AIS INVESTMENT GUIDE

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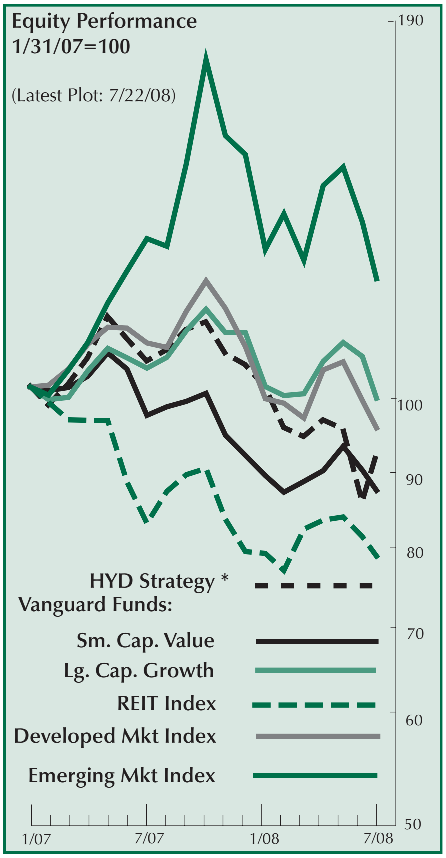


*** HYD is a hypothetical model based on back-tested results. See p.54 for full explanation**

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

Investing for the Long Run

Sports are often said to be a metaphor for life, and every four years the Olympic Games provide us with an inspirational view of athletic prowess. Through endurance athletes, in particular, we are offered the chance to witness perseverance in the face of adversity. This year in particular investors may appreciate marathon runners who, at the 20th mile of the race, contending with the smog and heat of Beijing surely ask themselves whether they have made a rational choice. Amidst the pain and anxiety, is it best to continue, or is it better to come back and try again in four years, when conditions might be better? Successful investors, like triumphant athletes, will above all know themselves, and cling tenaciously to a strategy fitted to suit their strengths.

Indeed now, if ever, is the time for a "gut check" (defined by Webster's as "a test of one's nerve, courage, or determination"). The news is bad, and has pushed the U.S. stock market into bear territory. The crisis in credit markets shows no sign of abating. Fannie Mae and Freddie Mac (U.S. government sponsored enterprises), which own or guarantee over $5 trillion in mortgages, when faced with potential insolvency prompted the government to confirm its "implicit guarantee." The price of oil is near an all time high, and the specter of "stagflation" looms. Through the second quarter every asset class except short-term bonds and gold had suffered a year-to-date loss.

We realize that you are inundated with a blizzard of information and "noise" from every conceivable direction. Pundits, salesmen, politicians and publishers speak endlessly of markets, the economy, products and policy. Investing seems a bewildering challenge; amidst this confusion doubt inevitably arises.

But doubt, to the extent that it provokes second-guessing, is perhaps an investor's worst enemy. The best way to steel one's resolve in these circumstances is to review the logic both for adopting a structured portfolio approach in the first place, and for continuing to adhere to your plan. There is in fact little to fear, as long as you are comfortable in the knowledge that your financial fate is largely in your own hands, and that rational investing is not complex.

When doubts arise, we recommend that you ask yourself three simple questions:

1. Do you accept that capitalism, private enterprise and free exchange have provided dramatic improvements in the human

(continued)

(continued from page 49)

condition over the past three centuries and that human productivity will continue its rapid advance?

2. Do you accept that the extent to which you participate in this long-term prosperity depends on your willingness to put your savings at risk?

3. Do you accept that risk is manifested in the form of occasional bear markets that are inevitable, unpredictable and can be severe and sustained?

If you answered yes to all of these questions, it should be apparent that staying the course is not only a good option; it is the only rational course of action to pursue.

It is also important to keep in mind that the current reversal, like others before it, was largely precipitated by, and now is being further accelerated by very large institutional investors. Abundant credit and skyrocketing asset prices often end abruptly and vicious cycles form whereby tumbling asset values and sharply curtailed liquidity force large financial firms, pension funds and other large entities with explicit capital or statutory reserve requirements, to sell assets and raise equity. This of course only further reduces asset prices. Most individual investors may "feel the pain" but those who truly have a long-term investment horizon typically do not face the constraints that these institutions cannot escape. Following their lead by reducing equity exposure invariably proves to be unnecessary and unwise.

While others panic you can rest assured that risk can be managed prudently through the application of statistical reasoning. Our job is to continually refine our search for asset classes and investment vehicles that have historically withstood the gyrations of the market, so that you can maintain a portfolio suited to your needs.

The race goes not to the swift, but to those who keep running.

QUARTERLY REVIEW OF INVESTMENT POLICY

The second quarter brought bad news across the board, extending the trend of the first quarter. Among our recommended asset classes only large cap growth stocks managed to avoid a loss, largely due to the fact that most financial firms, which fell precipitously, are included among large cap value stocks. The month of June was one of the worst in recent history as U.S. and foreign stocks tumbled by over 8 percent as the oil price, a pervasive input in the economy, reached an all time high. The weakened positions of Fannie Mae and Freddie Mac, meanwhile, served to fan the flames of the credit crisis, further undermining investor confidence.

The reversal in the U.S. housing market and subsequent subprime lending cri-

AIS Model Portfolios(1)
For the Period Ending June 30, 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	4.00	3.79	4.81	0.59
Short/Int. Fixed Income	Lehman Brothers 1-5 Yr Govt/Cred	40	30	0	7.12	5.21	6.46	2.40
Real Estate	DJ Wilshire Real Estate Securities TR Index	10	10	10	-15.27	11.26	10.06	14.10
U.S. Large Cap Growth	Russell 1000 Growth Index (USD)	5	5	10	-5.96	0.96	9.68	16.50
U.S. Large Cap Value	Russell 1000 Value Index (USD)	15	20	30	-18.78	4.91	11.00	12.93
U.S. Small Cap Value	Russell 2000 Value Index (USD)	5	7	13	-21.63	7.47	11.30	14.58
	DFA US Micro Cap Portfolio (USD)	0	3	7	-22.62	8.47	11.38	18.79
Foreign Developed Markets	MSCI EAFE Index (USD) Gross Div	5	7	13	-10.15	6.23	6.66	16.04
Foreign Emerging Markets	MSCI Emg. Mkts. Index (USD) Gross Div	0	3	7	4.89	15.51	13.82	22.88
Gold Related	Gold EOM gold (London PM Fix)	0	5	10	43.01	12.24	3.86	13.51
	Total	100	100	100				

Model Portfolio Statistics: Risk, Return and Growth

	Conservative	*Moderate*	*Aggressive*
Portfolio Return 1 Year	-2.58	-3.65	-9.18
Portfolio Return 10 Year (annualized)	5.88	7.00	8.32
Portfolio Return 20 Year (annualized)	7.92	8.83	10.61
Portfolio Standard Deviation 20 Year (annualized)	4.67	6.52	11.13
Growth of $100 over 20 Years	$459	$543	$751

(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 56.
(3) Investors should maintain cash balances adequate to cover living expenses for up to 6 months in addition to the cash levels indicated.

sis that began a year ago have spread to the broader economy. The combination of rising unemployment—which in June reached its highest level in four years—and accelerating inflation have raised fears that "stagflation" may take hold.

Present market conditions are as strong a test of investors' resolve as we have experienced in many years, but the key to success for the long term is sticking to your plan. The accompanying "AIS Model Portfolios" table depicts our model portfolios for conservative, moderate, and aggressive investors. We provide these models every quarter to allow you to develop an allocation strategy appropriate for your circumstances. These three allocation plans are only a guide; most investors select something "in between."

These models are based on hypothetical indexes, but you can use the mutual funds, exchange-traded funds and gold-mining stocks listed on the back page of this issue (as well as the high-yield Dow strategy for the large cap value segment of your holdings, if you have a sufficiently large portfolio) to implement your strategy. Most of the funds track either the indexes listed in the Model Portfolios table, or similar indexes designed to capture the returns of the asset classes listed.

It is important to keep in mind that, in addition to the recommended allocations to cash equivalent assets that we list, we recommend that you keep on hand additional cash reserves (perhaps in a money market fund, Treasury bills or certificates of deposit) adequate to maintain your current living expenditures for at least six months.

Cash Equivalent Assets

After seven consecutive cuts in its fed funds rate target, including aggressive reductions during the first quarter, the Federal Reserve's Open Market Committee (FOMC) walked a tight rope during the second three months. In response to the slowing economy the Fed reduced the rate 0.25%, to 2.00% in April. In June, however, with oil prices rising and general price inflation emerging as a threat the Fed took no action to change the target, and hinted that increases may be on the horizon.

As of mid-July 13-week Treasury bills were yielding 1.58 percent, while the Vanguard Prime money market fund was yielding 1.66 percent and the Vanguard tax-exempt money market fund was yielding 1.51 percent. Just six months ago Treasuries were paying 3 percent.

The latest price inflation data indicated sharply rising consumer prices. The Consumer Price Index (CPI) increased 5.5 percent for the 12 months ending in June, though the rise was largely attributable to food and energy prices. The "core" index, which excludes food and energy rose 2.3 percent. Inflationary expectations rose as well, as the breakeven inflation rate, measured by the yield differential between 10-year nominal U.S. government bonds and the 10 year inflation indexed bonds reached 2.6 percent by the end of the quarter, versus 2.3 percent at the end of the first quarter.

These data together reinforce the importance of staying with your allocation plan as opposed to "running to safety" by forsaking stocks and bonds for a higher allocation to cash. The very low nominal yields on money market funds and Treasury bills at the moment indicate negative real (inflation-adjusted) returns for cash equivalents. However, maintaining liquidity in the form of a targeted cash balance is always important regardless of market trends, and short-term yields can change quickly, so it would be equally imprudent to reduce your target allocation to cash equivalent assets.

Short/Intermediate-Term Bonds

During the quarter the U.S. Treasury yield curve shifted upward slightly for all maturities, though short rates rose more sharply than long rates. The total return on bonds, measured by the Lehman Bros. U.S. Government/Credit Intermediate bond index, was -1.5 percent. Rates, however, are well below those of a year ago. In its second meeting of the quarter the FOMC shifted emphasis away from stimulating economic growth toward containing price inflation, which appears to have convinced investors a higher fed funds rate might be targeted before year-end.

Credit spreads during the second quarter provided a mild reversal of the trend in the first three months, as the yield differential between mortgage-backed securities and Treasuries fell slightly. Junk bonds reflected the same trend, as the Lehman Bros. Corporate High Yield Index managed to a positive 1.7 percent return while the Lehman U.S. Government Bond Index lost 1.9 percent.

Credit quality however, remains a

Total Return (%)

	2005	*2006*				*2007*				*2008*		*Entire Period*
	4Q	*1Q*	*2Q*	*3Q*	*4Q*	*1Q*	*2Q*	*3Q*	*4Q*	*1Q*	*2Q*	*4Q 2005-2Q 2008*
Vanguard Short-Term Inv Grade	0.77	0.52	0.79	2.31	1.28	1.57	0.46	1.91	1.81	1.19	-0.18	13.13
Vanguard REIT Index	1.70	14.79	-1.37	9.39	9.07	3.39	-9.40	2.39	-12.90	2.13	-5.39	10.89
Vanguard Value Index	1.60	5.29	0.91	6.63	7.82	0.90	5.70	-0.04	-6.12	-9.02	-6.18	6.03
High-Yield Dow 4/18*	4.05	8.00	3.27	13.70	8.42	3.98	7.25	1.33	-5.16	-11.12	-11.39	20.75
Vanguard Small Cap Value	0.24	11.05	-2.72	1.72	8.52	2.01	2.93	-5.03	-6.81	-6.52	-3.80	-0.11
Vanguard Growth Index	3.00	3.30	-3.94	3.79	5.85	1.21	6.65	4.34	-0.06	-9.99	2.34	16.43
Vanguard Developed Markets†	3.75	9.30	0.81	4.00	10.11	4.21	6.33	2.44	-2.22	-8.47	-2.42	29.77
Vanguard Emerging Markets‡	7.10	11.22	-4.57	4.00	17.22	2.18	15.40	14.43	2.94	-10.48	-1.35	69.99
Gold (London PM Fix)	8.40	13.45	5.41	-2.32	5.54	4.71	-1.70	14.22	12.21	11.96	-0.35	96.71

The highest returns provided in each period are in **Bold Face Type**. * HYD is a hypothetical model based on back tested results. See p. 54 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.

concern, as investors continued to shun muni bonds in favor of U.S. Treasury issues. The pre-tax yield spread for municipal bonds over U.S. Treasuries is nearly zero. As of July 18, 10-year AAA rated muni bonds, on average, were yielding 4.0 percent, versus 4.1 percent for 10-year Treasury notes while 30-year munis were yielding 4.9 percent versus 4.7 percent for 30-year Treasury bonds. Muni bond interest is earned free of federal income taxes, so the current rate structure suggests an unusual situation where even investors in the lowest marginal income-tax brackets can benefit from munis on an after-tax basis.

Real Estate

Real Estate Investment Trusts (REITs) held up well during the first quarter, but the Dow Jones Wilshire REIT Index posted a 5.4 percent loss for the second quarter, dropping its returns for the first half to a loss of 3.4 percent. Over the long term REITs have maintained independent behavior, providing returns that are not strongly correlated with either stocks or bonds.

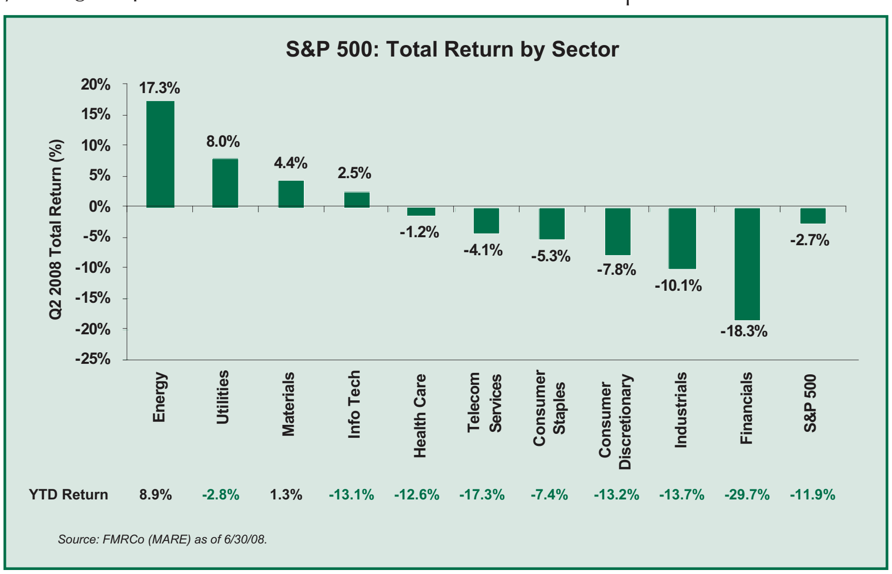
As the economy slows it remains to be seen whether the returns on REITs, which rely on high occupancy rates, will hold up. However, REITs are diversified across many types of businesses, and so far in 2008 while subsectors such as lodging and industrial REITs have declined sharply, other subsectors such as residential, office and self-storage REITs have so far proven far more resilient.

At the end of the second quarter equity REITs were yielding 5.3 percent, while the 10-year U.S. Treasury note was yielding 4.1 percent.

U.S. Equities

After a promising start during the first half of the second quarter, the overall U.S. stock market, measured by the Dow Jones Wilshire 5000 index, suffered a 10.03 percent loss in June, the largest monthly decline since September 2002. For the quarter the index lost 1.48 percent, but the burden was not evenly distributed, as growth stocks generally out-gained value stocks. Among large caps, growth stocks managed a gain of 1.3 percent, as measured by the Russell 1000 Growth Index, while the Russell 1000 Value Index lost 5.3 percent. Small caps, as measured by the Russell 2000 Index, barely managed a gain with a 0.6 percent return, but among these smaller firms value stocks again accounted for most of the losses, as the Russell 2000 Value Index lost 3.5 percent while the Russell 2000 Growth Index gained 4.5 percent.

The disparity between growth and value was largely attributable to banking and other financial stocks, which pulled value stocks down dramatically. This was especially notable among large caps. Within the S&P 500 financial stocks fell by a whopping 18.3 percent during the second quarter. Only energy, materials, utilities and information technology stocks managed gains, as the energy sector lead the way with a gain of 17.3 percent. Recent earnings growth, however, paints a rosier picture. Although first quarter operating earnings on the S&P 500 fell 26 percent, the nine non-financial sectors provided positive earnings growth of 9 percent. Negative earnings on the overall index were largely attributable to dismal results from financial stocks, which still account for 16 percent of the index's total market capitalization. Earnings in that sector fell 100 percent.[1]



International Equities

Foreign stocks provided little refuge for investors during the second quarter as investors grew wary of slower economic growth, a weakening financial sector, and accelerating price inflation. Developed markets fell by 1.9 percent in dollar terms, as measured by the MSCI EAFE Index; small caps fell 4.3 percent, while large caps fared only slightly better, falling 1.9 percent. Over the first six months the index was down 10.2 percent. Among individual countries, Japan stood out with a positive return of 2.5 percent during the quarter.

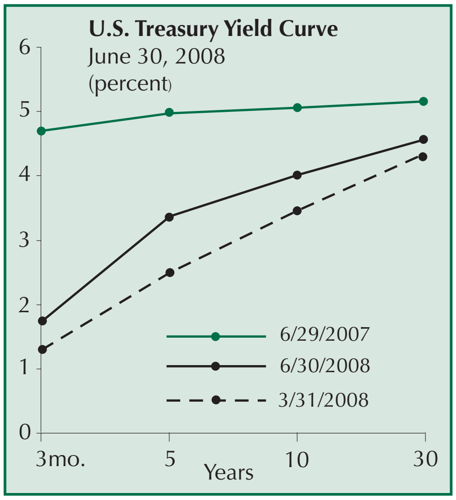
Emerging markets lost 1.1 percent, as measured by the S&P/IFCI Emerging Markets Composite Index but unlike the story in the developed world, value stocks outperformed growth stocks. Generally countries that rely heavily on raw material exports, such as Brazil and Russia, have held up well so far during 2008, though a fall in commodity prices could quickly reverse that trend.

Overall, foreign markets were down in both local currencies as well as in dollar terms. Over the second quarter the dollar gained ground on the Yen and also eked out a gain against the euro, slightly reducing returns to U.S. investors. The dollar generally continued to weaken against many currencies, however, which to some extent has cushioned the blow for U.S. holders of foreign stocks. As of July 15, the dollar had fallen to $1.60 versus the euro, a new all-time low.

Gold-Related Investments

The gold price finished the second quarter almost where it began, falling by 0.35% from $933.50 per ounce to close the quarter at $930.25. The ride was hardly steady however, as the price ranged from $853 to $946. As of mid July 22 the price had rallied to $963, but was still short of its all-time high of $1,011 per ounce, reached during the first quarter amidst the Bear Stearns crisis. Weak economies worldwide, rising inflation rates, troubled financial institutions and geopolitical tensions all appear to have contributed to recent swings in the price.

[1] Source: Fidelity Management and Research Co.



Higher gold prices have not yet resulted in large increases in output from mines.[2] Year-over-year global production throughout March 31 (the most recent available) remained roughly constant at 593 tons. Difficulties continued in South Africa due to power supply interruptions and work stoppages. Some of the world's largest producers also continued to wind down their hedge books (gold sold forward), further limiting net supply from mines.

On the demand side, investor global interest in gold ETFs showed few signs of abating where, according to the World Gold Council (WGC), investment in gold ETFs (such as the two we recommend on page 56) fell by 61 tons in April, but picked up again in May (22 tons) and again in June (45 tons). Physical demand for gold bars and coins fell worldwide through the end of the first quarter (the most recent data available), but buying in the U.S. leapt 91 percent, to 8.8 tons.

Gold's general price resurgence has also stimulated advertising by those who push gold-related products such as numismatic coins. We strongly recommend that individual investors ignore these solicitations. The desirable properties of gold lie in the fact that it remains a form of money and a "safe haven" in times of financial crisis, as it has so recently demonstrated, and its returns are only weakly correlated with those of our other recommended asset classes. Gold ETFs are the most convenient and least costly means of gaining exposure to the gold price, and our recommended gold mining shares provide a legitimate means of "holding gold in the ground." Numismatic coins, as opposed to bullion coins, are collectibles and should be avoided as their value is very difficult to determine reliably.

[2] Source: World Gold Council

THE TROUBLE WITH FREDDIE AND FANNIE

There are nine principal government-affiliated issuers of securities in addition to the U.S. Treasury. Government Sponsored Agencies (GSAs) and Government Sponsored Entities (GSEs) promote specific objectives by raising funds in the private sector. Only securities issued by Ginnie Mae carry the full faith-and credit of the US government, though other entities have an "implicit guarantee". Fannie Mae and Freddie Mac, the largest GSEs, have a line of credit with the U.S.Treasury.

Freddie and Fannie's stated missions are to support the housing market by providing funds for home mortgages and by promoting liquidity in secondary markets. They provide funds to the housing industry only indirectly; they provide funds to other intermediaries, which in turn provide the funds to home buyers. Fannie and Freddie do this in one of two ways. First, they issue debt to buy mortgages, which they hold in their own portfolios. Mortgage sellers can use the proceeds to make more home loans. Second, they buy mortgages from originators and bundle them for sale as mortgage-backed securities (MBS).

Freddie and Fannie together guarantee or own roughly $5 trillion, or roughly 45 percent, of all outstanding U.S. mortgages. The recent dramatic increase in mortgage defaults and falling home prices has resulted in large losses for the financial entities that have a claim on these mortgages, both lenders and investors who purchased these MBS. The deteriorating loan portfolios have put tremendous financial pressure on Freddie and Fannie.

Regulators at the Treasury Department and the Federal Reserve have been hard at work to ensure adequate funding for Freddie and Fannie. On July 13, the Treasury announced that it would seek congressional authorization for an unlimited line of credit for the two GSEs, and the Board of Governors of the Federal Reserve announced that it would authorize emergency discount window credit to support the GSEs' funding needs. The Housing Bill recently passed by the Senate includes additional relief. It includes authorization for the Federal Housing Administration to guarantee up to $300 billion of refinanced mortgages. Participating lenders must accept 80-90% of the home's current value. In return for more relaxed loan terms, borrowers will have to pay the government a 1.5% insurance premium. Congress has also proposed a major overhaul of the oversight rules governing all three agencies, which have been criticized for lax accounting practices and poor risk management.

For a more comprehensive analysis see AIER commentary at www. aier.org

THE HIGH-YIELD DOW INVESTMENT STRATEGY

The high-yield Dow model suffered an unusually difficult quarter, falling much further even than the large-cap value indexes that it has historically outperformed by a wide margin. As we described in the lead article of the June Investment Guide, the model's exposure to financial stocks is concentrated on two bank stocks, Citigroup and Bank of America, which have been hit especially hard by the sub-prime lending crisis. It is quite uncommon, though not unprecedented, for the model to undergo a "swoon" of this magnitude. The model accumulates these shares incrementally, but in an accelerated manner as their relative yields rise, and we remain confident that this approach, ultimately, will prove to be astute, as it has in the past.

Kraft Foods Inc. (stock symbol KFT), (which was itself divested from Altria Group Inc.), has initiated a "split off" offer in which KFT shareholders would exchange part of their shares for what ultimately will be shares of Ralcorp Holdings, Inc., as a result of a merger between Kraft's Post Cereals business and a subsidiary of Ralcorp. We recommend that KFT shareholders decline this offer and instead sell off these shares in a manner that is cost-effective and consistent with our high-yield Dow methodology.

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

Recommended HYD Portfolio

As of July 15, 2008

	Rank	Yield	Price	Status	Percent of Portfolio: Value	Percent of Portfolio: No. Shares[1]
Bank of America	1	13.82%	18.52	Buying	6.02	7.57
Citigroup	2	8.79%	14.56	Buying	14.91	23.84
Pfizer	3	7.28%	17.58	Holding**	25.16	33.31
AT&T Corp.	4	5.01%	31.95	Holding**	4.66	3.39
Verizon	5	4.91%	35.04	Selling	26.22	17.42
Morgan (JP)	6	4.90%	31.02			
General Electric	7	4.65%	26.65			
AIG	8	4.26%	20.64			
Home Depot	9	4.19%	21.46			
Merck & Co.	10	4.16%	36.58			
Altria Group	NA		20.69	Selling	6.02	6.77
Philip Morris Int'l	NA		53.30	Selling	15.50	6.77
Kraft	NA		29.42	Selling	0.83	0.66
Fairpoint	NA		7.24	Selling	0.08	0.27
					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 June 30, 2008)*

	1 mo.	1 yr.	5 yrs.	10 yrs.	20 yrs.	Since 1/79	Std. Dev.
HYD Strategy	-12.52	-24.31	8.07	7.89	14.84	16.91	17.11
Russell 1000 Value Index	-9.57	-18.78	8.91	4.91	11.00	13.24	13.94
Dow	-10.04	-10.79	7.81	4.80	11.54	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 ($)

	7/15/08	Mo. Earlier	Yr. Earlier
Gold, London p.m. fixing	**986.00**	866.00	666.50
Silver, London Spot Price	**19.30**	16.31	13.13
Copper, COMEX Spot Price	**3.72**	3.59	3.62
Crude Oil, W. Texas Int. Spot	**138.73**	134.86	73.93
Dow Jones Spot Index	**462.45**	465.04	320.96
Dow Jones-AIG Futures Index	**224.21**	226.02	174.54
Reuters-Jefferies CRB Index	**449.49**	445.87	325.09

Interest Rates (%)

		7/15/08	Mo. Earlier	Yr. Earlier
U.S. Treasury bills -	91 day	**1.37**	1.93	4.83
	182 day	**1.86**	2.17	4.85
	52 week	**2.08**	2.51	5.03
U.S. Treasury bonds -	10 year	**3.87**	4.15	5.16
Corporates:				
High Quality -	10+ year	**5.58**	5.68	5.85
Medium Quality -	10+ year	**7.09**	7.08	6.74
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**	4.96	4.20
Government bonds -	10 year	**4.38**	4.52	4.57
Swiss Rates -	3 month	**2.80**	2.88	2.71
Government bonds -	10 year	**3.08**	3.38	3.24

Exchange Rates ($)

	7/15/08	Mo. Earlier	Yr. Earlier
British Pound	**2.003600**	1.949600	2.034400
Canadian Dollar	**0.998502**	0.972573	0.954563
Euro	**1.592300**	1.536800	1.378800
Japanese Yen	**0.009544**	0.009266	0.008197
South African Rand	**0.130888**	0.123153	0.143287
Swiss Franc	**0.991179**	0.953743	0.832016

Securities Markets

	7/15/08	Mo. Earlier	Yr. Earlier
S & P 500 Stock Composite	**1,214.91**	1,360.03	1,552.50
Dow Jones Industrial Average	**10,962.54**	12,307.35	13,907.25
Dow Jones Bond Average	**205.74**	204.24	196.43
Nasdaq Composite	**2,215.71**	2,454.50	2,707.00
Financial Times Gold Mines Index	**3,298.96**	2,743.04	2,425.63
FT EMEA (African) Gold Mines	**2,665.26**	2,324.29	2,824.14
FT Asia Pacific Gold Mines	**13,887.48**	11,506.08	9,887.68
FT Americas Gold Mines	**2,967.44**	2,435.35	1,942.37

Coin Prices ($)

	7/15/08	Mo. Earlier	Yr. Earlier	Prem (%)
American Eagle (1.00)	**951.53**	891.03	675.15	-3.50
Austrian 100-Corona (0.9803)	**901.22**	843.63	642.63	-6.76
British Sovereign (0.2354)	**222.45**	208.45	159.35	-4.16
Canadian Maple Leaf (1.00)	**948.30**	887.80	675.40	-3.82
Mexican 50-Peso (1.2057)	**1,110.70**	1,039.80	792.30	-6.57
Mexican Ounce (1.00)	**921.40**	862.60	657.20	-6.55
S. African Krugerrand (1.00)	**929.67**	870.28	665.75	-5.71
U.S. Double Eagle-$20 (0.9675)				
St. Gaudens (MS-60)	**977.50**	927.50	695.00	2.47
Liberty (Type I-AU50)	**1,050.00**	1,050.00	762.50	10.07
Liberty (Type II-AU50)	**1,012.50**	982.50	712.50	6.14
Liberty (Type III-AU50)	**962.50**	902.50	680.00	0.90
U.S. Silver Coins ($1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	**12,450.00**	11,700.00	8,850.00	-9.78
40% Silver Circ. (292 oz.)	**4,975.00**	4,700.00	3,645.00	-11.72
Silver Dollars Circ.	**14,275.00**	14,250.00	9,737.50	-4.39

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at $986.00 per ounce and silver at $19.30 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	7/15/08	6/13/08	7/13/07	High	Low	Amount ($)	Date	Paid	Dividend ($)	(%)
Bank of America	BAC	18.52	29.78	49.50	52.96	18.44 *L*	0.640	6/06/08	6/27/08	2.560	13.82
Citigroup	C	14.56	20.48	52.52	52.97	14.01 *L*	0.320	5/05/08	5/23/08	1.280	8.79
Pfizer	PFE	17.58	17.99	25.91	26.15	17.12 *L*	0.320	8/08/08	9/3/08	1.280	7.28
AT&T (New)	T	31.95	36.68	40.40	42.97	31.51 *L*	0.400	7/10/08	8/1/08	1.600	5.01
Verizon	VZ	35.04	37.33	41.76	46.24	33.15	0.430	7/10/08	8/1/08	1.720	4.91
J P Morgan	JPM	31.02	39.58	50.05	50.48	29.24 *L*	0.380	7/03/08	7/31/08	1.520	4.90
General Electric	GE	26.65	29.15	39.50	42.15	25.60 *L*	0.310	6/23/08	7/25/08	1.240	4.65
Amer. Int. Group	AIG	20.64	34.18	69.55	70.13	19.73 *L*	0.220	9/05/08	9/19/08	0.880	4.26
Home Depot, Inc.	HD	21.46	27.53	40.87	40.75	20.76 *L*	0.225	6/05/08	6/19/08	0.900	4.19
Merck	MRK	36.58	35.53	50.85	61.62	34.49 *L*	0.380	6/06/08	7/1/08	1.520	4.16
Dupont	DD	41.16	47.20	51.55	53.48	40.43 *L*	0.410	5/15/08	6/12/08	1.640	3.98
3M Company	MMM	67.69	76.12	90.22	97.00	67.26 *L*	0.500	5/23/08	6/12/08	2.000	2.95
Coca-Cola	KO	51.79	55.42	53.11	65.59	49.52 *L*	0.380	6/15/08	7/1/08	1.520	2.93
Chevron	CVX	89.42	99.40	93.33	104.63	76.40	0.650	5/19/08	6/10/08	2.600	2.91
Johnson & Johnson	JNJ	67.70	66.27	63.43	68.85	59.72	0.460	5/27/08	6/10/08	1.840	2.72
Intel Corp	INTC	20.71	22.66	25.97	27.99	18.05	0.140	5/07/08	6/1/08	0.560	2.70
McDonald's	MCD	58.56	59.95	51.91	63.69	46.64	0.375	6/09/08	6/23/08	1.500	2.56
Caterpillar	CAT	67.04	81.50	85.13	87.00	59.60	0.420	7/21/08	8/20/08	1.680	2.51
Boeing	BA	63.88	75.12	101.88	107.83	62.02 *L*	0.400	8/08/08	9/5/08	1.600	2.50
Procter and Gamble	PG	64.35	66.45	62.66	75.18	60.05 *L*	0.400	7/18/08	8/15/08	1.600	2.49
United Tech.	UTX	60.08	68.56	75.00	82.50	58.87 *L*	0.320	8/15/08	9/10/08	1.280	2.13
Alcoa	AA	34.51	39.46	47.35	48.77	26.69	0.170	5/02/08	5/25/08	0.680	1.97
Exxon Mobil	XOM	82.19	88.36	90.33	96.12	77.55	0.400	5/13/08	6/10/08	1.600	1.95
American Express	AXP	37.02	44.66	62.83	65.89	35.55 *L*	0.180	7/11/08	8/8/08	0.720	1.94
Wal-Mart Stores	WMT	56.24	59.18	49.15	59.95	42.09	0.238	12/15/08	1/2/09	0.950	1.69
Microsoft Corp.	MSFT	26.15	29.07	29.82	37.50	24.87 *L*	0.110	8/21/08	9/11/08	0.440	1.68
IBM	IBM	123.20	126.15	108.60	129.99	97.04	0.500	5/09/08	6/10/08	2.000	1.62
Walt Disney	DIS	29.43	33.93	34.37	35.69	26.30	0.350	12/07/07	1/11/08	0.350	1.19
Hewlett-Packard	HPQ	41.65	47.45	47.25	53.48	39.99	0.080	6/11/08	7/2/08	0.320	0.77
General Motors**	GM	9.84	16.45	37.03	43.20	8.81 *L*	0.000	7/15/08	7/15/08	0.000	0.00

* See the Recommended HYD Portfolio table on page 54 for current recommendations. † Based on indicated dividends and market price as of 7/15/08.
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 7/16/07.
**General Motors announced on 7/15/08 that it had suspended dividend payments.

RECOMMENDED INVESTMENT VEHICLES

	Ticker Symbol	Avg. Market Cap. / Avg. Maturity	Descriptive Quarterly Statistics, as of 6/30/08: No. of Holdings	Expense (%)	Ratios: Sharpe	Turnover (%)	P/B	12 Mo. Yield (%)	Annualized Returns (%), as of 6/30/08: 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.	867	0.11	--	79	--	4.11	7.26	--	--	5.72	--	--
Vanguard Short-Term Bond Index	VBISX	2.7 Yrs.	867	0.18	0.14	79	--	4.30	7.25	4.51	3.31	5.65	2.97	1.93
Vanguard Short-Term Inv. Grade	VFSTX	3.3 Yrs.	913	0.21	0.04	48	--	4.85	4.80	4.28	3.40	3.07	2.66	1.93
iShares Lehman 1-3 Year Treasury	SHY[1]	1.7 Yrs.	37	0.15	0.22	76	--	3.63	7.32	4.63	3.18	5.96	3.24	2.07
Vanguard Limited-Term Tax-Exempt	VMLTX	2.8 Yrs.	714	0.15	-0.62	32	--	3.46	4.48	3.13	2.45	4.48	3.13	2.45
Real Estate														
Vanguard REIT Index	VNQ[2]	5.0 B.	99	0.10	0.12	36	2.2	5.23	-13.75	4.82	--	-14.93	3.48	--
Vanguard REIT Index	VGSIX[3]	5.0 B.	99	0.20	0.11	36	2.2	5.11	-13.83	4.72	13.80	-14.99	3.41	12.18
U.S. Large Cap Value														
Vanguard Value Index	VTV[2]	51.5 B.	388	0.10	-0.02	20	1.9	3.34	-19.80	3.44	--	-20.15	3.02	--
Vanguard Value Index	VIVAX	51.5 B.	388	0.20	-0.03	20	1.9	3.22	-19.89	3.34	8.46	-20.23	2.94	8.05
U.S. Small Cap Value														
iShares Russell Microcap Index	IWC[1]	0.3 B.	1387	0.60	--	21	1.3	0.68	-26.12	--	--	-26.19	--	--
Vanguard Small-Cap Value Index	VBR[2]	1.4 B.	989	0.11	-0.15	34	1.4	2.68	-20.30	1.41	--	-20.67	0.97	--
Vanguard Small-Cap Value Index	VISVX	1.4 B.	989	0.22	-0.15	34	1.4	2.51	-20.42	1.28	10.28	-20.77	0.87	9.85
U.S. Large Cap Growth														
iShares Russell 1000 Growth Index	IWF[1]	33.8 B.	647	0.20	0.18	16	4.0	0.76	-6.10	5.72	7.13	-6.25	5.56	6.96
Vanguard Growth Index	VIGRX	35.2 B.	426	0.22	0.25	23	3.5	0.86	-3.94	6.44	7.72	-4.05	6.31	7.58
U.S. Marketwide														
Vanguard Total Stock Market Index	VTI[2]	27.7 B.	3554	0.07	0.11	4	2.3	1.83	-12.49	4.99	8.65	-12.74	4.70	8.37
Fidelity Spartan Total Market Index	FSTMX[4]	28.6 B.	3327	0.10	0.12	4	2.5	1.75	-12.58	4.98	8.61	-12.89	4.71	8.35
Foreign- Developed Markets														
iShares MSCI Growth Index	EFG[1]	32.7 B.	555	0.40	--	28	3.5	2.27	-4.53	--	--	-5.02	--	--
iShares MSCI Value Index	EFV[1]	37.0 B.	542	0.40	--	21	1.7	6.19	-13.64	--	--	-17.78	--	--
Vanguard Europe Pacific Index	VEA[2]	34.4 B.	1174	0.12	--	6	2.3	--	--	--	--	--	--	--
Vanguard Tax-Managed International	VTMGX[5]	34.4 B.	1174	0.15	0.74	6	2.3	2.44	-11.30	12.76	16.76	-11.47	12.52	16.54
Vanguard Developed Markets Index	VDMIX[6]	34.8 B.	1219	0.22	0.73	7	2.3	3.19	-10.54	12.91	16.61	-11.04	12.37	16.08
Foreign- Emerging Markets														
Vanguard Emerging Market Index	VWO[2]	18.0 B.	951	0.25	1.01	9	2.8	2.12	4.16	25.79	--	3.84	25.64	--
Vanguard Emerging Market Index	VEIEX[7]	18.0 B.	951	0.37	1.01	9	2.8	2.01	3.51	25.64	29.11	3.21	25.32	28.81
Gold-Related Funds														
iShares COMEX Gold Trust	IAU[2]	--	1	0.40	--	--	--	0.00	42.34	28.05	--	42.34	28.05	--
streetTRACKS Gold Shares	GLD[1]	--	1	0.40	--	--	--	0.00	42.44	28.57	--	42.44	28.57	--

Recommended Gold-Mining Companies ($)

	Ticker Symbol	7/15/08	Month Earlier	Year Earlier	--- 52-Week --- High	Low	Distributions: Last 12 Months	Frequency	Yield (%)
Anglogold Ltd., ADR	AU	**35.11**	31.96	43.13	51.35	28.75	0.1905	Semiannual	0.5426
Barrick Gold Corp.†	ABX	**49.67**	38.55	32.03	54.74	28.89	0.2975	Semiannual	0.5990
Gold Fields Ltd.	GFI	**13.11**	11.13	17.16	19.92	10.66	0.2142	Semiannual	1.6339
Goldcorp, Inc.†	GG	**47.99**	38.46	26.54	52.65	21.00	0.1530	Monthly	0.3188
Newmont Mining	NEM	**50.83**	47.01	41.41	57.55	38.01	0.4000	Quarterly	0.7869

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.