AIS INVESTMENT GUIDE

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

We offer two discretionary management services: Our Professional Asset Management (PAM) service covers all of our recommended assets and allows us to place trades in stocks, bonds, and mutual funds directly in our clients' accounts.(The accounts remain the property of our clients at all times—we are only authorized to trade on their behalf.) Our High-Yield Dow (HYD) service operates similarly, except it invests only in the highest-yielding Dow stocks, using the 4-for-18 model on a fully invested basis. Investors interested in these low-cost services should contact us at 413-528-1216 or Fax 413-528-0103.

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The Perils of Predicting

" It seemed so obvious. With the economy slowly recovering last year from the worst recession in decades and the federal government seeking to tap the credit markets for over $2 trillion to fund an ambitious spending program, both laymen and experts alike seemed to agree that interest rates had nowhere to go but up. The yield on the ten-year U.S. Treasury note as of June 30, 2009 was 3.52%, down from 5.25% in June 2007 but well above the 2.09% level registered amidst the depths of the credit crisis the previous December. With retail sales and housing activity showing signs of gradual improvement, the only question appeared to be how much higher interest rates would go.

Among fifty economic forecasters surveyed by the Wall Street Journal *in June 2009, forty-three expected the ten-year U.S. Treasury note yield to move higher over the year ahead, with an average estimate of 4.13%. Seven expected a rate of 5.00% or higher while only two predicted rates to fall below 3.00%. The result? The ten-year Treasury yield slumped to 2.95% on June 30, 2010 and rates on 30-year mortgages fell to their lowest level since Fannie Mae began tracking them in 1971. How many of us would have expected this during a period when gold prices soared over 33% to a record high?"*[1]

The lesson to be drawn is that bond prices (and interest rates, which move inversely with bond prices) are unpredictable, as are the prices of all publicly traded securities. Attempts to improve returns through forecasting can be very costly. Investors should instead focus on diversification, discipline and minimizing their investment related costs.

Price Wars Benefit ETF Investors

Costs have fallen for owners of BlackRock iShares Comex Gold Trust (IAU). Management has reduced the fund's annual expense ratio from 0.40 percent to 0.25 percent. The move undercuts the SPDR Gold Trust (GLD) ETF, which levies a 0.40 percent annually. GLD weighs in with $53 billion in assets versus IAU's $3.4 billion.

IAU also split 10 for 1 for shareholders of record as of June 21, 2010, payable after the close of trading on June 23. The split, which reduced IAU's share price from $118 share to $11.80 per share on the first day of trading, is intended to attract more retail investors by increasing trading volume and improving liquidity.

1 Weston J. Wellington, Vice President, Dimensional Fund Advisors "Rates Can Only Go Higher" Down to the Wire July 12, 2010

QUARTERLY REVIEW OF INVESTMENT POLICY

Capital markets took investors for a wild ride during the second quarter. Several stories emerged that resulted in unusually high volatility. Multiple developments throughout the globe cast gloom and apprehension across the markets. A sovereign debt crisis in Europe, an environmental catastrophe in the gulf of Mexico, a complex re-write of financial regulation, mixed macroeconomic data and the "flash crash" in the U.S. stock market all contributed to end a string of four consecutive quarters of strong returns for investors who have adopted our structured investment approach.

Though investors lost ground, self-proclaimed market "experts" in the media, always in need of a good crisis upon which to opine, reveled in this environment. Their musings only served to heighten fears of skittish investors, who alternately abandoned and embraced equities and U.S. Treasury obligations.

When the dust had settled the second quarter marked a reversal of the rebound in global equity markets that began in early 2009. Bonds and gold on the other hand provided investors with the cushion we would expect, as the returns of both asset classes were positive. Gold has been the best performing of our recommended asset classes during five of the past eleven quarters that have passed since the financial crisis began in late 2007.

We have made no changes to our recommended allocations. The data provided in the AIS Model Portfolios table (below) continue to suggest that patient, disciplined investors would have fared well throughout this period of extreme volatility.

Cash and Equivalent Assets

Faced with signs of tepid economic growth, the Federal Reserve Open Market Committee remained committed to a federal funds target rate of no more than 0.25 percent. The Fed remains more concerned with the slow pace of economic recovery than with potential price inflation.

The 30 day Treasury bill closed the quarter yielding only 0.17 percent, essentially unchanged from the beginning of the quarter. Price inflation in June registered 1.1 percent on a year-over-year basis, though the core rate, excluding food and energy, rose only 1.0 percent. Expected annual price inflation over the next five years, measured by the "breakeven rate" between U.S. Treasury bonds and Treasury Inflation-Protected Securities (TIPS), stood at 1.4 percent as of mid-July. Over ten years the markets were anticipating annual inflation of 1.8 percent.

Fixed Income

Bonds provided positive returns during the quarter. Reversing the trend of the previous twelve months, markets favored fixed income securities over

AIS Model Portfolios(1)
For the Period Ending June 30, 2010

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	0.29	2.87	4.04	0.55
Short/Int. Fixed Income	Barclays Capital 1-5 Yr Govt/Cred	40	30	0	5.64	5.35	6.13	2.33
Real Estate	DJ US Select REITs Index	10	10	10	55.68	9.74	9.42	20.69
U.S. Large Cap Growth	Russell 1000 Growth Index (USD)	5	5	10	13.62	-5.14	6.74	17.48
U.S. Large Cap Value	Russell 1000 Value Index (USD)	15	20	30	16.93	2.37	8.62	14.78
U.S. Small Cap Value	Russell 2000 Value Index (USD)	5	7	13	25.07	7.48	10.29	17.32
	DFA US Micro Cap Portfolio (USD)	0	3	7	23.47	5.31	10.56	20.94
Foreign Developed Markets	MSCI EAFE Index (USD) Gross Div	5	7	13	6.38	0.59	4.36	17.33
Foreign Emerging Markets	MSCI Emg. Mkts. Index (USD) Gross Div	0	3	7	23.48	10.34	9.64	24.19
Gold Related	Gold EOM gold (London PM Fix)	0	5	10	33.12	15.69	6.52	14.78
	Total	100	100	100				

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

	Conservative	*Moderate*	*Aggressive*
Portfolio Return 1 Year	12.68	16.62	22.70
Portfolio Return 10 Year (annualized)	4.89	5.72	5.57
Portfolio Return 20 Year (annualized)	7.06	7.86	8.91
Portfolio Standard Deviation 20 Year (annualized)	5.68	7.93	13.44
Growth of $100 over 20 Years	$392	$454	$552

(1) Past performance may not be indicative of future results. Therefore, no current or prospective investor should assume that the future performance of any specific investment, investment strategy (including the investments and/or investment strategies recommended by the AIS), or product made reference to directly or indirectly, will be profitable or equal to past performance levels. Historical performance results for investment indexes and/or categories, generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment-management fee, the incurrence of which would have the effect of decreasing historical performance results.The results portrayed in this portfolio reflect the reinvestment of dividends and capital gains. Model Portfolio Statistics are hypothetical and do not reflect historical recommendations of AIS. Annual portfolio rebalancing is assumed.
(2) For our recommended investment vehicles for each asset class, see page 56.
(3) Investors should maintain cash balances adequate to cover living expenses for up to 6 months in addition to the cash levels indicated.

stocks. Investors sought stability and liquidity as troubling news emerged around the globe.

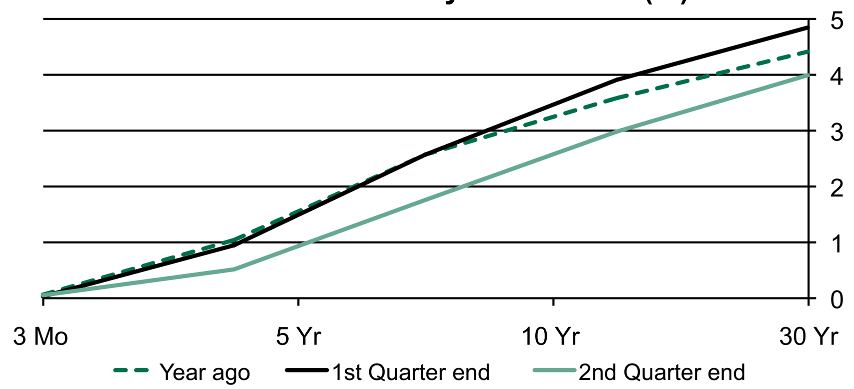
U.S. Treasuries performed particularly well. Demand for U.S. government obligations was boosted by sovereign debt turmoil in Europe (see May 31, 2010 *Investment Guide*). Except for three month Treasury bills, yields on Treasuries fell across the board (see Chart 1). Long term rates, measured by the yield on the 30 year Treasury bond, fell by 0.80 percent. Yields on intermediate term (10 year) Treasuries fell below 3 percent, their lowest level since March 2009, when the U.S. stock market hit bottom, and provided a 3.6 percent return. TIPS returned 3.8 percent during the quarter.[1]

Returns on investment grade corporate bonds were positive, with an average return of 3.4 percent,[2] but fell short of the gains posted by U.S. Treasuries of comparable maturity. Relative to Treasuries investors demanded a higher return for holding corporate bonds; credit risks increased globally and the "credit spread" between yields on corporate and Treasury bonds widened.

Returns on fixed-rate mortgage-backed securities (MBS) registered 2.9 percent, even after the Fed ended its purchases of MBS at the end of March. The average 30 year mortgage rate fell to 4.6 percent, its lowest level since 1971.

Municipal bonds provided a 2.0 percent return[3] for the quarter, and spreads between the highest and lowest risk issues narrowed. These tax-exempt issues remained popular among individual investors. Compared with

Chart 1:U.S. Treasury Yield Curve (%)



(taxable) corporate bonds, investment-grade municipal bonds have experienced relatively low historical default rates. At quarter-end intermediate term munis and Treasuries were yielding close to 3.0 percent (on average), but munis were providing a taxable equivalent yield of 4.2 percent for investors in the highest federal income tax bracket.

All but the most risk-averse investors should have exposure to fixed income securities with less than five year duration. As we point out in our lead article, one year ago conventional wisdom held that bond prices had nowhere to go but down, but prices have since risen further. Those who hold substantial investment portfolios may wish to purchase bonds directly, but the bond funds and ETFs we recommend on page 56 are well suited to meet the needs of most individual investors.

Real Estate

Though equity REITs lost 4.1 percent during the quarter, they remain a valuable component of a well-diversified portfolio. Equity REITs have outperformed U.S. stocks, measured by the S&P500, in every quarter since the stock market recovery began in March 2009. REITs also provide a strong level of dividend income. Equity REIT dividend yields were averaging 4.2 percent at the end of June.[4]

Year to date, returns among subsectors have varied widely. Residential REITs, which include apartments and manufactured homes, have led the way, garnering 15.7 percent. The weak economy has also bolstered returns from Lodging and Self Storage REITs, which were up 10.7 percent and 9.5 percent respectively. At the other end of the spectrum were Industrial and Office REITs, where vacancy rates remain high; that subsector has lost 3.5 percent year to date. Retail REITs have managed to return 5.5 percent over the first six months.

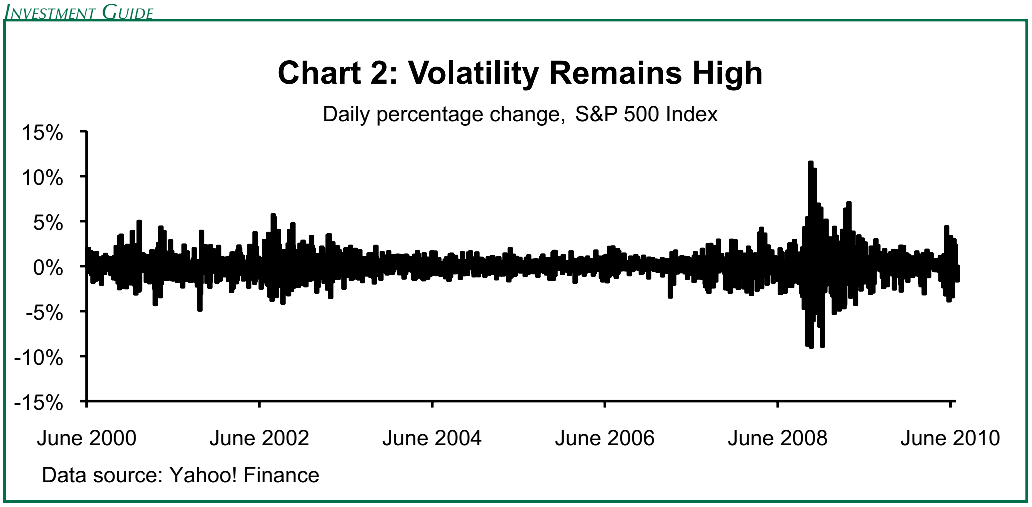
U.S. Equities

Volatility predominated in the U.S. stock market during the second quarter, evidenced by 28 trading days when the S&P 500 fluctuated by more than 1

1 Source: U.S. Treasury, Barclays Capital Intermediate U.S. Treasury Index, Barclays Capital U.S. TIPS Index
2 Source: Barclays Capital Credit Bond Index
3 Source: Barclays Capital Municipal Bond Index, Fidelity Management & Research Co.
4 Source: FTSE NAREIT US Real Estate Index, Standard & Poors

Total Return (%)

	2007	*2008*				*2009*				*2010*		*Entire Period 4Q 2007-*
	4Q	*1Q*	*2Q*	*3Q*	*4Q*	*1Q*	*2Q*	*3Q*	*4Q*	*1Q*	*2Q*	*2Q 2010*
Barclay Capital 1-5 Yr. Govt./Credit	2.53	2.91	-1.09	-0.31	**3.60**	0.53	1.46	2.14	0.42	1.20	1.78	16.14
Vanguard REIT Index	-12.90	2.13	-5.39	5.35	-38.16	-32.09	30.03	**34.54**	9.05	10.02	-4.01	-24.97
Vanguard Value Index	-6.12	-9.02	-6.18	-5.72	-20.44	-16.41	16.71	17.38	4.41	6.16	-10.93	-32.03
High-Yield Dow 4/18	-5.16	-11.12	-11.39	**8.77**	-22.71	-23.83	15.66	16.55	8.13	1.81	-8.97	-35.38
Vanguard Small Cap Value Index	-6.81	-6.52	-3.80	1.51	-25.57	-18.14	23.83	23.89	3.79	**10.15**	-10.15	-18.32
Vanguard Growth Index	-0.06	-9.99	**2.34**	-12.04	-23.88	-4.24	15.59	14.13	7.88	4.85	-12.16	-22.62
Vanguard Developed Markets Index	-2.22	-8.47	-2.42	-18.89	-19.41	-15.82	25.59	19.25	1.67	1.26	-14.61	-36.73
Vanguard Emerging Markets Index	2.94	-10.48	-1.35	-25.98	-27.82	0.07	**34.14**	21.15	8.26	2.47	-9.12	-20.37
Gold (London PM Fix)	**12.21**	**11.96**	-0.35	-4.92	-1.67	**5.38**	1.96	6.55	**9.21**	2.57	**11.52**	**67.41**



percent, more than double the average of 13 days per quarter since 1950. The most notable event occurred during the "flash crash" of May 6,[5] when the Dow Jones dropped almost 10 percent before finishing the day down 3.2 percent. Chart 2 shows that, although volatility increased, it remained below the levels reached during 2008.

The U.S. stock market's strong first quarter performance extended into the second, but ended abruptly in early May when a host of unsettling global developments (outlined above) sent stocks tumbling. By the end of second quarter, U.S. stocks had fallen 11.3 percent. There was little performance distinction between asset classes; small cap value stocks returned -10.6 percent, large cap value stocks returned -11.8 percent, while large cap growth stocks turned in a -11.2 percent return.[6]

Among industries, quarterly returns among those sectors considered to be "defensive" by tradition (utilities -3.7 percent, telecommunications -4.2 percent, and consumer staples -8.1 percent) held up better than the broader market. Returns on the economically sensitive energy, -12.7 percent, and materials, -15.3 percent, were hit hardest. Financial stocks ended the quarter down 13.7 percent, as implications of financial industry regulatory reform legislation continued taking shape.[7]

The normalized price-to-earnings ratio (PE) on the S&P 500 stood at 19.7 at the end of June.[8] While this is higher than the long term average of 17.3, it is down slightly from the first quarter, when it ended at 20.3. In our view a lower PE reflects heightened risk, which is consistent with news that emerged throughout the globe during the quarter.

International Equities

International markets underperformed U.S. equities during the second quarter. Developed markets fared worst, as U.S. investors were hit with a return of -13.8 percent among large caps, while small caps performed only slightly better with a -11.2 percent return. Emerging markets turned in a -8.3 percent return.[9]

Returns in developed European countries were hit especially hard by relative currency values. In particular the euro fell 9.7 percent against the dollar as worries mounted over large European banks with exposure to sovereign debt of Greece, Portugal and Spain. Germany was hit especially hard, where price declines in dollars were more than three times worse than in local currency.

Among developed nations Japan was a rare exception, where the Yen gained on the dollar. Returns in local markets of -15 percent improved to -10 percent when converted to dollars.

Returns from emerging market nations were also hurt by a stronger dollar, but generally held up better versus developed markets. Exceptions included Hungary, where a cloudy fiscal outlook resulted in a -30.2 percent return, and commodity-dependent nations including Brazil and Russia. China made news by announcing it would again allow its currency to gradually appreciate against the dollar. The Chinese had maintained a relatively fixed exchange rate since mid-2008.

The quarter was dominated by concerns over rising budget deficits worldwide, most notably in Greece. Fellow Eurozone nations, with IMF backing, pledged a €110 billion loan, established a financial stability facility, and implemented their own fiscal austerity measures. The markets' reaction was mixed, and concerns have continued into the third quarter.

Gold Related Assets

The nominal gold price nearly reached its all-time high during the tumultuous quarter and provided further evidence of its value as a form of portfolio insurance. The S&P 500 lost, on average, 1.6 percent per day during the 12 days in the quarter when that index fell by more than 1 percent. During the same 12 days gold provided positive returns on 8 days, and on average gained 0.80 percent daily.

The gold price ranged between $1,124 and $1,261 before closing at $1,244, registering an 11.5 percent gain for the three months.

Numerous media accounts attributed the run up in the gold price as a "flight to safety"; this promotes the false notion that gold is readily available to provide protection once bad news has become apparent. Gold is an extremely volatile asset, and an investor can gain portfolio protection only by maintaining *consistent* and *limited* exposure to the gold price. Those investors who hope to flee into gold once new risks have emerged or who plan to sell gold when times appear to be good, will almost certainly be disappointed. Just as an insurance policy becomes prohibitively expensive once a risk is known to exist, capital markets will deny investors the opportunity to "load up" on gold at a low price after a financial crisis has materialized.

5 For a detailed report see the June 2010 Investment Guide
6 Source: The Vanguard Group, MSCI U.S. Investable Market 2500 Index, Russell Investments: Russell U.S. Small Cap Value Index, Russell U.S. Large Cap Value Index, Russell U.S. Growth Index
7 Source: Standard & Poors
8 PE based on 10 year normalized earnings. S&P Price and earnings data: Standard and Poors, Robert Shiller Online Stock Market Data
9 Source: MSCI EAFE Index, MSCI EAFE Small Cap Index, EAFE Emerging Markets Index

DIVERSIFYING A PORTFOLIO WITH REAL ESTATE

Individual investors have not traditionally had ready access to a professionally managed, diversified real estate portfolio. This has changed in the last few decades with the development and growth of real estate investment trusts, or REITs.

What is a REIT?

A REIT is a company that owns, operates, and/or finances real estate. Most of this discussion will address equity REITs, which manage different types of income-producing properties, such as hotels, office buildings, industrial facilities, apartments, and shopping centers. Equity REITs typically generate dividend income from the rent paid by tenants. Many REITs in the US are traded on the public stock exchanges.

Publicly traded REITs offer investors several potential benefits:

- *Real estate exposure.* While publicly traded REITs account for only a small portion of the real estate investment universe and the equity market, academic evidence suggests that REITs have similar returns to the overall real estate market.
- *Low correlations with financial assets.* Over longer periods of time, historical correlations of REITs and stocks have been generally low. (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.)
- *Diversification.* A REIT holds a portfolio of properties, which may specialize by property type and industry, or be broadly diversified according to industry and region.
- *Higher yield, regular income, capital appreciation.* Since REITs have to pay out a large fraction of earnings as dividends, they tend to offer higher-dividend income than equities, and this may benefit certain income-oriented investors. Total return of the shares is tied to income and change in market value.
- *Distinct asset class.* While REITs are considered equity vehicles and can have significant exposure to the size and value risk factors, they are generally considered to be a separate asset class, due to their low long-term correlations with stocks.
- *Liquidity and transparency.* Publicly traded REITs can be bought or sold whenever the stock market is open for business. The availability of market-determined share prices can reveal information about the market's assessment of the company's prospects, including the ability of the firm's management team.
- *Tax treatment.* REITs operate as "pass-through" corporations in which most income goes directly to shareholders. They typically pay little or no taxes on corporate income.[1]

Investing in REITS

A REIT mutual fund that manages a portfolio of REITs typically offers more diversification than owning a single REIT. Most REIT funds are either actively managed or indexed. An active fund manager seeks to pick securities that appear undervalued—an approach that often results in over-concentration in a single category, which may raise risks and potential costs, including transaction costs and management fees. On the other hand, an index fund tries to replicate a benchmark, such as the FTSE NAREIT Equity REIT Index or the Dow Jones US Select REIT Index. Although index funds may have lower fees, securities held in the portfolios may experience buying and selling pressure when indexes are reconstituted.

Adding a real estate component to a portfolio may be a good diversification move. But strategy and implementation are crucial, and before investing, you should consider how a real estate strategy and the REIT you select may affect your portfolio. Some factors that may come into play:

- *Asset coverage.* Most actively managed stock funds and indexes include REITs in their equity holdings. This creates the potential for overlapping asset class exposure for investors who add a REIT component in their portfolio. Treating REITs as a separate and distinct strategy helps you achieve more precise risk exposure in the asset class weights. For example, investors with significant direct ownership in real estate may want to exclude REITs from the equity component in their portfolio to better control their overall exposure.
- *REIT category.* Equity REITs may operate property in a specific area of expertise, such as retail, office and industrial, hotels, or health care facilities. Residential REITs own and operate apartment buildings and multi-family commercial dwellings, rather than single-family homes. Mortgage REITs, which lend money directly to real estate owners or invest in existing mortgages, are generally excluded from the equity REIT universe because they perform more like bonds, with income based on interest payments. Hybrid REITs combine the strategies of equity and mortgage REITs.
- *Diversification.* As with financial assets, owning a broad mix of REITs can reduce specific risk in a portfolio. This diversification eliminates exposure to a single REIT category, manager style, or geographic region.

Risk Considerations

REITs carry stock market risk, as well as risks specific to individual real estate properties, sectors, regional markets, and the operating firm. The securities are also subject to market pressures that may push share prices above or below the value of the underlying real estate. However, identifying a market premium or discount in a REIT is difficult since the underlying asset value reported by a REIT is based on an appraisal, which may be several months old. REIT returns also depend on the buying, selling, and operating decisions of management.

A manager may adopt risky strategies, such as heavy leveraging or lack of diversification. They may pay too much for properties, acquire poorly performing properties, change strategies regarding property mix, or make other business decisions that compromise performance. Investors holding foreign REITs or REIT funds are also exposed to risks specific to the country, such as legal structure, investment restrictions, ownership rules, tax treatment, and currency risk.

All of this underscores the importance of knowing your risk tolerance, carefully analyzing REIT fund managers, and diversifying to eliminate exposure to a single REIT manager or category.

(1 see footnote on page 54)

THE HIGH-YIELD DOW INVESTMENT STRATEGY

Recommended HYD Portfolio

As of July 15, 2010

	Rank	Yield	Price	Status	—-Percent of Portfolio-— Value	No. Shares[1]
Verizon	1	7.09	26.80	Buying	20.24	19.38
AT&T	2	6.72	25.00	Buying	22.91	23.51
Pfizer	3	4.84	14.87	Holding**	7.01	12.10
Dupont	4	4.41	37.17	Holding**	24.63	17.00
Merck	5	4.17	36.49	Holding	16.60	11.67
Kraft	6	3.96	29.32	Holding	3.02	2.65
General Electric	17	2.62	15.25	Selling	1.27	2.14
Alcoa	25	1.11	10.84	Selling	3.06	7.24
Frontier Communications	N/A		7.34	Selling	1.23	4.30
Cash (6-mo. T-Bill)	--	--	--		0.03	--
					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 June 30, 2010*.

	1 mo.	1 yr.	5 yrs.	10 yrs.	20 yrs.	Since 1/79	Std. Dev.
HYD Strategy	-1.79	16.80	1.27	6.19	12.00	15.22	18.15
Russell 1000 Value Index	-5.63	16.93	-1.64	2.37	8.62	11.69	14.97
Dow Jones Industrial Avg.	-3.43	18.95	1.66	1.68	8.86	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.

VERIZON SPINS OFF RURAL ASSETS TO FRONTIER COMMUNICATIONS

In May 2009, Verizon announced that it would spin off part of its business which delivers phone service to mostly rural areas. High Yield Dow investors who held Verizon Communications, Inc. (VZ) as of June 7, 2010 received shares of Frontier Communications Corp. (FTR) on July 1. Verizon shareholders were issued approximately 0.24 shares of Frontier for each share of Verizon held, plus cash in lieu of any fractional shares held. The transaction completed a spinoff announced in May 2009 intended to divest Verizon of it rural phone services assets.

Because FTR is not a component firm in the Dow Jones Industrial Average, the Recommended HYD Portfolio table on page 54 adopts a strategy in which these shares will be sold out incrementally over the next 18 months. However, investors with small positions may wish to liquidate these shares immediately in order to minimize transaction costs.

Verizon first became eligible for purchase in the model in April 2004. For purposes of calculating realized capital gains on shares sold, the acquisition date of the FTR shares will be based on the acquisition date of the VZ shares to which the spun-off shares are attributable. For most investors realized gains or losses will be long-term.

(Continued from page 54)

[1]A US REIT must invest at least 75% of its assets in real estate and derive at least 75% of its income from real estate property or interest on real estate financing. It must also distribute at least 90% of its income to shareholders to maintain tax-advantaged status. This pass-through provision allows REIT investors to have access to the same cash flows as investors in private real estate equity. REIT shareholders, however, generally must pay taxes on income they receive from a REIT.

RECENT MARKET STATISTICS

Precious Metals & Commodity Prices ($)

	7/15/10	Mo. Earlier	Yr. Earlier
Gold, London p.m. fixing	**1,208.00**	1,225.00	938.00
Silver, London Spot Price	**18.42**	18.42	13.27
Copper, COMEX Spot Price	**3.01**	3.01	2.38
Crude Oil, W. Texas Int. Spot	**76.61**	76.93	61.53
Dow Jones Spot Index	**350.80**	350.75	284.26
Dow Jones-UBS Futures Index	**128.92**	128.79	117.49
Reuters-Jefferies CRB Index	**264.21**	263.50	239.71

Interest Rates (%)

U.S. Treasury bills - 91 day	**0.15**	0.09	0.18
182 day	**0.20**	0.16	0.28
52 week	**0.26**	0.29	0.47
U.S. Treasury bonds - 10 year	**3.00**	3.32	3.63
Corporates:			
High Quality - 10+ year	**4.68**	4.99	5.51
Medium Quality - 10+ year	**6.02**	6.37	7.26
Federal Reserve Discount Rate	**0.75**	0.75	0.50
New York Prime Rate	**3.25**	3.25	3.25
Euro Rates 3 month	**0.80**	0.73	0.98
Government bonds - 10 year	**2.59**	2.67	3.30
Swiss Rates - 3 month	**0.12**	0.09	0.37
Government bonds - 10 year	**1.41**	1.53	2.19

Exchange Rates ($)

British Pound	**1.537600**	1.482700	1.643900
Canadian Dollar	**0.961446**	0.972101	0.893495
Euro	**1.289300**	1.232700	1.411600
Japanese Yen	**0.011440**	0.010959	0.010628
South African Rand	**0.132247**	0.132027	0.123051
Swiss Franc	**0.959601**	0.884173	0.930579

Securities Markets

	7/15/10	Mo. Earlier	Yr. Earlier
S & P 500 Stock Composite	**1,096.48**	1,115.23	932.68
Dow Jones Industrial Average	**10,366.72**	10,404.77	8,616.21
Dow Jones Bond Average	**262.13**	253.27	227.59
Nasdaq Composite	**2,249.08**	2,305.88	1,862.90
Financial Times Gold Mines Index	**3,296.16**	3,325.58	2,613.77
FT EMEA (African) Gold Mines	**3,064.40**	3,090.13	2,475.24
FT Asia Pacific Gold Mines	**13,828.26**	13,544.82	10,921.33
FT Americas Gold Mines	**2,830.13**	2,869.50	2,237.58

Coin Prices ($)

	7/15/10	Mo. Earlier	Yr. Earlier	Prem (%)
American Eagle (1.00)	**1,239.93**	1,285.63	956.58	2.64
Austrian 100-Corona (0.9803)	**1,163.93**	1,208.03	898.03	-1.71
British Sovereign (0.2354)	**294.30**	305.10	221.65	3.49
Canadian Maple Leaf (1.00)	**1,236.00**	1,281.60	949.30	2.32
Mexican 50-Peso (1.2057)	**1,434.40**	1,488.70	1,106.80	-1.52
Mexican Ounce (1.00)	**1,210.00**	1,255.10	938.10	0.17
S. African Krugerrand (1.00)	**1,229.88**	1,275.38	945.13	1.81
U.S. Double Eagle-$20 (0.9675)				
St. Gaudens (MS-60)	**1,435.00**	1,460.00	1,157.50	22.78
Liberty (Type I-AU50)	**1,600.00**	1,600.00	1,277.50	36.90
Liberty (Type II-AU50)	**1,487.50**	1,487.50	1,175.00	27.27
Liberty (Type III-AU50)	**1,390.00**	1,410.00	1,125.00	18.93
U.S. Silver Coins ($1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	**12,850.00**	13,087.50	9,550.00	-2.43
40% Silver Circ. (292 oz.)	**5,175.00**	5,362.50	3,862.50	-3.79
Silver Dollars Circ.	**15,850.00**	15,950.00	12,325.00	11.23

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at $1208 per ounce and silver at $18.42 per ounce. The weight in troy ounces of the precious metal in coins is indicated in parentheses.

THE DOW JONES INDUSTRIALS RANKED BY YIELD*

	Ticker Symbol	Market Prices ($) 7/15/10	6/15/10	7/15/09	12-Month ($) High	Low	Latest Dividend Amount ($)	Record Date	Paid	Indicated Annual Dividend ($)	Yield† (%)
Verizon	VZ	26.80	29.11	29.34	34.13	25.99 *L*	0.475	7/09/10	8/2/10	1.900	7.09
AT&T (New)	T	25.00	25.54	23.97	28.73	23.62	0.420	7/09/10	8/2/10	1.680	6.72
Pfizer	PFE	14.87	15.52	15.02	20.36	14.00 *L*	0.180	8/06/10	9/1/10	0.720	4.84
Dupont	DD	37.17	37.86	26.98	41.45	26.90	0.410	5/14/10	6/11/10	1.640	4.41
Merck	MRK	36.49	36.02	27.71	41.56	27.41	0.380	6/15/10	7/8/10	1.520	4.17
Kraft	KFT	29.32	29.71	27.53	31.09	25.72	0.290	6/30/10	7/14/10	1.160	3.96
Chevron	CVX	73.04	75.23	64.57	83.41	64.01	0.720	5/19/10	6/10/10	2.880	3.94
Johnson & Johnson	JNJ	60.26	59.14	58.96	66.20	57.55	0.540	6/01/10	6/15/10	2.160	3.58
Home Depot, Inc.	HD	28.34	32.26	24.08	37.03	23.82	0.236	6/03/10	6/17/10	0.945	3.34
Coca-Cola	KO	52.85	52.18	50.53	59.45	47.42	0.440	6/15/10	7/1/10	1.760	3.33
McDonald's	MCD	71.33	70.40	57.08	71.84	53.88	0.550	6/01/10	6/15/10	2.200	3.08
Procter and Gamble	PG	62.73	61.91	54.65	64.58	39.37	0.482	7/23/10	8/16/10	1.927	3.07
Exxon Mobil	XOM	59.27	62.51	68.44	76.54	55.94 *L*	0.440	5/13/10	6/10/10	1.760	2.97
Intel Corp	INTC	21.51	21.48	18.05	24.37	17.94	0.158	5/07/10	6/1/10	0.630	2.93
Travellers	TRV	50.30	51.23	40.35	54.83	39.97	0.360	6/10/10	6/30/10	1.440	2.86
Caterpillar	CAT	66.51	63.46	33.84	72.83	33.14	0.440	7/20/10	8/20/10	1.760	2.65
General Electric	GE	15.25	15.79	12.24	19.70	11.25	0.100	6/21/10	7/26/10	0.400	2.62
Boeing	BA	64.37	67.48	41.36	76.00	40.78	0.420	8/06/10	9/3/10	1.680	2.61
3M Company	MMM	83.06	79.77	62.00	90.52	61.82	0.525	5/21/10	6/12/10	2.100	2.53
United Tech.	UTX	68.15	68.60	53.75	77.09	51.64	0.425	8/20/10	9/10/10	1.700	2.49
Wal-Mart Stores	WMT	50.41	51.64	48.55	56.27	47.77	0.303	5/14/10	6/1/10	1.210	2.40
Microsoft Corp.	MSFT	25.51	26.58	24.12	31.58	22.73	0.130	8/19/10	9/9/10	0.520	2.04
IBM	IBM	130.72	129.79	107.22	134.25	106.79	0.650	5/10/10	6/10/10	2.600	1.99
American Express	AXP	43.43	41.59	27.22	49.19	26.66	0.180	7/02/10	8/10/10	0.720	1.66
Alcoa	AA	10.84	11.59	10.14	17.60	9.81	0.030	5/07/10	5/25/10	0.120	1.11
Walt Disney	DIS	34.05	34.99	24.08	37.98	24.36	0.350	12/14/09	1/19/10	0.350	1.03
Hewlett-Packard	HPQ	47.42	47.98	38.82	54.75	38.40	0.080	6/16/10	7/7/10	0.320	0.67
J P Morgan	JPM	40.46	38.25	36.26	48.20	35.16	0.050	7/06/10	7/31/10	0.200	0.49
Bank of America	BAC	15.39	15.80	13.42	19.86	11.93	0.010	6/04/10	6/25/10	0.040	0.26
Cisco	CSCO	23.92	23.33	19.81	27.74	19.71	0.000			0.000	0.00

* See the Recommended HYD Portfolio table on page 54 for current recommendations. † Based on indicated dividends and market price as of 7/15/10.
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 7/16/09.

RECOMMENDED INVESTMENT VEHICLES

	Security Symbol	Avg. Market Cap. / Avg. Maturity	No. of Holdings	Expense[7] (%)	Sharpe Ratio	Turnover (%)	P/B	12 Mo. Yield (%)	Total 1 yr.	Total 3 yr.	Total 5 yr.	After Tax* 1 yr.	After Tax* 3 yr.	After Tax* 5 yr.
		Descriptive Quarterly Statistics, as of 6/30/10							Annualized Returns[8] (%), as of 6/30/10					
Short/Intermediate Fixed Income														
Vanguard Short-Term Bond Index	BSV[1]/ VBISX	2.8 Yrs.	1247	0.22	1.79	77	--	2.40	5.31	6.00	4.86	4.41	4.76	3.51
iShares Barclays 1-3 Yr. Credit Bond	CSJ[1]	2.1 Yrs.	640	0.20	0.90	23	--	3.17	6.15	5.26	--	4.95	3.83	--
iShares Barclays 1-3 Year Treasury	SHY[1]	2.0 Yrs.	43	0.15	1.76	62	--	1.28	2.53	4.69	4.13	1.95	3.66	2.95
Vanguard Limited-Term Tax-Exempt	VMLTX	3.0 Yrs.	1344	0.20	1.20	11	--	2.42	4.24	4.39	3.61	4.24	4.39	3.61
SPDR Short-Term Municipal Bond	SHM[1]	3.2 Yrs.	345	0.20		4	--	1.81	3.60	--	--	3.35	--	--
Inflation-Protected Fixed Income														
iShares Barclays TIPS Bond	TIP[1]	9.2 Yrs.	30	0.20	0.72	15	--	3.69	9.36	7.51	4.83	8.07	5.84	3.17
Vanguard Inflation-Protected Securities	VIPSX	9.0 Yrs.	32	0.25	0.68	14	--	2.49	9.51	7.20	4.71	8.54	6.02	3.28
Real Estate														
Vanguard REIT Index	VNQ[1]/ VGSIX[2]	4.7 B.	99	0.26	-0.04	16	1.8	3.29	54.95	-8.41	0.47	53.19	-9.64	-0.82
SPDR Dow Jones REIT	RWR[1]	5.0 B.	83	0.25	-0.09	15	1.8	3.37	55.42	-10.22	-0.37	53.55	-11.52	-1.72
U.S. Large Cap Value														
Vanguard Value Index	VTV[1]/ VIVAX	39.9 B.	422	0.26	-0.54	31	1.7	2.74	15.89	-12.09	-1.32	15.45	-12.48	-1.73
iShares Russell 1000 Value Index	IWD[1]	32.3 B.	675	0.20	-0.54	24	1.6	2.24	16.75	-12.36	-1.73	16.23	-12.71	-2.11
U.S. Small Cap Value														
iShares Russell Microcap Index	IWC[1]	0.3 B.	1308	0.60	-0.39	35	1.5	0.76	20.10	-12.80	--	19.93	-12.93	--
Vanguard Small-Cap Value Index	VBR[1]/ VISVX	1.2 B.	991	0.28	-0.20	33	1.4	1.89	27.26	-8.12	0.25	26.79	-8.56	-0.19
U.S. Large Cap Growth														
iShares Russell 1000 Growth Index	IWF[1]	37.0 B.	625	0.20	-0.30	19	3.5	1.51	13.44	-7.03	0.22	13.12	-7.22	0.04
Vanguard Growth Index	VUG[1]/ VIGRX	36.0 B.	422	0.28	-0.30	29	3.3	1.11	13.40	-6.88	0.27	13.23	-7.03	0.13
U.S. Marketwide														
Vanguard Total Stock Market Index	VTI[1]/ VTSMX	25.3 B.	3390	0.18	-0.40	5	2.1	2.00	15.87	-9.24	-0.28	15.55	-9.51	-0.56
Fidelity Spartan Total Market Index	FSTMX[3]	23.2 B.	3129	0.10	-0.40	7	2.0	1.90	16.06	-9.28	-0.23	15.68	-9.61	-0.54
Foreign- Developed Markets														
iShares MSCI Growth Index	EFG[1]	22.2 B.	603	0.40	-0.44	33	1.9	2.16	8.40	-11.67	--	7.86	-11.91	--
iShares MSCI Value Index	EFV[1]	27.4 B.	514	0.40	-0.52	35	1.1	3.69	3.19	-15.10	--	2.31	-15.62	--
Vanguard Europe Pacific Index	VEA[1]/ VTMGX[4]	28.1 B.	935	0.20	-0.47	9	1.5	2.69	3.74	-13.57	1.04	3.52	-13.77	0.80
Vanguard Developed Markets Index	VDMIX[5]	28.1 B.	969	0.10	-0.48	14	1.5	1.32	4.83	-13.46	0.84	4.58	-13.98	0.31
SPDR S&P International Small Cap	GWX[1]	0.9 B.	612	0.59	-0.32	21	1.1	1.70	15.34	-10.92	--	14.88	-11.31	--
Foreign- Emerging Markets														
Vanguard Emerging Market Index	VWO[1]/ VEIEX[6]	16.3 B.	839	0.40	0.04	12	2.2	1.30	21.18	-3.30	11.62	20.96	-3.68	11.25
Gold-Related Funds														
iShares COMEX Gold Trust	IAU[1]	--	1	0.25	1.03	0.00	--	0.00	33.82	23.84	22.88	33.82	23.84	22.88
streetTRACKS Gold Shares	GLD[1]	--	1	0.40	1.04	0.00	--	0.00	32.61	23.64	22.78	32.61	23.64	22.78

Recommended Gold-Mining Companies ($)

	Ticker Symbol	7/15/10	Month Earlier	Year Earlier	52-Week High	52-Week Low	Distributions Last 12 Months	Distributions Frequency	Yield (%)
Anglogold Ltd., ADR	AU	**41.34**	43.58	37.11	47.52	34.11	0.1716	Semiannual	0.4151
Barrick Gold Corp. †	ABX	**43.07**	42.94	33.94	48.02	32.17	0.3400	Semiannual	0.7894
Gold Fields Ltd.	GFI	**13.44**	13.74	11.82	15.88	10.88	0.1672	Semiannual	1.2440
Goldcorp, Inc. †	GG	**41.33**	43.27	36.01	47.41	32.84	0.1530	Monthly	0.3702
Newmont Mining	NEM	**60.70**	56.33	40.45	63.38	38.53	0.4000	Quarterly	0.6590

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.

Data provided by the funds and Morningstar. [1]Exchange Traded Fund, traded on NYSE. [2]1% fee for redemption in 1 yr. [3]0.5% fee for redemption in 90 days. [4]1% fee for redemption in 5 yrs. [5]2% fee for redemption in 60 days. [6]0.5% fee for purchase and 0.25% fee for redemption. [7]For Vanguard funds, Expense Ratios shown are for Mutual Funds. ETFs have lower expenses. [8]For Vanguard Funds, returns shown are for Mutual Funds; ETFs' returns may deviate * 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.