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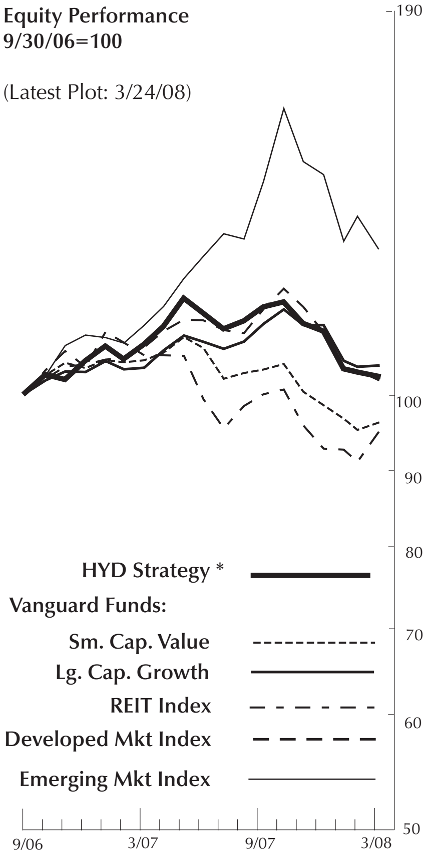

*** HYD is a hypothetical model based on back-tested results. See p.22 for full explanation**

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 propertyof 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.

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The following, by Weston Wellington of Dimensional Fund Advisors (March 20, 2008), is reprinted in its entirety. While data overwhelmingly supports the wisdom of a well-diversified portfolio, sometimes anecdotal evidence drives home the point more clearly.

Beating Warren Buffet

How many investors would be inclined to believe they had found the proverbial "sure thing" if they owned shares in the company described below?

Following its initial public offering in late 1985, this NYSE-listed firm achieved steady growth in earnings and dividends, and the shares delivered an annualized return of 24.8% from January 1986 through December 1999 compared to 18.04% for the S&P 500® Index.

It cruised through the subsequent bear market without a scratch: total return for the three-year period ending December 2002 was 44.18% compared to -37.61% for the S&P 500® Index.

When the broad stock market recovered, it did even better, outperforming the S&P 500® Index by a generous margin in 2003, 2004, 2005, and 2006. Over the 20-year period ending December 2006, the firm's shares outperformed those of Berkshire Hathaway (BRK) by over 450 basis points a year. With returns like this, who needs Warren Buffet?

The company had a well-deserved reputation for grinding out steady profits in a competitive business. Led by a hard-charging former scrap-iron salesman with no college degree, the firm relished its scrappy underdog image and, over its 85-year history, had a record of making money in both good times and bad. It studiously avoided expensive acquisitions that often created headaches for its competitors and focused on even minor details to improve profitability. A famous memo from a former chairman admonished employees to minimize costs by reusing paper clips and rubber bands.

Does this sound like a sure-fire winner most investors would be delighted to have as a cornerstone of their portfolio? If so, they have plenty of company. So did thousands of employees of Bear Stearns Companies (BSC) who saw their shares collapse last week as the firm narrowly avoided a bankruptcy filing and agreed to sell itself to JP Morgan Chase for $2 per share. A stated book value in excess of $80 per share including a modern Manhattan headquarters building valued at $8 per share offered little protection.

The firm's swift collapse would have seemed unthinkable until very recently. A favorable cover story appearing in Barron's in 2004 noted that "with the company's low risk profile and strong controls, investors in Bear Stearns can sleep well, knowing that even a full-blown financial crisis is unlikely to cripple the firm." As an example of these superior risk controls, the article noted that the firm didn't suffer a single daily loss in its trading activities throughout the entire year in 2003. More recently, just one week before it faced the prospect of bankruptcy, the CEO stated in a press release that the firm's " balance sheet, liquidity, and capital remain strong."

In recent trading sessions, Bear Stearns shares have traded at a significant premium to the proposed acquisition price of $2, and it remains to be seen just how much BSC shareholders will ultimately lose. But even if the final liquidating value is quadruple the proposed figure, it would still represent a loss of nearly $19 billion in equity market value compared to its peak in January 2007 when the share price touched $171.

Approximately one-third of the shares are owned by Bear Stearns employees, many of whom now face the prospect of losing their jobs at the same time their investment portfolios have been decimated. A grimmer example of the dangers of exposing one's human capital and investment capital to the same risk factor is difficult to imagine.

Bary, Andrew. "How Sweet It Is." Barron's, August 2, 2004. Bear Stearns Companies Inc. Press release, March 10, 2008. In http://www.bearstearns.com, accessed March 18, 2008. Bryan-Low, Cassell, and Kate Kelly. "A Stake through the Heart." Wall Street Journal, March 17, 2008.Yahoo! Inc. Yahoo! Finance. In http://finance.yahoo.com, accessed March 18, 2008.

GOLD: SHINING BRIGHTLY AFTER 40 YEARS

In 1968 gold began trading in the open market at a variable price. Forty years later, on March 13, gold futures reached a (nominal) price of $1,000 per ounce for the first time. For those of us who form our portfolios based on statistical reasoning, this is not particularly meaningful. The financial media, however, rarely pass up an opportunity to trumpet security prices when they breach a nice round number. Since gold is in the spotlight, we will take this opportunity to revisit our rationale for holding gold and put recent events in the gold market in proper perspective.

While many view gold as a commodity, our parent, the American Institute for Economic Research, has consistently reminded the public that gold is money, and that compared to the various fiat currencies created throughout history, it is the only purchasing media that has maintained its purchasing power. This is depicted in Chart 1 (notably, the real value of some currencies, including the Japanese Yen and the German Mark, plummeted so dramatically that they did not fit the dimensions of the chart).

It is precisely because its value cannot be "destroyed at the stroke of a pen" that gold has earned a reputation over many decades as a reliable store of value. We have long held that gold should form the cornerstone of an investor's holdings. This maxim would have served investors well throughout history, yet it has been only during the past few years, thanks to dramatic advances in both econometric reasoning and information processing, that economists have been able to more precisely quantify the value of gold in the context of portfolio theory. We can now recommend portfolios that include specific target allocations for gold and other asset classes based on their historical patterns of risk and return.

The value of gold as an effective "diversifier" is demonstrated in Table 1, which compares the hypothetical performance of three portfolios since the gold price was first allowed to "float". The first hypothetical portfolio is an "all equity" portfolio invested equally in the S&P 500, the Fama-French Large Value portfolio, and the Fama-French Small Value portfolio. The second (in bold faced type) invests 30 percent in each of these equity indexes and devotes 10 percent to gold. The third invests 30 percent in each equity index and 10 percent in 30-day U.S. Treasury bills. These portfolios were rebalanced annually.

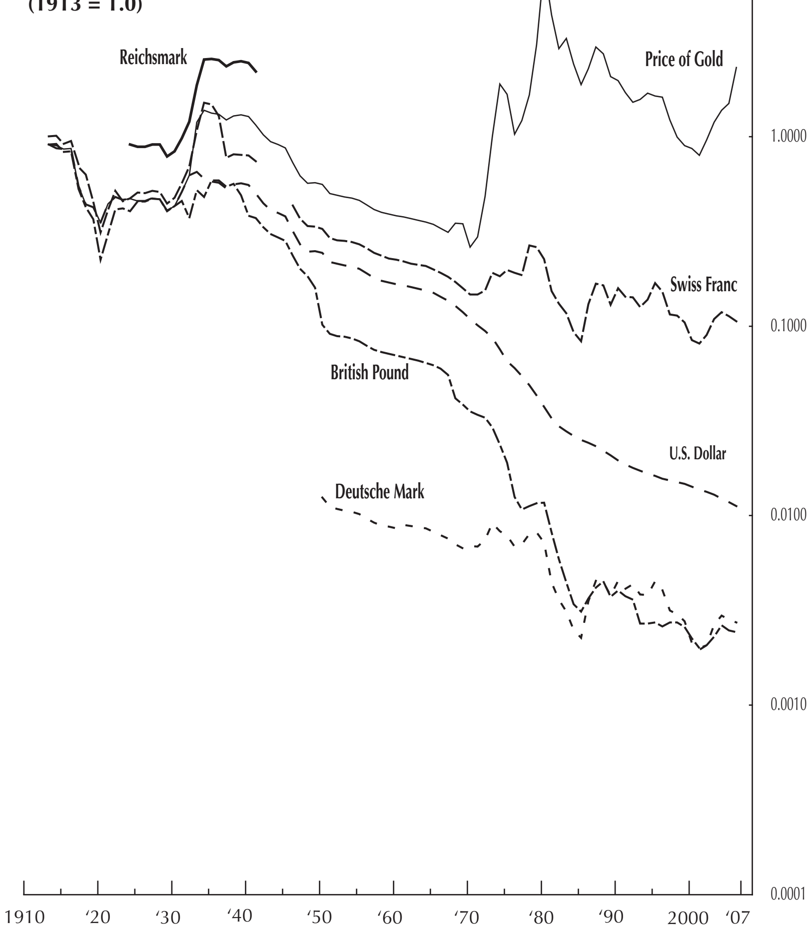
Between 1968 through 1980, a 12 year period of extreme price inflation and stress in the financial markets, the Equity-Gold portfolio provided much larger absolute and risk-adjusted returns (as measured by the Sharpe ratio), than either the all-Equity portfolio or the U.S. equity-U.S. Treasury portfolio. Furthermore, even over the entire 40 year span through January 2008, which includes 28 years of relatively mild price inflation, the Equity-Gold portfolio provided a total return comparable to the all-equity portfolio, and it continued to provide superior returns on a risk-adjusted basis.

A recent study[1] that appeared on the Social Science Research Network supports our contention. It addressed the role of gold as a hedge, defined as a security that does not co-move with stocks or bonds, and also as a safe haven, defined as a security that retains its value during a market crash. The study, using daily prices between November 1995 and 2005, concluded that gold is both a safe haven and a hedge for U.S. investors for stocks (though not for bonds).

We may be currently witnessing yet another demonstration of gold's resilience in the face of a very nervous U.S. stock market. Only time will tell how far the fear that has sent financial stocks plummeting will spread, and how long it will take the market to recover. In the meantime gold, so far, has delivered as a form of portfolio insurance.

[1] Baur, Dirk and Lucey, Brian M., "Is Gold a Hedge or a Safe Haven? An Analysis of Stocks, Bonds and Gold" (December 2006). Social Science Research Network: http://ssrn.com/abstract=952289

Chart 1: Purchasing Power in the United States of Gold and Selected Currencies (1913 = 1.0)



Gold Since 1968: A Closer Look

These results suggest that gold is valuable in a portfolio because it can "dampen" the volatility of other asset classes without sacrificing a portfolio's expected return. However, gold's reputation as an inflation hedge per se is worth a closer look. Since gold was allowed to "float" in 1968 its record in that respect has in fact been mixed.

Chart 2 depicts the hypothetical

growth of one dollar invested in each of several asset classes, beginning in January 1968. Through the late 1970s, when price inflation was rapidly accelerating, gold was virtually the only asset class that protected investors' purchasing power. However, between 1980 and 2001, an extended period of slow but steady price inflation, common stocks and even long term bonds provided far stronger inflation-adjusted returns than gold.

Perhaps because gold's long term purchasing power has been so consistent that it is often characterized as a "conservative" investment. In our view this is misleading; despite its value as a portfolio diversifier, over short term periods gold is an extremely volatile asset class in its own right. Over the past forty years the gold price has proven far more volatile (annual standard deviation of 22.2 percent) than equities as measured by the S&P 500 (standard deviation 16.7 percent).

Table 1: Hypothetical Portfolios Summary Statistics

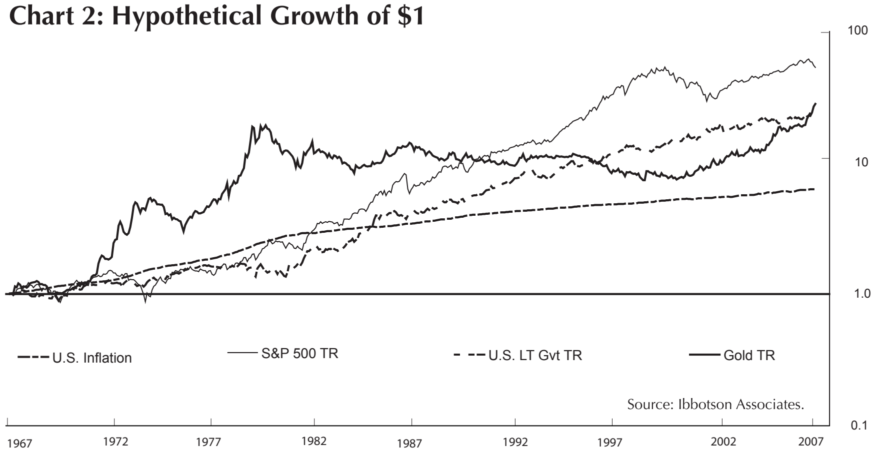
January 1968-December 1980 Avg. Annual Price Inflation 7.44%

	Total Average Annual Return (%)	*Volatility (Standard Deviation) (%)*	*Highest Return (%)*	*Lowest Return (%)*	*Risk Adj. Return (Sharpe Ratio)*
All Equity	10.47	18.24	50.56	-31.31	0.18
Equity Plus Gold	**12.72**	**16.49**	**44.84**	**-27.70**	**0.33**
Equity Plus Treas. Bills	10.24	16.35	45.16	-27.90	0.19

January 1968-January 2008 Avg. Annual Price Inflation 4.68%

	Total Average Annual Return (%)	*Volatility (Standard Deviation) (%)*	*Highest Return (%)*	*Lowest Return (%)*	*Risk Adj. Return (Sharpe Ratio)*
All Equity	12.65	16.52	77.79	-31.31	0.36
Equity Plus Gold	**12.80**	**14.94**	**72.56**	**-27.70**	**0.41**
Equity Plus Treas. Bills	12.11	14.82	70.78	-27.90	0.36

Chart 2: Hypothetical Growth of $1



How can an asset class that has been so volatile during the past 40 years have increased the risk adjusted returns in a hypothetical portfolio in which it replaced Treasury bills (Table 1)? The answer is that the returns on gold were negatively correlated with equities; that is, the short-term price fluctuations of gold did not "co-move" with those of equities. During this period the correlation coefficient between the London PM gold price and the S&P 500 was -0.02[2].

Gold has historically provided insurance during periods of extreme price inflation and financial stress, and its returns have been negatively or very weakly correlated with other asset classes. Investors should hold gold only in limited amounts, and for these reasons, not because it has "done well lately", and it should be held as a small part of a well diversified portfolio.

Thanks to recent innovation in the capital markets, investors now have several effective ways of holding gold. Next month we will consider the various investment vehicles available for holding gold or gold related assets, and identify those best suited to the individual investor.

[2] Monthly returns: S&P 500, London PM Gold fix. Correlation coefficient ranges between a value of -1 and +1. +1 indicates perfect positive correlation, -1 indicates perfect negative correlation. Generally it is desirable to hold asset classes that appreciate over time but have low or negative correlation with one another.

HEALTH SAVINGS ACCOUNTS: A CLOSER LOOK

Last month we introduced Health Savings Accounts (HSAs) and described their basic features. This month we focus on three areas in greater detail: HSAs from the employer's perspective, HSA flexibility in S-Corporations and LLCs, and HSAs in the context of retirement healthcare planning.

Relief for Employers

Since post WWII U.S. employers have played a large role in providing health care for their employees and today constitute the primary source of American health care coverage. However, the cost of healthcare has risen rapidly and employers have borne a substantial portion of that cost. According to the Henry J. Kaiser Family Foundation[1], between 2001 and 2007 health insurance premiums increased an average of 78 percent while overall inflation increased roughly 17 percent.

Employers typically meet with their insurance agent or consultant once a year to review their latest premium increase and weigh their options. Until recently their choices have been limited to shopping for a lower priced provider, aggressive case management, or raising employee deductibles, co-pays, and employee premium contributions.

A growing number of employers, large and small, are now looking to consumer driven methods such as HSAs in an attempt to reduce their health care price tag. If the employee as the end-consumer of healthcare has incentive to become more cost conscious, health care costs might be better contained.

An employer can add an HSA in conjunction with a high deductible health plan (HDHP) as a choice offered alongside their existing PPO or HMO. Alternatively they could replace their existing plan entirely with an HDHP/HSA. Some employees may find a complete replacement to be too sudden. After all, the HDHP/HSA arrangement requires that the recipient of health care, rather than an insurer, decide how his health care expenditures will be made. This can come as a shock to health care consumers grown accustomed to a third party "doing the shopping" for them. Most employers therefore add an HDHP/HSA as an option, allowing employees to retain the approach they are comfortable with as they gain familiarity with the HSA concept.

While the HDHP policy itself can be offered as an individual or a group policy, there is no such thing as a group HSA. These are accounts owned by individual taxpayers who just happen to work for the same company. They are fully "portable" in the event an employee changes employers (withdrawals for medical expenses can always be taken, though contributions require that an HDHP be in place).

Employer Roles

The employer's role with respect to an HSA is limited to three areas: providing the high deductible health insurance that makes HSA possible, providing payroll withholding for voluntary employee HSA contributions, and perhaps making an employer contribution to the account.

The design of the HDHP insurance policy is important. In order to be deemed "HSA qualified" HDHP annual deductibles must fall between a minimum of $1,100, ($2,200 for families), and a maximum of $5,600 ($11,200 for families). These are the levels that apply for 2008; future annual limits will vary as they are indexed to the Consumer Price Index (CPI). Higher deductibles result in lower premiums. If simplicity is important, the policy should stipulate that the insurer cover 100 percent of expenses above the deductible level once the deductible has been reached (alternative "coinsurance" arrangements are available[2]).

Payroll withholding of employee contributions to an HSA should take place within a Section 125 Cafeteria plan. This will avoid payments for Medicare and Social Security, better known as FICA (Federal Insurance Contributions Act) for both employer and employee. In that case an employee's HSA contributions will not be included as part of his taxable compensation and will be reported on the W-2 in box 12 at the end of the year.

The optional HSA contribution is perhaps the most critical of the employer's functions. Employers generally will save on their portion of the insurance premium and they typically allocate some portion of those savings as a contribution to each employee's HSA. This provides an incentive for the employee to choose the HSA alternative.

Employer HSA contributions must be comparable for all participating employees. Generally this means that the employer must contribute either an equal dollar amount, or an equal percentage of the maximum statutory HSA contribution, to all employees. The employer can, however, establish different contribution levels for employee-only coverage versus coverage for employee plus one or more family members.

If the employee's voluntary contribution takes place through a Section 125 Cafeteria plan, the employer will gain considerable flexibility because this will allow him to ignore these rigid comparability rules. For example, with a Cafeteria plan structure, the employer can elect "matching" contributions—that is, contributions that are contingent upon the employee making a voluntary contribution. A note of caution – although these plans escape comparability restrictions, they are subject to discrimination testing so they must be structured carefully.

HDHP/HSA arrangements mean that employees have to pay directly for many of their immediate health care needs. This can come as a shock, but employers can ease the pain by choosing to "front load" the employer contribution in the first month of the plan offering. For example, an employer committed to contributing $100 per month can opt to contribute $1,200 during the first month. This can reassure employees that cash will be available to cover unforeseen medical expenses that may be incurred early in the year. There are no restrictions regarding the timing of the employer's contributions. However, it is important to keep in mind that if an employee terminates employment, he keeps whatever is in the account; there is no refund for the employer.

[1] Wages and Benefits: A Long-Term View. February 2008 Kaiser Family Foundation http://www.kff.org/insurance/snapshot/chcm012808oth.cfm

S-Corps, LLC and LLP

Many small businesses and most professional groups are structured as S-Corporations, LLCs or LLPs because the earnings of these entities are not taxable to the firm. Corporate taxation is avoided because earnings simply "pass through" to the shareholder/partners. The partners are in turn taxed at individual income tax rates, but from the IRS's perspective these owners are not employees. This status creates a very attractive opportunity for HSA planning purposes.

Because they are not employees, the partners are not subject to either the comparability or the discrimination rules described above. This means, for example, that an owner could limit the firm's 2008 contribution to the employees' HSAs to $1,000 per account, while fully funding his own HSA, conceivably up to the statutory limit of $2,900 (single) or $5,800 (family). Owners are not even required to offer the plan to employees, though most employers decide to do so when they consider the overall benefit to the firm.

Shareholder and partner income is reported to the IRS on Form K-1. Each partner can decide independently how his or her own income is to be divided, and which insurance plan coverage to select (e.g. HMO or HDHP). If the HDHP is selected, the partner can choose to open an HSA account and individually determine how much of his company partnership's share to contribute to his own account. The amount of the full contribution will be included on the K-1, but deducted from income on his tax return.

Partners are not allowed to participate in the Section 125 Cafeteria Plan, so their HSA contributions cannot avoid FICA (however, only the 2.9% Medicare portion of that tax applies to income above $102,000).

HSAs and Retirement Healthcare

HSAs can be extremely valuable in planning for health care in retirement as health care costs increase with age. To the extent that an HSA owner can allow his account to grow, he will have an ac-

[2] For example, the consumer may be required to pay for 20% of any costs in excess of the annual deductible level with the remaining 80% covered by the insurance company. Such policies typically include a maximum limit that caps the consumer's total "out-of-pocket" expenditures for the year, including deductibles paid and any coinsurance costs incurred. These limits cannot exceed the maximum statutory deductible level.

count that will allow tax-free withdrawals to help cover Medicare costs, which appear to be rising inexorably, and also pay for many of the current "gaps" that exist in Medicare coverage.

Medicare covers almost all Americans age 65 and older and is available regardless of one's health condition. Medicare Part A covers hospital expenses and Part B covers most other medical expenses such as doctor visits, x-rays, and lab tests. Beneficiaries must pay for Medicare. There are deductibles and co-pays. While Part A is free, there is a premium of $96 per month for Part B.

But Medicare leaves considerable gaps in coverage, namely outpatient prescription drugs, nursing home care, and dental and vision expenses. To cover the gaps many seniors turn to Part D, which covers outpatient services and prescription drugs, and to private insurers to purchase Medicare supplemental policies.

Each year all of the various Medicare deductibles are adjusted based on the CPI, while the Part B premium is adjusted based on a cost sharing formula. Premiums for Medicare Supplement and Part D policies go up as well. In addition, in 2007 Congress implemented a means testing formula that increases Medicare Part B premiums for seniors with modified Adjusted Gross Income (MAGI) above $82,000 (for singles), or $164,000 (for families).

Medicare's overall financial strength is in doubt. Next year, the first of an estimated 37 million baby boomers will become eligible for Medicare. With life spans increasing, Medicare's future looks bleak. Probable solutions may include higher deductibles and co-pays, reductions in benefit payments, or higher taxes. Now that the means testing door is open, lower MAGI thresholds or even premiums for Part A are possible.

What can the average American do to prepare? HSAs can be part of the answer. These accounts can be far more than a simple "cash account" held to meet medical expenses as they arise. Many HSA owners choose instead to allow their accounts to grow during their working years by paying for ongoing medical expenses "out-of-pocket" (with after-tax dollars) and saving their receipts.

HSA withdrawals can be taken for any eligible medical expenses incurred after the account has been opened, but there is no time limit on these withdrawals (nor is there a "minimum required distribution" as is the case for many retirement plans). HSA owners can invest this untapped HSA balance in equity or bond funds. They can accumulate a substantial private account on a tax-free basis which they can use in retirement to take tax-free withdrawals covering virtually all non-cosmetic medical and dental costs not covered by Medicare[3]. Part B and Part D premiums and qualified long term care insurance policy premiums can be paid with these tax-free dollars as well. Unfortunately, HSAs cannot be used to pay for Medicare supplemental policies.

Withdrawals can also be taken for eligible medical expenses for a spouse or any tax dependent. The dependent does not have to be covered by the high deductible insurance.

Individuals can also make a tax-free transfer of funds from a traditional IRA to an HSA. This provides a means of transferring funds from an IRA, which would otherwise be taxable upon withdrawal, to account from which withdrawals can be made tax-free, as long as those withdrawals are taken to cover eligible medical expenses. However this transfer is allowed only once during the HSA owner's lifetime, and the total of the IRA transfer plus any contribution during that year cannot exceed the statutory annual HSA maximum contribution.

Those aged 55 and over can make an additional annual HSA "catch up" contribution of $900. However, only the account holder (not the employer) can make that contribution. A spouse of an HSA owner can also set up a separate account and contribute $900 to it as long as the spouse is age 55 or older and covered by the HDHP. In fact, the $5,800 family maximum contribution can be split into either account in any percentage desired. Though HSAs are an ideal supplement to Medicare in retirement, once an individual has enrolled in Medicare Part A, no further HSA contributions are permitted.

Getting Started

HSAs are ideal for accumulating funds for future health care expenses. But how does one establish an account? The first step is to acquire a qualified high deductible health insurance policy, either group or individual, from an insurance company. Virtually all insurance companies now offer HSA qualified policies, and they are labeled as such. Most offer a variety of deductible levels with differing premiums, allowing a wide variety of choices for consumers. Some policies provide preventative care coverage that is not subject to the plan deductible.

The next step is to select the right HSA custodian for the investment account. Most insurance companies have selected their own custodian for the account, usually a bank with a low interest checking account. But HSA owners are not required to use an insurance-affiliated custodian, and the insurance provider will not necessarily provide the best savings account. Some plans require that a low interest bank account be established prior to investing. Others will allow immediate access to mutual funds without any minimums or transaction fees. Watch carefully for hidden loads and/or 12b-1 fees. With over 1,000 HSA custodians to choose from it pays to shop around.

Investors seeking long term accumulations should look for no-load, low expense ratio mutual funds that include a variety of asset classes. Vanguard funds are available through some HSA custodians[4].

Once the account is established, an HSA owner should fully fund the account up to the maximum annual contribution as early in the year as possible. All HSA accounts operate on a calendar year, so January 1 is the earliest possible date funding is allowed. If the account is opened later in the year, the maximum contribution can still be made as long as the insurance policy stays in force without interruption through the end of the following calendar year. If the maximum contribution is not practical, incremental contributions are fine – there is no minimum contribution required. The latest date for contributions for any tax year is April 15 of the following year.

HSA account holders are not allowed to have traditional Flexible Spending Accounts (FSA) at their workplace. FSA is commonly known as the "use it or lose it" program. Since an HSA is a "use it or keep it", FSAs are generally unnecessary. However, HSA account holders can have a limited FSA – one that covers dental and vision expenses only. If dental or vision expenses can be predicted with relative certainty, a limited FSA might be appropriate as it would allow an HSA account holder to use the tax deductible FSA for those expenses, which would avoid the need to tap the HSA.

[3] See IRS Pub 502 for a full listing of eligible medical expenses

[4] Plans offered by Health Savings Administrators (www.HSAadministrators.com) provide a variety of low-cost funds from the Vanguard Group, and a minimum checking account balance is not required.

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 the back page. 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, 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.

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 **Pfizer** and **Bank of America** were not eligible for purchase 18 months earlier. HYD investors should find sales of **AT&T** and **Altria Group** are sufficiently large to warrant trading. In larger accounts, rebalancing positions in **Citigroup** and **Verizon** may be warranted.

Recommended HYD Portfolio

As of March 14, 2008

				——Percent of Portfolio——		
	Rank	*Yield*	*Price*	*Status*	*Value*	*No. Shares*[1]
Bank of America	1	7.17%	35.69	Buying	2.91	2.47
Citigroup	2	6.47%	19.78	Holding**	13.64	20.94
Pfizer	3	6.20%	20.64	Buying	22.94	33.76
General Motors*	4	5.20%	19.22			
Verizon	5	5.09%	33.82	Holding**	24.46	21.97
AT&T Corp.	6	4.57%	35.03	Selling	9.35	8.11
Morgan (JP)	7	4.16%	36.54			
Merck & Co.	8	3.71%	40.97			
General Electric	9	3.67%	33.82			
Home Depot	10	3.50%	25.75			
Altria Group	NA		72.53	Selling	24.39	10.32
KFT	NA		31.33	Selling	2.27	2.30
IAR	NA		9.08	Selling	0.02	0.12
					100.00	100.00

* 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.

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 text for a description of the model's construction.

Hypothetical Total Returns (percent, through February 29, 2008)*

	1 mo.	*1 yr.*	*5 yrs.*	*10 yrs.*	*20 yrs.*	*Since 1/79*	*Std. Dev.*
HYD Strategy	-6.11	-3.30	15.72	9.42	15.68	17.68	16.99
Russell 1000 Value Index	-4.19	-7.91	13.89	6.24	11.66	13.64	13.86
Dow	-2.75	2.32	11.74	5.78	12.02	NA	NA

*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 20-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.

RECENT MARKET STATISTICS

Precious Metals & Commodity Prices ($)

	3/14/08	*Mo. Earlier*	*Yr. Earlier*
Gold, London p.m. fixing	**1003.50**	912.50	648.50
Silver, London Spot Price	**20.41**	17.38	12.90
Copper, COMEX Spot Price	**3.85**	3.53	2.99
Crude Oil, W. Texas Int. Spot	**110.20**	95.50	57.55
Dow Jones Spot Index	**434.51**	398.82	294.70
Dow Jones-AIG Futures Index	**215.83**	199.57	166.57
Reuters-Jefferies CRB Index	**416.40**	384.22	304.11

Interest Rates (%)

U.S. Treasury bills - 91 day	**1.16**	2.16	4.91
182 day	**1.29**	2.02	4.91
52 week	**1.37**	2.02	4.93
U.S. Treasury bonds - 10 year	**3.44**	3.76	4.54
Corporates:			
High Quality - 10+ year	**5.48**	5.61	5.28
Medium Quality - 10+ year	**6.86**	6.90	6.24
Federal Reserve Discount Rate	**3.50**	3.50	6.25
New York Prime Rate	**6.00**	6.00	8.25
Euro Rates 3 month	**4.61**	4.34	3.90
Government bonds - 10 year	**3.79**	3.95	0.00
Swiss Rates - 3 month	**2.82**	2.75	2.28
Government bonds - 10 year	**2.96**	2.83	2.62

Exchange Rates ($)

British Pound	**2.029400**	1.961300	1.928800
Canadian Dollar	**1.013479**	0.998200	0.851400
Euro	**1.560400**	1.467400	1.320200
Japanese Yen	**0.009980**	0.009288	0.008601
South African Rand	**0.126523**	0.130548	0.133600
Swiss Franc	**0.992851**	0.916338	0.822200

Securities Markets

	3/14/08	*Mo. Earlier*	*Yr. Earlier*
S & P 500 Stock Composite	**1,288.14**	1,349.99	1,392.98
Dow Jones Industrial Average	**11,951.09**	12,348.21	12,159.68
Dow Jones Bond Average	**206.06**	207.66	200.53
Nasdaq Composite	**2,212.49**	2,321.80	2,378.70
Financial Times Gold Mines Index	**3,553.88**	3,090.70	2,230.16
FT EMEA (African) Gold Mines	**2,837.59**	2,460.07	2,797.73
FT Asia Pacific Gold Mines	**16,248.63**	14,643.24	7,944.80
FT Americas Gold Mines	**3,147.78**	2,716.95	1,775.40

Coin Prices ($)

	3/14/08	*Mo. Earlier*	*Yr. Earlier*	*Prem (%)*
American Eagle (1.00)	**994.92**	947.03	662.95	-0.85
Austrian 100-Corona (0.9803)	**942.42**	896.92	631.03	-4.20
British Sovereign (0.2354)	**232.55**	221.45	156.55	-1.56
Canadian Maple Leaf (1.00)	**991.70**	943.80	663.20	-1.18
Mexican 50-Peso (1.2057)	**1,161.60**	1,105.50	778.00	-3.99
Mexican Ounce (1.00)	**963.60**	917.00	645.30	-3.98
S. African Krugerrand (1.00)	**972.65**	933.15	653.75	-3.07
U.S. Double Eagle-$20 (0.9675)				
St. Gaudens (MS-60)	**1,022.50**	972.50	690.00	5.32
Liberty (Type I-AU50)	**1,060.00**	1,000.00	762.50	9.18
Liberty (Type II-AU50)	**1,012.50**	965.00	675.00	4.29
Liberty (Type III-AU50)	**990.00**	940.00	655.00	1.97
U.S. Silver Coins ($1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	**13,900.00**	12,150.00	8,937.50	-4.75
40% Silver Circ. (292 oz.)	**5,577.50**	4,987.50	3,617.50	-6.41
Silver Dollars Circ.	**15,475.00**	13,425.00	9,925.00	-1.99

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at $1003.50 per ounce and silver at $20.41 per ounce. The weight in troy ounces of the precious metal in coins is indicated in parentheses.

THE DOW JONES INDUSTRIALS RANKED BY YIELD*

	Ticker	*Market Prices ($)*			*12-Month ($)*		*Latest Dividend*	*Record*		*Indicated Annual*	*Yield†*
	Symbol	*3/14/08*	*2/15/08*	*3/15/07*	*High*	*Low*	*Amount ($)*	*Date*	*Paid*	*Dividend ($)*	*(%)*
Bank of America	BAC	**35.69**	42.70	50.10	52.96	33.12	0.640	3/07/08	3/28/08	2.560	7.17
Citigroup	C	**19.78**	25.48	50.13	55.55	19.54*L*	0.320	2/04/08	2/22/08	1.280	6.47
Pfizer	PFE	**20.64**	22.33	24.99	27.73	20.50*L*	0.320	2/08/08	3/4/08	1.280	6.20
General Motors	GM	**19.22**	26.13	29.38	43.20	19.00*L*	0.250	2/15/08	3/10/08	1.000	5.20
Verizon	VZ	**33.82**	37.83	36.36	46.24	33.30*L*	0.430	1/10/08	2/1/08	1.720	5.09
AT&T (New)	T	**35.03**	37.88	36.94	42.97	32.95*L*	0.400	1/10/08	2/1/08	1.600	4.57
J P Morgan	JPM	**36.54**	43.25	47.70	53.25	36.01*L*	0.380	1/04/08	1/31/08	1.520	4.16
Merck	MRK	**40.97**	47.53	43.19	61.62	40.59*L*	0.380	3/07/08	4/1/08	1.520	3.71
General Electric	GE	**33.82**	34.37	34.52	42.15	31.65*L*	0.310	2/25/08	4/25/08	1.240	3.67
Home Depot, Inc.	HD	**25.75**	27.52	37.49	41.19	23.77	0.225	3/13/08	3/27/08	0.900	3.50
Dupont	DD	**46.98**	45.49	50.43	53.90	41.26	0.410	2/15/08	3/14/08	1.640	3.49
McDonald's	MCD	**54.78**	55.30	43.47	63.69	42.50	0.375	3/03/08	3/17/08	1.500	2.74
Chevron	CVX	**85.34**	83.40	68.87	95.50	67.76	0.580	2/15/08	3/10/08	2.320	2.72
Johnson & Johnson	JNJ	**62.65**	62.90	60.53	68.85	59.72	0.415	2/26/08	3/11/08	1.660	2.65
Coca-Cola	KO	**57.53**	58.76	47.08	65.59	46.82	0.380	3/15/08	4/1/08	1.520	2.64
3M Company	MMM	**77.53**	79.95	75.99	97.00	72.05	0.500	2/22/08	3/12/08	2.000	2.58
Intel Corp	INTC	**20.66**	20.11	19.14	27.99	18.05	0.128	2/07/08	3/1/08	0.510	2.47
Boeing	BA	**76.23**	85.18	91.04	107.83	71.59*L*	0.400	2/08/08	3/7/08	1.600	2.10
Procter and Gamble	PG	**66.74**	66.30	61.91	75.18	60.76	0.350	1/18/08	2/15/08	1.400	2.10
Amer. Int. Group	AIG	**41.18**	46.11	67.05	72.97	40.13*L*	0.200	6/06/08	6/20/08	0.800	1.94
Caterpillar	CAT	**74.79**	69.95	63.46	87.00	59.60	0.360	1/22/08	2/20/08	1.440	1.93
Wal-Mart Stores	WMT	**49.82**	49.44	46.00	51.57*H*	42.09	0.238	12/15/08	1/2/09	0.950	1.91
United Tech.	UTX	**67.71**	71.53	64.40	82.50	63.65	0.320	2/15/08	3/10/08	1.280	1.89
Alcoa	AA	**38.39**	35.72	33.88	48.77	26.69	0.170	5/02/08	5/25/08	0.680	1.77
American Express	AXP	**41.01**	45.11	56.11	65.89	40.00*L*	0.180	1/04/08	2/8/08	0.720	1.76
Exxon Mobil	XOM	**85.91**	85.37	70.69	95.27	69.52	0.350	2/11/08	3/10/08	1.400	1.63
Microsoft Corp.	MSFT	**27.96**	28.42	27.28	37.50	26.87	0.110	2/21/08	3/13/08	0.440	1.57
IBM	IBM	**115.23**	106.16	93.45	121.46	93.02	0.400	2/08/08	3/10/08	1.600	1.39
Walt Disney	DIS	**30.78**	32.49	33.79	36.79	26.30	0.350	12/07/07	1/11/08	0.350	1.14
Hewlett-Packard	HPQ	**45.92**	43.87	39.70	53.48	39.49	0.080	3/12/08	4/2/08	0.320	0.70

* See the Recommended HYD Portfolio table on page 22 for current recommendations. † Based on indicated dividends and market price as of 3/14/08.
Extra dividends are not included in annual yields. *H* New 52-week high. *L* New 52-week low. (s) All data adjusted for splits and spin-offs. 12-month data begins 3/16/07.

RECOMMENDED INVESTMENT VEHICLES

	Ticker Symbol	Avg. Market Cap. / Avg. Maturity	No. of Holdings	Expense (%)	Sharpe	Turnover (%)	P/B	12 Mo. Yield (%)	Total 1 yr.	Total 3 yr.	Total 5 yr.	After Tax* 1 yr.	After Tax* 3 yr.	After Tax* 5 yr.
			Descriptive Quarterly Statistics, as of 12/31/07		*Ratios*				*Annualized Returns (%), as of 2/29/08*					
Short/Intermediate Fixed Income														
Vanguard Short-Term Bond Index	BSV[2]	2.7 Yrs.	770	0.11	--	106	--	--	--	--	--	--	--	--
Vanguard Short-Term Bond Index	VBISX	2.7 Yrs.	770	0.18	--	106	--	4.51	9.05	5.37	3.93	7.34	3.84	2.56
Vanguard Short-Term Inv. Grade	VFSTX	3.1 Yrs.	816	0.21	--	43	--	4.83	6.58	5.08	4.05	4.78	3.49	2.58
iShares Lehman 1-3 Year Treasury	SHY[1]	1.8 Yrs.	34	0.15	--	64	--	4.27	9.20	5.25	3.51	7.59	3.85	2.42
Vanguard Limited-Term Tax-Exempt	VMLTX	3.0 Yrs.	737	0.16	--	32	--	3.46	3.93	3.09	2.48	3.93	3.09	2.48
Real Estate														
Vanguard REIT Index	VNQ[2]	5.8 B.	100	0.12	0.30	21	2.6	5.06	-24.27	8.85	--	-25.10	7.52	--
Vanguard REIT Index	VGSIX[3]	5.8 B.	100	0.21	0.29	21	2.6	4.94	-24.32	8.76	16.77	-25.12	7.46	15.11
U.S. Large Cap Value														
Vanguard Value Index	VTV[2]	58.4 B.	395	0.11	0.63	20	2.2	2.74	-7.82	5.82	--	-8.18	5.41	--
Vanguard Value Index	VIVAX	58.4 B.	395	0.21	0.62	20	2.2	2.63	-7.94	5.71	14.03	-8.28	5.32	13.62
U.S. Small Cap Value														
iShares Russell Microcap Index	IWC[1]	0.4 B.	1401	0.60	na	20	1.8	0.79	-19.12	--	--	-19.19	--	--
Vanguard Small-Cap Value Index	VBR[2]	1.6 B.	922	0.12	0.16	25	1.7	2.42	-14.37	3.78	--	-14.77	3.33	--
Vanguard Small-Cap Value Index	VISVX	1.6 B.	922	0.23	0.15	25	1.7	2.28	-14.46	3.66	15.02	-14.84	3.25	14.58
U.S. Large Cap Growth														
iShares Russell 1000 Growth Index	IWF[1]	37.3 B.	690	0.20	0.49	15	4.2	0.91	0.28	5.71	10.30	0.13	5.56	10.13
Vanguard Growth Index	VIGRX	40.0 B.	430	0.22	0.54	28	4.1	0.81	1.52	6.07	10.22	1.39	5.94	10.07
U.S. Marketwide														
Vanguard Total Stock Market Index	VTI[2]	31.2 B.	3645	0.07	0.57	4	2.8	1.79	-4.10	5.89	12.75	-4.35	5.61	12.46
Fidelity Spartan Total Market Index	FSTMX[4]	31.1 B.	3376	0.10	0.58	4	2.6	1.58	-4.10	5.97	12.72	na	na	na
Foreign- Developed Markets														
iShares MSCI Growth Index	EFG[1]	32.5 B.	561	0.40	na	28	4.1	0.93	6.86	--	--	6.78	--	--
iShares MSCI Value Index	EFV[1]	44.2 B.	554	0.40	na	21	2.1	3.17	-5.06	--	--	-5.65	--	--
Vanguard Europe Pacific Index	VEA[2]	37.2 B.	1120	0.15	na	4	3.0	--	--	--	--	--	--	--
Vanguard Tax-Managed International	VTMGX[5]	37.2 B.	1120	0.20	1.22	4	3.0	2.18	-0.77	12.26	21.06	-0.96	12.02	20.83
Vanguard Developed Markets Index	VDMIX[6]	37.6 B.	1156	0.22	1.21	7	3.0	2.85	-0.08	12.38	20.88	-0.64	11.84	20.33
Foreign- Emerging Markets														
Vanguard Emerging Market Index	VWO[2]	18.7 B.	845	0.30	na	9	3.2	1.88	31.87	--	--	31.46	--	--
Vanguard Emerging Market Index	VEIEX[7]	18.7 B.	846	0.42	1.42	9	3.2	1.77	30.40	26.24	35.18	30.01	25.92	34.87
Gold-Related Funds														
iShares COMEX Gold Trust	IAU[2]	--	1	0.40	--	--	--	0.00	44.65	--	--	44.65	--	--
streetTRACKS Gold Shares	GLD[1]	--	1	0.40	--	--	--	0.00	44.34	--	--	44.34	--	--

Recommended Gold-Mining Companies ($)

	Ticker Symbol	**3/14/08**	Month Earlier	Year Earlier	52-Week High	52-Week Low	Distributions Last 12 Months	Distributions Frequency	Yield (%)
Anglogold Ltd., ADR	AU	**35.00**	33.75	43.41	51.35	33.44	0.1905	Semiannual	0.5443
Barrick Gold Corp.†	ABX	**53.31**	47.59	28.08	54.74	27.66	0.2550	Semiannual	0.4783
Gold Fields Ltd.	GFI	**16.42**	13.22	17.07	20.70	13.10	0.2575	Semiannual	1.5682
Goldcorp, Inc.†	GG	**45.59**	36.86	24.10	45.85	21.00	0.1530	Monthly	0.3356
Newmont Mining	NEM	**53.63**	47.89	42.14	57.55	38.01	0.4000	Quarterly	0.7459
Rio Tinto PLC‡	RTP	**448.75**	435.55	210.81	484.21	209.37	5.4400	Semiannual	1.2123

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.

Data provided by the funds and Morningstar. [1] Exchange Traded Fund, traded on NYSE. [2] Exchange Traded Fund, traded on AMEX. [3] 1% fee for redemption in 1 yr. [4] 0.5% fee for redemption in 90 days. [5] 1% fee for redemption in 5 yrs. [6] 2% fee for redemption in 60 days. [7] 0.5% fee for purchase and 0.5% fee for redemption. * Calculated using the highest individual federal income tax rates in effect at the time of each distribution and do not reflect the impact of state and local taxes and individual tax situations. † Dividend shown is after 15% Canadian tax withholding. ‡ Not subject to U.K. withholding tax.