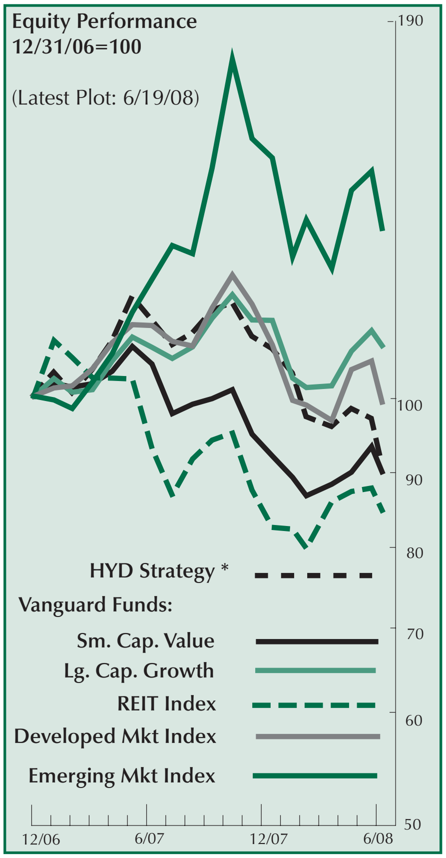
AIS INVESTMENT GUIDE
Published Monthly by
American Investment Services, Inc

Vol. XXX, No. 6 Great Barrington, Massachusetts 01230 June 30, 2008



*** HYD is a hypothetical model based on back-tested results.** **See p.46 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 property of our clients at all times—we are only authorized to trade on their behalf.) Our High-Yield Dow (HYD) service operates similarly, except it invests only in the highest-yielding Dow stocks, using the 4-for-18 model on a fully invested basis. Investors interested in these low-cost services should contact us at 413-528-1216 or Fax 413-528-0103.

Online: www.americaninvestment.com

Big Bank Fears

On June 26 the share prices for Citigroup and Bank of America, both of which were already testing multi-year lows, tumbled by more than 4 percent. Our high-yield Dow (HYD) model, which holds both stocks and declined sharply as a result, will buy more of these shares if they continue to provide a high relative yield. It is instructive to understand the nature of this episode as it serves to clearly distinguish between rational investing and the speculation in which much of Wall Street seems hopelessly engaged.

The media instantly pointed to the recommendations of a single analyst as the cause of the sell-off. A Goldman Sachs stock analyst recommended that investors sell Citigroup short, and predicted that Citi would write down an additional $8.9 billion, largely in collateralized debt obligations, and also surmised that the bank would cut its dividend for the second time in a year.

It is nearly impossible to track the success of analysts' recommendations, because they are rarely defined clearly ("neutral", "outperform" and other mysterious labels are common), so it is nearly impossible to discern established times to buy or sell. In the case at hand the analyst saw fit to move Citigroup to his "Americas conviction sell" list (we're not sure what that means but apparently this time they really mean it). For an individual investor this sort of "drive-by" commentary is useless in gauging how much of a particular security to hold in the context of a comprehensive portfolio strategy.

Our HYD approach, on the other hand, is unequivocal. Each month the model provides explicit orders to buy, sell, or hold securities, in proportions that individual investors can easily apply to their portfolios. Most importantly, the model relies on data that is not subject to interpretation: a market price and a cash dividend (rather than projections), in order to gauge a stock's relative risk (and hence its potential return).

Bank of America and Citigroup comprise roughly 24 percent of the HYD model. But for many of our PAM clients' portfolios, our broader asset allocation strategy leaves many with roughly four percent of their total holdings allocated to these two stocks. Our target allocations for U.S. large cap value stocks generally range between 15 percent (for conservative investors) and 30 percent (for aggressive investors), and we fulfill this allocation with both the HYD model and large cap value index-type products.

The model's discipline has trumped the analysts' predictions on numerous occasions. To cite the case of another bank stock, in the summer of 2002, J.P. Morgan's share price fell to $20 as analysts fretted over shareholder lawsuits and investigations regarding the bank's role in the Enron debacle. The model nevertheless continued buying methodically as the share price subsequently bottomed out around $15.50 per share in October of that year. Over time the price rebounded and the model began selling JPM and was completely sold out in April 2007, with shares trading as high as $50 per share. No one knows whether Citigroup will follow the same course, but we are confident that it can. The HYD model has held both winners and losers but the winners have far outgained the losers.

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A READER INQUIRES

We recently received a letter from a subscriber who posed a question that goes to the heart of our investment approach.

Reader: "I have been a member of AIER for about 50 years and of AIS since it started. Right now I am confused.

Looking at the 4/30 Investment Guide, for example, it seems that the best Buy for April for the last year and a half is emerging markets, and second best is developed market. Yet page 2 recommends spreading security investment over nine categories. Why diversify when much better results are achieved by "putting all your eggs in one basket and watching that basket?"

AIS: If an investor could only choose the right basket in advance your logic would be eminently logical. However, identifying those baskets in advance is impossible except by chance. Our research suggests that investors who hope to find the winners among asset classes that have done well lately will be disappointed.

Every calendar quarter (in our January, April, July and October issues) we publish our Quarterly Review of Investment Policy which includes a Table of Returns. That table is intended to demonstrate that the asset class that will perform best (or worst) from quarter-to-quarter is anyone's guess.

It is telling that even long time adherents to our approach to economic inquiry appear tempted to "follow the crowd" by investing in what has done well lately. We understand that this is tempting indeed, especially considering the incessant message from the mainstream media that promotes the concept incessantly. We hope the accompanying article on portfolio rebalancing will reinforce the message that disciplined rebalancing is the best means of avoiding this pitfall.

As Dartmouth Professor Ken French has observed, "Diversification is the closest thing to a free lunch. You might as well eat a lot of it."

PORTFOLIO REBALANCING: KEEP YOUR HANDS ON THE WHEEL

Consider two hypothetical portfolios, A and B. Each was fully invested at the beginning of 1960, 50 percent in equities (S&P 500) and 50 percent intermediate term bonds (Ibbotson Intermediate Term U.S. Govt. Bond index). However, as stocks and bond returns changed over the years, portfolio A was never rebalanced, while portfolio B was rebalanced to the original 50-50 balance every 6 months if the allocation deviated by more than 5 percent from the original targets. By December 31, 2007, 47 years later, portfolio A would have been comprised of 80 percent equities and 20 percent bonds, while portfolio B would have still been weighted 50-50.

Is it better to have rebalanced or would an investor have been better off "letting it ride"? As depicted in Chart 1, portfolio A had earned annualized returns of 9.3 percent, almost identical to the 9.2 percent annual return for portfolio B. *However, over 12-month rolling time periods, Portfolio A would have suffered returns of -5 percent or less 9.9 percent of the time, versus only 4.8 percent of the time for the rebalanced portfolio*. Moreover, Chart 2 demonstrates that the range of monthly returns for the rebalanced portfolio would have been superior. Even for the rare investor with a 47-year investment horizon, the peace of mind gained from fewer "down" periods along the way would be well worth the effort required of occasional rebalancing.

Numerous studies have demonstrated that rebalancing your portfolio in a disciplined manner is essential in order to minimize the volatility you will have to endure in pursuit of your financial objectives.

What Is It? Why Do It?

Portfolio rebalancing is the adjustment of investment holdings in order to attain the desired proportion of each asset class in one's portfolio. At the beginning of any long-term investment program, an informed investor decides what proportions of the portfolio should be in each of several asset classes. This initial decision on the target portfolio allocation reflects the investor's tolerance of risk, which is often defined as the variability of portfolio returns.

What determines portfolio risk? The variability of a portfolio's return is determined by the variability of returns to its component asset classes, the proportions in which those asset classes are held in the portfolio, and the correlations of returns among the different asset classes.

Differences among the changes in the market values of the assets held in a portfolio cause the actual portfolio weights to drift away from the target weights. This drift from target allocations is inevitable, especially when there are big differences in the riskiness of individual assets in the portfolio. After a period of large gains (or losses) in one asset, the actual allocation of the portfolio can differ substantially from its target allocation.

If it's gaining, why not let it run? It is always tempting to stick with a winner, but in this case the discipline of rebalancing requires the investor to reduce the proportion of the portfolio held in an asset that has experienced large gains and to increase the proportion held in an asset that has experienced losses. These transactions are necessary to re-establish the portfolio's risk profile.

Take an extreme example—the numbers are hypothetical but, unfortunately, not untypical of investors who became infatuated with tech stocks in the late 1990s. Suppose an investor started in 1995 with a portfolio allocated among tech stocks (20 percent) large-cap-value stocks (30 percent), and bonds (50 percent). The tech stocks might have subsequently skyrocketed in value, to comprise above 50 percent of the portfolio's value by the first quarter of 2000. If a conscious decision to allocate only 20 percent of the portfolio to tech stocks made sense in 1995, it should have made sense in 2000 as well. The riskiness of the portfolio with a 50 percent allocation to tech stocks was decidedly higher than it would have been with a 20 percent allocation. And in this particular example, 50 percent (instead of 20 percent) of the investor's portfolio was exposed to the sharp decline in tech stock prices that began in the first half of 2000. A more prudent approach would have used periodic rebalancing transactions to remain near the targeted portfolio allocation.

Costs and Benefits

The example is a dramatic one, but it doesn't take a bubble in tech stocks to make rebalancing a worthwhile activity. To see why, it's helpful to understand the costs and benefits of rebalancing activity, even if you don't sit down in front of a spreadsheet to tally them up each time you look at your portfolio.

The cost side of the issue is straightforward. In addition to whatever time is spent in considering and carrying out any rebalancing transaction, the major costs of the activity are the standard transactions costs involved in buying and selling securities. Most of these costs are either relatively small fixed amounts, or fixed percentages of the size of the transaction.

The benefit of rebalancing is primarily your ability "to sleep better at night" knowing that the variability of the value of your assets will be kept within reasonable bounds. The composition of a targeted portfolio allocation is a clear expression of how much an investor is willing to pay to reduce risk. By rebalancing to those targets after a particular asset has done well, or very well, you are foregoing whatever additional returns you would otherwise earn from that particular asset. But not rebalancing allows the market to determine your portfolio allocation, and introduces the very risk you sought to avoid in your initial portfolio allocation decision.

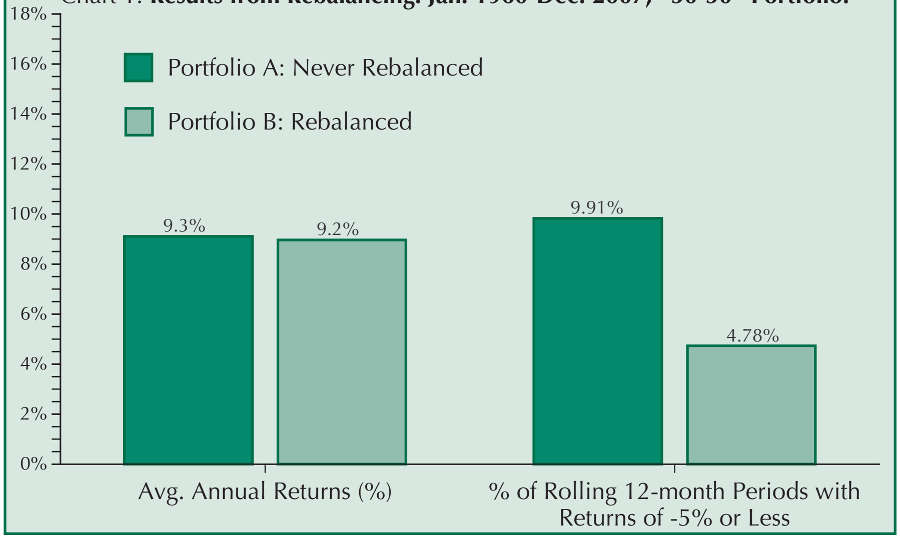
Moreover, the costs of deviating from the target allocation—measured by the change in the risk profile of the entire portfolio—increase with the squared value of the deviation. In the portfolio of our hypothetical investor, the increase in risk associated with a 3 percent over-allocation to tech stocks is nine times as much as the increase in risk associated with a 1 percent over-allocation. It is the avoidance of this increase in risk that is the main benefit of rebalancing. (The calculations are the same for lower-than-target allocations. An allocation to tech stocks that is 3 percent below the target level reduces risk by nine times as much as an allocation only 1 percent below target.)

Given the structure of the costs and benefits of portfolio rebalancing, it should not be surprising that it doesn't always make sense to eliminate any discrepancies between the actual portfolio allocation and target allocation. Depending on the structure of transactions costs, there is usually a small range of differences between actual and target allocations for which the costs of rebalancing exceed the benefits. Moreover, depending on the riskiness of the individual assets in the portfolio, it can sometimes be optimal to eliminate only a portion of the discrepancy between actual and target allocations.

When, How, and Taxes

There is a good amount of discretion involved in deciding on when and how to conduct rebalancing transactions. There are two main approaches to deciding when rebalancing is appropriate, the threshold basis and the calendar basis.

Chart 1: **Results from Rebalancing: Jan. 1960-Dec. 2007, "50-50" Portfolio.**



The threshold approach dictates rebalancing whenever the difference between actual and target allocations reaches a certain value. The calendar approach dictates reviewing the portfolio for possible rebalancing at regular time intervals.

The threshold approach relies almost exclusively on comparisons of the costs and benefits of rebalancing, as discussed in the previous section. Then, depending mainly on the structure of transactions costs, the threshold approach produces a rule, such as "Eliminate two-thirds of the discrepancy between actual and target allocation whenever the difference exceeds 6 percent." (For a different set of transactions costs, the rule might dictate eliminating all of the discrepancy whenever it exceeds 4 percent).

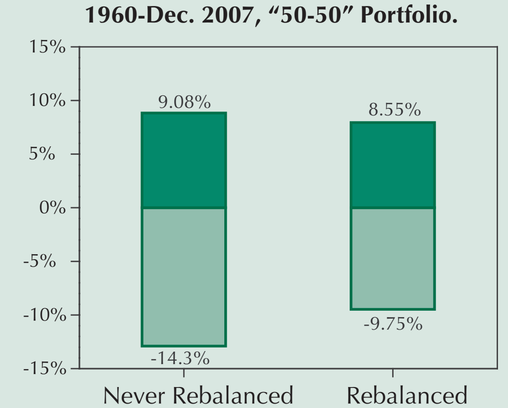
While the threshold approach relies on the comparison of costs and benefits, rules for the calendar approach are typically obtained by comparing portfolio performance "results" for different rebalancing intervals. There are several studies available describing such comparisons. In general, they conclude that rebalancing at quarterly (or shorter) intervals makes sense only for the most volatile market conditions. Many studies conclude that the optimal review interval is somewhere between six months and two years.

How rebalancing is done depends mainly on the nature of the investment account, the size of regular additions to it, and distributions (dividends, coupon payments) from the account. In some circumstances, for example, it will be possible to rebalance a portfolio by redirecting regular (monthly or quarterly) additions to the investment account, and/or redirecting distributions from the account. In other cases it will be necessary to sell assets whose actual weights in the portfolio exceed their target levels to fund purchases of under-weighted portfolio assets.

Tax considerations always have a big impact on the cost-benefit comparisons for portfolio rebalancing. In general, it is preferable to carry out rebalancing transactions in tax-exempt accounts, where the absence of tax implications doesn't affect the cost-benefit calculation for adjusting the portfolio. Rebalancing transactions in taxable accounts must clear a higher benefit hurdle to match the increased costs imposed by taxes.

When both taxable and tax-deferred accounts are held, the tax-deferred account(s) should be used for holding those asset classes that bear the greatest tax incidence, such as bonds. This means that you should not simply apply your

Chart 2: **Range of Monthly Returns: Jan. 1960-Dec. 2007, "50-50" Portfolio.**



desired allocations to each account individually, but to your portfolio as a whole. This can complicate your rebalancing efforts; if stocks have a tremendous run, for example, while bonds have a tough year, and if your tax deferred account was small in proportion to your taxable account, you may find that you'll have to purchase bonds in the taxable account in order to meet your target allocations. Conversely, if bonds have a great run while stocks do poorly, you might have to buy stocks and sell bonds in the tax-deferred account. In the final analysis it is well worth the effort to make the changes necessary to maximize your overall, after-tax, risk-adjusted returns.

Unfortunately, because of myriad investor-unique considerations, there are no hard-and-fast rules that delineate exactly how and when one should rebalance. What is most important is to develop a reasonable approach and to have the discipline to stick with it. Most importantly, do not fall into the trap of delaying or otherwise altering your rebalancing plan by attempting to anticipate what the market might do.

THE COST OF CARING FOR ELDERLY PARENTS

According to the Urban Institute, adult children account for over half of all elder care providers. The unpaid, informal care they minister, while enabling parents to spend their time at home rather than in a nursing home or assisted living facility, extracts a hefty price both emotionally and financially. Overall, the average caregiver loses $659,000 in lifetime wage and pensions due to time devoted to caregiving duties. In 2005, the value of informal eldercare by children and others was about $102.7 billion, greater than amounts spent for Medicaid and roughly one-third of the $309 billion spent for long-term care in this country.

Adult children who can afford to delegate some or all caregiving responsibilities to outsiders, either with parental assets or their own money, face significant costs as well. A study by Genworth Financial indicates that full-time care in a nursing home now costs an average of $209 a day for a private room, or $76,285 a year. The cost of living in an assisted living facility averages $3,008 a month, an 11 percent increase over 2007.

Costs can mount even when parents remain in a home. Depending on their level of skill and assigned tasks, the national average hourly rate for home health aids and homemaker service aids ranges from $18 to $38. Medical co-payments, pharmaceuticals, transportation, re-fitting and remodeling a home to accommodate illness or disability, and other expenses can easily add up to thousands of dollars a year. Indirect costs are also significant, as caregivers must often quit their jobs or reduce their hours, cut back on leisure activities and vacations, reduce or stop saving for their own future, or defer major purchases in order to free up the time and resources necessary to care for a parent in poor health.

Gathering Resources

Adult children generally have a greater degree of financial leeway and more options for care when parents have accumulated savings or have home equity for such purposes. If you are helping manage money for a parent who is in a nursing home or is in poor health, you will need to have access to bank accounts and other assets. Depending on individual circumstances and planning considerations, this can be accomplished through joint account ownership or through a durable or springing power of attorney. An attorney can advise you about which is the best option.

"Big date tonight, Dad. Can I borrow the cardigan?"

Once you have access to accounts you must decide which assets to tap first to pay expenses. A number of factors contribute to the decision, including estate planning considerations, your parent's tax bracket, and parent's age, so you should consult a tax advisor before making any decisions.

As a general rule it makes sense to draw down assets in the following order:

Required minimum distributions from tax-deferred accounts. Individuals age 70 1/2 or older must begin taking required minimum distributions according to IRS life expectancy tables from traditional IRAs (but not Roth IRAs, which have no required distributions). Failure to take required minimum distributions will result in a 50 percent penalty for amounts not taken. You should take out enough to cover taxes as well as care-related expenses, as deductible (pre-tax) contributions and earnings are subject to income taxes.

Taxable assets. Tapping these assets allows you to take out money to meet current expenses without having to pay income taxes on withdrawals. If you need to liquidate stocks and other assets that are subject to capital gains taxes, select first those positions that produce a taxable loss to offset realized gains and ordinary income.

Tax-deferred accounts. As mentioned previously, withdrawals from traditional IRAs, 401(k) plans, and other types of tax-deferred accounts funded with pre-tax dollars are subject to taxes, so you should generally use these accounts only after taxable assets have been exhausted.

Roth IRAs. Leaving the Roth account untouched as long as possible allows earnings to accumulate tax-free for as long as possible.

In addition to financial assets, many people use home equity as a funding source. If a parent is downsizing to a smaller, more navigable environment, it can sometimes make sense to sell the larger residence to free up assets for living expenses. But this option should be weighed carefully against the cost of replacement housing, ties to the community, and estate planning considerations.

A parent who wishes to remain at home might consider a reverse mortgage in which the lender typically advances a series of payments to the homeowner in exchange for a future claim on the home. The lender collects the balance of the loan when the borrower or the borrower's estate sells the house. Reverse mortgages should only be considered as a last resort, since they often involve high fees and costs. Exercising an accelerated death benefit from a life insurance policy, which allows a terminally ill policyholder to collect a percentage of the death benefit while he or she is still alive, is another unpalatable option that may be necessary if it is the only one available.

Tax Matters

When you help file a parent's tax return, be sure to deduct medical care expenses that exceed 7.5 percent of adjusted gross income. Such expenses may include health insurance or long-term care insurance, the portion of nursing home expenses attributable to medical care, in-home nursing services, and out-of-pocket payments for hospital services.

Parents do not always have the means to pay for all of their care, and may sometimes turn to children to bridge the shortfall. The decision regarding whether to support a parent financially is a very personal one. Some children and their parents feel that because the younger generation received financial support for so many years it is only fair to repay the obligation down the road. Others believe that while it is a parent's duty to support a child, the reverse does not necessarily hold true.

If you have made the decision to provide significant financial support for an elderly parent, there is a good chance you won't be able to claim him or her as a dependent on your tax return, even though doing so would allow you to reduce taxable income by the amount of the personal exemption, which is $3,500 in 2008. But to qualify, a parent's income from sources other than Social Security, including pension benefits, withdrawals from retirement savings plans, and income from investments, cannot exceed $3,500--a threshold easily that is easily exceeded with a small pension or personal savings. And even if mom or dad meets the income test, you must provide more than half of his or her living expenses to meet the dependent qualification test. Employers may offer tax relief through a flexible spending account, which allows participants to pay for dependent care with pre-tax dollars up to a specified limit. Check with your employer for details about the provisions of your plan that specify who qualifies as a dependent.

Even if a parent has too much income to be a dependent, the IRS may allow you to deduct money you spend for a parent's medical care, regardless of parental income. However, you must provide over half of a parent's support to qualify for the medical expense deduction, and the amount of the deduction is limited to medical expenses that exceed 7.5 percent of your adjusted gross income. (You can include your own medical expenses in the tally.) This threshold is often within reach, since medical and nursing expenses can add up quickly.

Outside Resources

Whether or not parents have significant assets, a number of government and private organizations can help adult children and their parents maximize available resources and potentially minimize the drain on their finances. These include:

The National Council on Aging's Benefits Checkup Program (benefitscheckup.org). Explains how to access and apply for public programs available to seniors, such as heating and energy assistance, prescription savings programs, and income supplements.

The National Academy of Elder Law Attorneys (naela.com). An organization of attorneys who specialize in elder law issues. The NAELA web site can help locate attorneys in your area who specialize in estate and Medicaid planning.

Edlercare Locator (eldercare.gov). A service of the U.S. Administration on Aging, the Edlercare Locator links those who need assistance with appropriate state and local area agencies on aging and community-based organizations.

National Association of Homebuilders (nahb.org). The Certified Aging-in-Place Specialist program, a joint effort by the NAHB and the AARP, helps locate contractors and remodelers who are trained in home design and remodeling for the elderly.

The U.S. Department of Veterans Affairs (va.gov). Provides information about health care, prescription drug, and other benefits available to veterans.

Medicare (medicare.gov). Explains Medicare and Medicaid coverages and benefits, the role of Medigap policies, and enrollment and billing procedures.

Typical Elder Care Costs
Homemaker services: "Hands off" care provided by personal care assistants, such as helping with cooking and errands: $18/hour
Home health aid services: "Hands-on" non-medical personal care in the home, including activities such as bathing, dressing, and transportation: $19/hour
Home health aid services provided by a Medicare certified agency: Personal care and sometimes skilled care, including assistance with bathing, dressing, and transferring: $38/hour
Adult day care: Daily rate for non-overnight care in a community-based, protective setting: $59
Assisted living facility: One bedroom apartment in a facility that provides "hands on" personal care as well as medical care: $3,008/month
Nursing home: Room in facility that provides skilled, around the clock nursing care: Semi-private room: $187/day. Private room: $209/day
Source: Genworth Cost of Care Survey, 20

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 only **Pfizer** and **Bank of America** were not eligible for purchase 18 months earlier. HYD investors should find that the indicated purchases of Pfizer and 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 June 13, 2008

	Rank	Yield	Price	Status	Percent of Portfolio: Value	Percent of Portfolio: No. Shares[1]
Bank of America	1	8.60%	29.78	Buying	6.55	5.80
Pfizer	2	7.12%	17.99	Buying	22.96	33.64
Citigroup	3	6.25%	20.48	Holding**	17.07	21.97
General Motors	4	6.08%	16.45	*		
Verizon	5	4.61%	37.33	Holding**	26.86	18.97
AT&T Corp.	6	4.36%	36.68	Selling	4.89	3.51
Merck & Co.	7	4.28%	35.53			
General Electric	8	4.25%	29.15			
Morgan (JP)	9	3.84%	39.58			
DuPont	10	3.47%	47.20			
Altria Group	NA		20.90	Selling	5.88	7.41
Philip Morris Int'l	NA		51.61	Selling	14.51	7.41
Kraft	NA		31.00	Selling	1.17	0.99
Fairpoint	NA		7.29	Selling	0.08	0.29
					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 May 31, 2008)*

	1 mo.	1 yr.	5 yrs.	10 yrs.	20 yrs.	Since 1/79	Std. Dev.
HYD Strategy	-1.54	-16.20	11.43	9.38	15.86	17.49	16.94
Russell 1000 Value Index	-0.16	-12.28	11.40	6.11	11.82	13.67	13.82
Dow	1.73	-2.31	10.48	5.99	12.44	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 ($)

	6/13/08	Mo. Earlier	Yr. Earlier
Gold, London p.m. fixing	**866.00**	881.25	653.10
Silver, London Spot Price	**16.31**	16.60	13.06
Copper, COMEX Spot Price	**3.59**	3.76	3.42
Crude Oil, W. Texas Int. Spot	**134.86**	124.11	67.99
Dow Jones Spot Index	**465.04**	436.63	324.15
Dow Jones-AIG Futures Index	**226.02**	214.68	176.48
Reuters-Jefferies CRB Index	**445.87**	421.61	319.30

Interest Rates (%)

U.S. Treasury bills - 91 day	**1.93**	1.80	4.43
182 day	**2.17**	1.85	4.68
52 week	**2.51**	2.08	4.93
U.S. Treasury bonds - 10 year	**4.15**	3.83	5.16
Corporates:			
High Quality - 10+ year	**5.68**	5.55	5.87
Medium Quality - 10+ year	**7.08**	6.91	6.76
Federal Reserve Discount Rate	**2.25**	2.25	6.25
New York Prime Rate	**5.00**	5.00	8.25
Euro Rates 3 month	**4.96**	4.86	4.15
Government bonds - 10 year	**4.52**	4.09	4.63
Swiss Rates - 3 month	**2.88**	2.78	2.49
Government bonds - 10 year	**3.38**	3.01	3.22

Exchange Rates ($)

British Pound	**1.949600**	1.948800	1.976500
Canadian Dollar	**0.972573**	1.000400	0.936505
Euro	**1.536800**	1.549200	1.336500
Japanese Yen	**0.009266**	0.009559	0.008094
South African Rand	**0.123153**	0.131622	0.140499
Swiss Franc	**0.953743**	0.949578	0.804635

Securities Markets

	6/13/08	Mo. Earlier	Yr. Earlier
S & P 500 Stock Composite	**1,360.03**	1,423.57	1,532.91
Dow Jones Industrial Average	**12,307.35**	12,992.66	13,639.48
Dow Jones Bond Average	**204.24**	209.44	195.29
Nasdaq Composite	**2,454.50**	2,533.73	2,626.71
Financial Times Gold Mines Index	**2,743.04**	2,921.27	2,270.13
FT EMEA (African) Gold Mines	**2,324.29**	2,692.99	2,667.62
FT Asia Pacific Gold Mines	**11,506.08**	12,616.86	9,104.13
FT Americas Gold Mines	**2,435.35**	2,512.30	1,817.14

Coin Prices ($)

	6/13/08	Mo. Earlier	Yr. Earlier	Prem (%)
American Eagle (1.00)	**891.03**	900.63	668.85	2.89
Austrian 100-Corona (0.9803)	**843.63**	852.72	636.63	-0.63
British Sovereign (0.2354)	**208.45**	210.65	157.95	2.25
Canadian Maple Leaf (1.00)	**887.80**	847.40	669.10	2.52
Mexican 50-Peso (1.2057)	**1,039.80**	1,051.10	784.90	-0.42
Mexican Ounce (1.00)	**862.60**	871.90	651.00	-0.39
S. African Krugerrand (1.00)	**870.28**	880.05	659.55	0.49
U.S. Double Eagle-$20 (0.9675)				
St. Gaudens (MS-60)	**927.50**	897.50	690.00	10.70
Liberty (Type I-AU50)	**1,050.00**	1,050.00	762.50	25.32
Liberty (Type II-AU50)	**982.50**	990.00	712.50	17.26
Liberty (Type III-AU50)	**902.50**	872.50	655.00	7.72
U.S. Silver Coins ($1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	**11,700.00**	11,687.50	9,200.00	0.33
40% Silver Circ. (292 oz.)	**4,700.00**	4,735.50	3,775.00	-1.31
Silver Dollars Circ.	**14,250.00**	14,725.00	9,950.00	12.94

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at $866.00 per ounce and silver at $16.31 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 ($) 6/13/08	5/15/08	6/15/07	12-Month ($) High	Low	Latest Dividend Amount ($)	Record Date	Paid	Indicated Annual Dividend ($)	Yield† (%)
Bank of America	BAC	29.78	36.71	50.08	52.96	28.83 *L*	0.640	6/06/08	6/27/08	2.560	8.60
Pfizer	PFE	17.99	20.08	26.47	26.53	17.50 *L*	0.320	5/09/08	6/3/08	1.280	7.12
Citigroup	C	20.48	23.73	53.98	54.49	17.99	0.320	5/05/08	5/23/08	1.280	6.25
General Motors	GM	16.45	21.23	34.66	43.20	15.50 *L*	0.250	5/16/08	6/10/08	1.000	6.08
Verizon	VZ	37.33	38.90	42.99	46.24	33.15	0.430	7/10/08	8/1/08	1.720	4.61
AT&T (New)	T	36.68	39.86	40.28	42.97	32.95	0.400	4/10/08	5/1/08	1.600	4.36
Merck	MRK	35.53	40.00	50.73	61.62	34.92 *L*	0.380	6/06/08	7/1/08	1.520	4.28
General Electric	GE	29.15	32.37	38.12	42.15	28.49 *L*	0.310	6/23/08	7/25/08	1.240	4.25
J P Morgan	JPM	39.58	47.02	50.56	50.99	36.01	0.380	7/03/08	7/31/08	1.520	3.84
Dupont	DD	47.20	49.52	51.47	53.90	41.26	0.410	5/15/08	6/12/08	1.640	3.47
Home Depot, Inc.	HD	27.53	29.53	37.95	41.19	23.77	0.225	6/05/08	6/19/08	0.900	3.27
Johnson & Johnson	JNJ	66.27	66.68	62.77	68.85	59.72	0.460	5/27/08	6/10/08	1.840	2.78
Coca-Cola	KO	55.42	57.01	51.58	65.59	51.11	0.380	6/15/08	7/1/08	1.520	2.74
3M Company	MMM	76.12	77.86	87.67	97.00	72.05	0.500	5/23/08	6/12/08	2.000	2.63
Chevron	CVX	99.40	98.49	83.17	104.63 *H*	76.40	0.650	5/19/08	6/10/08	2.600	2.62
Amer. Int. Group	AIG	34.18	39.57	72.54	72.91	32.82 *L*	0.220	9/05/08	9/19/08	0.880	2.57
McDonald's	MCD	59.95	60.86	52.17	63.69	46.64	0.375	6/09/08	6/23/08	1.500	2.50
Intel Corp	INTC	22.66	24.97	24.24	27.99	18.05	0.140	5/07/08	6/1/08	0.560	2.47
Procter and Gamble	PG	66.45	66.36	62.57	75.18	60.76	0.400	4/18/08	5/15/08	1.600	2.41
Boeing	BA	75.12	85.55	98.15	107.83	71.59	0.400	5/09/08	6/6/08	1.600	2.13
Caterpillar	CAT	81.50	83.50	81.11	87.00	59.60	0.420	7/21/08	8/20/08	1.680	2.06
United Tech.	UTX	68.56	74.29	72.01	82.50	65.20	0.320	8/15/08	9/10/08	1.280	1.87
Exxon Mobil	XOM	88.36	91.30	85.94	96.12 *H*	77.55	0.400	5/13/08	6/10/08	1.600	1.81
Alcoa	AA	39.46	42.74	41.60	48.77	26.69	0.170	5/02/08	5/25/08	0.680	1.72
American Express	AXP	44.66	49.86	63.77	65.89	39.50	0.180	7/11/08	8/8/08	0.720	1.61
Wal-Mart Stores	WMT	59.18	57.12	49.34	59.95 *H*	42.09	0.238	12/15/08	1/2/09	0.950	1.61
IBM	IBM	126.15	128.46	105.09	129.99 *H*	97.04	0.500	5/09/08	6/10/08	2.000	1.59
Microsoft Corp.	MSFT	29.07	30.45	30.49	37.50	26.87	0.110	8/21/08	9/11/08	0.440	1.51
Walt Disney	DIS	33.93	34.99	34.40	35.69	26.30	0.350	12/07/07	1/11/08	0.350	1.03
Hewlett-Packard	HPQ	47.45	46.73	45.71	53.48	39.99	0.080	6/11/08	7/2/08	0.320	0.67

* See the Recommended HYD Portfolio table on page 46 for current recommendations. † Based on indicated dividends and market price as of 6/13/08. 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 6/16/07.

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 5/31/08: 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	--	--	7.44	--	--	5.89	--	--
Vanguard Short-Term Bond Index	VBISX	2.7 Yrs.	816	0.18	0.55	79	--	4.37	7.31	4.53	3.30	5.69	3.00	1.92
Vanguard Short-Term Inv. Grade	VFSTX	3.0 Yrs.	904	0.21	0.36	48	--	4.86	5.13	4.45	3.49	3.38	2.84	2.02
iShares Lehman 1-3 Year Treasury	SHY[1]	1.8 Yrs.	35	0.15	0.60	64	--	3.94	7.50	4.61	3.16	6.09	3.22	2.07
Vanguard Limited-Term Tax-Exempt	VMLTX	3.0 Yrs.	703	0.15	--	32	--	3.45	5.16	3.47	2.56	5.16	3.47	2.56
Real Estate														
Vanguard REIT Index	VNQ[2]	4.9 B.	98	0.12	0.50	36	2.2	5.03	-12.28	10.64	--	-13.35	9.28	--
Vanguard REIT Index	VGSIX[3]	4.9 B.	99	0.21	0.49	36	2.2	4.92	-12.37	10.54	16.94	-13.41	9.22	15.29
U.S. Large Cap Value														
Vanguard Value Index	VTV[2]	57.3 B.	400	0.10	0.25	20	2.0	3.05	-13.23	7.31	--	-13.59	6.88	--
Vanguard Value Index	VIVAX	57.3 B.	400	0.20	0.24	20	2.0	2.94	-13.33	7.20	10.95	-13.66	6.79	10.55
U.S. Small Cap Value														
iShares Russell Microcap Index	IWC[1]	0.3 B.	1385	0.60	na	20	1.6	0.86	-19.15	--	--	-19.25	--	--
Vanguard Small-Cap Value Index	VBR[2]	1.5 B.	991	0.11	0.07	34	1.5	2.58	-12.18	6.98		-12.59	6.51	--
Vanguard Small-Cap Value Index	VISVX	1.5 B.	991	0.22	0.06	34	1.5	2.42	-12.27	6.86	13.41	-12.66	6.43	12.97
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	-0.33	8.26	9.03	-0.52	8.09	8.86
Vanguard Growth Index	VIGRX	39.6 B.	424	0.22	0.25	23	3.9	0.90	1.75	8.87	9.49	1.62	8.74	9.35
U.S. Marketwide														
Vanguard Total Stock Market Index	VTI[2]	31.0 B.	3626	0.07	0.25	4	2.6	1.99	-6.48	8.19	10.79	-6.52	8.02	10.56
Fidelity Spartan Total Market Index	FSTMX[4]	28.0 B.	3364	0.10	0.26	4	2.4	1.74	-6.33	8.30	10.79	na	na	na
Foreign- Developed Markets														
iShares MSCI Growth Index	EFG[1]	30.4 B.	562	0.40	na	28	3.3	0.98	2.80	--	--	2.72	--	--
iShares MSCI Value Index	EFV[1]	38.7 B.	549	0.40	na	21	1.7	3.51	-7.91	--	--	-8.49	--	--
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	-3.11	16.60	19.46	-3.30	16.35	19.23
Vanguard Developed Markets Index	VDMIX[6]	38.1 B.	1156	0.22	0.84	7	2.9	3.11	-2.26	16.74	19.30	-2.81	16.18	18.76
Foreign- Emerging Markets														
Vanguard Emerging Market Index	VWO[2]	20.1 B.	940	0.25	1.16	9	3.3	2.09	21.46	32.09	--	21.09	31.74	--
Vanguard Emerging Market Index	VEIEX[7]	20.1 B.	940	0.37	1.15	9	3.3	1.98	20.10	31.51	33.36	19.74	31.18	33.05
Gold-Related Funds														
iShares COMEX Gold Trust	IAU[2]	--	1	0.40	--	--	--	0.00	33.70	28.18		33.70	28.18	--
streetTRACKS Gold Shares	GLD[1]	--	1	0.40	--	--	--	0.00	32.39	28.21	--	32.39	28.21	--

Recommended Gold-Mining Companies ($)

	Ticker Symbol	6/13/08	Month Earlier	Year Earlier	--- 52-Week --- High	Low	Distributions: Last 12 Months	Frequency	Yield (%)
Anglogold Ltd., ADR	AU	**31.96**	39.25	40.89	51.35	30.50	0.1905	Semiannual	0.5961
Barrick Gold Corp.†	ABX	**38.55**	39.16	29.14	54.74	27.79	0.2975	Semiannual	0.7717
Gold Fields Ltd.	GFI	**11.13**	13.90	16.40	19.92	10.82	0.2142	Semiannual	1.9245
Goldcorp, Inc.†	GG	**38.46**	40.31	24.83	46.30	21.00	0.1530	Monthly	0.3978
Newmont Mining	NEM	**47.01**	46.73	40.43	57.55	38.01	0.4000	Quarterly	0.8509

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.