Equity Performance
3/31/08=100   (Latest Plot: 9/23/09)

HYD Strategy *
Vanguard Funds:
Sm. Cap. Value
Lg. Cap. Growth
REIT Index
Developed Mkt Index
Emerging Mkt Index

* HYD is a hypothetical model based on back-tested results. See www.americaninvestment.com 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

Of Gold and Governments

"Gold should also have modern appeal in a world increasingly suspicious of central planning. The gold standard is an automatic mechanism, operated in a decentralized manner that coordinates the self-interest of all market participants. As such, gold is uniquely equipped to accommodate the greater sophistication and complexity that come with globally integrated markets. In contrast, central banking essentially is a form of central planning, applied to the narrow but ubiquitous precincts of money and banking.[1]"
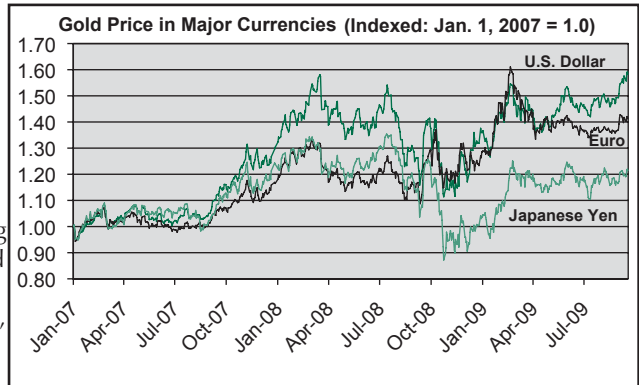
-- Gold and Liberty

In the current economic and political climate, suspicion toward central planning is certainly evident. The gold price has risen concurrently. While its price is affected by myriad factors, there is no question that many investors value gold precisely because it is a form of money that cannot be destroyed "at the stroke of a pen."

While others are only now piling into gold, AIS has been recommending that investors hold gold as a portion of their portfolio since our founding in 1978. Similarly, our parent organization, the American Institute for Economic Research, has for over seven decades reminded its readers of gold's unique attributes, which stand in sharp contrast to those of the world's various fiat currencies. Unlike paper money, gold cannot be created and is limited in supply.
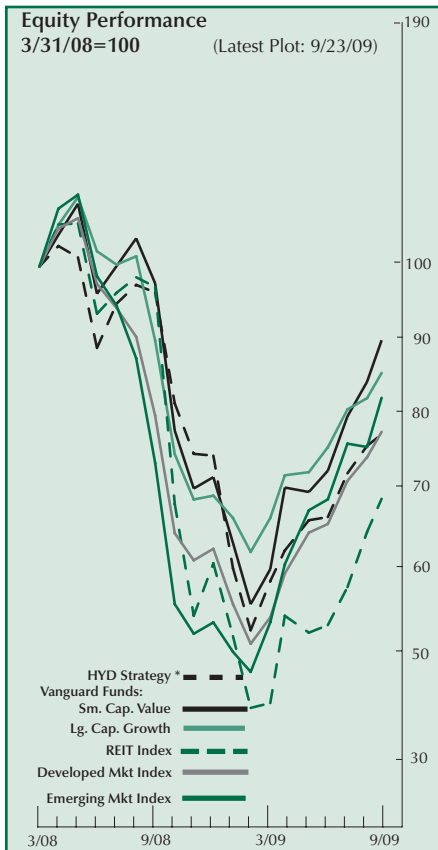
Our decades-long endorsement of gold has been uninterrupted, despite wars, business cycles and seemingly countless investment fads. But this continuity arises from observation, not ideology. Economics is a social science so financial economists must be willing to reject long held convictions if empirical findings suggest doing so. Evidence to date continues to reveal that, without exception, the purchasing power of the world's currencies deteriorate over time. Gold, though its price is highly volatile in the short term, provides the best form of insurance against rapid monetary inflating and financial crises.

Gold Price in Major Currencies (Indexed: Jan. 1, 2007 = 1.0)

[1]Richard M. Salsman, Gold and Liberty (American Institute for Economic Research, April 1995), p. 3.
To order call 888 528-1216.

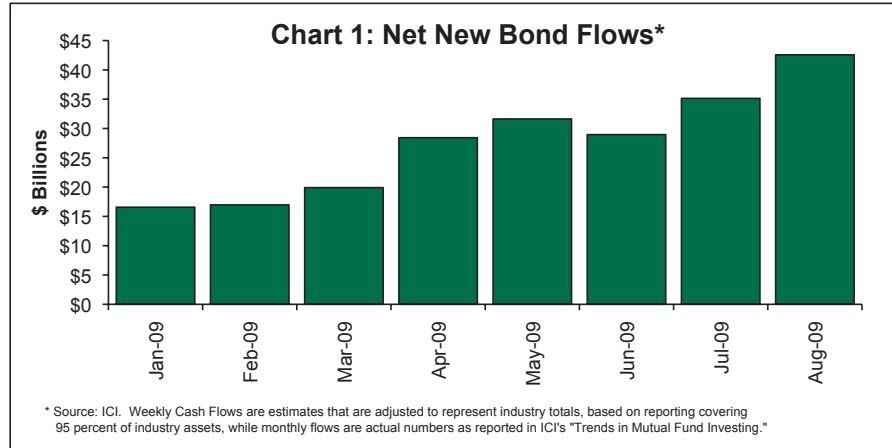

"Whatever happened to G-O-L-D?"

ASSESSING BONDS: DURATION VERSUS MATURITY

*I*nvestors who understand the importance of liquidity have been frustrated of late by money market funds and other cash equivalent assets, which are paying interest rates of nearly zero percent. While the economy appears to be rebounding, there is very little chance that the Fed will increase its fed funds target any time soon. As this dilemma has intensified, investors have rushed into bonds and bond funds (see Chart 1) in search of higher yields.

Bonds can help in addressing this predicament, but we suspect many are rushing into longer term securities carelessly and may come to regret it. The purpose of holding bonds is portfolio stability, yet bonds are hardly risk-free. It is therefore crucial for investors to understand the nature of the risk-return tradeoff as it applies to fixed-income securities. In this article we review bond basics with a particular focus on the concept of bond duration. Duration is an extremely valuable tool because it provides a means of measuring how vulnerable your bond portfolio is to interest rate risk.

Bond Returns: Yield to Maturity

Conventional bonds are not complicated. A bond holder can expect to receive regular fixed "coupon" payments (most often these are semi-annual payments) plus a return of the bond's face value at a fixed date in the future (maturity date). A bond with a $1,000 face value with a 5 percent annual coupon (paid semiannually) maturing in 6 1/2 years would make 13 coupon payments of $25 every six months and also pay $1,000 at

Chart 1: Net New Bond Flows*

* Source: ICI. Weekly Cash Flows are estimates that are adjusted to represent industry totals, based on reporting covering 95 percent of industry assets, while monthly flows are actual numbers as reported in ICI's "Trends in Mutual Fund Investing."
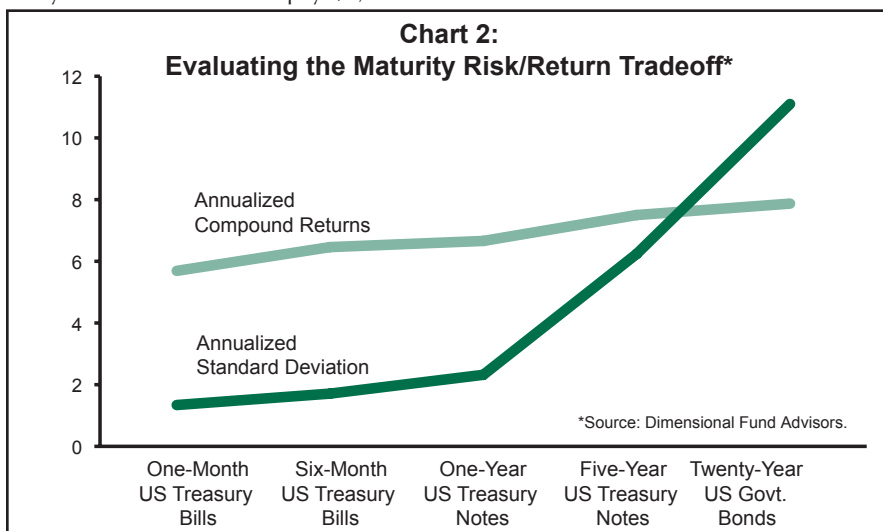
maturity.

An investor can calculate the nominal rate of return, known as *yield to maturity* (YTM) he can expect to receive on a bond, as long as the bond does not default and it is indeed held until maturity. YTM takes into account a bond's purchase price, redemption value, time to maturity, coupon yield, the time between interest payments. YTM recognizes the time value of money (the fact that a dollar received today is worth more than a dollar to be received in the future). It is an *internal* rate of return because it assumes that all cash flows (i.e. future coupon payments and the face value payment at maturity) are reinvested at the YTM rate rather than prevailing market interest rates. YTM is simply the discount rate at which the present value of all future payments would equal the present price of the bond. For example, if the bond described above could be purchased today for $900, its YTM would be 3.50 percent.[1]

Bond Risk

The risks inherent in any bond include the risk of default (credit risk), currency risk (in the case of foreign bonds) and interest rate risk. We do not recommend foreign bonds, and we recommend that investors limit credit risk by confining purchases to U.S. government obligations, investment-grade corporate bonds, and high-quality municipal bonds. Our focus here is on interest rate risk.

The price of a previously issued bond will fall when market interest rates rise, and vice versa. Consider the bond described earlier, which pays a 5 percent annual coupon. That rate, and the $25 semi-annual coupon payments it generates, will remain fixed for the life of the bond. If interest rates were to rise, so that newly issued bonds of similar risk and maturity but with higher coupon payments became available, the market price of the existing 5 percent bond would have to fall in order to entice a potential buyer. Conversely, when interest rates fall, the price of existing bonds can be expected to rise.

Bond prices therefore move regularly in response to changes in prevailing interest rates. This poses a risk to an investor who holds a portfolio of bonds. Long term bonds are exposed to this risk (as well as default risk) for a longer period of time versus short term bonds, and generally are more sensitive to interest rate changes; that is, their prices (other factors equal) are more volatile relative to short term bonds. Long term bond holders can typically expect to receive a higher yield to maturity in exchange for bearing this risk. However, we have long recommended that investors who are seeking bonds as

Chart 2: Evaluating the Maturity Risk/Return Tradeoff*

Annualized Compound Returns

Annualized Standard Deviation

*Source: Dimensional Fund Advisors.

One-Month US Treasury Bills | Six-Month US Treasury Bills | One-Year US Treasury Notes | Five-Year US Treasury Notes | Twenty-Year US Govt. Bonds

[1]Investors can obtain a bond's YTM from their broker and can easily be verified with most financial calculators.

a source of portfolio stability avoid bonds that whose maturities extend beyond five years, as beyond this point the risk-return tradeoff becomes markedly less attractive. This progression is depicted in Chart 2.

Duration Matters Most

Clearly, the length of a bond's "life" will have a significant impact on the risk and the return an investor will experience. However, it is inadequate to consider only a bond's maturity when assessing its vulnerability to interest rate risk. Consider two 20 year bonds, one with an 8 percent coupon and another with a 12 percent coupon. Though they mature on the same date, an investor will recover his original purchase price sooner with the 12 percent coupon bond, since each semi-annual payment is higher. In order to determine the *effective* maturity of a bond, a measure is needed that will also account for the entire pattern (both the size and timing) of its cash flows over the remainder of the bond's lifetime. This is reflected in a bond's *duration*[2].

Duration measures a bond's *economic* lifetime. It is the number of years needed to fully recover the purchase price of a bond, given the present value of its cash flows. A bond's duration is derived by calculating the weighted average time to recover all of its remaining interest payments plus principal.

Table 1 provides an example of how duration is calculated. For simplicity, we have assumed that the bond pays a 10 percent coupon annually (rather than semi-annually).

Cash flows from the bond include five coupon payments of $100, plus the return of face value (the bond's original purchase price of $1,000) at the end of year five. Note that the sum of the present value of each year's cash flow is equal to $1,080, which is the bond's current market price, based on the prevailing discount rate of 8 percent (e.g. the current yield to maturity for bonds of similar credit risk with the same maturity date). The price reflects a premium of $80 above its face value because it is paying a coupon rate of 10 percent, which exceeds the 8 percent total return on comparable bonds.

The bond's *duration*, on the other hand,

is based on the present value of each year's cash flow *weighted by when it will be received*. When these weighted cash flows are divided by the bond's price and subsequently totaled, we have the *number of years required for an investor to recover the bond's price*. Keeping this in mind, several observations come to light:

• For any coupon-paying bond, duration will be less than maturity (in this case duration is 4.2 years while maturity is 5 years).

• Duration is inversely related to coupon rate (assuming maturity and yield to maturity are held constant) because higher coupons result in quicker recovery of a bond's value.

• Duration increases with a bond's time to maturity (assuming coupon rate and yield to maturity are held constant).

• Holding time to maturity and coupon rate constant, duration is inversely related to yield to maturity (the total rate of return on the bond) because a higher rate of return results in a quicker recovery of a bond's value.

Because an investor holding a short-duration bond will have his investment exposed to interest rate risk for a shorter period of time versus an investor holding a similar bond of longer duration, the shorter-duration bond will be less sensitive to changes in interest rates. Perhaps the most useful aspect of duration is that if the calculation is modified slightly,[3] investors

Table 1: Calculating Duration
$1,000 Face Value
10% Annual Coupon (Paid Annually)
5 Year Maturity
Yield to Maturity = 8%

(1)	(2)	(3)	(4)	(5)	(6)
Year	Cash Flow ($)	Present Value Factor	(2) X (3) ($)	(4) / **Price**	(1) X (5)
1	100	0.926	92.60	0.0857	0.0857
2	100	0.857	85.70	0.0793	0.1587
3	100	0.794	79.40	0.0735	0.2205
4	100	0.735	73.50	0.0680	0.2721
5	1,100	0.681	749.10	0.6934	3.4671
			Price = 1,080.30		**Duration** = 4.2041

can use it to measure the interest rate sensitivity of a bond. Modified duration can be used to calculate the approximate percentage change in a bond's price that results from a given percentage change in prevailing interest rates. For example, the (modified) duration of the bond in Table 1 is 3.89 (4.2041 / (1 + 0.08)). If interest rates were to rise by 20 basis points (0.20 percent), this bond would fall in value by approximately 78 basis points (3.89 x 0.20 = 0.78 percent) from $1,080 to $1,072.

Duration can also be used to measure the interest rate sensitivity of a bond mutual fund. The duration for each of our recommended bond funds is presented in Table 2.

Control Your Interest Rate Risk

Recall that yield to maturity provides a bond's total rate of return (in current dollars) if it is held to maturity. We have also established that an investor will weigh this return against a bond's interest rate risk, as measured by its duration. Duration can also be used to "immunize" portfolios against interest rate risk.

Interest rate risk has two components.

Table 2: AIS Recommended Bond Funds -- Maturity and Duration

Fund Name	Symbol	Average Maturity (years)	Average Duration (years)
Vanguard Short-Term Bond Index	BSV	2.8	2.6
Vanguard Short-Term Bond Index	VBISX	2.8	2.6
iShares Barclays 1-3 Yr. Credit Bond	CSJ	1.9	1.8
iShares Barclays 1-3 Year Treasury	SHY	1.9	1.8
Vanguard Limited-Term Tax-Exempt	VMLTX	2.7	2.5
iShares Barclays TIPS Bond	TIP	9.1	3.0
Vanguard Inflation-Protected Securities	VIPSX	9.0	3.4

[2]The calculation for duration may be formally expressed as:

$$D = \sum_{t=1}^{n} PV(CF_t) \times t / P_B$$

Where: t = the time period at which the cash flow is expected, n = number of periods until maturity, $PV(CF_t)$ = present value of the cash flow in period t discounted at the yield to maturity, P_B = market price of the bond.

[3]Modified duration = D_m = D / (1+r) where D = duration, r = the bond's yield to maturity

Price risk simply describes the inverse relationship between bond prices and interest rates. *Reinvestment rate risk* results from the uncertainty that arises from the future rate of return at which a bond's cash flows will be reinvested. Recall that yield to maturity assumes, implicitly, that future cash flows will be reinvested at the calculated yield to maturity. In reality interest rates change over time, so the YTM an investor realizes over the life of the bond (i.e. his *actual* total return) will differ from the calculated YTM at the time he purchased it.

Price risk and reinvestment risk have offsetting wealth effects for bondholders. Rising interest rates will reduce the price of a bond, but increase the reinvestment rate at which the bond's cash flows

can be reinvested. Conversely, falling interest rates will reduce the return from reinvesting a bond's cash flows, but increase its price. These offsetting effects provide an investor with the opportunity to construct a portfolio designed to neutralize the effects of interest rate risk. Duration is the key to this so-called *immunization* strategy. Specifically, an investor with a given time horizon (e.g. a five year investment horizon to save for a down payment on a new home) can, in theory, neutralize the effects of interest rate risk by holding a portfolio of bonds with a duration equal to the investor's time horizon, in this case five years. The simplest way would be to buy a zero coupon bond that matures in five years; "zeroes" pay no coupon so their maturity

will always be equal to their duration.

Unfortunately, it is very difficult for most investors to maintain an immunized portfolio of coupon paying bonds; an investor would have to trade frequently because the portfolio's target duration would have to match his ever-shortening investment time horizon at all times. An investor can, however, carefully control his portfolio's exposure to interest rate risk by holding mutual funds with durations that are relatively stable. The short-term and structured bond funds we recommend are ideally suited to this objective. In contrast, the durations of actively managed bond funds tend to drift aimlessly along with the rootless prognostications of active fund managers.

TARGET DATE FUNDS: DON'T BE A TARGET

Often described as a "one-stop shopping" solution for investors approaching retirement, a target date fund is basically a "fund of funds" in which the portfolio's underlying asset allocation mix adopts an increasingly conservative posture over time as an investor's pre-determined target retirement date approaches. Also known as lifecycle or age-based funds, target date funds are promoted as a means of allowing investors to place their investment portfolio on "cruise control"; diversification, asset allocation and rebalancing are built in. While they are sound conceptually, it is becoming apparent that these funds have been poorly understood and misused by a large portion of the investors they were meant to serve.

Background

Target date funds are said to be well-suited for investors who recognize the tendency to stray from an established allocation plan when left to managing their own portfolios, such as young investors who invest too conservatively and older investors who invest too aggressively. These funds reduce the chance that an investor will inadvertently sabotage a sound investment strategy. They are designed to eliminate the emotionally challenging decision of whether or not to reallocate assets amidst market gyrations. Many such funds offer reduced initial minimum investment levels to encourage participation. This provides even low net worth investors the opportunity to access a simple, one-stop diversification and asset-allocation solution with rebalancing

over time based on a defined retirement-date horizon.

This concept has been marketed aggressively to investors as a simple solution to portfolio management. The funds have proven appealing to investors who do not have the expertise or desire to construct and manage an investment portfolio themselves or who cannot meet the minimum asset thresholds of reputable investment professionals. They have been among the fastest-growing product segments in the retirement industry since 2006, when legislation (the Pension Protection Act of 2006) provided employers with liability protection for losses incurred by target date funds when used as a Qualified Default Investment Alternative (QDIA) option in employee-directed retirement plans.

While these features sound attractive, they must be weighed against the "one size fits all" nature inherent in any mutual fund. Two investors of the same age and similar retirement goals may differ dramatically with regard to their tolerance for fluctuations in the value of assets over time. Target date funds eliminate the possibility of creating a portfolio customized to match an individual's unique risk profile. This is a severe limitation in our estimation, and the bear market has reminded many unwary investors that failing to "look under the hood" can be very costly indeed.

Crashing on Autopilot

Statistics show that target date fund investors, including those close to retirement age, have incurred staggering

losses since the market meltdown that began in late 2007, catching many people by surprise. A recent analysis of 72 target date funds indicates that shareholders interested in retiring in 2010 suffered a median return of negative 31.90 percent during the period between October 2007 and February 2009.[1] This poor performance has in turn, prompted heightened scrutiny by the SEC as well as independent investor watchdog organizations.

Target date funds invest in capital market assets, so such large losses during a bear market should not have come as a shock. We suspect many investors misconstrued the nature of risk reduction afforded by these funds. They do not eliminate market risk; they merely reduce the portfolio's exposure to highly volatile assets as time passes. It appears that many investors failed to grasp this distinction.

A recent survey conducted by the Janus Capital Group of 6,000 defined contribution plan sponsors revealed some crucial misuses of target date funds by investors. Many investors are combining target date funds that have differing target dates, or combining target date funds with other mutual funds, in effect negating the primary benefit of these products. It is clear investors are confused. Some do not know the year in which they expect to retire (they chose multiple years). Many select funds based on the year they expect to leave their current employer (rather than a projected retirement date). Some were under the impression that by combining target date funds they would achieve more upside potential or more income.

Many investors mistakenly believe that all target date funds are created equal. But in fact two such funds with the same "target date" but issued by different fund companies can assume dramatically different levels of risk exposure depending on the manager and his perception of risk. The reallocation of assets within a target date fund over time to accommodate an investor's changing tolerance for risk (his so-called "glide path") will also vary by fund manager. In fact, not all funds reach their most conservative allocation (whereby they become essentially "income funds") in the year they target. Some funds, operating under the assumption that investors will require equity-style returns in order to fund living expenses *during* retirement, will not reach their most conservative stance until 20 years after the target date. These differences make it very difficult to establish a benchmark for comparing risk and return among target funds[2]. Perhaps the most dangerous misperception is that target date funds provide guaranteed returns, or steady payouts similar to those of a pension.

Costs

Because they are mutual funds, target date funds must calculate and publish an expense ratio, which is a comprehensive measure of all operating costs, including management fees, expressed as a percentage of the fund's average net assets. Because a target date fund is made up of various funds within a fund family, there can be several layers of expenses that, when compounded over time, can cut severely into returns. In some, there is a fee for the underlying mutual funds and another layer of fees for managing the funds. Target date funds come in both the active and passive varieties; index-type funds are far less costly but in all cases investors should review these expense ratios very carefully.

The Future

Target date funds have been marketed as a simple solution to retirement planning, but the lure of convenience appears to have lulled investors into neglecting their responsibility to understand what they were buying. There is clear confusion and misunderstanding among investors. In our estimation target date funds may yet prove useful; and to that end greater transparency and education would be constructive, especially for employee participants in retirement plans.

Proposals have been designed to address this problem. The SEC and Labor Department held joint hearings in June to discuss possible reforms including improved education for investors and greater oversight by regulators. The Investment Company Institute (ICI) (the national association of U.S. investment companies) has also reacted by issuing principles regarding disclosure practices that funds should follow. According to ICI, funds should: 1. State the target (retirement) date in the fund name 2. State whether the fund assumes that investors will make withdrawals gradually or all at once 3. Establish what age group the fund is designed for 4. Provide an illustration of the asset allocation over time, and 5. Warn that the fund's returns are not guaranteed.[3]

These developments may prove helpful, but wise investors will not rely on regulators or on trade groups to protect them. The importance of doing your own homework, as always, cannot be overstated; there is no substitute for an investor's informed judgment. We will continue to monitor the evolution of these investment vehicles. We continue to recommend that investors construct their own portfolios customized to match their personal circumstances, or to turn to a registered investment advisor if additional guidance is needed.

[1]Got Target Date Funds? July 2009 Mutual Fund Focus (Investment Advisor, July 2009, Vaughan Scully)
[2]Research Notes Comparing Moving Targets: Recent Efforts to Benchmark Target-Date Funds (Vanguard, June 2009, C. William Cole)
[3]Got Target Date Funds? July 2009 Mutual Fund Focus (Investment Advisor, July 2009, Vaughan Scully)

Lifecycle Fund Assets
Billions of dollars, end-of-period, 2001-2009:Q1

Legend: Other Investors; IRAs; Employer sponsored DC plans

Year	Total	%
2001	12	89%
2002	15	88%
2003	26	88%
2004	44	89%
2005	71	90%
2006	115	89%
2007	183	87%
2008:Q1	185	88%
2008:Q2	200	87%
2008:Q3	187	87%
2008:Q4	164	86%
2009:Q1	159	87%

Source: Investment Company Institute Research Fundamentals August 2009 Vol. 18 No. 5-Q1

September 30, 2009
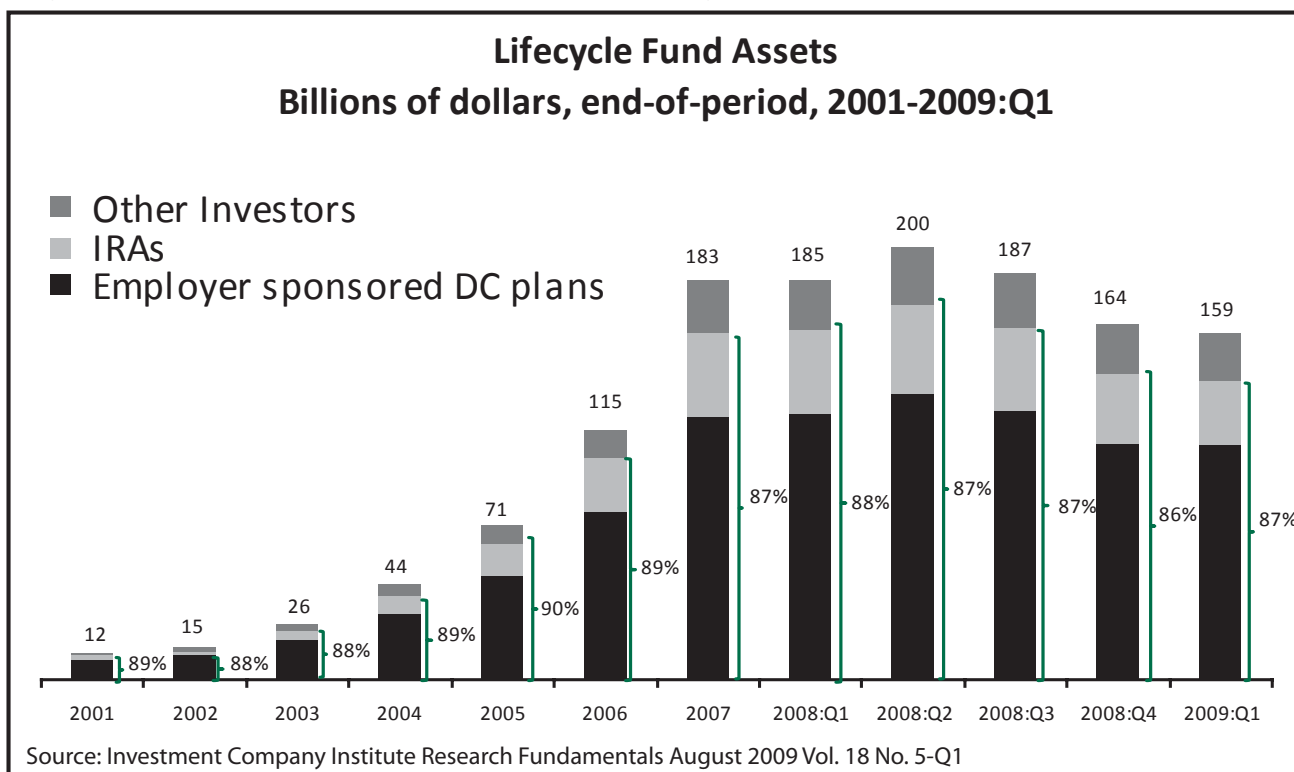
THE HIGH-YIELD DOW INVESTMENT STRATEGY

Recommended HYD Portfolio

As of September 15, 2009 —-*Percent of Portfolio*-—

	Rank	Yield	Price	Status	Value	No. Shares[1]
AT&T Corp.	1	6.14%	26.70	Buying	15.57	11.33
Verizon	2	6.13%	31.00	Holding**	17.59	11.02
Dupont	3	4.95%	33.15	Buying	14.37	8.42
Merck & Co.	4	4.65%	32.70	Buying	9.36	5.56
Pfizer	6	3.95%	16.21	Selling	14.93	17.90
General Electric	18	2.50%	16.00	Holding	7.04	8.55
Alcoa	26	0.86%	13.99	Holding	8.43	11.71
Bank of America	29	0.24%	16.79	Selling	9.65	11.17
Citigroup	NA		4.12	Selling	3.04	14.35
Cash (6-mo. T-Bill)	NA				0.01	--
					100.00	100.00

** 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 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 August 31, 2009*.

	1 mo.	1 yr.	5 yrs.	10 yrs.	20 yrs.	Since 1/79	Std. Dev.
HYD Strategy	5.41	-22.32	2.70	4.64	12.47	15.62	18.19
Russell 1000 Value Index	5.23	-20.27	0.44	1.84	8.34	11.92	14.92
Dow Jones Industrial Index	3.97	-14.85	1.20	0.92	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.

BLACKROCK ACQUIRES BARCLAYS GLOBAL INVESTORS (BGI) AND ISHARES FUNDS

On June 16 BlackRock, Inc. and Barclays Bank PLC announced that BlackRock would acquire Barclays Global Investors (BGI), Barclays U.S. asset management arm. BGI is advisor and distributor for the iShares family of exchange traded funds (ETFs). Barclays Bank shareholders have approved the proposed sale and the transaction is expected to close in the fourth quarter of 2009 following the receipt of client consents and regulatory approvals, and satisfaction of customary closing conditions.

At first blush this seems to be an odd marriage. iShares is the leading provider of low-cost index ETFs. BlackRock (which acquired Merrill Lynch's asset management business and proprietary mutual funds in 2006), is among the largest asset managers in the world and is best known for its actively managed (and relatively expensive) bond funds.

The deal in fact highlights both the strength of the iShares brand and the ascent of passive management. BlackRock has announced that it has no plans to change the fee schedule or the investment approach of the iShares ETFs. We continue to recommend iShares products as an efficient means of capturing the returns of our recommended asset classes.

A new advisory agreement for each fund must be approved by fund shareholders as part of the acquisition process. Investors who have received a proxy package can find more information at www.ishares.com.

"Beware of small expenses; a small leak will sink a great ship."
- Poor Richard, 1745. An Almanack For the Year By Richard Saunders (a.k.a. Benjamin Franklin)

"Gain may be temporary and uncertain, but ever while you live, expense is constant and certain."
- Poor Richard, 1758

September 30, 2009

RECENT MARKET STATISTICS

Precious Metals & Commodity Prices ($)

	9/15/09	Mo. Earlier	Yr. Earlier
Gold, London p.m. fixing	996.00	953.60	775.00
Silver, London Spot Price	16.52	14.98	10.84
Copper, COMEX Spot Price	2.79	2.83	3.18
Crude Oil, W. Texas Int. Spot	70.92	67.50	95.70
Dow Jones Spot Index	316.18	317.67	361.88
Dow Jones-AIG Futures Index	126.58	127.51	172.50
Reuters-Jefferies CRB Index	258.17	257.75	352.09

Interest Rates (%)

		9/15/09	Mo. Earlier	Yr. Earlier
U.S. Treasury bills -	91 day	0.13	0.18	1.03
	182 day	0.21	0.27	1.52
	52 week	0.36	0.44	1.61
U.S. Treasury bonds - 10 year		3.47	3.67	3.47
Corporates:				
High Quality -	10+ year	5.17	5.34	5.46
Medium Quality -	10+ year	6.40	6.62	7.13
Federal Reserve Discount Rate		0.50	0.50	2.25
New York Prime Rate		3.25	3.25	5.00
Euro Rates	3 month	0.77	0.88	4.97
Government bonds -	10 year	3.32	3.48	4.01
Swiss Rates -	3 month	0.30	0.35	2.73
Government bonds -	10 year	2.12	1.99	2.73

Exchange Rates ($)

	9/15/09	Mo. Earlier	Yr. Earlier
British Pound	1.643600	1.352900	1.787700
Canadian Dollar	0.929368	0.911328	0.937207
Euro	1.461700	1.421600	1.417500
Japanese Yen	0.010995	0.010566	0.009463
South African Rand	0.135318	0.124037	0.123839
Swiss Franc	0.963948	0.932923	0.893336

Securities Markets

	9/15/09	Mo. Earlier	Yr. Earlier
S & P 500 Stock Composite	1,052.63	1,004.09	1,192.70
Dow Jones Industrial Average	9,683.41	9,321.40	10,917.51
Dow Jones Bond Average	241.96	238.15	206.68
Nasdaq Composite	2,102.64	1,985.52	2,179.91
Financial Times Gold Mines Index	3,092.36	2,648.94	1,932.41
FT EMEA (African) Gold Mines	2,969.43	2,524.84	1,616.52
FT Asia Pacific Gold Mines	12,542.37	10,769.00	7,305.20
FT Americas Gold Mines	2,650.29	2,274.49	1,756.96

Coin Prices ($)

	9/15/09	Mo. Earlier	Yr. Earlier	Prem (%)
American Eagle (1.00)	1,032.57	977.58	814.83	3.67
Austrian 100-Corona (0.9803)	971.53	918.33	761.42	-0.50
British Sovereign (0.2354)	247.40	226.65	188.35	5.52
Canadian Maple Leaf (1.00)	1,026.90	971.90	801.10	3.10
Mexican 50-Peso (1.2057)	1,197.40	1,131.90	938.60	-0.29
Mexican Ounce (1.00)	1,013.30	958.90	778.60	1.74
S. African Krugerrand (1.00)	1,021.82	966.92	803.47	2.59
U.S. Double Eagle-$20 (0.9675)				
St. Gaudens (MS-60)	1,380.00	1,265.00	912.50	43.21
Liberty (Type I-AU50)	1,382.50	1,277.50	1,050.00	43.47
Liberty (Type II-AU50)	1,370.00	1,225.00	980.00	42.17
Liberty (Type III-AU50)	1,332.50	1,197.50	882.50	38.28
U.S. Silver Coins ($1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	11,662.50	10,275.00	8,425.00	-1.26
40% Silver Circ. (292 oz.)	4,737.50	4,125.00	3,650.00	-1.79
Silver Dollars Circ.	13,912.50	12,675.00	12,050.00	8.86

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at $996.00 per ounce and silver at $16.52 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 ($) 9/15/09	8/14/09	9/15/08	12-Month ($) High	Low	Latest Dividend Amount ($)	Record Date	Paid	Indicated Annual Dividend ($)	Yield† (%)
AT&T (New)	T	26.70	25.45	29.96	31.18	20.90	0.410	7/10/09	8/3/09	1.640	6.14
Verizon	VZ	31.00	31.08	33.24	34.90	23.07	0.475	10/09/09	11/2/09	1.900	6.13
Dupont	DD	33.15	32.36	44.74	48.22	16.05	0.410	8/14/09	9/11/09	1.640	4.95
Merck	MRK	32.70	30.98	32.72	33.05	20.05	0.380	9/04/09	10/1/09	1.520	4.65
Kraft	KFT	26.08	28.10	33.14	34.97	20.81	0.290	9/30/09	10/14/09	1.160	4.45
Pfizer	PFE	16.21	15.77	18.05	19.39	11.62	0.160	8/07/09	9/2/09	0.640	3.95
Chevron	CVX	71.63	68.63	80.09	89.75	55.50	0.680	8/19/09	9/10/09	2.720	3.80
McDonald's	MCD	54.98	55.27	63.72	65.47	45.79	0.500	9/01/09	9/15/09	2.000	3.64
Home Depot, Inc.	HD	27.41	27.14	28.50	29.70	17.05	0.225	9/03/09	9/17/09	0.900	3.28
Johnson & Johnson	JNJ	60.15	60.08	69.61	72.69	46.25	0.490	8/25/09	9/8/09	1.960	3.26
Caterpillar	CAT	51.70	46.00	63.21	74.50	21.71	0.420	7/20/09	8/20/09	1.680	3.25
Boeing	BA	52.07	44.87	62.25	63.00	29.05	0.420	8/07/09	9/4/09	1.680	3.23
Procter and Gamble	PG	55.03	52.37	72.14	73.00	43.93	0.440	7/24/09	8/17/09	1.760	3.20
Coca-Cola	KO	52.45	48.47	54.75	55.03	37.44	0.410	9/15/09	10/1/09	1.640	3.13
Intel Corp	INTC	19.55	18.77	19.36	20.65	12.05	0.140	11/07/09	12/1/09	0.560	2.86
3M Company	MMM	74.68	71.32	68.88	74.88 *H*	40.87	0.510	8/21/09	9/12/09	2.040	2.73
United Tech.	UTX	61.29	57.21	63.12	68.00	37.40	0.385	8/21/09	9/10/09	1.540	2.51
General Electric	GE	16.00	13.92	24.60	29.20	5.73	0.100	9/21/09	10/26/09	0.400	2.50
Travellers	TRV	49.01	47.25	43.70	58.57	28.91	0.300	9/10/09	9/30/09	1.200	2.45
Exxon Mobil	XOM	69.49	68.21	73.25	83.64	56.51	0.420	8/13/09	9/10/09	1.680	2.42
Wal-Mart Stores	WMT	49.93	51.79	61.63	63.85	46.25	0.273	12/11/09	1/4/10	1.090	2.18
American Express	AXP	34.65	31.72	35.48	41.10	9.71	0.180	7/02/09	8/10/09	0.720	2.08
Microsoft Corp.	MSFT	25.20	23.69	26.82	27.66	14.87	0.130	8/20/09	9/10/09	0.520	2.06
IBM	IBM	119.35	118.57	115.19	124.00	69.50	0.550	8/10/09	9/10/09	2.200	1.84
Walt Disney	DIS	28.29	25.86	32.36	34.85	15.14	0.350	12/15/08	1/20/09	0.350	1.24
Alcoa	AA	13.99	13.27	26.93	27.50	4.97	0.030	8/07/09	8/25/09	0.120	0.86
Hewlett-Packard	HPQ	45.64	44.09	45.33	49.20	25.39	0.080	9/16/09	10/7/09	0.320	0.70
J P Morgan	JPM	43.19	42.45	37.00	50.63	14.96	0.050	10/06/09	10/31/09	0.200	0.46
Bank of America	BAC	16.79	17.39	26.55	39.50	2.53	0.010	9/04/09	9/25/09	0.040	0.24
Cisco	CSCO	22.98	21.31	22.38	24.30	13.61	0.000			0.000	0.00

* See the Recommended HYD Portfolio table on page 70 for current recommendations. † Based on indicated dividends and market price as of 9/15/09.
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 9/16/08.

September 30, 2009

RECOMMENDED INVESTMENT VEHICLES

	Ticker Symbol	Avg. Market Cap. / Avg. Maturity	No. of Holdings	Expense (%)	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.
Short/Intermediate Fixed Income														
Vanguard Short-Term Bond Index	BSV²	2.8 Yrs.	1061	0.10	na	101	--	3.33	6.24	--	--	5.05	--	--
Vanguard Short-Term Bond Index	VBISX	2.8 Yrs.	1061	0.19	1.20	101	--	3.31	6.08	5.90	4.29	4.91	4.45	2.89
iShares Barclays 1-3 Yr. Credit Bond	CSJ¹	2.0 Yrs.	290	0.20	na	67	--	4.18	6.04	--	--	4.49	--	--
iShares Barclays 1-3 Year Treasury	SHY¹	1.9 Yrs.	47	0.15	1.26	37	--	3.16	3.86	5.18	3.86	2.82	3.88	2.64
Vanguard Limited-Term Tax-Exempt	VMLTX	2.8 Yrs.	928	0.15	0.49	23	--	3.05	4.03	4.21	3.24	4.03	4.21	3.24
Inflation-Protected Fixed Income														
iShares Barclays TIPS Bond	TIP	9.0 Yrs.	28	0.20	0.36	10	--	4.68	-0.53	4.82	4.23	-1.75	3.14	2.58
Vanguard Inflation-Protected Securities	VIPSX	9.1 Yrs.	26	0.20	0.30	28	--	1.80	-1.40	4.58	4.12	-2.01	3.16	2.53
Real Estate														
Vanguard REIT Index	VNQ²	2.0 B.	100	0.11	-0.41	10	0.9	8.58	-31.12	-13.24	--	-32.57	-14.50	--
Vanguard REIT Index	VGSIX³	2.0 B.	100	0.21	-0.41	10	0.9	6.17	-31.20	-13.33	0.32	-32.64	-14.57	-1.13
U.S. Large Cap Value														
Vanguard Value Index	VTV²	30.6 B.	415	0.10	-0.59	27	1.3	3.88	-17.88	-7.79	0.71	-18.33	-8.21	0.28
Vanguard Value Index	VIVAX	30.6 B.	415	0.21	-0.60	27	1.3	3.76	-17.98	-7.89	0.62	-18.42	-8.29	0.21
U.S. Small Cap Value														
iShares Russell Microcap Index	IWC¹	0.2 B.	1299	0.60	-0.64	21	1.2	1.34	-21.40	-10.55	--	-21.63	-10.70	--
Vanguard Small-Cap Value Index	VBR²	0.8 B.	986	0.11	-0.45	30	0.8	3.01	-16.64	-6.19	2.22	-17.19	-6.67	1.75
Vanguard Small-Cap Value Index	VISVX	0.8 B.	986	0.23	-0.45	30	0.8	2.83	-16.78	-6.30	2.12	-17.29	-6.76	1.67
U.S. Large Cap Growth														
iShares Russell 1000 Growth Index	IWF¹	27.2 B.	638	0.20	-0.36	16	3.0	1.51	-16.85	-3.11	1.05	-17.21	-3.35	0.83
Vanguard Growth Index	VIGRX	27.3 B.	403	0.23	-0.36	27	2.5	1.24	-18.51	-2.97	1.28	-18.67	-3.11	1.13
U.S. Marketwide														
Vanguard Total Stock Market Index	VTI²	19.6 B.	3392	0.07	-0.48	5	1.6	2.45	-18.08	-5.25	1.37	-18.42	-5.54	1.07
Fidelity Spartan Total Market Index	FSTMX⁴	20.7 B.	3169	0.10	-0.49	3	1.8	2.46	-18.41	-5.40	1.28	na	na	na
Foreign- Developed Markets														
iShares MSCI Growth Index	EFG¹	23.2 B.	501	0.40	-0.34	37	1.5	2.57	-18.79	-4.74	--	-19.32	-5.02	--
iShares MSCI Value Index	EFV¹	23.7 B.	572	0.40	-0.35	28	1.0	3.09	-10.72	-4.98	--	-11.44	-5.52	--
Vanguard Europe Pacific International	VEA²	20.4 B.	971	0.11		16	1.4	3.25	-13.94	--	--	-14.09	--	--
Vanguard Tax-Managed International	VTMGX⁵	20.4 B.	971	0.15	-0.33	16	1.4	3.14	-14.65	-4.73	6.07	-14.93	-4.96	5.83
Vanguard Developed Markets Index	VDMIX⁶	23.1 B.	970	0.29	-0.34	13	1.5	5.01	-14.31	-4.69	5.84	-15.15	-5.33	5.22
Foreign- Emerging Markets														
Vanguard Emerging Market Index	VWO²	20.0 B.	778	0.20	0.15	20	1.6	3.72	-9.94	4.94	--	-10.60	4.48	--
Vanguard Emerging Market Index	VEIEX⁷	20.0 B.	778	0.32	0.15	20	1.6	3.50	-10.48	4.64	15.77	-11.11	4.21	15.38
Gold-Related Funds														
iShares COMEX Gold Trust	IAU²	--	1	0.40	0.60	0.00	--	0.00	14.30	14.53	--	14.30	14.53	--
streetTRACKS Gold Shares	GLD¹	--	1	0.40	0.61	0.00	--	0.00	14.25	14.83	--	14.25	14.83	--

Descriptive Quarterly Statistics, as of 6/30/09 — Ratios. Annualized Returns (%), as of 8/31/09.

Recommended Gold-Mining Companies ($)

	Ticker Symbol	9/15/09	Year Earlier	Month Earlier	52-Week High	52-Week Low	Distributions Last 12 Months	Frequency	Yield (%)
Anglogold Ltd., ADR	AU	44.25	23.34	37.76	44.30	13.37	0.1269	Semiannual	0.2868
Barrick Gold Corp. †	ABX	37.95	27.94	33.92	42.10	17.27	0.3400	Semiannual	0.8959
Gold Fileds Ltd.	GFI	14.53	7.51	12.32	14.77	4.64	0.1331	Semiannual	0.9160
Goldcorp, Inc. †	GG	42.28	27.14	35.36	43.39	13.84	0.1530	Monthly	0.3619
Newmont Mining	NEM	46.73	38.38	40.63	49.84	21.17	0.4000	Quarterly	0.8560

Data provided by the funds and Morningstar. ¹Exchange Traded Fund, traded on NYSE. ²Exchange Traded Fund, traded on AMEX. ³1% fee for redemption in 1 yr. ⁴0.5% fee for redemption in 90 days. ⁵1% fee for redemption in 5 yrs. ⁶2% fee for redemption in 60 days. ⁷0.5% 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.

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.