# Moulton Wealth Management Inc.

## "MOLTEN HOT" MINUTES

*Specializing in Retirement and Tax Planning*


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## Week of June 21, 2021

Per a disaster declaration by Governor Inslee, all gatherings are limited. If you were planning to attend a seminar and don't wish to wait until there is a change in the restrictions please call the office for a free Financial Physical.

The coming weeks' market action will be very significant in giving us a clue to the timing of where we are likely headed.

## *Financial Physical*

*Due to the Lock Down, Seminars are on hold. If you'd like a phone based Financial Physical, please call…*

**509-922-3110**

### Our Financial Physicals review:

1. Protection
2. Estate Planning
3. Taxes
4. Retirement
5. Investments


*Advisory services through Moulton Wealth Management, Inc., an independent Registered Investment Advisor registered with the SEC*

We’ve said for some time we thought the latter half of the year would see growth and inflation falling in rate of change (ROC), which is essentially opposite of consensus. That tandem of growth and inflation both falling in ROC is considered “risk off” and is the most dangerous for equity investors.

In fact in last week’s newsletter we wrote why we think the bond market – generally considered the smartest money – isn’t showing signs of being worried about inflation longer term.

But did something change last week?

The Fed, in a surprise move, raised their inflation expectations and moved forward the date of their first expected rate hikes (though still not until 2023).

If there is inflation over the longer term, it should be negative for longer term bonds and positive for commodities and gold.

Yet last week saw longer term bonds rally at the news and commodities sell off – the opposite of what one would have guessed given the Fed’s announcement.

Was last week’s move a sign that we are entering the growth and inflation falling in ROC that we’ve expected? Or was it due to triple witching Friday – options, futures and options on futures all expiring on the same day – which always creates unpredictable volatility as the big guys close out those positions?

The next few weeks should give us an answer.

We don’t think we’re to the growth and inflation falling in ROC phase quite yet as too many sectors are still positive which *should* turn neutral or negative in a growth and inflation falling environment. If we are correct we’d expect the items that sold off last week to rally over the next few weeks.

If they continue to fall it could mean that a defensive bias is warranted earlier than expected.

Participate but protect.

Does the investment plan include a sell strategy to protect your downside?

Where are you getting your advice?

Are they fiduciaries?

Are they a Certified Financial Planner™?

Do they have a background in accounting, tax, finance?

Do they review all areas of your financial life (like income taxes, risk management, estate planning) or just talk about stocks?

Who benefits most from their "advice"?

If you're not a client, what is your advisor telling you about our current situation? If your advisor is not discussing these issues with you, shouldn't (s)he be? How much work do you think it takes to keep up on all of this as we try to do, and how much easier do you think it would be to simply repeat over and over…

- Never sell
- You can't time the market
- You're a long term investor
- The market always comes back
- Etc., etc., etc.

Are you being told to stay invested after thoughtful analysis of world events, stock valuations, economic considerations, etc.? Or are you being told to stay invested due to a lack of thoughtful analysis of world events, stock valuations, economic considerations, etc.?

It's your money and it's your retirement.

Being told after the fact that 'everyone lost money' may make you feel better but it won't help pay your utilities.

If you didn't like what happened to your portfolio in the dot.com bubble or the financial crisis bubble, but you've made no moves to change the way you invest, now may be the time to seriously consider your process – NOT after the market, and your portfolio, have crashed.

Break the cycle and make your portfolio decision based on where we are likely headed, not on where we've recently been.

**If we can help, call our office now and set up a no obligation review.**

***We think investing today must include a defensive strategy and system. It's this system that helps us decide when "enough is enough" and that it is time to protect your portfolio. If you don't have a system you should consider it now. Regardless of what happens over the next week, month or several***

***months, stocks are overvalued in our opinion and eventually they will reset with a significant market decline.***

*Remember, we have a feature on our website: www.Moultonwealth.com to help you measure your risk tolerance. The problem with trying to decide how much risk to take is we all want to be aggressive when the market is going up, but conservative when it's going down. That's why a sell discipline is important. However, the first line of defense is always our allocation. This approach to measuring risk gives a number by making investors trade off gains and losses. Just click the button to see where you stand.*


On to this week's data…

U.S. Markets: The major U.S. stock benchmarks finished the week by closing solidly lower, with the Dow and S&P 500 posting sharp weekly losses and the NASDAQ erasing its earlier advance for the week. The Dow Jones Industrial Average declined over 1000 points to 33,290, a decline of -3.5%. The technology-heavy NASDAQ remained resilient with just a -0.3% loss. By market cap, large caps showed relative strength declining just -1.9%, while the mid cap S&P 400 and small cap Russell 2000 dropped -5.1% and -4.2%, respectively.

International Markets: All but one major international market finished the week in the red. Canada's TSX declined -0.7%, while the United Kingdom's FTSE 100 finished down -1.6%. On Europe's mainland, France's CAC 40 and Germany's DAX gave up -0.5% and -1.6%, respectively, while in Asia China's Shanghai Composite declined -1.8%. Japan's Nikkei bucked the trend and managed a 0.05% rise. As grouped by Morgan Stanley Capital International, developed markets ended down -3.1%, while emerging markets declined -1.9%.

Commodities: Precious metals ended down for the week, with Gold retreating -5.9% to $1769 an ounce, and Silver giving up -7.7% to $25.97. Energy managed to finish the week with a modest gain. West Texas Intermediate crude oil rose 0.5% to $71.29 per barrel. The industrial metal copper, viewed by some analysts as a barometer of global economic health due to its wide variety of uses, plunged -8.4%.

U.S. Economic News: The number of Americans filing first-time unemployment benefits unexpectedly rose last week to its highest level in a month. The Labor Department reported initial jobless claims rose by 37,000 to 412,000 in the week ended June 12. Economists had forecast claims would continue to fall to 365,000. Meanwhile, the number of people already collecting benefits rose by just 1,000 to 3.52 million—remaining near its lowest level since the onset of the pandemic last year. Jobless claims filings have been trending lower since February as the economy has been recovering from the pandemic. Ian Shepherdson, chief economist at Pantheon Macroeconomics stated claims could fall to the 250,000 level by the end of summer.

The National Association of Home Builders (NAHB) reported high lumber prices, labor shortages, and other barriers are beginning to sap the enthusiasm of home buyers. A survey of builders shows they are still very confident their business will improve, but they are not quite as optimistic as they were at the end of last year. The NAHB monthly confidence index slipped to 81 in June from 83 in May--its lowest level in nine months. Confidence took a huge hit during the early stages of the pandemic as sales briefly nosedived. Yet record low mortgage rates and the end of the nationwide lockdown led to an explosion in demand among home buyers. Despite the recent fall in the price of lumber, prices remain much higher than they were a year ago. NAHB Chairman Chuck Fowke stated in its release, “These higher costs have moved some new homes beyond the budget of prospective buyers, which has slowed the strong pace of home building.”

The Census Bureau reported new construction of single-family houses increased a solid 4.2% in May to a 1.1 million annualized rate, but an indicator of future building activity--permits for future home construction--declined again. Permits have fallen almost 11% from its 15-year high in January. Construction increased sharply in the Midwest and grew more slowly in the South and West. Only the Northeast saw a decline. Home building is much higher in all four regions compared to one year ago, but construction is likely to take place at a more subdued pace until all the bottlenecks ease. “The issue in the housing market, as with much of the broader economy, isn’t the demand side of the market,” said chief economist Richard Moody of Regions Financial. “Rather, it is the ability of producers, in this case home builders, to meet that demand. That is an issue for which there is no quick fix.”

Sales at U.S. retailers fell sharply last month, suggesting the U.S. is no longer getting a big boost from the massive federal fiscal stimulus. The Census Department reported sales at U.S. retailers sank 1.3% in May. Economists had only expected a decline of 0.7%. Sales were held down by fewer purchases of new cars and trucks. Automakers have been unable to keep up with demand as a major global shortage of computer chips has restricted production. If autos are excluded, retail sales fell a smaller 0.7% in May. Still, sales were up 18% compared to the same time last year. Analysts remained optimistic following the release. Economist Katherine Judge of CIBC World Markets stated, “Don’t read too much into the larger than expected drop in U.S. retail sales in May, as it comes on the heels of an upward revision to April and a dramatic fiscal stimulus-fueled spike in March.”

Prices at the wholesale level jumped again in May for the fifth consecutive time—a sign that inflationary pressures tied to the reopening of the U.S. economy and federal stimulus are likely to persist through the summer. The Bureau of Labor Statistics reported its Producer Price Index rose 0.8% last month, exceeding forecasts by 0.3%. Meanwhile, the rate of wholesale inflation over the past 12 months escalated to 6.6% from 6.2% the prior month. That’s the highest level since the index was reformulated in 2009. About 60% of the increase in wholesale inflation last month reflected the higher cost of goods: new autos, gasoline, metals, farm seeds and other agricultural products. Stripping out food, energy, and trade margins, the core rate of wholesale inflation rose 0.7% in May. The annual increase in the core rate over the past 12 months moved up to 5.3%--its largest gain since the government first began reporting it in 2014. Ian Shepherdon of Pantheon Macroeconomics wrote, “No end is in sight to the reopening surge in prices.”

The cost of imported goods climbed again in May and contributed to the biggest flareup in U.S. inflation in more than a decade--a flareup the Federal Reserve insists is “transitory”. The import price index advanced 1.1% in last month, the government reported. Economists had forecast 0.7% increase. Import prices have climbed 11.3% over the past 12 months to mark the fastest pace since 2011. The cost of foreign oil, cars and trucks, consumer goods and industrial supplies all rose in May. Excluding fuel, import prices moved up 0.9%.

The Federal Reserve, acknowledging that inflation may continue to increase, said it might hike interest rates earlier than it had previously expected. In its latest statement, the Fed is now anticipating two rate hikes in 2023. The Fed repeated its belief that inflation would be “transitory”, but Federal Reserve Chairman Jerome Powell stressed that he and his colleagues were in agreement that inflation could rise faster and last longer than expected. The Fed forecast that inflation would move up to 3% annual rate this year but would then drop sharply in 2022. In an outcome that was more hawkish than expected, the Fed’s dot plot chart showed 11 of 18 officials expect at least two rate hikes in 2023. In March, only seven expected even one hike. Furthermore, Powell announced the Fed held its first discussion about slowing down its bond purchases. The Fed has said it wanted to see “substantial further progress” before slowing down their bond purchases--the first step of pulling back all their support for the economy.

Manufacturing activity in the New York region cooled a bit in June according to the latest report from the New York Federal Reserve. The NY Fed’s Empire State Manufacturing Index slipped 6.9 points to 17.4 in June, pulling back from two consecutive strong readings. Economists had expected a reading of 22.3. The subcomponents were also weaker in June. The new-orders index fell 12.6 points to 16.3 in June, while shipments fell 15.5 points to 14.2. Unfilled orders dropped 13.5 points to 7.9. Inventories fell 9.7 points to -2.6. The Empire State index is watched by analysts as an early hint of national trends.

International Economic News: Ratings agency Fitch affirmed Canada’s Long-Term Foreign-Currency and Local-Currency Issuer Default Ratings (IDR) at ‘AA+’ with a Stable Outlook. Fitch notes that its ratings reflect Canada’s structural strength, including “strong governance, political stability, and macro policy framework” which delivered steady growth and low inflation during Canada’s pandemic response. These strengths, however, are balanced by a high public debt burden given Canada’s pension liabilities Fitch added. “The Stable Outlook reflects our expectation that following last year's sharp rise, general government debt will be placed on a gradual downward path,” Fitch concluded.

Across the Atlantic, the UK’s Confederation of Business Industry (CBI) predicted economic output in the United Kingdom will regain its pre-pandemic level by the end of 2021, a full year earlier than it had previously expected. In its latest forecasts, the business lobby group said gross domestic product would bounce back by 8.2% this year and grow a further 6.1% in 2022, after plunging by 9.9% last year. If that proves right, the recovery this year will be twice as fast as that expected in March by the Office for Budget Responsibility, the independent fiscal watchdog, and significantly stronger over the two-year period than the Bank of England forecast in its May monetary policy report. The newfound confidence reflects the strength of the rebound already seen since retail and hospitality businesses began reopening in April.

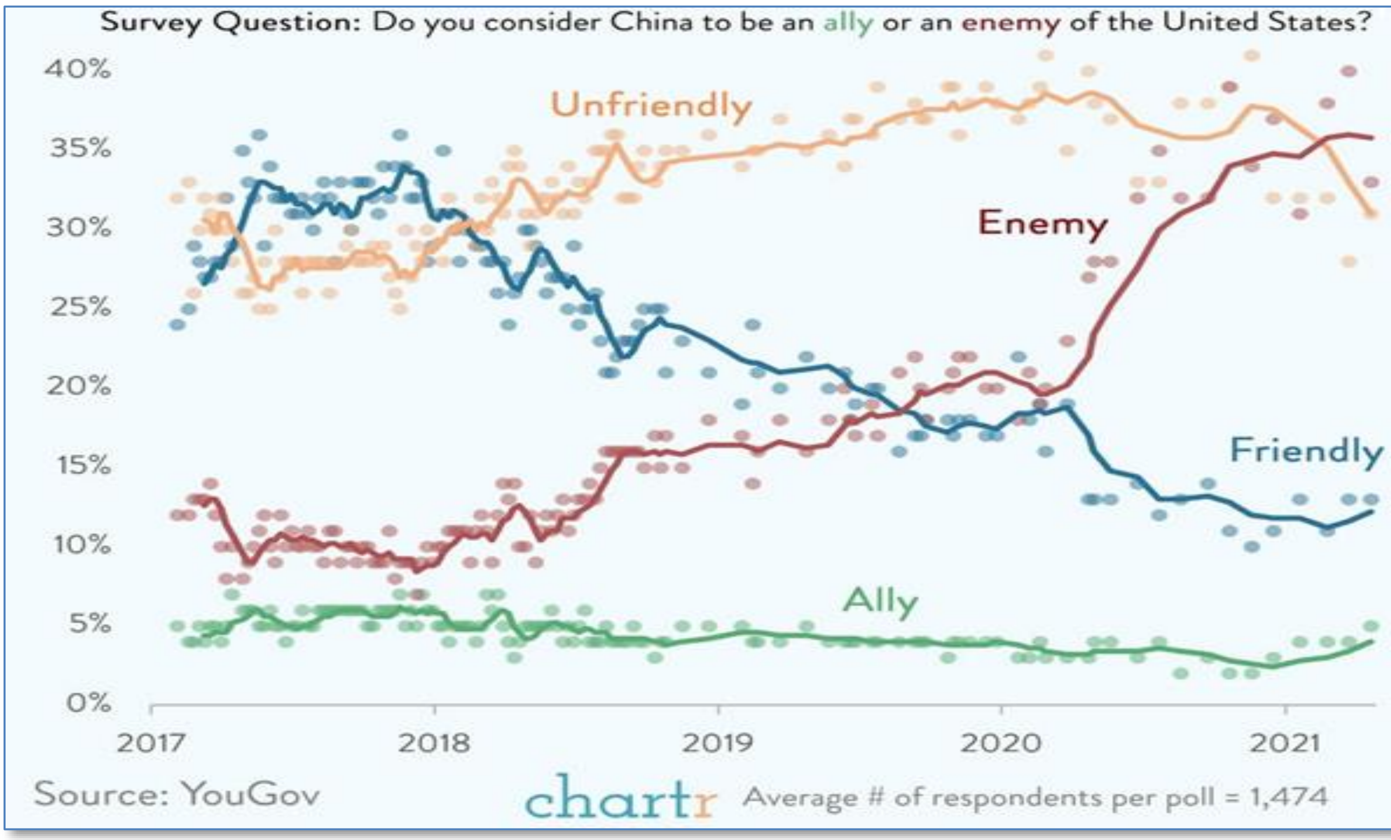
On Europe's mainland, there was similar optimism in France. The Bank of France anticipates the French economy will return to pre-pandemic output at the start of 2022 as the lifting of restrictions and the acceleration of vaccinations fuel a stronger than previously expected rebound in the second half of this year. The central bank raised its 2021 growth forecast to 5.8% from 5.4% in March as it sees strong spending and investment help the French economy outpace the euro-area average. Productivity losses from the crisis are also less than previously estimated, and the institution revised up forecasts for 2022 and 2023. It now expects a 4.1% expansion next year, instead of 3.8% forecast in March.

However, the sentiment in Germany wasn't as optimistic. In its latest forecast, Germany's Ifo institute forecasted Germany's economy will grow by a weaker-than-expected 3.3% this year as supply bottlenecks in manufacturing hold back industrial output. The lower growth forecast for Europe's largest economy represented a cut of 0.4 percentage points compared to its previous estimate from March, Ifo said. For 2022, the institute raised its GDP growth forecast to 4.3% from 3.2% previously. "In the short term, the bottlenecks in the delivery of primary products in particular are holding back the economy," Ifo economist Timo Wollmershaeuser said.

In Asia, China's economic growth moderated in May as investment and domestic consumption fell short of expectations, while factory output remained resilient. China's industrial production rose 8.8% from a year earlier in May, slowing from April's 9.8% pace, data from the National Bureau of Statistics showed. The reading of factory output, which was buoyed by strong overseas demand for Chinese-made goods, matched the median forecast made by economists. However, that strength was offset by China's consumers which have continued to disappoint policymakers who have been hoping for a pivot toward domestic spending as the main driver of its economy. Retail sales, a key gauge of China's consumption, rose by 12.4% last month compared with a year earlier, but that was down from the 17.7% year-over-year growth rate in April and falling short of the 13.6% gain anticipated by economists.

Japan's government will include a pledge to achieve a "safe and secure" Tokyo Olympic Games in its economic blueprint, according to a final draft of the document. The final draft came days after Prime Minister Yoshihide Suga said he had won support at a G7 summit meeting in Britain for holding the Olympics despite public concern that the sports extravaganza could worsen the spread of coronavirus infections. "(We) will realize the safe and secure Games while creating various legacies," the draft said. The government will also clarify its resolve to complete its vaccination program by the end of November. Japan remains well behind other developed nations when it comes to coronavirus vaccination, where just 6% of Japan's population has been fully vaccinated.

Finally: During the recent London G7 meetings, the United States' top diplomat, Secretary of State Antony Blinken, rejected questions claiming the U.S. is entering a "cold war" with China. The questions are not out of line with public opinion, however, as revealed in a recent poll. Global public opinion and data company YouGov showed that in 2017 just 10% of respondents polled identified China as an "Enemy" of the U.S. Today, that number is closer to 35%, and is the most-selected choice, followed by "Unfriendly". (Chart from chartr.co)




**GET A PHYSICAL!** We invite you to attend a seminar and come in for a "financial physical", even if you think your current approach is fine. Much like going to the doctor for a physical despite feeling great, you want to make sure any negative issues you may not be aware of are caught early and addressed. For example…

- Do you need a process to help manage losses during the next bear market?
- Have you addressed your investment process and adjusted it for what is going on in the world?
- If not, what are you waiting for?

***At the bottom of the 2007 - 2009 bear market the S&P-500 index returned to levels last seen in 1996.***

***The drop didn't retrace only a few months or even a couple years.***

We discuss many of these issues on the weekly radio show and invite you to listen.

## WEEKLY FOCUS – THINK ABOUT IT

*"People you shouldn't listen to for investing advice.*

- *A random person at a party.*
- *Your coworker.*
- *An in-law.*
- *Rideshare driver.*
- *Talking heads on TV."*

U.S. News and World Report

Yours truly,

Rial R. Moulton

Donald J. Moulton

**Rial R. Moulton, CFP®, CPA / PFS, RFC**
*Certified Financial Planner™*

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P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

*Investment services offered through Moulton Wealth Management, Inc., an independent Registered Investment Advisor. The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. Yahoo! Finance is the source for any reference to the performance of an index between two specific periods. Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance. Consult your financial professional before making any investment decision. You cannot invest directly in an index. Past performance does not guarantee future results. Investments in securities do not offer a fixed rate of return. Principal, yield and / or share price will fluctuate with changes in market conditions and, when sold or redeemed, you may receive more or less than originally invested. No system or financial planning strategy can guarantee future results.*

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*https://money.usnews.com/money/blogs/the-smarter-mutual-fund-investor/slideshows/people-you-shouldnt-listen-to-for-investing-advice?slide=8*

***The Barclays Capital Credit Index** is an unmanaged index composed of U.S. investment-grade corporate bonds.*

***The Barclays Global Aggregate Bond Index** (formerly Lehman Brothers Global Aggregate Index), an unmanaged market-capitalization-weighted benchmark, tracks the performance of investment-grade fixed income securities denominated in 13 currencies. The index reflects reinvestment of all distributions and changes in market prices.*

***The Barclays U.S. 1-10 Year TIPS Index** is an unmanaged index composed of inflation-protected public obligations of the U.S. Treasury that have a remaining maturity of one to ten years.*

***The Barclays U.S. Aggregate Bond Index** is an unmanaged benchmark index composed of U.S. securities in Treasury, Government-Related, Corporate, and Securitized sectors. It includes securities that are of investment-grade quality or better, have at least one year to maturity, and have an outstanding par value of at least $250 million.*

***The Barclays U.S. TIPS Index** is an unmanaged index composed of all U.S. Treasury Inflation- Protected Securities rated investment grade, have at least one year to final maturity, and at least $250 million par amount outstanding.*

***The Barclays U.S. Treasury Index** is an unmanaged index composed of U.S. Treasuries.*

***The CDX IG 12** is a benchmark high-grade derivatives index, which measures the cost of insuring a basket of U.S. investment-grade corporate debt against defaults.*

***The Chicago Board Options Exchange Volatility Index (VIX)** tracks the expected volatility in the S&P 500 over the next 30 days. A higher number indicates greater expected volatility. Common usage: The Chicago Board Options Exchange Volatility Index (VIX), a barometer of market volatility.*

***The Dow Jones Industrial Average** is a widely followed market indicator based on a price-weighted average of 30 blue-chip stocks that trade on the New York Stock Exchange which are selected by editors of The Wall Street Journal.*

***The Dow Jones Wilshire Real Estate Securities Index (RESI)** is used to measure the U.S. real estate market and includes both real estate investment trusts (REITs) and real estate operating companies (REOCs). It is weighted by float-adjusted market capitalization.*

***The JP Morgan Emerging Market Bond Index** is a total-return, unmanaged trade-weighted index for U.S. dollar-denominated emerging-market bonds, including sovereign debt, quasi-sovereign debt, Brady bonds, loans, and Eurobonds.*

***The JP Morgan EMBI Global Diversified Index** tracks the performance of external debt instruments (including U.S.-dollar-denominated and other external-currency-denominated Brady bonds, loans, Eurobonds and local market instruments) in the emerging markets.*

***The JP Morgan GBI-EM Global Diversified Index** tracks the performance of local-currency bonds issued by emerging market governments.*

***The MSCI World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index represents 23 developed market countries.*

***The MSCI All Country World Index** is a market-capitalization-weighted index composed of over 2,400 companies, and is representative of the market structure of 46 developed and emerging market countries. The index is calculated with net dividends reinvested in U.S. dollars.*

***The MSCI EAFE Index** is an unmanaged, market-capitalization-weighted equity index that represents the developed world outside North America.*

***The MSCI Emerging Markets Index** is a free float-adjusted market-capitalization-weighted index designed to measure the performance of global emerging market equities.*

***The NASDAQ Composite Index** is a market-value-weighted index of all common stocks listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) system.*

***The Russell 1000 Index** includes 1000 of the largest U.S. equity securities based on market cap and current index membership; it is used to measure the activity of the U.S. large-cap equity market.*

***The Russell 2000 Index** includes 2000 small-cap U.S. equity names and is used to measure the activity of the U.S. small-cap equity market.*

***The S&P 500 Index** is a capitalization-weighted index made up of 500 widely held large-cap U.S. stocks in the Industrials, Transportation, Utilities and Financials sectors.*

***Investing Terminology***

***Alpha** is a measure of a portfolio's return above a certain benchmarked return.*

***Alternative Investments** are investments that are not one of the three traditional asset types (stocks, bonds and cash). Alternative investments include hedge funds, managed futures, real estate, commodities, and derivatives contracts.*

***Asset-Backed Securities (ABS)** are bonds backed by a pool of loans or accounts receivable and commonly include payments from credit cards, auto loans and mortgage loans.*

***Austerity** refers to measures taken by a country's government in an effort to reduce expenditures and a budget deficit.*

***Beta** is a measure of the volatility or systematic risk of a security or a portfolio in comparison to the market as a whole.*

***Book-to-Price Ratio** is the inverse of the price-to-book ratio, which is calculated as the market value of a security divided by its book value. A lower the price-to-book ratio for a security may mean the security is undervalued, and vice versa (the higher the book-to-price ratio, the better the value).*

***Commercial Mortgage-Backed Securities (CMBS)** are pools of commercial mortgage loans that are packaged together and sold to the public. They are usually structured in tranches, or classes of risk, so that investors can determine how much risk they want to take on. In general, CMBS carry less prepayment risk than loans backed by residential mortgages.*

***Corporate Bonds** are debt securities issued by corporations to raise money; these bonds usually pay higher coupon rates than government or municipal bonds.*

***Correlation Risk** refers to the change in the marked to market value of an asset when the correlation between the underlying assets changes over time.*

***Credit Ratings** are an assessment of the risk of default of a company or country. The higher the credit quality (or rating), the lower the perceived risk of default.*

***Cyclical Sectors or Stocks** are those whose performance is closely tied to the economic environment and business cycle. Managers with a pro-cyclical market view tend to favor stocks that are more sensitive to movements in the broad market and therefore tend to have more volatile performance.*

***Debt-to-Equity Ratio** is calculated as long-term debt divided by common shareholders' equity, and measures the amount of a firm's leverage, or debt.*

***Donor Advised Funds** are private funds administered by a third party and created for the purpose of managing charitable donations on behalf of an organization, family, or individual.*

***Duration*** *is a measure of a security's price sensitivity to changes in interest rates. Specifically, duration measures the potential change in value of a bond that would result from a 1% change in interest rates. The shorter the duration of a bond, the less its price will potentially change as interest rates go up or down; conversely, the longer the duration of a bond, the more its price will potentially change.*

***Excess Returns*** *are investment returns from a security or portfolio that exceed a benchmark or index with a similar level of risk.*

***Grantor Retained Annuity Trust*** *is an estate planning technique that minimizes the tax liability existing when intergenerational transfers of estate assets occur. An irrevocable trust is created for a certain term or period of time. The individual establishing the trust pays a tax when the trust is established. Assets are placed under the trust and then an annuity is paid out every year. When the trust expires, the beneficiary receives the assets estate and gift tax free.*

***High Yield Debt*** *is rated below investment grade and is considered to be riskier.*

***Managed Futures*** *strategies use futures contracts as part of their overall investment strategy. They provide portfolio diversification among various types of investment styles and asset classes to help mitigate portfolio risk in a way that is not possible in direct equity investments.*

***Market Capitalization*** *is calculated as the number of company shares outstanding multiplied by the share price, and is used to determine the total market value of a company.*

***Momentum*** *is the rate of acceleration for an economic, price or volume movement; it is used to locate trends within the market.*

***Mortgage-Backed Securities (MBS)*** *are pools of mortgage loans that are packaged together and sold to the public. They are usually structured in tranches, or classes of risk, so that investors can determine how much risk they want to take on.*

***Option-adjusted spreads*** *estimate the difference in yield between a security or collection of securities and comparable Treasuries after removing the effects of any special features, such as provisions that allow an issuer to call a security before maturity.*

***Peripheral Eurozone Countries*** *are those countries in the Eurozone with the smallest economies.*

***Price-to-Book Ratio*** *is calculated as the market value of a security divided by its book value. A lower the price-to-book ratio for a security may mean the security is undervalued.*

***Private Foundations*** *are charitable organizations that do not qualify as public charities by government standards. A private foundation is a nonprofit organization which is usually created via a single primary donation from an individual or a business and whose funds and programs are managed by its own trustees or directors.*

***Quantitative Easing*** *refers to expansionary efforts by central banks to help increase the supply of money in the economy.*

***Recapitalized/recapitalization*** *refers to injecting fresh equity into a company or a bank, which can be used to absorb future losses. This generally takes place through the company issuing new shares. In the case of a government or organization recapitalizing a bank, it usually results in the government or organization owning a stake in the bank.*

***Spreads****: Yield spreads represents the difference in yields offered between corporate and government bonds. If they tighten, this means that the difference has decreased. If they widen, this means the difference has increased.*

***Standard Deviation****: Statistical measure of historical volatility. A statistical measure of the distance a quantity is likely to lie from its average value. It is applied to the annual rate of return of an investment, to measure the investment's volatility (risk). Standard deviation is synonymous with volatility, in that the greater the standard deviation the more volatile an investment's return will be. A standard deviation of zero would mean an investment has a return rate that never varies.*

***Treasuries*** *are U.S. government debt obligations that are backed by the full faith and credit of the government. Often, they are used as a proxy for a risk-free asset when comparing other risky assets.*

***Yield Curves*** *illustrate the relationship between the interest rate, or cost of borrowing, and the time to maturity. Yields move inversely to prices. The Barclays Capital 1-10 Year US TIPS Index: Barclays Capital 1-10 Year US TIPS Index measures the performance of inflation-protected public obligations of the U.S. Treasury that have a remaining maturity of one to ten years.*

*(Other Sources: All index- and returns-data from Yahoo Finance; news from Reuters, Barron's, Wall St. Journal, Bloomberg.com, ft.com, guggenheimpartners.com, zerohedge.com, ritholtz.com, markit.com, financialpost.com, Eurostat, Statistics Canada, Yahoo! Finance, stocksandnews.com, marketwatch.com, wantchinatimes.com, BBC, 361capital.com, pensionpartners.com, cnbc.com, FactSet.)*