My Battle-Hardened Stock Market Strategy for the Worst of Times

UPDATE 7.26.22: Have the worst of times come? It's hard to say, but many investors who were feeling great about the market only six months ago are now terrified. If investors had employed the Ben Graham-inspired, battle-hardened strategy of conservation of principal and a defensive portfolio, they may not be so unsure of themselves today.

Originally posted on August 14, 2019.

In September of 2014, I explained to readers my battle-hardened strategy for dealing with the worst of times in the stock market. My strategy was inspired by Ben Graham, and I have used it throughout my 55-year career in investing. Here's how it goes:

> *Ben Graham's [The Intelligent Investor] was first published in 1949. I came in a little late in the game with my 1973 edition, which I have in front of me as I write. It is important to me that you and all of our management clients are able to sleep well, even during the periodic stock market busts that we all have to ride through from time to time. I never get out of the market; thus, I require a battle-hardened strategy to stay the course during even the worst of times. Ben Graham wrote, "An investment operation is one which, upon thorough analysis, promises safety of principal and an adequate return. Operations not meeting these requirements are speculative." From day one, I have stuck to Ben's foundation principle to the benefit of all our subs and clients.*
>
> ***Primary Concern: Conserve Principal***

Ben built on his foundation principle by writing that truly professional investment advisors are quite modest in their promises and pretensions. As he noted, "The leading investment-counsel firms make no claim to being brilliant, but they do pride themselves on being careful, conservative, and competent. The primary aim is to conserve the principal value over the years and to produce a conservatively acceptable rate of return. Any accomplishment beyond that—and they do strive to better the goal— they regard in the nature of extra service rendered. Perhaps the chief value to clients lies in shielding them from costly mistakes."

The Defensive Investor

I like to think that it is just this approach that allows our subscribers and clients to sleep well and remain comfortable that we are all on the same team. Part of the complete program is your portfolio balance. Ben Graham wrote, "We have already outlined in briefest form the portfolio policy of the defensive investor. He should divide his funds between high-grade bonds and high-grade common stocks. We have suggested as a fundamental guiding rule that the investor should never have less than 25% or more than 75% of his funds in common stocks, with a consequent inverse range of between 75% and 25% in bonds."

With market volatility increasing, it's time you reviewed your own strategy. You should consider a battle-hardened strategy that will protect you in the "worst of times."

A Cashless Society Is A Debacle for Americans

UPDATE 6/30/22: Alarm bells should be going off for Americans who want a dependable currency. The push for a "digital dollar" is intensifying, and now Congressman Jim Himes (D-CT), the chairman of Congress's Select Committee on Economic Disparity, is pushing hard for digitizing your dollars. Why is it important that he's the chairman of the Select Committee on Economic Disparity? A digital dollar will make manipulation of your money via negative interest rates a snap. And if all your money is digitized, wealth taxation becomes easy as the push of a button.

Of course, Himes isn't advertising digital dollars that way. Instead, he's using the troubles of cryptocurrencies to set up a digital dollar as a White Knight that can Americans from them. Though most Americans have never owned the speculative assets.

Himes recently released a document laying out his vision of a central bank digital currency for America. You can read his entire proposal paper here. He sets up the digitalization of the dollar as a race the U.S. must win or else, what? Or else the country maintain the strength of its currency and savers and investors maintain their independence from wealth taxation? A cashless society would be a debacle for Americans. No thanks.

Originally posted on May 2, 2022.

A cashless society will allow the elites of society to "monitor, control and tax every transaction," explains Lewellyn H. Rockwell at *LewRockwell.com*. The aim, explains Rockwell, is the ability to "cut [Americans] off entirely," if they resist. He writes (abridged):

> *The elites have been aiming to eliminate hand-to-hand cash for decades, as it will allow them to monitor, control and tax*

every transaction.

A story in The New York Times exposes what brain-dead Biden and the gang of neo-cons that controls him have in store for us.

According to an item that was published April 26, "When Defense Secretary Lloyd J. Austin III declared Monday at the end of a stealth visit to Ukraine that America's goal is to see Russia so 'weakened' that it would no longer have the power to invade a neighboring state, he was acknowledging a transformation of the conflict, from a battle over control of Ukraine to one that pits Washington more directly against Moscow. . . in word and deed, the United States has been gradually pushing in the direction of undercutting the Russian military.

Why is the US following this policy? Dr. Ron Paul has an important part of the answer. Just as in World War I, the "merchants of death" have a lot to gain financially. "One group of special interests profiting massively on the war is the US military-industrial complex. Raytheon CEO Greg Hayes recently told a meeting of shareholders that, 'Everything that's being shipped into Ukraine today, of course, is coming out of stockpiles, either at DOD or from our NATO allies, and that's all great news. Eventually we'll have to replenish it and we will see a benefit to the business'."

The advocates of a New World Order don't care about risking nuclear war. They aim to control us all so that there is no escape for anybody. This is a vast subject, but let's look at just one more issue. Our "masters" in Washington want to take away our cash so they can keep tabs on all our transactions and, if we resist, cut us off entirely.

We don't have much time left. Let's do all we can to protest against the New World Order.

Llewellyn H. Rockwell, Jr. former editorial assistant to Ludwig von Mises and congressional chief of staff to Ron Paul, is founder and chairman of the Mises Institute, executor for the estate of Murray N. Rothbard, and editor of LewRockwell.com. He is the author of Against the State and Against the Left.

Read more here.

The Best Investment Strategy is Simple, Like Analog Music

UPDATE 6.28.22: In the last week, cryptocurrency funds have recorded record-breaking outflows over twice as large as any week ever before. This comes after speculators began fleeing from crypto in response to Federal Reserve monetary tightening and other events in markets. Forbes reports:

> *Cryptocurrency funds posted net outflows of $423 million last week, eclipsing the prior record of $198 million set as crypto markets tumbled in January and bringing total assets down to $36.2 billion, according to a Monday report by CoinShares.*
>
> *Cash transferred out of bitcoin funds drove the record activity, with net outflows of $453 million—virtually erasing all inflows this year and pushing assets in such funds down to $24.5 billion, the lowest level since the beginning of last year, CoinShares reported.*
>
> *CoinShares' James Butterfill notes the selling occurred on June 17 (but was reflected in last week's figures due to trade-reporting lags) and was likely responsible for bitcoin's steep plunge that weekend, when prices fell below $18,000 as*

> *the crypto market grappled with a wave of job cuts, rumors about impending insolvency at major firms and a steep interest rate hike by the U.S. Federal Reserve.*

Investors keeping things simple will appreciate not being subject to the whims of the wild gyrations in prices for cryptocurrencies.

UPDATE 5.17.22: Since I wrote the post below back in 2018. Since then, investors have watched as millions of people across the globe piled into speculative cryptocurrency trades. For some that has worked out well, but for many, it has turned into a bloodbath. In light of the recent cryptocurrency collapse, it's a good time to reread the post below on the value of simplicity.

Originally posted on November 7, 2018.

Four years ago, I told readers the story of David L. Stone, the manager of Beacon Hill Fund. The point of my story then, as it is now, was to encourage investors like you to avoid speculation, and instead to be patient with your money. Use simple strategies you can stick to in good times and in bad. Here's what I wrote then:

> *As I write to you, I am listening to 1960s "Soul Station" by Hank Mobley, Wynton Kelly, Paul Chambers, and Art Blakey. It is an excellent remastered LP edition of the original on a stereo system that includes a Denon quartz lock turntable from the mid-'80s, a real basic NAD receiver that must be 20 years old, and a set of more than 10-year-old EPOS desktop speakers. Strictly low tech. Nonetheless, the sound in my office is quite pleasing. And vinyl records and their associated LP dust jackets offer a listening experience that CDs could never capture. In the case of Soul Station, the cover design by Reid Miles and Francis Wolfe are part of the Blue Note legend. Downloading? No thanks.*
>
> ***Complexity Destroying Value***

So I am enjoying a musical experience today that I duplicated decades ago. And the foundation of this enjoyment is simplicity. On the investment front, the same simplicity prevails today as it has for decades. Jack Bogle, Vanguard's founder, wrote in the WSJ recently that "hyperactive trading strategies offer incomprehensible complexity that ultimately destroys value."

A Decision to Do Nothing

Over two decades ago, I read a Forbes article that I have kept and often refer to investors. The article was about the manager of the tiny Beacon Hill Fund. "David L. Stone, the 70-year-old manager of the Beacon Hill Mutual Fund, arrives early at his Federal Street office in Boston every day. He reads the newspapers, opens his mail and waits for a call from State Street Bank, the fund's custodian, with the previous day's closing price and cash position. He scribbles those down. Than he reads some more. Then he packs his briefcase and leaves." Talk about simplicity. Stone commented, "People ask me what I do all day. Well a decision to do nothing is still a decision. It takes effort, psychological effort mainly. People get itchy. They trade too much, enriching their brokers and the tax collector in the process."

Allowing Interest & Dividends to Work

Most investors do not have the patience of David L. Stone, and it is a pity, as investors would be well ahead of the game by holding costs and transaction activity to the minimum while allowing interest and dividends to work for them through the mathematical miracle of compounding. In my own accounts, I have not recorded a sale this year, nor did I record a sale for investment reasons last year. Thus, I have not turned over one red cent, due to trading, to the profligate government in Washington.

The Magic of Compound Interest

UPDATE 6/27/22: I don’t want to harp on cryptocurrency speculators. They’ve been through a lot lately and not much of it good. The news that Three Arrows Capital, a Singapore-based cryptocurrency hedge fund is at risk of defaulting on $675 million in loans must be pretty terrifying for the crypto market. During all their time speculating on the newest technological innovation, crypto investors ignored the one magical power available to them, compound interest. Now, investors in Three Arrows are at risk of losing everything. *Baystreet* reports on the firm’s imminent collapse:

> *Singapore-based Three Arrows is one of the largest and most prominent cryptocurrency hedge funds. But it is facing a liquidity and solvency issue as billions of dollars have been wiped off the cryptocurrency market in recent weeks as prices for Bitcoin (BTC), Ethereum (ETH), and other digital assets have plunged.*
>
> *Voyager Digital (VOYG), a cryptocurrency brokerage firm, lent Three Arrows 15,250 Bitcoins and $350 million of the stablecoin USDC, totaling $675 million U.S. The entire loan is due to be paid back today (June 27).*
>
> *None of the loan has been repaid yet, Voyager said last week, adding that it may issue a “notice of default” if Three Arrows does not pay the money back.*
>
> *Voyager, which is listed on the Toronto Stock Exchange, has seen its shares fall 95% this year.*
>
> *Three Arrows Capital was established in 2012. The onset of a so-called “crypto winter” has hurt digital currencies and*

related companies across the board in recent weeks.

Originally posted April 5, 2022.

Back in 1964, I began a lifelong mission as a disciple of compound interest investing. In those earliest days, home base was Clayton Securities at 147 Milk St. in Boston's financial district.

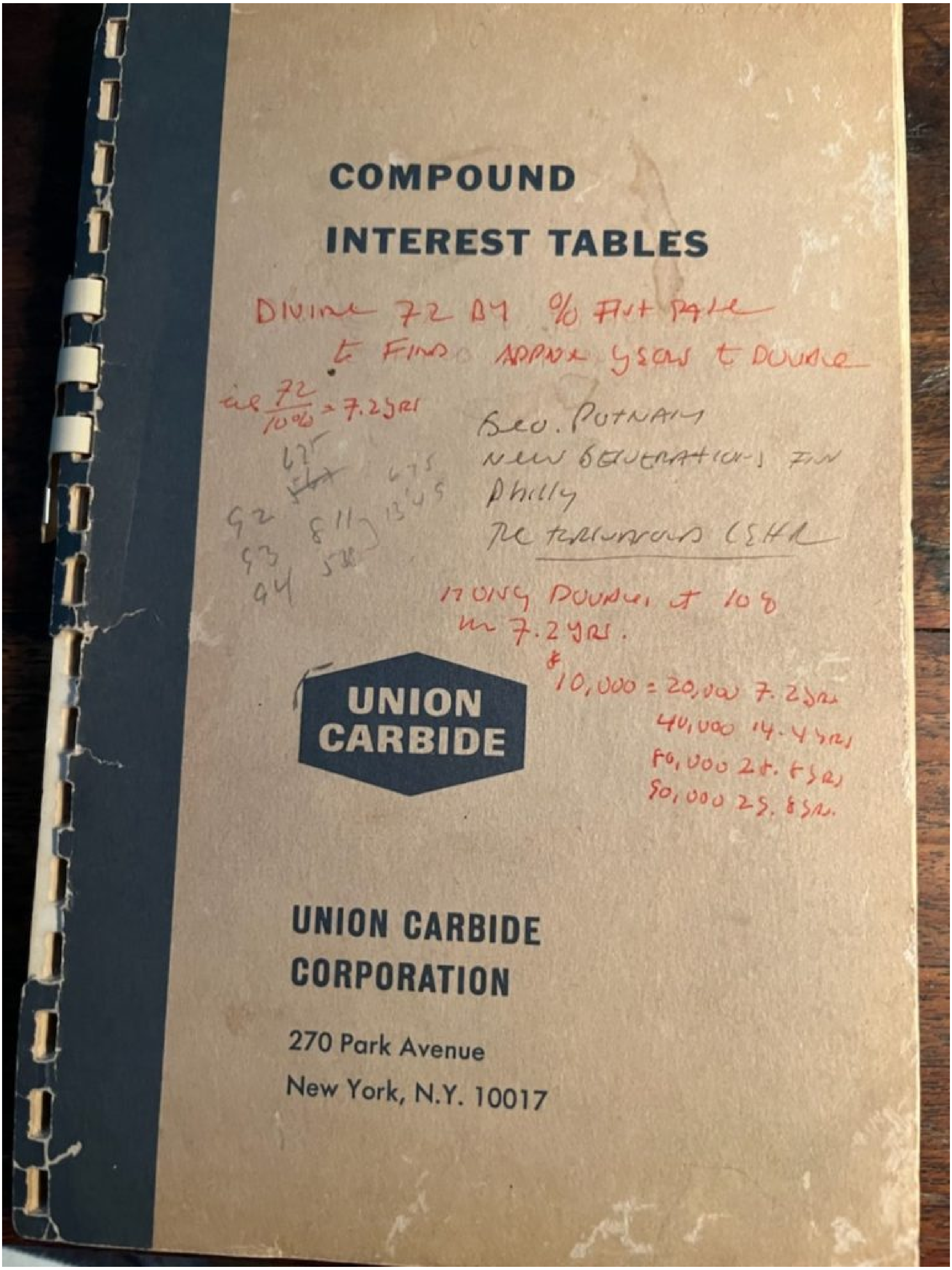
By 1971 I had gotten into institutional trading and research with Model, Roland & Co. on Federal Street. My first accounts were Fidelity Investments and Wellington Management.

Today, over 50 years have somehow flown by, and I am still doing business, a whole lot of it, daily with Fidelity (my family investment firm's custodian) and Wellington (my own account's largest positions).

Wellington, for its part, manages billions of dollars in client assets for Vanguard. In the late 80s and early 90s, my friends at Vanguard let me know that my newsletter was responsible for directing more assets Vanguard's way than the rest of the newsletter industry combined.

Jack Bogle, the founder of Vanguard, was a friend of mine from Jack's days at Wellington., Jack provided the key testimonial for my first book.

The focus and foundation for my five-decade adventure has been rooted in one little phrase: ***compound interest***. The accompanying photo is my tattered little Union Carbide spiral booklet.



In 1992, Debbie and I bought a little pink Conch cottage in Old

Town, Key West, just 90 miles from Cuba. Our son Matt has been our president since, and our daughter Becky is our chief financial officer. E.J. (Your Survival Guy), our son-in-law, after a valued internship with Fidelity, is director of client services.

I continue to research and write seven days a week on behalf of our firm's clients. Debbie and I still live in Key West, and we do a lot of our research in the 8th arrondissement of Paris. The six-hour time difference works to our favor in getting material to our editorial staff back in Newport, RI.

Thanks to one basic concept – *compound interest* – I have been able to comfortably and with astounding consistency plot the course for our ultra-conservative, balanced investment firm for over five decades.

You can bet that Debbie and I were pretty proud when our son Matt recently called to tell us that *Barron's* had informed him that he had been selected to Barron's Hall of Fame (2012-2022), while *CNBC* had just ranked our modest investment management firm #5 in America (2021) out of more than 14,800 registered investment companies. I guess when all is considered, there is a lot of good that be said about compound interest, consistency, and the value of the Prudent Man Rule. Disclosure

As they say, "It works for me."

Dick Young
Old Town Key West
5 April 2022
90 miles from Cuba

Here’s How I Climbed on the Dividend Bandwagon

UPDATE 6.10.22: Do you feel a recession coming on? Treasury Secretary Janet Yellen just told an interviewer at the New York Times that “Is there a recession risk? Of course there’s a recession risk. But is it likely? I don’t think so.” She also said, “I believe there is a path through this that entails a soft landing.” Meanwhile, most CEOs, the World Bank, and the Fed’s own GDP tracker suggest the opposite. Who’s correct? No one can know for sure, but it’s important that your portfolio is prepared for any outcome.

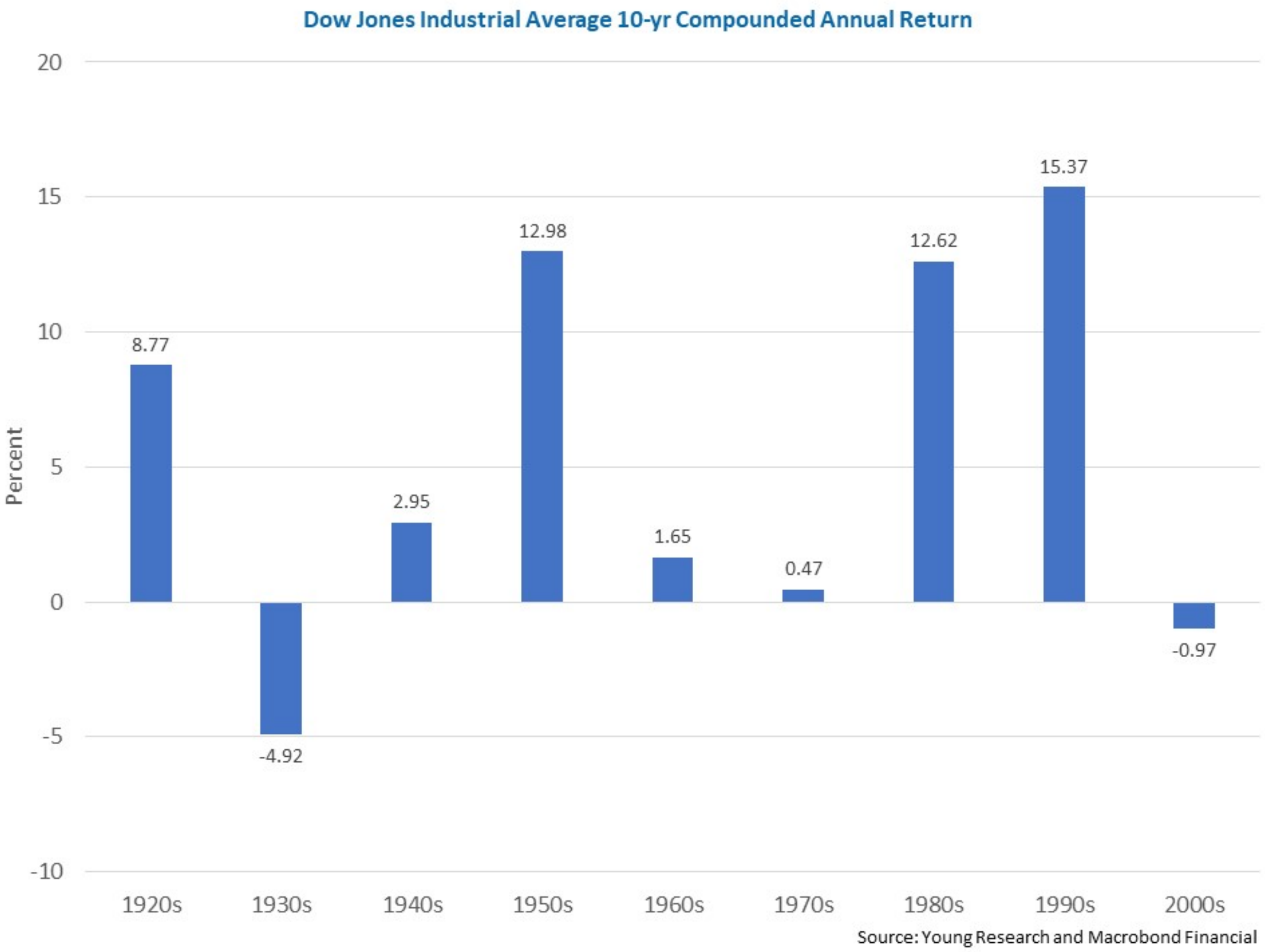
UPDATE 3.11.22: Market turbulence today once again supports the value of an investment strategy based on compound interest and dividends. While stock and bond prices oscillate wildly as events unfold, investors relying on dividend and interest payments are patiently accruing wealth.

Originally posted March 11, 2020.

There are few histories as crucial to the course of my life as my awakening to the power of compound interest and the importance of dividends. Since my decision to climb on the dividend bandwagon, I have been an evangelist to hundreds of thousands of paid subscribers, and many more investors beyond. My message has been consistent and clear, and I don’t regret focusing on dividends a bit. Here’s how it all started.

> ***Back to Monterey and Woodstock***
>
> *I’ve been developing investment strategies for investors like you before The Association kicked off the 1967 Monterey International Pop Festival with “Along Comes Mary” or Richie Havens opened Woodstock in August 1969. I started soon after John F. Kennedy was shot in Dallas in November 1963, and even*

before Dr. Martin Luther King, Jr. was shot at the Lorraine Motel in Memphis in April 1968. That's a long time ago. The '60s was of course a seminal decade in American history. Key events, including the difficult investment environment of the '60s, seem like yesterday.



My 1964 Beginning

I've put together a display that tracks the Dow Jones Industrial Average through the decades. When I entered the securities business in the summer of 1964 (with Ed Rosenberg, Clayton Securities), I had no way of knowing that during my complete career in the Boston investment community, which ended in 1981, the Dow would end lower than when I began. How would you have liked to have retired in 1964 and faced a 16-year Dow downer? Talk about retirement financial hell.

As my display indicates, the decade of the ‘60s provided a sad annual average return (ex-dividends) of only 1.65%. Moreover, the 1970s were set to be even worse. When the curtain came down on this miserable decade, investors had scored an average return of only 0.5% (before dividends). Thankfully for conservative investors today, as has been the case well before the ‘60s and ‘70s, dividends remain the name of the game.

Ben Graham’s Powerful Investment Advice

With my first reading of Security Analysis by Ben Graham in 1963, I climbed on the dividend bandwagon. Today, it’s still my most powerful investment influence. Ben was Mr. Dividends. I became attached to the concept before I landed at Clayton Securities at 147 Milk St. in Boston’s financial district. As early as 1964, I knew I would concentrate on dividends throughout my investment career.

Unwavering Advice

Well, writing to you now, five decades later, from our outside kitchen/living space in the heart of Old Town, Key West, I can’t help but think how much water has gone under the bridge through the many decades. But if you have been with me over the years, you are keenly aware that it is indeed the combination of dividends, compound interest, perspective and patience that frames the message I deliver to you month after month. I do not change course. You can count on it.

Concentrate on Dividends

Go back to my display and note how kind the ‘80s and ‘90s, unlike the ‘60s and ‘70s, were to investors. So far, this decade (ending in 2019) is on a solid path. The problem is, no one really knows in advance what course the Dow will take in any given decade ahead. What investors do know with reasonable assuredness and peace of mind is that the prospects for

> *dividends and dividend increases for stable, well-managed companies are good. (I pay scant attention to NASDAQ companies.) I concentrate on dividends for you and for me each month. We are in the same boat here. What is good for me is good for you and your family.*

Whether or not you are on the dividend bandwagon yet, but you want to learn more about how a portfolio focused on compound interest can help you and your family save for retirement, fill out the form below.

You will be contacted by a seasoned member of the investment team at Richard C. Young & Co., Ltd., my family-run investment counsel firm. They'll offer you a free portfolio review (no-obligation whatsoever). You'll get a full picture of whether a portfolio focused on dividends and compounding can work for you.

PRICES SOAR: Diesel Shortage Could Cripple America's Economy

Prices for diesel fuel are soaring, and shortages of the critical transportation fuel could leave economies, including America's, in shambles. At *MarketWatch*, Dan Molinski reports on the fears of a shortage of diesel, writing:

> *One of the U.S.'s largest truck stops, Love's, said Wednesday it is closely watching its diesel fuel supplies in the Northeast amid growing concerns of industry-wide shortages, but said it has no plans to limit purchases.*

> *“Love’s is monitoring the fluid situation on the East Coast, we have experienced minimal outages during low traffic hours,” Oklahoma-based Love’s Travel Stops said in an emailed statement. “The company has no plans to restrict purchases of diesel.”*
>
> *Inventories of diesel fuel, which in the U.S. is mostly used by truckers, have been on the decline since the pandemic began, but those declines have accelerated since the start of this year. Analysts attribute the declines to reduced refining capacity, robust demand for the trucker fuel during the pandemic, and a recent rise in diesel exports.*
>
> *Earlier on Wednesday, the U.S. government’s Energy Information Administration said total inventories of distillates, which is mainly diesel fuel but also heating oil, fell last week to a 17-year low of 104 million barrels, which is 23% below normal.*
>
> *On the East Coast, the situation is even worse. The EIA said distillate fuel oil inventories in the so-called PADD 1 district that covers the Northeastern states fell by 1.1 million barrels last week to just 21 million barrels, the lowest ever recorded in data going back to 1990.*
>
> *Love’s truck stops, with some 550 locations across 41 states, also seemed to confirm reports on social media Wednesday that said Love’s and other truck stops such as Pilot were informing their fleet operators that shortages of diesel fuel on the East Coast may happen in the coming week at some stores.*

In *The Wall Street Journal*, Paul Page details the price spike for diesel that has followed its scarcity, writing:

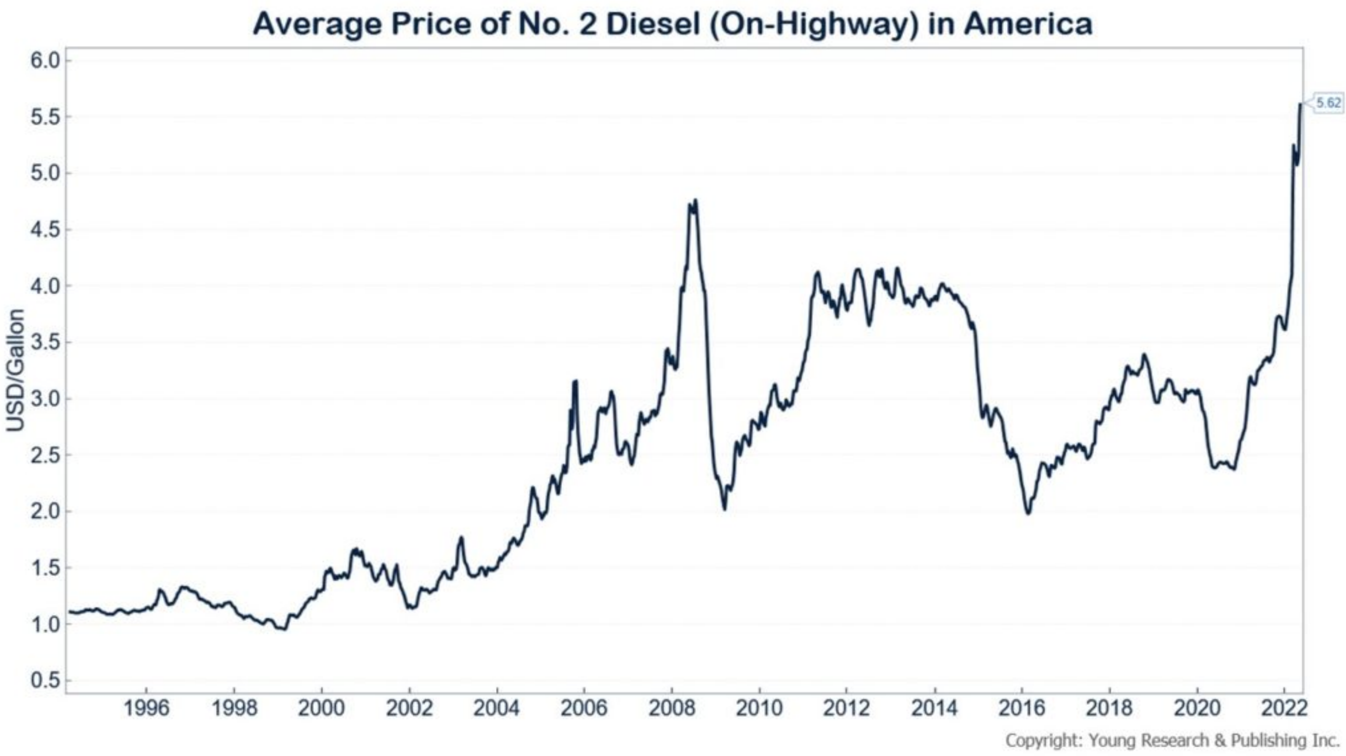
> *Diesel costs are reaching new highs across the U.S., straining the operations of trucking companies and wrecking the transportation budgets of businesses that need to ship goods.*

The price of the fuel that powers heavy-duty trucks has increased by more than $1.50 a gallon in roughly two months, according to the U.S. Energy Information Administration. The national average price has climbed to $5.62 a gallon, setting a record for the second week in a row, as prices at the pump surpassed $6 in some markets.

"These fuel costs are the biggest thing we're facing right now," said Jake Phipps, chief executive of Phipps & Co., a West Palm Beach, Fla.-based manufacturer of interior finishes and building materials for real-estate developers.

He said the company's shipping costs within the U.S. have risen 15% to 20% from last year, pushing it to make changes to its distribution operations as some customers reconsider projects because of rising costs.

You can see the staggering spike in diesel prices on my chart below.



When Bigger *Is* Better

Originally posted October 22, 2021.

Supply chain disruptions and rising raw materials costs are eating into profitability and resulting in shortages of products for many firms. Procter and Gamble is not immune to rising prices and supply chain disruptions, but strong brand value and impressive scale have enabled the company to navigate the environment better than some. Price hikes are being passed onto consumers and P&G is finding a way to keep its products in stock by leveraging its scale. Sharon Terlep writes in *The Wall Street Journal*:

> *Procter & Gamble Co. said that it expects solid sales and profit growth over the next nine months, even as costs for everything from warehouse space to raw materials rise faster than the consumer-products company expected.*
>
> *From furniture makers to grocers, the world's biggest companies are using their deep pockets, sprawling global operations and commanding market share to insulate themselves from the global supply-chain meltdown.*
>
> *They are also flexing their pricing power, taking advantage of consumers' willingness to pay up for higher-end products.*
>
> *P&G, maker of Tide detergent and Crest toothpaste, said Tuesday it will start charging more for razors and certain beauty and oral care products, price increases that come in addition to earlier moves to start charging more for staples from diapers to toilet paper.*
>
> *The company said its sales and profit goals for the year*

remain intact, as it has managed to keep products in stock.

“To the consumer, it looks like we’re in good supply,” P&G Finance Chief Andre Schulten said in an interview.

A Case Study in Dividend Success

At Young Research, when we look for dividend stocks for the Retirement Compounders, we favor companies with strong balance sheets, stable businesses, a healthy dividend yield, and a history of increasing dividends.

What does that look like in practical terms? While the ideal company financial position for the RCs can vary by industry and sector, Procter & Gamble serves as a nice case study in dividend success.

A Strong Balance Sheet

We look for companies with strong balance sheets because financial strength provides flexibility during tumultuous times in the business cycle.

Procter & Gamble (P&G) has one of the strongest balance sheets among large U.S. businesses. Its debt is rated Aa3/AA- by Moody’s and S&P. Only about 2% of firms in the S&P 500 have a credit rating as good as P&G’s.

P&G’s debt after backing out cash on the balance sheet is about equal to the company’s cash flow before taxes and interest. In other words, P&G could theoretically pay off its debt in a little longer than one year if it used all cash for debt reduction.

With a balance sheet that strong, P&G could fund its dividend for several years even if it runs into a rough patch.

How could P&G fund the dividend during a rough patch? For starters, there is $10 billion in cash on the balance sheet. Assuming a rough patch for P&G caused profit margins to go from 19% today to zero, P&G could fully fund a year’s worth of dividend payments with cash on the balance sheet. The second line of defense for the dividend would be for P&G to borrow money. P&G could easily borrow 2-3 years’ worth of dividend payments without losing its investment-grade rating. Obviously, the definition of a rough patch can vary, but in the scenario outlined above, P&G could have a 3–4-year rough patch without putting the dividend in jeopardy.

Business Stability

P&G’s dividend reliability is also bolstered by the nature of its business. Toilet paper, diapers, toothpaste, and cleaning products are staple purchases for most consumers. That is true whether the economy is in boom or bust. Stable businesses tend to be better equipped for long-term dividend payments and dividend growth than cyclical businesses.

Dividend Payout Ratio

When possible, we also favor companies with modest dividend payout ratios. The payout ratio is the percentage of net earnings paid to shareholders in the form of dividends. Firms with lower payout ratios can more easily continue to pay and raise dividends even during a business downturn. If a company has a payout ratio of 100%, any drop in earnings will either require the company to reduce the dividend because the earnings aren’t there to support it, use cash on hand, or borrow money.

Procter & Gamble pays out about 60% of its earnings to shareholders in the form of dividends. That means earnings could fall by 40% without requiring alternate means to fund the dividend. In practice, for many industries, we compare the dividend to free cash flow instead of earnings to get a truer picture of the payout ratio. P&G looks even better on that metric.

The Dividend

Next is the dividend and the dividend policy. Everything else equal, higher dividend yields are better than lower dividend yields, and a stronger commitment to the dividend in the form of a long record of dividend payments and a long record of dividend increases is better than a weaker commitment to the dividend.

- P&G shares yield 80% more than the S&P 500
- P&G has paid a dividend every year since 1891
- P&G has increased its dividend for 66 consecutive years

The Model of Dividend Success

With a strong balance sheet, a stable business, a modest dividend payout ratio, and an enviable dividend track record, P&G truly is *the* model of dividend success.

You Won't Believe How Much My Favorite Investing Book Costs

An interesting article came across my desk late last year. It was from Abe Books, an online used book retailer that sources books from shops across the country. The article was a list of the most expensive books sold by Abe Books up to that point in 2021.

There were many fine old books on the list, but one immediately caught my attention—a 1934 first edition of Graham and Dodd's *Security Analysis*.

The description of the book from Abe Books read:

> *The Bible for stock market investors and the most important finance book of the 20th century. A 1934 first edition, first printing. Graham taught at Columbia University and suffered in the 1929 crash. He prepared a systematic study of investment principles and agreed to lecture on the subject. Fellow tutor Dodd took notes and this book resulted from their teamwork. The book preaches the importance of making decisions based on hard facts. The first edition appeared both in black cloth and maroon cloth.*

I have written many times about my own experience with Graham and Dodd's *Security Analysis*, and its impact on my career in investing. I wrote back in 2007:

> *As I write to you today, the single investment book on my desk is the same book that was on my desk when I began in the investment business at Clayton Securities in 1963. Graham, Dodd & Cottles' Security Analysis is as treasured as it was since its first edition in 1934. Like high fidelity, the guts of investing have really not changed so much through the decades. Compound interest, value, and patience are still the key. Ben Graham was fond of saying, "One of the most persuasive tests of high quality is an uninterrupted record of dividend payments for the last 20 years or more." In his Intelligent Investor, Graham followed up with, "Indeed, the defensive investor might be justified in limiting purchases to those meeting this test." Nothing has changed.*

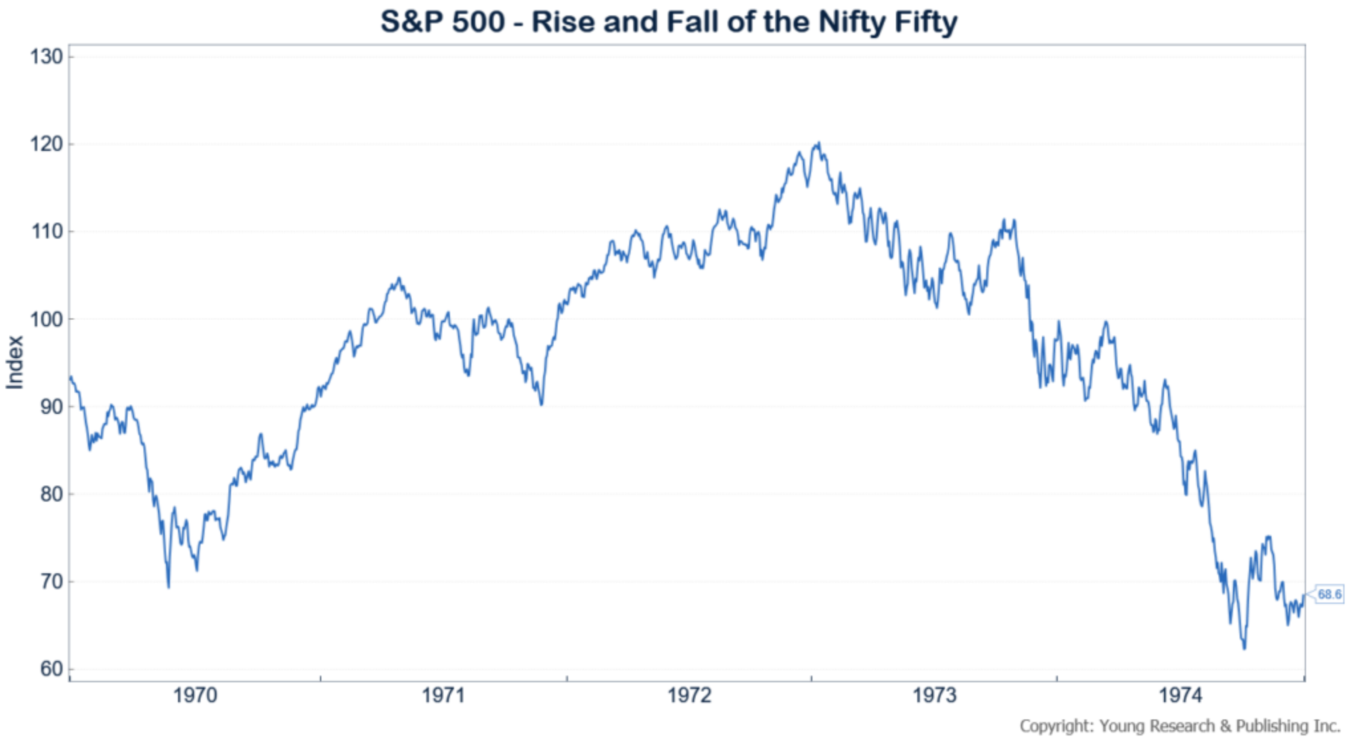
So what is the value of a book that can impact you and your investments for a lifetime? For one Abe Books shopper, a first edition first printing copy of Graham and Dodd’s *Security Analysis* was worth $29,000. It may seem like a lot for a book, but is probably a small price for the wisdom inside.

TOP HEAVY: Focus on Big Indexing Could Cause Market Chaos

“The following post is by E.J. Smith, at YourSurvivalGuy.com. There was a time when I would point investors to low-cost index funds, but as you can see, that ship has sailed.” – Dick Young

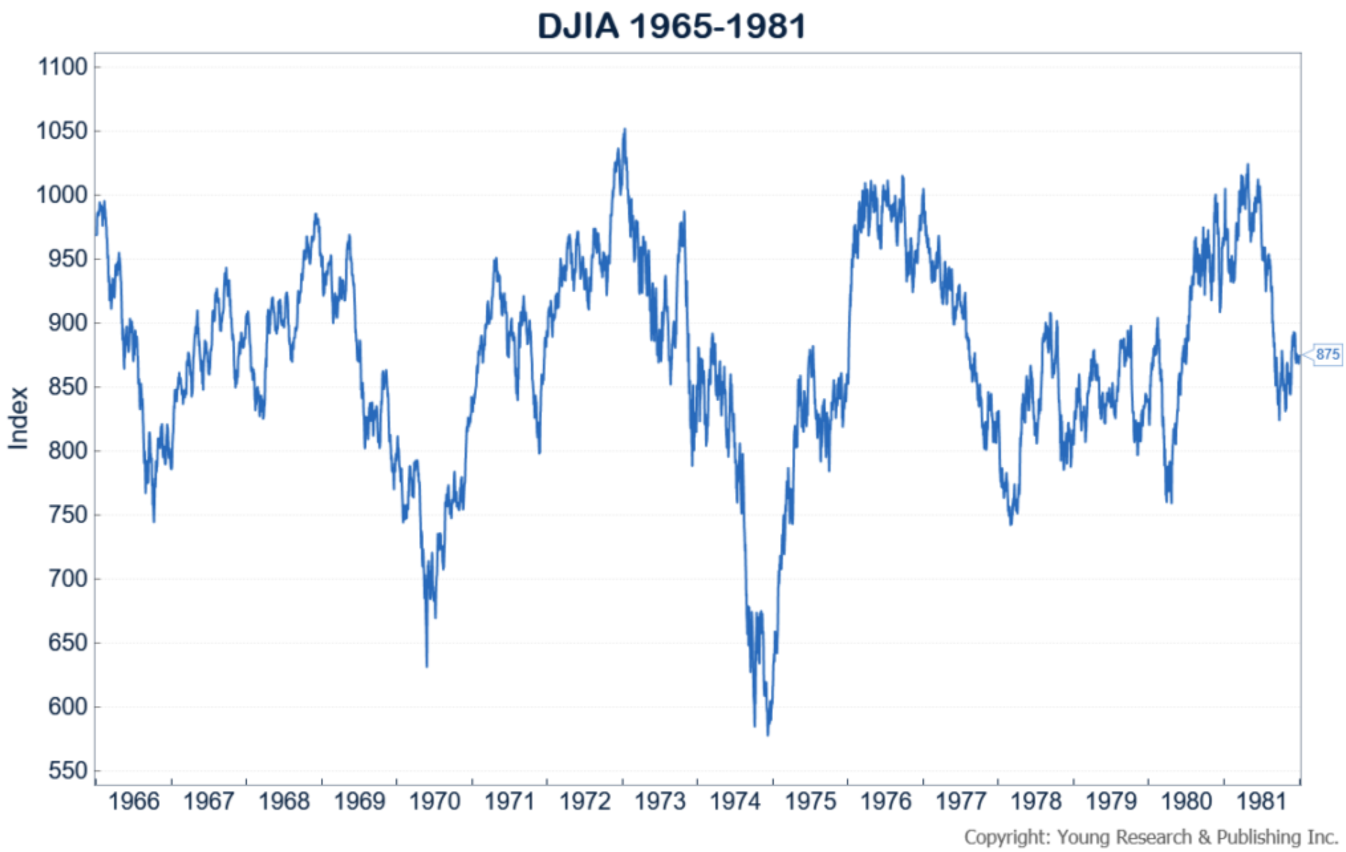
In an excellent review of a festering problem in the market today, Randall Smith of *The Wall Street Journal*, outlines the $1.3 trillion Vanguard Total Stock Market Index Fund (VTI), and the growing importance of the CRSP U.S. Total Market Index to the future of markets.

What’s concerning to Your Survival Guy is that the top 10 companies of the CRSP U.S. Total Market Index comprise a quarter of its value. Does anyone remember the plight of the Nifty 50 in the 70s? When people fell out of love with the Fifty, the S&P crashed 48.2% from early January 1973 to early October 1974.



The problem with indices or lists is they're always evolving. Names come and go. Do you really want to hitch your life's savings to a Total Stock Market Index that's so top heavy?

Action Line: This is a stock picker's market. I want you to get paid no matter what in the form of dividends, regardless of what prices do. Stocks have a history of doing nothing for longer than you care to remember. If you need help building an investment plan that's right for you, [I would love to talk with you](#).



Not only do they have a history of doing nothing for long stretches of time, but names are also replaced with more frequency than one cares to remember.

Your Survival Guy WARNING: Deadliest Markets This Century									
Crash	Peak	Trough	S&P 500	DJIA	NASDAQ*	Wellesley	Wellington	50-50**	Dividends and Safe Bonds***
Dotcom	3/24/2000	10/9/2002	-47.4%	-31.5%	-77.6%	0.9%	-17.1%	*-8.1%*	18.6%
Housing	10/9/2007	3/9/2009	-55.3%	-51.8%	-54.8%	-28.3%	-41.6%	*-34.9%*	-16.6%
COVID	2/19/2020	3/23/2020	-33.8%	-36.5%	-30.0%	-17.9%	-25.8%	*-21.9%*	-15.8%

*Total returns except for NASDAQ prior to 2013, which uses price return data.

**A portfolio made up of 50% Wellesley Fund and 50% Wellington Fund.

***A portfolio fo 50% S&P 500 Dividend Aristocrats and 50% Bloomberg Barclay's US Intermediate-term Treasury

Smith explains here how oblivious the public is to the massive movements of the VTI, and the CRSP U.S. Total Market Index, writing:

> *Everyone knows the New York Stock Exchange. And its rival, Nasdaq.*

But there is a mutual fund that invests in stocks based on a relatively unknown market index that has grown so large it might be considered a third stock market unto itself.

That fund is the $1.3 trillion (yes, trillion, including all share classes) Vanguard Total Stock Market Index Fund (VTSAX) and its exchange-traded-fund shares. The fund, from Vanguard Group, now accounts for 10% of all assets in U.S. stock mutual funds and ETFs in the market, according to Morningstar Inc. No other mutual fund or ETF comes close to it in asset size. The next largest is an $821 billion Vanguard S&P 500 index fund.

The paradox is that this biggest beast among funds is tied to the most unassuming of stock indexes—the CRSP U.S. Total Market Index, developed at the University of Chicago's Booth School of Business.

While many investors may not be familiar with CRSP, the influence of the index and the Vanguard fund is felt minute to minute on Wall Street. Traders say they sometimes check the Vanguard fund's ETF version, with the symbol VTI, to get a better idea of what is happening in the market overall, since it effectively covers more stocks than any of the three major indexes—the Dow Jones Industrial Average, S&P 500 index and Nasdaq Composite.

"When the stock market is open, VTI gives you a better picture of what it's doing than anything else," says Rick Ferri, an investment adviser in Georgetown, Texas. The CRSP, he adds, "drives this gigantic mutual fund, and most of the general public doesn't even know that CRSP exists."

Originally posted on [Your Survival Guy](#).

Who Owns The Vanguard Group?

Vanguard is owned by the funds managed by the company and is therefore owned by its customers.