AIS INVESTMENT GUIDE

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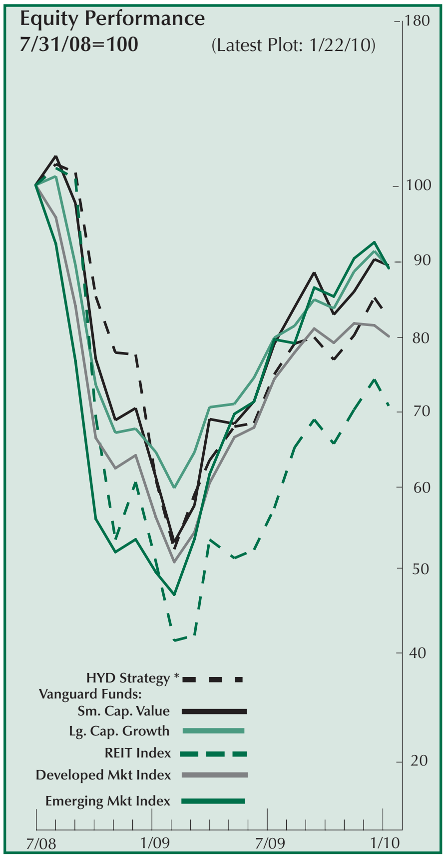


*** HYD is a hypothetical model based on back-tested results. See p.6 for full explanation.**

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.

Online: www.americaninvestment.com

New Year's Resolutions

The markets rebounded strongly in 2009 following the second worst year in stock market history. Investors who followed our advice by adhering to the timeless principles presented below would have weathered the storm well.

- 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

Capital markets provided additional gains in the fourth quarter, topping off a year that brought double-digit total returns in all of our recommended asset classes with the exception of fixed income which registered a respectable 4.69 percent gain. The riskiest asset classes provided the strongest returns, a mirror image of 2008 when investors "fled to safety."

Among the many lessons conveyed in 2009, perhaps the two most important concerned investor discipline and the role of gold. The rout that occurred in 2008 accelerated early in the year. By mid-March the U.S. stock market was in free fall as equities (measured by the Dow Jones Wilshire 5000 Index) lost 33 percent of their value in less than ten weeks. Amidst the panic we did not waiver, but instead did all we could to encourage our readers to adhere to their target allocations. By year-end our approach was vindicated.

The role of gold as a form of portfolio insurance was tested and confirmed. During the "booming 1990s" gold had taken a back seat as the economy prospered and common stocks provided double digit annual returns regularly. Throughout that euphoric era we were among a dwindling number of money managers who recommended gold as protection against accelerated monetary inflating and financial crisis.

The wisdom of our approach has since been rewarded. Though gold was characteristically volatile throughout the turbulent first decade of the new millennium, it outperformed our other recommended asset classes by wide margin (see "The Decade at a Glance" in the December 2009 *Investment Guide*). During 2009, even after the immediate concerns over the global financial crisis had subsided, demand remained strong as investors turned to gold as a form of hard currency in the face of central banks' vast expansion of global liquidity (monetary inflating) and soaring fiscal budget deficits. We suspect that gold may be embraced even more widely as the world awakens (belatedly) to the inherent deficiencies of fiat currencies.

We have made no changes to our recommended portfolio allocations, presented in the AIS Model Portfolios table below.

Cash and Equivalent Assets

The U.S. economy revealed signs of improvement during the fourth quarter, as data emerged showing positive third quarter GDP growth combined with a stabilizing employment picture. The Fed nevertheless maintained its targeted Federal Funds rate at 0.25 percent and stated its intention to keep short term rates low "for an extended period."

The yield on thirty-day Treasuries, which stood at a paltry 0.12 percent at the end of the third quarter, fell further to 0.05 percent by year end. The Consumer Price Index rose 2.82 percent on a year-over-year basis.

Concern about future price inflation heightened during the quarter, but

AIS Model Portfolios(1)
For the Period Ending December 31, 2009

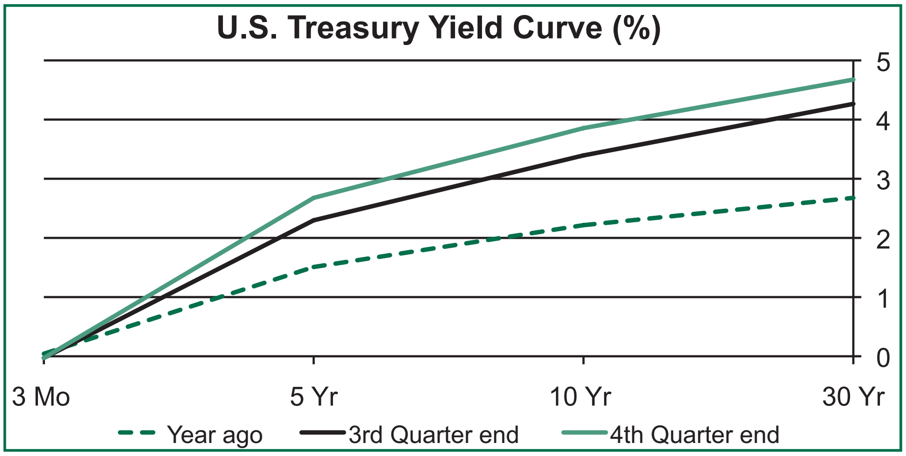
Asset Class	*Index*	*Recommended Percentage Allocations* (2)			*Asset Class Statistics: Risk and Return (%)* Total Return (annualized)			Std. Dev. (annualized)
		Conservative	*Moderate*	*Aggressive*	*1 Year*	*10 Year*	*20 year*	*20 year*
Cash & Equivalent Assets (3)	3 Month CD Index	20	10	0	0.53	3.17	4.24	0.55
Short/Int. Fixed Income	Barclays Capital 1-5 Yr Govt/Cred	40	30	0	4.62	5.36	6.16	2.35
Real Estate	DJ US Select REITs Index	10	10	10	28.46	10.67	8.69	20.41
U.S. Large Cap Growth	Russell 1000 Growth Index (USD)	5	5	10	37.20	-3.98	7.48	17.50
U.S. Large Cap Value	Russell 1000 Value Index (USD)	15	20	30	19.69	2.47	8.84	14.71
U.S. Small Cap Value	Russell 2000 Value Index (USD)	5	7	13	20.56	8.27	10.35	17.04
	DFA US Micro Cap Portfolio (USD)	0	3	7	28.06	6.30	10.61	20.77
Foreign Developed Markets	MSCI EAFE Index (USD) Gross Div	5	7	13	32.46	1.58	4.42	17.49
Foreign Emerging Markets	MSCI Emg. Mkts. Index (USD) Gross Div	0	3	7	79.02	10.11	10.58	24.32
Gold Related	Gold EOM gold (London PM Fix)	0	5	10	25.04	14.13	5.15	14.94
	Total	100	100	100				

Model Portfolio Statistics: Risk, Return (%) and Growth

	Conservative	*Moderate*	*Aggressive*
Portfolio Return 1 Year	13.22	18.54	28.98
Portfolio Return 10 Year (annualized)	5.21	6.00	5.93
Portfolio Return 20 Year (annualized)	7.13	7.88	8.93
Portfolio Standard Deviation 20 Year (annualized)	5.57	7.80	13.28
Growth of $100 over 20 Years	$396	$456	$553

(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.

remained very low relative to historical inflation rates. Five year inflationary expectations, measured by the difference between the five year nominal Treasury yields and yields on Treasury Inflation Protected Securities (TIPS) of similar maturity, rose from an annualized rate of 1.34 percent to 1.91 percent. The trend appears to reflect growing apprehension regarding the Federal Reserve's ability to reverse its easy money policies in order to relieve inflationary pressures.



Fixed Income

Late in the fourth quarter, the "steepness" of the yield curve reached a record high, as the spread between two year and five year Treasury notes reached 2.82 percent. The widening spread is due to the Fed's near-zero Federal Funds target, as well as growing unease regarding long term inflation and the government's fiscal outlook.

The quarter and the year brought a remarkable rebound in investors' willingness to embrace default risk as credit conditions improved. Investment grade bonds, as measured by the Barclay's Capital Credit Bond Index, were up 16 percent for the year and 1 percent for the quarter, while Treasury bonds, measured by the Barclay's Capital Treasury Index, fell 3.6 percent for the year and 1.3 percent for the quarter. The yield spread, or the difference between yields on investment grade corporate bonds and Treasury bonds of similar maturity, plummeted from levels approaching an all time high at the beginning of the year to its long term historical average as the year drew to a close. Municipal issues, measured by the Barclay's Capital Municipal Bond Index, gained 12.9 percent for the year and fell 1 percent during the final three months.

Real Estate

U.S Equity Real Estate Investment Trusts (REITs), which suffered total losses of 37.73 percent in 2008 amidst the credit crisis, turned in a solid 9.39 percent total return for the fourth quarter of 2009, bringing up returns for the year to 27.99 percent. REITs were among the strongest performing of our recommended asset classes over the first decade of the millennium.

REITs provide a high level of dividend income and strong total returns that are not highly correlated with those of common stocks or bonds, thus enhancing a portfolio's total risk-adjusted returns. Because dividend income accounts for a significant portion of their returns, REITs are best suited for tax-deferred accounts.

U.S. Equities

Calendar year 2009 was a year of recovery for U.S. stocks, a trend that persisted through the fourth quarter. After a 37 percent loss in 2008, the S&P 500 continued to fall and hit bottom in early March before rebounding sharply and returning 26.5 percent for all of 2009. The index rose 6 percent in the final three months of the year. The market's valuation, measured by its price/earnings ratio using five year trailing normalized earnings, stood at 19.8 at year-end, slightly above its historical average of 17. As of mid-January the market remains 37 percent below its peak in October 2007 when the bear market began.

Corporate earnings suffered their worst performance on record during the last quarter of 2008, but firms reacted aggressively by slashing payroll and other costs. By the end of September 2009, quarterly earnings had more than doubled from 2008 lows. Though sales recovered as well, the gains were overwhelmingly attributable to cost cutting.

Among industries, the recovery was led by information technology and consumer discretionary stocks, which tend to respond quickly to economic recovery. Financial stocks, which suffered the greatest losses during the bear market, recovered during the second and third quarters as credit conditions improved, but registered a slight loss in the final three months (-3.3 percent) as the shape of financial sector reform grew more uncertain.

Among U.S. equity asset classes,

Total Return (%)

		2007			2008				2009			*Entire Period*
	2Q	*3Q*	*4Q*	*1Q*	*2Q*	*3Q*	*4Q*	*1Q*	*2Q*	*3Q*	*4Q*	*2Q 2007- 4Q 2009*
Barclay Capital 1-5 Yr. Govt./Credit	0.38	2.63	2.53	2.91	-1.09	-0.31	**3.60**	0.53	1.46	2.14	0.42	16.17
Vanguard REIT Index	-9.40	2.39	-12.90	2.13	-5.39	5.35	-38.16	-32.09	30.03	**34.54**	9.05	-34.09
Vanguard Value Index	5.70	-0.04	-6.12	-9.02	-6.18	-5.72	-20.44	-16.41	16.71	17.38	4.41	-24.05
High-Yield Dow 4/18	7.25	1.33	-5.16	-11.12	-11.39	**8.77**	-22.71	-23.83	15.66	16.55	8.13	-24.22
Vanguard Small Cap Value Index	2.93	-5.03	-6.81	-6.52	-3.80	1.51	-25.57	-18.14	23.83	23.89	3.79	-19.33
Vanguard Growth Index	6.65	4.34	-0.06	-9.99	**2.34**	-12.04	-23.88	-4.24	15.59	14.13	7.88	-6.51
Vanguard Developed Markets Index	6.33	2.44	-2.22	-8.47	-2.42	-18.89	-19.41	-15.82	25.59	19.25	1.67	-20.30
Vanguard Emerging Markets Index	**15.40**	**14.43**	2.94	-10.48	-1.35	-25.98	-27.82	0.07	**34.14**	21.15	8.26	12.92
Gold (London PM Fix)	-1.70	14.22	**12.21**	**11.96**	-0.35	-4.92	-1.67	**5.38**	1.96	6.55	**9.21**	**64.32**

Gold Price Appreciation Across Major World Currencies								
	$US	Euro	Yen	UK Pound	South African Rand	Australian $	Canadian $	Indian Rupee
10/01/07-12/31/09*	46.5%	45.4%	17.9%	85.3%	56.7%	45.0%	54.6%	71.0%
10/01/09 - 12/31/09**	9.2%	11.3%	13.6%	8.2%	6.1%	7.2%	6.7%	5.6%
* Since onset of bear market, U.S. equities ** Fourth Quarter 2009 Source: *World Gold Council*								

large growth stocks led the recovery during the fourth quarter and the year, with returns of 7.9 percent and 37.2 percent, respectively, as measured by the Russell 1000 Growth Index. Large cap value shares, as measured by the Russell 1000 Value Index, provided 4.2 percent returns for the quarter and 19.7 percent for the year.

U.S. small cap stocks led the recovery early in the year as signs of economic recovery emerged, but trailed large caps in the final months. Small value shares, measured by the Russell 2000 Value Index, returned 3.6 percent for the quarter and ended the year up 20.6 percent.

International Equities

Foreign stocks were up strongly in 2009. Gains for U.S investors were boosted substantially by a falling dollar. Emerging markets provided spectacular returns.

Developed markets, measured by the MSCI EAFE Index, rose 25.4 percent for the year in local currencies, but 32.5 percent in dollars. The index rose 2.2 percent for the quarter (in U.S. dollars). Emerging markets stocks roared back after a dismal 2008, providing U.S. investors with an astonishing 79 percent total return for the year (measured by the MSCI Emerging Markets Index) and 62.8 percent in local currencies. For the quarter the index rose 8.6 percent in dollars. Many emerging markets countries, especially commodity producers in Latin America and the Asia Pacific region, benefited from a strong recovery in raw material prices.

Over the decade that began January 1, 2000, the dollar fell 43 percent against the euro while finishing 2009 1.4 percent below its level when the year began.

Gold Related Assets

Investors have signaled their growing disdain not just for the dollar, but for all forms of fiat money. In the face of extraordinary monetary easing and expansionary fiscal policies throughout the world, investors have increasingly turned to gold as a hedge against potential price inflation and further currency weakness. The table above shows that the gold price has risen sharply against virtually every major currency since the global financial crisis began in 2007.

As the credit crisis unfolded, investors fled risky bonds and stocks for Treasuries and gold. Central banks reacted quickly by vastly increasing liquidity; the Federal Reserve dropped its Fed Funds target to 0.25 percent and U.S. banking reserves expanded dramatically from $94 billion in mid-2008 to roughly $1.2 trillion. Other nations followed suit; for example, the U.K.'s central bank assets rose 152 percent over the same period. Capital markets rebounded as credit began to flow, but demand for gold remained strong as investors remained leery that the dramatic expansion of monetary reserves would stoke future price inflation.

The gold price broke $1,200 per ounce in early December before falling back to end the year at $1,087, providing a 9.2 percent return for the fourth quarter.

Over the past 10 years gold has provided the strongest returns of all our recommended asset classes (see the December 2009 *Investment Guide*). Gold remains our most volatile recommendation, so investors' target allocations should stay within the ranges outlined in the accompanying AIS Model Portfolios table.

MANAGING INFLATION RISK

As the capital markets have improved, more investors have shifted their concern from weathering the financial crisis to anticipating the inflationary effects of rising federal spending and debt. Many people are asking how they can prepare for potentially higher inflation. This article explores two basic ways to address inflation uncertainty and highlights asset groups that may prove useful.

As you consider strategies, remember the difference between expected and unexpected inflation. Asset prices already reflect the market's expectations about future inflation, given all available information. Inflation may turn out to be worse than expected, and this risk of unexpected inflation is what some investors may want to manage.

Hedging vs. Return Strategies

Investors can prepare for unexpected inflation by following one of two basic strategies—hedging the immediate effects of inflation or earning a total return that outpaces inflation over time.

Hedging involves choosing assets whose value tends to rise with inflation. Although holding these assets may reduce the total return of a portfolio, the positive correlation with inflation can help an investor keep up with rising consumer prices, at least over the short term. (Correlation refers to the co-movement of asset returns. When two assets are positively correlated, their returns tend to move together; when negatively correlated, their returns are dissimilar.)

Candidates for hedging include retirees, fixed income investors, and others who would experience a diminished living standard during an inflationary period. These investors are willing to forfeit long-term growth potential for more immediate inflation protection.

In a total return strategy, an investor attempts to outpace inflation by holding assets that are expected to earn higher real (inflation-adjusted) returns. This investor is willing to give up short-term inflation protection for an opportunity to grow real wealth. Younger investors are well suited for this strategy because they have many years until retirement and expect their earnings to advance faster than the inflation rate. As they save and invest for the future, they can accept more risk through greater exposure to higher-return assets, such as stocks.

To insulate a portfolio from unexpected inflation risk, both strategies may employ some combination of stocks, short-term fixed income, Treasury Inflation-Protected Securities (TIPS), and gold related assets. Let's consider each of these:

Stocks

Equity securities have provided a positive inflation-adjusted return over the long term. From 1926 through 2008, the total US stock market, as measured by the CRSP 1-10 Index, outpaced inflation by an average of 6.16% per year. To achieve this higher expected real return in stocks, however, an investor had to accept more risk, as measured by greater volatility in returns, and endure periods when stocks did not outpace inflation. As a result, stocks may be less effective for hedging short-term inflation and more suitable for investors who want to beat long-term inflation by earning a higher total return.

Some investors assume that high inflation leads to lower stock market performance, while low inflation fuels higher stock returns. In reality, inflation is just one of many factors driving stock performance. US market history since 1926 shows that nominal annual stock returns are unrelated to inflation.

Fixed Income (Bonds)

Higher inflation can hurt bondholders in two ways—through falling bond market values triggered by rising interest rates, and through erosion in the real value of interest payments and principal at maturity. This inflation exposure tends to impact the prices of long-term bonds more than those of short-term bonds, and investors can mitigate the effects of rising interest rates by holding shorter-term instruments.

Many types of investors may benefit from holding short-term bonds. When interest rates are climbing, a portfolio with shorter-term maturities enables an investor to roll over principal at a higher interest rate. This can help inflation-sensitive investors keep up with short-term inflation and enable total return investors to reduce portfolio volatility, which can lead to higher compounded returns and growth of real wealth.

TIPS

Issued by the US government, TIPS are fixed income securities whose principal is adjusted to reflect changes in the Consumer Price Index (CPI). When the CPI rises, the principal increases, which results in higher interest payments. At maturity, an investor receives the greater of the inflation-adjusted or original principal. The inflation provision enables TIPS to preserve real purchasing power and hedge against unexpected inflation. (For a detailed discussion of TIPS, see the June 2009 issue of *Investment Guide*, available to subscribers at www.americaninvestment.com/investment-guide).

TIPS are generally a good short-term inflation hedge since principal is adjusted for changes in the CPI. They are also a good portfolio diversifier for some long-term investors due to their negative correlation with equities and relatively low correlation with most types of fixed income assets. TIPS were introduced in 1997, so these correlations are based on a relatively short sample period.

However, keep in mind that TIPS prices also have been affected by changes in real interest rates, so TIPS may not track inflation one-to-one in the short term or over longer periods of time. In fact, TIPS can lose market value if real interest rates increase.

Commodities and Gold

Commodity futures, as well as gold and oil, are perceived as effective inflation hedges because their returns are positively correlated with inflation. It is important to recognize, however, that commodities are more volatile than stocks, and their returns do not always rise with inflation because of this significant volatility. So adding these assets to a portfolio may increase real return volatility, which could offset the benefits of hedging.

Investors should also consider the economic argument against holding commodities. Unlike stocks, commodity futures do not generate earnings or create business value. They are essentially a speculative bet in which there is a winner and loser at the end of each trade. Moreover, a broad-based stock portfolio already has significant commodity exposure through ownership of companies involved in energy, mining, agriculture, natural resources, and refined products.

Gold, however, is unique, because unlike other commodities, it is a form of money, and unlike fiat currencies, it cannot be devalued by government. During periods of rapid monetary inflating gold has proven its worth as an inflation hedge. Gold, however is an extremely volatile asset class.

Summary

While the media have featured divergent opinions and theories about the effects of recent government actions on inflation, no one really knows how consumer prices will respond to the complex forces at work in the economy. Investors should carefully review their financial circumstances and investment goals before making changes to their portfolio.

As you assess your exposure to a high-inflation scenario and form a strategy that reflects your financial goals and risk tolerance, consider that:

- Expected inflation is built into asset prices. In our view, markets efficiently integrate all known information into prices. Thus, current prices already reflect expectations of future inflation. Only unexpected news will affect the inflation outlook.
- Hedging unexpected inflation has a cost. Investments traditionally regarded as effective short-term inflation hedges have lower historical returns than stocks—and some have much higher volatility.
- Volatility matters. Evaluating assets solely on their ability to track inflation disregards the effect of volatility on returns and risk. Some assets that are positively correlated with inflation have large return variances, and adding these to a stock and bond portfolio may increase overall volatility.

Even with the prospect for higher inflation, investors who take a total return approach may be better served than those who choose assets based on correlation with the CPI. By choosing assets with higher expected long-term returns and maintaining broad diversification, investors can seek to grow real wealth and preserve the purchasing power of their dollars.

THE HIGH-YIELD DOW INVESTMENT STRATEGY

Recommended HYD Portfolio

As of January 15, 2010

	Rank	Yield	Price	Status	—-Percent of Portfolio-— Value	No. Shares[1]
AT&T Corp.	1	6.51	25.79	Holding**	17.85	16.27
Verizon	2	6.21	30.58	Buying	16.98	13.06
Dupont	3	4.82	34.01	Buying	18.98	13.12
Kraft	4	3.92	29.58	Buying	3.16	2.51
Merck & Co.	5	3.85	39.47	Holding	13.39	7.98
Pfizer	6	3.69	19.49	Selling	9.19	11.09
General Electric	17	2.43	16.44	Holding	6.43	9.20
Alcoa	26	0.77	15.63.	Holding	8.37	12.60
Bank of America	29	0.25	16.26	Selling	4.53	6.55
Citigroup	NA		3.42	Selling	1.11	7.62
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.
Subscribers can find a full description of the strategy and methodology in the "Subscribers Only" (Log in required) section of our website: www.americaninvestment.com.

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 December 31, 2009*.

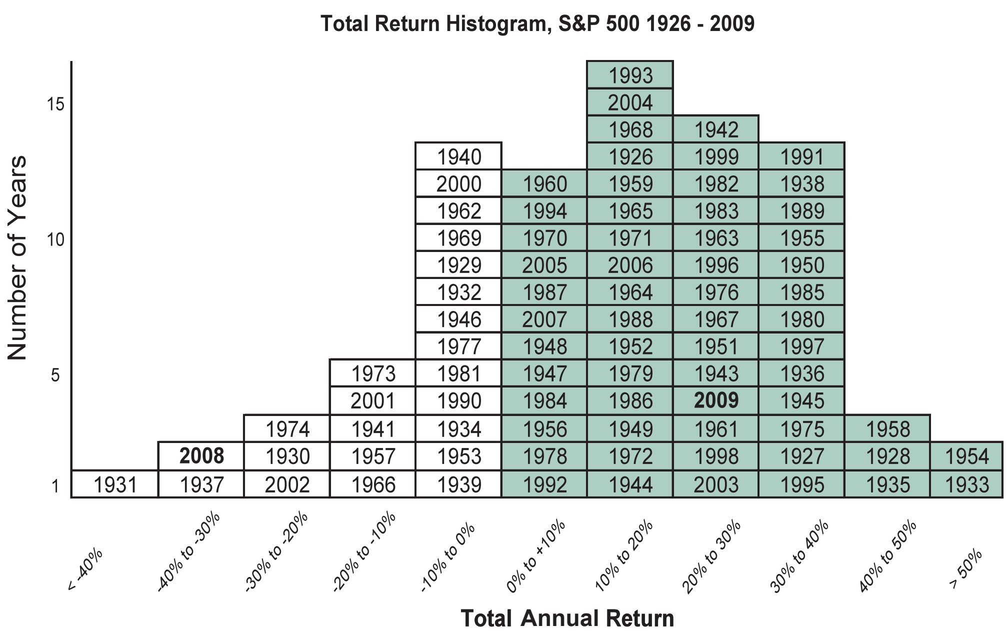
	1 mo.	1 yr.	5 yrs.	10 yrs.	20 yrs.	Since 1/79	Std. Dev.
HYD Strategy	6.23	11.04	2.41	7.77	12.55	15.77	18.16
Russell 1000 Value Index	1.77	19.69	-0.26	2.47	8.84	12.07	14.89
Dow	0.95	22.69	1.95	1.30	9.49	NA	NA

*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.

84 YEARS OF U.S. STOCK MARKET RETURNS

The histogram below depicts the distribution of returns for the U.S. stock market (measured by the S&P 500 index) over the past 84 years. This presentation makes at least two important points. First, the randomness of returns from year-to-year is evident; there is no discernable "momentum" in returns. This was demonstrated most vividly in calendar years 2008 and 2009 (in bold face type), when the market's second worst on record (a 37 percent loss) was followed by a 26.5 percent gain. Second, over 12 month periods positive returns are predominant; there have been 60 years of market gains (depicted in green) and only 24 years with losses. There is a third important point that is not as obvious: the magnitude of the market's gains in positive years on average exceeds the magnitude of losses during negative years. The average (arithmetic) return during positive years was +22.02 percent versus -13.61 percent during negative years.

Overall, these factors have resulted in an average (geometric) annual return over the period of +9.81 percent and a median return of +13.39 percent.



Underlying data provided by Dimensional Fund Advisors and Standard and Poor's.

RECENT MARKET STATISTICS

Precious Metals & Commodity Prices ($)

	1/15/10	Mo. Earlier	Yr. Earlier
Gold, London p.m. fixing	**1,128.00**	1,122.00	810.00
Silver, London Spot Price	**18.52**	17.18	10.51
Copper, COMEX Spot Price	**3.36**	3.08	1.44
Crude Oil, W. Texas Int. Spot	**77.99**	70.68	35.39
Dow Jones Spot Index	**361.96**	352.51	246.26
Dow Jones-UBS Futures Index	**138.09**	134.72	111.40
Reuters-Jefferies CRB Index	**281.41**	274.27	218.91

Interest Rates (%)

U.S. Treasury bills - 91 day	**0.06**	0.05	0.11
182 day	**0.15**	0.17	0.29
52 week	**0.32**	0.40	0.41
U.S. Treasury bonds - 10 year	**3.70**	4.52	2.23
Corporates:			
High Quality - 10+ year	**5.12**	5.33	4.82
Medium Quality - 10+ year	**6.18**	6.40	7.91
Federal Reserve Discount Rate	**0.50**	0.50	0.50
New York Prime Rate	**3.25**	3.25	3.25
Euro Rates 3 month	**0.68**	0.72	2.65
Government bonds - 10 year	**3.31**	3.09	2.94
Swiss Rates - 3 month	**0.25**	0.25	0.57
Government bonds - 10 year	**1.91**	1.83	2.02

Exchange Rates ($)

British Pound	**1.624000**	1.623400	1.460200
Canadian Dollar	**0.972101**	0.941442	0.792205
Euro	**1.437600**	1.451400	1.309400
Japanese Yen	**0.011014**	0.011122	0.011162
South African Rand	**0.135355**	0.133905	0.098756
Swiss Franc	**0.974279**	0.959601	0.890313

Securities Markets

	1/15/10	Mo. Earlier	Yr. Earlier
S & P 500 Stock Composite	**1,136.03**	1,107.93	843.74
Dow Jones Industrial Average	**10,609.65**	10,452.00	8,212.49
Dow Jones Bond Average	**250.23**	247.17	213.60
Nasdaq Composite	**2,287.99**	2,201.05	1,511.84
Financial Times Gold Mines Index	**3,126.23**	3,150.57	2,048.40
FT EMEA (African) Gold Mines	**2,964.45**	3,067.23	1,663.86
FT Asia Pacific Gold Mines	**14,330.98**	14,247.37	7,859.00
FT Americas Gold Mines	**2,628.45**	2,634.12	1,873.06

Coin Prices ($)

	1/15/10	Mo. Earlier	Yr. Earlier	Prem (%)
American Eagle (1.00)	**1,193.28**	1,221.68	872.88	5.79
Austrian 100-Corona (0.9803)	**1,117.63**	1,130.93	797.53	1.07
British Sovereign (0.2354)	**283.00**	286.30	197.15	6.58
Canadian Maple Leaf (1.00)	**1,188.20**	1,201.80	854.40	5.34
Mexican 50-Peso (1.2057)	**1,377.40**	1,393.70	983.00	1.28
Mexican Ounce (1.00)	**1,162.70**	1,176.20	835.40	3.08
S. African Krugerrand (1.00)	**1,182.07**	1,198.78	852.80	4.79
U.S. Double Eagle-$20 (0.9675)				
St. Gaudens (MS-60)	**1,380.00**	1,475.00	1,100.00	26.45
Liberty (Type I-AU50)	**1,675.00**	1,680.00	1,150.00	53.48
Liberty (Type II-AU50)	**1,462.50**	1,520.00	1,100.00	34.01
Liberty (Type III-AU50)	**1,302.50**	1,435.00	1,050.00	19.35
U.S. Silver Coins ($1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	**13,150.00**	12,850.00	9,200.00	-0.69
40% Silver Circ. (292 oz.)	**5,237.50**	5,262.50	3,200.00	-3.15
Silver Dollars Circ.	**15,337.50**	14,850.00	12,675.00	7.05

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at $1,128 per ounce and silver at $18.52 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 ($) 1/15/10	12/15/09	1/15/09	12-Month ($) High	Low	Latest Dividend Amount ($)	Record Date	Paid	Indicated Annual Dividend ($)	Yield† (%)
AT&T (New)	T	25.79	27.60	25.12	28.73	21.62	0.420	1/08/10	2/1/10	1.680	6.51
Verizon	VZ	30.58	33.01	29.90	34.13	26.10	0.475	1/08/10	2/1/10	1.900	6.21
Dupont	DD	34.01	32.19	24.65	35.62	16.05	0.410	11/13/09	12/14/09	1.640	4.82
Kraft	KFT	29.58	26.83	28.07	30.10 H	20.81	0.290	12/30/09	1/13/10	1.160	3.92
Merck	MRK	39.47	38.00	28.12	40.27 H	20.05	0.380	12/15/09	1/8/10	1.520	3.85
Pfizer	PFE	19.49	18.29	17.39	19.68 H	11.62	0.180	2/05/10	3/2/10	0.720	3.69
McDonald's	MCD	62.28	62.00	57.98	64.75	50.44	0.550	12/01/09	12/15/09	2.200	3.53
Chevron	CVX	79.23	77.37	70.77	81.09 H	56.12	0.680	11/18/09	12/10/09	2.720	3.43
Home Depot, Inc.	HD	28.57	29.02	22.81	29.44 H	17.49	0.225	12/03/09	12/17/09	0.900	3.15
Johnson & Johnson	JNJ	64.56	64.74	57.62	65.41	46.25	0.490	2/23/10	3/9/10	1.960	3.04
Intel Corp	INTC	20.80	19.80	13.29	21.55 H	12.05	0.158	2/07/10	3/1/10	0.630	3.03
Coca-Cola	KO	56.29	59.06	43.36	59.45	37.44	0.410	12/01/09	12/15/09	1.640	2.91
Procter and Gamble	PG	60.82	62.12	57.46	63.48	43.93	0.440	1/22/10	2/16/10	1.760	2.89
Caterpillar	CAT	60.12	58.20	39.39	64.42 H	21.71	0.420	1/20/10	2/20/10	1.680	2.79
Boeing	BA	60.82	55.67	40.96	62.31 H	29.05	0.420	2/05/10	3/5/10	1.680	2.76
Travellers	TRV	48.79	50.41	39.98	54.47	33.07	0.330	12/10/09	12/31/09	1.320	2.71
3M Company	MMM	83.37	82.70	55.17	84.60 H	40.87	0.510	11/20/09	12/12/09	2.040	2.45
General Electric	GE	16.44	15.75	13.77	17.52	5.73	0.100	12/28/09	1/25/10	0.400	2.43
Exxon Mobil	XOM	69.11	69.17	76.28	80.50	61.86	0.420	11/12/09	12/10/09	1.680	2.43
United Tech.	UTX	71.99	70.25	49.69	72.93 H	37.40	0.385	11/20/09	12/10/09	1.540	2.14
Wal-Mart Stores	WMT	53.68	53.98	51.35	55.20	46.25	0.273	12/11/09	1/4/10	1.090	2.03
American Express	AXP	42.39	40.96	17.32	42.84 H	9.71	0.180	1/11/10	2/10/10	0.720	1.70
Microsoft Corp.	MSFT	30.86	30.02	19.24	31.50 H	14.87	0.130	2/18/10	3/11/10	0.520	1.69
IBM	IBM	131.78	128.49	84.12	132.97 H	81.76	0.550	11/10/09	12/10/09	2.200	1.67
Walt Disney	DIS	30.60	32.18	21.36	32.75 H	15.14	0.350	12/14/09	1/19/10	0.350	1.14
Alcoa	AA	15.63	14.68	9.37	17.60 H	4.97	0.030	11/06/09	11/25/09	0.120	0.77
Hewlett-Packard	HPQ	52.47	50.99	35.75	52.95 H	25.39	0.080	12/16/09	1/6/10	0.320	0.61
J P Morgan	JPM	43.68	40.86	24.34	47.47	14.96	0.050	1/06/10	1/31/10	0.200	0.46
Bank of America	BAC	16.26	15.19	8.32	19.10	2.53	0.010	12/04/09	12/24/09	0.040	0.25
Cisco	CSCO	24.40	23.48	15.81	25.10 H	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 1/15/10.
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 1/16/09.

RECOMMENDED INVESTMENT VEHICLES

	Ticker Symbol	Avg. Market Cap. / Avg. Maturity	Descriptive Quarterly Statistics, as of 12/31/09: No. of Holdings	Expense (%)	Ratios: Sharpe	Turnover (%)	P/B	12 Mo. Yield (%)	Annualized Returns (%), as of 12/31/09: Total 1 yr.	Total 3 yr.	Total 5 yr.	After Tax* 1 yr.	After Tax* 3 yr.	After Tax* 5 yr.
Short/Intermediate Fixed Income														
Vanguard Short-Term Bond Index	BSV[2]	2.8 Yrs.	1161	0.10	na	101	--	2.77	4.44	--	--	3.42	--	--
Vanguard Short-Term Bond Index	VBISX	2.8 Yrs.	1161	0.19	1.30	101	--	2.61	4.28	5.64	4.45	3.25	4.26	3.07
iShares Barclays 1-3 Yr. Credit Bond	CSJ[1]	2.3 Yrs.	586	0.20	na	67	--	3.76	10.73	--	--	9.22	--	--
iShares Barclays 1-3 Year Treasury	SHY[1]	1.9 Yrs.	54	0.15	1.27	37	--	2.41	0.54	4.78	3.92	-0.17	3.58	2.70
Vanguard Limited-Term Tax-Exempt	VMLTX	2.6 Yrs.	1129	0.15	0.81	23	--	2.45	5.57	4.26	3.44	5.57	4.26	3.44
Inflation-Protected Fixed Income														
iShares Barclays TIPS Bond	TIP	8.6 Yrs.	29	0.20	0.53	10	--	3.90	11.37	6.56	4.49	11.41	6.69	4.63
Vanguard Inflation-Protected Securities	VIPSX	9.1 Yrs.	26	0.20	0.50	28	--	1.71	10.80	6.30	4.36	10.15	4.83	2.83
Real Estate														
Vanguard REIT Index	VNQ[2]	3.8 B.	100	0.11	-0.17	10	1.5	4.40	29.74	-11.91	0.69	27.14	-13.22	-0.72
Vanguard REIT Index	VGSIX[3]	3.8 B.	100	0.21	-0.17	10	1.5	4.31	29.58	-12.00	0.59	27.01	-13.29	-0.80
U.S. Large Cap Value														
Vanguard Value Index	VTV[2]	35.6 B.	443	0.10	-0.41	27	1.6	2.84	19.72	-8.39	0.15	19.13	-8.81	-0.28
Vanguard Value Index	VIVAX	35.6 B.	443	0.21	-0.41	27	1.6	2.73	19.58	-8.49	0.05	19.01	-8.90	-0.37
U.S. Small Cap Value														
iShares Russell Microcap Index	IWC[1]	0.2 B.	1305	0.60	-0.43	25	1.2	0.82	24.82	-11.74	--	24.41	-11.92	--
Vanguard Small-Cap Value Index	VBR[2]	1.01 B.	1025	0.11	-0.18	30	1.1	1.99	30.52	-6.18	0.93	30.03	-6.64	0.46
Vanguard Small-Cap Value Index	VISVX	1.01 B.	1025	0.23	-0.18	30	1.1	1.88	30.34	-6.29	0.80	29.87	-6.73	0.36
U.S. Large Cap Growth														
iShares Russell 1000 Growth Index	IWF[1]	36.2 B.	619	0.20	-0.10	22	3.5	1.39	36.93	-2.03	1.47	36.16	-2.32	1.23
Vanguard Growth Index	VIGRX	33.7 B.	429	0.23	-0.10	27	3.3	1.03	36.29	-1.82	1.63	36.04	-1.97	1.48
U.S. Marketwide														
Vanguard Total Stock Market Index	VTI[2]	23.2 B.	3387	0.07	-0.25	5	2.1	1.96	28.82	-5.01	1.01	28.39	-5.31	0.72
Fidelity Spartan Total Market Index	FSTMX[4]	25.2 B.	3129	0.10	-0.26	3	2.0	1.79	28.39	-5.22	0.95	28.01	-5.55	0.65
Foreign- Developed Markets														
iShares MSCI Growth Index	EFG[1]	27.1 B.	558	0.40	-0.19	33	2.1	2.08	29.17	-4.78	--	28.10	-5.12	--
iShares MSCI Value Index	EFV[1]	30.6 B.	533	0.40	-0.26	35	1.1	2.94	33.80	-7.39	--	32.25	-8.00	--
Vanguard Europe Pacific Index	VEA[2]	30.6 B.	942	0.11	na	16	1.5	2.40	28.34	--	--	27.88	--	--
Vanguard Tax-Managed International	VTMGX[5]	30.6 B.	942	0.15	-0.20	16	1.5	2.35	27.02	-6.04	3.73	26.57	-6.31	3.46
Vanguard Developed Markets Index	VDMIX[6]	30.4 B.	974	0.10	-0.21	14	1.5	1.14	28.17	-6.00	3.50	27.91	-6.55	2.96
Foreign- Emerging Markets														
Vanguard Emerging Market Index	VWO[2]	17.6 B.	783	0.27	0.24	12	2.2	1.33	76.28	5.00	--	75.74	4.53	--
Vanguard Emerging Market Index	VEIEX[7]	17.6 B.	783	0.40	0.25	12	2.2	1.21	74.67	4.62	14.37	74.17	4.17	13.97
Gold-Related Funds														
iShares COMEX Gold Trust	IAU[2]	--	1	0.40	0.83	0.00	--	0.00	23.46	19.43	--	23.46	19.43	--
streetTRACKS Gold Shares	GLD[1]	--	1	0.40	0.83	0.00	--	0.00	27.12	19.72	--	27.12	19.72	--

Recommended Gold-Mining Companies ($)

	Ticker Symbol	1/15/10	Month Earlier	Year Earlier	--- 52-Week --- High	Low	Distributions Last 12 Months	Frequency	Yield (%)
Anglogold Ltd., ADR †	AU	**40.81**	41.38	24.17	47.52	24.60	0.1266	Semiannual	0.3102
Barrick Gold Corp.	ABX	**39.70**	39.10	33.48	48.02	25.54	0.3400	Semiannual	0.8564
Gold Fileds Ltd.	GFI	**13.26**	13.79	7.94	15.88	7.74	0.1319	Semiannual	0.9947
Goldcorp, Inc. †	GG	**39.65**	39.45	24.95	46.24	25.23	0.1530	Monthly	0.3859
Newmont Mining	NEM	**47.61**	50.59	37.12	56.45	34.40	0.4000	Quarterly	0.8402

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.