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I. My Succession Plan:

I love what I do! I continue to have the passion, drive and expertise to serve you, to continue to be an investment adviser. Your patronage has allowed me to also become a philanthropist. To do both makes me feel 10 feet tall.

This is to remind you that I have taken the prudent, appropriate steps to safeguard your accounts should something happen to me. As you know, several years ago I established a relationship with Patriot Investment Management. This firm shares my investment philosophy and the core values I have always believed in, integrity, professional excellence and client service.

Patriot is the largest independent Registered Investment Adviser in Knoxville. They currently manage $1.6 billion. After over 30 years in business, they have 22 employees and four partners, including 8 CFPs, a JD, a CPA, and a CFA on staff. They share my investment philosophy, which is to use very low-cost index funds from Vanguard. The folks at Patriot are ready to take great care of you when the time arrives. In the interim, should you wish to meet some of the partners at Patriot or visit their office, please let me know. I would be happy to arrange a meeting and give you an opportunity to meet members of their team.

In summary, you are in good hands now and should something happen to me, you will continue to be served by a deep, experienced team.

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 June 30, 2024	Clients	John Smartt
Money Market Funds	1.1%	2.3%
Bond Funds	25.9	14.4
Stock Funds	73.0	83.3
Totals	100.0%	100.0%

Remember each of us has different goals and needs, and our asset allocation should fit us and our family.

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 June 30, 2024	Yr.-to-date		5 Years		10 Years	
Total Stock Market Index Admiral	**13.6%**	(52)	**14.1%**	(46)	**12.1%**	(37)
Tax-Managed Capital Appreciation Admiral	**14.1%**	(47)	**14.7%**	(30)	**12.6%**	(18)
Tax-Managed Small Capitalization	**-0.8%**	(87)	**8.0%**	(53)	**8.2%**	(16)
REIT Index Admiral	**-3.1%**	(79)	**3.0%**	(55)	**5.3%**	(50)
Total Int'l Stock Index Admiral	**5.1%**	(58)	**5.8%**	(59)	**4.0%**	(56)
Balanced Index Admiral	**7.9%**	(28)	**8.5%**	(23)	**7.9%**	(15)
Total Bond Market Index Admiral	**-0.6%**	(71)	**-0.2%**	(47)	**1.3%**	(41)
Int.-Term Invstmt.-Grade Bond Admiral	**-3.3%**	(80)	**-0.9%**	(44)	**2.4%**	(29)
High–Yield Corporate Bond	**2.1%**	(83)	**3.4%**	(55)	**4.0%**	(23)

For comparison, here are several stock and bond benchmarks:

Periods ended June 30, 2024	Yr.-to-date	5 Years	10 Years
S & P 500 (large stocks)	**15.3%**	**15.0%**	**12.9%**
Russell 2000 (small stocks)	**1.7%**	**6.9%**	**7.0%**
MSCI World Index	**11.7%**	**11.8%**	**9.2%**
Bloomberg US Aggregate Bond Index	**-0.7%**	**-0.2%**	**1.3%**
ICE BofA US High Yield Master TR (bond index)	**2.6%**	**3.7%**	**4.2%**

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. Some individual funds have not met this standard. The comprehensive Vanguard Balanced Index Fund is, in effect, comprised of 60% Total Stock Market Index Fund and 40% Total Bond Market Index fund. Note that for the last 10 years this fund is in the top 15th percentile of balanced funds; Vanguard continues to perform well overall.

The Vanguard High Yield Corporate Bond fund takes significantly less risk than 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 most 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. It comprises some of my personal bond holdings.

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

IV. The Solar Age:

From *The Economist* magazine dated June 22, 2024 (subtitle: The exponential growth of solar power will change the world):

> "It is 70 years since AT&T's Bell Labs unveiled a new technology for turning sunlight into power. The phone company hoped it could replace the batteries that run equipment in out-of-the-way places.
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> …Panels now occupy an area around half that of Wales, and this year they will provide the world with about 6% of its electricity—which is almost three times as much electrical energy as America consumed back in 1954.
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> …To call solar power's rise exponential is not hyperbole… Installed solar capacity doubles roughly every three years, and so grows ten-fold each decade. Such sustained growth is seldom seen in anything that matters. That makes it hard for people to get their heads around what is going on.
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> …Solar cells will in all likelihood be the single biggest source of electrical power on the planet by the mid 2030s. By the 2040s they may be the largest source not just of electricity but of all energy. On current trends the all-in cost of the electricity they produce promises to be less than half as expensive as the cheapest available today. This will not stop climate change, but could slow it a lot faster.
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> …Other constraints do exist. Given people's proclivity for living outside daylight hours, solar power needs to be complemented with storage and supplemented by other technologies. Heavy industry and aviation and freight have been hard to electrify. Fortunately, these problems may be solved as batteries and fuels created by electrolysis gradually become cheaper.
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> Another worry is that the vast majority of the world's solar panels, and almost all of the purified silicon from which they are made, comes from China…In the long run, a world in which more energy is generated without oil and gas that come from unstable or unfriendly parts of the world will be more dependable. Still, although the Chinese Communist Party cannot rig the price of sunlight as OPEC tried to rig that of oil, the fact that a vital industry resides in a single hostile country is worrying.
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> …The aim should be for the virtuous cycle of solar-power production to turn as fast as possible. That is because it offers the prize of cheaper energy. The benefits start with a boost to productivity. Anything that people use energy for today will cost less—and that includes pretty much everything. Then come the things cheap energy makes possible. People who could never afford to will start lighting their houses or driving a car. Cheap energy can purify water, and even desalinate it. It can drive the hungry machinery of artificial intelligence. It can make billions of homes and offices more bearable in summers that will, for decades, be getting hotter.
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> But it is the things that nobody has yet thought of that will be most consequential. In its radical abundance, cheaper energy will free the imagination, setting tiny Ferris wheels of the mind spinning with excitement and new possibilities."

V. Matadors Gather

From *The Economist* magazine dated July 20, 2024 (subtitle: Stocks are on an astonishing run. What could bring it to an end?):

> "All around the world stock markets have been rising at a breakneck pace. Whether you are in America, Europe, Japan or India, prices listed on a bourse near you have spent most of this year

setting fresh records only to break them again straight away. America's S&P 500 index has jumped by over 70% since a trough in 2022, and risen during 28 of the past 37 weeks, its best streak in more than three decades.

…To keep the doom-mongering tractable, divide the worries into three groups. The first concerns shocks from outside the financial system. If Mr. Trump wins America's presidency and enacts the tariffs he has promised, a tit-for-tat response might trigger a downturn at the same time as it drove up inflation. War in the Middle East or in Ukraine could spill across more borders, ratcheting up oil prices. Worst of all a Chinese blockade of Taiwan might draw America into conflict with another superpower.

…The second group of worries involves shocks from within the financial system—where the treasury market [of US government bonds] is the main source of concern…The risk is that weak public finances attract greater attention during the election campaign, and especially once the new president reviews taxation in 2025. Such scrutiny…could be a catalyst for a bond market crash. By threatening financial stability, and probably forcing a growth-harming degree of austerity, this could easily infect stock markets too.

The final group concerns economic developments that investors are more used to pondering: changes to growth, interest rates and corporate earnings. Growth figures are unlikely to set shares prices plunging solely by continuing to slow. Having beaten expectations throughout 2023, America's economy set the state for a bull run. Share prices then accelerated even more once the expansion slowed. Instead, the danger comes from a near-perfect 'soft landing,' or fading of inflation without a downturn, that investors have priced into the market.

…Consider the monetary policy that would accompany a "no landing" scenario. Throughout the tightening campaign begun by the Federal Reserve in 2022, investors have pinned hopes on rate cuts. The only change has been how many they expect, and how quickly. At present, traders have priced in three by year's end. What they have priced out almost entirely, and more so after America's consumer-price inflation fell to 3% in the year to June, is the chance that rates could rise…Although the odds of central bankers turning hawkish again may be low, they are not zero. Just as the prospect of unanticipated tightening tipped shares over the edge in 2022, it could do so today.

…What is striking about the list of reasons to worry is that you do not need to reach for its more lurid examples of financial or geopolitical catastrophe to envisage a gut-churning plunge. The likeliest culprit to kill the bull market is something as run-the-mill as a few underwhelming earnings reports. After all, the bursting of the dotcom bubble came not from any seismic shock but a simple realization that investors had got high on their own fumes. A dizzying ascent in the past few months has brought America's stock market to within striking distance of being more vulnerable than it has ever been before. It does not take much to crash a market that is priced for perfection."

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