

INVESTMENT GUIDE

Published Monthly by

American Investment Services, Inc.

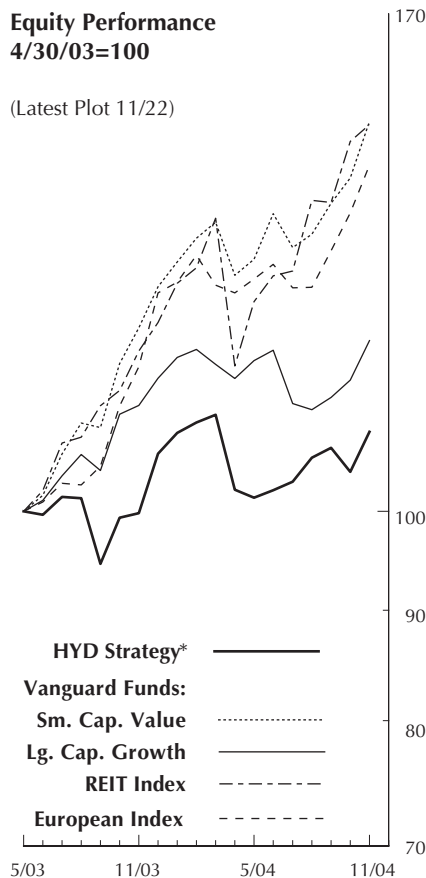
Vol. XXVI, No. 11

Great Barrington, Massachusetts 01230

November 30, 2004

Equity Performance 4/30/03=100

(Latest Plot 11/22)



*HYD is a hypothetical model based on back-tested results. See p. 86 for a full explanation.

We offer two discretionary management services: Our Professional Asset Management (PAM) service covers all of our recommended assets and allows us to place trades in stocks, bonds, and mutual funds directly in our clients' accounts. (The accounts remain the property of our clients at all times—we are only authorized to trade on their behalf.) Our High-Yield Dow (HYD) service operates similarly, except it invests only in the highest-yielding Dow stocks, using the 4-for-18 model on a fully invested basis. Investors interested in these low-cost services should contact us at 413-528-1216 or Fax 413-528-0103.

Online: www.americaninvestment.com

Prices on the Rise

The Producer Price Index rose by 1.7 percent in October, the largest monthly increase since 1990. It remains to be seen whether this signals a trend that will spiral. But investors who follow our approach can rest assured.

Our parent, the American Institute for Economic Research (AIER), has long warned of the inherent decline of fiat currencies. We have designed our recommendations accordingly, to include built-in defenses against the ravages of declining purchasing power.

Contrary to the approach of many other money managers, among our fixed-income holdings we only include short-term bonds, which have a fixed payout, so long-term bondholders are locked into payments that will suffer diminished purchasing power during periods of monetary inflating. We seek to capture the returns generated by the "short end" of the yield curve.

We include common stocks as a necessary hedge against monetary inflating. Stocks were once considered appropriate only for speculators, but in a world of fiat currencies, nearly all investors have embraced equities, despite their inherent risks, as a means of protecting the real value of their holdings. We have sought to provide stability by recommending that investors take well-diversified positions in those equity asset classes whose returns are not highly correlated.

While all fiat currencies lose purchasing power over time, the dollar's strength relative to other currencies is inherently unpredictable. It would be unwise for investors to speculate based on anyone's forecast of foreign exchange rates. However, foreign equities, like U.S. equities, have positive expected returns over time. By maintaining a fixed proportion of their portfolio in those markets, U.S. investors will prosper during periods when the dollar is in decline, as it is currently.

Finally, we include real estate and gold for most portfolios. Commercial real estate, held through real estate investment trusts (REITs), has provided strong real returns over time, and its returns are not strongly correlated with those of either bonds or common stocks. If gold is viewed as a form of money, it has retained its purchasing power far better than any other currency over the very long term. In recent decades gold has not proven to be a particularly effective hedge against inflating, and has been extremely volatile, but it is a very unique asset. It provides a pattern of returns that is negatively correlated with those of most of our asset classes, and as such it can serve to reduce a portfolio's volatility without negatively affecting its total return.

GIVING THAT KEEPS ON GIVING

“Make all you can, save all you can, give all you can.” — John Wesley

The word “philanthropy” is derived from the Greek words that translate into “to love mankind.” During the holiday season, many individuals turn their attention toward monetary gifts that go beyond gaily-wrapped presents to those that can benefit others, perhaps those they do not even know, in a profound and meaningful way.

If charitable giving is on your holiday “to do” list, you are not alone. During 2003, contributions to charitable organizations totaled \$241 billion, with individuals accounting for over 75 percent of that amount. Some of these individuals give to help support and raise awareness of the values and causes they consider most important to them. Having one’s name on a donor list provides a side benefit of signaling one’s altruistic intentions and largesse to the world. Others may combine their desire to help others with estate planning considerations.

Whatever your reason for giving, it’s important to combine your good intentions with practical business sense. This means contributing in ways that minimize taxes to the greatest extent possible, and investigating how the charitable organizations you favor are being run and how your donations will be used. Like Enron and other scandal-ridden companies highlighted in news reports this year,

charitable organizations have their share of wasteful executives who might squander your money on lavish fund raising events or unreasonably high salaries for executives, rather than direct the lion’s share to the people you wish to help or causes you wish to promote.

The Better Business Bureau’s Wise Giving Alliance (formerly the BBB Philanthropic Advisory Service) provides some guidance for evaluating how an organization spends donations by breaking expenses into three categories: programs, administration, and fund raising. Program services, the heart of an organization and the reason most people donate, might cover things such as research grants or food or medical supplies and field personnel. Administration includes expenses such as accountants’ or attorneys’ fees, rent, employee salaries, and other general expenses. Fundraising costs include creating and printing brochures, paying fees to professional fundraisers, banquets, or advertising. In general, the Council of Better Business Bureau standards call for (1) at least half of the charity’s total income to be spent on programs, (2) at least half of public contributions to be spent on the programs described in appeals, (3) no more than 35 percent of contributions to be spent on fund raising, and (4) no more than half of the charity’s total income to be spent on administrative or fund-raising costs.

If you would like to find out more de-

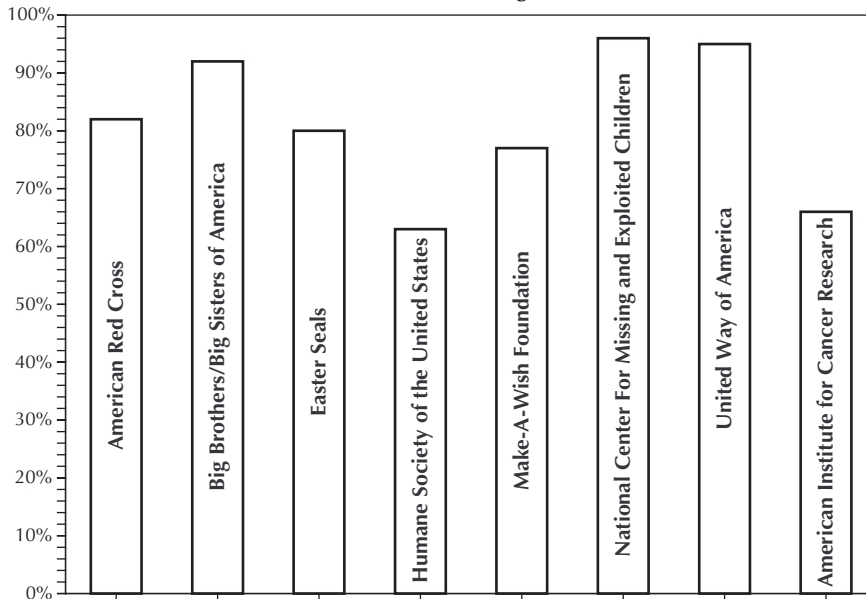
tail about organizations to which you donate, visit the BBB Wise Giving Alliance at www.give.org. The Reports section gives detailed information on many charities, including a breakdown of program expenses, executive compensation, paid staff, fund raising methods, sources of funding, and the percentage of income that goes directly to charitable programs. For a written report on a specific charitable group, contact the BBB Wise Giving Alliance, 4200 Wilson Boulevard, Suite 800, Arlington, VA 22203. If you wish to find out more about a local charity not listed on the web site, contact your local better business bureau or your state’s charity registration office, which is usually connected with the state attorney general’s office.

Tips for Giving

Aside from checking out charities you are considering, a few other tips will help facilitate the giving process:

- Carefully evaluate all telephone solicitations before making a donation, and never give out your credit card number or bank account information over the phone.
- Always use a check made payable to the charity, not the individual who solicited the donation.
- Don’t confuse tax-exempt with tax-deductible. While some organizations do not have to pay income taxes, giving them the “tax-exempt,” label, your contributions to them are not necessarily tax-deductible. Most of the organizations that qualify for tax-deductible contribution treatment have received what’s called Section 501 (C)(3) status from the Internal Revenue Service. If you are unsure of whether or not your contribution is tax-deductible, ask to see a copy of the IRS determination letter that verifies Section 501(c) (3) status. You can also find a listing of thousands of tax-exempt organizations that qualify for this treatment in IRS Publication 78—Cumulative list of Organizations. Contributions to some types of organizations, such as a Chamber of Commerce or trade association, may be deductible as a business expense but not as a charitable contribution.
- Ask about deductible amounts if a contribution is associated with some type of benefit such as membership in an

Percentage of Income That Goes Toward Programs for Some Charitable Organizations



organization or a gift. You may only be permitted to deduct any amounts above the fair market value of such items.

- Make sure you know who you're giving to. Some unscrupulous solicitors use names that sound confusingly similar to those of larger, more established organizations when they ask for donations.
- Take inflation into account. Considering the impact of rising costs, you would need to contribute \$1,226 today to equal the value of a \$1,000 donation made in 1995.

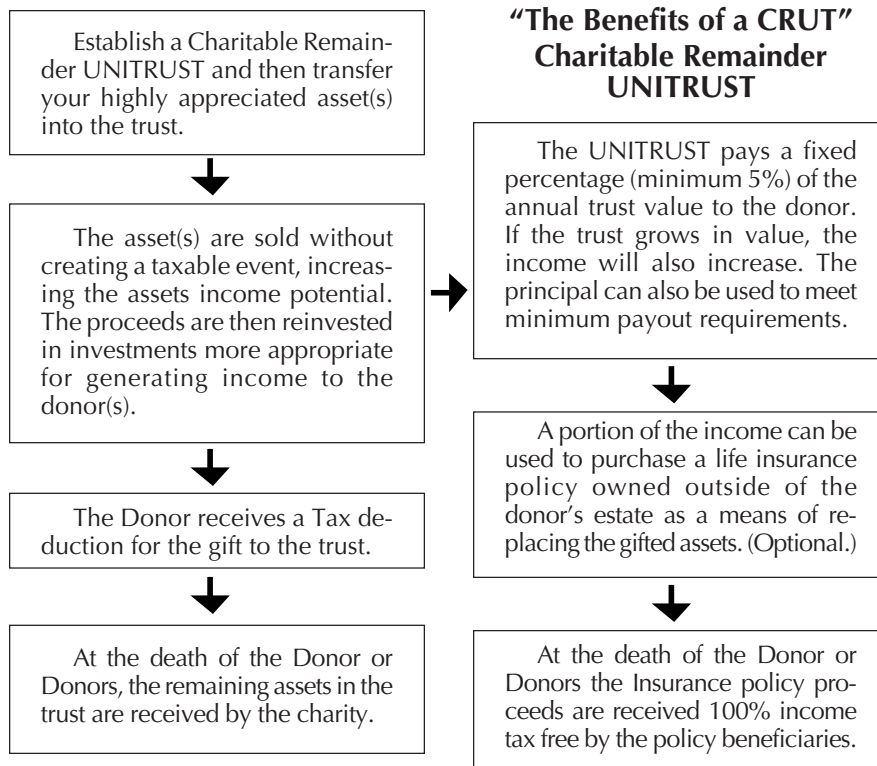
How much should you give? While the easy answer is "as much as you feel comfortable with," some organizations have calculated suggested annual donations based on formulas that take income and assets into account. According to NewTithing Group of San Francisco, a philanthropic research organization, a married couple with adjusted gross income of around \$180,000 and investment assets of \$462,275 could afford to donate \$4,500 a year. For further guidance on suggested giving amounts for various income and asset levels, consult the group's web site at www.newtithing.org.

Tax and Estate Planning Issues

While the concept of "giving" is often associated with philanthropic concerns, it is also an integral component of effective tax and estate planning. Whether you choose to give gifts of money or property to charitable organizations or family members, your generosity can be a powerful way to reduce or eliminate estate taxes.

If you believe you do not have to worry about estate taxes because you don't consider yourself wealthy, you may change your mind once you conduct an inventory of all your assets. Taxable estates include all property left to heirs, including bank accounts, retirement plans, life insurance proceeds, IRAs, home equity, and taxable gifts made during one's lifetime. Add these up, and your estate can climb into the taxable range, either now or in the future.

Any discussion of estate planning must begin with a mention of the exclusion amount, or the amount of assets that can be passed to heirs free of estate taxes. The exclusion amount was adjusted upward in 2002, and is set at \$1,500,000 for 2004 and 2005, \$2,000,000 for 2006, 2007, and 2008, and \$3,500,000 for 2009. If an estate is larger than the exclusion amount it will be taxed at rates as high as



49 percent, depending on its size.

The unified credit, which gets its name because federal gift and estate taxes are integrated into one unified tax system, refers to the tax credit that effectively eliminates taxes on the exclusion amount. If you use the credit to offset gift taxes (we'll talk about gift taxes shortly), you reduce the amount of the credit you can use against your gift tax in a later year. The total amount used against your gift tax reduces the credit available to use against your estate tax.

When a tax preparer files an estate tax return, he or she first calculates the tax based on the estate value, then applies the credit to reduce or eliminate any taxes due. Based on the exclusion amount of \$1,500,000 for 2004, the unified credit is \$555,800. The unified credit amount for estates rises gradually and peaks at \$1,455,800 in 2009, while the unified credit for gifts remains at \$345,800. This means that beginning in 2004, those who use up their entire unified credit for gift tax purposes will still have a portion of the unified credit for estate tax purposes available to them.

It is important to coordinate the use of the unified credit with the unlimited marital deduction, which allows a married couple to reduce or eliminate estate taxes on assets left to a spouse. However, the unified credit of the first to die can be wasted if all of one's assets are transferred

under the marital deduction and eventually enter the estate of the surviving spouse. If that happens, children or other heirs of the survivor could get hit with a huge tax bill down the road.

A bypass trust, also called a credit shelter trust, can help ensure that the heirs of the surviving spouse are shielded from taxes. Typically, when the first spouse dies, these trusts are fully funded with assets valued at the credit equivalent, thereby shielding \$1,500,000 (currently) in that estate. Those assets, if the trust is properly structured, ultimately escape estate taxation on the death of the second spouse as well. The income from assets left in such trusts is often payable to the surviving spouse.

The use of gifting and trusts are two popular ways to avoid or minimize estate taxes. Gifts to family members or charities during your lifetime can reduce assets and potential estate tax liability, as well as remove any future appreciation and earned income from the estate. As an added benefit, you get to see the people who are getting the gifts use and enjoy them.

If the gifts follow certain guidelines, they are tax-free for both the donor and recipient. Gifts that qualify for this gift tax exclusion include transfers of up to \$11,000 per person, per year, an amount that increases periodically to take into account inflation. This amount is called the annual gift tax exclusion because it is how much one

How Does a Charitable Remainder Trust Work?

Suppose a 73-year-old benefactor in the 31% marginal income tax bracket establishes a CRT with real estate valued at \$200,000, for which he originally paid \$35,000. The donor is the sole beneficiary of the trust. The trust specifies that 5% of the trust assets will be distributed to the beneficiary each year for the life of the donor.

Trust Principal	\$200,000
Charitable income tax deduction	\$116,426
Income tax savings in year 1 (31%)	\$ 36,902
Capital gain tax avoided (15%)	\$ 24,750
Projected income in year 1 = 5% X \$200,000	\$ 10,000

person can give to any number of recipients every year without having to file a gift tax return or eating into the unified credit described previously that permits lifetime tax-free transfers. You can give that amount to as many people as you wish. A generous person could give away \$110,000 to 10 lucky (and hopefully grateful) individuals each year. If you are married, you and your spouse can together give up to \$22,000 each year to each individual. You may also give an unlimited amount of money without incurring the gift tax if it is used to pay tuition or medical expenses. To qualify, payments must be made directly to the school or medical facility. Only tuition payments—not room, board, or living expenses—qualify. And medical payments must be for procedures which qualify for a tax deduction, and which are not reimbursed by the insurance company.

Donating securities rather than cash to a charity as part of a gifting plan can make sense because charitable gifts of appreciated property are not subject to capital gains taxes. Yet despite that advantage, the technique has been used by only 21 percent of affluent Americans, according to a recent survey by US Trust. By using this approach, you get to deduct the full market value of the shares (subject to adjusted gross income limitations) and you do not have to pay any capital gains taxes on the appreciation attributable to the donated shares. Gifts of other types of property, such as artwork, rare books, or cars can be a little trickier because the kind of assets you can touch and feel are more difficult to value than cash or securities. Before you donate them, you need to get a fix on their fair market value, and an official outside appraisal will be required if you claim a deduction of \$5,000 or more for an item.

Giving appreciated securities to friends or relatives during one's lifetime makes less sense than doing so for a charity because the recipient's cost basis for income

tax purposes is the donor's cost at the time it is given. In contrast, an heir's cost basis for the property received from an estate is its fair market value at the time of death. Thus, it is usually preferable not to use highly appreciated property for any

gifts if the recipient will be subject to capital gains taxes. Otherwise when the recipient eventually sells the property he will owe gains taxes based on the donor's original cost. In such cases it is best to give cash or recently acquired assets.

You may also wish to consider naming a charity as a beneficiary of an IRA as part of an estate plan. When someone inherits an IRA, the entire amount may be subject to federal income tax (assuming it is attributable to tax-deductible contributions and their earnings) and, possibly, estate taxes as well. By leaving an IRA to a charity instead, the entire amount would remain intact because charities are not subject to estate or income taxes.

Trusts

Trusts are a way to donate, but with

HARMONY GOLD MINING CO. LTD. OFFER FOR GOLD FIELDS LTD.

We have recommended that our subscribers reject the Harmony Gold Mining offer to acquire the assets of Gold Fields Ltd. We posted our position on our website (www.americaninvestment.com) prior to the response deadline. At the time we went to press the results of this offer were unknown.

Harmony offered to acquire all of Gold Fields Ltd. shares through an exchange of 1.275 shares of Harmony for each share of Gold Fields. Harmony proposed to accomplish this transfer via a two-step offer. The arrangement would allow Harmony to acquire Gold Fields by obtaining up to 34.9% during "step one" (early settlement offer). This acquisition, along with the voting support of Norilsk Nickel, a 20% owner of Gold Fields, would give Harmony a controlling interest in Gold Fields. Harmony's "step two" (subsequent offer) for the remaining shares is subject to a number of conditions, not all of which have been clarified.

AIS recommends only high quality gold mining companies, as measured by their managerial experience, financial strength, gold reserves, and the cost effectiveness of their mining operations. Harmony has not met our criteria.

Our recommendation reflects our continued confidence in current management. In particular, the proposed exchange would allow Harmony to block Gold Fields' proposed combination of its non-southern African holdings with IAMGold, a Canadian mining company, effectively ending management's proposed division into Gold Fields and Gold Fields International. This division would be a positive step that would allow Gold Fields to expand its operations beyond southern Africa.

Gold Fields has strongly opposed Harmony's efforts, pointing to numerous inaccuracies among materials sent to Gold Fields' shareholders. Legal action intended to block the hostile takeover is still pending. Willie Jacobsz, Gold Fields' investor relations contact in South Africa, stated: "Depending on how things unfold, there are a lot of strategies we can pursue. Selling off assets could be one." Mr. Jacobsz has also said that "Harmony wants to buy our assets on the cheap and we're telling our shareholders there are a variety of other ways of securing the value of their investment in Gold Fields." He went on to say "we may keep our assets, sell them, add to them, restructure them or list them separately through initial public offerings." Whatever the company elects to do, Gold Fields is likely to be a different company at the conclusion of this hostile bid.

It is apparent to us that Gold Fields' current management team is committed to maximizing shareholder value. Readers with internet access can stay abreast of developments through postings on our website at www.americaninvestment.com

some strings attached—the kind of strings that can be tailored to provide a lifetime of income, and ensure that the individuals or organizations that you wish to benefit from your generosity will do so.

A variety of trusts are useful for estate planning purposes, either alone or in combination with a gifting program. One of the best-known types for charitable purposes is the charitable remainder trust (CRT). A charitable remainder trust is an irrevocable trust where the “remainder interest” of the trust is distributed to a charity once a payment stream (“income interest”) has been paid to the donor and often the donor’s spouse for a specific period of time. In establishing a CRT, the donor gives up legal ownership of the asset in exchange for the interest income. These types of trusts offer several significant benefits:

- Investors receive an immediate charitable contribution income tax deduction for the present value of the remainder to be paid in the future to a quali-

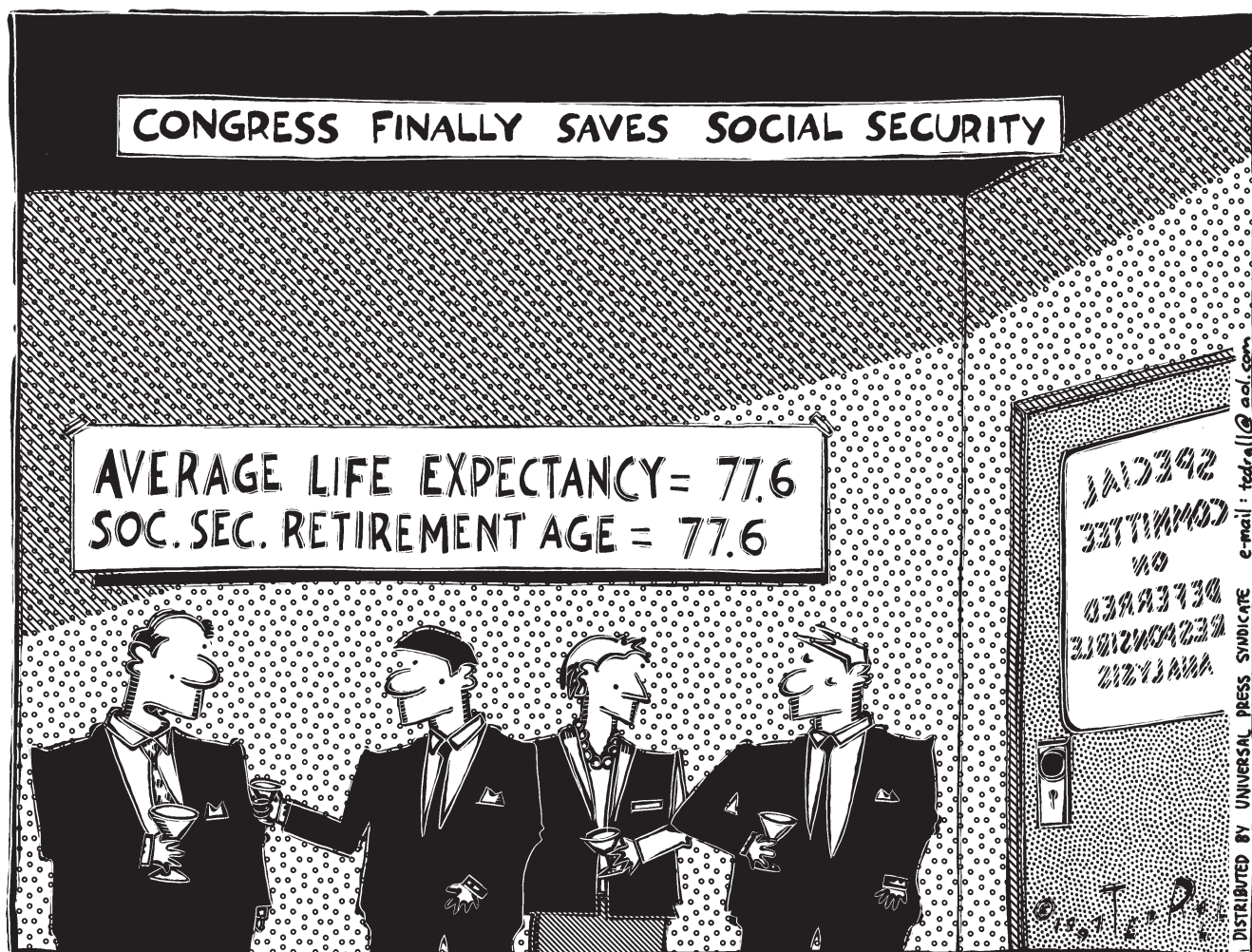
fied charity.

- A concentrated stock position can be sold without the sale being subject to capital gains taxes. The capital gains realized by a CRT are exempt from taxation. The CRT can use all of the sale’s proceeds to purchase a diversified portfolio, which can consist of mutual funds or an account of individual securities.
- The value of the concentrated stock position is removed from the investor’s estate. Since the stock is placed in an irrevocable trust, its value is not subject to estate taxes. In general, the investor is not subject to the gift tax when setting up a CRT, because the remainder interest goes to a charity, and the income interest goes to the investor (or his named beneficiaries).
- The investor or his named beneficiary has the right to an annual income stream from a diversified portfolio with no immediate tax consequences, since the CRT creates a shield that defers the capital gains associated with selling

the concentrated position. However, the investor will be subject to income taxes on the annual income of the CRT. A tax-efficient investment strategy can address this concern.

Our parent, the American Institute for Economic Research, maintains Reserve Life Income Funds (RLIs) and accepts and manages Charitable Remainder Unitrusts (CRUs). AIS serves as the investment advisor to AIER’s charitable remainder funds, which are invested to reflect AIER’s findings concerning long-term monetary and economic trends. **For more information on charitable remainder programs at AIER, please contact Mr. Shaun Buckler at the American Institute for Economic Research, P.O. Box 1000, Great Barrington, MA, 01230, or call 413-528-1216.**

Estate and tax planning can be complex topics, and we have just covered the basics here. For more information or to get further details on any of the ideas mentioned, contact your attorney or tax advisor.



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THE HIGH-YIELD DOW INVESTMENT STRATEGY

We are convinced that long-term, common-stock investors will receive superior returns on the “large-capitalization-value stock” component of their holdings when they consistently hold the highest-yielding Dow stocks. The fact that a given company’s stock is included in the Dow Jones Industrial Average is evidence that the company is a mature and well-established going concern. When a Dow stock comes on the list of the highest-yielding issues in the Average, it will be because the company is out of favor with the investing public for one reason or another (disappointing earnings, unfavorable news developments, etc.) and its stock price is depressed. A High-Yield Dow (HYD) strategy derives much of its effectiveness because it forces the investor to purchase sound companies when they are out of favor and to sell them when they return to relative popularity.

Selecting from the list will not be cut and dried if the timing of purchases and sales reflects individual prejudices or other *ad hoc* considerations. These usually come down to “I’m not going to buy that” or “goody, this fine company has finally come on the list and I’m going to load up.” Our experience with investing in the highest-yielding Dow stocks has shown that attempts to “pick and choose” usually do not work as well as a disciplined approach.

Our parent has exhaustively researched many possible High-Yield Dow approaches, backtesting various possible selections from the DJIA ranked by yield for various holding periods. For the 35 years ended in December 1998, they found that the best combination of total return and low risk (volatility) was obtained by purchasing the four highest-yielding issues and holding them for 18 months. (For a thorough discussion of the strategy for investing in the highest-yielding stocks in the DJIA, please read AIER’s booklet, “How to Invest Wisely”, \$12.)

The model portfolio of HYD holdings set forth in the accompanying table reflects the systematic and gradual accumulation of the four highest-yielding Dow issues, excluding General Motors and Altria (formerly Philip Morris). We

exclude GM because its erratic dividend history has usually rendered its relative yield ineffective as a means of signaling timely purchases, especially when it has ranked no. 4 or higher on the list. We exclude Altria because, in present circumstances, it seems unlikely that there will be sufficient “good news” for it to be sold out of the portfolio. For more than eight years, Altria has never ranked lower than fourth on the list, whatever its ups and downs, and, given the circumstances, using Altria in the strategy amounts to a buy-and-hold approach. The HYD strategy, to repeat, derives much of its superior performance from buying cheap and selling dear.

In the construction of the model, shares purchased 18 months earlier that are no longer eligible for purchase are sold. The hypothetical trades used to compute the composition of the model (as well as the returns on the model and on the full list of 30 Dow stocks) are based on mid-month closing prices, plus or minus \$0.125 per share. Of the four

stocks eligible for purchase this month, only **Merck** and **Verizon**, which was not then a Dow component, were not eligible for purchase 18 months earlier. Investors following the model should find that the indicated purchases of **Merck** and **Verizon** and sales of **Eastman Kodak**, **AT&T** (no longer Dow components) and are sufficiently large to warrant trading. In larger accounts, rebalancing positions in **JP Morgan Chase**, and **SBC** may be warranted as the model calls for adding to positions that have lagged the entire portfolio and selling positions that have done better. Investors with sizable holdings may be able to track the exact percentages month to month, but smaller accounts should trade less often to avoid excessive transactions costs, only adjusting their holdings toward the percentages in the table if prospective commissions will be less than, say, one percent of the value of a trade. By making such adjustments from time to time, investors should achieve results roughly equal to the future performance of the model.

As of November 15, 2004

	Rank	Yield	Price	—Percent of Portfolio*—		
				Status	Value	No. Shares ¹
Merck	1	5.61%	27.09	Buying	4.47	5.12
Altria Group	2	5.38%	54.30	*		
General Motors	3	4.97%	40.25	*		
SBC Comm.	4	4.74%	26.38	Holding**	26.02	30.58
Verizon	5	3.68%	41.86	Buying	12.33	9.13
JP Morgan Chase	6	3.47%	39.16	Holding**	24.14	19.11
CitiGroup	7	3.43%	46.67	Holding	11.26	7.48
DuPont	8	3.14%	44.53	Holding	4.27	2.97
Coca-Cola	9	2.46%	40.58			
Pfizer	10	2.46%	27.62			
AT&T	NA	5.24%	18.13	Selling	11.72	20.04
Eastman Kodak	NA	1.55%	32.22	Selling	<u>5.77</u>	<u>5.55</u>
					100.0	100.0

Change in Portfolio Value²

	From						Std. Dev.
	1 mo.	1 yr.	5 yrs.	10 yrs.	15 yrs.	12/63	
HYD Strategy	2.57%	11.84%	2.74%	13.12%	14.46%	15.33%	19.29%
Dow	6.49%	6.77%	0.87%	12.27%	11.84%	10.41%	16.90%

* The strategy excludes Altria and General Motors. ** Currently indicated purchases approximately equal to indicated purchases 18 months ago. ¹ Because the percentage of each issue in the portfolio by value reflects the prices shown in the table, we are also showing the number of *shares* of each stock as a percentage of the total number of shares in the entire portfolio. ² Assuming all purchases and sales at mid-month prices (+/- \$0.125 per share commissions), reinvestment of all dividends and interest, and no taxes. The 5-, 10- and 15-year total returns are annualized as are the total returns and the standard deviations of those returns since December 1963.

Note: These calculations are based on hypothetical trades following a very exacting stock-selection strategy, and are gross of any management fees. They do not reflect returns on actual investments or previous recommendations of AIS. Past performance may differ from future results.

The process of *starting* to use the strategy is not as straightforward. The two most extreme approaches are: 1) buy all the indicated positions at once or 2) spread purchases out over 18 months. Either choice could be said to represent an attempt at market timing, i.e., buying all at once could be construed as a prediction that (and will look good in retrospect only if) the prices of the shares go up after the purchases are made. On the other hand, if purchases are stretched out and stock prices increase, the value of the investor's holdings will lag behind the strategy's performance. We believe that most attempts to time the market are futile, and the best course lies somewhere in between the extremes.

Some portion of the shares now held in the strategy will be sold within a few months. The shares most likely to be sold are those whose indicated yields are too low to make them currently eligible for purchase. This usually means that their prices have risen (and their yields have

fallen), in relative if not absolute terms, since they were purchased. If such stocks are purchased now and are sold within a few months, the investor will receive only a portion of the profit, or sustain a greater loss, than the strategy. On the other hand, if the stocks not currently eligible for purchase are bought and the strategy does not call for selling them soon, it will usually be because their prices have decreased so that their indicated yields render them again eligible for purchase. In other words, buying a stock that is not currently among the top four means that it will very likely be sold during the months ahead (perhaps at a gain, perhaps not, but with payment of two commissions either way). Alternatively, if the price decreases so that the issue again becomes eligible for purchase, then the investor's initial purchase would be likely to be held in the portfolio at a loss for some period of time. In the latter situation, the investor would have been better off waiting.

Accordingly, for new HYD clients, we usually purchase the complement of the currently eligible stocks without delay. (This month, the four eligible issues—Merck, SBC Communications, Verizon, and JPMorgan Chase — account for roughly 67 percent of the total portfolio value). Any remaining cash will be held in a money-market fund pending subsequent purchases, which will be made whenever the client's holdings of each month's eligible stocks are below the percentages indicated by the strategy by an amount sufficient to warrant a trade.

Our **HYD Investment Management Program** provides professional and disciplined application of this strategy for individual accounts. For accounts of \$150,000 or more, the fees and expenses of AIS's discretionary portfolio management programs are comparable to those of many index mutual funds. Contact us for information on this and our other discretionary investment management services.

THE DOW JONES INDUSTRIALS RANKED BY YIELD

Ticker Symbol	Market Prices			12-Month		Latest Dividend			Indicated		
	11/15/04	10/15/04	11/14/03	High	Low	Amount	Record Date	Paid	Annual Dividend	Yield [†]	
★ Merck	MRK	\$27.09	\$30.50	46.58	49.33	25.60 L	0.380	9/03/04	10/01/04	1.520	5.61
Altria Group	MO	\$54.30	\$47.36	50.35	58.96	44.50	0.730	9/15/04	10/12/04	2.920	5.38
General Motors	GM	\$40.25	\$38.95	42.27	55.55	36.90 L	0.500	11/08/04	12/10/04	2.000	4.97
★ SBC Comm.	SBC	\$26.38	\$26.68	23.61	27.73	22.83	0.313	10/08/04	11/01/04	1.250	4.74
★ Verizon	VZ	\$41.86	\$40.87	32.61	42.27	31.81	0.385	10/08/04	11/01/04	1.540	3.68
★ J. P. Morgan Chase	JPM	\$39.16	\$38.74	35.46	43.84	34.45	0.340	10/06/04	10/31/04	1.360	3.47
☆ Citigroup	C	\$46.67	\$43.94	46.43	52.88	42.10 L	0.400	11/01/04	11/24/04	1.600	3.43
☆ DuPont	DD	\$44.53	\$42.76	40.19	46.25	39.00	0.350	11/15/04	12/14/04	1.400	3.14
Coca-Cola	KO	\$40.58	\$39.20	46.69	53.50	38.30 L	0.250	12/01/04	12/15/04	1.000	2.46
Pfizer	PFE	\$27.62	\$28.50	34.08	38.89	27.02 L	0.170	11/12/04	12/03/04	0.680	2.46
General Electric	GE	\$36.10	\$33.55	27.88	36.27 H	27.37	0.200	9/27/04	10/25/04	0.800	2.22
Exxon Mobil	XOM	\$49.58	\$49.02	36.00	50.50 H	35.05	0.270	11/12/04	12/10/04	1.080	2.18
Honeywell Intl.	HON	\$36.18	\$35.00	29.74	38.46	28.60	0.188	11/19/04	12/10/04	0.750	2.07
Johnson & Johnson	JNJ	\$61.16	\$56.58	52.12	61.49 H	48.79	0.285	11/16/04	12/07/04	1.140	1.86
Procter & Gamble (s)	PG	\$54.48	\$53.69	47.86	56.95	47.50	0.250	10/22/04	11/15/04	1.000	1.84
Caterpillar	CAT	\$89.69	\$81.09	72.61	90.65 H	68.50	0.410	10/25/04	11/20/04	1.640	1.83
McDonald's	MCD	\$30.42	\$28.99	25.68	30.99 H	23.01	0.550	11/15/04	12/01/04	0.550	1.81
Alcoa	AA	\$33.81	\$32.57	32.37	39.44	28.51	0.150	11/05/04	11/25/04	0.600	1.77
3M Company	MMM	\$82.28	\$77.98	78.53	90.29	73.31 L	0.360	11/19/04	12/12/04	1.440	1.75
Hewlett-Packard	HPQ	\$19.42	\$18.21	22.09	26.28	16.08	0.080	9/15/04	10/06/04	0.320	1.65
Boeing	BA	\$54.03	\$50.19	39.25	55.24	37.60	0.200	11/12/04	12/03/04	0.800	1.48
United Tech.	UTX	\$97.98	\$91.67	85.90	98.25 H	80.67	0.350	11/19/04	12/10/04	1.400	1.43
Intel Corp.	INTC	\$23.77	\$20.61	32.80	34.60	19.64	0.080	2/07/05	3/01/05	0.320	1.35
Microsoft Corp.	MSFT	\$27.39	\$27.99	25.50	30.20 H	24.01	0.080	11/17/04	12/02/04	0.320	1.17
Wal-Mart Stores	WMT	\$57.70	\$52.53	55.00	61.31	50.50	0.130	12/17/04	1/03/05	0.520	0.90
American Express	AXP	\$56.00	\$52.50	45.33	56.09 H	43.53	0.120	10/08/04	11/10/04	0.480	0.86
Walt Disney	DIS	\$26.73	\$24.91	23.07	28.41	20.88	0.210	12/12/03	1/06/04	0.210	0.79
Home Depot, Inc.	HD	\$43.79	\$39.81	36.19	43.99 H	31.93	0.085	9/02/04	9/16/04	0.340	0.78
IBM	IBM	\$95.92	\$84.85	90.25	100.43	81.90	0.180	11/10/04	12/10/04	0.720	0.75
AIG	AIG	\$62.84	\$57.85	58.31	77.36	54.28	0.080	12/03/04	12/17/04	0.300	0.48
☆ Eastman Kodak	EK	\$32.22	33.37	24.64	34.74	23.19	0.250	11/01/04	12/14/04	0.500	1.55
☆ AT&T	T	\$18.13	15.46	19.27	22.10	13.59	0.238	9/30/04	11/01/04	0.950	5.24

† Based on indicated dividends and market price as of 11/15/04. H New 52-week high. L New 52-week low. (s) All data adjusted for splits. (r) All data adjusted for reverse splits. * SBC paid an extra dividend of .10 on 11/3/03 that is not included in the annual yield.

Note: The issues indicated for purchase (★) are the 4 highest-yielding issues (other than Altria Group and General Motors) qualifying for purchase in the top 4-for-18 months model portfolio. The issues indicated for retention (☆) have similarly qualified for purchase during one or more of the preceding 17 months, but do not qualify for purchase this month.

RECENT MARKET STATISTICS

Precious Metals & Commodity Prices

	11/15/04	Mo. Earlier	Yr. Earlier
Gold, London p.m. fixing	437.60	420.40	396.70
Silver, London Spot Price	7.59	7.06	5.30
Copper, COMEX Spot Price	1.44	1.32	0.95
Crude Oil, W. Texas Int. Spot	46.87	54.93	32.37
Dow Jones Spot Index	200.40	203.44	168.20
Dow Jones-AIG Futures Index	151.58	154.98	130.85
CRB-Bridge Futures Index	287.38	285.59	257.29

Interest Rates (%)

	11/15/04	Mo. Earlier	Yr. Earlier
U.S. Treasury bills - 91 day	2.09	1.74	0.93
182 day	2.31	1.99	1.02
52 week	2.53	2.12	1.28
U.S. Treasury bonds - 10 year	4.19	4.06	4.22
Corporates:			
High Quality - 10+ year	5.58	5.49	5.73
Medium Quality - 10+ year	5.93	5.88	6.16
Federal Reserve Discount Rate	3.00	2.75	2.00
New York Prime Rate	5.00	4.75	4.00
Euro Rates			
3 month	2.17	2.15	2.15
Government bonds - 10 year	3.83	3.87	4.26
Swiss Rates - 3 month	0.75	0.72	0.24
Government bonds - 10 year	2.47	2.49	2.70

Exchange Rates

	11/15/04	Mo. Earlier	Yr. Earlier
British Pound	\$1.853900	\$1.804300	\$1.689000
Canadian Dollar	\$0.837000	\$0.798200	\$0.766400
Euro	\$1.296700	\$1.249100	\$1.180500
Japanese Yen	\$0.009491	\$0.009138	\$0.009181
South African Rand	\$0.165000	\$0.155600	\$0.148100
Swiss Franc	\$0.851300	\$0.812300	\$0.757100

Securities Markets

	11/15/04	Mo. Earlier	Yr. Earlier
S & P 500 Stock Composite	1,183.81	1,108.20	1,050.35
Dow Jones Industrial Average	10,550.24	9,933.38	9,768.68
Dow Jones Transportation Average	3,611.51	3,352.68	2,927.64
Dow Jones Utilities Average	329.09	301.63	248.66
Dow Jones Bond Average	183.89	183.80	173.41
Nasdaq Composite	2,094.09	1,911.50	1,930.26
Financial Times Gold Mines Index	1,825.46	1,703.22	1,711.91
FT African Gold Mines	2,308.88	2,380.06	2,564.70
FT Australasian Gold Mines	4,659.10	3,819.45	3,608.58
FT North American Gold Mines	1,519.81	1,391.11	1,372.72

Coin Prices

	11/15/04	Mo. Earlier	Yr. Earlier	Premium
American Eagle (1.00)	\$443.05	\$432.15	386.35	1.25
Austrian 100-Corona (0.9803)	\$421.93	\$411.53	367.93	-1.64
British Sovereign (0.2354)	\$105.55	\$103.05	92.35	2.46
Canadian Maple Leaf (1.00)	\$443.30	\$432.40	386.60	1.30
Mexican 50-Peso (1.2057)	\$520.40	\$507.70	453.90	-1.37
Mexican Ounce (1.00)	\$431.50	\$420.90	376.40	-1.39
S. African Krugerrand (1.00)	\$437.95	\$427.25	382.25	0.08
U.S. Double Eagle-\$20 (0.9675)				
St. Gaudens (MS-60)	\$480.00	\$470.00	430.00	13.37
Liberty (Type I-AU)	\$675.00	\$675.00	675.00	59.43
Liberty (Type II-AU)	\$487.50	\$477.50	440.00	15.15
Liberty (Type III-AU)	\$458.00	\$440.00	435.00	8.18
U.S. Silver Coins (\$1,000 face value, circulated, year earlier uncirculated)				
90% Silver (715 oz.)	\$5,205.00	\$5,035.00	4,400.00	-4.09
40% Silver (292 oz.)	\$2,122.50	\$2,047.50	1,587.50	-4.23
Silver Dollars	\$6,587.50	\$6,400.00	6,300.00	12.19

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at \$437.60 per ounce and silver at \$7.59 per ounce. The weight in troy ounces of the precious metal in coins is indicated in parentheses.

Recommended Mutual Funds

	Ticker Symbol	11/15/04	Month Earlier	Year Earlier	— 52-Week — High Low	Distributions Latest 12 Months Income	Latest 12 Months Capital Gains	Yield (%)
Short-Term Bond Funds								
★ iShares Lehman 1-3 Yr Treasury	SHY	\$81.67	\$82.11	\$82.31	83.08 81.14	1.5081	0.0000	1.85
★ USAA Short Term Bond	USSBX	\$8.97	\$9.01	\$9.09	9.15 8.95	0.2888	0.0000	3.22
★ Vanguard Short-term Inv. Grade	VFSTX	\$10.67	\$10.72	\$10.79	10.89 10.59	0.3693	0.0000	3.46
Income Equity Funds								
★ DNP Select Income ^{1,2}	DNP	\$11.47	\$11.14	\$10.36	11.60 9.60	0.7800	0.0000	6.80
★ Vanguard REIT Index	VGSIX	\$18.59	\$17.37	\$14.93	18.59 13.88	0.8000	0.0000	4.30
Large Cap. Value Equity Funds								
★ iShares S&P 500 Value Index ³	IVE	\$61.21	\$57.42	\$51.88	61.33 50.81	0.9773	0.0000	1.60
★ Vanguard Value Index	VIVAX	\$20.79	\$19.57	\$17.64	20.86 17.41	0.4420	0.0000	2.13
Small Cap. Value Equity Funds								
★ iShares Sm. Cap. 600 Value Index ³	IJS	\$117.60	\$108.49	\$95.93	117.60 93.60	1.0031	0.0000	0.85
★ Vanguard Sm. Cap Value Index	VISVX	\$13.57	\$12.52	\$10.94	13.56 10.78	0.1980	0.0000	1.46
Growth Equity Funds								
★ iShares S&P 500 Growth Index ³	IVW	\$57.50	\$53.48	\$53.32	58.01 51.98	0.6573	0.0000	1.14
★ Vanguard Growth Index	VIGRX	\$25.94	\$24.05	\$24.11	26.09 23.11	0.1460	0.0000	0.56
Foreign Equity Funds								
★ iShares S&P Europe 350 Index ³	IEV	\$72.99	\$67.60	\$59.88	73.50 58.56	1.1110	0.0000	1.52
T Rowe Price European Stock	PRESX	\$19.22	\$17.82	\$16.12	19.39 15.83	0.2200	0.0200	1.14
★ Vanguard European Stock Index	VEURX	\$25.08	\$23.24	\$20.57	25.09 20.19	0.4600	0.0000	1.83

Recommended Gold-Mining Companies

	Ticker Symbol	11/15/04	Month Earlier	Year Earlier	— 52-Week — High Low	Distributions Latest 12 Months	Frequency	Yield (%)
Anglo American PLC, ADR ⁴	AAUK	\$23.87	\$23.02	\$21.68	26.69 18.94	0.580	Semiannual	2.43
★ Anglogold Ashanti Ltd., ADR	AU	\$40.82	\$36.87	\$44.50	49.95 29.91	0.754	Semiannual	1.85
★ Barrick Gold Corp.†	ABX	\$22.91	\$20.57	\$21.22	24.16 18.04	0.187	Semiannual	0.82
★ Gold Fields Ltd.	GFI	\$14.06	\$14.94	\$13.64	15.21 9.13	0.123	Semiannual	0.87
★ Newmont Mining	NEM	\$48.88	\$44.78	\$44.24	50.28 34.70	0.250	Quarterly	0.51
★ Placer Dome†	PDG	\$21.88	\$20.11	\$16.71	23.67 12.89	0.085	Semiannual	0.39
★ Rio Tinto PLC‡	RTP	\$114.29	\$106.92	\$98.45	116.33 84.53	2.640	Semiannual	2.31

★ Buy. ☆ Hold. (s) All data adjusted for splits. † Dividend shown is after 15% Canadian tax withholding. ‡ Not subject to U.K. withholding tax. na Not applicable.

¹ Closed-end fund, traded on the NYSE. ² Dividends paid monthly. ³ Exchange traded fund, traded on ASE. ⁴ Preliminary estimate of semi-annual dividend.

The information herein is derived from generally reliable sources, but cannot be guaranteed. American Investment Services, the American Institute for Economic Research, and the officers, employees, or other persons affiliated with either organization may from time to time have positions in the investments referred to herein.