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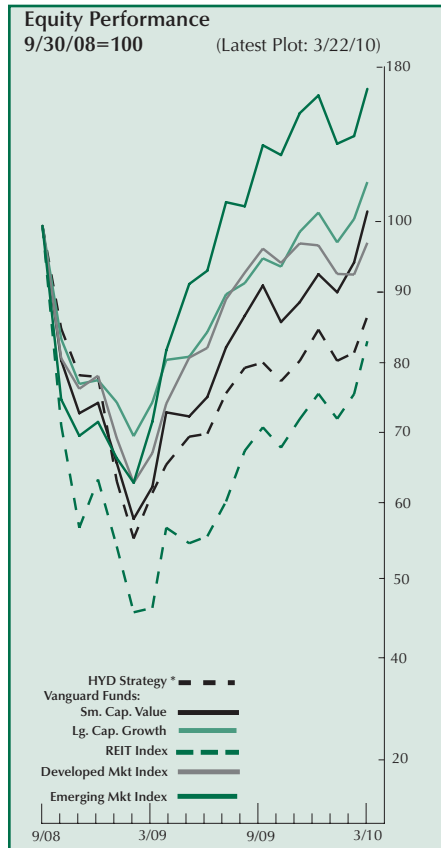
INVESTMENT GUIDE

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* HYD is a hypothetical model based on back-tested results. See p.22 for full explanation.

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Active Managers versus Free Markets

The question of free markets versus socialism is in the news. We take this opportunity to remind investors that it is logically consistent for investors who accept the primacy of free markets to adopt passive, asset class management over the alternative of active management. In our discussion we draw upon a transcript of a presentation given by Rex Sinquefeld¹, co-founder of Dimensional Fund Advisors and currently President of the Show-Me Institute.

Adam Smith, in *The Wealth of Nations* first pointed out that those nations that relied on free markets and voluntary exchange prospered relative to nations that did not. Friedrich Hayek refined this idea by explaining that no single entity can ever possess all the knowledge necessary to organize society's resources to produce goods or services successfully.

Hayek demonstrated that prices determined freely through voluntary exchange will reflect relative scarcity and thereby convey all the information that is necessary to ensure the efficient employment of resources in the production of goods and services. Hayek's insight was that no individual or group can measure effectively either the demand for a good or service or the various inputs required for its production. On the other hand, if prices are freely determined and their dissemination is unhindered, numerous individuals at various stages of production, acting in their self interest, will provide what is required to ensure consumer demand is ultimately met. Central coordination is not needed, nor can it be applied in a manner that will produce a more efficient outcome.

Put another way, the producer of fertilizer that is used to grow feed grain in Montana need not know the price of filet mignon in order for New Yorkers to enjoy fine dining. All he needs to know is the prevailing price of the fertilizer he is selling, the wages of his employees, and the prices of his raw materials and other inputs. He will organize his production to maximize his profits and in so doing ensure efficient employment of those resources. The same is true at every stage of production. Those who grow the grain, slaughter the cattle and transport the

¹Asset Management: Active vs. Passive Management Rex Sinquefeld, Dimensional Fund Advisors, Schwab Institutional conference: San Francisco October 12, 1995.

(continued)

beef all operate efficiently, oblivious to the others' constraints, and with no central coordination.

Beginning in the mid-19th century this insight gradually came to be overshadowed by a growing belief that man's successful mastery of the physical sciences could be extended to the organization of economic activity. By 1917, centrally planned production and pricing had been formally established. Sophisticated mathematical modeling of inputs and production levels were employed with the aim of improving social welfare. Individual decision making was supplanted by central direction and coercion.

Eighty years later the socialist experiments in the Soviet Union and Eastern Europe ended in failure, during which time the largely unmanaged economies in the west yielded the greatest increase in living standards known to mankind. Hayek and Smith were vindicated.

This dichotomy, free markets versus central planning, has striking parallels in the evolution of financial economics. Beginning in the 1950s Markowitz, Miller, Sharpe and others established the study of finance as a legitimate field of academic inquiry. Fama built on this foundation by establishing what is now widely recognized Efficient Market Hypothesis (EMH).

EMH asserts that current market prices are the best approximation of a security's intrinsic value and that prices adjust rapidly to reflect the impact of unforeseen events. In other words, EMH is simply an extension of Hayek's fundamental assertion: *markets work*. The central implication of EMH is that no money manager or investor, given publicly available information, can consistently provide risk-adjusted returns greater than those of the market.

Active managers (stock pickers and market timers) disagree. They assert implicitly, through their attempts to "buy low" and "sell high," that market prices are often wrong², and that they, like central planners, possess the special ability to determine "correct" prices. Stock pickers spend a great deal of time and resources visiting firms, pouring over financial statements and analyzing "intrinsic values" versus market prices to identify "undervalued" or "overvalued" assets. Similarly, market timers hope to

devise methods that will determine when investors have failed to properly price the entire market in light of currently available information.

The efforts of passive managers, on the other hand, are directed largely toward defining empirically the parameters that establish an asset class. For example, they determine the market capitalization level that distinguishes small cap stocks from large caps in light of risk and return data that spans several decades. Then they simply maintain a portfolio that includes every security within the asset class so defined.³

In short, passive managers trust markets to price risk appropriately; active managers do not.

Not everyone can be a "price taker" of course; prices after all must be set by someone. But the riddle of "price discovery" is not confined to capital markets, it extends to microeconomics generally. No one denies that there are individuals whose marginal costs for discounting and interpreting information are lower than others. But their skills are not unique and even they must compete with others who hold a similar comparative advantage. The central point for individuals, however, is that evidence overwhelmingly supports our conclusion that these "price setters" are not to be found among the thousands of stock pickers managing mutual funds or expensive broker dealers with large marketing budgets.

Despite these parallels between central planners and active managers, there is also an important distinction: the costs of central planning are often imposed involuntarily, and fall on all of society. The cost of active management, on the other hand, falls only upon clients who choose to place their faith (and their wealth) in the hands of managers who claim to have a special talent.

Fundamental Differences

Passive investors are trusting by nature. Our acceptance of market returns is a vote of confidence in people who trade voluntarily in a free society. Passive investors are humble. Our goal is not to "beat the market"; instead we simply study and accept the nature of the markets' long term risk and return and build a long term plan accordingly, in a careful and deliberate manner.

The passive investor is patient, and optimistic. We are willing to endure, rather than anticipate inevitable short term market fluctuations because we are confident that this volatility is the price we pay today for the reward we will ultimately reap. We have faith in the promise of long term economic prosperity. Perhaps most importantly, we are content. Our savings are invested in a manner that is structured, rational and consistent. We are not subject to the anxiety that comes with attending to market gyrations. This leaves us free to pursue happiness elsewhere.

Active investors pick stocks and move into and out of various asset classes. Their efforts to capture gains episodically expose a lack of faith in capital markets to reward investors for the capital they supply over the long-term. Their second-guessing of security prices is ego-driven. They distrust implicitly the mechanism by which millions of investors interact freely with firms to allocate capital and rely instead on their personal opinions and conjecture.

Rather than asserting control predicated on long term confidence, the active investor's actions are driven alternatively by fear and euphoria. Since markets cannot be trusted, the active investor must monitor the market constantly or live with the fear that he might miss the next opportunity or pitfall. His portfolio's allocation is not guided by the steady hand of statistical reasoning; instead it is subject to his vacillating emotions. This would appear to allow little peace of mind or time for life's other pursuits.

Our Services

We hope that this newsletter is useful in helping you to maintain the self-discipline that is required as you apply our structured approach to your own portfolio. We also offer low-cost advisory services for investors who wish to adopt our approach. We manage over \$370 million on behalf of individuals and institutions. Many of our clients simply wish to avoid any aspect of administering their portfolio, while others rely on us to apply the discipline they find so elusive in a world in which reason is so easily obscured by slick marketing.

To learn more please return the enclosed postcard or visit our website at www.americaninvestment.com.

²Sinquefeld refers to this as the "market failure hypothesis"

³Index funds are acceptable vehicles for individual investors.

RISK AND RETURN: ONE YEAR LATER

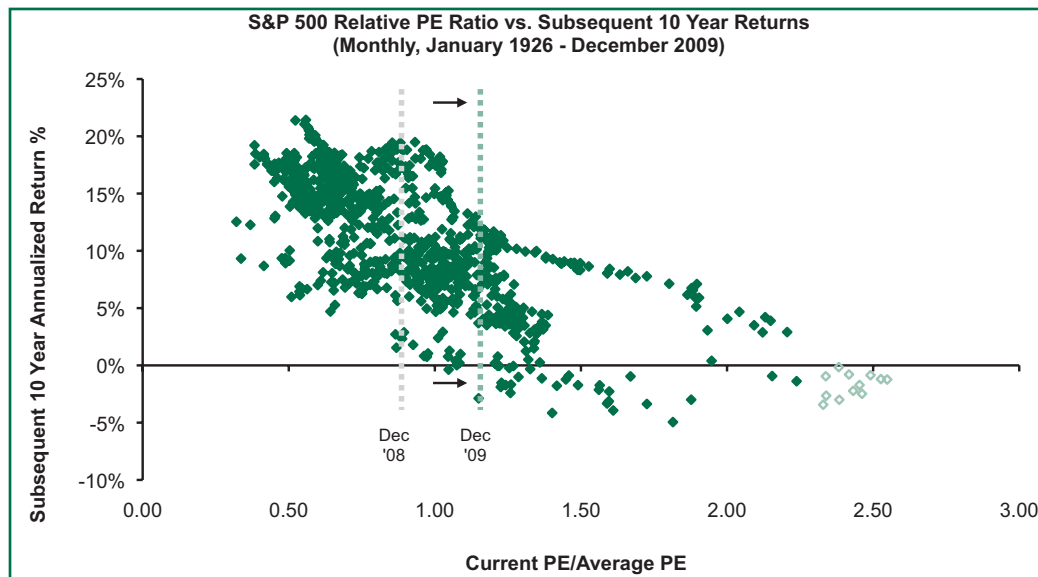
A year ago we discussed the association between relative market valuation and stock market returns, highlighting the importance of viewing this data objectively and in the context of risk. Today we revisit the issue taking into account market performance over the past twelve months, where we stand today and what this means for our readers and their portfolios.

To review, the price to earnings ratio (PE) can be used to gauge the value of the stock market. The PE divides the market's current price level (in this case the S&P 500) by the market's earnings for a given time period. The relative PE measure we use is for ease of interpretation. The current state of the S&P 500 can be classified as either "low priced" or "high priced" by examining the relative PE ratio. A ratio of less than 1.0 indicates that the market's current PE is less than the average historical PE, and therefore could be considered low priced, while a ratio above 1.0 indicates that the market's current PE is greater than its historical average, and thus could be considered high priced.

By the end of 2008, the stock market was in turmoil as investors were concerned about the outlook for the overall economy. This fear was reflected in the relative valuation of stocks. At 0.88, the market was trading at a discount to its average relative PE. Since then the market has rebounded significantly, pushing both prices and relative valuation higher. By the end of 2009, relative PE had climbed up to 1.17. This shift is depicted in the accompanying chart.

The Technology Bubble

The "empty" dots on the right hand side of the chart represent the 12 new data points added to the graph over the past 12 months. Perhaps not surprisingly and in-line with the long term empirical data, these points represent the subse-



quent 10 year returns of the S&P 500 starting in 1999, close to the peak of the technology bubble. As can be seen on the chart, the relative PE of the market at the time ranged between 2.3 and 2.6. The subsequent 10 year returns were negative, varying from -0.15% to -3.43% annualized. This provides more evidence that long term returns appear to be negatively correlated with the market's relative valuation.

What Next?

If the data are accurate, would it not make sense to shift away from stocks when the relative PE is highest and allocate more toward stocks when the relative PE is lowest? This appears to be an easy question, but as we know there is no such thing as a free lunch.

The level of risk, as measured by volatility, plays an important factor in addressing this question. Since we know that risk increases along with the expected return, you are accepting more risk by investing when the relative PE is low. In such an environment, your portfolio is likely to experience larger swings in value. If your time horizon is short, then it may not be a good idea to load up on stocks during these periods, since you might be forced to sell at the bottom of one of those swings.

Another important question to ask is: When are relative valuations highest? Lowest? Using the current environment

as a barometer, a relative PE of 1.17 might appear to be expensive. However, there are many times when the stock market continues to do well, for years, after high relative valuation data points, and vice versa. This means that the investor would miss out on a lot of upside by staying on the sidelines when the market is "too expensive". As a case in point, the last time (before the credit crisis) the relative market valuation was 1.17 was in January of 1995. If you had pulled out of the market at that time, you would have missed out on 5 years of outstanding stock market returns. Since the stock market generally produces returns that are in excess of those found in other asset classes over the long term, staying on the sidelines too long can have a significant negative effect on your overall portfolio.

During periods of low relative PE, the markets find themselves in an environment similar to where small cap value stocks are at all times, which is in a distressed, "beaten up", or otherwise out-of-favor position with investors. As managers, we accept the risk imbedded in small cap value stocks as part of an overall portfolio. Both expected returns and risk are high for these stocks, but their returns are not highly correlated with the other asset classes in which we invest. This gives our clients exposure to the returns that small cap value stocks offer while also providing protection against the higher risk embedded in this asset class. This is a major benefit of diversification.

(continued)

¹The numerator, current PE, is the current (month end) S&P 500 index divided by the average of the past 10 years monthly S&P 500 earnings. The denominator, Average PE, is simply the arithmetic average of these PE figures over the entire dataset (1926-2009).

Conclusion

The research to date shows no clear way to capitalize on any apparent relationship between the overall market's relative valuation and returns. Waiting around for exceptionally "cheap" relative PEs before entering the market, and for exceptionally "expensive" periods to trim stocks is not a winning combina-

tion in its current iteration. As always, we continue to evaluate and observe relationships and interactions between market variables and returns. We have yet to identify a compelling empirical and statistically reasonable way to take advantage of any such relationships. We recommend sticking to your long term allocation plan and rebalancing on a regular basis.

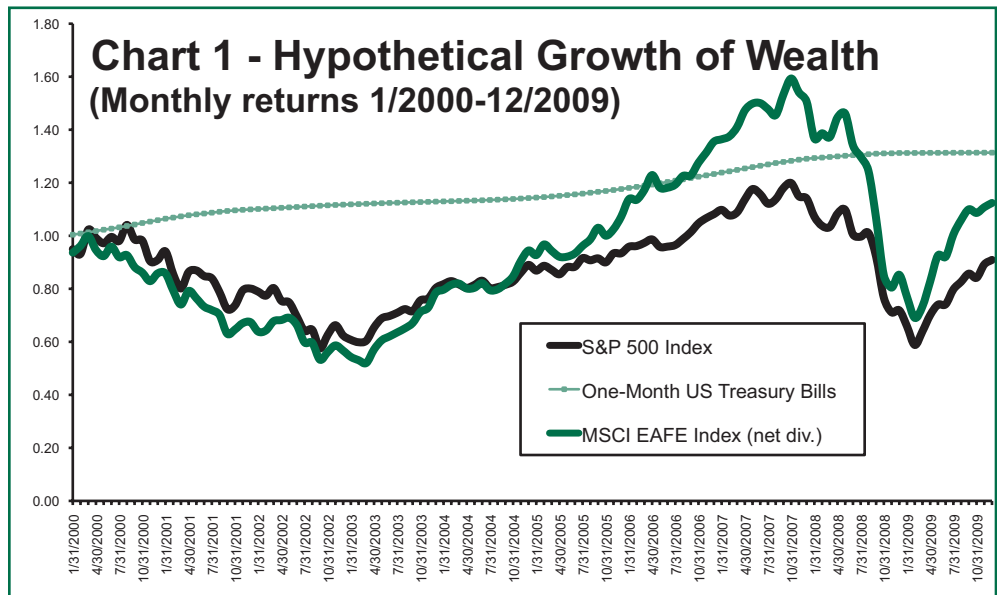
Your individual situation, needs, resources and variables that influence your life and lifestyle continue to be the most important factors in determining the makeup of your investment portfolio. Focusing on a low-cost, diversified and disciplined investment strategy remains the best way to meet your investment goals in this, or any other, economic environment.

THE LOST DECADE?

Newspapers¹ were quick to proclaim the first ten years of the new century a "lost decade" for investors. Other pundits, looking back on the 2007-2009 bear market, have gone further by pronouncing the death of modern portfolio theory. This is the stuff of good headlines, but these claims are of no use to serious investors and meaningless to financial economists. Most importantly, investors who maintained a balanced approach throughout this tumultuous decade would have "lost" nothing, and may well have earned a respectable return.

It is true (see Chart 1) that between January 2000 and December 2009 short-term Treasury bills outperformed the average returns generated in U.S. and foreign stock markets by wide margin, and with much less volatility. The bear market between 2000 and 2002 and the second more severe downturn between 2007 and 2009 served as bookends for the worst decade in modern market history. Over the entire period the S&P 500 index returned a cumulative -9.1 percent.

The experience prompted many to question some fundamental assumptions about markets. Diversification, "buy and hold" strategies, and long-term investing in general have been widely derided as naïve and anachronistic. Investors were particularly vulnerable to these claims in March 2009 when the U.S. stock market hit bottom. For several months diversification had provided little protection for equity investors as the market rout impacted asset classes across the board. Those who had steadily contributed to their retirement portfolios over a lifetime saw their account values plunge, just as they began to enter their "golden years."



"This Time it's Different"

So, have the rules of prudent investing changed? A single ten year period does not discredit our contention that stocks can be expected to outperform bonds over the long term; of the 889 rolling 10 year periods beginning in January 1926, only 44 (5%) have provided negative returns.

Skeptics remain abundant nonetheless. The many buy-and-hold death notices imply that in today's highly volatile markets, market timing is the only sensible approach. Signs of the looming sub-prime mortgage crisis were surfacing in late 2007 and a few nimble market

timers not only avoided the equity sell off but profited handsomely by shorting large bank stocks and the housing market. They have become this year's celebrity authors and market commentators.

What if you had only invested in the stock market in months when it outperformed treasury bills (that is, when the equity premium was positive)? The accompanying table depicts the growth \$1 million between 1990 and 2008 assuming three different investment strategies.

Alas, the wonders of market timing are always evident in hindsight. These tantalizing hypothetical returns from the "perfect" active strategy would in fact have been virtually impossible to

Various Investment Strategies: Growth of \$1 million Hypothetical Results 1990 – 2008	
"Perfect Timing": All Stocks when equity premium > 0 All T-Bills when equity premium < 0	\$136.21 million
100% T Bills (buy and hold)	\$2.12 million
100% Stocks (buy and hold)	\$3.94 million

Stock returns measured by CRSP 1-10, data provided by Center for Research in Security Prices, University of Chicago. US (90 day) T-Bill data provided by Ibbotson Associates

capture. There is no doubt that this would have been an unusually good decade to have been lucky.

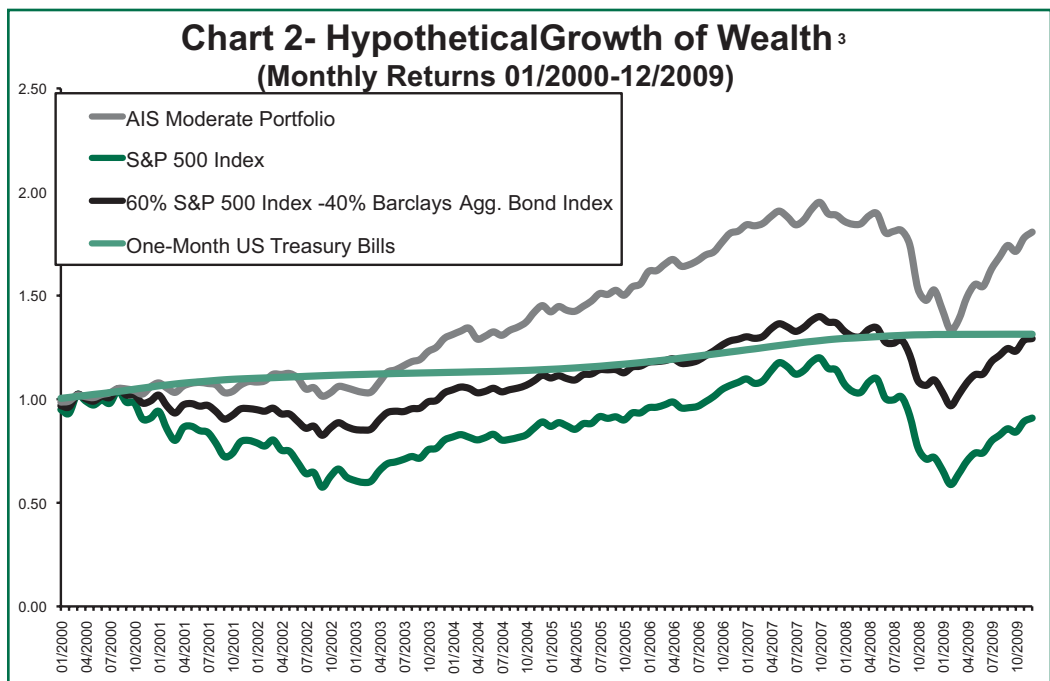
Most actively managed funds in fact come no where close to perfection. As we pointed out in previous issues, evidence of skilled active management is scarce. During bear markets active fund managers supposedly hold an advantage over an all equity index fund because they are not constrained by a mandate to be fully invested in equities. Yet during the recent severe bear market more than half of actively managed U.S. equity mutual funds failed to match the returns of the overall market.² Contrary to the headlines, the downturn tipped the scales even further in favor of passive management.

Diversification is No Panacea

Several pundits have criticized modern portfolio theory based on the nature of the bear market in U.S. equities that began in November 2007. In particular they claim that diversification failed. We disagree. To the contrary, proper diversification was indispensable for investors during this period.

Investors can expect diversification within an equity asset class, such as small cap stocks, to protect against variation in returns associated with specific firms or industries. The greater exposure one has to all securities within an asset class (versus a selection of securities) the more likely his risk will be limited to that associated with the entire asset class. In this respect diversification proved invaluable during the period in question, when the *dispersion* of returns among stocks *within* our recommended equity asset

Chart 2- Hypothetical Growth of Wealth³
(Monthly Returns 01/2000-12/2009)



classes rose sharply. Those who invested in an index-type fund versus a sampling of securities would have been particularly well served.

Diversification among equities does not, however, eliminate risk associated with the stock market as a whole. Indeed investors can expect, over the long term, to be compensated for bearing that risk precisely because it cannot be “diversified away.” To the extent that an investor chooses to “tilt” his market-wide portfolio toward small caps or value stocks, he can lessen but not eliminate his exposure to market-wide risk, but only by assuming greater exposure to the unique risk associated with those asset classes. For example during the 2007-2008 downturn small cap value stocks performed marginally better (they had smaller losses) than the overall stock market. Tilting toward this asset class would have helped, but the market-wide downturn was so severe it overwhelmed this benefit.

A Realistic Portfolio

Diversification *across* asset classes however, provides significant protection against stock market risk, and this was never more evident than during the past decade. Chart 2 depicts the hypothetical growth of \$1 over the decade under a variety of investment strategies.³ Investors who adhered to a portfolio that included cash, bonds, REITs, domestic stocks, foreign stocks and gold would have fared well compared with the simplistic “all-equity” results assumed implicitly in the headlines. For example, the hypothetical moderate risk portfolio depicted would have provided a cumulative total return of 81 percent between January 2000 and December 2009, despite the widely cited -9.1 percent cumulative return on the S&P 500 index.

Financial economics enables us to be guided by empiricism rather than emotion. The wisdom of maintaining a well-structured investment plan and “staying the course” will remain superior long after those proclaiming the latest new paradigm have disappeared.

¹Los Angeles Times, December 21, 2009 *Stock market closes the books on a 'lost decade'*. Wall Street Journal October 15, 2009, *The Lost Decade of Stock Investing*.

²Between November 2007 and December 2008 only 43% of actively managed mutual funds had outperformed the broad U.S. stock market. In aggregate, active funds underperformed the broad market by 170 basis points. Source: Christopher B. Philips. Research Note: A ‘stock picker’s market’? The Data Say No, Vanguard Investment Counseling & Research, The Vanguard Group, Valley Forge, PA, 2009. Also: Philips, *The Active-Passive Debate: Bear Market Performance*, Vanguard Investment Counseling & Research, The Vanguard Group, Valley Forge, PA, 2009.

³AIS Moderate Portfolio: (Annual rebalancing) BA-ML US Three Month US Treasury Bill Index 10%, BA-ML US Corporate and Gov’t Index 1-5 Years 30%, Dow Jones US Select REIT Index 10%, Russell 1000 Growth Index 5%, Russell 1000 Value Index 20%, Russell 2000 Value Index 7%, DFA US Micro Cap Portfolio Class 1 3%, MSCI EAFE Index 7%, MSCI Emerging Markets Index 3%, Gold EOM (London PM Fix) 5%. Performance data shown represents past performance. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. The investment return and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost. The results portrayed in this portfolio reflect the reinvestment of dividends and capital gains. 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. Annual portfolio rebalancing assumed.

THE HIGH-YIELD DOW INVESTMENT STRATEGY

Recommended HYD Portfolio

As of March 15, 2010

	Rank	Yield	Price	Status	—Percent of Portfolio—	
					Value	No. Shares ¹
AT&T Corp.	1	6.52	25.78	Buying	19.08	18.39
Verizon	2	6.36	29.86	Holding**	17.85	14.85
Dupont	3	4.62	35.48	Buying	22.45	15.72
Pfizer	4	4.17	17.26	Holding**	6.60	9.51
Merck & Co.	5	4.03	37.75	Holding	13.98	9.20
Kraft	6	3.92	29.56	Holding	3.09	2.59
General Electric	19	2.31	17.29	Holding	6.62	9.51
Alcoa	26	0.89	13.51	Holding	7.08	13.02
Bank of America	29	0.24	16.85	Selling	2.72	4.01
Citigroup	NA		3.89	Selling	0.50	3.20
Cash (6-mo. T-Bill)	NA				0.03	--
					<u>100.00</u>	<u>100.00</u>

** 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)

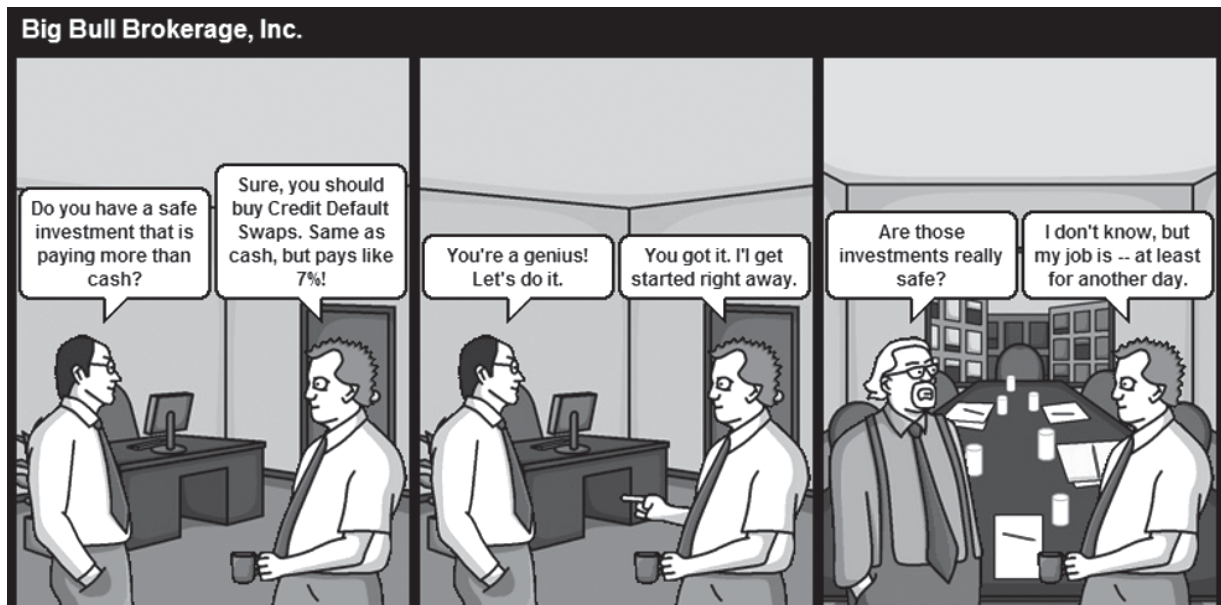
The total returns presented in the table below represent changes in the value of a hypothetical HYD portfolio with a beginning date of January 1979 (the longest period for which data was available for the HYD model and relevant indexes) through February 28, 2010*.

	<u>1 mo.</u>	<u>1 yr.</u>	<u>5 yrs.</u>	<u>10 yrs.</u>	<u>20 yrs.</u>	<u>Since 1/79</u>	<u>Std. Dev.</u>
HYD Strategy	1.63	59.00	1.62	7.49	12.29	15.52	18.15
Russell 1000 Value Index	3.16	56.51	-0.49	3.63	9.07	12.02	14.87
Dow	2.95	63.53	3.49	3.37	10.13	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.

BEWARE THE BOILER ROOM

Historically low interest rates have revived moribund banks and have proven to be a capital raising bonanza for bond issuers. But they are putting a terrible burden on seniors living on fixed income investments. The average rate for a one-year certificate of deposit is just 1.3 percent. With inflation running at an annualized rate of 2.0 percent through the first two months of 2010, this is clearly not adequate to preserve purchasing power. Despite this hardship, we remind readers not to be tempted by salespeople peddling "safe" investments with tantalizing interest rates. As holders of auction-rate securities learned ever so painfully during the credit crisis, there is no free lunch.



RECENT MARKET STATISTICS

Precious Metals & Commodity Prices (\$)

	3/15/10	Mo. Earlier	Yr. Earlier
Gold, London p.m. fixing	1,104.25	1,098.25	928.00
Silver, London Spot Price	17.02	15.57	13.11
Copper, COMEX Spot Price	3.32	3.10	1.66
Crude Oil, W. Texas Int. Spot	79.79	74.12	46.24
Dow Jones Spot Index	348.88	347.21	245.67
Dow Jones-UBS Futures Index	131.36	131.00	105.94
Reuters-Jefferies CRB Index	270.79	267.92	211.08

Interest Rates (%)

U.S. Treasury bills - 91 day	0.17	0.11	0.19
182 day	0.24	0.18	0.41
52 week	0.40	0.34	0.66
U.S. Treasury bonds - 10 year	3.71	3.69	2.89
Corporates:			
High Quality - 10+ year	5.25	5.36	5.51
Medium Quality - 10+ year	6.27	6.36	8.45
Federal Reserve Discount Rate	0.75	0.50	0.50
New York Prime Rate	3.25	3.25	3.25
Euro Rates			
3 month	0.65	0.66	1.70
Government bonds - 10 year	3.15	3.20	3.07
Swiss Rates - 3 month	0.25	0.25	0.46
Government bonds - 10 year	1.74	1.83	2.12

Exchange Rates (\$)

British Pound	1.504300	1.566900	1.397200
Canadian Dollar	0.978857	0.949758	0.784191
Euro	1.365200	1.362500	1.289100
Japanese Yen	0.011056	0.011111	0.010200
South African Rand	0.134771	0.129828	0.100025
Swiss Franc	0.940292	0.928764	0.841751

Securities Markets

	3/15/10	Mo. Earlier	Yr. Earlier
S & P 500 Stock Composite	1,150.51	1,075.51	756.55
Dow Jones Industrial Average	10,642.15	10,099.14	7,223.98
Dow Jones Bond Average	251.25	233.74	202.59
Nasdaq Composite	2,362.21	2,183.53	1,431.50
Financial Times Gold Mines Index	2,991.66	2,885.77	2,285.90
FT EMEA (African) Gold Mines	2,705.89	2,629.09	2,352.96
FT Asia Pacific Gold Mines	12,920.66	12,265.63	9,045.33
FT Americas Gold Mines	2,575.43	2,486.10	1,923.89

Coin Prices (\$)

	3/15/10	Mo. Earlier	Yr. Earlier	Prem (%)
American Eagle (1.00)	1,160.28	1,108.07	936.78	5.07
Austrian 100-Corona (0.9803)	1,085.72	1,035.32	870.42	0.30
British Sovereign (0.2354)	275.20	262.90	214.95	5.87
Canadian Maple Leaf (1.00)	1,155.20	1,103.00	929.18	4.61
Mexican 50-Peso (1.2057)	1,338.10	1,275.90	1,072.90	0.50
Mexican Ounce (1.00)	1,130.10	1,078.50	910.00	2.34
S. African Krugerrand (1.00)	1,149.18	1,097.07	927.85	4.07
U.S. Double Eagle-\$20 (0.9675)				
St. Gaudens (MS-60)	1,312.50	1,270.00	1,320.00	22.85
Liberty (Type I-AU50)	1,600.00	1,675.00	1,350.00	49.76
Liberty (Type II-AU50)	1,300.00	1,412.50	1,315.00	21.68
Liberty (Type III-AU50)	1,247.50	1,210.00	1,277.50	16.77
U.S. Silver Coins (\$1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	11,775.00	10,850.00	10,425.00	-3.24
40% Silver Circ. (292 oz.)	4,662.50	4,350.00	3,712.50	-6.18
Silver Dollars Circ.	14,800.00	14,900.00	12,875.00	12.41

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at \$1104.25 per ounce and silver at \$17.02 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 (\$)			12-Month (\$)		Latest Dividend Record			Indicated Annual Yield†		
	3/15/10	2/12/10	3/13/09	High	Low	Amount (\$)	Date	Paid	Dividend (\$)	(%)	
AT&T (New)	T	25.78	25.07	24.27	28.73	23.19	0.420	1/08/10	2/1/10	1.680	6.52
Verizon	VZ	29.86	28.93	28.40	34.13	28.00	0.475	4/09/10	5/3/10	1.900	6.36
Dupont	DD	35.48	32.28	19.49	35.89 H	19.56	0.410	2/12/10	3/12/10	1.640	4.62
Pfizer	PFE	17.26	17.80	14.54	20.36	12.75	0.180	2/05/10	3/2/10	0.720	4.17
Merck	MRK	37.75	36.92	27.07	41.56	22.33	0.380	3/15/10	4/7/10	1.520	4.03
Kraft	KFT	29.56	29.09	22.53	30.10	21.71	0.290	12/30/09	1/13/10	1.160	3.92
Chevron	CVX	73.57	71.01	62.91	81.09	60.88	0.680	2/17/10	3/10/10	2.720	3.70
McDonald's	MCD	65.93	63.59	52.38	66.19 H	51.36	0.550	3/01/10	3/15/10	2.200	3.34
Coca-Cola	KO	53.65	53.98	41.22	59.45	40.82	0.440	3/15/10	4/1/10	1.760	3.28
Johnson & Johnson	JNJ	64.57	62.72	50.64	65.95	49.46	0.490	2/23/10	3/9/10	1.960	3.04
Intel Corp	INTC	21.17	20.43	14.70	21.55	14.14	0.158	2/07/10	3/1/10	0.630	2.98
Home Depot, Inc.	HD	32.69	29.00	20.71	32.71 H	20.06	0.236	3/11/10	3/25/10	0.945	2.89
Caterpillar	CAT	59.47	56.20	26.78	64.42	25.67	0.420	1/20/10	2/20/10	1.680	2.82
Procter and Gamble	PG	63.70	61.76	46.95	64.15 H	45.52	0.440	1/22/10	2/16/10	1.760	2.76
3M Company	MMM	81.26	79.18	48.00	85.17	45.60	0.525	2/19/10	3/12/10	2.100	2.58
Exxon Mobil	XOM	66.30	64.80	67.20	76.54	63.56	0.420	2/10/10	3/10/10	1.680	2.53
Travellers	TRV	52.73	50.45	38.34	54.47	37.22	0.330	3/10/10	3/31/10	1.320	2.50
Boeing	BA	69.40	59.65	33.40	70.49 H	32.50	0.420	2/05/10	3/5/10	1.680	2.42
United Tech.	UTX	71.84	65.69	40.57	72.94	40.20	0.425	2/19/10	3/10/10	1.700	2.37
General Electric	GE	17.29	15.55	9.62	17.52	9.26	0.100	3/01/10	4/26/10	0.400	2.31
Wal-Mart Stores	WMT	55.42	52.90	49.19	55.54 H	47.35	0.303	3/12/10	4/5/10	1.210	2.18
Microsoft Corp.	MSFT	29.29	27.93	16.65	31.50	16.24	0.130	5/20/10	6/10/10	0.520	1.78
American Express	AXP	40.70	38.42	13.09	43.25	12.09	0.180	1/11/10	2/10/10	0.720	1.77
IBM	IBM	127.83	124.00	90.36	134.25	89.43	0.550	2/10/10	3/10/10	2.200	1.72
Walt Disney	DIS	33.72	30.07	17.13	33.81 H	17.08	0.350	12/14/09	1/19/10	0.350	1.04
Alcoa	AA	13.51	13.28	5.73	17.60	5.22	0.030	2/05/10	2/25/10	0.120	0.89
Hewlett-Packard	HPQ	52.42	48.46	29.45	52.95	28.34	0.080	3/17/10	4/7/10	0.320	0.61
J P Morgan	JPM	43.07	38.95	23.75	47.47	22.27	0.050	1/06/10	1/31/10	0.200	0.46
Bank of America	BAC	16.85	14.45	5.76	19.10	5.80	0.010	3/05/10	3/26/10	0.040	0.24
Cisco	CSCO	26.08	23.76	15.51	26.48 H	15.35	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 3/16/10. 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 3/15/09.

RECOMMENDED INVESTMENT VEHICLES

Ticker Symbol	Avg. Market Cap. / Avg. Maturity	Descriptive Quarterly Statistics, as of 12/31/09		No. of Holdings	Ratios		P/B	Turnover (%)	Annualized Returns (%), as of 2/28/10					
		Sharpe	Expense (%)		12 Mo. Yield (%)	1 yr.			3 yr.	5 yr.	1 yr.	3 yr.	5 yr.	After Tax*
Short/Intermediate Fixed Income														
Vanguard Short-Term Bond Index	2.8 Yrs.	na	0.10	1161	na	101	--	101	5.96	--	--	4.96	--	--
Vanguard Short-Term Bond Index	2.8 Yrs.	1.30	0.19	1161	1.30	101	--	101	5.83	5.67	4.83	4.85	4.34	3.45
iShares Barclays 1-3 Yr. Credit Bond	2.3 Yrs.	na	0.20	586	na	67	--	67	10.84	5.31	--	9.38	--	--
iShares Barclays 1-3 Year Treasury	1.9 Yrs.	1.27	0.15	54	1.27	37	--	37	1.94	4.74	4.18	1.23	3.57	2.95
Vanguard Limited-Term Tax-Exempt	2.6 Yrs.	0.81	0.15	1129	0.81	23	--	23	4.87	4.39	3.70	4.87	4.39	3.70
Inflation-Protected Fixed Income														
iShares Barclays TIPS Bond	8.6 Yrs.	0.53	0.20	29	0.53	10	--	10	12.00	5.95	4.67	10.57	4.25	2.99
Vanguard Inflation-Protected Securities	9.1 Yrs.	0.50	0.20	26	0.50	28	--	28	11.93	5.64	4.52	11.27	4.18	3.00
Real Estate														
Vanguard REIT Index	3.8 B.	0.11	-0.17	100	0.11	10	1.5	10	98.09	-13.59	1.91	95.11	-14.73	0.57
Vanguard REIT Index	3.8 B.	0.21	-0.17	100	0.21	10	1.5	10	97.82	-13.69	1.80	94.88	-14.81	0.49
U.S. Large Cap Value														
Vanguard Value Index	35.6 B.	0.10	-0.41	443	0.10	27	1.6	27	56.07	-8.16	-0.09	55.31	-8.58	-0.52
Vanguard Value Index	35.6 B.	0.21	-0.41	443	0.21	27	1.6	27	55.82	-8.27	-0.19	55.08	-8.68	-0.61
U.S. Small Cap Value														
iShares Russell Microcap Index	0.2 B.	0.60	-0.43	1305	0.60	25	1.2	25	64.33	-11.28	--	64.10	-11.40	--
Vanguard Small-Cap Value Index	1.01 B.	0.11	-0.18	1025	0.11	30	1.1	30	77.91	-5.98	1.64	77.21	-6.45	1.17
Vanguard Small-Cap Value Index	1.01 B.	0.23	-0.18	1025	0.23	30	1.1	30	77.65	-6.11	1.51	76.98	-6.56	1.06
U.S. Large Cap Growth														
iShares Russell 1000 Growth Index	36.2 B.	0.20	-0.10	619	0.20	22	3.5	22	53.83	-2.58	1.72	53.46	-2.77	1.55
Vanguard Growth Index	33.7 B.	0.23	-0.10	429	0.23	27	3.3	27	52.62	-2.36	1.82	52.34	-2.51	1.68
U.S. Marketwide														
Vanguard Total Stock Market Index	23.2 B.	0.07	-0.25	3387	0.07	5	2.1	5	56.44	-5.16	1.10	55.91	-5.46	0.80
Fidelity Spartan Total Market Index	25.2 B.	0.10	-0.26	3129	0.10	3	2.0	3	56.10	-5.33	1.03	na	na	na
Foreign-Developed Markets														
iShares MSCI Growth Index	27.1 B.	0.40	-0.19	558	0.40	33	2.1	33	49.05	-6.62	--	48.80	-6.74	--
iShares MSCI Value Index	30.6 B.	0.40	-0.26	533	0.40	35	1.1	35	59.64	-9.67	--	59.19	-10.00	--
Vanguard Europe Pacific Index	30.6 B.	0.11	na	942	0.11	16	1.5	16	56.54	--	--	56.20	--	--
Vanguard Tax-Managed International	30.6 B.	0.15	-0.20	942	0.15	16	1.5	16	55.05	-8.02	2.28	54.72	-8.24	2.04
Vanguard Developed Markets Index	30.4 B.	0.10	-0.21	974	0.10	14	1.5	14	56.44	-7.99	2.04	56.07	-8.54	1.50
Foreign-Emerging Markets														
Vanguard Emerging Market Index	17.6 B.	0.27	0.24	783	0.27	12	2.2	12	93.57	3.77	--	93.18	3.34	--
Vanguard Emerging Market Index	17.6 B.	0.40	0.25	783	0.40	12	2.2	12	91.90	3.39	11.26	91.54	2.99	10.90
Gold-Related Funds														
iShares COMEX Gold Trust	--	1	0.40	0.83	0.40	0.00	--	0.00	18.31	18.19	--	18.31	18.19	--
streetTRACKS Gold Shares	--	1	0.40	0.83	0.40	0.00	--	0.00	18.53	18.94	--	18.53	18.94	--

Data provided by the funds and Morningstar. *Exchange Traded Fund, traded on AMEX. †1% fee for redemption in 1 yr. ‡0.5% fee for redemption in 90 days. §1% fee for redemption in 5 yrs. ¶2% fee for redemption in 60 days. **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.

Recommended Gold-Mining Companies (\$)

Ticker Symbol	Year	--- 52-Week ---		Distributions		Yield (%)
		High	Low	Last 12 Months	Frequency	
Anglogold Ltd., ADR +	3/15/10	37.61	38.08	33.85	0.1690	0.4493
Barrick Gold Corp.	3/15/10	39.01	36.70	29.65	0.3400	0.8716
Gold Fields Ltd.	3/15/10	11.96	11.86	12.44	0.1672	1.3980
Goldcorp, Inc. +	3/15/10	39.09	37.17	29.61	0.1530	0.3914
Newmont Mining	3/15/10	49.73	46.53	38.54	0.4000	0.8043

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.