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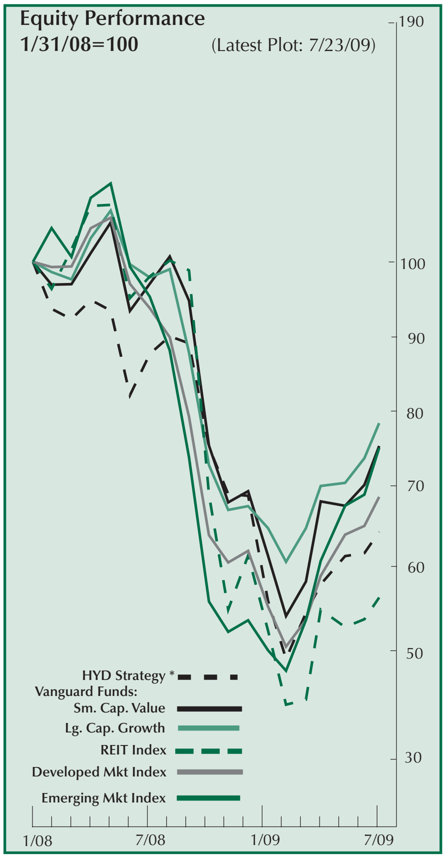


* HYD is a hypothetical model based on back-tested results. See p.54 for full explanation

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

New Funds Recommended

Last month we described Treasury Inflation Protected Securities (TIPS). We recommended these securities for those investors who are concerned, in particular, with the potential for a loss in portfolio purchasing power due to unexpected price inflation, that is, the possibility that actual price inflation might exceed the inflation protection "built in" to the prices of conventional bonds.

This month, on the back page we have provided specific investment vehicles that investors can use as an alternative to holding TIPS directly. These include the Vanguard Inflation-Protected Securities fund (VIPSX), a conventional open-end mutual fund, and the iShares Barclays TIPS Bond exchange-traded fund (TIP). We combed the universe of TIPS vehicles available to retail investors to find offerings that meet our strict criteria with regard to cost, historical risk and return, and investment approach. Once again, the iShares and Vanguard products rose to the top.

Our Reader Survey

We appreciate the efforts of those who responded to our survey regarding the *Investment Guide* format. While responses varied, there was clear consensus that both our "Dow 30" table and our "Recent Market Statistics" sections should remain. We rearranged certain pages to preserve these sections and to include new charts and tables. We removed our standard high-yield Dow text (which now appears on our web site) in order to meet these objectives.

"Losses, schmosses Mr. Jones. By year-end we will have saved or created over $150,000 for you."

American Investment Services, Inc. is wholly owned by the American Institute for Economic Research.

QUARTERLY REVIEW OF INVESTMENT POLICY

The second quarter was far more generous than the first. All of our recommended asset classes generated positive returns, with equities in particular rebounding sharply. The turnaround in capital markets hardly made up for losses since the bear market began (see chart on the first page and the accompanying Portfolio Model table), but the reversal only reinforced the wisdom of adhering to a rational allocation strategy, especially during and after bear markets, when volatility has historically been greatest.

Common stocks appeared to react positively to good news in three major areas. Stock prices are a leading indicator of economic activity and during the quarter stocks rebounded at least in part to signs that the contraction in global growth may be slowing. Corporate earnings in many cases exceeded expectations, and credit conditions stabilized, providing corporations with less expensive access to capital.

Cash and Equivalent Assets

Paltry short term interest rates prevailed throughout the quarter, as the Fed maintained its targeted Federal Funds rate at 0.25 percent amidst the recession. The yield on the 13-week U.S. Treasury Bill ended the quarter essentially where it began, at 0.18 percent.

Overall price inflation remained tame during the quarter. In May the CPI declined 1.1 percent on a year-over-year basis, the largest such decline in 59 years, largely reflecting a decline in energy prices. Inflation expectations, while still low, appeared to be on the rise, however. The annual inflation rate expected by the market over the next five years, is reflected in the spread between conventional Treasuries and TIPS, was -0.26 percent at the beginning of the quarter, but had increased to 1.34 percent by quarter-end.

These low but rising inflationary expectations have created a dilemma that the Fed will face over coming months. The central bank has undertaken extraordinary measures to thwart deflationary pressures and help unlock moribund credit markets, but in the process has created the potential for significant price inflation. In an unprecedented expansion of its balance sheet, through outright purchases of mortgage bonds and long-term Treasuries, the Fed has vastly increased U.S. banking reserves. Amidst a deep recession with high default rates, banks thus far have been reluctant to loan these excess reserves. But when recovery ensues and these funds are eventually lent out, the money in circulation can increase rapidly, as loans are re-deposited, and lent again through the so-called multiplier effect. The upward trend in inflationary expectations suggests investors are growing nervous that the Fed may be unable or unwilling to reverse course and sufficiently tighten monetary policy to avoid heightened price inflation.

AIS Model Portfolios(1)
For the Period Ending June 30, 2009

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	1.81	3.45	4.45	0.55
Short/Int. Fixed Income	Barclays Capital 1-5 Yr Govt/Cred	40	30	0	5.33	5.25	6.26	2.39
Real Estate	DJ Wilshire Real Estate Securities TR Index	10	10	10	-45.35	5.53	6.47	19.92
U.S. Large Cap Growth	Russell 1000 Growth Index (USD)	5	5	10	-24.50	-4.18	7.14	17.51
U.S. Large Cap Value	Russell 1000 Value Index (USD)	15	20	30	-29.03	-0.15	8.12	14.61
U.S. Small Cap Value	Russell 2000 Value Index (USD)	5	7	13	-25.25	5.00	8.92	16.76
	DFA US Micro Cap Portfolio (USD)	0	3	7	-23.56	5.84	9.34	20.57
Foreign Developed Markets	MSCI EAFE Index (USD) Gross Div	5	7	13	-30.96	1.59	4.22	17.66
Foreign Emerging Markets	MSCI Emg. Mkts. Index (USD) Gross Div	0	3	7	-27.82	9.02	10.65	24.46
Gold Related	Gold EOM gold (London PM Fix)	0	5	10	0.45	13.61	4.70	14.67
	Total	100	100	100				

Model Portfolio Statistics: Risk, Return and Growth

	Conservative	*Moderate*	*Aggressive*
Portfolio Return 1 Year	-10.43	-15.24	-26.55
Portfolio Return 10 Year (annualized)	4.09	4.60	4.08
Portfolio Return 20 Year (annualized)	6.75	7.35	8.13
Portfolio Standard Deviation 20 Year (annualized)	5.48	7.67	13.12
Growth of $100 over 20 Years	$369	$413	$477

(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.

Short/Intermediate Term Bonds

Fixed income markets delivered a steeper yield curve amidst these rising inflation concerns. Yields on the five-year Treasury rose from 1.67 percent to 2.56 percent during the quarter, while ten-year rates grew from 2.68 percent to 3.52 percent, and thirty-year bond yields rose from 3.56 percent to 4.31 percent. Treasury Inflation-Protected Securities (TIPS) in aggregate returned 0.20 percent during the quarter, as measured by the Barclay's Capital U.S. TIPS Index, outperforming conventional Treasuries.

Credit default fears, which had gripped investors through the first quarter, subsided during the second three months, but not entirely. Investment-grade corporate bonds returned 8.8 percent based on the Barclay's Investment Grade Corporate Bond Index. By quarter-end, yield spreads between U.S. Treasury obligations and investment grade bonds had declined from 4.82 percent to 2.86 percent. The spread between riskier high-yield bonds and Treasuries fell even more dramatically from 17.31 percent to 9.53 percent, as high-yield issues returned a record high 23.20 percent as measured by the Barclays Capital U.S. Corporate High Yield Bond Index. Despite their strong returns high-yield corporate bonds defaulted at a 10 percent rate in the second quarter, the highest level in seven years. Credit markets remain nervous; spreads on both classes of corporate debt remain well above their historic average. As of mid July 20-year investment grade corporate bonds were yielding between 4.31 and 6.33 percent.

Muni bonds had a strong second quarter, with the Barclay's Capital Municipal Bond index returning 2.10 percent. Prices may have benefited from higher demand for tax-free income in light of fears over increased federal income tax rates, as well as a drop in new muni bond issuance versus the first quarter.

Real Estate

U.S. equity REITs rebounded during the second quarter, as the Vanguard REIT Index fund returned 30.03 percent over the three months, following a brutal six months during which the fund lost over 62 percent. Through the entire first half of the year, the recession took a toll on every subsector of the REIT universe, though industrial and shopping center REITs were hardest hit, losing 25.50 percent and 24.20 percent, respectively. From June 30 through July 23 the Vanguard fund had regained 6.8 percent as further signs of economic strength emerged.

U.S. Equities

Following six consecutive quarters of losses, the dramatic U.S. equity market turnaround that began in the waning weeks of the first quarter continued into the second, as the S&P 500 returned a solid 15.93 percent for the three months. Positive economic news, better-than-expected corporate earnings and a thawing of credit markets all contributed to the turnaround. Small caps, which have led stock market recoveries in the past, provided the bulk of the returns. During the second quarter small cap value stocks were the leading U.S. equity asset class, as the Russell 2000 Value Index gained 17.99 percent. Large caps performed well also, though there was little distinction between growth and value stocks as the Russell 1000 Value Index grew by 16.69 percent and the Russell 1000 Growth Index returned 16.33 percent.

Financial stocks, which had been pummeled for several consecutive quarters, were by far the strongest sector, producing gains of 93 percent. Other economically sensitive sectors leapt as well. Consumer discretionary, industrial and materials stocks all gained over 40 percent. Amidst the economic optimism sectors typically better suited to withstand downturns, including telecoms, consumer staples, utilities and health care, provided lower but still impressive returns above 20 percent.

As we pointed out in the March 2009 *Investment Guide*, the expected return on equities is high when prices are low – that is, when risk is greatest. The market's historical price-to-earnings ratio (P/E) has depicted this relationship reliably over many business cycles. At the time of that writing, bad news was pervasive and risk was high, and the P/E had fallen commensurately, to 14.1, the low end of its historical range. Over the next three months, as news grew more reassuring, equity prices rebounded and by quarter-end the market's P/E had climbed to 16.7, just below its long-term average.

International Equities

Foreign stocks outperformed the U.S. markets in the second quarter. Among developed markets, the MSCI EAFE Index rose 25.83 percent. Small cap stocks led the way with returns of 34.50 percent. But emerging markets were the big story. The MSCI Emerging Markets Index returned 34.84 percent, marking the strongest performance of all our recommended asset classes. This asset class had fallen by 50 percent during 2008 but quickly turned around in response to promising signs regarding global economic stability.

A weaker dollar helped U.S. investors. The dollar fell 5.0 percent versus the Euro and 8.2 percent against major global currencies on a trade-weighted

Total Return (%)

	2006	2007				2008				2009		*Entire Period 4Q 2006-1Q 2009*
	4Q	*1Q*	*2Q*	*3Q*	*4Q*	*1Q*	*2Q*	*3Q*	*4Q*	*1Q*	*2Q*	
Barclay Capital 1-5 Yr. Govt./Credit	1.01	1.55	0.38	2.63	2.53	2.91	-1.09	-0.31	3.60	0.53	1.46	16.17
Vanguard REIT Index	9.07	3.39	-9.40	2.39	-12.90	2.13	-5.39	5.35	-38.16	-32.09	30.03	-49.34
Vanguard Value Index	7.82	0.90	5.70	-0.04	-6.12	-9.02	-6.18	-5.72	-20.44	-16.41	16.71	-32.58
High-Yield Dow 4/18*	8.42	3.98	7.25	1.33	-5.16	-11.12	-11.39	**8.77**	-22.71	-23.83	15.66	-32.22
Vanguard Small Cap Value	8.52	2.01	2.93	-5.03	-6.81	-6.52	-3.80	1.51	-25.57	-18.14	23.83	-30.55
Vanguard Growth Index	5.85	1.21	6.65	4.34	-0.06	-9.99	**2.34**	-12.04	-23.88	-4.24	15.59	-18.65
Vanguard Developed Markets†	10.11	4.21	6.33	2.44	-2.22	-8.47	-2.42	-18.89	-19.41	-15.82	25.59	-24.57
Vanguard Emerging Markets‡	**17.22**	2.18	**15.40**	**14.43**	2.94	-10.48	-1.35	-25.98	-27.82	0.07	**34.14**	3.12
Gold (London PM Fix)	5.54	**4.71**	-1.70	14.22	**12.21**	**11.96**	-0.35	-4.92	**-1.67**	**5.38**	1.96	**56.05**

basis, which boosted the dollar value of foreign assets. Investor sentiment appeared to shift from the perceived safety of dollar denominated assets toward riskier markets. The dollar fell most versus the currencies of commodity exporting nations, which are most sensitive to the global business cycle.

According to Fidelity Management & Research, the MSCI Developed Market P/E had jumped from 10.3 at the end of the first quarter to 16.6, while the MSCI Emerging Market P/E climbed from 9.1 to 14.3. Both remained below their long-term averages.

Gold Related Assets

The gold price increased slightly during the second quarter; the London PM fix began the quarter at $916.50/oz., and reached $981.75/oz. before ending at $934.50. As of this writing, gold stands at $937. Gold price volatility was subdued relative to its long-term trend. Fears that had driven the price over $1,000 earlier in the year subsided as data emerged suggesting global economic recovery may be underway. The price reached its peak when the dollar hit its low for the quarter. The dollar's role as the world's reserve currency came under scrutiny as the U.S. budget deficit hit $1 trillion over the first nine months of the fiscal year. Gold held through exchange-traded funds reached a record 1,694 tons through the first half, with two relatively new Swiss-based funds registering the largest total inflows.

RENT OR BUY YOUR NEXT HOME?

Traditional wisdom has long held that if you plan to stay in a home for at least a few years, renting is like flushing money down the toilet. The logic behind the truism runs something like this: With a 3 percent annual increase, a current rental payment of $1,000 per month would increase every year and amount to $137,567 after 10 years, with no wealth accumulation. By contrast, the mortgage and property taxes on a $200,000 home would cost hundreds of dollars less than the monthly rent after the tax deductions for mortgage interest and property taxes are factored in. Plus, with 5 percent annual appreciation, the homeowner would realize a profit of $125,779 after ten years.

As many homeowners know, however, this line of reasoning is far from bullet-proof. From purchasing costs to replacing furnaces and updating kitchens, the costs of owning a home go well beyond the fixed monthly payments. Many realtors and on-line calculators fail to take into account the forfeited money from returns homeowners would get by investing a down payment elsewhere, and the commission costs on the sale. And then there is the great unknown of where housing prices may be headed. Many people who bought in 2006 are saddled with an illiquid asset that may take many years to recover its value. In hindsight, even if buying a home seemed to make sense at the time, renting for a few years until housing prices cooled down probably would have been the better financial option.

Table 1: Rent versus Buy Assumptions

Monthly rent payment:	$1,500
Monthly renter's insurance	$25
Annual rent increase:	3 percent
Purchase price of home:	$350,000
Amount of loan:	$280,000
Annual interest rate:	5.5 percent
Number of years:	30
Annual home owner's insurance premium:	$950
Annual property taxes:	$2,500
Annual maintenance costs:	$4,000
Marginal tax bracket:	28 percent
Ownership period:	5 years
Before tax return on savings:	4 percent (Reflects the earnings the down payment would earn if invested elsewhere)

The relative merits of buying depend, to a large extent, on how much a home appreciates or declines in value over the period of ownership. Two possible scenarios illustrate this point (assumptions presented in Table 1).

If the home appreciated an average of 5 percent a year, the net cost of owning would be $30,018, compared to $87,556 for renting, giving the owner a savings of $57,538. But if the home's value remained flat over the five-year period the net cost of owning rises to $108,343, tipping the scales in favor of the renter by $20,787. (These figures, from the web site calcxml.com, do not include commissions on the sale of the home. They also do not take into account the $8,000 first-time home buyer tax credit, which would give some buyers an additional edge. For more information on this credit, see the website for the National Association of Realtors, located at realtor.org.)

Today, with the downturn still fresh and the prospect of further price deterioration looming, many people are re-thinking the merits of homeownership in favor of renting. But renting is not always a clear-cut choice, especially when you consider how far prices have fallen and how much more affordable houses are than they were just a few years ago. Those mulling a buy/rent decision need to consider a number of factors, including the prospects for local real estate values, the comparative costs of renting versus buying, and personal considerations such as how long you plan to stay in a home, the satisfaction you gain from ditching the landlord, and pride of ownership.

Consider the Market in Your Area

While it's impossible to predict where home prices may be headed, signs of stability are starting to surface. In April, the National Association of Realtor's Housing Affordability Index reached its highest level since 1970, indicating that housing is much more affordable than it has been in several decades. The NAR also reported that pending home sales based on contracts signed in May

Table 2: Price-to-Rent Ratios

Metropolitan Area	March 2006	March 2009
Atlanta	19.01	15.04
Boston	25.87	20.68
Las Vegas	30.61	14.42
Miami	29.99	16.16
New York	18.63	13.70
Phoenix	26.31	12.33
San Diego	36.63	20.03
Wash. D.C	24.94	14.57
US average	24.90	18.32
Source: Moody's Economy.com		

showed a sustained uptrend, rising for four consecutive months. The last time there were four consecutive monthly gains was in October 2004.

On the other hand, a number of signals weigh against any near-term recovery in housing prices. The economy remains in a severe slump, with unemployment at its highest level in 26 years. Some economists believe job losses have yet to peak, and that any recovery in the housing market will be delayed by continuing foreclosures that weigh down prices, and by more stringent lending practices by shell-shocked lenders.

While such statistics provide some insight on national trends, buyers know that real estate is all about location. Some areas, such as Las Vegas and Phoenix, have gone through a boom-and-bust cycle, while home values in other parts of the country have moved along a more stable path. That's why it is critical to examine recent sales, pricing trends, and foreclosures in the area you are considering to get an idea of whether home prices are likely to stabilize or trend downward. Websites such as zillow.com and trulia.com are useful for tracking home values and recent sales, while realtytrac.com offers foreclosure rates by zip code.

Compare Rents to Housing Prices

When the question of whether it is better to buy or rent a home comes up, an issue that often gets overlooked is the relative cost of each option. Depending on where you live and recent home price trends, rents may be low relative to the cost of home ownership, which would weigh in favor of renting. In other places strong demand may keep rents relatively high, which tips the scales toward a purchase.

A little-used but helpful statistic, called the price-to-rent ratio, is derived by dividing the cost of the house by the annual rent on a similar property. Economists use it to gauge the fundamental value of housing, both nationally and in a particular market. It is also useful for figuring out whether buying represents a better value than renting in a particular market. Here's an example of how it works: Assume a prospective homeowner is considering a home costing $200,000 that rents for $1,000 a month. In this case, the price-to-rent ratio would be 16.67 ($200,000/$12,000).

The latest quarterly survey by Moody's Economy.com indicates that nationally, the average price-to-rent ratio for 57 metropolitan areas covered in the Case-Shiller Home Price Index fell from 24.9 in March 2006 to 18.32 in March 2009. This means that housing has become more affordable relative to renting on a national level.

Home prices and rents usually don't rise and fall at the same pace, and there are major regional and local differences. Between 1997 and 2007, for example, home prices in the Los Angeles area rose by an average of 13 percent a year while rents went up 4.6 percent annually. The imbalance created housing prices that were wildly out of line with rents, which economists say contributed to the subsequent steep decline in the area's real estate market. In areas of the country where the relationship between renting and homeownership costs were more stable, those declines were less severe.

In some locations, such as Phoenix and Las Vegas, prices have fallen at a much more accelerated pace than rents (see Table 2). While that does not necessarily mean that home prices won't fall further, it does indicate that buying a home is a more economically viable choice than renting compared to a few years ago.

To figure out whether renting or buying offers the better value, divide the price of a home you are considering by the annual rent for a similar home. If the ratio is well above the historical national average of 15, renting may be the better alternative. Once you get a general idea of comparative costs of buying versus renting it's time to crunch the numbers for your specific transaction.

Many online buy versus rent calculators do a simple comparison of mortgage versus rental costs. The better ones, such as the calcxml.com calculator mentioned previously, also factor in costs such as homeowner's insurance, ongoing maintenance, and the lost investment opportunity cost of the down payment. Any calculator you use should allow you to plug in assumptions about housing price appreciation that you think are most applicable to your particular market.

Assess Your Personal Situation

Weigh any decision made by examining market trends and crunching the numbers against your personal situation and preferences. Renting allows you to hand over maintenance problems to a landlord, and gives you the flexibility to move fairly easily if your life circumstances change. And you won't get sucked into a vortex of declining prices if the housing market in your area continues to slide. On the other hand, buying a home provides the opportunity to better craft a dwelling that reflects your personal style, as well as a shot at appreciation when prices eventually recover. While the gamble of homeownership still has its risks, the odds of coming out ahead are much higher than they were a few years ago, when housing prices vaulted beyond any sensibility reflected by standard measures.

A Reader Inquires

Q. *Why do you publish your hypothetical quarterly portfolio investment results based on one set of indexes, and recommend mutual funds based on different indexes?*

A. Our AIS Model Portfolios table, provides hypothetical "backtested" portfolio outcomes, for our current recommended portfolio allocations, over as long a time frame as possible. Many commercial indexes are suitable for tracking the monthly returns of our recommended asset classes, but do not provide an adequate historical time span. We have selected those indexes that adequately represent our asset classes and have a long enough data series to permit meaningful results when included in our hypothetical composite portfolio returns.

Our index-based mutual fund recommendations are based on several criteria, including index selection and construction, tax management, and cost-related factors. This narrows the field of "qualified" funds. However, we carefully review the indexing methodology to ensure that these funds will adequately represent our recommended asset classes, and closely track the returns of the indexes presented in our Model Portfolios table.

THE HIGH-YIELD DOW INVESTMENT STRATEGY

Recommended HYD Portfolio

As of July 15, 2009

	Rank (Yield, Descending)	Status	Percent of Portfolio Value	No. Shares[1]
AT&T Corp.	1	Buying	13.39	8.84
Verizon	2	Holding**	20.19	10.89
Dupont	3	Buying	11.01	6.46
Merck & Co.	4	Buying	6.36	3.63
Pfizer	6	Selling	19.64	20.70
General Electric	14	Holding	6.41	8.29
Alcoa	26	Holding	7.28	11.35
Bank of America	29	Holding	10.75	12.68
Citigroup	NA	Selling	3.43	17.12
Fairpoint	NA	Selling	0.00	0.04
Cash (6-mo. T-Bill)	NA		1.54	--
			100.00	100.00

** Current purchases approximately equal to purchases 18 months ago.
1 The percentage of each issue in the portfolio by value is based on mid-month prices, so we are also showing the number of shares of each stock as a percentage of the total number of shares in the entire portfolio.

Our HYD stock strategy is a passive, large cap value approach to investing in equities. It is especially well suited for investors who have an explicit interest in generating investment income. For a complete description of this approach, see our website at www.americaninvestment.com.

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 left. Each month this table will reflect the results of any purchases or sales called for by the model.

Of the four stocks eligible for purchase this month **AT&T, DuPont** and **Merck** were not eligible for purchase 18 months ago. HYD investors should find that the indicated purchases of AT&T, DuPont and Merck and sales of **Pfizer, Citigroup,** and **Fairpoint** are sufficiently large to warrant trading. In larger accounts, rebalancing positions in **Verizon** may be warranted.

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.

Hypothetical Total Returns: HYD and Relevant Indices (percent)

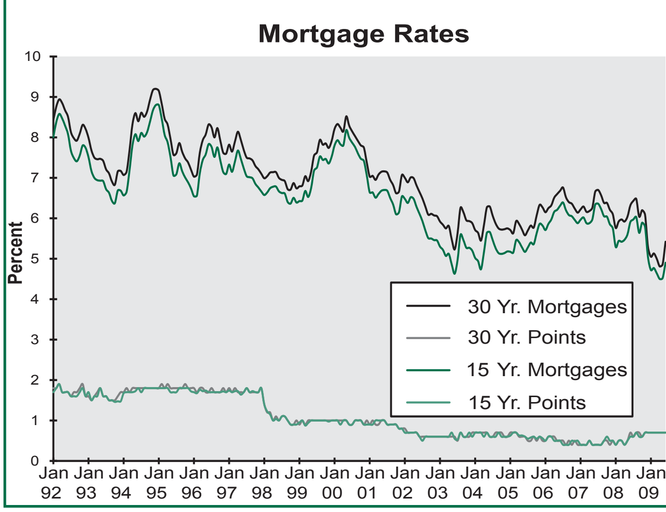
The total returns presented in the table below represent changes in the value of a hypothetical HYD portfolio with a beginning date of January 1979 (the longest period for which data was available for the HYD model and relevant indexes)through June 30, 2009*.

	1 mo.	1 yr.	5 yrs.	10 yrs.	20 yrs.	Since 1/79	Std. Dev.
HYD Strategy	0.69	-25.93	0.49	2.97	12.19	15.17	18.17
Russell 1000 Value Index	-0.74	-29.03	-2.13	-0.15	8.12	11.52	14.89
Dow Jones Industrial Index	-0.41	-23.00	-1.68	-0.41	9.02	NA	NA

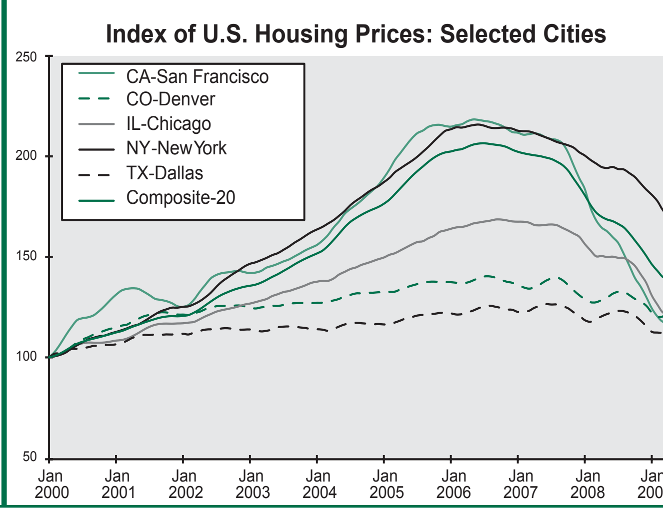
*Data assume all purchases and sales at mid-month prices (+/–$0.125 per share commis-sions), reinvestment of all dividends and interest, and no taxes. The 5-, 10- and 20-year total returns are annualized, as is the standard deviation of those returns since January 1979, where available. Model HYD calculations are based on hypothetical trades follow-ing 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.

U.S. HOUSING MARKET

The chart below depicts the trend in annual mortgage rates since 1971(average commitment rate, Source: Freddie Mac). "Points" are the fee (stated as a percentage of the loan), which borrowers must pay to lenders for evaluating, processing and approving mortgage loans. Mortgage rate changes generally track changes in interest rates for fixed income assets with similar time horizons.



The chart below is based on S&P/Case-Shiller Home Price Indices. It depicts price changes in various geographic regions throughout the U.S. as well as a composite index that includes 20 urban areas. For data pertaining to other regions, see our website at www.americaninvestment.com. While home prices have fallen sharply, recently released data suggests that the trend may be moderating.



RECENT MARKET STATISTICS

Precious Metals & Commodity Prices ($)

	7/15/09	*Mo. Earlier*	*Yr. Earlier*
Gold, London p.m. fixing	**938.00**	932.25	986.00
Silver, London Spot Price	**13.27**	14.31	19.30
Copper, COMEX Spot Price	**2.38**	2.28	3.72
Crude Oil, W. Texas Int. Spot	**61.53**	70.61	138.73
Dow Jones Spot Index	**284.26**	304.59	462.45
Dow Jones-AIG Futures Index	**117.49**	126.03	224.21
Reuters-Jefferies CRB Index	**239.71**	256.37	449.49

Interest Rates (%)

U.S. Treasury bills -	91 day	**0.18**	0.17	1.37
	182 day	**0.28**	0.29	1.86
	52 week	**0.47**	0.48	2.08
U.S. Treasury bonds -	10 year	**3.63**	3.76	3.87
Corporates:				
High Quality -	10+ year	**5.51**	5.68	5.58
Medium Quality -	10+ year	**7.26**	7.52	7.09
Federal Reserve Discount Rate		**0.50**	0.50	2.25
New York Prime Rate		**3.25**	3.25	5.00
Euro Rates	3 month	**.98**	1.28	4.96
Government bonds -	10 year	**3.30**	3.67	4.38
Swiss Rates -	3 month	**0.37**	0.40	2.80
Government bonds -	10 year	**2.19**	2.44	3.08

Exchange Rates ($)

British Pound	**1.643900**	1.626800	2.003600
Canadian Dollar	**0.893495**	0.881990	0.998502
Euro	**1.411600**	1.378400	1.592300
Japanese Yen	**0.010628**	0.010201	0.009544
South African Rand	**0.123051**	0.123381	0.130888
Swiss Franc	**0.930579**	0.913910	0.991179

Securities Markets

	7/15/09	*Mo. Earlier*	*Yr. Earlier*
S & P 500 Stock Composite	**932.68**	923.72	1,214.91
Dow Jones Industrial Average	**8,616.21**	8,612.13	10,962.54
Dow Jones Bond Average	**227.59**	224.34	205.74
Nasdaq Composite	**1,862.90**	1,816.38	2,215.71
Financial Times Gold Mines Index	**2,613.77**	2,576.76	3,298.96
FT EMEA (African) Gold Mines	**2,475.24**	2,533.25	2,665.26
FT Asia Pacific Gold Mines	**10,921.33**	11,181.16	13,887.48
FT Americas Gold Mines	**2,237.58**	2,163.93	2,967.44

Coin Prices ($)

	7/15/09	*Mo. Earlier*	*Yr. Earlier*	*Prem (%)*
American Eagle (1.00)	**956.58**	984.35	951.53	1.98
Austrian 100-Corona (0.9803)	**898.03**	924.83	901.22	-2.34
British Sovereign (0.2354)	**221.65**	228.25	222.45	0.38
Canadian Maple Leaf (1.00)	**949.30**	974.10	948.30	1.20
Mexican 50-Peso (1.2057)	**1,106.80**	1,139.90	1,110.70	-2.14
Mexican Ounce (1.00)	**938.10**	965.60	921.40	0.01
S. African Krugerrand (1.00)	**945.13**	962.83	929.67	0.76
U.S. Double Eagle-$20 (0.9675)				
St. Gaudens (MS-60)	**1,157.50**	1,157.50	977.50	27.55
Liberty (Type I-AU50)	**1,277.50**	1,277.50	1,050.00	40.77
Liberty (Type II-AU50)	**1,175.00**	1,175.00	1,012.50	29.47
Liberty (Type III-AU50)	**1,125.00**	1,105.00	962.50	23.96
U.S. Silver Coins ($1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	**9,550.00**	10,625.00	12,450.00	0.65
40% Silver Circ. (292 oz.)	**3,862.50**	4,225.00	4,975.00	-0.32
Silver Dollars Circ.	**12,325.00**	12,500.00	14,275.00	20.06

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at $932.25 per ounce and silver at $14.31 per ounce. The weight in troy ounces of the precious metal in coins is indicated in parentheses.

THE DOW JONES INDUSTRIALS RANKED BY YIELD*

	Ticker Symbol	*Market Prices ($) 7/15/09*	*6/15/09*	*7/15/08*	*12-Month ($) High*	*Low*	*Latest Dividend Amount ($)*	*Record Date*	*Paid*	*Indicated Annual Dividend ($)*	*Yield† (%)*
AT&T (New)	T	**23.97**	24.63	31.95	33.56	20.90	0.410	7/10/09	8/3/09	1.640	6.84
Verizon	VZ	**29.34**	29.73	35.04	36.34	23.07	0.460	7/10/09	8/3/09	1.840	6.27
Dupont	DD	**26.98**	25.79	41.16	48.22	16.05	0.410	5/15/09	6/12/09	1.640	6.08
Merck	MRK	**27.71**	24.96	36.58	38.34	20.05	0.380	6/08/09	7/1/09	1.520	5.49
Caterpillar	CAT	**33.84**	36.12	67.04	75.87	21.71	0.420	7/20/09	8/20/09	1.680	4.96
Pfizer	PFE	**15.02**	14.13	17.58	20.13	11.62	0.160	8/07/09	9/2/09	0.640	4.26
Kraft	KFT	**27.53**	25.26	29.42	34.97	20.81	0.290	6/30/09	7/14/09	1.160	4.21
Boeing	BA	**41.36**	49.52	63.88	69.50	29.05	0.420	8/07/09	9/4/09	1.680	4.06
Chevron	CVX	**64.57**	71.08	89.42	89.75	55.50	0.650	5/19/09	6/10/09	2.600	4.03
Home Depot, Inc.	HD	**24.08**	23.85	21.46	30.74	17.05	0.225	6/11/09	6/25/09	0.900	3.74
McDonald's	MCD	**57.08**	57.78	58.56	67.00	45.79	0.500	6/08/09	6/22/09	2.000	3.50
Johnson & Johnson	JNJ	**58.96**	54.75	67.70	72.76	46.25	0.490	5/26/09	6/9/09	1.960	3.32
3M Company	MMM	**62.00**	59.31	67.69	74.71	40.87	0.510	5/22/09	6/12/09	2.040	3.29
General Electric	GE	**12.24**	13.15	26.65	30.39	5.73	0.100			0.400	3.27
Coca-Cola	KO	**50.53**	48.11	51.79	55.84	37.44	0.410	6/15/09	7/1/09	1.640	3.25
Procter and Gamble	PG	**54.65**	51.33	64.35	73.57	43.93	0.440	7/24/09	8/17/09	1.760	3.22
Intel Corp	INTC	**18.05**	15.98	20.71	24.75	12.05	0.140	5/07/09	6/1/09	0.560	3.10
Travellers	TRV	**40.35**	42.56	41.49	58.57	28.91	0.300	6/10/09	6/30/09	1.200	2.97
United Tech.	UTX	**53.75**	54.72	60.08	68.00	37.40	0.385	8/21/09	9/10/09	1.540	2.87
American Express	AXP	**27.22**	25.23	37.02	42.50	9.71	0.180	7/02/09	8/10/09	0.720	2.65
Exxon Mobil	XOM	**68.44**	72.81	82.19	84.76	56.51	0.420	5/13/09	6/10/09	1.680	2.45
Wal-Mart Stores	WMT	**48.55**	48.46	56.24	63.85	46.25	0.273	12/11/09	1/4/10	1.090	2.25
Microsoft Corp.	MSFT	**24.12**	23.42	26.15	28.50	14.87	0.130	8/20/09	9/10/09	0.520	2.16
IBM	IBM	**107.22**	107.62	123.20	130.93	69.50	0.550	5/08/09	6/10/09	2.200	2.05
Walt Disney	DIS	**24.08**	24.25	29.43	34.85	15.14	0.350	12/15/08	1/20/09	0.350	1.45
Alcoa	AA	**10.14**	11.21	34.51	34.90	4.97	0.030	5/08/09	5/25/09	0.120	1.18
Hewlett-Packard	HPQ	**38.82**	37.08	41.65	49.20	25.39	0.080	6/10/09	7/1/09	0.320	0.82
J P Morgan	JPM	**36.26**	34.00	31.02	50.63	14.96	0.050	7/06/09	7/31/09	0.200	0.55
Bank of America	BAC	**13.42**	13.33	18.52	39.50	2.53	0.010	6/05/09	6/26/09	0.040	0.30
Cisco	CSCO	**19.81**	19.36	21.04	25.25	13.61	0.000			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.

RECOMMENDED INVESTMENT VEHICLES

	Ticker Symbol	Avg. Market Cap. / Avg. Maturity	No. of Holdings	Expense (%)	Sharpe Ratio	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 6/30/09							Annualized Returns (%), as of 6/30/09					
Short/Intermediate Fixed Income														
Vanguard Short-Term Bond Index	BSV[2]	2.8 Yrs.	1061	0.10	na	101	--	3.33	5.79	--	--	4.36	--	--
Vanguard Short-Term Bond Index	VBISX	2.8 Yrs.	1061	0.19	1.20	101	--	3.31	5.45	6.06	4.36	4.22	4.57	2.96
iShares Barclays 1-3 Yr. Credit Bond	CSJ[1]	2.0 Yrs.	290	0.20	na	67	--	4.18	4.31	--	--	2.76	--	--
iShares Barclays 1-3 Year Treasury	SHY[1]	1.9 Yrs.	47	0.15	1.26	37	--	3.16	4.24	5.51	3.97	3.09	4.16	2.74
Vanguard Limited-Term Tax-Exempt	VMLTX	2.8 Yrs.	928	0.15	0.49	23	--	3.05	4.46	4.19	3.28	4.46	4.19	3.28
Inflation-Protected Fixed Income														
iShares Barclays TIPS Bond	TIP	9.0 Yrs.	28	0.20	0.36	10	--	4.68	-1.24	5.67	4.80	-2.74	3.93	3.10
Vanguard Inflation-Protected Securities	VIPSX	9.1 Yrs.	26	0.20	0.30	28	--	1.80	-2.52	5.32	4.62	-3.13	3.90	3.02
Real Estate														
Vanguard REIT Index	VNQ[2]	2.0 B.	100	0.11	-0.41	10	0.9	8.58	-42.43	-17.79	--	-43.64	-18.98	--
Vanguard REIT Index	VGSIX[3]	2.0 B.	100	0.21	-0.41	10	0.9	6.17	-42.46	-17.86	-2.67	-43.66	-19.04	-4.08
U.S. Large Cap Value														
Vanguard Value Index	VTV[2]	30.6 B.	415	0.10	-0.59	27	1.3	3.88	-26.74	-10.33	-1.79	-27.15	-10.74	-2.21
Vanguard Value Index	VIVAX	30.6 B.	415	0.21	-0.60	27	1.3	3.76	-26.82	-10.42	-1.89	-27.21	-10.81	-2.29
U.S. Small Cap Value														
iShares Russell Microcap Index	IWC[1]	0.2 B.	1299	0.60	-0.64	21	1.2	1.34	-25.27	-14.59	--	-25.48	-14.72	--
Vanguard Small-Cap Value Index	VBR[2]	0.8 B.	986	0.11	-0.45	30	0.8	3.01	-23.34	-10.85	-1.45	-23.84	-11.31	-1.91
Vanguard Small-Cap Value Index	VISVX	0.8 B.	986	0.23	-0.45	30	0.8	2.83	-23.41	-10.94	-1.54	-23.89	-11.37	-1.97
U.S. Large Cap Growth														
iShares Russell 1000 Growth Index	IWF[1]	27.2 B.	638	0.20	-0.36	16	3.0	1.51	-24.57	-5.59	-1.98	-24.80	-5.76	-2.16
Vanguard Growth Index	VIGRX	27.3 B.	403	0.23	-0.36	27	2.5	1.24	-25.88	-5.49	-1.74	-26.03	-5.62	-1.88
U.S. Marketwide														
Vanguard Total Stock Market Index	VTI[2]	19.6 B.	3392	0.07	-0.48	5	1.6	2.45	-26.14	-8.03	-1.57	-26.41	-8.31	-1.86
Fidelity Spartan Total Market Index	FSTMX[4]	20.7 B.	3169	0.10	-0.49	3	1.8	2.46	-26.40	-8.17	-1.64	-26.71	-8.47	-1.92
Foreign- Developed Markets														
iShares MSCI Growth Index	EFG[1]	23.2 B.	501	0.40	-0.34	37	1.5	2.57	-33.41	-7.43	--	-33.83	-7.71	--
iShares MSCI Value Index	EFV[1]	23.7 B.	572	0.40	-0.35	28	1.0	3.09	-28.92	-8.69	--	-29.50	-9.21	--
Vanguard Europe Pacific Index	VEA[2]	20.4 B.	971	0.11		16	1.4	3.25	-30.51	--	--	-30.73	--	--
Vanguard Tax-Managed International	VTMGX[5]	20.4 B.	971	0.15	-0.33	16	1.4	3.14	-31.23	-7.85	2.55	-31.45	-8.08	2.32
Vanguard Developed Markets Index	VDMIX[6]	23.1 B.	3	0.00	-0.34	13	1.5	5.01	-30.90	-7.77	2.35	-31.57	-8.40	1.76
Foreign- Emerging Markets														
Vanguard Emerging Market Index	VWO[2]	20.0 B.	778	0.20	0.15	20	1.6	3.72	-28.20	2.48	--	-28.73	2.04	--
Vanguard Emerging Market Index	VEIEX[7]	20.0 B.	778	0.32	0.15	20	1.6	3.50	-28.63	2.20	13.91	-29.13	1.78	13.53
Gold-Related Funds														
iShares COMEX Gold Trust	IAU[2]	1	0.40	0.60	0.00		0.00	-0.30	14.30	--	-0.30	14.30	--	
streetTRACKS Gold Shares	GLD[1]	1	0.40	0.61	0.00		0.00	0.05	14.60	--	0.05	14.60	--	

Recommended Gold-Mining Companies ($)

	Ticker Symbol	6/15/09	Month Earlier	Year Earlier	52-Week High	52-Week Low	Distributions Last 12 Months	Distributions Frequency	Yield (%)
Anglogold Ltd., ADR †	AU	**37.11**	35.79	35.11	43.16	13.37	0.0973	Semiannual	0.2622
Barrick Gold Corp.	ABX	**33.94**	32.90	49.67	50.43	17.27	0.4000	Semiannual	1.1786
Gold Fileds Ltd.	GFI	**11.82**	11.27	13.11	13.99	4.64	0.1836	Semiannual	1.5533
Goldcorp, Inc. †	GG	**36.01**	33.71	47.99	48.43	13.84	0.1530	Monthly	0.4249
Newmont Mining	NEM	**40.45**	41.58	50.83	51.07	21.17	0.4000	Quarterly	0.9889

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.