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Client Newsletter Volume XXVII Number 3 February 1, 2022

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I. Warren Buffet's Advice to a Volatile Market: Patience Pays:

In an article published in the Apple phone's online newsfeed dated January 26, 2022, Mitch Tuchman writes:

> "The recent stock market volatility, following years of up markets, is nevertheless the most widely forecast financial reversal in recent history. Nothing about what we are seeing should be surprising—or particularly dangerous to the prepared. But what about the unprepared?
>
> For them I offer a fundamental insight, one which can escape even seasoned investors. When you see a stock market sell off, always remember there are two participants in each transaction—a seller and a buyer. Yes, stocks can go down in value, particularly when a few have been bid up out of proportion to their ultimate long-term profitability. A stock price is, after all, a number today that tells a story about tomorrow.
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> Remember, though, that as some investors exit the market, others enter. As Warren Buffett put it: 'The stock market is a device which transfers money from the impatient to the patient.'
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> The unprepared are, by definition, impatient. They have overinvested in a small number of companies…They have bought what Wall Street is selling, which is action over intelligence, buying over owning, and blind greed over diligence. For perspective when stock market volatility creeps up, I refer…to what we call our wall of worry table. The table lists market returns back to 1934 and events in the news during those years of gains, as well as losses.
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> If you take a few minutes…it's hard to avoid a simple truth about investing: Wars, bubbles, credit defaults, pandemics, currency devaluation, inflation—none of it stops the upward climb of stocks in most years.
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> Consider these three data points:
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> (1) For over 100 years stocks have roughly doubled every eight years.
> (2) A dollar invested 50 years ago in the S&P 500…is worth well over $100 today.
> (3) Finally, there is no five-year period where the S&P did not register a positive return [but see Smartt comment below]
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> Can you wait up to five years for the stock market to find its footing and give you the return you seek? Great, you're an investor? No? Then you shouldn't be investing at all. To quote Buffett again, 'If you aren't willing to own a stock for 10 years, don't even think about owning it for 10 minutes.' "

Smartt comment:

Looking back a few more years there have been some periods of time longer than 10 years in which stock values have declined, though not many. We own bonds too, not because they provide high long term returns but in order to have something to sell when the stock market is "in the tank" and we need money from our investments. We are diversified in this regard too.

II. What are YOUR and MY Asset Allocations?

Each of us has a different ability to live with uncertainty (risk) and so our investments will be different:

As of December 31, 2021	Clients	John Smartt
Money Market Funds	1.6%	2.5%
Bond Funds	25.1	19.6
Stock Funds	73.3	77.9
Totals	100.0%	100.0%

Remember each of us has different goals and needs, and our asset allocation should fit us and our family. For example, still within the working part of my life, I take significant withdrawals from my IRA each year (Required Minimum Distributions, RMDs) so a part of my investments, within my traditional IRA and 401(k) plan, are invested in bonds.

If you have questions about your asset allocation, or your retirement plan investments, I'd be pleased to assist.

III. Vanguard Rates of Return (through Latest Quarter End)

Performance percentages are per ***Morningstar.*** Amounts in parentheses are percentile rankings (1= best and 100= worst) within category.

Periods ended December 31, 2021	Yr.-to-date		5 Years		10 Years	
Total Stock Market Index Admiral	**25.7%**	(63)	**18.0%**	(32)	**16.3%**	(21)
Tax-Managed Capital Appreciation Admiral	**26.9%**	(49)	**18.6%**	(14)	**16.9%**	(7)
Tax-Managed Small Capitalization	**27.1%**	(31)	**12.4%**	(26)	**14.4%**	(8)
REIT Index Admiral	**40.4%**	(59)	**11.2%**	(49)	**11.5%**	(31)
Total Int'l Stock Index Admiral	**8.6%**	(68)	**9.9%**	(37)	**7.7%**	(57)
Balanced Index Admiral	**14.2%**	(42)	**12.4%**	(15)	**11.0%**	(15)
Total Bond Market Index Admiral	**-1.7%**	(52)	**3.6%**	(42)	**2.9%**	(55)
Interim-Term Investment-Grade Bond	**-1.1%**	(53)	**4.6%**	(75)	**4.2%**	(69)
High–Yield Corporate Bond	**3.7%**	(74)	**5.6%**	(37)	**6.0%**	(40)

For comparison, here are several stock and bond benchmarks:

Periods ended December 31, 2021	Yr.-to-date	5 Years	10 Years
S & P 500 (large stocks)	**28.7%**	**18.5%**	**16.6%**
Russell 2000 (small stocks)	**14.8%**	**12.0%**	**13.2%**
MSCI World Index	**21.8%**	**15.0%**	**12.7%**
Bloomberg US Aggregate Bond Index	**-1.5%**	**3.6%**	**2.9%**
ICE BofA US High Yield Master TR (bond index)	**5.4%**	**6.1%**	**6.7%**

Vanguard mutual funds and ETFs (exchange-traded funds) continue to perform as expected. I expect each Vanguard fund or ETF, for each ten-year period to be in the top 1/3 before taxes based on low cost, and they ought to be in the top 1/4 (stock funds) after income taxes.

The Vanguard High Yield Corporate Bond fund takes significantly less risk that the average "high yield" (also known as "junk bond") fund. The Vanguard fund, which takes less risk, continues to rank highly in the rankings over the last ten year period. Over the last ten years the Vanguard fund has captured much of the excess of junk bond returns over good quality bond returns—meeting my expectation. I continue to believe that, for tax deferred accounts, this fund is a reasonable, additional diversification and comprises some of my personal bond holdings.

If you have questions about your investment asset allocation, please contact me.

IV. The Case for Vanguard: The Firm Still Embodies Founder Jack Bogle's Spirit:

In an article also published in the Apple phone's online newsfeed dated January 26, 2022, Alex Lucas, Ph.D. writes:

> "New Vanguard doesn't look much like old Vanguard. What's…different is that many longtime observers have now begun to question the company. *Morningstar's* John Rekenthaler proposed that Vanguard has lost its way, while the *Wall Street Journal's* Jason Zweig charged it in at last one instance of failing the small investors whom Vanguard founder Jack Bogle championed.
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> While critics have drawn attention to issues that would have irked Bogle and problems that he himself had trouble taming, such as customer service missteps, Vanguard still reflects his image more than it tarnishes it. Indeed, it's still a mission-driven company whose competitive zeal redounds to investors' benefit, and that commends a positive outlook for Vanguard.
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> Negative sentiments rest on two pillars: industry rivalries' corrosive influence and present-day Vanguard falling short of its former self. Despite some merit, both pillars struggle to bear the weight placed on them.
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> Critics are Wrong About Corrosive Competition:
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> Owned by its U.S. funds and indirectly by its shareholders, Vanguard has provided them with strong investment options for fees that keep dropping as the firm grows. Rivals who once scorned

> Vanguard's pioneering indexing efforts now offer their own passive strategies, and the biggest have sought to match if not undercut Vanguard in fees for broad market exposure and single solutions like target-date funds.
>
> Vanguard must overcome persistent struggles to meet customers' needs amid business growth. Indeed, former company leaders have indicated these struggles trace deep within Vanguard's history, while Bogle employee speeches contain many reference to them over the years.
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> …indexing in the early 1970s was an institutional approach. Bogle initially pursued it not because he was hoping to revolutionize the retail world, but because it was Vanguard's only option. Vanguard was then a fledgling administrative offshoot of Wellington, which alone retained investment management duties in their relationship. Bogle, however, argued to his board successfully (albeit somewhat disingenuously) that indexing entailed tracking a benchmark rather than picking stocks, it was an 'unmanaged' strategy and thus didn't infringe on Wellington.
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> …Vanguard has also saved its investors lots of money in taxes through eliminating index funds' capital gains (using the exchange-traded fund share class and in-kind redemptions). And overall, lower costs have been great for investors, while the competition hasn't cost Vanguard its integrity…Vanguard's 56 U.S. ETFs largely lend themselves toward sound long-term investing. Apart from some sector, size- and style-focused, and dividend ETFs, most track diversified benchmarks.
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> To bring indexing to the masses, Bogle then had to overcome implementation issues, an inauspicious 1976 start, and years of lukewarm interest. In fact, it took until the late 1980s or early 1990s for Bogle himself to transform into a relentless passive crusader.

Smartt comment:

I was extremely lucky to have discovered that first Vanguard "retail" index fund in 1980 when I was searching for an investment of my, returned, Price Waterhouse partnership capital.

My clients don't have any occasion to worry about slow Vanguard customer service. We are served by (occasionally slow!) TDAmeritrade. I have a one person 401(k) plan at Vanguard and have recommended it to several clients. It is ultra inexpensive but I have experienced slow customer service when trying to make basic changes to it. E.g. in December a Vanguard representative urged me to call back in January since they were swamped with last minute Required Minimum Distribution inquiries. (Another reason I am proud of getting most all RMD work done for clients in the first 2 months of each year.)

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