the Prudent Speculator

IN PARTNERSHIP WITH KOVITZ

SPECIAL REPORT:

DOW JONES 40,000... 50,000... ONE MILLION!

tps

Dow 40,000... 50,000... One Million!

MAY 2024

John Buckingham
Principal
Portfolio Manager

Jason R. Clark, CFA
Principal
Portfolio Manager

Christopher Quigley, CFA
Senior Research
Analyst

Zack Tart
Portfolio & Research
Associate

KEY TAKEAWAYS

- **Another record set**: The Dow Jones Industrial Average has reached 40,000, the latest addition to the list of 1,405 record-setting days since December 1900.
- **Invest Now, Invest Later and Invest Now and Later**: Investors do not harm their long-term returns by investing at new market highs, although jumping in and out can certainly cause issues.
- **Winnie the Pooh**: "Rivers know this: there is no hurry. We shall get there some day."

The Dow Jones Industrial Average briefly crossed the 40,000 level on May 16, a record level for the benchmark index. Within minutes of hitting the milestone, financial news outlets were pumping out articles with reasons to be jubilant (rather than fearful) about stock investing. Investors might be accused of having short memories, but we wonder what to make of the sudden about face. *Barron's* ran an article just six days earlier with the headline "Dow 40,000 Is So Close, You Can Feel It. Here's Why You Should Fear It." and a CFRA Research strategist explained to *Forbes Advisor* that "investors should brace themselves for potential profit taking."

RECORDS ARE SET OFTEN

Crossing the 40,000 mark was new, but not novel. Over the last 122 years, the Dow Jones Industrial Average has notched an all-time high every decade except one (the 1940's). Remarkably, 227 peaks have already been set this decade, trailing the 258-peak record set in the 1960's, plus there are five and a half years left to add to the tally. As Figure 1 shows, bailing on stocks simply because "the market is at a high" is an unwise choice for portfolios that seek long-term appreciation, not to mention there are dings from tax and trading consequences that come with short-term churn.

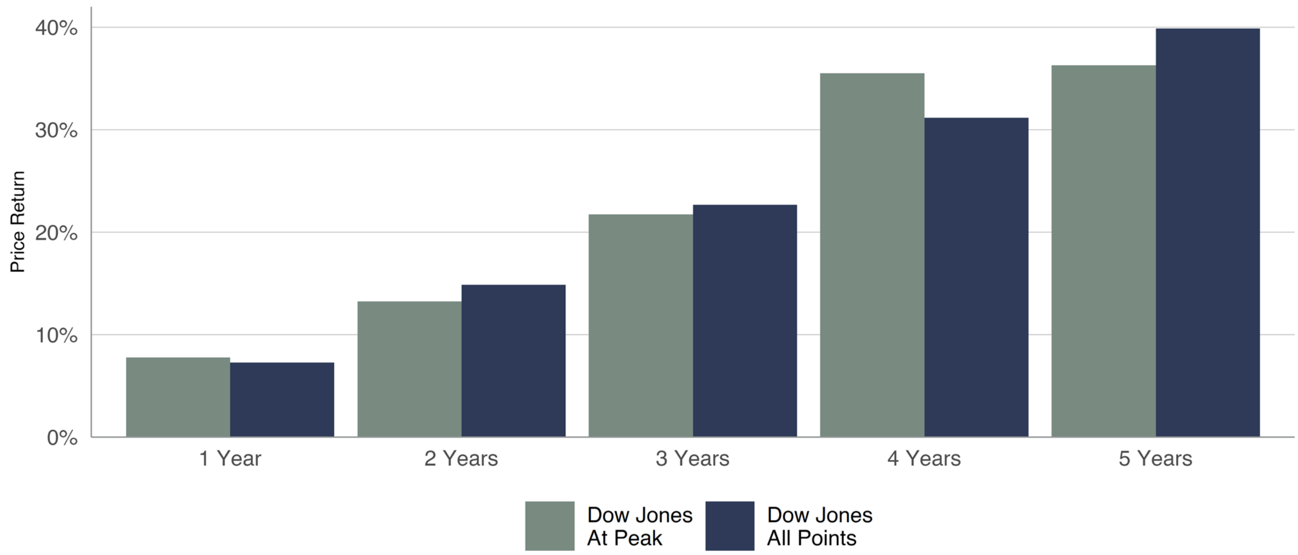
Figure 1: The Dow Jones Industrial Average Frequently Hits All-Time Highs

From 12.31.1900 through 05.17.2024. Green dots indicate the Dow Jones Industrial Average benchmark finished the day at an all-time high. Price return series. SOURCE: Kovitz using data from Bloomberg Finance L.P.

INVEST NOW. INVEST LATER. INVEST NOW AND LATER.

We'll even go a step further and argue that it's a great time to buy stocks at record highs. It's also a great time to buy stocks when they're not at a high. In Figure 2, we crunch subsequent return figures for the Dow Jones Industrial Average and find that timing stock purchases based on a particular index level does little to impair returns. The Dow hit a peak on 1,405 trading days since 1900, which is about one peak every 21 trading days (although we note that peaks tend to be clumped together).

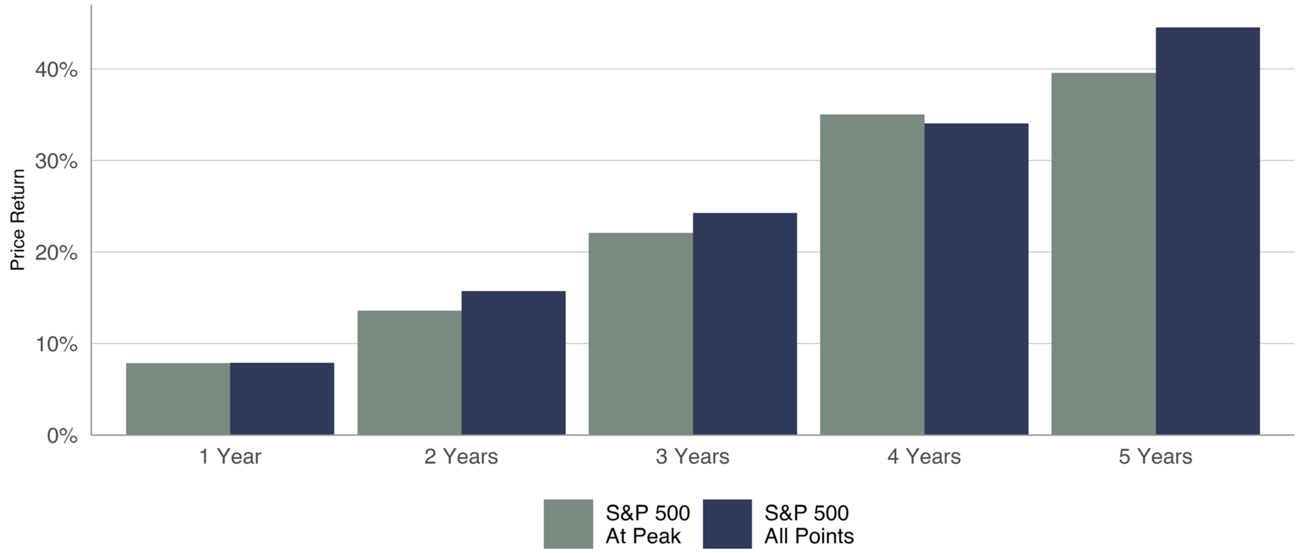
Figure 2: Investing At A Peak... Isn't Bad



From 12.31.1900 through 05.17.2024. Price return series. SOURCE: Kovitz using data from Bloomberg Finance L.P.

To demonstrate that we weren't mining data for a specific outcome, we reran the Figure 2 analysis with [S&P 500 index] data and offer the results in Figure 3. The outcome is generally similar, though the shorter time horizon (97 years versus 122 years) and whacking of the early 20th century does result in slightly higher average returns. Additionally, the S&P 500 is more diversified (but still not as diversified as we'd like for a broad-market benchmark) and neither the S&P 500, nor the Dow Jones returns for Figures 1 through 3 include dividends, which add something like 2% to 3% to an investor's annual return.

Figure 3: Investing Immediately has Paid Off Historically



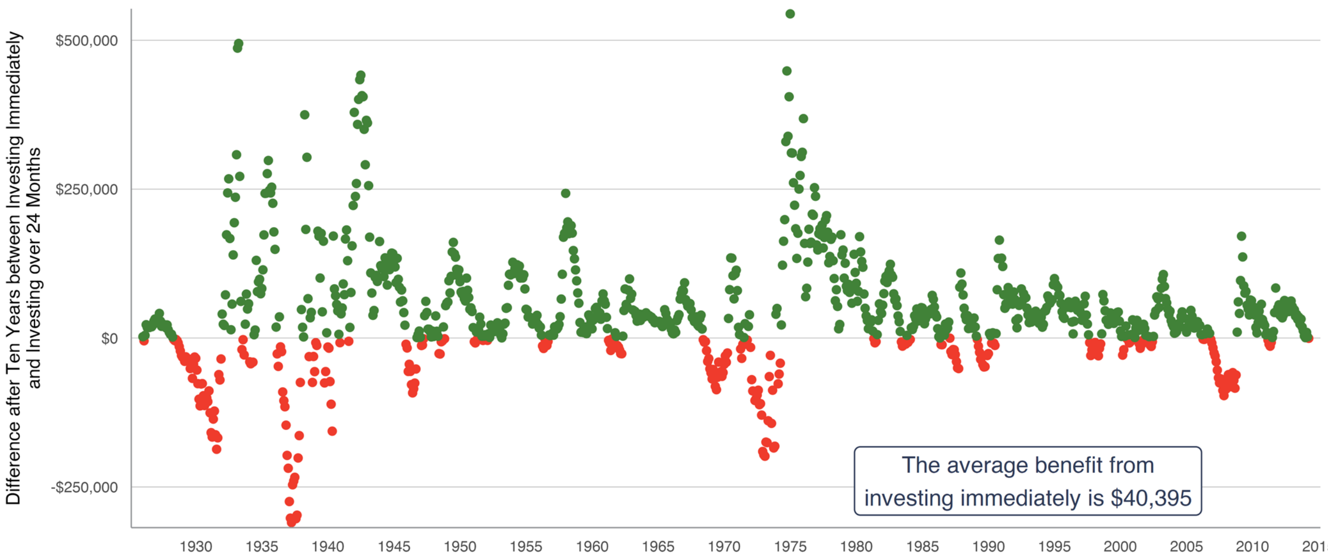
From 12.31.1927 to 05.17.2024. Hypothetical investments are made immediately or evenly over 24 months in the S&P 500 total return index. Green (red) dots indicate periods where investing immediately was more (less) profitable than investing over time. SOURCE: Kovitz using data from Morningstar

STRIKING IT RICH AND GETTING RICHER

We have previously discussed dollar cost averaging, saving for the future and withdrawal rates, but it's been a long time since we have discussed financial windfalls. Whether a result of winning the lottery or the untimely demise of a wealthy uncle, the surprise invariably causes one to wonder what to do with their newfound fortune. Of course, we suggest invest! The next question is whether it's worthwhile to put all of the money to work right away or invest it over time.

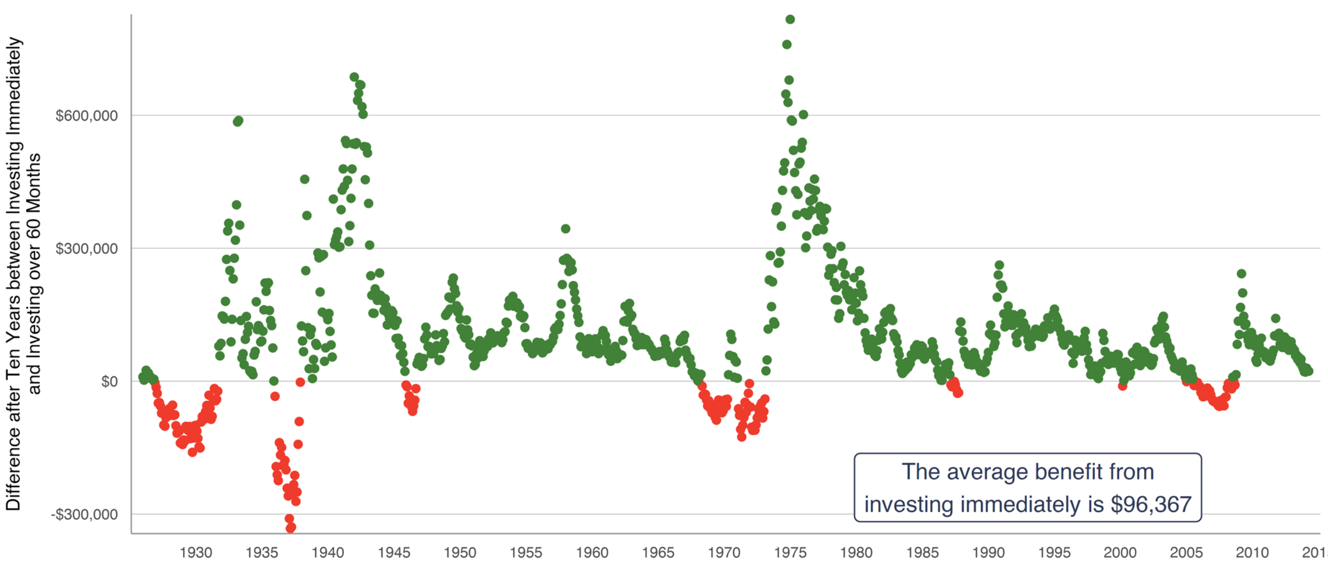
We 'gave' our hypothetical investor $100,000 and a choice: invest the full amount immediately or invest in equal portions over two years ($4,166 per month). The funds were invested for a total of ten years from the date of the windfall and the ending value difference between the two choices is plotted in Figure 4. Approximately 75% of the time, the immediately invested portfolio outperformed the legged-in portfolio. The average advantage earned by investing the full sum immediately was $40,395. To make sure we weren't getting lucky with the two-year investment period, we shortened the window to invest the cash to 12 months, which yielded an average return gap of $18,450. The five-year window widened to a $96,367 difference.

Figure 4: Investing Immediately Has Paid Off Historically



From 12.31.1925 to 04.30.2024. Hypothetical investments are made immediately or evenly over 24 months in the S&P 500 total return index. Green (red) dots indicate periods where investing immediately was more (less) profitable than investing over time. SOURCE: Kovitz using data from Morningstar

Figure 5: Investing Immediately Pays Off Even More Over Longer Periods



From 12.31.1925 to 04.30.2024. Hypothetical investments are made immediately or evenly over 60 months in the S&P 500 total return index. Green (red) dots indicate periods where investing immediately was more (less) profitable than investing over time. SOURCE: Kovitz using data from Morningstar

MILESTONE INVESTING

In Figure 6, we calculated subsequent returns for the Dow Jones Industrial Average based on investments made when the index hit certain milestones. The Dow took 50 years to grow from 100 to 500, while the jump from 500 to 5,000 took 39 years. Of course, it's impossible to know how long it will take to hit the 50,000 mark, but we are just 29 years down the road from the 5,000 point level and the long-term average price return of 5.9% (since 1927, excluding dividends) puts the benchmark index on pace to hit 50,000 less than 5 years from now. The Dow's returns after hitting major milestones are generally sizable, especially those over 20 and 30 years, meaning that staying on the sidelines simply because some index is at a record is not a money-making strategy, at least if market history is any indication.

We perform the same number-crunching in Figure 7 but use the large-cap S&P 500 index instead. The story is broadly similar, though it is a bit easier to see the impact of the Tech Bubble bursting in 2000 and the COVID-19 pandemic. Still, the negative impact from those events did little to derail long-term investor returns.

Figure 6: Investing in the Dow Jones Industrial Average at the Milestones:

PERFORMANCE AFTER HITTING MILESTONES							
Dow Milestone	Date	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years
100	01.12.1906	-4.7%	-15.2%	-18.2%	-4.9%	57.0%	46.7%
500	03.12.1956	-6.0%	22.7%	32.6%	85.5%	97.4%	248.9%
1,000	11.14.1972	-13.3%	-14.9%	-16.4%	3.7%	222.3%	751.5%
5,000	11.21.1995	27.8%	82.3%	108.9%	115.4%	254.8%	NA
10,000	03.29.1999	10.1%	4.0%	3.2%	-22.3%	159.1%	NA
20,000	01.25.2017	31.5%	44.5%	70.9%	NA	NA	NA
30,000	11.24.2020	19.2%	17.8%	NA	NA	NA	NA
40,000	05.17.2024	NA	NA	NA	NA	NA	NA
	Average	**9.2%**	**20.2%**	**30.2%**	**35.5%**	**158.1%**	**349.1%**

As of 05.17.2024. Price return series. SOURCE: Kovitz using data from Bloomberg Finance L.P.

Figure 7: Investing in the S&P 500 Index at the Milestones

PERFORMANCE AFTER HITTING MILESTONES							
S&P 500 Milestone	Date	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years
100	06.04.1968	2.2%	0.9%	2.6%	-2.2%	165.4%	990.7%
500	03.24.1995	29.9%	120.7%	204.9%	133.8%	317.5%	NA
1,000	02.02.1998	26.0%	34.8%	-14.5%	39.4%	175.9%	NA
1,500	03.22.2000	-25.5%	-40.3%	-21.9%	-22.3%	53.6%	NA
2,000	08.26.2014	-3.0%	22.2%	43.9%	NA	NA	NA
3,000	07.12.2019	5.7%	26.7%	NA	NA	NA	NA
4,000	04.01.2021	13.1%	30.4%	NA	NA	NA	NA
5,000	02.09.2024	NA	NA	NA	NA	NA	NA
	Average	**6.9%**	**27.9%**	**43.0%**	**37.2%**	**178.1%**	**990.7%**

As of 05.17.2024. Price return series. SOURCE: Kovitz using data from Bloomberg Finance L.P.

INVESTING BY DECADE

Perhaps investors who are concerned about investing at various market peaks prefer to invest in one lump sum every ten years, staying on the sidelines until New Year's Day of the new decade. At face value, the strategy seems to work, as Figure 8 shows for the Dow Jones Industrial Average. The index's returns are hit-or-miss in the near team (7 of 13 one-year returns are negative and have an average decline of 5.4%), but there a sizable ramp in the success ratio as the time window expands. The average return at the end of each decade is a handsome 93.4% and subsequent 20-year returns average a whopping 264.2%. Perhaps we should update the market adage *Sell in May and Go Away!* to *Buy Stocks Every Decade and Let Them Run!*

The S&P 500 index doesn't do much better in the short run, with 5 of 10 one-year returns in negative territory, although the average return is just barely positive, which we consider a modest victory. Ten years out, the index's average price return is even better, coming in at 114.4%. S&P 500 investors will be even happier with their returns 20 years out given the average return is massive 346%.

Figure 8: Investing by Decade: Dow Jones Industrial Average

INVESTING BY DECADE & SUBSEQUENT PERFORMANCE						
Date Invested	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years
01.01.1901	-8.7%	-30.5%	36.6%	15.1%	1.8%	132.8%
01.01.1910	-17.8%	-11.3%	-44.9%	8.3%	150.9%	51.4%
01.01.1920	-32.9%	-8.4%	12.4%	131.7%	39.9%	87.0%
01.01.1930	-33.8%	-75.7%	-58.1%	-39.6%	-19.3%	173.4%
01.01.1940	-12.6%	-20.4%	1.3%	33.7%	352.9%	433.6%
01.01.1950	17.4%	45.6%	101.7%	238.8%	299.1%	318.3%
01.01.1960	-9.3%	-4.0%	28.7%	17.8%	23.5%	305.3%
01.01.1970	4.8%	27.4%	-23.0%	4.8%	244.0%	1336.5%
01.01.1980	14.9%	24.8%	44.5%	228.3%	1270.8%	1143.3%
01.01.1990	-4.3%	19.9%	39.3%	317.6%	278.8%	936.6%
01.01.2000	-6.2%	-27.4%	-6.2%	-9.3%	148.2%	NA
01.01.2010	11.0%	25.7%	70.9%	173.7%	NA	NA
01.01.2020	7.2%	16.1%	NA	NA	NA	NA
Average	**-5.4%**	**-1.4%**	**16.9%**	**93.4%**	**253.7%**	**491.8%**

As of 05.17.2024. Price return series. SOURCE: Kovitz using data from Bloomberg Finance L.P.

Figure 9: Investing by Decade: S&P 500 Index

INVESTING BY DECADE & SUBSEQUENT PERFORMANCE						
Date Invested	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years
01.01.1930	-28.5%	-67.7%	-55.7%	-41.9%	-21.7%	179.2%
01.01.1940	-15.1%	-21.6%	6.6%	34.8%	380.7%	638.8%
01.01.1950	21.7%	58.2%	114.3%	256.7%	448.3%	542.9%
01.01.1960	-3.0%	5.4%	41.5%	53.7%	80.2%	490.1%
01.01.1970	0.1%	28.2%	-25.5%	17.2%	283.9%	1496.0%
01.01.1980	25.8%	30.3%	54.9%	227.4%	1261.2%	933.1%
01.01.1990	-6.6%	23.3%	30.0%	315.7%	215.5%	814.2%
01.01.2000	-10.1%	-40.1%	-17.5%	-24.1%	119.9%	NA
01.01.2010	12.8%	27.9%	84.6%	189.7%	NA	NA
01.01.2020	16.3%	18.8%	NA	NA	NA	NA
Average	**1.3%**	**6.3%**	**25.9%**	**114.4%**	**346.0%**	**727.8%**

As of 05.17.2024. Price return series. SOURCE: Kovitz using data from Bloomberg Finance L.P.

A BEAR MARKET WILL EVENTUALLY ARRIVE

The path to stock market gains is not all unicorns and rainbows. History shows that sooner or later, a market retreat will arrive. The timing is always uncertain and so is the depth. We calculated subsequent returns using "Bear Markets" for the S&P 500 index beginning in 1929 in Figure 10. A "Bear Market" is considered a drop of 20% without an ensuing gain of the same amount. For this illustration, investments are made at the prior peak, which is effectively the day stocks hit a high and started their plunge. One-year returns are dreadful, averaging -20.8%, but fortunes turn by year five, with twenty- and thirty-year returns leaving one to wonder what all the fuss was about (with the benefit of hindsight, of course).

To benefit from the maximum return history, we leave out the impact of dividends from Figures 6 through 10. Indeed, the contribution is material and should be considered when one thinks about their forward-looking returns. Since December 1900, the Dow's annualized total return (including dividends) is 7.0%, compared to a price return of 5.3%. The S&P 500 has gained an annualized 9.7% on a total return basis since December 1927 and 6.1% on a price return basis.

Figure 10: S&P 500 - Investing in Bear Markets

PERFORMANCE DURING AND AFTER BEAR MARKETS						
Bear Market Start	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years
09.16.1929	-33.4%	-76.2%	-73.4%	-59.0%	-50.8%	78.0%
04.10.1930	-36.5%	-74.8%	-65.7%	-52.4%	-31.1%	117.6%
02.24.1931	-53.6%	-38.7%	-19.2%	-45.8%	20.6%	245.8%
06.26.1931	-70.0%	-35.1%	-2.6%	-35.2%	38.8%	320.0%
11.09.1931	-39.9%	-19.3%	53.6%	-17.1%	97.5%	514.3%
09.07.1932	14.9%	25.1%	57.8%	-7.5%	170.8%	527.1%
07.18.1933	-19.3%	28.4%	1.2%	2.8%	99.6%	461.4%
02.06.1934	-25.5%	51.1%	5.5%	-1.9%	122.5%	550.8%
03.10.1937	-42.3%	-34.7%	-56.4%	-19.6%	136.0%	376.1%
11.09.1938	-8.8%	-30.7%	-18.1%	8.8%	279.0%	653.8%
10.25.1939	-18.8%	-28.6%	-2.9%	20.7%	328.2%	642.8%
11.07.1940	-16.2%	1.8%	50.5%	70.0%	383.8%	639.4%
05.29.1946	-24.9%	-24.6%	10.9%	134.3%	353.7%	420.4%
06.15.1948	-18.5%	29.2%	38.5%	163.9%	492.8%	476.4%
08.02.1956	-4.1%	21.7%	34.6%	65.5%	107.5%	372.3%
12.12.1961	-13.8%	15.2%	14.3%	34.5%	72.0%	425.3%
02.09.1966	-7.1%	10.1%	3.7%	5.9%	128.1%	597.8%
11.29.1968	-13.4%	-13.8%	-10.2%	-13.5%	150.0%	1000.2%
01.11.1973	-22.1%	-21.0%	-25.4%	21.2%	258.4%	671.4%
11.28.1980	-11.0%	18.5%	44.1%	126.3%	850.8%	746.4%
08.25.1987	-23.0%	-7.5%	22.2%	173.2%	339.3%	625.4%
03.24.2000	-25.4%	-43.4%	-23.3%	-23.6%	60.2%	NA
01.04.2002	-22.5%	1.3%	21.0%	8.9%	308.8%	NA
10.12.2007	-42.4%	-25.1%	-8.5%	63.3%	NA	NA
01.06.2009	21.7%	36.7%	95.4%	170.9%	NA	NA
02.19.2020	15.4%	20.5%	NA	NA	NA	NA
01.03.2022	-20.3%	NA	NA	NA	NA	NA
Average	**-20.8%**	**-8.2%**	**5.9%**	**31.8%**	**205.1%**	**498.2%**

As of 05.17.2024. Price return series. SOURCE: Kovitz using data from Bloomberg Finance L.P.

THE DOW'S PATH TO ONE MILLION

Our Bear Market tangent out of the way, we turn back to the Dow Jones Industrial Average. While talk of index milestones like Dow 40,000 or S&P 5,000 focus on prices and ignore total return, which includes dividends and the impact of their reinvestment, Dow One Million is not as far-fetched as it might initially sound. After all, if we simply compound the annualized 5.8% price appreciation rate that has taken the benchmark from 166.23 on June 30, 1927, to today's level near 40,000, the seven-digit figure would arrive in 2084, with Dow 100,000 coming in the early 2040's. Certainly, past performance is no guarantee of future returns , but a case could be made that since price appreciation today accounts for a greater percentage of total return and dividend income a lower percentage than in the past, those Dow targets could arrive even sooner.

Further illustrating the Miracle of Compounding, we show in the table below what a 40,000 starting value would grow to over time based on various return rates that have been the long-term averages for stocks, bonds and inflation. True, we are mixing apples (price return of the Dow Jones benchmark) with oranges (total return of the other columns), but one does not need to endeavor to get rich quick when even relatively modest return rates allow substantial wealth to accrue in the fullness of time. Of course, the historical figures show that Dividend Paying and Value stocks are the best place to be for those with a long-term time horizon.

Admittedly, the table below is simplistic as returns are never consistent, but the earlier one begins to invest, the longer the calendar can work its magic. Indeed, there are always reasons to not buy stocks, but we believe long-term-oriented investors would be better off avoiding major market-timing activity.

Figure 11: Time in the Market Trumps Market Timing

DOW JONES PATH TO 1,000,000							
Date	Dow Jones Industrial Average Price Return	Inflation Rate	Intermediate Government Bonds Total Return	Large Company Stocks Total Return	Small Company Stocks Total Return	Dividend-Paying Stocks Total Return	Value Stocks Total Return
Historical Growth Rate	**5.8%**	**3.0%**	**4.9%**	**10.3%**	**10.7%**	**11.8%**	**13.1%**
May 2024	**40,000**	40,000	40,000	40,000	40,000	40,000	40,000
May 2025	**42,320**	41,200	41,960	44,120	44,280	44,720	45,240
May 2026	**44,775**	42,436	44,016	48,664	49,018	49,997	51,166
May 2027	**47,371**	43,709	46,173	53,677	54,263	55,897	57,869
April 2028	**50,119**	45,020	48,435	59,205	60,069	62,492	65,450
April 2029	**53,026**	46,371	50,809	65,304	66,496	69,867	74,024
April 2030	**56,101**	47,762	53,298	72,030	73,612	78,111	83,721
April 2031	**59,355**	49,195	55,910	79,449	81,488	87,328	94,689
April 2032	**62,798**	50,671	58,649	87,632	90,207	97,633	107,093
April 2033	**66,440**	52,191	61,523	96,658	99,859	109,153	121,122
April 2034	**70,294**	53,757	64,538	106,614	110,544	122,033	136,989
April 2039	**93,185**	62,319	81,977	174,057	183,770	213,151	253,512
May 2044	**123,530**	72,244	104,129	284,165	305,501	372,303	469,150
May 2049	**163,758**	83,751	132,266	463,925	507,868	650,287	868,211
May 2054	**217,085**	97,090	168,006	757,400	844,284	1,135,832	1,606,712
May 2064	**381,493**	130,482	271,069	2,018,740	2,333,269	3,465,231	5,502,552
May 2074	**670,414**	175,356	437,355	5,380,661	6,448,238	10,571,830	18,844,744
May 2084	**1,178,149**	235,664	705,650	14,341,373	17,820,392	32,252,858	64,538,117

Returns are compounded at average annualized rates that have been the historical returns on each investment from June 1927 to March 2024. SOURCE: Kovitz using data from Morningstar, Bloomberg and Professors Eugene F. Fama & Kenneth R. French.

THERE'S NO BETTER TIME THAN THE PRESENT

There is usually something about which to worry. Often, we hear and read pundits openly fretting that the market has risen too high or that it's nearing a precipice. In any case, the feeling that you must take action in that moment or risk missing the boat can be overwhelming, while the alternative solution is to tune in (or pickup the paper) tomorrow for more updates about the market's latest frenetic gyrations. Yes, there is value in knowing about the goings-on of the investment world (we even write a whole newsletter dedicated to the cause), but we always caution that investors must avoid derailing their personal financial goals with a collision between near-term activity and long-term portfolio alignment.

More than one hundred years of market data and decades of collective experience within our team suggest there aren't paths to certain riches. Still, we do know that the stock markets have risen over the past century, and longer time horizons have experienced higher probabilities of success. For example, Value stocks, like those in which we seek to invest, have gained in 96.7% of ten-year periods since 1927, and that success rate grows to a perfect 100% over 15- and 20-year periods. Sure, the past is not prologue, but we like those odds a lot.

In absence of a market crystal ball to aid in the prediction of the future, we would argue that a few things can strongly tip the scales of investment success in your favor, including patience, a long time horizon, a broad set of opportunities and personalized financial planning. We endeavor to help you keep more of your money in your pocket (where it belongs) and keep it growing for the future.

"Rivers know this: there is no hurry. We shall get there some day." — Winnie the Pooh.

For additional information about subscribing to the *The Prudent Speculator* newsletter, please call Phil Edwards at 800.258.7786 or email pedwards@kovitz.com.

For more details about our wealth management and asset management services, kindly reach out to:

Jason R. Clark, CFA

Principal, Portfolio Manager

949.424.1013

jclark@kovitz.com

DISCLOSURES

Opinions expressed are only our current opinions or our opinions on the posting date. Any graphs, data, or information in this publication are considered reliably sourced, but no representation is made that it is accurate or complete, and should not be relied upon as such. This information is subject to change without notice at any time, based on market and other conditions. The description of products, services, and performance results contained herein is not an offering or a solicitation of any kind, always consult with your tax advisor.

The description of products, services, and performance results contained herein is not an offering or a solicitation of any kind. Past performance is not an indication of future results. Securities investments are subject to risk and may lose value.

All returns are geometric average unless otherwise stated. The geometric average is calculated using the mean of a set of products that takes into account the effects of compounding.

The Standard & Poor's 500 index (S&P 500) is a broad stock market index based on the market capitalizations of the largest 500 companies listed in the U.S. Small company stocks, via Ibbotson Associates, are the bottom twenty percent of the New York Stock Exchange. Large company stocks, via Ibbotson Associates, are represented by the S&P 500 index. The S&P 500 Growth Index is a market capitalization weighted index. All the stocks in the underlying parent index are allocated into value or growth. Stocks that do not have pure value or pure growth characteristics have their market caps distributed between the value & growth indices. Prior to 12/19/2005 this index represented the S&P 500/Barra Growth Index. The S&P 500 Value Index is a market capitalization weighted index. All the stocks in the underlying parent index are allocated into value or growth. Stocks that do not have pure value or pure growth characteristics have their market caps distributed between the value & growth indices. Prior to 12/19/2005 this index represented the S&P 500/Barra Value Index.

The factor-based (book value-to-price) portfolio data is from Eugene F. Fama and Kenneth R. French. The dataset is broken into four groups: large value, large growth, small value and small growth. The aggregate Value and Growth portfolios are monthly averages of the two returns.

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

The Russell 3000 Index is composed of 3000 large U.S. companies, as determined by market capitalization. This portfolio of Securities represents approximately 98% of the investable U.S. equity market. The Russell 3000 Index is comprised of stocks within the Russell 1000 and the Russell 2000 Indices. Russell 3000 Growth Index measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. Russell 3000 Value Index measures the performance of those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The MSCI ACWI Index is a free-float weighted equity index. It was developed with a base value of 100 as of December 31 1987. It includes both emerging and developed world markets. The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. The DJ US Real Estate Index represents REITs & other companies that invest directly or indirectly in real estate through development, management or ownership, including property agencies. The index is a subset of the Dow Jones U.S. Index, which covers 95% of U.S. securities based on float-adjusted market capitalization. The S&P GSCI Total Return Index in USD is widely recognized as the leading measure of general commodity price movements and inflation in the world economy. Index is calculated primarily on a world production weighted basis, comprised of the principal physical commodities futures contracts.

From 1927 to present, we utilized the dividend-weighted portfolio data from Eugene F. Fama and Kenneth R. French. The dataset is broken into five groups: non-dividend paying, top 30% of dividend payers, middle 40% of dividend payers, bottom 30% of dividend payers and all dividend payers (weighted 30% of top dividend payers, 40% of middle dividend payers and 30% of low dividend payers).

Kovitz Investment Group Partners, LLC ("Kovitz") is an investment adviser registered with the Securities and Exchange Commission. The information and opinions expressed in this publication are not intended to constitute a recommendation to buy or sell any security or to offer advisory services by Kovitz. The material has been prepared or is distributed solely for information purposes and is not a solicitation or an offer to participate in any trading strategy, and should not be relied on for accounting, tax or legal advice. This report should only be considered as a tool in any investment decision matrix and should not be used by itself to make investment decisions.

For additional information about subscribing to the *The Prudent Speculator* newsletter, please call Phil Edwards at 800.258.7786 or email pedwards@kovitz.com.

For more details about our wealth management and asset management services, kindly reach out to:

Jason R. Clark, CFA

Principal, Portfolio Manager

949.424.1013

jclark@kovitz.com