Government. Mortgage bonds issued by the other two do not carry an explicit government guarantee, but they are government-sponsored, and thus it is generally assumed the government would step in should assistance be necessary. Still, the lack of express guarantee means Fannie Mae and Freddie Mac securities sport higher yields, to the benefit of portfolio returns. VMBS is up 2.0% this year.

**Vanguard Short-Term Investment Grade (VFSTX):** This fund's title pretty much tells all. It invests 50%-80% of assets in investment grade corporate bonds, with the remainder of the portfolio spread amongst asset-backed securities, government, high-yield, and foreign debt. It tends to have a greater focus on corporate securities compared to its peers, which can give it a yield advantage. Still, compared to many other corporate-focused short-term bond funds, VFSTX takes on less credit risk, which has been beneficial during difficult markets. This year, the fund has gained 1.86%.

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