INVESTMENT GUIDE

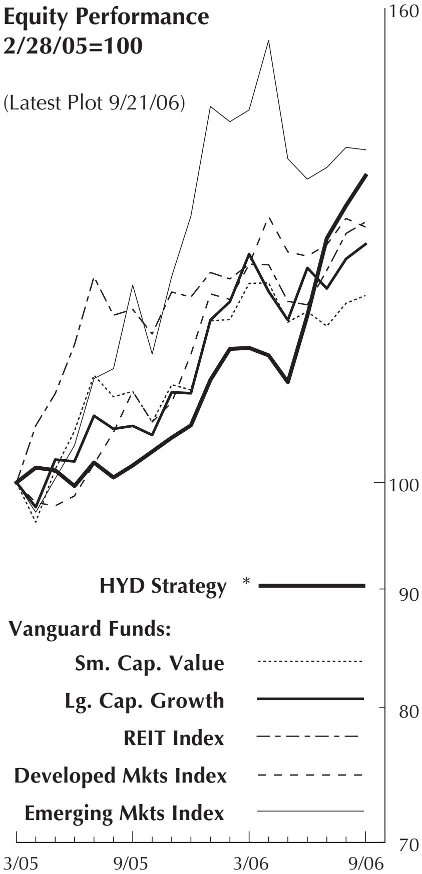
Published Monthly by

American Investment Services, Inc.

Vol. XXVIII, No. 9 Great Barrington, Massachusetts 01230 September 29, 2006

Equity Performance 2/28/05=100

(Latest Plot 9/21/06)



*** HYD is a hypothetical model based on back-tested results. See p. 70 for a full explanation.**

Federal Reserve(ations)

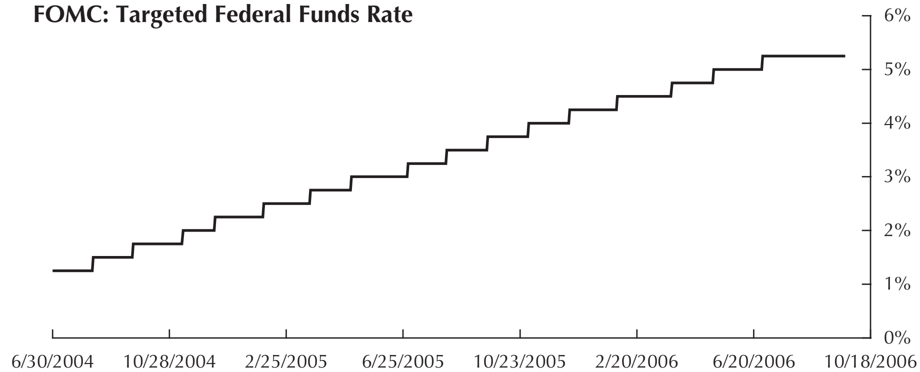
The Federal Reserve's Open Market Committee (FOMC) chose to keep the Federal Funds target rate at 5.25 percent in its September meeting, while leaving open the possibility of future rate increases. While we will not second-guess the market's response to this latest Fed news cycle, we do have serious concerns regarding the larger issue of managing a fiat currency.

Our job is not to pontificate regarding the Fed's leadership, nor is it to try to interpret the chairman's latest utterances. Rather, it is to help our readers protect the value of their assets regardless of what might occur in the future, which by definition is beyond an investor's control. The fact is we live in a world of currencies that cannot be redeemed for a tangible asset such as gold. The purchasing power of the dollar is in the hands of the anointed few who constitute the Fed's board of governors and ultimately on the fiscal prudence of Congress and the President. In this environment it is best to focus on asset allocation, which is something an investor can, and should, control rigorously.

For many years now the Fed has proven adept at keeping price inflation at a reasonable level, but how long can it last? Congress refuses to acknowledge the twin debacles of Medicare and Medicaid or that Social Security retirement benefits are predicated on a "trust fund" that in fact holds no tangible assets. And, as our parent, AIER, recently noted, (*Research Reports*, September 25, 2006) this supposedly "conservative" Congress has shown nothing but contempt for any restraints on spending. Voters, meanwhile, have no tolerance for higher taxes.

The history of fiat currencies suggests that the government will ultimately resort to inflating the money supply in order to meet its obligations. This is not news, as this possibility has been well-publicized. It is therefore rational for investors to assume that the capital markets are priced to reflect this danger, and to take what those markets have to offer as a means of protection. Based on our review of asset class history, we recommend gold, Real Estate Investment Trusts and a variety of equity asset classes as the best line of defense.

FOMC: Targeted Federal Funds Rate



MERCK: CASE STUDY OF AN HYD STOCK

To help demonstrate the mechanics of our high-yield Dow (HYD) investment model, we thought it would be instructive to examine the history of one of its current component stocks[1], Merck & Co., Inc. We chose Merck because it has been in the model for nearly two years, a period short enough to provide a manageable number of transactions to portray, yet just long enough to reveal characteristics that depict the behavior that works to the advantage of followers of the HYD strategy.

Merck became eligible as an HYD stock in October 2004. Its share price had plummeted 33 percent in one month, from $45.40 on September 15, to $30.50 on October 15, when the company voluntarily withdrew its blockbuster drug Vioxx, (sales of which had reached $2.5 billion in 2003), from the global market after clinical studies found an increased risk of heart attack and stroke in patients receiving treatment. Multiple lawsuits were filed following the withdrawal. Plaintiffs claimed Vioxx caused serious heart problems and, in some cases, death. Their attorneys claimed that the company was aware of the dangers that Vioxx posed. These developments had financial implications that were potentially devastating to the company.

As its share price fell, Merck's indicated dividend yield jumped from 3.35 percent to 4.98 percent. The shares' position among the Dow 30 when ranked by yield[2] rose from seventh to third. Because the model is based on the four highest-yielding shares and uses an 18-month holding period, and because Merck was not among the "top four" eighteen months earlier, the model invested approximately one-fourth of one-eighteenth of its value in shares of Merck.

HYD stocks are typically purchased because the firm in question has been perceived by the market to be in some type of distress. Merck, in this case, was no exception. Investors who had previously found the shares attractive as a relatively safe "blue-chip" holding quickly abandoned them when this bad news emerged.

Over the next 17 months litigation news was mixed and Merck's dividend yield remained among the top 4. As a result, the model continued to accumulate shares. March 2006 was the 18th month since the first purchase. By then, Merck shares accounted for more than 25 percent of the model's hypothetical value, which had been purchased at an average cost of $29.86 per share. Merck remained in the Top 4 during April, May, June, and July, when the model called for only relatively small "rebalancing" transactions, and it essentially maintained the 25 percent commitment to Merck that had been accumulated.

In August, Merck's yield slipped to fifth place, and the model called for selling a substantial number of shares. A similar amount was sold in September. The average price received for these shares was $41.02.

Chart 1 shows mid-month share prices and the status of Merck (buying, holding, or selling) in the HYD model.

During the entire 22 month period that Merck would have been held in the model, the shares would have provided a total annualized return of 33.34 percent (calculated as an internal rate of return, including dividends). Of that total, 27.6 percentage points would have been attributable to realized and unrealized capital gains, with the remainder earned through dividends. Chart 2 depicts Merck's value as a percentage of the HYD model over time, broken down into the accumulated value of Merck's purchases, and the unrealized gains on those purchases.

Merck's ultimate fate is unknown, but litigation news will probably alternate between good and bad. Whatever news emerges, it is likely that the HYD model will be buying shares when news is unfavorable and selling shares when the news

Chart 1
Merck, Mid-Month Price Per Share

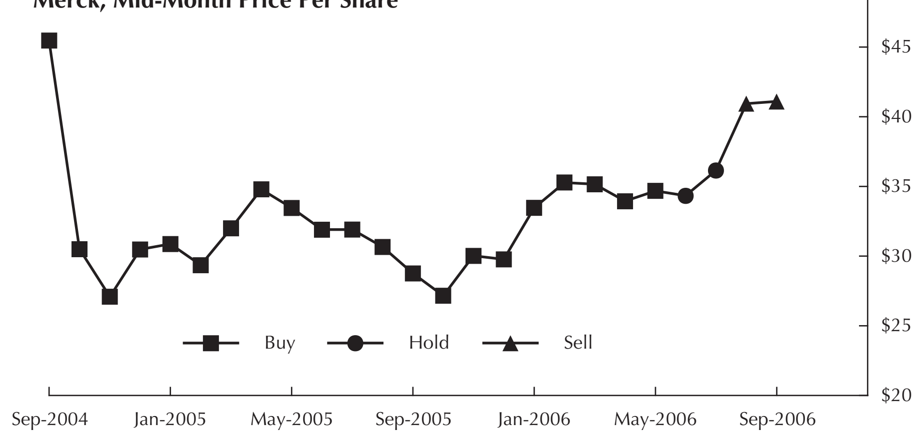
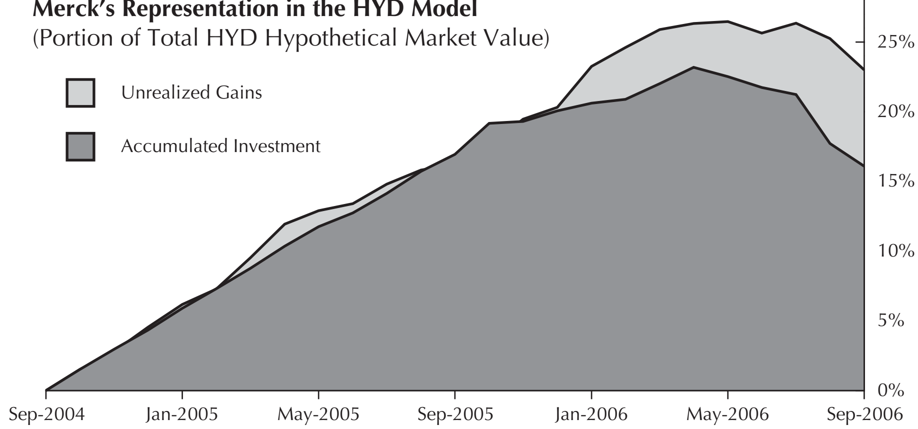


Chart 2
Merck's Representation in the HYD Model
(Portion of Total HYD Hypothetical Market Value)



---

[1] Here we analyze the hypothetical HYD model that would never have excluded Altria (formerly Philip Morris) from consideration as a component stock. As we first explained in the August 2006 *INVESTMENT GUIDE*, this model differs from the HYD model depicted on page 70, which is an interim model that allows readers who had previously excluded Altria to incrementally purchase it over an 18 month transitional period. At the end of this period this interim model will match the "fully invested" model.

[2] 30 stocks comprise the Dow Jones Industrial Average. However, we exclude General Motors from consideration because its dividend payout history has been far more erratic than any other shares in the Dow.

is favorable. When a stock's share price increases on good news its dividend yield decreases and the model programmatically sells shares provided that its yield has fallen enough relative to other stocks in the Dow to warrant such a trade. Bad news, on the other hand, signals a "buy" when the indicated yield rises sufficiently relative to the other Dow stocks.

The HYD strategy is a passive strategy; no one is attempting to "pick stocks" in the traditional sense, by following breaking news and trying to profit from it. The model's rigorous criteria do not involve scrutiny of financial statements, management interviews, plant tours, or any other traditional tools of security analysis. The model mechanically identifies stocks that the market has already identified as being risky, based on their relative yield.

HYD stocks have been occasionally sold out of the model at a great loss; these infrequent occurrences typically follow a substantial dividend cut, or after a firm has simply been "de-listed" from the Dow 30 after it has become evident to the editors of the Wall Street Journal that it will not recover. While these episodes can be quite costly, they are not unexpected. They represent what risk is all about. However, these instances have been few and far between, and on balance have been more than offset by the gains captured by those HYD firms that successfully overcame their difficulties. Empirical studies of similar "value" models[3] support the notion that investors can be systematically rewarded for assuming distress risk, just as they are rewarded for assuming small company and general stock market risk.

Though it is passive with regard to identifying the stocks to buy and sell, HYD is not a "buy and hold" approach. *It is not passively implemented*, as it typically requires trading on a monthly basis. Even though the model may appear to just "hold" a stock once it is purchased, that is not typically the case. Stocks in the portfolio are frequently "pushed out" of the top four for a month or more, but rise again into the top four before the shares in the model are completely sold out. Indeed some stocks have been held in the model every month for several years, but during that period many profitable hypothetical sales were executed when their share prices temporarily rose on good news and their lower relative yield called for selling portions of their accumulated positions.

[3] While HYD uses a stock's indicated dividend yield as a metric for identifying distressed stocks, Fama and French (The Cross Section of Selected Stock Returns *Journal of Finance* 47 (June): 427-465) use a similarly objective criterion, book-to-market price (BtM) to sort stocks by their level of distress.

NEW RECOMMENDATION: GOLDCORP, INC.

For investors seeking exposure to the gold price, we recommend investment vehicles of two types: bullion-backed exchange-traded funds (ETFs) and direct investment in a portfolio of high-quality gold mining shares. Our specific recommendations can be found on page 72. This month we are expanding our list of recommended gold stocks to include Goldcorp, Inc. (GG).

Founded only twelve years ago, Goldcorp has quickly grown through acquisitions and now stands as the third largest North American gold producer. At the end of 2005 it ranked among the most efficient of the large scale producers.

Though much smaller than our currently recommended gold stocks (see accompanying table), Goldcorp will provide diversification, and thereby reduce company specific risk, for investors who seek exposure to the gold price through our recommended gold mining shares.

In 2005 the firm's gold production exceeded 1 million ounces, from properties located throughout the Americas and Australia. Production from all current properties, including those purchased during 2006, totaled 1,790,400 ounces during 2005. Goldcorp bears less political risk than many firms in its industry; over 70 percent of 2005 production from properties it now owns was attributable to mining operations located in Canada and the U.S. The accompanying table breaks this production down by region.

Goldcorp held 14.7 million in proven and probable reserves at the end of December 2005. However, through acquisitions completed this year that number has increased substantially; its current properties totaled 25.03 million ounces in proven and probable reserves at the end of 2005.

The company's finances are sound. At the end of the second quarter, assets totaled nearly $7 billion, including $264 million in cash and equivalent assets. Virtually debt-free until 2005, recent acquisitions boosted long-term debt to $750 million at the end of June 2006. However, growth has also boosted the firm's operating cash flow, which was over $314 million through the first half of 2006, up from $244 million a year earlier. The firm pays a monthly dividend and currently has an indicated annual yield of 0.80%. Goldcorp does not hedge its gold production.

Goldcorp's rapid growth has come by acquisition. In April 2005 the firm completed the purchase of Wheaton River Minerals with an estimated 1.1 million ounces in annual gold production at an operating cost of $60 per ounce. The Luismin (Mexico), Peak (Australia) and Alumfrera (Argentina) interests were added via acquisition as well.

Goldcorp was a primary beneficiary of Barrick Gold's 2006 acquisition of Placer Dome. As part of the agreement Goldcorp obtained the Campbell mine which is contiguous to Goldcorp's existing rich Red Lake mine, boosting total production from the operation by some 200,000 ounces per year. Goldcorp also added Barrick's 50 percent stake in the La Coipa property in Chile. Also added were Barrick's 51 percent interest in the Porcupine mine and its 68 percent interest in the Musselwhite

Recommended Gold Stocks

	Gold Production 2005 (ounces, 000s)	*Cash Production Cost 2005 ($/ounce)*	*Proven and Probable Reserves, Dec. 31, 2005 (ounces 000s)*
Anglogold Ltd.	6,166	$281	63,300
Barrick Gold Corp.	5,460	$227	88,600
Gold Fields Ltd.	4,448	$331	63,100
Newmont Mining	6,422	$216	93,200
Goldcorp, Inc.	**1,136**	**$22***	**14,700**

* The calculation of total cash costs per ounce of gold for Peak and Alumbrera is net of by-product copper sales revenue and for Luismin is net of by product silver sales revenue of $3.90 per silver ounce sold to Silver Wheaton.

project, both Canadian operations. Barrick's Pueblo Viejo's development project was acquired as well.

Last month, Goldcorp announced the acquisition of Glamis Gold (GLG) for $8.6 billion in Goldcorp common stock. Glamis expects to produce 620,000 ounces of gold in 2006, and 700,000 ounces in 2007, which stands to boost Goldcorp's annual output by roughly one-third.

Total reserves at Glamis were revised upward during 2006. When the Glamis purchase is complete, Goldcorp will be able to boast proven and probable reserves of roughly 41.1 million ounces. Glamis holds properties in the U.S., Mexico, Guatemala and Honduras.

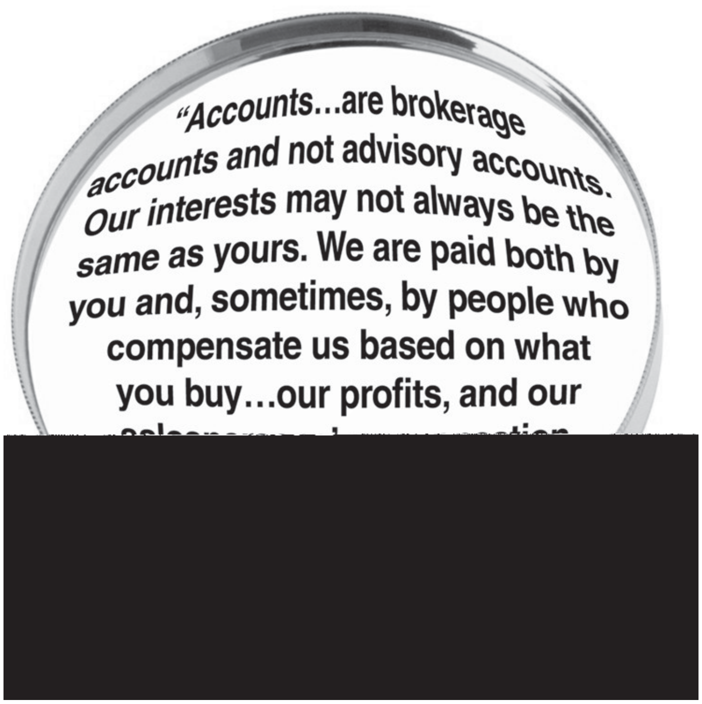
Glamis common share holders will receive 1.69 common shares of Goldcorp for each share of Glamis. This represents an offering price of $51.49 for each Glamis common share, a premium of almost 33 percent above the closing price of Glamis on the date of the offer. The deal is expected to close in November. Some Goldcorp shareholders have voiced concerns that this is too high a price to pay for Glamis. However, in our estimation, Goldcorp belongs in a portfolio of high-quality gold mining shares for those investors who seek long-term exposure to the gold price by "owning gold in the ground."

Goldcorp, Inc. Operating Properties, by region
(includes 2005 production from properties acquired during 2006)

Property (ownership)	*Location*	*2005 Gold Production (oz.)*	
Peak (100%)	Australia	119,500	6.7%
Alumbrera (37.5%)	Argentina	192,600	10.8%
La Coipa (50%)	Chile	84,100	4.7%
Red Lake (100%)	Canada	825,200	46.1%
Porcupine (51%)	Canada	190,900	10.7%
Musselwhite (68%)	Canada	170,300	9.5%
Luismin (100%)	Mexico	145,300	8.1%
Wharf (100%)	U.S.	62,500	3.5%
		1,790,400	**100.0%**

INVESTOR PROTECTION: IS DISCLOSURE ADEQUATE?

Many of our readers are content to manage their portfolios through a discount broker or through a mutual fund family. Others, however, seek guidance in implementing their plans, and choose to work through a registered investment advisor (RIA) or sometimes a "full-service" broker. It is important for investors to understand that the standards of care required of RIAs are far more stringent than those required of brokers.



[redacted]

In April 2005 the Securities and Exchange Commission (SEC) adopted Rule 202(a) (11)-1, commonly known as the Broker/Dealer Exemption or "Merrill Lynch" rule. This rule allows a broker dealer representative (stockbroker) to offer services similar to those of a registered investment advisor (RIA) without being held to the same fiduciary standard of care and conflict of interest disclosure required of RIAs. (See the May 31, 2005 *Investment Guide* article "Trustworthy Investment Advice: Where to Turn" for a more thorough discussion of the regulatory framework). The main requirement to maintain the exemption is that the services offered by the stockbroker are "incidental to the main service" provided (i.e., the trading of securities).

In our view, all too often brokers want to have it both ways. From a marketing perspective they would like to be perceived not as securities brokers but as advisors or consultants, yet by virtue of this exemption, for which they lobbied extensively, they seek to escape being held to the same standards required of RIAs.

The rule does require that brokerage firms offering fee-based advice include standard disclosure in applications, advertisements and sales materials that states that an investor's account is a "brokerage and not an advisory account" and that "the investor's and broker's interests may not always be the same."

Stockbrokers and investment advisors are regulated by distinct statutes and have different obligations to their clients. There are legitimate reasons to engage an investment adviser or a broker dealer representative depending on the particular services required. If an individual is not inclined to handle their own investments, perhaps due to a lack of knowledge, time or self-discipline, and seeks ongoing supervision of his investments, it is appropriate to work with an investment advisor. On the other hand if the objective is to buy and sell securities a broker-dealer representative may be more appropriate.

Investment Adviser is a specific legal term that identifies professionals who give advice to clients regarding securities. This term is used for regulatory purposes to inform investors that the person is registered with the SEC or a state securities regulator. An investment advisor typically provides ongoing management of investments consistent with client objectives with the authority to make investment decisions on behalf of the client. This is called *discretionary authority*. IAs may also use other titles such as investment manager, investment counsel, money manager or portfolio manager.

The terms *broker* and *broker dealer* identify professionals who are in the business of trading securities on behalf of customers. Employees of a broker-dealer are officially called registered representatives but may refer to themselves as stockbrokers or some other title such as financial consultants, financial adviser or investment consultant. These new titles reflect the fact that brokerage firms offer a much wider array of services than in the past.

As a fiduciary an investment advisor has an affirmative duty of care, loyalty and good faith to act in the best interests of its clients. An investment advisor generally has the following obligation:

- place the interests of the client first
- have a reasonable basis for investment advice
- seek best execution for client transactions
- make investment decisions consistent with client objectives
- treat all clients fairly
- make full and fair disclosure to clients of all material facts
- respect the confidentiality of client information

A recent survey conducted by Penn, Schoen & Berland Associates* showed that despite the disclosure requirements considerable confusion still exists regarding the differences between various types of investment services providers. Results from the survey are provided in the accompanying charts.

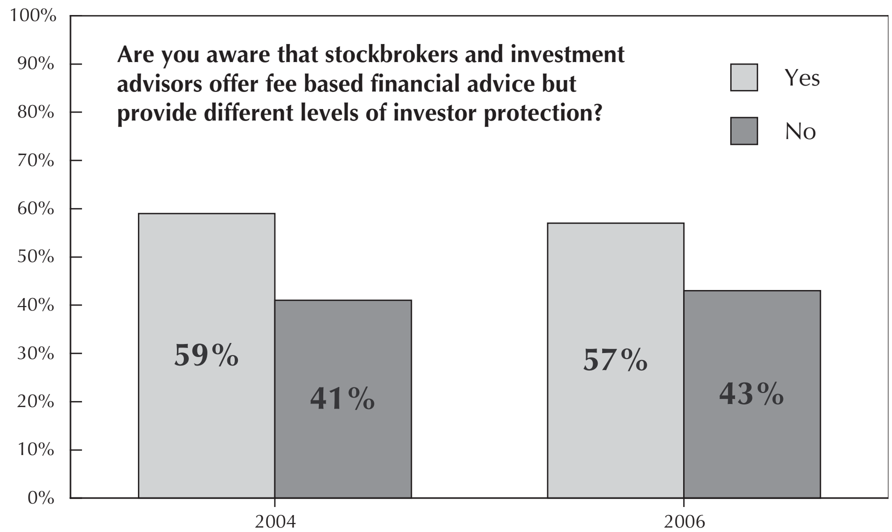
Notably, 43 percent of investors surveyed were unaware that stockbrokers and investment advisors offer different levels of investor protection.

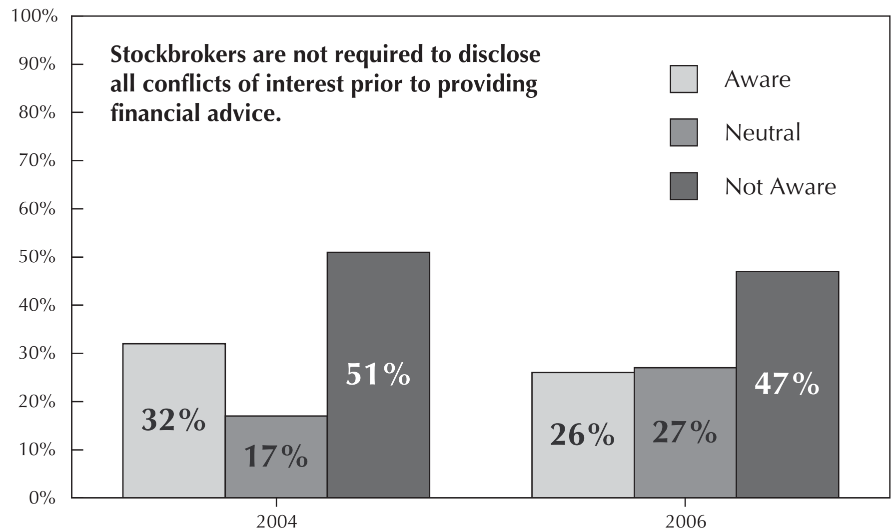
Additionally, relatively few investors were aware that stockbrokers are not required to disclose all conflicts of interest prior to providing financial advice.

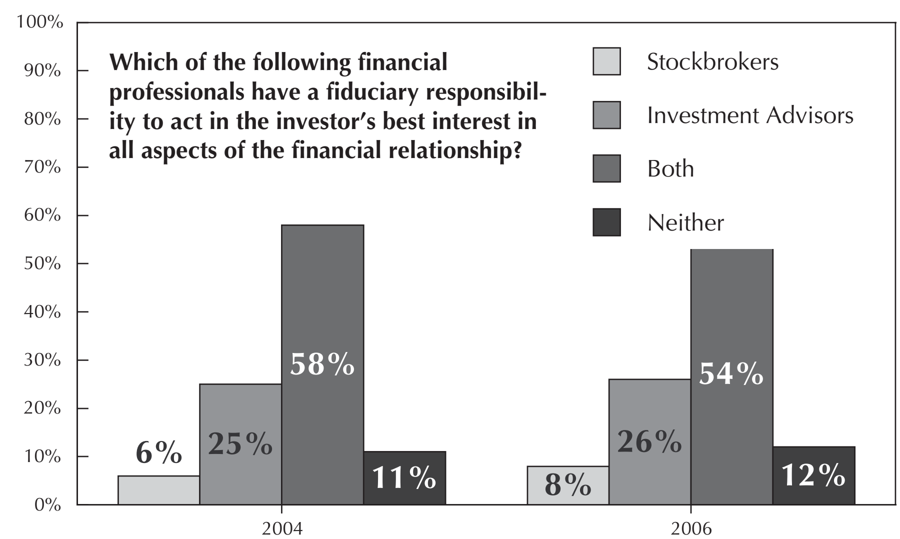
A majority (54 percent) of investors incorrectly believed that both stockbrokers and investment advisors have a fiduciary responsibility to act in the investor's best interests in all aspects of the financial relationship.

The survey results highlight the need to choose financial advice carefully and to be fully aware of the motivations and obligations of financial professionals to ensure that they are consistent with your needs.

For further reading we recommend *Cutting through the Confusion: Where to Turn for Help with Your Investments*. This pamphlet is published by the Coalition on Investor Education, a group that includes consumer advocates, state securities regulators, and representatives of the investment adviser and financial planning community. It is available for download in pdf format at the AIS website: http://www.americaninvestment.com.







* The survey was conducted for TD Ameritrade. American Investment Services, Inc. recommends TD Ameritrade as a discount broker for clients of its investment advisory services.

WHAT TO DO ABOUT THE NEWS

As we were going to press news broke that a federal judge had granted class action status to millions of "light" cigarette smokers seeking damages against cigarette makers, including Altria. The share price fell by roughly 6 percent on the announcement and its yield rose to 4.46 percent.

We typically do not cite breaking news, and we do so here only to remind readers, again, of the nature of our model. As we first explained last month when we reintroduced Altria as an HYD component, the firm's ultimate fate is unknown, as it is for any stock. But distressed stocks carry opportunity for substantial gains. This development serves as a reminder that litigation news will probably alternate between bad and good going forward, creating opportunities to acquire shares at low prices and sell them at higher prices. The accompanying article demonstrates the same principal as it applies to Merck in our hypothetical HYD portfolio.

Investors should not allow breaking news to affect their investment decisions, except to the extent that this information affects the price of a stock relative to some objective measure of a firm's value, such as its indicated dividend or its book value. With this metric in hand, the decision to buy or sell can be made mechanically thereby avoiding the impulsive, emotion-driven decisions which are perhaps the greatest single obstacle to achieving financial success.

THE HIGH-YIELD DOW INVESTMENT STRATEGY

For most investors seeking exposure to U.S. large capitalization value stocks, we recommend either of the two large cap value funds listed on page 72. However, investors who have more than $100,000 to dedicate to this asset class might instead consider our high-yield Dow (HYD) investment strategy ($100,000 is the minimum we estimate that is necessary to ensure that trading costs are reasonable relative to the value of the portfolio). The strategy is especially well suited for certain trusts or other accounts that have an explicit interest in generating investment income, but which also seek capital appreciation. Unlike several popular but simplistic "Dogs of the Dow" methods, our HYD model is based on an exhaustive review of monthly prices, dividends and capital changes pertaining to each of the stocks that have comprised the Dow Jones Industrial Average beginning in July 1962.

Though the model follows an exacting stock-selection strategy (see accompanying box), investors can easily establish and maintain a high-yield Dow portfolio; all that is required is discipline applied on a monthly basis. ***INVESTMENT GUIDE* subscribers can establish and maintain a portfolio simply by ensuring that their portfolios are allocated to reflect the percentage valuations listed in the table to the right. Each month this table will reflect the results of any purchases or sales called for by the model.**

For investors who do not wish to manage their own accounts, we can manage an HYD portfolio on your behalf through our low-cost HYD investment service. Contact us at (413) 528-1216 or email: aisinfo@americaninvestment.com.

Getting Into Altria

As discussed in last month's lead article, we are reintroducing Altria (formerly Philip Morris, ticker MO) into our high-yield Dow (HYD) investment strategy.

HYD: The Nuts and Bolts

Our HYD model began by incrementally "investing" a hypothetical sum of $1 million over 18 months. Specifically, one eighteenth of $1 million ($55,000) was invested equally in each of the 4 highest-yielding issues in the Dow Jones Industrial Average each month, beginning in July 1962. Once fully invested (January 1964) the model began a regular monthly process of considering for sale only those shares purchased 18 months earlier, and replacing them with the shares of the four highest-yielding shares at that time. The model each month thus mechanically purchases shares that are relatively low in price (with a high dividend yield) and sells shares that are relatively high in price (with a low dividend yield), all the while garnering a relatively high level of dividend income. The model also makes monthly "rebalancing" trades, as required, in order to add to positions that have lagged the entire portfolio and sell positions that have done better.

For a thorough discussion of the strategy, we recommend AIER's booklet, "How to Invest Wisely," $12).

Of the four stocks eligible for purchase this month, **Citigroup** and **Altria** were not eligible for purchase 18 months earlier. HYD investors should find that the indicated purchases of Citigroup and Altria, and sales of **Merck** and **JP Morgan Chase** are sufficiently large to warrant trading. In larger accounts, rebalancing positions in **Verizon** and **AT&T Corp** (formerly SBC Communications) may be warranted.

Recommended HYD Portfolio

As of September 15, 2006

					——Percent of Portfolio*——	
	Rank	*Yield*	*Price*	*Status*	*Value*	*No. Shares*[1]
Verizon	1	4.52%	35.81	Holding**	23.08	24.21
AT&T Corp (New)	2	4.17%	31.86	Holding**	26.29	30.99
Altria Group	3	4.14%	83.14	Buying	3.03	1.37
CitiGroup	4	3.98%	49.19	Buying	11.67	8.91
Merck	5	3.70%	41.10	Selling	23.06	21.07
DuPont	6	3.50%	42.25			
Pfizer	7	3.42%	28.04	Holding	5.87	7.86
General Motors	8	3.16%	31.66	*		
JP Morgan Chase	9	2.90%	46.95	Selling	6.98	5.59
General Electric	10	2.87%	34.85			
					100.0	100.0

* The strategy excludes 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.

Our decision reflects a desire to reverse our entirely subjective decision to exclude MO in March 2000, and return to a stock selection strategy that is based purely on empirical analysis. We have no idea what MO's short-term outlook is, and our decision to adjust the model at this time does not in any way constitute an attempt to "time" the market. While Altria's fate is unknown, we are confident that its relative yield is a reliable indicator of whether it is appropriate for inclusion in a well-constructed large-cap value portfolio.

Readers who have been following our model will have to adjust their holdings accordingly. In order to avoid dramatic portfolio alterations, we will reintroduce MO incrementally. Specifically, over the next 18 months our model portfolio (reflected in the accompanying Recommended HYD Portfolio table) will add shares of MO when and only when it ranks it among the four highest yielding shares among the Dow 30 when ranked by their dividend yield. At the end of 18 months (February 2008) the model's composition will be identical to a model portfolio that, from its inception in July 1962, had never excluded MO from consideration.

Hypothetical Returns: HYD and Relevant Indices

The total returns presented in the table below represent changes in the value of a hypothetical HYD portfolio with a beginning date of January 1979 (the longest period for which data was available for the HYD model and relevant indexes). See the accompanying box for a description of the model's construction. The data in the table (as well as on the front-page chart) reflect the returns of the model had Philip Morris (now Altria) been purchased *whenever warranted* by our 4-for-18 methodology. The data do *not* reflect the returns of the model depicted in the accompanying Recommended HYD Portfolio table, which takes a "phased in" approach (described herein) to transitioning from a model portfolio that had excluded Altria to one that had never excluded it.

*Hypothetical Total Returns (percent)**	*1 mo.*	*1 yr.*	*5 yrs.*	*10 yrs.*	*15 yrs.*	*Since 1/79*	*Std. Dev.*
HYD Strategy	3.29	30.85	9.24	13.88	15.67	18.42	17.16
Russell 1000 Value Index	1.67	13.94	8.69	11.41	12.6	14.39	14.00
Dow	2.09	11.17	5.01	9.41	11.62	N.A.	N.A.

*Data assume 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 is the standard deviation of those returns since January 1979, where available. Model HYD 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. Historical performance results for investment indexes and/or categories generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment-management fee, the incurrence of which would have the effect of decreasing historical performance results.

THE DOW JONES INDUSTRIALS RANKED BY YIELD*

	Ticker Symbol	*Market Prices 9/15/06*	*Market Prices 8/15/06*	*Market Prices 9/15/05*	*12-Month High*	*12-Month Low*	*Latest Dividend Amount*	*Latest Dividend Record Date*	*Latest Dividend Paid*	*Indicated Annual Dividend*	*Indicated Yield† (%)*
Verizon	VZ	**35.81**	**34.39**	32.39	36.09 *H*	29.13	0.405	10/10/06	11/01/06	1.620	4.52
AT&T (new)	T	**31.86**	**30.36**	22.71	32.35 *H*	21.79	0.333	7/10/06	8/1/06	1.330	4.17
Altria Group	MO	**83.14**	**80.96**	72.25	85.00 *H*	68.36	0.860	9/15/06	10/10/06	3.440	4.14
Citigroup	C	**49.19**	**48.41**	45.03	50.72	44.00	0.490	8/07/06	8/25/06	1.960	3.98
Merck	MRK	**41.10**	**40.95**	28.76	42.23 *H*	25.50	0.380	9/01/06	10/02/06	1.520	3.70
DuPont	DD	**42.25**	**39.97**	40.10	45.75	37.60	0.370	8/15/06	9/12/06	1.480	3.50
Pfizer	PFE	**28.04**	**26.40**	25.70	28.33 *H*	20.27	0.240	8/11/06	9/05/06	0.960	3.42
General Motors	GM	**31.66**	**30.54**	32.55	33.50	18.33	0.250	8/11/06	9/09/06	1.000	3.16
J. P. Morgan Chase	JPM	**46.95**	**45.04**	34.13	47.35 *H*	32.92	0.340	7/06/06	7/31/06	1.360	2.90
General Electric	GE	**34.85**	**33.20**	34.38	36.34	32.06	0.250	9/25/06	10/25/06	1.000	2.87
Coca-Cola	KO	**44.60**	**44.32**	43.63	45.40 *H*	39.36	0.310	9/15/06	10/01/06	1.240	2.78
3M Company	MMM	**74.14**	**69.78**	73.31	88.35	67.05 *L*	0.460	8/25/06	9/12/06	1.840	2.48
Johnson & Johnson	JNJ	**63.79**	**64.41**	64.37	65.33	56.70	0.375	8/29/06	9/12/06	1.500	2.35
Honeywell Intl.	HON	**39.75**	**38.27**	38.60	44.48	32.68	0.228	8/18/06	9/08/06	0.910	2.29
Alcoa	AA	**28.13**	**28.49**	26.38	36.96	22.28	0.150	11/03/06	11/25/06	0.600	2.13
Intel Corp.	INTC	**19.51**	**18.13**	24.55	27.49	16.75	0.100	11/07/06	12/01/06	0.400	2.05
Procter & Gamble	PG	**60.90**	**60.44**	55.50	62.50	52.75	0.310	7/21/06	8/15/06	1.240	2.04
Exxon Mobil	XOM	**64.65**	**68.69**	62.46	71.22 *H*	54.50	0.320	8/14/06	9/11/06	1.280	1.98
Caterpillar (s)	CAT	**65.43**	**67.41**	57.74	82.03	48.25	0.300	7/20/06	8/19/06	1.200	1.83
McDonald's	MCD	**37.73**	**35.50**	33.45	38.29 *H*	31.31	0.670	11/15/05	12/01/05	0.670	1.78
United Tech. (s)	UTX	**64.61**	**61.03**	50.68	66.39	49.29	0.265	8/18/06	9/10/06	1.060	1.64
Home Depot, Inc.	HD	**37.22**	**34.44**	40.34	43.95	32.85 *L*	0.150	9/07/06	9/21/06	0.600	1.61
Boeing	BA	**75.01**	**76.58**	65.08	89.58	62.01	0.300	8/11/06	9/01/06	1.200	1.60
Microsoft Corp.	MSFT	**26.85**	**24.62**	26.27	28.38	21.46	0.100	11/14/06	12/14/06	0.400	1.49
IBM	IBM	**82.94**	**77.08**	80.01	89.94	72.73 *L*	0.300	8/10/06	9/09/06	1.200	1.45
Wal-Mart Stores	WMT	**48.22**	**44.55**	44.32	50.87	42.31	0.168	8/18/06	9/05/06	0.670	1.39
American Express ††	AXP	**53.75**	**52.81**	57.56	59.50	46.59	0.150	7/07/06	8/10/06	0.600	1.12
AIG	AIG	**65.72**	**62.59**	60.95	71.09	57.52 *L*	0.165	9/01/06	9/15/06	0.660	1.00
Walt Disney	DIS	**30.31**	**29.64**	24.00	31.03	22.89	0.270	12/12/05	1/06/06	0.270	0.89
Hewlett-Packard	HPQ	**36.18**	**33.99**	27.87	37.25 *H*	25.53	0.080	9/13/06	10/04/06	0.320	0.88

* See the Recommended HYD Portfolio table on page 70 for current recommendations.

† Based on indicated dividends and market price as of 9/15/06. Extra dividends are not included in annual yields. *H* New 52-week high. *L* New 52-week low. (s) All data adjusted for splits. †† Ameriprise Financial, Inc. spun-off from American Express Company (AXP) on September 30, 2005. Prior historical prices of AXP adjusted to reflect the post-split cost basis allocation.

RECENT MARKET STATISTICS

Precious Metals & Commodity Prices

	9/15/06	*Mo. Earlier*	*Yr. Earlier*
Gold, London p.m. fixing	**573.60**	**625.50**	454.80
Silver, London Spot Price	**10.70**	**11.99**	7.03
Copper, COMEX Spot Price	**3.33**	**3.56**	1.68
Crude Oil, W. Texas Int. Spot	**63.30**	**73.05**	64.75
Dow Jones Spot Index	**259.14**	**283.10**	238.36
CRB-Bridge Futures Index	**306.32**	**338.76**	319.71

Interest Rates (%)

U.S. Treasury bills -	91 day	**4.93**	**5.08**	3.44
	182 day	**5.09**	**5.18**	3.76
	52 week	**5.00**	**5.08**	3.82
U.S. Treasury bonds -	10 year	**4.80**	**4.88**	4.22
Corporates:				
High Quality -	10+ year	**5.96**	**6.08**	5.46
Medium Quality -	10+ year	**6.36**	**6.48**	5.75
Federal Reserve Discount Rate		**6.25**	**6.25**	4.50
New York Prime Rate		**8.25**	**8.25**	6.50
Euro Rates	3 month	**3.29**	**3.21**	2.14
Government bonds -	10 year	**3.79**	**3.89**	3.06
Swiss Rates -	3 month	**1.69**	**1.58**	0.76
Government bonds -	10 year	**2.49**	**2.68**	1.80

Exchange Rates

British Pound	**$1.880700**	**$1.893200**	1.804900
Canadian Dollar	**$0.893600**	**$0.890100**	0.844200
Euro	**$1.266200**	**$1.278500**	1.222400
Japanese Yen	**$0.008506**	**$0.008613**	0.009036
South African Rand	**$0.135100**	**$0.145800**	0.156800
Swiss Franc	**$0.796100**	**$0.808400**	0.789200

Securities Markets

	9/15/06	*Mo. Earlier*	*Yr. Earlier*
S & P 500 Stock Composite	**1,319.87**	**1,285.57**	1,227.73
Dow Jones Industrial Average	**11,560.77**	**11,230.26**	10,558.75
Dow Jones Bond Average	**190.42**	**188.01**	189.28
Nasdaq Composite	**2,235.59**	**2,115.01**	2,146.15
Financial Times Gold Mines Index	**2,173.17**	**2,393.78**	1,822.53
FT African Gold Mines	**2,629.82**	**3,020.90**	2,113.80
FT Australasian Gold Mines	**6,950.68**	**6,986.40**	4,928.69
FT North American Gold Mines	**1,782.88**	**1,956.98**	1,546.34

Coin Prices

	9/15/06	*Mo. Earlier*	*Yr. Earlier*	*Premium*
American Eagle (1.00)	**$603.35**	**$662.25**	460.35	5.19
Austrian 100-Corona (0.9803)	**$574.33**	**$630.33**	438.43	2.14
British Sovereign (0.2354)	**$142.75**	**$156.35**	109.55	5.72
Canadian Maple Leaf (1.00)	**$603.60**	**$662.50**	460.60	5.23
Mexican 50-Peso (1.2057)	**$708.20**	**$777.10**	540.70	-19.29
Mexican Ounce (1.00)	**$587.30**	**$644.60**	448.40	2.39
S. African Krugerrand (1.00)	**$595.25**	**$653.05**	454.95	3.77
U.S. Double Eagle-$20 (0.9675)				
St. Gaudens (MS-60)	**$637.50**	**$655.00**	500.00	14.87
Liberty (Type I-AU50)	**$762.50**	**$762.50**	675.00	37.40
Liberty (Type II-AU50)	**$650.00**	**$660.00**	497.50	17.13
Liberty (Type III-AU50)	**$590.00**	**$640.00**	470.00	6.31
U.S. Silver Coins ($1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	**$7,700.00**	**$8,575.00**	4,970.00	0.65
40% Silver Circ. (292 oz.)	**$3,075.00**	**$3,405.00**	1,992.50	-1.58
Silver Dollars Circ.	**$9,400.00**	**$9,775.00**	6,912.50	13.56

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at $573.60 per ounce and silver at $10.70 per ounce. The weight in troy ounces of the precious metal in coins is indicated in parentheses.

Recommended Mutual Funds

Short/Intermediate Fixed Income	*Ticker Symbol*	*9/15/06*	*Month Earlier*	*Year Earlier*	*— 52-Week — High*	*Low*	*Distributions Latest 12 Months Income*	*Capital Gains*	*Yield (%)*
iShares Lehman 1-3 Yr Treasury[3]	SHY	**$80.02**	**$79.84**	80.85	80.91	79.26	2.8943	0.0000	3.62
Vanguard Short-term Inv. Grade	VFSTX	**$10.51**	**$10.48**	10.39	10.57	10.39	0.4310	0.0000	4.10
Real Estate/Utilities									
DNP Select Income[1, 2]	DNP	**$10.84**	**$10.51**	11.47	11.75	9.74	0.7850	0.0000	7.24
Vanguard REIT Index	VGSIX	**$24.26**	**$22.93**	20.34	24.26	18.47	0.7710	0.3339	3.18
U.S. Large Cap. Value Equity									
iShares S&P 500 Value Index[3]	IVE	**$71.10**	**$69.60**	64.22	71.81	60.40	1.2927	0.0000	1.82
Vanguard Value Index	VIVAX	**$24.64**	**$24.18**	22.22	24.65	20.88	0.5850	0.0000	2.37
U.S. Small Cap. Value									
iShares Sm. Cap. 600 Value Index[3]	IJS	**$70.38**	**$67.55**	64.01	75.42	59.28	0.7495	0.0000	1.06
Vanguard Sm. Cap Value Index	VISVX	**$16.03**	**$15.51**	14.75	16.49	13.76	0.2690	0.0000	1.68
iShares Russell Microcap Index[5]	IWC	**$53.81**	**$51.22**	50.66	59.26	47.06	0.1747	0.0000	0.32
U.S. Large Cap Growth									
iShares S&P 500 Growth Index[3]	IVW	**$61.31**	**$59.19**	58.50	61.76	56.05	0.7171	0.0000	1.17
Vanguard Growth Index	VIGRX	**$27.92**	**$26.90**	26.80	28.69	25.79	0.2350	0.0000	0.84
Foreign - Developed Markets									
iShares MSCI EAFE Index[4]	EFA	**$66.63**	**$67.02**	55.95	70.65	54.55	1.1097	0.0000	1.67
iShares MSCI EAFE Value Index[4]	EFV	**$64.80**	**$64.92**	53.05	67.28	51.15	0.2542	0.0000	0.39
Vanguard Developed Markets Index[4]	VDMIX	**$11.51**	**$11.57**	9.66	12.17	9.46	0.2190	0.0000	1.90
Foreign - Emerging Markets									
iShares Emerging Markets Index[3]	EEM	**$96.82**	**$98.20**	81.20	111.25	74.85	0.9875	0.0000	1.02
Vanguard Emerging Market Index	VEIEX	**$20.83**	**$20.91**	17.49	23.85	16.43	0.3150	0.0000	1.51
Gold-Related Funds									
iShares COMEX Gold Trust[3]	IAU	**$57.46**	**$62.00**	45.49	72.32	45.37	0.0000	0.0000	0.00
streetTRACKS Gold shares	GLD	**$57.40**	**$62.01**	45.42	72.26	45.32	0.0000	0.0000	0.00

Recommended Gold-Mining Companies

	Ticker Symbol	*9/15/06*	*Month Earlier*	*Year Earlier*	*— 52-Week — High*	*Low*	*Distributions Latest 12 Months*	*Frequency*	*Yield (%)*
Anglogold Ltd., ADR	AU	**$39.42**	**$48.58**	40.49	62.20	37.17	0.390	Semiannual	0.99
Barrick Gold Corp.†§	ABX	**$29.08**	**$31.02**	28.07	36.03	24.58	0.187	Semiannual	0.64
Gold Fields Ltd.	GFI	**$17.59**	**$20.12**	12.70	26.95	12.70	0.218	Semiannual	1.25
Goldcorp, Inc.	GG	**$22.92**	**$28.98**	19.93	41.66	17.49	0.180	Monthly	0.78
Newmont Mining	NEM	**$44.15**	**$50.69**	44.99	62.72	42.08	0.400	Quarterly	0.91
Rio Tinto PLC‡ *	RTP	**$184.88**	**$206.38**	151.21	253.33	146.55	3.200	Semiannual	1.76

[1] Closed End Fund, traded on NYSE. [2] Dividends Paid Monthly. [3] Exchange traded Funds, traded on NYSE. [4] New listing this month, replacing IEV and VEURX. [5] New listing as of July 2006. † Dividend shown is after 15% Canadian tax withholding. ‡ Not subject to U.K. withholding tax. § Barrick Gold Corp. took over Placer Dome (PDG) on 2/28/06. * Dividends reported do not include a special dividend of $4.40 payable April 7, 2006.