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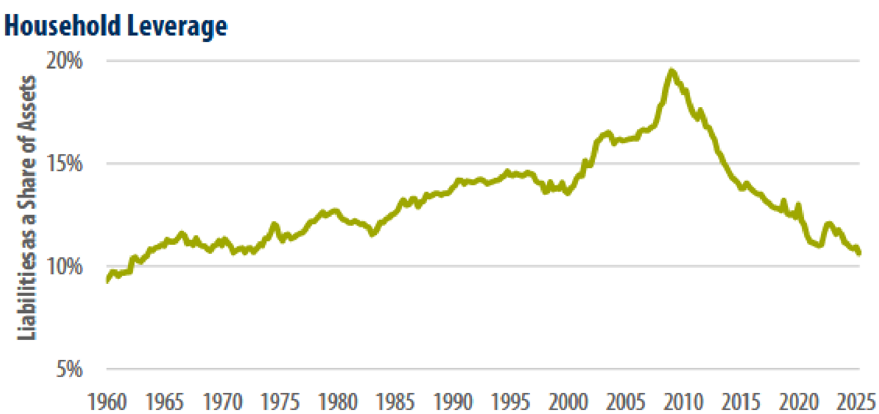
In the News

The Securities and Exchange Commission alleges that Daryl Heller, owner of Paramount Management Group, LLC raised more than $770 million from about 2700 investors for the purpose of investing in a nationwide ATM network. He falsely told investors that the ATM investments were safe and reliable, they would receive fixed monthly distributions and earn up to 25% annually from ATM transaction fees and related charges. The SEC alleges that Heller and his company misrepresented the size and profitability of the ATM network and paid distributions to investors mostly with money from new investors and high interest, short-term loans. Heller allegedly misappropriated over $185 million of investors' money for his own use, including for the purchase of a Jersey Shore beach house.

Vladimir Artamonov, a 2003 Harvard Business School graduate, has been indicted for securities fraud, wire fraud and investment advisor fraud by federal prosecutors in Manhattan. He is accused of defrauding fellow alumni out of more than $4 million by claiming that he could identify which stocks Warren Buffett's Berkshire Hathaway was about to buy. Stocks that Berkshire buys often rise after the investments are disclosed. Prosecutors said Artamonov told investors he knew this by reviewing state regulatory filings from Berkshire Hathaway's insurance units. He assured them that his "airtight" insight enabled him to buy stocks before Berkshire revealed its purchases, generating returns of 500% or more with little risk. Instead, he allegedly bought short term options that had nothing to do with Berkshire and when investors demanded their money back, he either refused or used money from new investors in a Ponzi-like fashion. Prosecutors said that Artamonov repaid less than $400,000 of the more than $4 million he received from investors. Once again, the gullibility of supposedly smart people continues to amaze. A risk free 500% return! What could possibly go wrong?

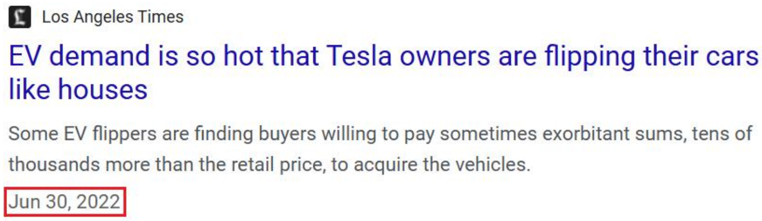
According to an article in the *Wall Street Journal*, assets in money market funds reached a record $7.7 trillion last month. Money market funds offered a seven-day annualized yield of 4.1% as of the end of August, according to Crane Data's index of 100 such funds. The national average annual yield for a bank savings account is a paltry 0.6%, according to a survey by Bankrate. U.S. investors are sitting on a $7.7 trillion pile of cash - which might help explain where Americans got the money to place more than $148 billion in sports bets in 2024, according to the American Gaming Association. This was a 23% increase from 2023 with more than 95% of that activity happening online. Current estimates are that sports betting will increase 9.5% this year, to $164 billion.



Source: Federal Reserve Board, First Trust Advisors. Quarterly data Q1 1960 – Q2 2025.

Household leverage—the ratio of liabilities to assets—fell to 10.6% in the second quarter of 2025, down from 10.9% in the prior quarter and 11.1% a year earlier. For perspective, this measure surged through the 2000s and peaked at 19.5% in the first quarter of 2009 during the housing bubble and subsequent financial crisis. The current reading, by contrast, marks the lowest leverage ratio since the 1960s, underscoring the strength and resilience of household balance sheets.

The "de-dollarization" chatter resurfaces regularly in the financial media and social media, with the Russia, China, India bloc often floated as challengers to the dollar's status as the world's reserve currency. Yet the dollar still comprises more than half of global currency reserves, and it is involved in nearly 90% of all foreign exchange transactions. No other currency matches the U.S. dollar's liquidity, stability, and global reach. Over time, the dollar's share of global transactions may fluctuate, but fears of a sudden debasement or collapse seem misplaced.

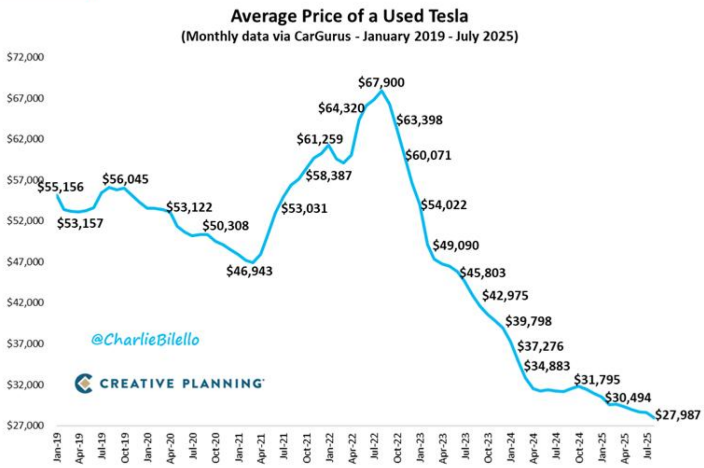


Los Angeles Times

EV demand is so hot that Tesla owners are flipping their cars like houses

Some EV flippers are finding buyers willing to pay sometimes exorbitant sums, tens of thousands more than the retail price, to acquire the vehicles.

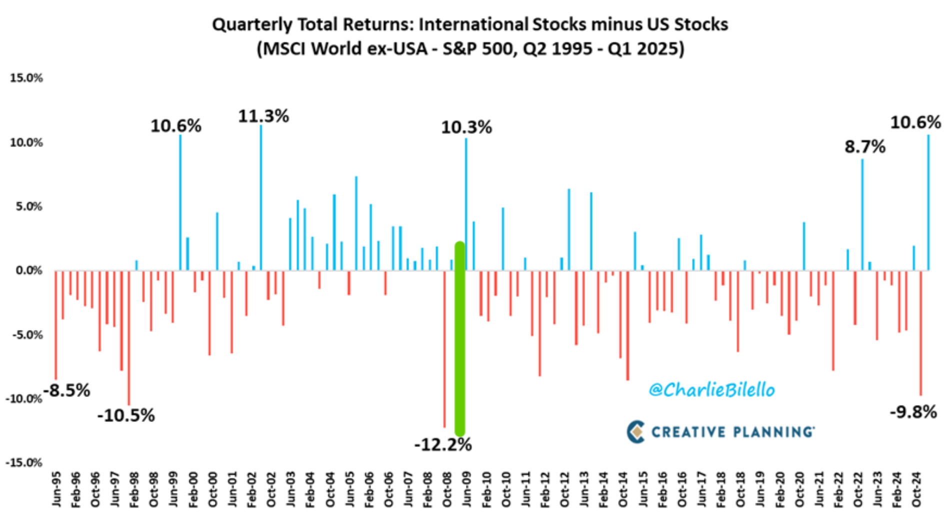
Jun 30, 2022



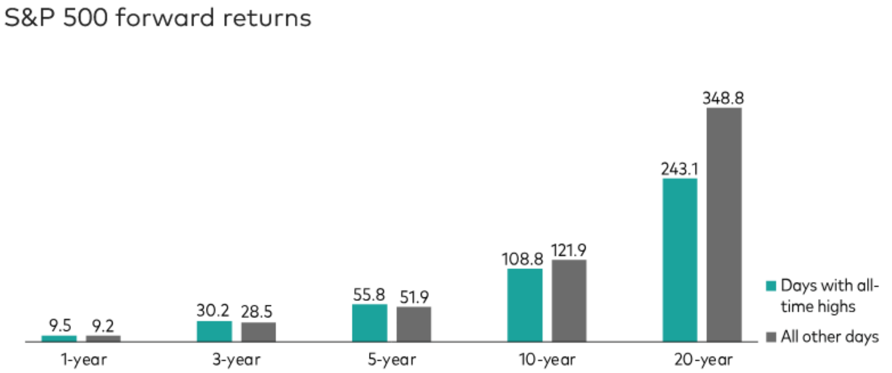
Here's a headline from the June 30, 2022, issue of the *Los Angeles Times*, along with a chart answering the question, "Then what happened?". It's a fine example of the adage that if the left side of the chart looks like the left side of the Eiffel Tower, it won't be long before the right side of the chart will look like the right side of the Eiffel Tower.

A recent article in the *Wall Street Journal* notes that new car dealers have about 134,000 unsold electric vehicles (EV), according to the latest data from Cox Automotive. Automakers are scrambling to unload unsold electric vehicles on dealer lots around the country, now that the $7,500 tax credit that boosted EV sales for years has expired. Without the tax incentive, Ford Chief Executive Jim Farley predicted that EV market share will fall by more than half to between 4% and 5% of total sales by the end of the year. The good news for consumers in the market for a new EV is that they will likely find exceptional discounts, and generous lease and financing deals offered by automakers in the months ahead.

In June, people were astonished to hear from multiple media outlets that the Buss family (owners of the Los Angeles Lakers since Jerry Buss' $67.5 million purchase in May 1979) has agreed to sell a majority stake in the Lakers in a deal valued at about $10 billion, making it the most expensive professional sports franchise valuation in U.S. history. The universal reaction was that this was an unprecedented financial gain, an increase in wealth without parallel for the Buss family. Whenever there are more than three zeros behind any number people find it difficult to comprehend, so let's move the decimal point six places to the left. A $67.5 million investment that ended in a $10 billion payout 46 years later is no different than a $67.50 investment in May 1979 that grew to $10,000 by June 2025 – an 11.5% average annualized rate of return. But if you invested $67.50 into an S&P 500 Index fund in May of 1979, reinvested all the dividends and held the investment in an IRA or other tax deferred account, your account would have grown to just over $12,000 by June of 2025 -an average annualized return of 12%. In other words, a better rate of return than that of the Buss family's ownership of the Los Angeles Lakers. I will readily admit that owning a major league sports franchise would be a lot more exciting and provide many more adventures and perks than owning the Vanguard 500 Index fund. However, anyone could have achieved a better rate of investment return than the Buss family, with little effort. Ok, I'll admit it, and a lot less fun.



This chart shows the difference in quarterly performance between the MSCI World ex-USA Index and the S&P 500 Index. Blue lines represent quarters when international stocks outperformed. Red lines indicate quarters in which domestic stocks outperformed. As the chart shows, domestic stocks have outperformed in more than two thirds of the quarters since the global financial crisis in 2008/2009. Performance chasing is a global phenomenon, so it should come as no surprise that foreign investors want to get in on the action. Foreign ownership of US equities has reached its highest percentage since 1945. About 30% of the total US stock market is now held by foreign investors. The tables have turned this year but if you tune in to any source of business news the narrative is boringly repetitive – focusing on domestic large-cap stocks as represented by the S&P 500, the Nasdaq and the Dow. Year-to-date through October 3, Vanguard's 500 Index ETF (VOO) returned 14.2% (not including dividends). But there's much more to the story for investors with globally diversified portfolios. The Vanguard FTSE All-World ex-US Index Fund ETF (VEU) is up 26.5% year-to-date, the Vanguard Emerging Markets Index ETF (VWO) is up 24.4% and the iShares International SmallCap Dividend Fund (DLS) is up 26.6%. Some investors find global diversification emotionally difficult because almost every year some funds will underperform their long-term average annual return. The value provided by financial advisors isn't limited to constructing diversified portfolios for clients, but also in helping them stay the course during periods where diversification doesn't seem to be paying off. International diversification doesn't work every year, but it has produced exceptional results this year and has been a valuable strategy for long-term investors.



Sources: Investment Advisory Research Center calculations using data from FactSet and Morningstar Direct. Data as of September 24, 2025.

In the third quarter, the S&P 500 reached 23 new all-time highs. Since 1950, the average number of new all-time highs per quarter has been about five. Thus, many voices today are claiming that the market is overvalued, and ripe for a decline. But this claim is made at every new all-time high. This chart from Vanguard shows the subsequent 1, 3, 5, 10, and 20-year cumulative returns for the S&P 500 following days in which the index did or did not reach a new all-time high. Investing at all-time highs netted slightly higher average returns for periods less than 10 years but there are too many factors that influence stock prices to design a strategy based on just one or a few metrics. This analysis shows that fleeing stocks when they reach new all-time highs is unlikely to improve returns, especially in short-to-intermediate time horizons. Regardless of whether or not stocks are at an all-time high, your best strategy is to stick with your financial plan and its portfolio allocation. Leave market timing to those lost souls among us who waste too much time obsessing over each day's stock market activity.

The Investor Gap 2025

Mutual funds and ETFs report performance on a "time-weighted" basis that measures the return of $1 invested at the beginning of the year and held through the end of the year. But few dollars in a fund are invested this way. A different way to report fund performance is on an "asset-weighted" basis. This is done by analyzing the flow of money into and out of a fund to calculate the annual return realized by the average dollar invested in the fund. Each year, in its *Mind the Gap* study, Morningstar calculates and compares the asset-weighted return of funds to their time-weighted performance. Any difference between the values is called the "investor gap" because it is the result of the timing and magnitude of investors' buy and sell decisions.

In its *Mind the Gap* 2025 update, Morningstar reports that for the ten years ending December 31, 2024, the average annual investor gap in domestic stock and bond funds was 1.2%. It noted that a fund's investor gap is directly related to its volatility. Funds with volatile performance tend to attract performance chasing, short-term investors. For example, sector equity funds attract "tactical" investors who invest in sectors with strong recent performance and then leave when performance falls. The *Mind the Gap* report notes that investors in sector funds experienced a 1.5% annual investor gap – the largest gap in any of the domestic stock and bond categories. On the other hand, the investor gap for balanced funds that maintain a fixed stock/bond allocation, such as target date funds, was only 0.1%. Once again, we have more evidence that making "tactical" strategic changes to your portfolio will likely end up being a counterproductive move.

Your actions should be guided by a financial plan, not speculative guesses about what the future holds. In its summary Morningstar notes, "*The findings also illustrate the potential peril of chasing returns, which investors are likelier to do when it comes to more volatile funds, given the funds' wider return amplitudes. This potentially works to their detriment in two main ways. First, they transact more often, and we have found that the more investors traded, the less of their funds' total returns they captured. Second, they fall prey to buying high - after a burst of performance - and selling low, as returns erode and investors give chase to a different highflyer… If anything seems to predict poor dollar weighted returns, it is trading activity, making it paramount to keep discretionary trading to a bare minimum and refrain from chasing performance from one fund to the next.*" As Cassius told Brutus - the fault is not in our stars, but in ourselves.