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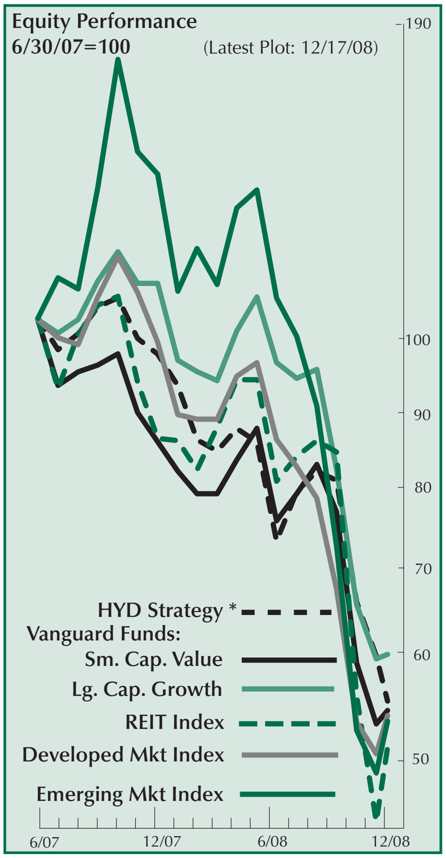

*** HYD is a hypothetical model based on backtested results.** **See p.94 for full explanation**

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The Dangerous Flight to Safety

Risk-Free Rate of Return: *the return on a riskless asset, often proxied by the rate of return on Treasury securities*[1].

Students of business and economics are taught, invariably, that buyers of U.S. Treasury bills, notes or bonds can be certain of receiving the interest payments they are owed, as well as the face value of that instrument upon redemption. The government, after all, prints the very dollars with which its debt is redeemed. Unlike debt issued by firms, municipalities, or even agencies, the probability that the Treasury would default on its debt is universally accepted as zero. Treasuries, it is said, are the investor's ultimate safe-haven.

Investors have accordingly fled to the purported safety of Treasuries as the credit crisis has deepened. While the prices of other fixed income securities and virtually all other asset classes have plummeted, Treasuries have soared in value and their yields have dropped toward historically low levels.

Yet it is the government's very power to print money that renders its debt anything but risk-free. While investors are no doubt comforted by the notion of a risk-free return, we suspect that long-term investors who have "loaded up" on Treasuries will be sorely disappointed. Through the 12 month period ending in November of this year, the Consumer Price Index (CPI) was up only 1.1 percent. Since 1945, however, price inflation has averaged 4.1 percent annually. As of this writing, three month Treasury bills are essentially priced to reflect a nominal annualized interest rate of zero percent. Ten-year issues are yielding 2.2 percent. Even 30-year bonds are priced to yield only 2.66 percent. Clearly, investors in these issues may well experience negative real returns, even if price inflation fails to reach its long-term historical average.

The chart below depicts the market's current inflation expectations, as measured by the difference (or "spread") between the yield to maturity on the 10-year conventional Treasury bond and the 10-year Treasury Inflation Protected Security (TIPS)[2]. These data suggest that investors currently expect annual price inflation of roughly 0.25 percent over the next 10 years. The market is ignoring the threat of price inflation almost entirely.

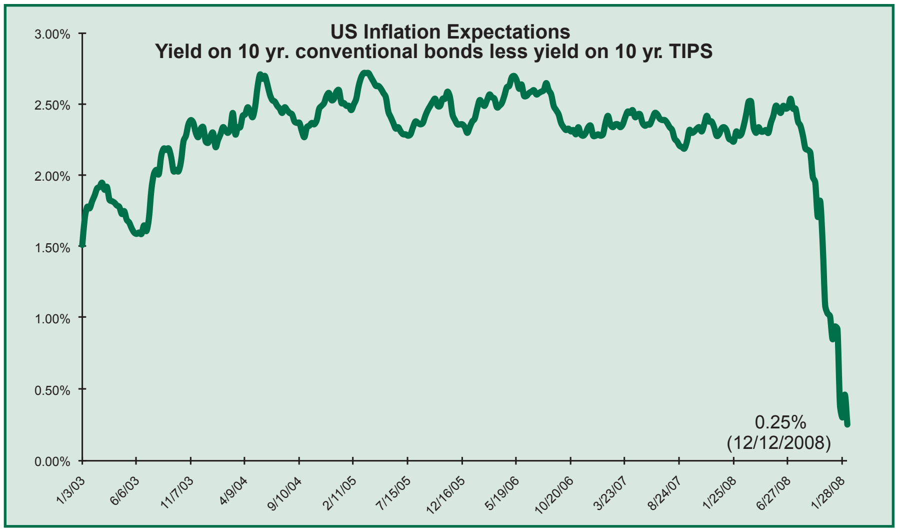
The Federal Reserve Bank and U.S. Treasury appear to be equally unfazed by the prospect of price inflation. They are instead fixated on re-establishing the flow of credit in order to ignite eco-

(continued)

nomic growth and eliminate the threat of deflation. Scarce credit has severely reduced consumer spending. The extreme cautionary prognostication is that a deflationary environment could ensue, in which the prices of goods and services spiral downward (and the purchasing power of the dollar increases). This would be a good situation for lenders (bond investors), who get repaid in the future with increasingly valuable dollars, but bad news for borrowers (firms and government), who would have to repay these obligations. Chronic deflation could ultimately lead to mass defaults that would further cripple the economy. The Fed is pulling out all the stops to avoid this outcome.

In a fiat currency system, however, the printing press provides the Fed and Treasury with all they need to thwart deflation. Since dollars are not redeemable for gold, as they once were, the Fed has several options that allow it to pump currency into circulation. Although short-term rates are effectively zero, it can push long-term rates even lower by purchasing long-term securities, or, should banks remain stingy in extending credit, it could become a direct lender to private entities. Congress and the incoming administration are poised to stimulate the economy through deficit spending. The Fed can in turn easily buy up this debt to keep interest rates low, and in the process send billions of more dollars into the economy.

In the absence of a sound money policy, it is inflation of the money supply, not deflation, which poses the most serious threat to long-term investors. We are skeptical, given the sheer magnitude of the TARP program ($700 billion) and a deficit spending initiative being contemplated that may exceed that level, that the Fed will be able to easily reverse course and re-absorb the money that will have been created.



So What's an Investor to do?

Treasuries are as expensive as they have been in decades. The accompanying table reveals that rising demand for Treasuries has pushed their yields well below the dividend yields of common stocks across every equity class. This disparity in yields is highly unusual, but not inconsistent with rational pricing. Treasuries are perceived as a safe-haven and since lower-risk assets have lower expected returns, their prices are high. Conversely, in the current environment stocks are perceived to be very high-risk assets, so expected returns are high and prices are low. Similarly, the market's apparent disregard for price inflation, though unusual, is not inexplicable. Investors' embrace of Treasuries appears to reflect a willingness to accept greater purchasing power risk in order to avoid credit risk amidst a credit crisis of historic magnitude.

Stock market risk is high and so are Treasury prices. While all investors should devote a portion of their holdings to fixed income securities, including Treasuries, it would be unwise to abandon a well designed allocation plan by fleeing to government bonds or cash. Price inflation is endemic to any economy based on fiat currencies, and remains the primary threat to the ability of investors to meet their long-term goals. Therefore, wise investors with a time horizon of five years or more will simply rebalance their accounts. In the case of most investors, this dictates that they sell short-term fixed income securities, particularly Treasuries, in order to purchase equities.

[1] Investments -- Analysis and Management. 1996 John Wiley and Sons. p. G-9
[2] Conventional Treasuries provide no mechanism to compensate investors with higher interest payments or a higher redemption value as the prices of goods and services increase, so wary bond investors insist on a premium, in the form of a reduced purchase price, to reflect the risk of price inflation. TIPS have interest payments and a redemption value that are indexed to the CPI.

Maturity	Yield to Maturity (%) 12/17/2008		12 Month Yield (%)						
	U.S. Treasury Securities	AAA Corp Bonds	Vanguard REIT Index	Vanguard Value Index	Vanguard Small Cap Value Index	Vanguard Total Stock Market Index	Vanguard (Foreign) Developed Markets Index	Vanguard Emerging Markets Index	AIS High Yield Dow Strategy*
3 Month	0.01	--	6.98	4.36	3.43	2.79	4.90	3.67	7.60
3 Year	0.97	3.98							
5 Year	1.35	4.79							
10 Year	2.19	4.87							
30 Year	2.66	--							

*Hypothetical current weighted average yield, see chart on page 94 for further detail.

GAMBLING ON THE BUSINESS CYCLE

Financial asset values have been slashed across the board. While many different items in the news have contributed, deep concerns regarding the general health of the economy have recently received the most attention. The National Bureau for Economic Research (NBER) announced this month that the U.S. economy has been in recession since January 2008. In this environment, it may be tempting to "play it safe" by selling financial assets such as stocks and hoarding cash, with the hope of reentering the market when it becomes apparent that the economy is again on solid footing. As nice as that sounds, this approach would most likely backfire.

		Business Cycle Number of Months		
Peak	**Trough**	**Contraction Period**	**Expansion Period**	**Cycle Trough to Trough**
Apr-60	Feb-61	10	24	34
Dec-69	Nov-70	11	106	117
Nov-73	Mar-75	16	36	52
Jan-80	Jul-80	6	58	64
Jun-81	Nov-82	16	12	28
Jul-90	Mar-91	8	92	100
Mar-01	Nov-01	8	120	128

Source: Dimensional Fund Advisors, Bureau of Economic Research

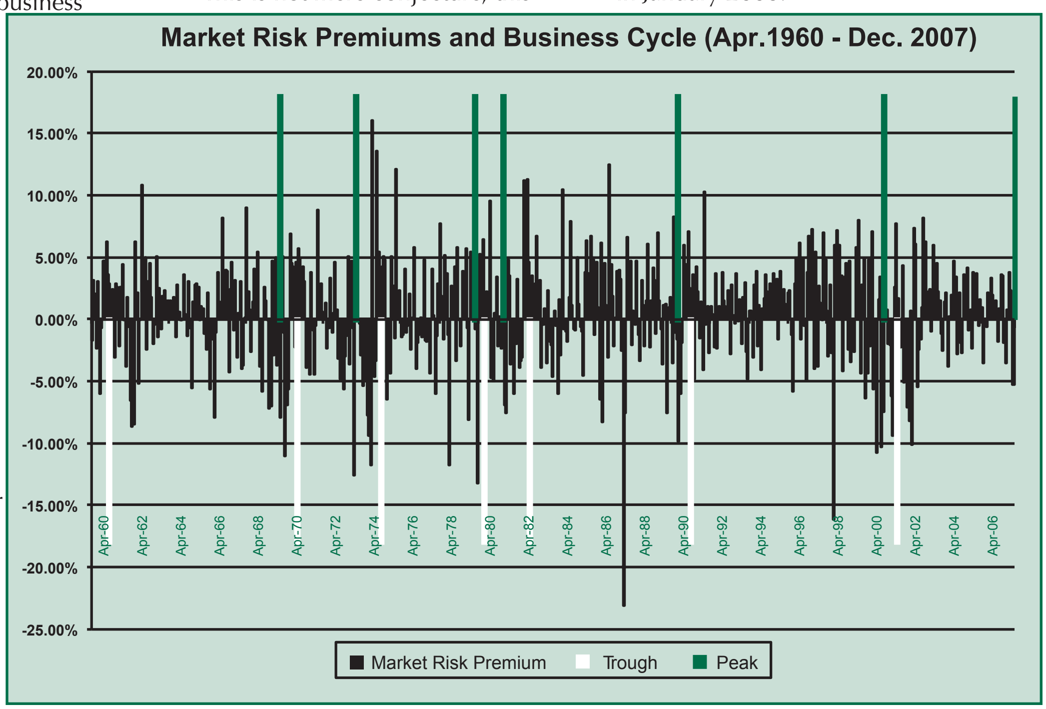
In the May 2007 issue of *Investment Guide*, we explained that while AIER's business cycle statistical indicators are useful when making business decisions, they are not useful as a means of timing the stock market's peaks and troughs. For example, when a business cycle contraction appears imminent, it would be a poor time for a small business to build inventory, or for an individual to quit one's job in hope of finding another. However, when we examined stock market returns over several business cycles, beginning in 1953 and ending at the last recession in 2001, a different picture emerged. An investor would have failed miserably had he sold the S&P 500 when AIER indicated that contraction had begun and then "bought back" on indications that the economy had resumed expansion.

These results are not surprising. The stock market, after all, is a forward looking mechanism that discounts information as it becomes available. A broad index of stocks, such as the S&P 500, therefore serves as a leading indicator. While stock market trends may provide information regarding near-term developments in the business cycle, the reverse does not hold true.

When economic indicators are bleak and the business environment is poor, risk is high. In such an environment, stocks prices are low and the expected future return from stocks is high. Conversely, when the economy is expanding, business conditions are good and risk is low; stock prices are high so the expected future return from stocks are low.

This is not mere conjecture; this rationale is supported by empirical evidence. The accompanying chart depicts the market risk premium on common stocks (the returns over and above the returns of U.S. Treasuries) since 1960. These data reveal that:

- Between April 1960 and December 2007, the average monthly risk premium earned on common stocks was positive 0.49 percent per month.
- The risk premium earned during the three months following each peak (marked with a dark green line) in the business cycle was, on average, negative 1.52 percent.
- The risk premium earned during the three months following each trough (marked with a white line) in the business cycle was, on average, positive 1.87 percent.



Tracking the Business Cycle

Not only is business cycle data of little use in gauging future stock market performance, it is also of very limited use in projecting and measuring trends in general economic activity. While AIER's statistical indicators have proven useful in predicting whether turning points are imminent in the short-term, actual macroeconomic peaks and troughs cannot be confirmed until well after the fact. The NBER announced only this month that the U.S. economy had entered recession in January 2008.

The duration of contractions and expansions also varies widely, which further complicates efforts to predict when the economy will emerge from a recession. The accompanying table demonstrates that the duration of business cycles, from trough to trough, has ranged between 28 and 128 months in recent decades.

Do You Feel Lucky?

In any given cycle, market timers must be lucky not once, but twice. Even if one were lucky enough to "get out at the top," the feat must be repeated by successfully "getting back in" near the bottom in order to be invested when the market recovers. There is little evidence that anyone, even highly paid money managers, can accomplish this consistently.

Many professionals claim to have a secret to timing the stock market. Typically, they point to a track record of success in doing so, and a few may even show that they have been successful over a long career spanning several decades. The problem with assessing these claims, from a statistical point of view, is that at any point in time there are hundreds of market timers employing various trading methods. Even if each of these timers had chosen their strategy in a random manner (rather than a deliberate strategy), it is a virtual certainty that some would outperform a passive "buy and hold" strategy by a wide margin. In other words, it is entirely possible that successful market timers have outperformed a passive approach only as a result of chance.

In assessing market timing strategies, it is very difficult to distinguish luck from skill through statistical reasoning. The key is to determine whether a market timer's success has been sufficiently consistent to conclude that he was not merely lucky. Unfortunately, the nature of market timing yields far too few observations to be able to evaluate that question with any meaningful level of statistical certainty. We have discussed many times the perils of stock picking which, like market timing, attempts to use publicly available information to beat the market averages. The question of luck versus skill among stock pickers can be answered because there are hundreds of data points that one can consider. For example, a stock picker might have a list of 100 stocks of which 50 he predicts will be "winners" and 50 he predicts as "losers." These predictions provide 100 data points, which an economist can measure. However, to conduct a comparable study with respect to annual market timing strategies would be virtually impossible, since it would require that an economist study 100 years worth of market performance from any given market timer, or roughly four investment lifetimes for a typical investor.

It has also been argued that if market timing (or stock picking) is a skill rather than luck, successful money managers should be able to teach their techniques to a successor who would in turn be able to replicate that success. Again, there is no evidence that money managers have been able to consistently outperform a buy and hold approach year-in and year-out, let alone across generations.

Economic cycles are inevitable; portfolio values will rise and fall as macroeconomic news alternates between good and bad over the business cycle. Most recently, the new administration and Congress have indicated that a massive economic stimulus package is on the horizon. Whether this effort will hasten a recovery remains to be seen, but it is likely that a fiscal stimulus of the scale being contemplated will serve to accelerate price inflation, which investors will be forced to endure. In this environment the best defense is to establish and maintain a well-diversified "portfolio for all seasons" such as those we recommend each quarter.

MADOFF, MINSKY AND MANIA

Money manager Bernard Madoff has captured the attention of the press and the popular imagination by orchestrating what may be the largest investment fraud in history. Mr. Madoff, former chairman of the NASDAQ Stock Market, trusted investment advisor and pillar of the financial and philanthropic communities was allegedly running a Ponzi scheme of epic proportions. The victims include not only unwitting celebrities, socialites and charitable institutions, but also some of the most sophisticated institutional money managers in the world.

Different Name, Same Game

Wall Street has always had more than its share of fraudsters, cheats and confidence men – people willing and able to bend or break legal and ethical rules for personal gain. Charles Ponzi is credited with giving a name to perhaps the most popular form of investment fraud, the "Ponzi Scheme", which involves using money from new investors to pay off earlier ones.

The Madoff and Ponzi episodes are strikingly similar. Charles Ponzi duped investors out of millions in the 1920's. Estimates of Ponzi's take range from $5 to $10 million in 1920 dollars - this equals roughly $80 to $120 million in current dollars. Losses from Madoff's scheme are estimated to exceed $50 billion, or approximately 500 times greater. Fraudulent activity in the investment world hasn't diminished over time; in fact it appears to have become far more lucrative for the perpetrators.

Rather than revisit the buzz surrounding the personalities of Mr. Madoff and his circle of elite clientele, we will examine some of the underlying forces at work in this case. Our goal is to ensure that our readers avoid falling victim to similar schemes by becoming better-educated consumers of financial products and services.

Easy Street?

The late economist Hyman Minsky described the stages of a speculative mania fed by easy credit. The early stages involve conventional investment activities and hedging. In the middle stages participants borrow to pay principal. In the final stage, the "Ponzi Stage", investors borrow to pay interest. Participants are dependent on rising asset prices to continue to finance their accumulated debt. At the point when credit is no longer available it all comes crashing down. This point is referred to as the "Minsky Moment". The Modoff case appears to be primarily a massive fraud, but there are elements of this mania that are worth examining. As Madoff investors sought redemptions at a faster rate than he was able to raise cash, the house of cards collapsed as his debt was well in excess of his assets.

In recent memory we have experienced the implosions of Enron and Worldcom, the Internet bubble of the 1990's and now the housing meltdown and credit crisis. The fear of "missing the boat" while it seems that everyone else is getting rich is a major contributor to this recurring cycle. The behavioral and psychological factors that drive individuals to abandon rational restraint and succumb to the siren's call of easy money are very powerful. This leads investors to ignore sound strategies and to "put all their eggs in one basket". It appears that Maddoff's clients were blissfully unaware that there were in fact no eggs at all, and that someone had run off with their basket.

The way to inoculate oneself from speculative mania is to have rational expectations and a well-diversified, asset-class portfolio, structured according to your specific circumstances and tolerance for risk.

Where Were the Regulators?

The federal agencies and regulatory framework designed to protect individual investors from deception at the hands of investment professionals was created in the 1930's. The framework is built largely on a foundation of contract law and emphasizes voluntary disclosure and self-regulation. It is painfully obvious that the system is outdated and in need of a comprehensive overhaul. After the Madoff story broke, SEC Chairman Cox's mea culpa included the revelation that "credible and specific" evidence of fraud was brought to the attention of the SEC as early as 1999.[1]

In a recent Wall Street Journal column, Jason Zweig points out the irony that Madoff's emphasis on secrecy in his trading strategies and practices lent allure and a sense of exclusivity to those who invested with him. As is often true the attraction of exclusivity in a private club was accompanied by a herd instinct to follow the leader.

The opaque structure of Madoff's enterprise was somewhat unusual even in the ultra- secretive world of hedge funds. As a dual registrant broker-dealer/investment adviser he managed the funds, executed the trades, and was also custodian of the assets. This provided no transparency as to his investment activities and no opportunity for independent third parties to "blow the whistle". Reported Madoff fund holdings were greater than the total value of securities outstanding in the markets in which he "invested". This certainly should have been a warning signal to both clients and regulators.

The term "regulatory capture" describes the process by which a government regulatory body created to act in the public interest instead acts in favor of the commercial or special interests in the industry that the regulator is charged with regulating. Industry groups have a high stake in the outcome of potential regulation; compared with the millions of citizens that comprise "the public" they are relatively few in number so the potential costs of regulation are borne by a few and highly concentrated. The public, on the other hand, for whom regulatory protection is sought, is great in number, so the benefits of protection are diffuse. The securities industry therefore has much greater incentive to mobilize resources to affect a desired outcome. It is therefore not surprising that the securities industry has spent substantial time and resources to ensure it can operate with minimal oversight or to influence regulators to craft rules that are in its interest.

The Madoff case has given regulatory capture a whole new meaning. According to the Wall Street Journal Mr. Madoff's niece, a compliance lawyer at Madoff Investment Securities LLC, is married to a former SEC attorney who was responsible for supervising the SEC's inspection program relating to trading oversight at stock exchanges and electronic-trading platforms. The SEC confirmed that this attorney was a member of a team that looked at Madoff's securities trading business in 1999 and again in 2004.[2]

It's Caveat Emptor, Again . . .

Securities regulation and enforcement may indeed be reformed in the near future. Regulation will not, however, stop speculative bubbles from reoccurring, bring an end to fraud in the investment industry, or change the mind-set of mania driven investors.

While regulatory reform is needed in the securities industry, such efforts are no substitute for common sense and consumer awareness. Fortunately, there are ways individual investors can protect themselves:

Conduct Your Own Due Diligence: People devote endless hours to researching the purchase of a new car or washing machine, but some spend no time at all on what is arguably the most important consumer decision in their life – how to invest their hard-earned savings.

Don't make investment decisions based entirely on tips or referrals from friends. Do your own homework. It is the responsibility of individual investors to spend the time and think clearly and objectively when analyzing options regarding the management of their investment capital. It is up to you, the consumer, to be your own advocate. No one cares more about your personal well being than you do.

Insist on Clarity and Transparency: If you don't understand an investment strategy or process, avoid it. If something looks "to good to be true", it most assuredly is.

Within any commingled fund, advisory, brokerage and custody functions should be separate. Your advisor should not have authority to withdraw funds from your account without your express written authorization. Your investments should be custodied by a qualified third-party custodian and subject to routine audit. Open-end mutual funds such as those recommended on page 96 meet this rule.

Avoid Conflicts of Interest: Cui Bono - Who benefits? By tracking expenses, fees and commissions back to the source, you can find the answer to this question. A hint - it's usually not the individual investor. Conflicts of interest are endemic to the financial industry. Soft dollar arrangements, marketing incentive packages, bonuses or commissions for steering clients into certain funds are all ways that Wall Street professionals get paid.

Consider fee-only investment advisors who take their fiduciary responsibility seriously and eliminate conflicts of interest by aligning their interests squarely with yours. Avoid investment professionals who take money from third parties or generate fee income from trading commissions or selling products. Eliminating these conflicts allows your advisor to focus solely on providing the best possible stewardship of your assets.

The Madoff scandal is yet another sobering reminder to focus on those aspects of the investment process that you are able to control: discipline, diversification and cost.

[1] Christopher Cox, SEC Chairman in December 16, 2008 statement on the Bernard Madoff scandal
[2] Wall Street Journal December 17, 2008

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 (see accompanying box), investors can easily establish and maintain a high-yield Dow portfolio; all that is required is discipline applied on a monthly basis.

Investment Guide subscribers can establish and maintain a portfolio simply by ensuring that their portfolios are allocated to reflect the percentage valuations listed in the table to the right. Each month this table will reflect the results of any purchases or sales called for by the model.

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

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

Recommended HYD Portfolio

As of December 15, 2008

	Rank	*Yield*	*Price*	*Status*	*Percent of Portfolio: Value*	*Percent of Portfolio: No. Shares[1]*
Bank of America	1	9.07%	14.11	Buying	10.27	12.56
Pfizer	2	7.70%	16.63	Holding**	29.73	30.83
General Electric	3	7.32%	16.95	Buying	4.62	4.70
Alcoa	4	6.86%	9.91	Buying	1.51	2.63
DuPont	5	6.27%	26.17			
AT&T Corp.	6	6.04%	27.13	Holding	8.36	5.31
Merck & Co.	7	5.71%	26.60			
Verizon	8	5.70%	32.30	Selling	23.72	12.66
JP Morgan	9	5.31%	28.63		13.68	25.86
Kraft	10	4.34%	26.74			
Citigroup	29	0.54%	7.40	Selling	10.42	24.29
Altria Group	NA		15.21	Selling	3.04	3.44
Philip Morris Int'l	NA		41.54	Selling	8.29	3.44
Fairpoint	NA		2.78	Selling	0.02	0.14
					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 November 30, 2008)*

	1 mo.	*1 yr.*	*5 yrs.*	*10 yrs.*	*20 yrs.*	*Since 1/79*	*Std. Dev.*
HYD Strategy	-8.72	-34.69	3.77	5.07	13.49	15.99	17.39
Russell 1000 Value Index	-7.17	-38.31	0.12	1.56	9.07	11.81	14.41
Dow	-4.86	-32.11	0.31	1.79	10.05	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 ($)

	12/15/08	Mo. Earlier	Yr. Earlier
Gold, London p.m. fixing	**826.00**	730.75	789.50
Silver, London Spot Price	**10.33**	9.28	14.01
Copper, COMEX Spot Price	**1.39**	1.70	2.94
Crude Oil, W. Texas Int. Spot	**44.50**	57.03	91.27
Dow Jones Spot Index	**247.80**	268.16	354.43
Dow Jones-AIG Futures Index	**112.64**	124.10	180.65
Reuters-Jefferies CRB Index	**225.70**	247.58	348.60

Interest Rates (%)

U.S. Treasury bills - 91 day	**0.04**	0.14	2.81
182 day	**0.28**	0.88	3.16
52 week	**0.47**	1.11	3.28
U.S. Treasury bonds - 10 year	**2.53**	3.72	4.24
Corporates:			
High Quality - 10+ year	**5.29**	6.35	5.64
Medium Quality - 10+ year	**8.63**	9.28	6.79
Federal Reserve Discount Rate	**1.25**	1.25	4.75
New York Prime Rate	**4.00**	4.00	7.25
Euro Rates 3 month	**3.38**	4.29	4.95
Government bonds - 10 year	**3.18**	3.62	4.33
Swiss Rates - 3 month	**1.14**	2.18	2.79
Government bonds - 10 year	**2.23**	2.61	3.03

Exchange Rates ($)

British Pound	**1.527800**	1.486000	2.019700
Canadian Dollar	**0.809717**	0.816927	0.986680
Euro	**1.366400**	1.273100	1.443300
Japanese Yen	**0.011028**	0.010346	0.008822
South African Rand	**0.098907**	0.100000	0.145560
Swiss Franc	**0.862813**	0.842460	0.866852

Securities Markets

	12/15/08	Mo. Earlier	Yr. Earlier
S & P 500 Stock Composite	**868.57**	873.29	1,467.95
Dow Jones Industrial Average	**8,564.53**	8,497.31	13,339.85
Dow Jones Bond Average	**199.35**	191.61	202.05
Nasdaq Composite	**1,508.34**	1,516.85	2,635.74
Financial Times Gold Mines Index	**2,185.04**	1,493.04	2,791.67
FT EMEA (African) Gold Mines	**1,893.30**	1,269.96	2,565.03
FT Asia Pacific Gold Mines	**8,343.64**	5,599.05	14,019.94
FT Americas Gold Mines	**1,963.18**	1,353.17	2,317.25

Coin Prices ($)

	12/15/08	Mo. Earlier	Yr. Earlier	Prem (%)
American Eagle (1.00)	**828.88**	793.47	833.42	0.35
Austrian 100-Corona (0.9803)	**746.22**	711.92	788.83	-7.84
British Sovereign (0.2354)	**184.65**	176.25	195.05	-5.04
Canadian Maple Leaf (1.00)	**806.40**	771.00	830.20	-2.37
Mexican 50-Peso (1.2057)	**919.90**	877.60	972.40	-7.63
Mexican Ounce (1.00)	**763.00**	728.00	806.60	-7.63
S. African Krugerrand (1.00)	**812.40**	777.00	821.65	-1.65
U.S. Double Eagle-$20 (0.9675)				
St. Gaudens (MS-60)	**1,055.00**	1,040.00	885.00	32.01
Liberty (Type I-AU50)	**1,100.00**	1,100.00	910.00	37.65
Liberty (Type II-AU50)	**1,050.00**	1,050.00	890.00	31.39
Liberty (Type III-AU50)	**1,010.00**	980.00	855.00	26.38
U.S. Silver Coins ($1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	**8,975.00**	8,750.00	10,200.00	21.51
40% Silver Circ. (292 oz.)	**3,025.00**	3,100.00	4,100.00	0.29
Silver Dollars Circ.	**12,000.00**	12,350.00	11,250.00	50.16

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at $826 per ounce and silver at $10.33 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			Indicated	
	Symbol	12/15/08	11/14/08	12/14/07	High	Low	Amount ($)	Record Date	Paid	Annual Dividend ($)	Yield† (%)
Bank of America	BAC	14.11	16.42	42.16	45.08	10.01 *L*	0.320	12/05/08	12/26/08	1.280	9.07
Pfizer	PFE	16.63	16.28	23.10	24.24	14.26 *L*	0.320	11/07/08	12/2/08	1.280	7.70
General Electric	GE	16.95	16.02	36.91	38.52	12.58 *L*	0.310	9/22/08	10/27/08	1.240	7.32
Alcoa	AA	9.91	10.84	35.19	44.77	6.80 *L*	0.170	11/07/08	11/25/08	0.680	6.86
Dupont	DD	26.17	27.43	44.73	52.49	21.32 *L*	0.410	11/14/08	12/12/08	1.640	6.27
AT&T (New)	T	27.13	27.65	41.14	42.79	20.90	0.410	1/09/09	2/2/09	1.640	6.04
Merck	MRK	26.60	27.33	59.57	61.18	22.82 *L*	0.380	12/05/08	1/2/09	1.520	5.71
Verizon	VZ	32.30	30.00	44.37	45.25	23.07	0.460	10/10/08	11/3/08	1.840	5.70
J P Morgan	JPM	28.63	34.47	45.20	50.63	19.69 *L*	0.380	1/06/09	1/31/09	1.520	5.31
Kraft	KFT	26.74	27.44	33.31	34.97	24.75 *L*	0.290	12/26/08	1/13/09	1.160	4.34
Boeing	BA	38.74	41.04	88.42	90.38	36.17 *L*	0.400	11/07/08	12/5/08	1.600	4.13
Caterpillar	CAT	42.21	36.96	73.39	85.96	31.95	0.420	1/20/09	2/20/09	1.680	3.98
Home Depot, Inc.	HD	23.41	20.54	26.63	31.08	17.05	0.225	12/04/08	12/18/08	0.900	3.84
Intel Corp	INTC	14.59	13.32	26.29	27.47	12.06 *L*	0.140	11/07/08	12/1/08	0.560	3.84
American Express	AXP	19.34	19.99	52.29	53.45	16.55	0.180	1/09/09	2/10/09	0.720	3.72
3M Company	MMM	55.63	63.06	85.93	86.97	50.01	0.500	11/21/08	12/12/08	2.000	3.60
Coca-Cola	KO	44.97	45.02	63.81	65.59	40.29	0.380	12/01/08	12/15/08	1.520	3.38
Chevron	CVX	78.21	72.68	92.02	104.63	55.50	0.650	11/18/08	12/10/08	2.600	3.32
McDonald's	MCD	60.69	56.13	61.16	67.00	45.79	0.500	12/01/08	12/15/08	2.000	3.30
Johnson & Johnson	JNJ	57.81	60.05	67.59	72.76	52.06	0.460	11/25/08	12/9/08	1.840	3.18
United Tech.	UTX	49.63	50.23	76.69	78.85	41.76 *L*	0.385	11/14/08	12/10/08	1.540	3.10
Microsoft Corp.	MSFT	19.04	20.06	35.31	36.72	17.50 *L*	0.130	11/20/08	12/11/08	0.520	2.73
Procter and Gamble	PG	59.36	63.11	73.90	74.49	54.92	0.400	10/24/08	11/14/08	1.600	2.70
IBM	IBM	82.77	80.33	105.77	130.93	69.50 *L*	0.500	11/10/08	12/10/08	2.000	2.42
Exxon Mobil	XOM	79.95	73.68	91.18	96.12	56.51	0.400	11/12/08	12/10/08	1.600	2.00
Wal-Mart Stores	WMT	54.71	52.71	47.63	63.85	43.11	0.238	12/15/08	1/2/09	0.950	1.74
Walt Disney	DIS	22.77	21.08	33.01	35.02	18.60 *L*	0.350	12/15/08	1/20/09	0.350	1.54
Hewlett-Packard	HPQ	34.82	30.46	52.14	52.90	28.23	0.080	12/17/08	1/7/09	0.320	0.92
Citigroup**	C	7.40	9.52	30.70	31.38	3.05 *L*	0.010			0.040	0.54
General Motors	GM	4.08	3.01	26.52	29.28	1.70 *L*	0.000	7/15/08	7/15/08	0.000	0.00

* See the Recommended HYD Portfolio table on page 94 for current recommendations. † Based on indicated dividends and market price as of 12/15/08. 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 12/16/07.
**Citigroup announced on Nov. 24, 2008 that its dividend will be limited to $0.01 per quarter for the next three years.

RECOMMENDED INVESTMENT VEHICLES

	Ticker Symbol	Avg. Market Cap. / Avg. Maturity	No. of Holdings	Expense (%)	Ratios: Sharpe	Turnover (%)	P/B	12 Mo. Yield (%)	Total 1 yr.	Total 3 yr.	Total 5 yr.	After Tax* 1 yr.	After Tax* 3 yr.	After Tax* 5 yr.
		Descriptive Quarterly Statistics, as of 9/30/08							Annualized Returns (%), as of 11/30/08					
Short/Intermediate Fixed Income														
Vanguard Short-Term Bond Index	BSV[2]	2.8 Yrs.	939	0.11	--	79	--	4.01	3.93	--	--	2.54	--	--
Vanguard Short-Term Bond Index	VBISX	2.8 Yrs.	939	0.18	0.20	79	--	4.14	3.89	5.11	3.72	2.47	3.56	2.32
Vanguard Short-Term Inv. Grade	VFSTX	3.0 Yrs.	923	0.21	-0.41	48	--	5.01	-5.79	1.68	1.90	-7.35	0.04	0.42
iShares Lehman 1-3 Year Treasury	SHY[1]	1.8 Yrs.	40	0.15	0.65	76	--	3.38	6.32	5.84	3.98	5.05	4.40	2.79
Vanguard Limited-Term Tax-Exempt	VMLTX	2.7 Yrs.	752	0.15	-0.43	32	--	3.44	2.65	3.39	2.51	2.65	3.39	2.51
Real Estate														
Vanguard REIT Index	VNQ[2]	4.7 B.	98	0.10	0.15	13	2.1	5.08	-49.04	-15.35	--	-49.84	-16.47	--
Vanguard REIT Index	VGSIX[3]	4.7 B.	98	0.20	0.15	13	2.1	4.97	-49.11	-15.45	-1.81	-49.89	-16.54	-3.20
U.S. Large Cap Value														
Vanguard Value Index	VTV[2]	43.9 B.	420	0.10	-0.29	20	1.8	3.57	-37.89	-8.04	--	-38.18	-8.42	--
Vanguard Value Index	VIVAX	43.9 B.	420	0.20	-0.30	20	1.8	3.47	-37.97	-8.14	0.31	-38.25	-8.50	-0.07
U.S. Small Cap Value														
iShares Russell Microcap Index	IWC[1]	0.3 B.	1371	0.60	-0.45	21	1.3	0.90	-42.51	-15.46	--	-42.65	-15.58	--
Vanguard Small-Cap Value Index	VBR[2]	1.3 B.	985	0.11	-0.18	34	1.3	2.64	-36.35	-10.62	--	-36.65	-11.01	--
Vanguard Small-Cap Value Index	VISVX	1.3 B.	985	0.22	-0.20	34	1.3	2.48	-36.44	-10.73	-0.44	-36.72	-11.09	-0.83
U.S. Large Cap Growth														
iShares Russell 1000 Growth Index	IWF[1]	31.6 B.	649	0.20	-0.25	16	3.4	1.23	-39.79	-9.88	-3.27	-39.99	-10.07	-3.45
Vanguard Growth Index	VIGRX	37.0 B.	402	0.22	-0.19	23	3.7	0.95	-38.94	-9.35	-2.80	-39.01	-9.47	-2.93
U.S. Marketwide														
Vanguard Total Stock Market Index	VTI[2]	26.9 B.	3547	0.07	-0.23	4	2.3	2.77	-38.50	-8.88	-1.17	-38.68	-9.13	-1.43
Fidelity Spartan Total Market Index	FSTMX[4]	26.6 B.	3277	0.10	-0.24	4	2.3	1.91	-38.63	-8.93	-1.23	na	na	na
Foreign- Developed Markets														
iShares MSCI Growth Index	EFG[1]	26.1 B.	563	0.40	-0.02	28	2.7	2.91	-47.11	-6.98	--	-47.38	-7.19	--
iShares MSCI Value Index	EFV[1]	29.8 B.	546	0.40	-0.17	21	1.4	7.62	-48.14	-8.76	--	-48.90	-9.26	--
Vanguard Europe Pacific Index	VEA[2]	35.6 B.	1001	0.12	--	6	2.3	3.08	-47.25	--	--	-47.35	--	--
Vanguard Tax-Managed International	VTMGX[5]	35.6 B.	1001	0.15	-0.08	6	2.3	3.01	-47.77	-7.51	2.29	-47.87	-7.71	2.10
Vanguard Developed Markets Index	VDMIX[6]	34.4 B.	1041	0.22	-0.09	7	2.2	3.93	-47.51	-7.46	2.11	-47.81	-7.90	1.64
Foreign- Emerging Markets														
Vanguard Emerging Market Index	VWO[2]	19.2 B.	821	0.25	0.29	9	2.6	2.87	-56.65	-5.88	--	-56.69	-6.13	--
Vanguard Emerging Market Index	VEIEX[7]	19.2 B.	821	0.37	0.28	9	2.6	2.71	-56.81	-6.13	6.94	-56.94	-6.36	6.69
Gold-Related Funds														
iShares COMEX Gold Trust	IAU[2]	--	1	0.40	--	--	--	0.00	3.93	17.70	--	3.93	17.70	--
streetTRACKS Gold Shares	GLD[1]	--	1	0.40	--	--	--	0.00	na	na	--	na	na	--

Recommended Gold-Mining Companies ($)

	Ticker Symbol	12/15/08	Month Earlier	Year Earlier	52-Week High	52-Week Low	Distributions Last 12 Months	Distributions Frequency	Yield (%)
Anglogold Ltd., ADR	AU	**26.29**	16.59	42.87	51.35	13.37	0.1350	Semiannual	0.5135
Barrick Gold Corp. †	ABX	**32.92**	22.29	38.00	54.74	17.27	0.3400	Semiannual	1.0328
Gold Fileds Ltd.	GFI	**9.64**	5.98	14.84	18.08	4.64	0.2367	Semiannual	2.4554
Goldcorp, Inc. †	GG	**29.34**	21.66	32.23	52.65	13.84	0.1530	Monthly	0.5215
Newmont Mining	NEM	**37.70**	24.23	47.81	57.55	21.17	0.4000	Quarterly	1.0610

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.