AIS INVESTMENT GUIDE

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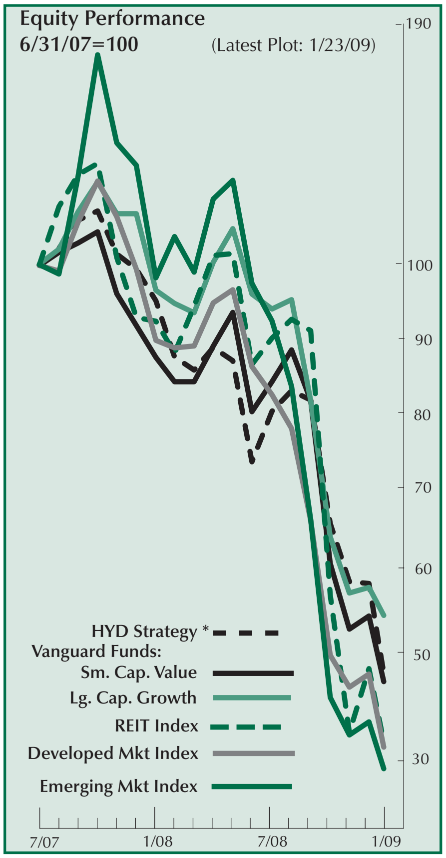

*** HYD is a hypothetical model based on back-tested results. See p.6 for full explanation**

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.

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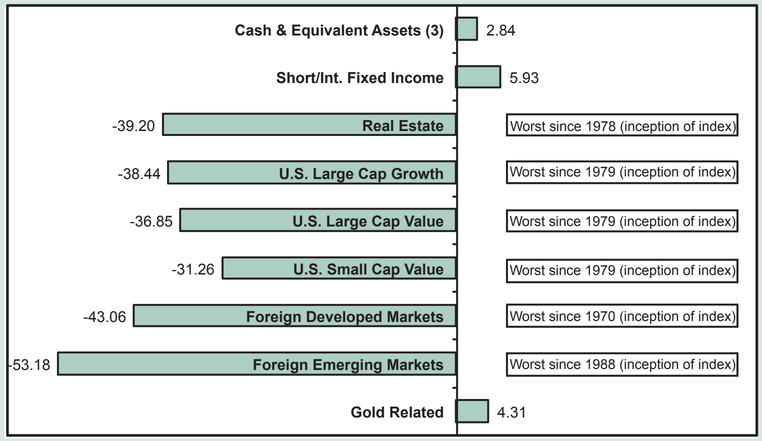
New Year's Resolutions

If there was ever a year to test investors resolve, 2008 was it. A new year is upon us and with it comes a good deal of change. Many are fearful regarding the global economy and the future of capital markets. We hope that a re-statement of our most fundamental convictions will provide an anchor amidst the tempest.

- I will understand my own circumstances and formulate an investment plan based on my needs, not in anticipation of market trends.
- I will remind myself that investing is not a form of entertainment—if I have an urge to gamble, I will go to Las Vegas.
- I will stick to my plan.
- I will not attempt to pick winning stocks.
- I will ensure that my holdings are adequately diversified within each asset class I own.
- I will focus on minimizing my investment-related costs.
- I will stay abreast of changes in investment-related tax laws.
- I will not purchase any financial instrument I do not understand.
- I will ignore money managers or others selling products rather than advice.
- I will ignore market prognosticators.
- I will take full advantage of my qualified retirement plans by making the maximum allowable contributions I can live with.
- I will hold my least tax-efficient assets in my tax-deferred accounts.
- I will rebalance my portfolio infrequently, but at regular intervals regardless of the current state of the markets.
- I will not allow the price I have paid for a security to influence my future investment decisions—except for tax considerations regarding capital gains and losses.
- At year end I will harvest tax losses simply and without ever deviating from my portfolio's target allocations, by selling and buying index-type funds within the same asset class.
- I will appreciate the simplicity of the AIS approach; instead of worrying about factors that are not within my control, I will establish my plan and turn my attention to enjoying life.

QUARTERLY REVIEW OF INVESTMENT POLICY



See Model Portfolios Table for source indexes

The fourth quarter of 2008 closed out one of the worst calendar years in the history of capital markets. The accompanying chart reveals that for the year, several asset classes turned in their worse performance since data has been available for measurement. Diversification across asset classes provided little protection for investors, as only gold, cash and short-term bonds provided positive returns.

A tight-credit environment degenerated into a full blown credit crisis during the second half of the year. Investors shunned stocks and private sector bonds, pouring capital into U.S. government debt obligations. Intermediate term government bonds, as measured by the Ibbotson Associates U.S. Intermediate Term bond index, were up 13.11 percent for the year.

Prior to 2007, large financial institutions had been rapidly expanding liquidity available to lenders. They purchased and packaged debt by creating asset-backed securities such as collateralized mortgage obligations. This expanding appetite for debt prompted looser lending standards, which worked out well as long as underlying asset values were increasing. When housing prices began to fall, a downward spiral began as these instruments, even higher-quality issues, lost value rapidly. Throughout 2008, financial institutions unloaded risky assets en masse in order to strengthen their suddenly-weakened balance sheets. By the fourth quarter, this so-called "de-leveraging" had led to a severe constriction of credit available to businesses and consumers.

The Federal Reserve has not been

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

Asset Class	*Index*	*Recommended Percentage Allocations* (2)			*Asset Class Statistics: Risk and Return*			
					Total Return (annualized)			*Std. Dev. (annualized)*
		Conservative	*Moderate*	*Aggressive*	*1 Year*	*10 Year*	*20 year*	*20 year*
Cash & Equivalent Assets (3)	3 Month CD Index	20	10	0	2.84	3.66	4.67	0.57
Short/Int. Fixed Income	Lehman Brothers 1-5 Yr Govt/Cred	40	30	0	5.93	5.18	6.55	2.43
Real Estate	DJ Wilshire Real Estate Securities TR Index	10	10	10	-39.20	7.65	7.48	17.34
U.S. Large Cap Growth	Russell 1000 Growth Index (USD)	5	5	10	-38.44	-4.27	7.43	17.27
U.S. Large Cap Value	Russell 1000 Value Index (USD)	15	20	30	-36.85	1.36	9.08	13.77
U.S. Small Cap Value	Russell 2000 Value Index (USD)	5	7	13	-28.92	6.10	9.96	15.67
	DFA US Micro Cap Portfolio (USD)	0	3	7	-36.72	6.44	9.78	19.72
Foreign Developed Markets	MSCI EAFE Index (USD) Gross Div	5	7	13	-43.06	1.18	3.49	16.94
Foreign Emerging Markets	MSCI Emg. Mkts. Index (USD) Gross Div	0	3	7	-53.18	9.31	10.13	24.29
Gold Related	Gold EOM gold (London PM Fix)	0	5	10	4.31	11.70	3.83	14.44
	Total	100	100	100				

Model Portfolio Statistics: Risk, Return and Growth

	Conservative	*Moderate*	*Aggressive*
Portfolio Return 1 Year	-12.96	-19.48	-34.37
Portfolio Return 10 Year (annualized)	4.50	5.08	4.87
Portfolio Return 20 Year (annualized)	7.14	7.72	8.62
Portfolio Standard Deviation 20 Year (annualized)	5.23	7.32	12.39
Growth of $100 over 20 Years	$397	$443	$523

(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 8.
(3) Investors should maintain cash balances adequate to cover living expenses for up to 6 months in addition to the cash levels indicated.

complacent in the face of this downward spiral. During the third quarter, the Fed had attempted to restore liquidity domestically by expanding its auction facility to financial firms, and globally by providing liquidity to foreign banks. In November the Fed went further, announcing that it would provide $800 billion to purchase (or back facilities that purchase) mortgage and asset-backed securities including consumer and student loans. Its balance sheet reveals that in just three months (through November 2008) the Fed had boosted the credit it provides to the economy by roughly 100 percent, to over $2 trillion.

In recent months, we have tried to meet investors' concerns head-on, and we will continue to do so. We have pointed out that the crisis to date, though severe, is not unprecedented in its magnitude or in its duration. We have refuted the fallacy that investors should flee to cash during recession, and we have demonstrated that it is price inflation over the long term that poses the greatest threat to investors. We have presented historical data that shows expected returns are highest when asset prices are low. All of our research continues to support our premise that investors with a long-term outlook should continue to maintain a well-balanced portfolio, such as those depicted in the AIS Model Portfolios table on page 2.

Cash Equivalent Assets

When the fourth quarter ended, the Federal Reserve's Open Market Committee (FOMC) had reduced the target for the Federal funds rate to 0.25 percent, its lowest ever. The target rate has been slashed 500 basis points (5 percent) in just 16 months as the Fed has moved aggressively in the face of a rapidly slowing economy.

The yield on the 13-week U.S. Treasury bill began the quarter at 0.80 percent, fell to 0.00 percent in late December, and finished the year at 0.20 percent. Thanks largely to a rapid reversal in energy prices, overall price inflation as measured by the Consumer Price Index (CPI) was only 1.1 percent through November (year-over-year). The CPI actually declined for four consecutive months, marking the longest such string in nearly 60 years, according to the American Institute for Economic Research. Despite this historically low price inflation, the extraordinary demand for the 13-week Treasury bill has pushed its real return into negative territory. Investors appear to have grown acutely sensitive to the risk of default, so much so that they are willing to assume the risk of greater loss through reduced purchasing power.

Until very recently the market had shunned even very short term non-governmental debt. The yield on A1+ / P1 commercial paper (short-term debt issued by corporations) reached a high of 4.64 percent on October 10th, but by mid-January the market had displayed renewed interest. Yields had fallen to 0.73 percent as of January 19.

Short/Intermediate-Term Bonds

Credit yield spreads were the story of the year in fixed income markets. Credit spreads measure the extra yield, relative to Treasury bonds of comparable maturity, that is paid by bonds issued by entities perceived to be at greater risk of default, such as corporations. The spread on the Barclay's Capital U.S. Credit Bond Index (corporate debt) reached 4.93 percent during the quarter, but the gap closed as the year drew to a close. In terms of total return, the index turned in a positive 4.03 percent for the quarter but fell by 3.07 percent for the year. Among high-yield or "junk" bonds, the average yield spread almost doubled in the fourth quarter and finished the year almost three times its long-term historical average. In terms of total returns, high-yield issues lost 17.88 percent over the final three months and 26.16 percent for the year.

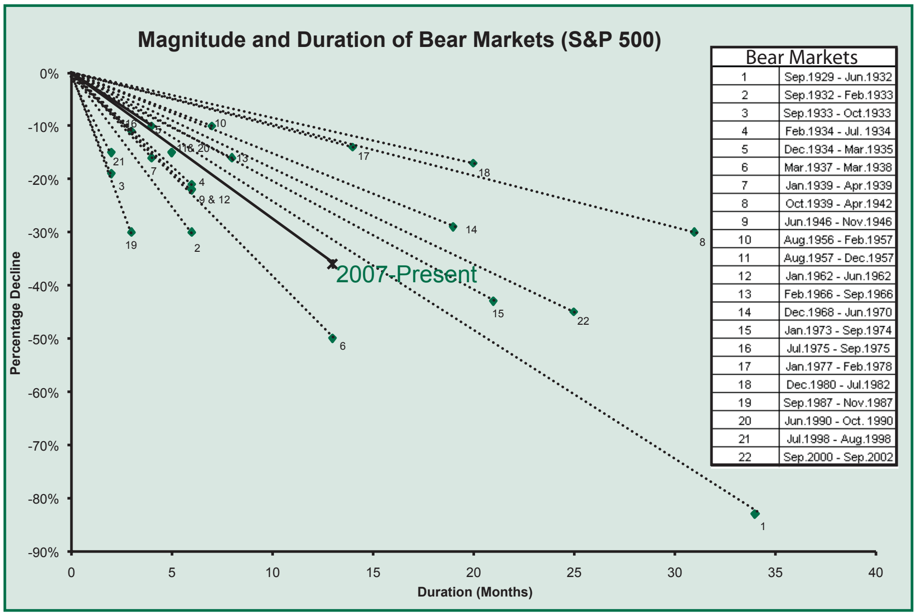
Even municipal bonds, which historically have experienced very low default rates, were not immune from the credit crisis. Munis (as measured by the Barclay's Capital Municipal 20 Yr bond index), fell 0.54 percent for the quarter and lost 7.65 percent for the year (their worst year since 1994) as investors fled to the safety of Treasury issues. Muni yield spreads versus Treasuries peaked in October, before recovering somewhat by year-end. As of January 23, AAA rated 10-year muni issues were yielding 3.28 percent while 10 year Treasuries were paying only 2.65 percent. This pre-tax yield spread is remarkable considering that, unlike Treasury issues, interest income on munis is exempt from federal income taxation.

According to Fidelity Management & Research Co., new bond issuance fell to its lowest level since 2002. Potential bond buyers grew wary of firms that were suddenly confronted with limited access to financing, but firms proved unwilling to incur the higher interest rates demanded by investors. Conditions improved in the fourth quarter after the FDIC initiated a program to guarantee certain bank debt, which allowed several firms in the financial services industry to issue debt at lower rates.

As we pointed out last month, conventional Treasury securities are not risk free. While the risk of explicit default by the federal government is minimal, price inflation and the higher interest rates it can generate are highly likely. This leads

Total Return (%)

	2006			*2007*				*2008*				*Entire Period 2Q 2006-4Q 2008*
	2Q	*3Q*	*4Q*	*1Q*	*2Q*	*3Q*	*4Q*	*1Q*	*2Q*	*3Q*	*4Q*	
Vanguard Short-Term Inv Grade	0.79	2.31	1.28	1.57	0.46	1.91	1.81	1.19	-0.18	-3.42	-2.36	5.32
Vanguard REIT Index	-1.37	9.39	9.07	3.39	-9.40	2.39	-12.90	2.13	-5.39	5.35	-38.16	-38.11
Vanguard Value Index	0.91	6.63	7.82	0.90	5.70	-0.04	-6.12	-9.02	-6.18	-5.72	-20.44	-25.65
High-Yield Dow 4/18*	3.27	**13.70**	8.42	3.98	7.25	1.33	-5.16	-11.12	-11.39	**8.77**	-22.71	-9.66
Vanguard Small Cap Value	-2.72	1.72	8.52	2.01	2.93	-5.03	-6.81	-6.52	-3.80	1.51	-25.57	-32.20
Vanguard Growth Index	-3.94	3.79	5.85	1.21	6.65	4.34	-0.06	-9.99	**2.34**	-12.04	-23.88	-26.73
Vanguard Developed Markets†	0.81	4.00	10.11	4.21	6.33	2.44	-2.22	-8.47	-2.42	-18.89	-19.41	-25.20
Vanguard Emerging Markets‡	-4.57	4.00	**17.22**	2.18	**15.40**	**14.43**	2.94	-10.48	-1.35	-25.98	-27.82	-23.75
Gold (London PM Fix)	**5.41**	-2.32	5.54	**4.71**	-1.70	14.22	**12.21**	**11.96**	-0.35	-4.92	**-1.67**	**49.54**



The S&P data are provided by Standard & Poor's Index Services Group.Bull and bear markets are defined in hindsight using cumulative monthly returns. Years indicate calendar year in which each bear market began. A bear market (1) begins with a negative monthly return, (2) must achieve a cumulative return less than or equal to -10%, and (3) ends at the most negative cumulative return prior to achieving a positive cumulative return. All data points which are not considered part of a bear market are designated as a bull market.

to real returns that can be greatly diminished over time.

Real Estate

Real Estate Investment Trusts (REITs) suffered devastating declines in the fourth quarter as commercial tenants' revenues came under siege. The asset class was hard hit by news that the U.S. was officially in recession, and that economic conditions were rapidly deteriorating. The Dow Jones Wilshire REIT Index had held up well through the first three quarters, but fell 40 percent in the fourth quarter alone, dragging total returns for 2008 to a loss of 39.20 percent.

According to the National Association of Real Estate Investment Trusts (NAREIT), among the eight major equity REIT subsectors, only self-storage REITs managed a gain (5.05 percent). The greatest losses were incurred by industrial and office REITs (-50.28 percent), retail (-48.36 percent) and lodging/ resorts (-59.67 percent), all of which are highly vulnerable to economic contraction.

U.S. Equities

The fourth quarter ensured that calendar year 2008 would be one of the worst in the history of the U.S. stock market. Domestic stocks, as measured by the Dow Jones Wilshire 5000 Full Cap index, fell 22.93 percent for the quarter and 37.34 percent for the year. Throughout the year the market suffered from a global economic contraction. During the fourth quarter, losses grew deeper as both consumer and corporate spending dropped sharply as the credit crisis deepened.

The quarter's performance was also unusual in that there was little distinction in performance among equity risk dimensions (growth, value, and size) that is typically evident. U.S. large cap equities, as measured by the Ibbotson Associates (extended) S&P 500 stock index, registered a -21.94 percent total return during the quarter and -37.00 percent for the year. Since 1926, only one year (1931) provided a greater drop, when the index fell 43.34 percent. Neither growth or value stocks provided shelter. The Russell 1000 Value index dropped 22.18 percent for the quarter and 36.85 percent for the year, while the Russell 1000 Growth index fell 22.79 percent for the quarter and finished the year down 38.44 percent. Small and micro cap stocks were battered as well. The Russell 2000 Value index lost 24.89 percent for the quarter and ended the year down 28.93 percent, while micro caps fell 36.72 percent for the year.

The accompanying chart provides a "snapshot" comparison of the current bear market to previous bear markets, in terms of both duration (in months), and magnitude (in total returns). While the current decline has not run its full course, to date there have been several bear markets that have lasted longer, provided greater losses -- or both.

International Equities

Investors found no refuge through global diversification. The notion that foreign economic performance would be "de-coupled" from U.S. economic woes proved false during the year, and the fourth quarter in particular. The slowdown was fully reflected in foreign capital market valuations.

Many economies that had held up through the first half of 2008 experienced rapidly decelerating growth or stagnation over the final six months. Global trade slowed considerably; notably, Chinese exports fell sharply as consumer demand in the U.S. fell amidst recession. Chinese imports, largely raw materials, fell almost 20 percent and commodity prices, which are vitally important to other emerging economies that export raw materials, fell in turn. In October, in response to the crisis, the world's largest central banks agreed to an unprecedented, coordinated emergency cut in interest rates. Notably, the European Central Bank, following the Fed's lead, pushed interest rates lower by 1.75 percent.

Foreign developed markets fell by 19.95 percent for the quarter and finished the year down 43.38 percent in dollar terms, as measured by the MSCI EAFE Index. Ireland (-72 percent), the U.K. (-48 percent) and Germany (-46 percent) were hit hardest in 2008. Japan, which had been struggling in recent years relative to developed nations, gave up less, falling 29.1 percent. Emerging markets, which are among the most volatile of our recommended asset classes, fell 27.56 percent during the quarter and 53.18 percent for the year.

U.S. investors did not get any help from world currency markets. The dollar, which had reversed course by rising against most currencies during the third quarter, continued the trend throughout the final three months. Versus other world currencies, the overall trade-weighted dollar rose 9 percent during 2008. Though the global credit crisis originated in the U.S., global investors turned to U.S. capital markets, specifically U.S. government obligations as a safe-haven, pushing the dollar higher. Interest rate cuts by foreign central banks reduced incentives to keep investments local.

Between November 2005 and May 2008, the dollar had fallen 28.6 percent versus the euro. However, over the second half of 2008 alone, the dollar had gained back 9.2 percent. At year-end the euro closed at $1.41.

Gold-Related Investments

Among our non-cash recommended asset classes, only gold provided positive returns for the year, as the gold price per ounce closed at $869.75, 4.31 percent above its close at the end of 2007. Gold generally maintained its reputation as a safe haven amidst financial turmoil, though as usual, gold investors had to endure extreme volatility. The price of gold spiked to $1,101/oz. in March, when the collapse of Bear Stearns initiated what would become a string of failures or bailouts among financial institutions. The price fell back in early summer to $850/oz. but leapt again in July to $986/oz when the Treasury and Fed announced a bailout for Fannie Mae and Freddie Mac. The price subsequently fell as low as $740/oz. but again rose to $905/oz. at the third quarter's close, when Congress rejected the initial $700 billion broad financial bailout.

Gold, which produces no income, is often characterized as a mere commodity with no expected return. Therefore, most advisors do not recommend it for investors' portfolios. We, on the other hand, view gold as a form of money that should be held as a small portion at all times. Recent data, as shown in the accompanying chart, provide additional support for our view. Though commodity prices can rise dramatically, their real prices tend to fall over time, and indeed many are supplanted altogether in the face of technological innovation. But gold, despite its volatility over the short term, has maintained its purchasing power over the long term. This can be said of no fiat currency, past or present.

Gold: Just Another Commodity?
Total Returns (%)

	4Q2008	2008
Gold (PM fix)	**-1.7**	**4.3**
Silver	-16.7	-26.9
Palladium	-6.3	-49.4
Platinum	-7.6	-38.8
Aluminum	-39.3	-38.1
Copper	-54.8	-56.5
Lead	-47.3	-62.5
Nickel	-31.4	-58.1
Tin	-39.7	-36.8
Zinc	-32.1	-51.0
Oil (Dated Brent)	-57.1	-55.5
GS Commodity Index	-43.9	-42.8
GS Agric. Spot Index	-11.9	-19.7
GS Livestock Tot. Ret.	-14.8	-27.4
GS Agric. Tot. Ret. Index	-14.7	-28.9
GS Livestock Spot Index	-11.1	-6.4
DJ AIG Commodity Index	-30.1	-36.6

Source: World Gold Council, Gold Investment Digest, January 2009, Global Insight, Bloomberg

TAX BREAKS FROM THE FEDS

Upon reaching age 70 1/2 owners of IRAs, SEP accounts and SIMPLE IRAs, and participants in defined contribution retirement plans are subject to required minimum distribution (RMD) rules, which mandate minimum annual withdrawals that are taxed as ordinary income.

Many investors routinely delay taking their RMDs until later in the year. But during 2008 financial markets declined sharply from their levels on December 31, 2007, the distribution's valuation date, so many taxpayers ended up taking distributions that had risen substantially as a percentage of the account's value.

In response, the federal government has suspended RMDs for individuals who own 401(k), 403(b), 457(b), Traditional IRA, SEP, SARSEP, or SIMPLE IRA accounts, and who are scheduled to take RMDs during tax year 2009. The change was intended to allow investors to leave their money in retirement accounts rather than further deplete their accounts. The decision to suspend or to take all or part of your RMD should be based on your need for income.

Roth Conversion Opportunity

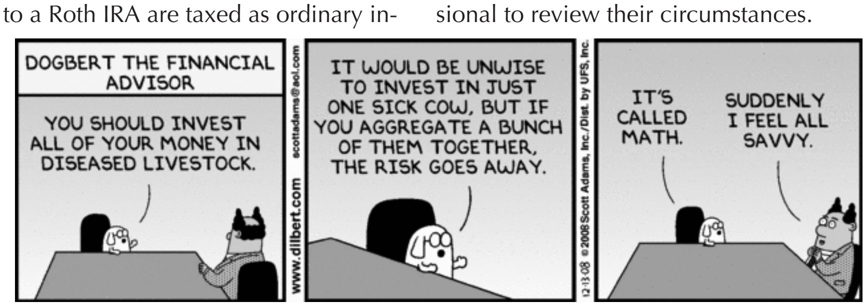
Households with adjusted gross income in excess of $100,000 are currently ineligible to convert their Traditional IRAs to Roth IRAs, but this restriction will no longer apply, starting in 2010. Furthermore, investors can forego payment of taxes due on any conversion completed during the year by opting instead to include the taxable portion ratably in their taxable income during 2011 and 2012. This latter provision, however, applies during 2010 only.

While assets held in both traditional and Roth IRAs grow tax-deferred, neither escape taxation. Roth accounts can be funded only with after-tax contributions, while traditional IRAs can be funded with tax-deductible contributions or with assets "rolled over" from retirement accounts typically funded with pre-tax dollars. Generally, distributions from traditional IRAs are taxable as ordinary income, while qualified distributions from a Roth IRA are not includible in taxable income and are therefore tax-free. In addition, while traditional IRAs rules include required minimum distributions (RMDs) beginning at age 70 ½, Roth IRAs are not subject to RMDs at any time.

Amounts converted from a traditional to a Roth IRA are taxed as ordinary income (except for amounts attributable to after-tax contributions). The opportunity to convert next year and incur taxes in 2011 and 2012 in exchange for tax free distributions thereafter should be especially appealing to those who anticipate they will be subject to a high marginal tax bracket in later years. In our estimation, the Federal government's current fiscal situation suggests that an increasing number of investors will find this to be the case.

We cannot of course know in advance what returns the capital markets will provide over the next year. However, if the markets fail to recover from their current levels an opportunity may exist to convert while (taxable) asset values are at historic lows.

Those considering a traditional IRA-Roth conversion should proceed carefully. There are many factors to consider. Many investors, for example may be better off executing a partial, rather than a full conversion. Readers contemplating a conversion should consult a tax professional to review their circumstances.



THE HIGH-YIELD DOW INVESTMENT STRATEGY

Dividend Cuts

Citigroup and Bank of America have all but eliminated their dividend (each is paying $0.01 per share) as a part of their acceptance of a government "bailout." We expect that both banks will be sold out of the model incrementally over the next 18 months, in accordance with the model's yield-based transaction rules. While plunging share prices for these stocks contributed to the model's overall loss of 33.79 percent during calendar year 2008, alternative large cap value measures revealed even greater losses, as the Russell 1000 Value (passive) Index and the Lipper Large Cap Value Index (which gauges active "stock picking" approaches) lost 36.85 percent and 37 percent, respectively.

Pfizer announced on January 26 that it will reduce its quarterly dividend by 50 percent to $0.16 per share in connection with its acquisition of Wyeth. Because its resulting indicated dividend yield has fallen, we expect the model will sell Pfizer in coming months. The table to the right is based on indicated dividends as of January 15, but investors can still match the model by adhering to the percentage allocations indicated; the model purchased Pfizer shares 18 months ago, so it is not calling for the purchase of additional shares this month.

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.

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

Recommended HYD Portfolio

As of January 15, 2009 ——*Percent of Portfolio*——

	Rank	*Yield*	*Price*	*Status*	*Value*	*No. Shares*[1]
General Electric	1	9.01%	13.77	Buying	5.71	6.28
Pfizer	2	7.36%	17.39	Holding** *	34.44	30.00
Alcoa	3	7.26%	9.37	Buying	3.10	5.02
DuPont	4	6.65%	24.65	Buying	1.52	0.93
AT&T Corp.	5	6.53%	25.12	Holding	8.64	5.21
JP Morgan	6	6.24%	24.34			
Verizon	7	6.15%	29.90	Selling	22.61	11.45
Merck & Co.	8	5.41%	28.12			
Caterpiller	9	4.27%	39.39			
Intel Corp	10	4.21%	13.29			
Citigroup	27	1.04%	3.83	Selling	5.83	23.05
Bank of America	29	0.48%	8.32	Selling	6.76	12.31
Altria Group	NA		15.21	Selling	3.04	2.81
Philip Morris Int'l	NA		41.54	Selling	7.70	2.81
Fairpoint	NA		2.78	Selling	0.02	0.12
					100.00	100.00

* Pfizer announced on 1/26/09 that it had reduced its quarterly dividend to $0.16/share please see accompanying text.

** 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 December 31, 2008)*

	1 mo.	*1 yr.*	*5 yrs.*	*10 yrs.*	*20 yrs.*	*Since 1/79*	*Std. Dev.*
HYD Strategy	-0.34	-33.79	2.50	5.13	13.44	15.93	17.37
Russell 1000 Value Index	1.39	-36.85	-0.80	1.36	9.08	11.83	14.39
Dow	-0.51	-32.01	-1.14	1.65	9.87	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 ($)

	1/15/09	Mo. Earlier	Yr. Earlier
Gold, London p.m. fixing	**810.00**	826.00	913.00
Silver, London Spot Price	**10.51**	10.33	16.24
Copper, COMEX Spot Price	**1.44**	1.39	3.17
Crude Oil, W. Texas Int. Spot	**35.39**	44.50	91.90
Dow Jones Spot Index	**246.26**	247.80	375.55
Dow Jones-AIG Futures Index	**111.40**	112.64	190.04
Reuters-Jefferies CRB Index	**218.91**	225.70	365.57

Interest Rates (%)

		1/15/09	Mo. Earlier	Yr. Earlier
U.S. Treasury bills -	91 day	**0.11**	0.04	3.09
	182 day	**0.29**	0.28	2.95
	52 week	**0.41**	0.47	2.87
U.S. Treasury bonds - 10 year		**2.23**	2.53	3.72
Corporates:				
High Quality -	10+ year	**4.82**	5.29	5.28
Medium Quality -	10+ year	**7.91**	8.63	6.50
Federal Reserve Discount Rate		**0.50**	1.25	4.75
New York Prime Rate		**3.25**	4.00	7.25
Euro Rates	3 month	**2.65**	3.38	4.51
Government bonds -	10 year	**2.94**	3.18	3.97
Swiss Rates -	3 month	**0.57**	1.14	2.65
Government bonds -	10 year	**2.02**	2.23	2.83

Exchange Rates ($)

	1/15/09	Mo. Earlier	Yr. Earlier
British Pound	**1.460200**	1.527800	1.967100
Canadian Dollar	**0.792205**	0.809717	0.983574
Euro	**1.309400**	1.366400	1.484200
Japanese Yen	**0.011162**	0.011028	0.009340
South African Rand	**0.098756**	0.098907	0.146789
Swiss Franc	**0.890313**	0.862813	0.916003

Securities Markets

	1/15/09	Mo. Earlier	Yr. Earlier
S & P 500 Stock Composite	**843.74**	868.57	1,380.95
Dow Jones Industrial Average	**8,212.49**	8,564.53	12,501.11
Dow Jones Bond Average	**213.60**	199.35	208.35
Nasdaq Composite	**1,511.84**	1,508.34	2,417.59
Financial Times Gold Mines Index	**2,048.40**	2,185.04	3,414.59
FT EMEA (African) Gold Mines	**1,663.86**	1,893.30	3,076.65
FT Asia Pacific Gold Mines	**7,859.00**	8,343.64	17,140.82
FT Americas Gold Mines	**1,873.06**	1,963.18	2,851.46

Coin Prices ($)

	1/15/08	Mo. Earlier	Yr. Earlier	Prem (%)
American Eagle (1.00)	**872.88**	828.88	901.33	7.76
Austrian 100-Corona (0.9803)	**797.53**	746.22	853.42	0.44
British Sovereign (0.2354)	**197.15**	184.65	210.85	3.40
Canadian Maple Leaf (1.00)	**854.40**	806.40	898.10	5.48
Mexican 50-Peso (1.2057)	**983.00**	919.90	1,051.90	0.65
Mexican Ounce (1.00)	**853.40**	763.00	872.60	3.14
S. African Krugerrand (1.00)	**852.80**	812.40	888.25	5.28
U.S. Double Eagle-$20 (0.9675)				
St. Gaudens (MS-60)	**1,100.00**	1,055.00	950.00	40.36
Liberty (Type I-AU50)	**1,150.00**	1,100.00	962.50	46.74
Liberty (Type II-AU50)	**1,100.00**	1,050.00	945.00	40.36
Liberty (Type III-AU50)	**1,050.00**	1,010.00	920.00	33.98
U.S. Silver Coins ($1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	**9,200.00**	8,975.00	10,900.00	22.43
40% Silver Circ. (292 oz.)	**3,200.00**	3,025.00	4,450.00	4.27
Silver Dollars Circ.	**12,675.00**	12,000.00	11,700.00	55.89

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at $810 per ounce and silver at $10.51 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 ($) 1/15/09	12/15/08	1/15/08	12-Month ($) High	Low	Latest Dividend Amount ($)	Record Date	Paid	Indicated Annual Dividend ($)	Yield† (%)
General Electric	GE	13.77	16.95	34.53	38.52	12.58	0.310	12/29/08	1/26/09	1.240	9.01
Pfizer***	PFE	17.39	16.63	23.59	23.81	14.26	0.320	2/06/09	3/3/09	1.280	7.36
Alcoa	AA	9.37	9.91	31.19	44.77	6.80	0.170	11/07/08	11/25/08	0.680	7.26
Dupont	DD	24.65	26.17	45.12	52.49	21.32	0.410	11/14/08	12/12/08	1.640	6.65
AT&T (New)	T	25.12	27.13	37.63	40.70	20.90	0.410	1/9/09	2/2/09	1.640	6.53
J P Morgan	JPM	24.34	28.63	39.17	50.63	19.69	0.380	1/06/09	1/31/09	1.520	6.24
Verizon	VZ	29.90	32.30	42.17	43.19	23.07	0.460	1/09/09	2/2/09	1.840	6.15
Merck	MRK	28.12	26.60	58.18	58.98	22.82	0.380	12/05/08	1/2/09	1.520	5.41
Caterpillar	CAT	39.39	42.21	65.40	85.96	31.95	0.420	1/20/09	2/20/09	1.680	4.27
Intel Corp	INTC	13.29	14.59	22.69	25.29	12.06	0.140	11/07/08	12/1/08	0.560	4.21
American Express	AXP	17.32	19.34	42.77	52.63	16.55	0.180	1/09/09	2/10/09	0.720	4.16
Kraft	KFT	28.07	26.74	31.06	34.97	24.75	0.290	12/26/08	1/13/09	1.160	4.13
Boeing	BA	40.96	38.74	77.86	88.29	36.17	0.420	2/06/09	3/6/09	1.680	4.10
Home Depot, Inc.	HD	22.81	23.41	25.37	31.08	17.05	0.225	12/04/08	12/18/08	0.900	3.95
Chevron	CVX	70.77	78.21	88.27	104.63	55.50	0.650	11/18/08	12/10/08	2.600	3.67
3M Company	MMM	55.17	55.63	77.18	83.22	50.01	0.500	11/21/08	12/12/08	2.000	3.63
Coca-Cola	KO	43.36	44.97	63.61	63.85	40.29	0.380	12/01/08	12/15/08	1.520	3.51
McDonald's	MCD	57.98	60.69	53.76	67.00	45.79	0.500	12/01/08	12/15/08	2.000	3.45
Johnson & Johnson	JNJ	57.62	57.81	67.76	72.76	52.06	0.460	2/24/09	3/10/09	1.840	3.19
United Tech.	UTX	49.69	49.63	71.36	75.86	41.76	0.385	11/14/08	12/10/08	1.540	3.10
Procter and Gamble	PG	57.46	59.36	69.70	73.57	54.92	0.400	1/23/09	2/17/09	1.600	2.78
Microsoft Corp.	MSFT	19.24	19.04	34.00	35.00	17.50	0.130	2/19/09	3/12/09	0.520	2.70
IBM	IBM	84.12	82.77	101.83	130.93	69.50	0.500	11/10/08	12/10/08	2.000	2.38
Exxon Mobil	XOM	76.66	79.95	89.02	96.12	56.51	0.400	11/12/08	12/10/08	1.600	2.09
Wal-Mart Stores	WMT	51.35	54.71	46.99	63.85	46.09	0.238	12/15/08	1/2/09	0.950	1.85
Walt Disney	DIS	21.36	22.77	29.85	35.02	18.60	0.350	12/15/08	1/20/09	0.350	1.64
Citigroup	C	3.83	7.40	26.94	29.73	3.05	0.010			0.040	1.04
Hewlett-Packard	HPQ	35.75	34.82	45.05	49.97	28.23	0.080	12/17/08	1/7/09	0.320	0.90
Bank of America**	BAC	8.32	14.11	37.88	45.08	7.35 *L*	0.010			0.040	0.48
General Motors	GM	3.92	4.08	22.28	29.28	1.70	0.000	7/15/08	7/15/08	0.000	0.00

* See the Recommended HYD Portfolio table on page 6 for current recommendations. † Based on indicated dividends and market price as of 1/15/09.
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 1/16/08.
**Bank of America agreed with the U.S. Treasury on 1/16/2009 to limit its dividend payment to $0.01 per shares per quarter for next three years.
*** Pfizer announced on 01/26/09 that it will reduce its quarterly dividend payment to $0.16/share.

RECOMMENDED INVESTMENT VEHICLES

	Ticker Symbol	Avg. Market Cap. / Avg. Maturity	No. of Holdings	Expense (%)	Sharpe Ratio	Turnover (%)	P/B Ratio	12 Mo. Yield (%)	Total 1 yr.	Total 3 yr.	Total 5 yr.	After Tax* 1 yr.	After Tax* 3 yr.	After Tax* 5 yr.
			Descriptive Quarterly Statistics, as of 12/31/08						*Annualized Returns (%), as of 12/31/08*					
Short/Intermediate Fixed Income														
Vanguard Short-Term Bond Index	BSV[2]	2.8 Yrs.	966	0.11	--	79	--	3.69	5.48	--	--	4.12	--	--
Vanguard Short-Term Bond Index	VBISX	2.8 Yrs.	966	0.18	0.69	79	--	3.78	5.43	5.57	3.92	4.03	4.02	2.54
Vanguard Short-Term Inv. Grade	VFSTX	2.9 Yrs.	878	0.21	-0.55	48	--	5.11	-4.74	1.92	2.01	-6.33	0.27	0.53
iShares Lehman 1-3 Year Treasury	SHY[1]	1.8 Yrs.	41	0.15	1.07	76	--	3.41	6.64	5.91	3.97	5.35	4.46	2.75
Vanguard Limited-Term Tax-Exempt	VMLTX	2.6 Yrs.	805	0.15	-0.10	32	--	3.35	2.91	3.52	2.63	2.91	3.52	2.63
Real Estate														
Vanguard REIT Index	VNQ[2]	4.9 B.	98	0.10	-0.33	13	2.1	8.22	-36.98	-10.69	--	-38.29	-11.96	--
Vanguard REIT Index	VGSIX[3]	4.9 B.	98	0.20	-0.33	13	2.1	8.06	-37.05	-10.77	0.77	-38.34	-12.02	-0.73
U.S. Large Cap Value														
Vanguard Value Index	VTV[2]	43.6 B.	411	0.10	-0.72	20	1.7	4.23	-35.91	-7.74	--	-36.23	-8.13	--
Vanguard Value Index	VIVAX	43.6 B.	411	0.20	-0.72	20	1.7	4.09	-35.97	-7.84	-0.68	-36.28	-8.21	-1.07
U.S. Small Cap Value														
iShares Russell Microcap Index	IWC[1]	0.2 B.	1336	0.60	-0.82	21	1.0	1.31	-39.62	-14.18	--	-39.85	-14.34	--
Vanguard Small-Cap Value Index	VBR[2]	1.3 B.	986	0.11	-0.58	34	1.3	3.08	-31.99	-8.92	--	-32.43	-9.39	--
Vanguard Small-Cap Value Index	VISVX	1.3 B.	986	0.22	-0.58	34	1.3	2.90	-32.05	-9.03	-0.27	-32.47	-9.47	-0.70
U.S. Large Cap Growth														
iShares Russell 1000 Growth Index	IWF[1]	26.6 B.	644	0.20	-0.72	16	2.6	1.67	-38.47	-9.24	-3.58	-38.75	-9.46	-3.78
Vanguard Growth Index	VIGRX	34.8 B.	399	0.22	-0.70	23	3.1	1.29	-38.32	-8.87	-3.14	-38.41	-8.99	-3.27
U.S. Marketwide														
Vanguard Total Stock Market Index	VTI[2]	25.4 B.	3502	0.07	-0.70	4	2.1	3.50	-36.97	-8.36	-1.67	-37.18	-8.62	-1.94
Fidelity Spartan Total Market Index	FSTMX[4]	22.0 B.	3241	0.10	-0.71	4	1.6	2.55	-37.18	-8.44	-1.75	-39.12	-10.34	-3.50
Foreign- Developed Markets														
iShares MSCI Growth Index	EFG[1]	22.9 B.	494	0.40	-0.39	37	2.4	3.00	-42.42	-6.61	--	-42.87	-6.90	--
iShares MSCI Value Index	EFV[1]	21.3 B.	568	0.40	-0.49	28	1.1	4.86	-43.91	-8.28	--	-44.58	-8.88	--
Vanguard Europe Pacific Index	VEA[2]	28.3 B.	996	0.12	--	6	1.9	3.42	-41.25	--	--	-41.43	--	--
Vanguard Tax-Managed International	VTMGX[5]	28.3 B.	996	0.15	-0.43	6	1.9	3.31	-41.84	-6.53	2.40	-42.02	-6.76	2.17
Vanguard Developed Markets Index	VDMIX[6]	35.0 B.	1011	0.22	-0.44	7	2.3	5.29	-41.62	-6.49	2.19	-42.19	-7.12	1.60
Foreign- Emerging Markets														
Vanguard Emerging Market Index	VWO[2]	14.1 B.	837	0.25	-0.18	9	2.1	5.00	-52.77	-5.25	--	-53.12	-5.66	--
Vanguard Emerging Market Index	VEIEX[7]	14.1 B.	838	0.37	-0.17	9	2.1	4.70	-53.04	-5.50	7.05	-53.37	-5.89	6.69
Gold-Related Funds														
iShares COMEX Gold Trust	IAU[2]	--	1	0.40	--	--	--	0.00	5.41	19.08	--	5.41	19.08	--
streetTRACKS Gold Shares	GLD[1]	--	1	0.40	--	--	--	0.00	4.92	18.82	--	4.92	18.82	--

Recommended Gold-Mining Companies ($)

	Ticker Symbol	1/15/09	Month Earlier	Year Earlier	52-Week High	52-Week Low	Distributions Last 12 Months	Distributions Frequency	Yield (%)
Anglogold Ltd., ADR †	AU	**24.17**	26.29	47.82	48.16	13.37	0.1350	Semiannual	0.5585
Barrick Gold Corp.	ABX	**33.48**	32.92	50.25	54.74	17.27	0.3400	Semiannual	1.0155
Gold Fileds Ltd.	GFI	**7.94**	9.64	16.62	17.18	4.64	0.2367	Semiannual	2.9811
Goldcorp, Inc. †	GG	**24.95**	29.34	36.60	52.65	13.84	0.1530	Monthly	0.6132
Newmont Mining	NEM	**37.12**	37.70	56.12	56.89	21.17	0.4000	Quarterly	1.0776

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

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