



Global Stocks Will Survive Loss of Momentum

International Markets Review

By Walter S. Frank, Chief Investment Officer

Have international stocks lost some of their mojo over the last couple of months?

While the total return performance numbers say "yes" for at least two of the major regions we track, it's not time to push the quit button yet. There are some areas of concern from an economic viewpoint (in Europe particularly), and geo-political risks have entered the equation again. But fundamentally overseas markets will continue to benefit from improving global economic growth.

Let's take a deeper dive and check in with three major international players.

Europe: -0.6% in July & August; +4.0% YTD

As MONEYLETTER readers know, Europe had been on a tear from November 4, 2016 to May of this year, outdistancing the "Trump Rally" here in the US. Over that period the Euro STOXX 50 Index was up 23.8%. But since May, the effects of a stronger euro (+12.5% YTD vs. the US Dollar) and growing tensions between North Korea and the United States and its allies have proven to be a significant burden. Just a few days ago devastating news coming out of the Houston area caused investors to wonder if hurricane Harvey would cause a temporary drag on US economic growth, causing a ripple effect. In our view, just the opposite will happen. Demand for products and services as Houston rebuilds will, in time, have a net positive effect on US activity.

Taking a step back, economic growth continues to steadily improve in Europe. Gross Domestic Product (GDP) growth for the region over the last four quarters (3Q '16

through 2Q '17) has been 1.8%, 2.0%, 2.1%, and 2.3%. Not staggering, but certainly moving in the right direction. The currency is a concern, but we believe that the strength of the euro is not yet a huge ongoing risk to European competitiveness and profits.

Looking at policy, there was concern that European Central Bank (ECB) President Mario Draghi would make comments designed to rein in the surging euro at the annual meeting of central bankers in Jackson Hole, Wyoming in late August. With a major ECB policy meeting scheduled for September 7th, Draghi had too much to lose by tipping his hand at Jackson Hole and did not give any clues. We expect the ECB to err on the side of dovish patience, which will be market-friendly.

Economic trouble spots remain. Below-target inflation continues to nag, and high unemployment rates in some of the union's bigger members such as France, Italy, and Spain are stubborn. But the improving GDP numbers are hard to ignore, and Europe should continue to benefit from the broadly-based up tick in global economic growth. We remain positive on Europe and its diversification role in our model portfolios.

Japan: -1.9% in July & August; +2.8% YTD

Is Japan's economy—distressed for most of the last two decades—revitalized? Second quarter results popped off the page, with Japanese annualized GDP growth coming in at a 4% annualized rate. GDP growth over the last four quarters (3Q '16 through 2Q '17) has been 1.1%, 1.7%, 1.7%, and 4.0%. This economy has now seen six consecutive quarters of expansion. "This is a big slingshot acceleration at the start of the financial year," said Jesper Koll, head of the Tokyo-based investment fund WisdomTree Japan, in comments to CNN recently. "The economy is in a sweet spot."

Market Trends

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

World Markets: 2017 Returns

Index	August	YTD 8/31/17
Brazil – Ibovespa	7.5%	17.6%
China – Shanghai Comp	2.7	8.3
Europe – Euro STOXX 50	-0.8	4.0
India – S&P BSE SENSEX	-2.4	19.2
Japan – Nikkei 225	-1.4	2.8
Mexico – Bolsa IPC	0.4	12.2
U.S. – S&P 500	0.1	10.4

Indexes do not include dividends.

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The policies of Prime Minister Shinzo Abe (“Abenomics”) may finally be kicking the world’s third-largest economy into gear. Last year, Japan’s government launched a concerted effort to pull its economy out of its low-inflation, low-growth malaise by cutting interest rates and implementing a major fiscal stimulus package. We’ve discussed Japan’s demographics problem in the past (with the birthrate down, Japan is growing older), and its lack of workers is beginning to put pressure on wages. If it continues, this should inevitably support a transition toward more full-time employment and reduce the number of less-attractive part-time jobs. (This type of transition is also an economic goal here in the US.)

It’s not just the 4.0% 2nd Quarter number...Japan hasn’t seen sustained growth like this since 2006. According to the Mizuho Research Institute, the current phase should continue until after the consumption tax hike scheduled for October 2019 (provided there are no major changes to overseas economies). While we haven’t seen the economic recovery reflected in large-cap stock prices yet, one should look beyond the Nikkei 225. Since mid-May the Hennessy Japan Small-Cap Fund (ticker: HJPSX) has outperformed the index by about 15%.

China: +5.3% in July & August; +8.3% YTD

As far as market returns are concerned China has been an outlier.

Chinese GDP came in above target at a rate of 6.9% for the 2nd Quarter, which matched the 1st Quarter reading. The market response has been quite positive; the Shanghai Composite is the only measure of the three that has seen a significant gain since May. GDP growth over the last four quarters (3Q ’16 through 2Q ’17) has been 6.7%, 6.8%, 6.9%, and 6.9%. But it will be tough for China to continue at this rate as the government concentrates on its ballooning debt. The upswing in growth has been supported by fiscal stimulus, rapid credit growth, and relatively loose monetary policy.

Some of these tailwinds are being removed, and recent numbers are starting to reflect that. July readings for industrial output, retail sales, and fixed investment all point to a second half slowdown. But stability is important to the current government with the 19th Party Congress scheduled for this autumn. There will be no major shocks from within as President Xi Jinping approaches his second term.

Broadly speaking, while the returns for most international markets have been underwhelming lately, due to solid economic fundamentals most of these markets will live to fight another day.

US economy, risks, and the Fed

Here at home, we got some good news in the form of an upward revision to 2nd Quarter GDP. The second estimate showed a 3.0% growth rate for the quarter ending June 30th. That number represents the fastest pace since the 1st Quarter of 2015, and it increased from the initial estimate of 2.6% on the strength of brisk consumer and business spending. The August consumer confidence survey

delivered its second-highest reading since 2000. Projections show a carryover to the 3rd Quarter, with the Atlanta Fed expecting a 3.5% GDP growth rate. This is all consistent with the broadly-based global economic growth push we mentioned earlier.

We are bullish on the US economy, particularly if Washington can get its act together and pass tax cuts or stimulus legislation. Harvey will have a negative effect locally in the short-run, but then the rebuilding phase will take hold.

As always, we are duty-bound to report on potential risks to this relatively upbeat picture in the short- to intermediate-term. We don’t consider any of these to be high-probability threats.

- **Monetary over-tightening:** With inflation still below the 2% target, it is unlikely that the Fed will be forced to slam on the brakes. As we go to press, we are holding onto our prediction that there will be one more interest rate hike this year, but it will not be until December.
- **Fiscal meltdown:** There’s always uncertainty with the political theater of a debt ceiling debate on the horizon. We expect a resolution and some progress (likely short of passed legislation) on President Trump’s tax and infrastructure spending initiatives. There has been less market frustration with the lack of legislation than we all expected.
- **Trade:** This past weekend’s threat by the president to stop trade with any country doing business with North Korea was aimed directly at China. A trade war with China, however unlikely, could be devastating.
- **Oil scare:** A cause of recessions in the mid-70s, early 80s, and early 90s it cannot be ignored. But with supplies high now, it would take a significant geopolitical shock to spark this scenario.

Economic Snapshot

Date	Report	Current	Expected	Prior
8/15	Retail Sales (Jul)	0.5%	0.3%	-0.2%
8/23	New Homes (Jul)	570K	610K	610K
8/24	Existing Homes (Jul)	5.44M	5.57M	5.52M
8/25	Durable Goods (Jul)	-6.8%	-6.0%	6.4%
8/29	Consumer Conf (Aug)	122.9	120.3	121.1
9/1	ISM Manufacturing (Aug)	58.8	56.5	56.3

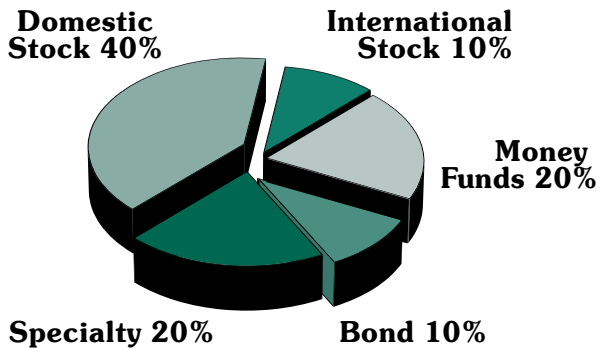
Note: A 19% drop in transportation orders skewed the July Durable Goods report. Core capital goods new orders rose 0.4% for the reporting period, indicating a potential pickup for business spending in the 3rd Quarter.

Like Mario Draghi, Fed Chair Janet Yellen said nothing about current monetary policy at the Jackson Hole meeting. There is virtually no chance for an interest rate hike at this month’s meeting (19th and 20th), but we do expect some clarity on the plan to attack the Fed’s bloated balance sheet. The odds for a hike in December are at just 57% as we go to press.

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

No trades this month.



Total Returns—August 31, 2017

	1-mo	6-mo	1-yr	3-yr	YTD
S&P 500	0.3%	5.7%	16.2%	31.1%	11.9%
Asset Allocation Funds (Avg) 1,415 Funds	0.3	6.8	12.5	14.9	11.2

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Fund Name	Ticker Symbol	Purchase Date	Shares	NAV	Value	Portfolio Percent	Monthly Return
Schwab Investor MF	SWRXX	—	48,550	\$1.00	\$48,550	18%	0.7%
Baron Asset Retail	BARAX	06/12/17	593	69.62	41,258	16%	-0.5%
Parnassus Endeavor	PARWX	09/22/16	1,183	36.68	43,397	17%	0.0%
PRIMECAP Odyssey Growth	POGRX	05/25/17	683	33.27	22,724	9%	1.1%
T. Rowe Price Global Stock	PRGSX	10/27/16	774	34.95	27,048	10%	0.0%
SPDR DbleLine Total Return Tactical	TOTL	11/03/16	466	49.54	23,092	9%	0.7%
Berwyn Income	BERIX	12/13/13	1,669	13.74	22,926	9%	-1.1%
Fidelity Balanced	FBALX	04/24/08	1,382	24.27	33,552	13%	0.6%
TOTAL (as of 08/31/17)					\$262,547		0.0%
2017 YTD Performance (as of 08/31/17): 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%							

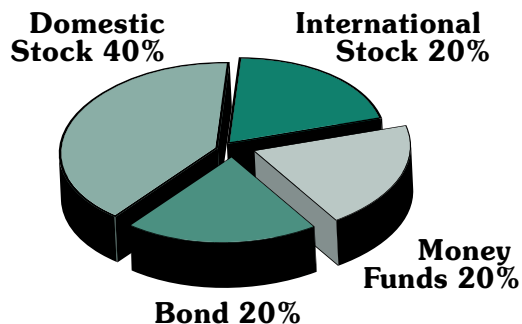
Fidelity

Fidelity Cash Reserves	FDRXX	—	38,450	\$1.00	\$38,450	18%	1.0%
Fidelity Blue Chip Growth	FBGRX	05/11/17	240	84.74	20,340	9%	1.9%
Fidelity Contrafund	FCNTX	10/01/15	229	120.18	27,525	13%	1.6%
Fidelity 500 Index Inv	FUSEX	03/24/16	291	86.71	25,258	12%	0.3%
Fidelity Growth Discovery	FDSVX	06/08/17	659	31.49	20,756	10%	2.1%
Fidelity Int'l Small Cap	FISMX	06/11/15	762	28.72	21,881	10%	0.8%
Fidelity Total Bond	FTBFX	11/03/16	1,820	10.76	19,586	9%	0.8%
Fidelity Puritan	FPURX	12/13/13	962	22.89	22,027	10%	1.1%
Fidelity Balanced	FBALX	11/27/02	889	24.27	21,580	10%	0.6%
TOTAL (as of 08/31/17)					\$217,403		0.9%
2017 YTD Performance (as of 08/31/17): 11.0%							
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	—	38,065	\$1.00	\$38,065	18%	1.1%
Vanguard Extended Market Index Inv	VEXMX	08/11/16	303	78.19	23,666	11%	-0.4%
Vanguard Windsor	VWNDX	03/16/17	1,297	22.20	28,802	14%	-1.5%
Vanguard U.S. Growth Inv	VWUSX	06/22/17	453	35.62	16,146	8%	1.9%
Vanguard Morgan Growth Inv	VMRGX	06/12/17	974	29.45	28,699	14%	1.6%
Vanguard Global Equity	VHGEX	02/05/15	587	29.45	17,299	8%	1.0%
Vanguard S-T Investment Grade	VFSTX	12/13/13	1,374	10.72	14,729	7%	0.4%
Vanguard Wellington	VWELX	12/13/13	438	41.50	18,159	9%	0.1%
Vanguard Balanced Index	VBINX	11/27/02	782	33.33	26,069	12%	0.4%
TOTAL (as of 08/31/17)					\$211,634		0.3%
2017 YTD Performance (as of 08/31/17): 6.8%							
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 957 shares @ \$32.74	American Century Emerging Markets TWMIX 2,840 shares @ \$11.04

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Fund Name	Ticker Symbol	Purchase Date	Shares	NAV	Value	Portfolio Percent	Monthly Return
Schwab Investor MMF	SWRXX	—	58,325	\$1.00	\$58,325	19%	0.7%
Parnassus Endeavor	PARWX	09/22/16	1,324	36.68	48,555	16%	0.0%
Fidelity OTC Portfolio	FOCPX	05/25/17	428	108.21	46,355	15%	2.4%
Baron Partners Retail	BPTRX	06/01/17	615	47.56	29,256	10%	0.7%
AmerCent Emerging Markets	TWMIX	08/16/17	2,840	11.51	32,683	11%	3.7%
iShares MSCI Eurozone	EZU	06/08/17	722	41.83	30,211	10%	0.5%
SPDR DbleLine Total Return Tactical	TOTL	11/03/16	544	49.54	26,949	9%	0.7%
Fidelity Floating Rate High Inc	FFRHX	07/15/10	3,238	9.63	31,180	10%	-0.3%
TOTAL (as of 08/31/17)					\$303,514		1.0%
2017 YTD Performance (as of 08/31/17): 5.3%							

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	—	56,300	\$1.00	\$56,300	18%	1.0%
Fidelity Contrafund	FCNTX	10/01/15	444	120.18	53,362	17%	1.6%
Fidelity Blue Chip Growth	FBGRX	05/11/17	565	84.74	47,908	15%	1.9%
Fidelity Growth Discovery	FDSVX	05/25/17	1,117	31.49	35,166	11%	2.1%
Fidelity Int'l Small Cap	FISMX	06/11/15	1,139	28.72	32,723	10%	0.8%
Fidelity Europe	FIEUX	06/08/17	760	40.26	30,589	10%	-0.7%
Fidelity Total Bond	FTBFX	11/03/16	2,795	10.76	30,073	9%	0.8%
Fidelity Floating Rate High Inc	FFRHX	07/15/10	3,265	9.63	31,437	10%	-0.3%
TOTAL (as of 08/31/17)					\$317,558		0.8%
2017 YTD Performance (as of 08/31/17): 9.9%							

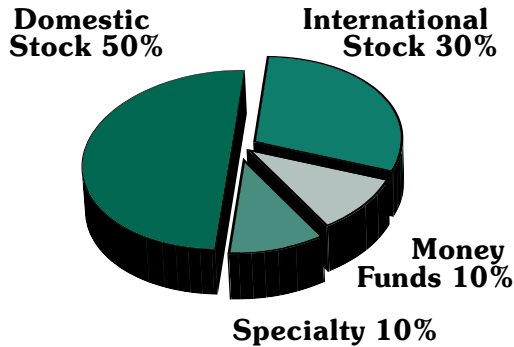
2007: 22.1% 2008: -30.4% 2009: 32.3% 2010: 17.0% 2011: -5.0% 2012: 12.7% 2013: 19.2% 2014: 5.8% 2015: -0.1% 2016: 0.9%

Vanguard

Vanguard Prime MMF/Inv	VMMXX	—	48,280	\$1.00	\$48,280	19%	1.1%
Vanguard Extended Market Index Inv	VEXMX	08/11/16	522	78.19	40,777	16%	-0.4%
Vanguard Windsor	VWNDX	03/16/17	1,802	22.20	40,006	16%	-1.5%
Vanguard Mega Cap Growth ETF	MGK	06/12/17	251	104.06	26,104	10%	1.3%
Vanguard Int'l Explorer	VINEX	06/11/15	1,107	20.66	22,866	9%	0.4%
Vanguard European Stock Index Inv	VEURX	06/12/17	1,018	30.46	31,014	12%	0.1%
Vanguard Mortgage-Backed Securities	VMBS	04/02/15	433	53.04	22,969	9%	0.6%
Vanguard S-T Investment Grade	VFSTX	12/13/13	2,133	10.72	22,868	9%	0.4%
TOTAL (as of 08/31/17)					\$254,884		0.0%
2017 YTD Performance (as of 08/31/17): 6.2%							

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 967 shares @ \$32.74	American Century Emerging Markets TWMIX 2,869 shares @ \$11.04

Hotline 08/09	Sold	Bought
Fidelity Venturesome	Fidelity EMEA FEMEX 3,265 shares @ \$9.12	Fidelity China Region FHKCX 939 shares @ \$31.71

MONEYLETTER

Fund Name	Ticker Symbol	Purchase Date	Shares	NAV	Value	Portfolio Percent	Monthly Return
Schwab Investor MF	SWRXX	—	29,931	\$1.00	\$29,931	9%	0.7%
Parnassus Endeavor	PARWX	09/22/16	1,261	36.68	46,241	13%	0.0%
Fidelity OTC Portfolio	FOCPX	05/25/17	478	108.21	51,681	15%	2.4%
Baron Partners Retail	BPTRX	05/04/17	887	47.56	42,205	12%	0.7%
William Blair Small Cap Growth N	WBSNX	08/04/16	1,338	29.05	38,874	11%	0.0%
Fidelity Real Estate Income	FRIFX	05/05/16	2,353	12.42	29,222	8%	0.3%
AmerCent Emerging Markets	TWMIX	08/03/17	2,869	11.51	33,021	10%	3.7%
Oakmark International I	OAKIX	04/06/17	1,495	27.54	41,168	12%	-0.5%
iShares MSCI Eurozone	EZU	06/08/17	796	41.83	33,313	10%	0.5%
TOTAL (as of 08/31/17)					\$345,656		0.9%
2017 YTD Performance (as of 08/31/17): 9.9%							

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	—	39,005	\$1.00	\$39,005	10%	1.0%
Fidelity Contrafund	FCNTX	10/01/15	363	120.18	43,608	12%	1.6%
Fidelity Blue Chip Growth	FBGRX	05/11/17	586	84.74	49,679	13%	1.9%
Fidelity Growth Discovery	FDSVX	05/25/17	1,257	31.49	39,578	11%	2.1%
Fidelity OTC Portfolio	FOCPX	08/04/16	482	108.21	52,204	14%	2.4%
Fidelity China Region	FHKCX	08/10/17	939	32.67	30,680	8%	2.4%
Fidelity Emerging Markets	FEMKX	05/18/17	1,604	30.08	48,235	13%	2.7%
Fidelity Europe	FIEUX	06/08/17	905	40.26	36,434	10%	-0.7%
Fidelity Real Estate Income	FRIFX	05/05/16	2,715	12.42	33,718	9%	0.3%
TOTAL (as of 08/31/17)					\$373,141		1.5%
2017 YTD Performance (as of 08/31/17): 14.7%							

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	—	22,243	\$1.00	\$22,243	9%	1.1%
Vanguard Windsor	VWNDX	03/16/17	1,136	22.20	25,229	10%	-1.5%
Vanguard Mega Cap Growth ETF	MGK	06/08/17	456	104.06	47,405	19%	1.3%
Vanguard Extended Market Index Inv	VEXMX	08/11/16	414	78.19	32,348	13%	-0.4%
Vanguard U.S. Growth Inv	VWUSX	06/22/17	673	35.62	23,962	9%	1.9%
Vanguard Int'l Explorer	VINEX	06/04/15	1,365	20.66	28,208	11%	0.4%
Vanguard Pacific Stock Index	VPACX	12/04/14	2,123	12.88	27,342	11%	0.2%
Vanguard European Stock Index Inv	VEURX	06/08/17	840	30.46	25,573	10%	0.1%
Vanguard REIT Index Inv	VGSIX	05/05/16	807	27.91	22,520	9%	-0.3%
TOTAL (as of 08/31/17)					\$254,830		0.3%
2017 YTD Performance (as of 08/31/17): 8.7%							

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%

Bond Funds
08/31/2017

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.				
EVBLX	Eaton Vance Floating Rate A	BnkLoan	B	B	*	0.0%	1.6%	6.1%	\$9.29	3.2	3.63%	FSA
FFRHX	Fidelity Floating Rate High Inc (1%r<60d)	BnkLoan	B	B	*	-0.3	1.5	5.1	9.63	3.2	3.54	Fsa
PRFRX	T. Rowe Price Floating Rate (2%r<90d)	BnkLoan	B	B	*	-0.3	1.3	4.2	9.86	2.3	4.16	fsA
BUFHx	Buffalo High-Yield (2%r<180d)	HighYld	*	*	*	-0.2	2.1	5.4	11.25	3.4	4.18	FSA
FAGIX	Fidelity Capital & Income (1%r<90d)	HighYld	*	*	*	0.2	4.1	10.8	10.17	6.0	3.60	Fsa
SPHIX	Fidelity High Income (1%r<90d)	HighYld	*	*	*	0.0	3.1	9.1	8.96	6.2	4.77	Fsa
JAHYX	Janus Henderson High Yield T	HighYld	*	*	*	-0.3	2.0	7.2	8.50	4.7	5.92	FSA
NTHEx	Northeast Investors	HighYld	*	*	*	-0.6	4.1	9.7	4.79	12.6	6.16	fa
PHYDX	PIMCO High Yield D	HighYld	*	*	*	0.1	3.2	7.4	9.03	5.2	4.46	FSA
JNK	SPDR Barclays Capital High Yield Bond	HighYld	*	*	*	0.1	3.0	7.6	37.26	6.4	5.80	—
PRHYX	T. Rowe Price High Yld (closed,2%r<90d)	HighYld	*	*	*	0.0	3.1	8.4	6.78	5.3	5.57	fsA
TGHNX	TCW High Yield Bond N	HighYld	*	*	*	0.0	3.2	6.0	6.41	3.4	4.24	FSA
VAGIX	Value Line Core Bond Fund	HighYld	*	*	*	0.7	2.6	0.4	15.08	2.7	1.89	FSA
WVEXH	Vanguard Hi-Yield Corp Inv	HighYld	*	*	*	0.1	3.6	7.6	5.97	4.6	4.91	fsa
BEGBX	American Century International Bond Inv	Int'l	*	*	*	0.8	8.5	-0.2	13.25	7.7	0.00	FSA
FNMIX	Fidelity New Markets Income (1%r<90d)	Int'l	*	*	*	2.0	5.3	8.5	16.52	7.4	4.70	Fsa
EMB	iShares JPM USD Emerging Markets Bond	Int'l	*	*	*	2.0	5.5	4.6	117.09	5.9	4.51	—
PYGFX	Payden Global Fixed Income	Int'l	*	H	*	0.7	2.4	1.2	9.11	2.5	1.63	FSA
PEMDX	PIMCO Emerging Markets D	Int'l	*	*	*	1.6	5.3	6.9	10.70	8.3	4.55	FSA
PCY	PowerShares Emerg Mkts Sovereign Debt	Int'l	*	*	*	2.2	5.7	3.0	29.95	6.7	4.89	—
PREMX	T. Rowe Price Emerging Mkts (2%r<90d)	Int'l	*	*	*	1.8	4.5	7.1	12.80	6.8	6.31	fsA
RPIBX	T. Rowe Price Intl Bond (2%r<90d)	Int'l	*	*	*	0.9	8.1	0.1	9.09	7.9	1.55	fsA
VGOVX	Vanguard Emerg Mkts Govt Bd Index (.75%)	Int'l	*	*	*	1.5	4.4	4.3	10.17	5.4	4.39	a
WVOB	Vanguard Emerg Mkts Govt Bd Index ETF	Int'l	*	*	*	1.8	5.1	4.5	81.58	5.4	4.49	—
TGINX	TCW Emerging Markets Inc N	Int'l	*	*	*	2.0	5.2	7.6	11.06	6.6	4.98	FSA
BFAFX	AmerFunds Bond Fund of America F1	IntTerm	*	*	*	0.8	2.6	1.1	13.04	2.9	1.72	FS
ACITX	American Century Inflation Adj Bond Inv	IntTerm	*	*	*	1.0	2.4	1.7	11.67	4.0	2.42	FSA
DODIX	Dodge & Cox Income	IntTerm	*	*	*	0.4	2.7	2.6	13.90	2.7	2.85	fsa
DLTNX	DoubleLine Total Return Bond N	IntTerm	H	H	*	0.8	3.0	2.2	10.76	2.0	3.42	FSA
FTRGX	Federated Total Return Govt Bond Inst	IntTerm	*	*	*	1.0	2.4	-0.4	10.92	3.0	1.79	fsa
FTHRX	Fidelity Intermediate Bond	IntTerm	*	*	*	0.6	2.1	1.1	10.95	2.2	2.00	Fsa
FBNDX	Fidelity Investment Grade Bond	IntTerm	*	*	*	0.8	2.6	1.4	7.98	3.1	1.90	Fsa
FMSFX	Fidelity Mortgage Securities	IntTerm	*	*	*	0.7	2.1	0.9	11.33	1.9	1.94	Fsa
FTBFX	Fidelity Total Bond	IntTerm	B	B	*	0.8	2.7	1.9	10.76	3.0	2.47	Fsa
IEF	iShares Barclays 7-10 Year Treasury	IntTerm	*	*	*	1.5	3.4	-1.4	108.24	5.2	1.74	—
AGG	iShares Barclays Aggregate Bond	IntTerm	*	*	*	0.9	2.8	0.5	110.45	2.9	2.41	—
MGFIX	Managers Bond Service	IntTerm	*	*	*	0.5	3.9	3.4	27.27	3.4	3.32	FSA
MBDFX	Managers PIMCO Bond (\$100k)	IntTerm	*	*	*	0.9	2.9	0.1	10.21	3.3	2.05	fsa
MWTRX	Metropolitan West Total Return Bond M	IntTerm	*	*	*	0.8	2.4	0.5	10.75	2.5	1.73	FSA
PRFIX	Parnassus Fixed-Income	IntTerm	*	*	*	0.6	2.5	0.5	16.76	2.5	2.24	FSA
PTMDX	PIMCO Mortgage-Backed Securities D	IntTerm	*	*	*	1.0	2.8	2.0	10.62	1.8	2.59	FSA
PTTDX	PIMCO Total Return D	IntTerm	*	*	*	1.2	3.5	2.8	10.37	3.4	2.24	FSA
SCHZ	Schwab U.S. Aggregate Bond ETF	IntTerm	*	*	*	0.9	2.8	0.5	52.73	2.9	2.33	—
TOTL	SPDR DoubleLine Total Return Tactical	IntTerm	H	H	*	0.7	2.7	1.8	49.54	—	2.96	—
PRCIX	T. Rowe Price New Income	IntTerm	*	*	*	0.9	2.9	0.7	9.57	2.8	2.57	fsA
TGMNX	TCW Total Return Bond N	IntTerm	*	*	*	1.1	2.8	0.4	10.39	2.4	2.26	FSA
USAIX	USAA Income	IntTerm	*	*	*	0.9	3.6	2.3	13.28	3.2	3.33	fsA
VFICX	Vanguard Interim-Term Investment-Grade	IntTerm	*	*	*	0.7	3.2	1.5	9.89	3.2	2.46	fsa
VBIX	Vanguard Intermediate-Term Bond Index	IntTerm	*	*	*	1.0	3.3	0.0	11.56	4.1	2.26	fsa
VMBS	Vanguard Mortgage-Backed Secs ETF	IntTerm	H	H	*	0.6	2.0	0.4	53.04	1.8	1.89	—
BND	Vanguard Total Bond Market ETF	IntTerm	*	*	*	0.9	2.8	0.5	82.52	3.1	2.42	—
VBMFX	Vanguard Total Bond Market Index Inv	IntTerm	*	*	*	0.9	2.6	0.2	10.86	3.1	2.15	fsa
WTIBX	Westcore Plus Bond	IntTerm	*	*	*	0.9	3.1	1.5	10.80	2.8	3.54	FSA
DRGBX	Dreyfus U.S.Treasury Long-Term	LngTerm	*	*	*	3.1	5.8	-6.0	19.22	10.4	2.11	FSA
TLT	iShares Barclays 20+ Year Treasury Bond	LngTerm	*	*	*	3.4	6.5	-6.2	127.99	11.5	2.42	—
LQD	iShares iBoxx \$ Invest Grade Corp Bond	LngTerm	*	*	*	0.7	4.2	1.4	121.61	4.9	3.15	—
PRPIX	T. Rowe Price Corporate Income	LngTerm	*	*	*	0.7	4.0	1.8	9.76	4.1	3.15	fsA
PRULX	T. Rowe Price U.S. Treasury Long-Term	LngTerm	*	*	*	3.3	5.9	-8.0	12.92	10.9	2.37	fsA
VBLTX	Vanguard Long-Term Bond Index Inv	LngTerm	*	*	*	2.1	6.3	-1.5	14.34	8.7	3.32	fsa
VWESX	Vanguard Long-Term Investment-Grade Inv	LngTerm	*	*	*	1.6	6.5	0.7	10.65	7.9	3.61	fsa
VUSTX	Vanguard Long-Term Treasury Inv	LngTerm	*	*	*	3.3	6.1	-5.9	12.51	11.3	2.34	fsa
FSICX	Fidelity Strategic Income	Multi	*	*	*	0.8	4.3	6.1	11.16	4.2	2.93	Fsa
JAFIX	Janus Henderson Flexible Bond T	Multi	*	*	*	0.7	2.7	0.9	10.46	2.7	2.76	FSA
LSBDX	Loomis Sayles Bond Instl (\$100k)	Multi	*	*	*	-0.2	3.6	6.2	14.27	5.8	2.81	fsa
LSBRX	Loomis Sayles Bond Retail	Multi	*	*	*	-0.2	3.4	5.8	14.20	5.8	2.57	FSA
PONDx	PIMCO Income D	Multi	*	*	*	0.9	4.5	8.9	12.43	2.5	5.03	FSA
RPSIX	T. Rowe Price Spectrum Income	Multi	*	*	*	0.6	3.5	4.7	12.81	3.8	3.44	fsA
PRSNX	T. Rowe Price Strategic Income	Multi	*	*	*	1.1	3.7	4.5	11.52	3.5	3.33	fsA
VFTSX	Vanguard Short-Term Inv Grade Inv	ShTerm	H	H	*	0.4	1.6	1.5	10.72	1.3	1.76	fsa
BTRRX	American Century Zero Coupon 2025 Inv	ZeroCpn	*	*	*	1.6	4.9	-1.2	100.82	6.6	3.34	FSA

(continued from page 2)

Low inflation is still nagging, with the Fed's preferred measure (Core PCE) remaining below target for the last five years. The Fed under Yellen will continue to implement a "slow and steady" monetary policy. That includes the process of "balance sheet normalization."

Hold tight

There is no change in our asset allocations or model portfolio positions at this time.

With the economy showing continued signs of strengthening, US equities are still the place to be. Bonds have done reasonably well over the last two months, and fixed-income products are at less risk than they were earlier in the year. The diversification of our model portfolios is well-established, and provides you with an important layer of protection based on your risk profile.

Several subscribers have called our office recently in reference to US stocks, asking, "Is this a bubble?" We actually see this as a misidentification. While we recognize prices are at or near all-time highs, there is no evidence of an asset bubble like those that triggered recessions in 2001 (high-tech) and 2007-2009 (housing). The fundamental data does not support that conclusion. We have positive and growing GDP and barring an unforeseen global political disaster (North Korea?) there is no imminent risk of recession.

We recommend keeping a steady hand due to continued global economic growth. \$

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

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The fund's benchmark is the MSCI Golden Dragon Index, and portfolio weightings generally stay within a reasonable percentage of that benchmark. About 85% of assets are in large-cap stocks (a bonus for liquidity). Looking at sectors, the fund was most overweight in technology, industrials, health care, and consumer staples, and underweight in financials. Fidelity China Region has advanced 37.4% this year, besting two-thirds of the China category funds.

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

Information Technology	42.0	China	57.8
Financials	13.3	Hong Kong	21.3
Consumer Discretionary	10.4	Taiwan	15.7
Industrials	6.7	United States	4.6
Consumer Staples	6.2	—	—

As of June 30, 2017

Fidelity Investments

(800) 544-8544 • Minimum investment \$2,500, \$2,500 IRA
1.50% redemption fee within 90 days.

Cynthia Andrade (CFA), Contributing Editor
Cyndi has been a financial writer and editor since 1980.

100% U.S. TREASURY FUNDS

	7-Day	30-Day	1-Year
Gabelli US Treasury MMF/CI AAA	0.96%	0.95%	0.47%
PNC Treasury MMF/CI A	0.77	0.78	0.35
Fidelity Treasury Only MMF	0.63	0.62	0.19
Amer Century Capital Presv Fund/Inv	0.59	0.58	0.15
Ready Assets US Treasury MF	0.56	0.58	0.24
Western Asset US Treas Res/CI N	0.44	0.44	0.12
BIF Treasury Fund	0.42	0.42	0.10
Schwab US Treasury Money Fund	0.42	0.42	0.11
Wells Fargo 100% Treas MMF/CI A	0.38	0.37	0.08
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	1.11%	1.11%	0.78%
Fidelity Money Market Fund	0.97	0.97	0.66
Northern MMF	0.96	0.95	0.64
Dreyfus BASIC MMF	0.85	0.82	0.47
Schwab Retirement Advantage MF	0.85	0.85	0.52
T. Rowe Price Cash Reserves Fund	0.85	0.82	0.43
Western Asset Prime Oblig MMF/CI A	0.80	0.80	0.00
Principal Funds MMF/Class A	0.79	0.78	0.33
Putnam MMF/CI A	0.79	0.78	0.32
Schwab Advisor Cash Resvs/PremSwp	0.76	0.76	0.43

TAX-FREE GENERAL PURPOSE FUNDS

	7-Day	30-Day	1-Year
Vanguard Municipal MMF/Investor	0.70%	0.71%	0.61%
Northern Municipal MMF	0.69	0.64	0.76
BNY Mellon National Muni MMF/CI M	0.53	0.48	0.41
Fidelity Municipal MMF	0.49	0.49	0.39
T. Rowe Price Tax-Exempt MF/Inv	0.47	0.47	0.24
T. Rowe Price Summit Muni MMF	0.43	0.44	0.29
Fidelity Tax-Exempt MMF	0.41	0.41	0.37
Amer Century T-F MMF/Inv Class	0.39	0.40	0.34
USAA Tax Exempt MMF	0.35	0.35	0.35
TD Muni Portfolio/Investor	0.21	0.20	0.08

TAX-FREE STATE-SPECIFIC FUNDS

	7-Day	30-Day	1-Year
Vanguard NY Muni MMF	0.68%	0.67%	0.58%
Vanguard CA Muni MMF	0.65	0.65	0.56
Vanguard NJ Muni MMF	0.64	0.65	0.53
Vanguard PA Muni MMF	0.63	0.62	0.55
Federated NY Muni Cash Tr/Wealth	0.59	0.59	0.50
Federated CA Muni Cash Tr/Wealth	0.57	0.58	0.76
Fidelity NJ AMT T-F MMF	0.55	0.55	0.45
Fidelity NY AMT T-F MMF	0.54	0.54	0.49
Fidelity CA AMT T-F MMF	0.53	0.52	0.46
Fidelity MA AMT T-F MMF	0.50	0.49	0.44

Taxable equivalent yield = yield / (1-total effective tax bracket). 7-day and 30-day yields are compound yields as of 08/29/17. 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: iMoneynet's Money Fund Report (800) 343-5413

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A Look at Two New Portfolio International Investments

August brought changes to the model portfolios. Two recent additions reflect a change in our international fund recommendations. The two new holdings: American Century Emerging Markets and Fidelity China Region. Here is a look at both.

American Century Emerging Markets (TWMIX)

Lead portfolio manager Patricia Ribeiro and the investment team search for companies on the cusp of accelerating earnings growth...before the broad market recognizes this potential. That growth is often the result of a catalyst for change, which can be broad in nature or company specific. The catalyst can be (broadly) a new technology, or (more narrowly) a new product, cost reduction, or management change. To identify these opportunities, the management team employs fundamental, bottom-up analysis, although they also take into account the macroeconomic environment's impact on companies. Meanwhile, they aim to sell a stock when they believe earnings have hit peak potential, before the overall market sours on growth expectations.

Generally, the fund's portfolio does not deviate by more than a few percentage points from the MSCI Emerging Markets Index regional weightings, although up to a 10% deviation is allowable. Ribeiro and the team have said they are able to find attractive growth opportunities even in countries experiencing tough economic conditions.

Typically, the fund invests in about 80 to 90 stocks, with about a third of assets in the top ten holdings. Recently, the portfolio had 80% of assets in large-cap stocks, a bit less than the category average and the benchmark. Looking at sector weightings, the fund was most overweight the benchmark and the category in technology and consumer discretionary and underweight in financial services.

Top holdings include Samsung Electronics, Tencent Holdings, Taiwan Semiconductor Manufacturing, and Alibaba Group. Tencent and Alibaba have contributed notably to fund returns, with gains this year of 73% and 91%, respectively. Ribeiro noted that recent performance has been fueled by information technology stocks, especially internet/social media firm Tencent Holdings, where revenue growth has exceeded expectations. Consumer discretionary holdings have also been strong, as evidenced by China Lodging Group, a mid- to upscale hotel operator that has more than doubled in price this year.

Ribeiro states that the fund portfolio "remains geared toward companies capitalizing on improving discretionary spending patterns in countries with rising incomes." American Century Emerging Markets' 36.8% gain in 2017 through September 1 bests 97% of emerging markets funds.

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

Information Technology	32.0	China	32.0
Consumer Discretionary	20.0	South Korea	14.0
Financials	17.0	Taiwan	10.0
Materials	7.0	India	7.0
Consumer Staples	7.0	Brazil	6.0

As of June 30, 2017

American Century Investments

(800) 345-2021 • Minimum investment: \$2,500, \$0 IRA.

2.00% redemption fee within 60 days

Fidelity China Region (FHKCX)

This fund's investments focus on stocks of companies having their primary business in China, Hong Kong, and Taiwan. Fund manager Robert Bao utilizes a two-fold approach to investing the portfolio. First, about 75% of assets go into core holdings—chosen using a growth-at-a-reasonable-price (GARP) strategy. These firms will demonstrate high and consistent earnings growth, strong balance sheets and robust internally generated free cash flow. Bao and the fund's analysts use a bottom-up fundamental analysis to select stocks, and they emphasize company visits to assess management. They also incorporate an analysis of government regulators and politicians in the case of state-owned enterprises.

Representative of the fund's core holdings: Tencent Holdings and Alibaba Group (both bought in 2015), and Hon Hai Precision Industry (purchased in 2016), a supplier for Apple products. All three have been good contributors to fund results, with gains of 45% to 91% this year.

The final 25% of fund assets are devoted to "opportunistic" investments. These include turnaround companies, firms selling at extreme discounts, and cyclical firms, which all must have catalysts that will enable fundamentals and earnings to improve. Earlier this year, stock selection in opportunistic China-based cement companies contributed significantly to performance, especially as one firm was partially purchased by a private buyer.

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