INVESTMENT GUIDE

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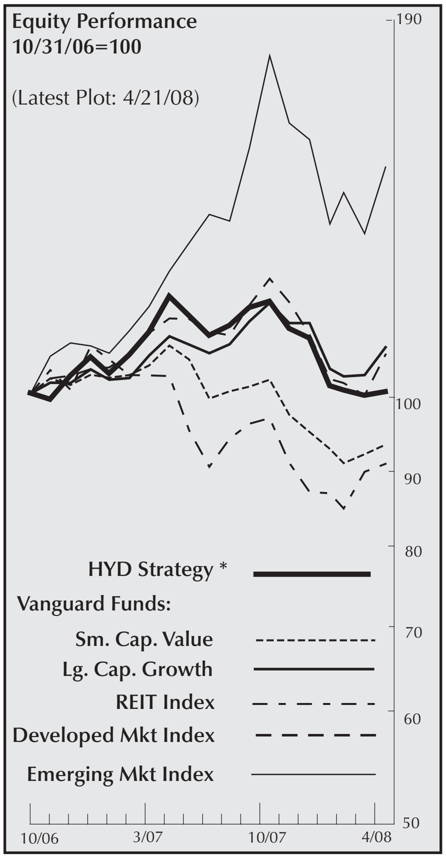

*** HYD is a hypothetical model based on back-tested results. See p.30 for full explanation**

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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Standing Firm

The first quarter of 2008 brought no respite for investors weary of the market volatility that began last year. The financial crisis that Alan Greenspan has called "the most wrenching since the end of the second world war" only deepened. Overall, however, our multi-asset class approach served investors well. Cash, short-term bonds and gold provided the cushion we expect when equities decline sharply. Each of these provided positive returns, while equities suffered losses and REITs posted a slight gain.

The sub-prime mortgage default problem first spilled over into a general "credit crunch" and then into a full-blown liquidity crisis. Sectors of the financial market that are heavily dependent on lending and leverage continue to unwind. Most recently the short-term fixed income market was roiled by the failure to find buyers for auction rate securities. The Wall Street Journal reported that several large institutions were forced to write down "short-term" investments in client accounts that used these instruments to "goose" yields.

We have always recommended cash equivalent assets, including money market accounts, for liquidity and portfolio stability. Capital preservation is the paramount concern. If your money-market or other "cash equivalent" assets are providing yields that are not consistent with prevailing interest rates it would be wise to examine the underlying holdings.

Beyond the money market issues, the collapse of Bear Stearns and the Fed's subsequent bailout have highlighted the current risk of holding financial sector stocks. (For AIER's assessment of the Fed's actions, see http://www.aier.org). Amidst these developments, investors have grown increasingly nervous at the prospect of maintaining a high level of exposure to large cap value stocks, which are currently invested heavily in the financial sector.

This is, of course, precisely the time to stand firm. While risk cannot be eliminated, it can be measured and managed rationally. While we identify and avoid risks that provide no expected return, we embrace, within reason, those risks that can be expected to provide compensation. We do so by adopting a "value tilted" strategy, and diversifying across hundreds of firms in order to minimize company-specific risk and industry-specific risk. We have not changed our model portfolio allocations, which appear on pg. 26.

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QUARTERLY REVIEW OF INVESTMENT POLICY

Cash Equivalent Assets

The Federal Reserve again moved aggressively in the first quarter. It lowered rates by two percentage points to 2.25 percent. This included two 75 basis point rate cuts (the largest in 20 years). The Fed's actions were bold in the face of the liquidity and credit crisis. In addition to the rate cuts, it orchestrated the sale of Bear Stearns to JP Morgan Chase, and allowed primary dealers access to the discount window to provide short-term money.

Long and short-term Treasury yields declined, though the cost of borrowing did not. There was a flight to quality, transparency and liquidity. Financial institutions concerned about counter-party risk dumped risky assets and hoarded Treasuries. The difference between the yield on three-month Treasury bill and the three-month LIBOR (the so-called "TED spread") widened to almost 2 percent, reflecting a lack of confidence in inter-bank lending.

The Fed noted in a policy statement that inflationary pressures were becoming a serious danger in the commodity markets. The CPI rose 0.34 percent in March. The "core inflation" rate – which excludes food and energy prices because they are considered volatile – rose 0.15 percent, or 2.4 percent over the past year, which is close to the Federal Reserve's 2.0 percent comfort zone. Energy prices continued to climb and the dollar continued its slide against other currencies.

Short/Intermediate-Term Bonds

Short and intermediate term fixed income investments performed well for the quarter. Higher quality issues provided positive returns as TIPS and Treasuries posted 5.2 percent and 4.4 percent returns respectively. The Lehman Brothers 1-5 Year Government/Credit Index provided a 2.9% return. The Treasury yield curve steepened across all maturities. The lower yields on short-term Treasuries relative to long-term Treasuries indicated market anticipation of further easing by the Fed and higher inflation.

Municipal bond prices fell and yields shot up resulting in one of the poorest quarters on record. The market reacted negatively to possible credit downgrades of muni bond insurers and stress related to the auction rate lock-out. The yields on munis are currently very high relative to Treasuries. According to the municipal specialist firm FIS, the Bloomberg A rated 10-year municipal index has averaged 87 percent of the yield of the 10-year Treasury since 1994. At the quarter's end this ratio reached 115 percent, the widest point since 1994.

Real Estate

Real Estate Investment Trusts (REITs), measured by the FTSE/NAREIT Equity Index, posted a modest 1.4 percent return in the first quarter after having declined steeply in 2007. The dividend yield of the index was an attractive 4.99 percent and it's yield spread (relative to 10-year

AIS Model Portfolios(1)
For the Period Ending March 31, 2008

Asset Class	*Index*	*Recommended Percentage Allocations* **(2)**			*Asset Class Statistics: Risk and Return*			
					Total Return (annualized)			*Std. Dev. (annualized)*
		Conservative	*Moderate*	*Aggressive*	*1 Year*	*10 Year*	*20 year*	*20 Year*
Cash & Equivalent Assets (3)	3 Month CD Index	20	10	0	4.63	3.86	4.87	0.59
Short/Int. Fixed Income	Lehman Brothers 1-5 Yr Govt/Cred	40	30	0	8.70	5.50	6.57	2.38
Real Estate	DJ Wilshire Real Estate Securities TR Index	10	10	10	-18.83	11.40	10.61	13.83
U.S. Large Cap Growth	Russell 1000 Growth Index (USD)	5	5	10	-0.75	1.28	9.90	16.39
U.S. Large Cap Value	Russell 1000 Value Index (USD)	15	20	30	-9.99	5.53	11.72	12.71
U.S. Small Cap Value	Russell 2000 Value Index (USD)	5	7	13	-16.88	7.46	11.87	14.45
	DFA US Micro Cap Portfolio (USD)	0	3	7	-16.34	8.26	11.93	18.69
Foreign Developed Markets	MSCI EAFE Index (USD) Gross Div	5	7	13	-2.27	6.56	6.53	15.92
Foreign Emerging Markets	MSCI Emg. Mkts. Index (USD) Gross Div	0	3	7	21.65	12.54	14.53	22.71
Gold Related	Gold EOM gold (London PM Fix)	0	5	10	41.07	11.99	3.64	13.42
	Total	100	100	100				

Model Portfolio Statistics: Risk, Return and Growth

	Conservative	*Moderate*	*Aggressive*
Portfolio Return 1 Year	0.03	0.03	-2.97
Portfolio Return 10 Year (annualized)	6.38	7.49	8.39
Portfolio Return 20 Year (annualized)	8.31	9.33	11.02
Portfolio Standard Deviation 20 Year (annualized)	4.61	6.44	10.94
Growth of $100 over 20 Years	$494	$595	$810

(1) Past performance may not be indicative of future results. Therefore, no current or prospective investor should assume that the future performance of any specific investment,investment strategy (including the investments and/or investment strategies recommended by the AIS), or product made reference to directly or indirectly, will be profitable or equal to past performance levels. 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 results portrayed in this portfolio reflect the reinvestment of dividends and capital gains. Model Portfolio Statistics are hypothetical and do not reflect historical recommendations of AIS. Annual portfolio rebalancing is assumed.
(2) For our recommended investment vehicles for each asset class, see page 32.
(3) Investors should maintain cash balances adequate to cover living expenses for up to 6 months in addition to the cash levels indicated.

Treasuries) rose to 129 basis points. Equity REITs remain a distinct and valuable asset class. Despite their relatively high dividend yield, REITs are not strongly correlated to bonds, and though they are a form of equity, their returns are not strongly correlated with stocks.

U.S. Equities

Domestic stocks were down in every category and suffered their worst quarterly performance since 2002. The S&P 500 fell 9.45 percent, the NASDAQ Composite fell 13.90 percent, and the Dow Jones Industrial Average declined 7.0 percent. The losses were roughly equal among small and large cap stocks. The Russell 2000 Index of small cap stocks fell by 9.90 percent. Financial stocks, which account for 17 percent of the entire US market capitalization were hard hit. Large-cap value stocks outperformed large-growth stocks with the Russell 1000 Value Index returning -8.72 percent versus -10.18 percent for the Russell 1000 Growth Index. This represents a reversal in performance leadership from 2007, though it is impossible to predict if this represents a new trend.

International Equities

Foreign equity markets posted poor returns during the first quarter. The MSCI EAFE Index fell 8.82 percent in US dollar terms. These losses occurred despite the continued decline of the US dollar. The sub-prime losses piled up in Europe hurting the financial sector, while developed-market small-cap stocks fared better with a -6.20 percent return. The notion of a "decoupling" of developed and emerging markets proved to be unfounded as the stock markets of rapidly expanding economies were not immune to the downturn in global markets. The MCSI Emerging Market Index fell 10.92 percent following several consecutive years of strong gains.

Gold-Related Investments

The gold price rose higher based on renewed inflation expectations related to Federal Reserve actions, spiking commodity prices, continued weakness in the dollar, and overall volatility in global financial markets. Gold hit a record high of $1,030.80 per once on March 17 and closed the quarter at $933.50. Gold returned 11.96 percent for the quarter and 41.07 percent for the one-year period ending March 31. We continue to recommend that investors hold between five and ten percent of their portfolio in gold-related assets and that the position be rebalanced periodically to target allocations.

Total Return (%)

	2005		*2006*				*2007*				*2008*	*Entire Period 3Q 2005-*
	3Q	*4Q*	*1Q*	*2Q*	*3Q*	*4Q*	*1Q*	*2Q*	*3Q*	*4Q*	*1Q*	*1Q 2008*
Vanguard Short-Term Inv Grade	0.24	0.77	0.52	0.79	2.31	1.28	1.57	0.46	1.91	1.81	1.19	13.60
Vanguard REIT Index	3.56	1.70	**14.79**	-1.37	9.39	9.07	3.39	-9.40	2.39	-12.90	2.13	21.38
Vanguard Value Index	4.08	1.60	5.29	0.91	6.63	7.82	0.90	5.70	-0.04	-6.12	-9.02	17.62
High-Yield Dow 4/18*	1.97	4.05	8.00	3.27	**13.70**	8.42	3.98	7.25	1.33	-5.16	-11.12	38.95
Vanguard Small Cap Value	4.01	0.24	11.05	-2.72	1.72	8.52	2.01	2.93	-5.03	-6.81	-6.52	8.00
Vanguard Growth Index	3.59	3.00	3.30	-3.94	3.79	5.85	1.21	6.65	4.34	-0.06	-9.99	17.85
Vanguard Developed Markets†	10.93	3.75	9.30	0.81	4.00	10.11	4.21	6.33	2.44	-2.22	-8.47	47.52
Vanguard Emerging Markets‡	**17.23**	7.10	11.22	-4.57	4.00	**17.22**	2.18	**15.40**	**14.43**	2.94	-10.48	102.00
Gold (London PM Fix)	8.27	**8.40**	13.45	**5.41**	-2.32	5.54	**4.71**	-1.70	14.22	**12.21**	**11.96**	**113.72**

The highest returns provided in each period are in **Bold Face Type**. * HYD is a hypothetical model based on back tested results. See p. 30 for a full explanation. The returns shown assume Altria (MO) was never excluded from the model (see box: Hypothetical Returns: HYD and Relevant Indices). † Vanguard Developed Markets Index Fund: First recommended in ***Investment Guide*** 3Q 2006. ‡ Vanguard Emerging Markets Index Fund: First recommended in ***Investment Guide*** 2Q 2005.

IS THERE AN "EL DORADO" FOR GOLD INVESTORS? INVESTMENT THEORY AND PRACTICE

In the March issue we reviewed the role that gold can play in protecting a portfolio during periods of extreme market distress. We now turn our attention to applying financial theory to explain the underlying risk and return dynamics and to determine a practical means of including gold-related assets in a portfolio.

Is Gold an "Asset Class"?

An "asset class" is a subset of the capital markets that exhibits unique risk and return attributes. The investor is compensated for the risk of holding an asset class through "expected return". Holding several asset classes provides diversification benefits and comprehensive portfolio discipline.

In his Nobel prize winning work on the Capital Asset Pricing Model (CapM), Markowitz revealed that one risk factor – market risk (or Beta)– could explain the risk-adjusted returns of any investment. The pioneering work of Fama and French, added two additional risk factors - "size" and "value". The returns an investor can expect are directly related to the degree of exposure to the combination of these three risk factors.

Market returns can be fully explained by the three factor regression model. Because the returns from most industries or "sectors" are explained by these three factors, the sectors themselves are not unique asset classes that offer meaningful diversification. However the factors (market, size, and value) do not explain the returns of certain asset classes, including REITs, bonds, utilities and gold.

The results of three-factor regression in Table 1 show that the returns of the U.S. equity market, represented by the CRSP 1-10 Index, can be fully explained (adjusted $R^2 = 1.00$) by exposure to the three factors. Gold returns, however, cannot be explained by the above three factors (adjusted $R^2 = 0.00$).

We extended our analysis to regress gold against the global equity market to include the returns from (global) small-cap and value stocks. Once again, while the model fully explains global equity returns ($R^2 = 0.97$) it cannot explain the returns attributable to gold. Our analysis of available data suggests that gold is indeed a unique asset class.

Table 1

US Three-Factor Regression Model

Monthly: 01/1968 - 01/2008 Adjusted by:TBILL

	α	MKT-B	SmB	HmL	Adj R^2	Std Err
Gold London PM Fix	0.37	-0.01	0.08	-0.04	0.00	5.84
Std Error	0.27	0.07	0.09	0.10		
T-Stat	1.36	-0.17	0.92	-0.44		
CRSP Deciles 1-10 Index (market)	0.00	1.00	-0.03	-0.01	1.00	0.30
Std Error	0.01	0.00	0.00	0.01		
T-Stat	-0.27	285.75	-5.75	-1.14		

Loading Factors:
MKT-B: Fama/French Total US Market Research Factor
SmB: Fama/French Size Premium
HmL: Fama/French Value Premium

Are Commodities an "Asset Class"?

Financial theorists posit that investing in commodity futures is a zero sum game. Rather than providing capital for a stake in future production, a futures contract merely provides a hedge for the producer. For every long future contract, there is a short contract – one person's gain is another's loss. Accordingly commodity futures are not an asset class and do not provide expected return.

Regardless of whether or not this reasoning is valid, it does not apply to gold. While gold displays many of the attributes of commodities, it is also money. It is a form of wealth and has been used by human kind as a medium of exchange for thousands of years. It can therefore be expected to provide a store of wealth as we discussed last month.

Capturing the Returns of Gold

Until very recently investors had limited options for holding gold. One could purchase gold bullion directly in the form of bars or coins. Alternatively, one could purchase the shares of gold mining stocks following the theory that they represent "gold in the ground" and that their return would therefore have some correlation to the gold price.

The transactional issues and costs involved in purchasing, storing and insuring physical gold are considerable obstacles for the average investor. There is no organized exchange to set a clearing price for bullion coins. This leaves the non-professional investors at the mercy of the coin dealer who may or may not provide a reasonable market price. Additionally the IRS considers bullion coins to be collectibles, so gains are taxed at 28 percent, versus a maximum long-term rate of 15 percent for other assets.

Two exchange traded funds (ETFs), the iShares Comex Gold Trust (IAU) and StreetTRACKS Gold Shares (GLD), both designed to track the price of gold, were launched in 2005 (see the March 31, 2005 *Investment Guide* for full descriptions). These fund vehicles have proven to be a very effective way to maintain exposure to gold. Additionally they are very cost-efficient - both have an expense ratio of 0.40%. Unfortunately, like the metal itself these ETFs are considered "collectibles" under current tax law so long-term gains are taxed at the same 28 percent rate.

We have long recommended gold mining companies that have proven reserves and a history of paying regular dividends. These stocks are liquid and are easily exchanged in established markets; however, there are drawbacks to this approach to holding gold.

First, an investor assumes the company-specific risk of the gold stock that is not inherent in the gold price itself. In the mining industry, these risks are serious considerations. They include political risk (i.e., confiscation, expropriation or nationalization of assets by foreign governments), environmental liabilities, regulatory risks and unfavorable labor relations.

The key question for investors is whether a portfolio of gold stocks adequately captures the underlying asset class (i.e., gold); this is, after all, the objective. The data suggests that while gold mining shares provide some exposure to the gold price, their correlation with gold is not strong enough to consider them an optimal proxy for gold when alternatives such as IAU and GLD are available.

To examine this relationship we considered two gold mining indexes. The

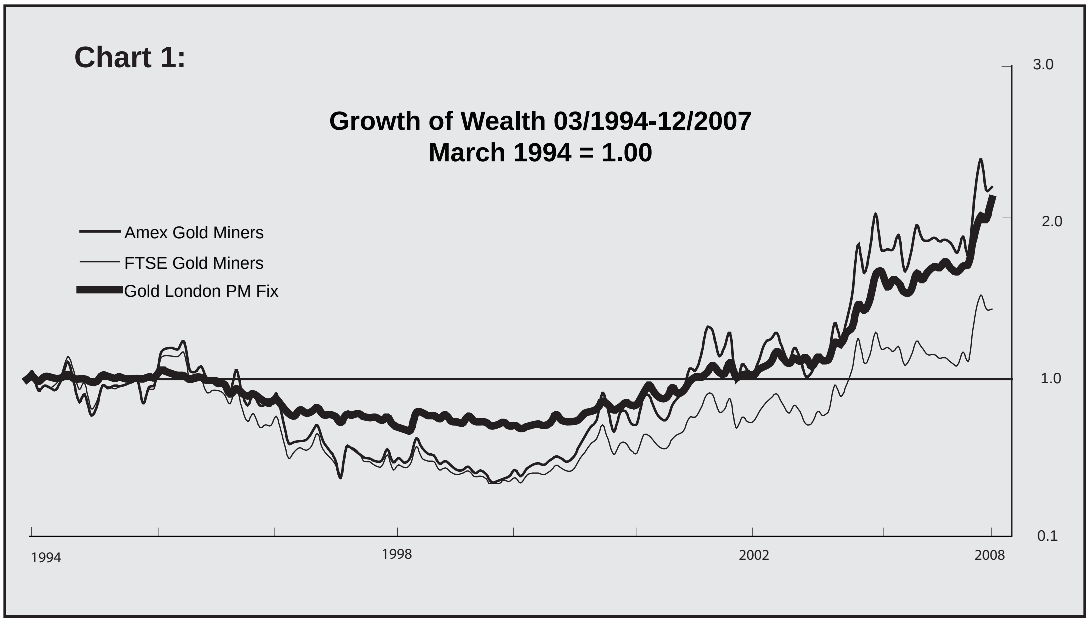
[1] R^2 quantifies the explanatory power of the regression model, it ranges between 0 and 1. The higher the R^2 is, the more robust the model is.

Table 2

CORRELATIONS OF GOLD MINERS TO VARIOUS ASSETS

(For all available data periods)

Index	Gold London PM Fix	U.S. Equity CRSP 1-10 Index	CRB Metal Index	CRB Raw Industrials Index	MSCI Emerging Markets Index	Dow Jones-AIG Commodity Index
AIS recommended Gold Miners TR	0.67	0.22	0.23	0.23	0.41	na
Amex Gold Miners Index TR	0.73	0.22	0.24	0.23	0.44	0.53
FTSE Gold Mines Index TR	0.73	0.18	0.22	0.21	0.39	0.44
Gold London PM Fix	1.00	-0.01	na	na	na	0.36



FTSE Gold Miners Index is comprised of 19 gold mining companies that have a sustainable gold production of at least 300,000 ounces a year, and that derive 51 percent or more of their revenue from "mined gold." The Amex Gold Miners Index is comprised of 30 gold mining companies that have a minimum market capitalization of $100 million. Both indexes include all of the AIS recommended gold miners with the exception of Rio Tinto PLC (RTP). RTP is excluded because while it ranks among the largest gold producers, its operations are diverse and it does not derive an adequate portion of overall annual revenues from gold production.

Table 2 describes the correlation of gold mining shares with several asset groups. Gold miners are more highly correlated to gold than to commodities in general or to any of the other asset groups displayed. We also ran the gold miners indexes in the three factor regression model and found that the model was of limited value in explaining their returns.

The data show that gold mining stocks do not provide adequate correlation to the gold price in light of alternative investment vehicles that are available. Chart 1 shows the returns of the gold mining indexes verses those of the gold price. *Table 3 demonstrates that since 1994 they have been far more volatile than the gold price and have provided a lower risk-adjusted return.*

Conclusion

In our version of El Dorado - *the best of all possible worlds, with the best of all possible tax codes* - a gold ETF would be taxed at the same 15 percent long term capital gains rate as other "non-collectible" assets, and perhaps provide an income stream. In that case IAU or GLD would be the optimal vehicles for capturing the returns attributable to gold. Unfortunately, as investors and practitioners we must deal with the reality of a 28 percent capital gains tax on gold ETFs and the tax consequences of selling mining shares that may have substantial unrealized gains.

Investors should consider concentrating gold investments in the form of an ETF in retirement accounts where the higher tax would not apply. If a non-taxable account is unavailable, an alternative strategy is to employ a "core-satellite" approach where the ETF is the core of your gold holding and gold mining shares are satellites to be used for rebalancing around that core position.

So, what is the "best way to hold gold"? In theory, the bullion based gold ETF is the best proxy for gold; however, we are not purely financial theorists, we are also investment practitioners and our goal is to maximize risk-adjusted returns on an after-tax basis. Product innovation is constant (as are changes to the tax code) and there may well be new ways to capture gold returns in the future. Our recommendations will evolve as new vehicles become available.

Rio Tinto

As noted Rio Tinto PLC (ticker RTP) does not qualify for inclusion in the FTSE Gold Miners Index or the Amex Gold Miners Index.

Historically RTP has paid a generous dividend, and recently it has provided strong total returns. However, its recent performance largely reflects the rapidly expanding demand for copper, iron and other industrial metals. RTP's share price is not strongly correlated with the gold price.

By holding gold mining stocks investors gain ownership of "gold in the ground." Our intention is to maintain a portfolio of stocks that will reflect changes in the gold price itself. Although RTP ranked thirteenth in gold production in 2007, gold is produced largely as a by-product of its much larger copper business and accounts for a relatively small portion of the firm's overall revenues.

We are no longer including Rio Tinto PLC as part of the portfolio of recommended gold mining stocks. Readers who hold RTP may want to consider selling these shares and reinvesting the proceeds to ensure that their overall portfolio target allocations are maintained.

Table 3

Summary Statistics 03/1994-12/2007*

	Annualized Return (%)	Standard Deviation (%)	Sharpe Ratio
Gold London PM Fix	5.82	13.46	0.2095
FTSE Gold Miners	2.79	35.64	-0.0059
AMEX Gold Miners	6.08	36.5	0.0844

* longest period for which data was available

THE HIGH-YIELD DOW INVESTMENT STRATEGY

In March, for our clients who invest in our high-yield Dow model we sold the first of two tranches of the Kraft (ticker KFT) shares that were spun off from Altria (ticker MO) in March 2007. Our hypothetical model mechanically sells spin-offs incrementally over several months, but in the "real world" this approach would have resulted in very small trades. We are therefore selling KFT in two tranches, the second will take place in September.

Altria spun off Philip Morris International (ticker PM). For every share of MO owned, shareholders received 1 share of PM. The original cost of MO shares was allocated 30.5 percent to MO and 69.5 percent to PM. We will sell PM as a spin-off monthly, as the model dictates. The quantity of PM shares received is large monthly trading is cost efficient. Altria itself is no longer in the Dow so we will be selling it as well per normal model procedures.

Verizon (ticker VZ) spun off Northern N.E. Spinco which immediately merged with FairPoint Communications Inc. (ticker FRP) resulting in VZ shareholders receiving 1 share of FRP for every 53.0245 shares of VZ owned. We will follow a similar selling strategy to that employed for KFT.

We manage HYD portfolios on a discretionary basis through our low-cost HYD service. Contact us at 413-528-1216 for more information

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 that the indicated purchases of **Pfizer Bank of America**, and sales of **AT&T, Altria Group,** and **Philip Morris International** are sufficiently large to warrant trading. In larger accounts, rebalancing positions in **Citigroup** and **Verizon** may be warranted.

Recommended HYD Portfolio

As of April 15, 2008

	Rank	Yield	Price	Status	Value	No. Shares[1]
					Percent of Portfolio	
Bank of America	1	7.20%	35.58	Buying	4.30	3.39
Pfizer	2	6.18%	20.71	Buying	23.61	31.95
Citigroup	3	5.61%	22.80	Holding**	15.97	19.63
General Motors	4	5.23%	19.12			
Verizon	5	4.90%	35.11	Holding**	24.57	19.61
AT&T Corp.	6	4.29%	37.33	Selling	8.01	6.01
General Electric	7	3.88%	31.98			
Merck & Co.	8	3.69%	41.22			
Morgan (JP)	9	3.61%	42.12			
DuPont	10	3.35%	48.93			
Altria Group	NA		21.71	Selling	6.70	8.65
Philip Morris Int'l	NA		48.20	Selling	14.87	8.65
KFT	NA		30.90	Selling	1.87	1.70
FairPoint	NA		7.43	Selling	0.09	0.35
IAR	NA		3.79	Selling	0.01	0.05
					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 March 31, 2008)*

	1 mo.	1 yr.	5 yrs.	10 yrs.	20 yrs.	Since 1/79	Std. Dev.
HYD Strategy	-1.52	-8.39	16.25	8.73	15.66	17.55	16.98
Russell 1000 Value Index	-0.75	-9.99	13.68	5.53	11.72	13.57	13.84
Dow	0.12	1.59	11.45	5.47	12.25	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 ($)

	4/15/08	*Mo. Earlier*	*Yr. Earlier*
Gold, London p.m. fixing	**929.75**	1003.50	681.75
Silver, London Spot Price	**17.86**	20.41	13.88
Copper, COMEX Spot Price	**3.89**	3.85	3.53
Crude Oil, W. Texas Int. Spot	**113.69**	110.20	63.63
Dow Jones Spot Index	**431.51**	434.51	313.39
Dow Jones-AIG Futures Index	**212.74**	215.83	174.35
Reuters-Jefferies CRB Index	**415.36**	416.40	317.93

Interest Rates (%)

U.S. Treasury bills - 91 day	**1.09**	1.16	4.88
182 day	**1.39**	1.29	4.89
52 week	**1.56**	1.37	4.98
U.S. Treasury bonds - 10 year	**3.60**	3.44	4.76
Corporates:			
High Quality - 10+ year	**5.54**	5.48	5.55
Medium Quality - 10+ year	**6.99**	6.86	6.46
Federal Reserve Discount Rate	**2.50**	3.50	6.25
New York Prime Rate	**5.25**	6.00	8.25
Euro Rates 3 month	**4.74**	4.61	3.96
Government bonds - 10 year	**4.02**	3.79	0.00
Swiss Rates - 3 month	**2.85**	2.82	2.31
Government bonds - 10 year	**2.99**	2.96	2.75

Exchange Rates ($)

British Pound	**1.962700**	2.029400	1.982900
Canadian Dollar	**0.982222**	1.013479	0.878812
Euro	**1.580100**	1.560400	1.351800
Japanese Yen	**0.009869**	0.009980	0.008384
South African Rand	**0.125747**	0.126523	0.138985
Swiss Franc	**0.998104**	0.992851	0.822774

Securities Markets

	4/15/08	*Mo. Earlier*	*Yr. Earlier*
S & P 500 Stock Composite	**1,334.43**	1,288.14	1,452.85
Dow Jones Industrial Average	**12,362.47**	11,951.09	12,612.13
Dow Jones Bond Average	**207.94**	206.08	198.15
Nasdaq Composite	**2,286.04**	2,212.49	2,491.94
Financial Times Gold Mines Index	**3,084.40**	3,553.88	2,450.21
FT EMEA (African) Gold Mines	**2,630.00**	2,837.59	3,152.95
FT Asia Pacific Gold Mines	**13,730.10**	16,248.63	9,269.61
FT Americas Gold Mines	**2,698.86**	3,147.78	1,910.96

Coin Prices ($)

	4/15/08	*Mo. Earlier*	*Yr. Earlier*	*Prem (%)*
American Eagle (1.00)	**946.83**	994.92	686.85	1.84
Austrian 100-Corona (0.9803)	**896.72**	942.42	653.72	-1.61
British Sovereign (0.2354)	**221.35**	232.55	162.05	1.14
Canadian Maple Leaf (1.00)	**943.60**	991.70	687.10	1.49
Mexican 50-Peso (1.2057)	**1,105.70**	1,161.60	805.90	-1.36
Mexican Ounce (1.00)	**916.80**	963.60	668.40	-1.39
S. African Krugerrand (1.00)	**925.45**	972.65	677.15	-0.46
U.S. Double Eagle-$20 (0.9675)				
St. Gaudens (MS-60)	**965.00**	1,022.50	690.00	7.28
Liberty (Type I-AU50)	**1,050.00**	1,060.00	762.50	16.73
Liberty (Type II-AU50)	**1,000.00**	1,012.50	690.00	11.17
Liberty (Type III-AU50)	**940.00**	990.00	670.00	4.50
U.S. Silver Coins ($1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	**12,700.00**	13,900.00	9,567.50	-0.55
40% Silver Circ. (292 oz.)	**5,112.50**	5,577.50	3,937.50	-1.97
Silver Dollars Circ.	**15,250.00**	15,475.00	10,012.50	10.38

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at $929.75 per ounce and silver at $17.86 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 Symbol	*Market Prices ($) 4/15/08*	*3/14/08*	*4/13/07*	*12-Month ($) High*	*Low*	*Latest Dividend Amount ($)*	*Record Date*	*Paid*	*Indicated Annual Dividend ($)*	*Yield† (%)*
Bank of America	BAC	**35.58**	35.69	50.42	52.96	33.12	0.640	3/07/08	3/28/08	2.560	7.20
Pfizer	PFE	**20.71**	20.64	26.67	27.73	20.19 *L*	0.320	2/08/08	3/4/08	1.280	6.18
Citigroup	C	**22.80**	19.78	51.60	55.55	17.99 *L*	0.320	2/04/08	2/22/08	1.280	5.61
General Motors	GM	**19.12**	19.22	32.02	43.20	17.47 *L*	0.250	2/15/08	3/10/08	1.000	5.23
Verizon	VZ	**35.11**	33.82	37.39	46.24	33.15 *L*	0.430	4/10/08	5/1/08	1.720	4.90
AT&T (New)	T	**37.33**	35.03	38.84	42.97	32.95	0.400	4/10/08	5/1/08	1.600	4.29
General Electric	GE	**31.98**	33.82	35.38	42.15	31.55 *L*	0.310	2/25/08	4/25/08	1.240	3.88
Merck	MRK	**41.22**	40.97	50.21	61.62	36.82 *L*	0.380	3/07/08	4/1/08	1.520	3.69
J P Morgan	JPM	**42.12**	36.54	49.09	53.25	36.01	0.380	4/04/08	4/30/08	1.520	3.61
Dupont	DD	**48.93**	46.98	49.31	53.90	41.26	0.410	2/15/08	3/14/08	1.640	3.35
Home Depot, Inc.	HD	**27.93**	25.75	37.89	41.19	23.77	0.225	3/13/08	3/27/08	0.900	3.22
McDonald's	MCD	**55.96**	54.78	47.64	63.69	46.64	0.375	3/03/08	3/17/08	1.500	2.68
Intel Corp	INTC	**20.91**	20.66	20.46	27.99	18.05	0.140	5/07/08	6/1/08	0.560	2.68
Chevron	CVX	**90.17**	85.34	77.01	95.50	76.40	0.580	2/15/08	3/10/08	2.320	2.57
3M Company	MMM	**78.84**	77.53	76.72	97.00	72.05	0.500	2/22/08	3/12/08	2.000	2.54
Johnson & Johnson	JNJ	**65.65**	62.65	62.35	68.85	59.72	0.415	2/26/08	3/11/08	1.660	2.53
Coca-Cola	KO	**60.94**	57.53	49.88	65.59	49.93	0.380	3/15/08	4/1/08	1.520	2.49
Procter and Gamble	PG	**70.23**	66.74	63.38	75.18	60.76	0.400	4/18/08	5/15/08	1.600	2.28
Boeing	BA	**75.70**	76.23	91.03	107.83	71.59	0.400	2/08/08	3/7/08	1.600	2.11
Alcoa	AA	**34.84**	38.39	35.12	48.77	26.69	0.170	5/02/08	5/25/08	0.680	1.95
Caterpillar	CAT	**75.95**	74.79	66.79	87.00	59.60	0.360	4/21/08	5/20/08	1.440	1.90
Amer. Int. Group	AIG	**44.11**	41.18	66.91	72.97	38.50 *L*	0.200	6/06/08	6/20/08	0.800	1.81
United Tech.	UTX	**70.84**	67.71	65.05	82.50	65.19	0.320	5/16/08	6/10/08	1.280	1.81
Wal-Mart Stores	WMT	**56.27**	49.82	47.41	56.39 *H*	42.09	0.238	12/15/08	1/2/09	0.950	1.69
American Express	AXP	**43.15**	41.01	57.36	65.89	39.50 *L*	0.180	4/11/08	5/9/08	0.720	1.67
Microsoft Corp.	MSFT	**28.25**	27.96	28.61	37.50	26.87	0.110	5/15/08	6/12/08	0.440	1.56
Exxon Mobil	XOM	**90.80**	85.91	77.41	95.27	77.04	0.350	2/11/08	3/10/08	1.400	1.54
IBM	IBM	**117.17**	115.23	94.93	121.46	93.91	0.400	2/08/08	3/10/08	1.600	1.37
Walt Disney	DIS	**29.93**	30.78	34.72	36.79	26.30	0.350	12/07/07	1/11/08	0.350	1.17
Hewlett-Packard	HPQ	**45.82**	45.92	41.18	53.48	39.99	0.080	3/12/08	4/2/08	0.320	0.70

* See the Recommended HYD Portfolio table on page 30 for current recommendations. † Based on indicated dividends and market price as of 4/15/08.
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 4/16/07.

RECOMMENDED INVESTMENT VEHICLES

	Ticker Symbol	Avg. Market Cap. / Avg. Maturity	Descriptive Quarterly Statistics, as of 3/31/08: No. of Holdings	Expense (%)	Ratios: Sharpe	Turnover (%)	P/B	12 Mo. Yield (%)	Annualized Returns (%), as of 3/31/08: Total 1 yr.	Total 3 yr.	Total 5 yr.	After Tax* 1 yr.	After Tax* 3 yr.	After Tax* 5 yr.
Short/Intermediate Fixed Income														
Vanguard Short-Term Bond Index	BSV[2]	2.7 Yrs.	815	0.11	--	79	--	--	--	--	--	--	--	--
Vanguard Short-Term Bond Index	VBISX	2.7 Yrs.	816	0.18	0.55	79	--	4.37	8.79	5.46	3.90	7.10	3.93	2.52
Vanguard Short-Term Inv. Grade	VFSTX	3.0 Yrs.	904	0.21	0.36	48	--	4.86	5.47	4.88	3.82	3.70	3.29	2.36
iShares Lehman 1-3 Year Treasury	SHY[1]	1.8 Yrs.	35	0.15	0.60	64	--	3.94	9.12	5.35	3.52	7.56	3.95	2.36
Vanguard Limited-Term Tax-Exempt	VMLTX	3.0 Yrs.	703	0.15	--	32	--	3.45	4.80	3.58	2.74	4.80	3.58	2.74
Real Estate														
Vanguard REIT Index	VNQ[2]	4.9 B.	98	0.12	0.50	36	2.2	5.03	-17.40	11.74	--	-18.40	10.37	--
Vanguard REIT Index	VGSIX[3]	4.9 B.	99	0.21	0.49	36	2.2	4.92	-17.48	11.64	17.76	-18.46	10.31	16.10
U.S. Large Cap Value														
Vanguard Value Index	VTV[2]	57.3 B.	400	0.10	0.25	20	2.0	3.05	-9.63	6.26	--	-10.00	5.84	--
Vanguard Value Index	VIVAX	57.3 B.	400	0.20	0.24	20	2.0	2.94	-9.75	6.15	13.98	-10.10	5.75	13.57
U.S. Small Cap Value														
iShares Russell Microcap Index	IWC[1]	0.3 B.	1385	0.60	na	20	1.6	0.86	-20.32	--	--	-20.41	--	--
Vanguard Small-Cap Value Index	VBR[2]	1.5 B.	991	0.11	0.07	34	1.5	2.58	-14.78	4.47	--	-15.18	4.01	--
Vanguard Small-Cap Value Index	VISVX	1.5 B.	991	0.22	0.06	34	1.5	2.42	-14.84	4.37	15.14	-15.22	3.94	14.69
U.S. Large Cap Growth														
iShares Russell 1000 Growth Index	IWF[1]	32.5 B.	688	0.20	0.22	15	3.6	1.04	-0.91	6.14	9.75	-1.10	5.97	9.57
Vanguard Growth Index	VIGRX	39.6 B.	424	0.22	0.25	23	3.9	0.90	0.11	6.37	9.60	-0.02	6.24	9.46
U.S. Marketwide														
Vanguard Total Stock Market Index	VTI[2]	31.0 B.	3626	0.07	0.25	4	2.6	1.99	-5.72	6.30	12.36	-5.97	6.02	12.08
Fidelity Spartan Total Market Index	FSTMX[4]	28.0 B.	3364	0.10	0.26	4	2.4	1.74	-5.78	6.36	12.33	-6.10	6.08	12.07
Foreign- Developed Markets														
iShares MSCI Growth Index	EFG[1]	30.4 B.	562	0.40	na	28	3.3	0.98	1.95	--	--	1.87	--	--
iShares MSCI Value Index	EFV[1]	38.7 B.	549	0.40	na	21	1.7	3.51	-7.27	--	--	-7.84	--	--
Vanguard Europe Pacific Index	VEA[2]	38.1 B.	1154	0.12	na	6	2.8							
Vanguard Tax-Managed International	VTMGX[5]	38.0 B.	1154	0.15	0.86	6	2.8	2.38	-3.25	13.23	21.57	-3.44	12.98	21.34
Vanguard Developed Markets Index	VDMIX[6]	38.1 B.	1156	0.22	0.84	7	2.9	3.11	-2.52	13.34	21.40	-3.07	12.80	20.85
Foreign- Emerging Markets														
Vanguard Emerging Market Index	VWO[2]	20.1 B.	940	0.25	1.16	9	3.3	2.09	21.84	28.10	--	21.47	27.76	--
Vanguard Emerging Market Index	VEIEX[7]	20.1 B.	940	0.37	1.15	9	3.3	1.98	20.49	27.53	34.70	20.14	27.22	34.38
Gold-Related Funds														
iShares COMEX Gold Trust	IAU[2]	--	1	0.40	--	--	--	0.00	37.64	28.30	--	37.64	28.30	--
streetTRACKS Gold Shares	GLD[1]	--	1	0.40	--	--	--	0.00	40.51	--	--	40.51	--	--

Recommended Gold-Mining Companies ($)

	Ticker Symbol	4/15/08	Month Earlier	Year Earlier	--- 52-Week --- High	Low	Distributions: Last 12 Months	Frequency	Yield (%)
Anglogold Ltd., ADR	AU	**36.90**	35.00	48.65	51.35	30.50	0.1905	Semiannual	0.5163
Barrick Gold Corp.†	ABX	**43.48**	53.31	29.34	54.74	27.71	0.2550	Semiannual	0.5865
Gold Fields Ltd.	GFI	**14.40**	16.42	19.95	20.19	13.10	0.2575	Semiannual	1.7882
Goldcorp, Inc.†	GG	**41.27**	45.59	26.54	46.30	21.00	0.1530	Monthly	0.3707
Newmont Mining	NEM	**45.45**	53.63	44.61	57.55	38.01	0.4000	Quarterly	0.8801

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.

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