AIS INVESTMENT GUIDE

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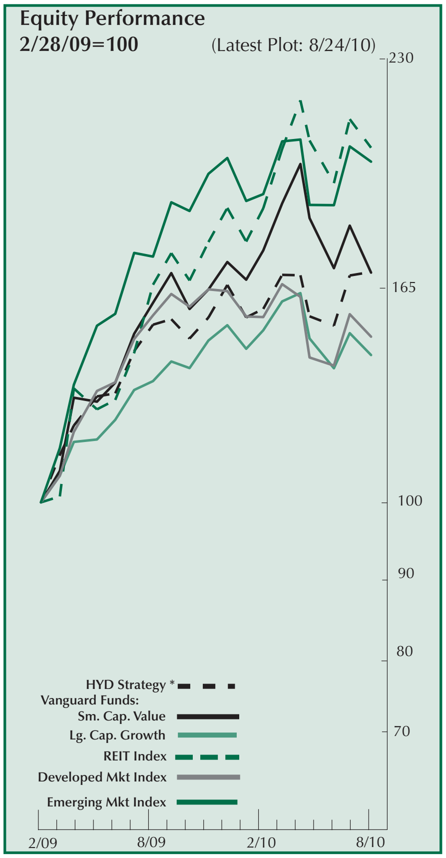

*** HYD is a hypothetical model based on back-tested results. See p.62 for full explanation.**

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

The Search for Income

Record low interest rates have received a great deal of attention in recent weeks. Short term rates are driven by the fed funds target rate, which has remained at or below 0.25 percent since December 2008. On the long end of the yield curve, as August drew to a close the 30 year U.S. Treasury bond was providing a nominal yield of only 3.6 percent, less than half its daily average since early 1977.

Media attention has focused on the Fed, which has explicitly committed to an easy money policy amidst a faltering recovery, and financial institutions, which have been reluctant to extend credit despite abundant liquidity. The plight of businesses, faced with an increasingly tenuous economic recovery and an uncertain future regarding regulation and taxes, has also been well publicized.

The immediate implications of falling interest rates for consumers and investors, however, have received less attention. Though the opportunity for homeowners to refinance their mortgages has been widely covered, the negative impact of low interest rates for individuals, particularly for older investors who rely heavily on fixed income, has by comparison received little attention.

The table below displays recent (annualized) yields provided by several conventional short term fixed income and cash equivalent investments. Annual price inflation (based on the consumer price index, year-over-year) currently stands at 1.21 percent. While this is low by historical standards, the reality for investors is clear: short term fixed income investments are providing negative real returns.

Certificates of Deposit (Vanguard Brokerage Services)			U.S. Treasury Obligations			Money Market Funds[1] (The Vanguard Group)	
3 mo.	6 mo.	1 year	6 mo.	1 year	2 year	Federal	Tax Exempt
0.15	0.20	0.60	0.19	0.25	0.49	0.05	0.15

Source: As of 8/24/2010: The Vanguard Group, Federal Reserve

Even the most conservative investors should have exposure to equities as an alternative source of funds. In order to generate cash to meet living expenses, such investors can sell off a "slice" of their entire portfolio proportionally across asset classes, so that their portfolio's allocation after the sale matches their target allocation plan (see the July 2010 *Investment Guide* for our recommended portfolio allocations). In times such as these, when interest income is scarce and equity markets are volatile, this can result in rapid depletion of capital. In our estimation, however, this strategy is superior to many of the structured products being pushed on unwary investors. Investors should avoid solicitations that offer the quintessential free lunch -- an unlimited "upside" with no risk of loss.

Current monetary and fiscal policies and the present economic environment have effectively forced savers to assume greater risk. In these circumstances it is imperative that conservative investors maximize their diversification within each asset class in order to avoid company specific and industry risks, which do not compensate investors with offsetting positive expected returns. The low-cost mutual funds listed on the back page of this publication are ideal for this purpose.

[1]SEC Yield

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THE SIREN'S CALL OF MORNINGSTAR RATINGS: AVOIDING TEMPTATION

Even with Morningstar's disclosure that its star rating system should not be used as the only determinant for selecting mutual funds, many people do use it as the primary basis for choosing a mutual fund in which to invest. In this piece, we revisit the star rating system and investigate why people are drawn to it, how fund companies exploit it, highlight the pitfalls associated with using it, and explain why passively managed index-type funds may not get a "fair shake" when viewed under the star ratings system construct. This discussion focuses primarily on equity mutual funds.

Background

Morningstar's star rating system has emerged as the *de facto* source most retail investors use when evaluating mutual funds. Under its system, mutual funds are given a rating from one star (worst) to five star (best) based on past performance, adjusted for risk and expenses. Morningstar adjusts each fund's total return by a risk penalty since fund managers who assume more risk should be expected to earn a higher return over time. This risk penalty places an emphasis on downward variations in performance to take into account investors' overall risk aversion, i.e. people are willing to give up some upside in exchange for greater certainty of investment return.

Each month, Morningstar ranks funds relative to their category (there are 30 equity categories) taking into account three year, five year and ten year adjusted performance. Funds with less than three years history are not rated.

Every fund is given a star rating for each applicable time period as well as an "overall" rating. Since the three year time period is included in all measured time periods, the weighting of returns for periods over three years is based heavily on recent results, as seen in Table 1.

TABLE 1: OVERWEIGHTING THE "HOT HAND"	
Age of Fund	**Overall Rating**
At least three years, but less than five	**100% three-year rating**
At least five years, but less than ten	**60% five-year rating** **40% three-year rating**
At least ten years	**50% ten-year rating** **30% five-year rating** **20% three-year rating**
Source: Morningstar	

For example, the overall rating for a fund that has been in existence for five years is calculated by using 60 percent of the five year rating and 40 percent of the three year rating. However, since the three year time period already makes up three-fifths (60 percent) of the five year rating, the "five year" rating has 76 percent of its weight derived from its adjusted performance over the past three years (0.60*0.60+0.40 =0.76). Applying the same math to the 10 year rating, we see an impact of 58 percent for the most recent three year performance (0.50*0.30+0.76*0.30+0.20*1=0.58).

Based on this adjusted performance measure, stars are then distributed to the funds in each category according to a normal distribution, as shown in Chart 1.

It is important to highlight that funds are rated relative to their category. This means that 10 percent of all funds in a category will be rated five stars each month, even if performance for all of the funds in that group is negative. In that case, the five star rating would only serve to identify those funds that lost less than their category average.

The Siren's Call

Research has shown that star rating changes, *in and of themselves*, can lead to abnormal inflows and outflows of money for the mutual funds affected. Mutual funds that experienced a decrease in star rating saw abnormal outflows of capital while an increase to the star rating resulted in abnormally large inflows of capital for those funds.[1] Why are investors drawn to this system in such a way that they focus on it while excluding other forms of analysis?

Ease of Use: People are drawn to the simplicity of the system. You see the rating and think that you "instantly" know the answer. It appears to boil down a complicated and confusing maze of numbers and issues and provides a single, actionable take-away. The fact that an actual "star" is used as the representative symbol tricks us into thinking that the rating system will be as effective in identifying good mutual fund investments in the same way that similar systems might rate hotels and restaurants.

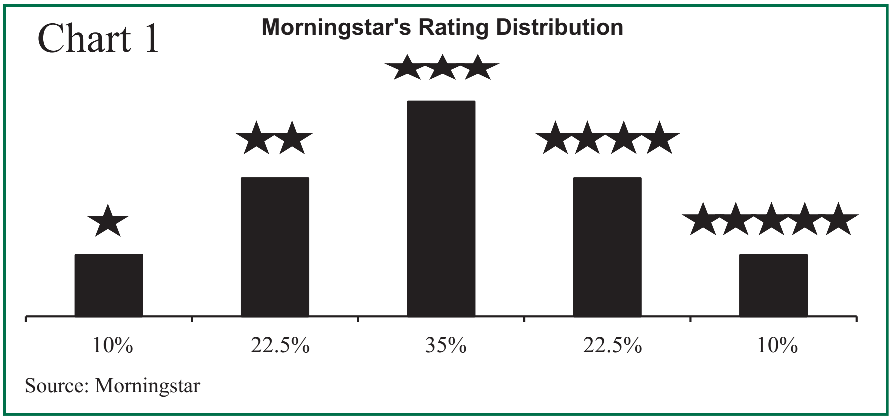
Herd Mentality: People don't like to miss out on a perceived good thing. If friends, neighbors, TV commentators, etc. are talking about five star funds, people want to feel included. The fear of "looking stupid" for not participating drives many people into such funds. It is a similar fear that keeps people from buying a one or two star rated fund. It's more difficult to answer the question of why you bought a two star fund instead of a five star fund in the same category.

Shift of Responsibility: When somebody buys a five star rated fund, they may not feel as bad when it underperforms because "It's not my fault" that it didn't do well since it came with the five star "stamp of approval." The star rating system gives people the reassurance they may be unwittingly seeking when faced with tough investment decisions.

The problem with the factors described above is that while they may fulfill an emotional facet of our psyche, they can be (usually are) at odds with the cold sensibilities needed to create the best portfolio to help you reach your own financial goals. If you look to fund companies to steer you away from these forces, think again. Many exploit the ratings system and its effect on people to boost assets, sometimes at the expense of the very investors that are piling into and out of them.

(continued)

[1]Diane Del Guercia & Paula A. Tkac, 2001. "Star power: the effect of Morningstar ratings on mutual fund flows," Working Paper 2001-15, Federal Reserve Bank of Atlanta.
[2]Robert Huebscher, December 8, 2009. "Morningstar Ratings Fail over a Full Market Cycle" Advisor Perspectives
[3]Christopher B. Philips, CFA & Francis M. Kinniry Jr., CFA. February 2010. "Mutual fund ratings and future performance". Vanguard Research



Giving People What They Want

Morningstar is clear in its disclosure that investors should not use the ratings system alone in making investment decisions. The fact that many investors continue to do so, however, does not hurt Morningstar's business model. It makes the ratings system relevant, and perhaps more importantly, increases demand. Mutual fund companies are aware of the importance of having four and five star rated funds and market their products accordingly. There is no penalty assessed in the ratings system for mutual fund companies that close funds, merge funds, change styles, etc. in order to boost star ratings. Some mutual fund companies offer funds in a multitude of different style and categories that fit into Morningstar's peer groups. They aggressively market the funds with four and five star rankings. When those rankings fall, as they inevitably do, they move on to the next group of funds that have benefitted from good short-term performance.

Some other tricks of the trade include only marketing those time periods that have good ratings and not the overall rating of the fund. A fund may be rated three stars overall but may have a four star, three year ranking. Advertising literature for that fund may promote the four star rating without mention of the three star overall rating. In the heyday of the 1990s, funds would advertise both ratings and performance figures. But during prolonged downturns fund companies have provided star ratings without any numbers. Why? Because 10 percent of all funds are guaranteed to receive the coveted five star rating even when their total returns are negative.

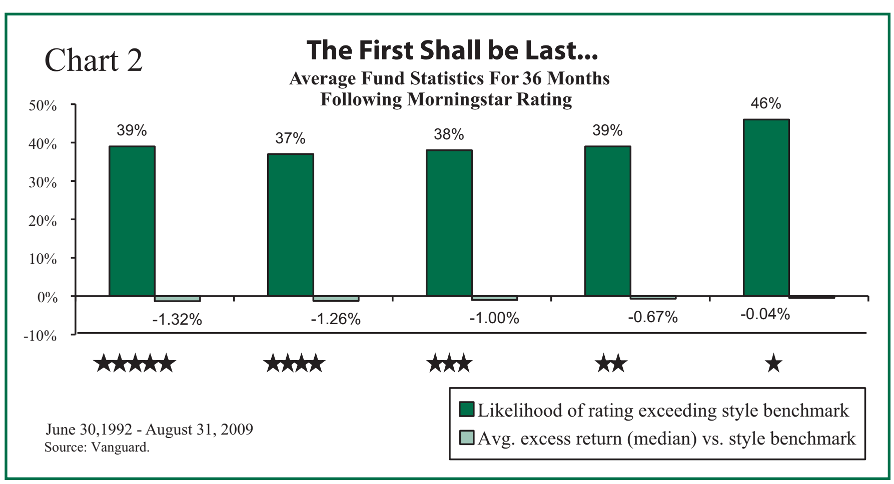
Pitfalls

The problems associated with using the star ranking system exclusively in selecting mutual funds are multifold. One glaring problem is that the ratings system turns out to be a poor predictor of a funds future performance. While some earlier studies indicated that star rankings were decent at forecasting future results, updated figures reflecting a full market cycle tell a different story.[2] In fact, one study showed that the probability of returns exceeding style benchmarks for the three-year period following the rating was higher for one star funds than five star funds (see Chart 2).[3]

Additionally, most mutual funds do not hold on to their ratings for extended periods of time. In fact, less than half of 5-star funds maintained that rating for at least 12 months. This means that an investor seeking to purchase only five star funds will likely have higher turnover due to selling downgraded funds and buying upgraded funds. This process serves to increase costs while reducing performance (see Chart 3).

Not only do star ratings change frequently, there have been instances where two funds with identical holdings have been given different star ratings. At the end of 2003, the DFA US Large Cap Value Portfolio was given a three star rating by Morningstar, while the US Large Cap Value III Portfolio was only rated two stars. The surprising part is that these two funds are part of DFA's US Large Cap Value Series and hold identical portfolios. The difference in ratings stemmed from the fact that the Large Cap Value Portfolio had a slightly longer track record which enabled the 10-year history to be included in the results, which in turn led to the differences in star ratings.

Another issue relates to the style rankings that Morningstar uses to classify the different segments of the equity market. The nine segments that make up Morningstar's Style Box do not capture the metrics of modern portfolio theory. We define true *asset classes* by their exposure to unique forms of risk. In this vein we have identified large cap value, large cap growth and small cap stocks as the proper domestic equity asset classes that offer favorable risk return characteristics. Morningstar includes a "mid-cap" style as well as "blend" which increases the domestic equity landscape beyond three legitimate asset classes, to nine loosely defined segments. The nine Morningstar segments include: small cap value, small cap blend, small cap growth, mid-cap value, mid-cap blend, mid-cap growth, large cap value, large cap blend and large cap growth. An individual investing across all nine Morningstar segments may believe that his domestic equity allocation is properly diversified. However, this may not be the case if the actual investments underlying his funds are concentrated in certain industries or subsectors, and do not properly capture the risk/return profile of the overall equity market.

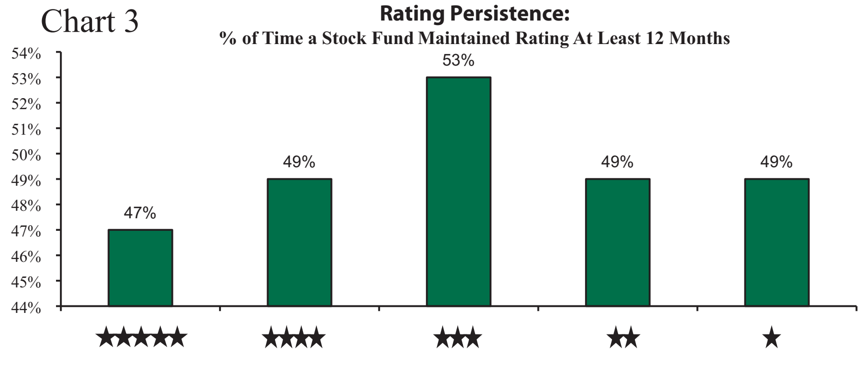


Passive Funds Need Not Apply

Under the current Morningstar rating methodology, passively managed index-type funds are generally relegated to the purgatory of the "average" three star status. While they may move from two stars to four stars, they generally hover at the three star level. This is due to the framework by which Morningstar rates funds and is not a testament to the quality or wisdom of investing in passively managed index-type funds. To the contrary, it has been very hard for active managers to consistently beat passive strategies over time.

By definition, index funds provide the representative average which active managers strive to outperform. Because the Morningstar system favors recent performance over long term performance and "grades" around a forced normal distribution at all times, the system will identify recent high flyers and poor performers but will generally overlook steady players who have performed well consistently but without having "shot the lights out." A key factor to keep in mind is that recent high flyers change on a regular basis. While there will always be five star funds in a certain category, the same ones are unlikely to maintain this rating one year into the future, let alone three to five years from now.

Chart 3



Source: Vanguard.

Conclusion

Overall, Morningstar provides many valuable services to investors and advisors in the form of information and data. We use Morningstar's analytics to compare passively managed index type funds and gather relevant market data. The issues associated with the Morningstar star rating system, however, stem primarily from the inherent premise that good active managers can be identified in the first place, and that past performance can be used as a means of finding them. The system appeals to certain emotional aspects of human nature, and the forced distribution curve guarantees that a number of funds will emerge as "the best" (and worst) each and every month. Further investigation reveals what we already knew – active managers rarely outperform over the long term and the star ratings have little predictive value.

Relying on the star rating system to choose funds is just another method of performance chasing, or "skating to where the puck was". At AIS, our asset class allocations and investment vehicle recommendations are based on decades of research using a scientific, unbiased and disciplined methodology. While our strategy may not generate the kind of short-term excitement that a new five star rating brings, the data continue to support our approach. The most effective way to achieve your financial goals remains the use of a disciplined, diversified and low cost strategy for portfolio allocation and construction.

HOW TO START A HIGH YIELD DOW PORTFOLIO

Subscribers contact us from time to time to ask how to establish and maintain a high-yield Dow portfolio that follows our 4-for-18 strategy. Though the table on page 62 provides monthly updates to our percentage allocations, here we hope to provide clarification regarding how to get started.

Refresher: The HYD Strategy

For most investors seeking exposure to U.S. large-capitalization value stocks, we recommend the two large-cap value mutual funds listed on the back page. However, investors who have more than $100,000 to dedicate to this asset class might instead consider our high-yield Dow (HYD) investment strategy. This is the minimum we estimate that is necessary to ensure that trading costs are reasonable relative to the value of the portfolio.

The HYD model itself was established by incrementally "investing" a hypothetical sum of $1 million over 18 months. Specifically, one eighteenth of $1 million was invested equally in the four highest-yielding issues of the Dow Jones Industrial Average each month beginning in July 1962. Once fully invested (January 1964) the model began a regular monthly process of considering for sale only those shares purchased 18 months earlier, and replacing them with the shares of the four highest-yielding shares at that time. The model each month thus mechanically purchases shares that are relatively low in price (with a high dividend yield) and sells shares that are relatively high in price (with a low dividend yield), all the while garnering a relatively high level of dividend income.[1]

Because these purchases were "phased in" over 18 months as described, the model has always held more than just four stocks.

Tax-Deferred HYD Accounts

Investors can establish a portfolio that matches the holdings in the HYD model portfolio immediately. *It is not necessary to invest incrementally in the model over 18 months*. Investors with tax-deferred accounts such as IRAs can establish an HYD account by simply matching the percentage allocations presented in the table on page 62. The *– Percent of Portfolio – Value* column provides the percentage of the entire portfolio's value to be invested in each

[1]The model also makes (very small) monthly "re-balancing" trades, as required, in order to add to positions that have lagged the entire portfolio and sell positions that have done better.

[2]In this case the investor might decide to forego Frontier Communications depending on commissions paid, since it would call for an investment of only $1,230. Actual dollars invested in each position would be net of commissions paid.

[3]Model share prices are those at the market close on the 15th of each month (or the close of the previous trading day if the 15th falls on a day when the markets are closed).

stock. For example, an investor who has allocated $100,000 of his IRA account to large cap value stocks would, on August 16, invest 22.70 percent of that amount ($22,700) in Verizon, 23.39 percent ($23,390) in AT&T, and so on, until he has purchased *all eight stocks* listed, in each case matching the percentage allocations listed.[2]

Investors might ask why the model directs them to purchase shares that are no longer among the four highest yielding. After all, it is fairly certain that the model will direct him to sell some of these shares as early as the following month. But in fact investors starting new tax-deferred HYD accounts can, on average, still expect to benefit from holding these soon-to-be-sold shares. Though each month the model considers for purchase only those shares in the top four, it stipulates for those positions a minimum holding period of 18 months regardless of their relative yield (i.e. even if their share price rises sharply and their yield falls). The model in effect applies a decision rule that asserts that on average, any particular position in a stock purchased has "run its course" in terms of providing optimal returns – that is, it is eligible for sale – only after its dividend yield is not ranked among the four highest in the Dow *and* it has been in the model (regardless of when the investor purchased the shares) for a full 18 months.

The HYD Model: Only a Guide

The accompanying article describes how to acquire a portfolio that matches our 4-for-18 HYD model very closely. It will not match exactly, because readers obtain our HYD table only after the 15th of each month, when prices have changed. An actual portfolio will therefore provide returns that will be higher or lower than those of the model, depending on the extent of these variations in holdings.

Investors should not be overly concerned about these deviations. In fact our "buy the top 4 and hold for 18 month" decision rule was selected (based on historical hypothetical returns and volatility) from over 1,000 possible combinations of the number of stocks that might be held (between one and 30) and length of holding period (between one to 36 months). While the "optimal" combination for any investment horizon cannot be known in advance, we are confident that the 4-for-18 will provide risk-adjusted returns that will be among the best.

Taxable HYD Accounts

Investors with taxable accounts who are also in relatively high marginal income-tax brackets may wish to employ a more patient strategy. Realized gains on securities held for less than 12 months are taxable as ordinary income at a combined state and federal rates that can reach 40 percent. Investors in these circumstances should consider building an HYD portfolio gradually, over several months. This too can be done in a formulaic manner, but in this case investors should proceed by purchasing only those shares ranked among the top four each month.

Consider an investor with a $100,000 taxable HYD account. This month he would earmark 22.70 percent of the total dollar value of the account ($22,700) to invest in Verizon, 23.39 percent ($23,390) in AT&T, 8.60 percent ($8,600) in Pfizer, and 16.39 percent ($16,390) in Merck. The remainder of the portfolio ($28,920) will be held as cash. Next month, immediately following the 15^{th} of September, the investor should again simply match the revised percentages, *but only for the four highest yielding shares listed*. This will employ a portion of his remaining cash because no sales will take place and the model will direct him to either to buy more of the four stocks he already owns (specifically, these are shares that will be among the top four in September but were not ranked among the top 18 months earlier), or introduce shares of a "new" firm that never appeared among the top four during the previous 18 months.

By proceeding in this manner each month, the investor's cash will be drawn down and his portfolio will gradually come to resemble the model. Sales should be conducted only when the portfolio's percentage allocations suggest selling in order to match the model, and only when those shares have been held for at least twelve months.

Staying With the Model

Once an investor has established a fully invested HYD portfolio, whether in a taxable or tax-deferred account, keeping up with the model's changes from month to month is simply a matter of executing monthly trades, as necessary, to match the – *Percent of Portfolio – Value* column for all the stocks listed. These transactions will correspond to the actions indicated in the table ("buying", "selling" or "holding").

This process will result in a portfolio that will follow the model very closely, but not exactly. The extent to which an actual portfolio's holdings will vary from those in the model will depend on the difference between share prices "executed" by the model[3] and prices executed by the investor. In order to minimize this tracking error we post these allocations in the "subscriber only" section of our web site as soon as possible on the first trading day following the 15^{th}.

Because some subscribers may not have access to our web site, we provide the – *Percent of Portfolio – No. Shares* column (versus the *Value* column) as an alternative. An investor who wants to minimize his tracking error can determine how many shares of each position to hold by dividing the number of shares they hold in each stock by the number of the number of shares held (all companies combined) in his entire HYD portfolio. He can then buy or sell shares as necessary in order to match the resulting percentages calculated with those listed in the – *Percent of Portfolio – No. Shares* column.

A Simpler Solution

Many investors turn to us to establish and maintain an HYD portfolio on their behalf through our High Yield Dow investment service. These portfolios are held in individually owned brokerage accounts. AIS has limited power of attorney to trade in these accounts on our investors' behalf, and our advisory fee is structured to be competitive with those charged by passively managed mutual funds. For more information contact us at (413) 528-1216, or visit our website at www.americaninvestment.com/asset-management/high-yield-dow

THE HIGH-YIELD DOW INVESTMENT STRATEGY

Recommended HYD Portfolio

As of August 13, 2010

	Rank	*Yield*	*Price*	*Status*	*—-Percent of Portfolio-—* Value	*No. Shares*[1]
Verizon	1	6.33	30.03	Buying	22.70	20.93
AT&T	2	6.29	26.72	Holding**	23.39	24.25
Pfizer	3	4.48	16.08	Buying	8.60	14.81
Merck	4	4.34	35.00	Buying	16.39	12.97
Dupont	5	4.07	40.32	Selling	23.33	16.03
Kraft	6	3.93	29.50	Holding	2.84	2.67
Alcoa	25	1.13	10.64	Selling	1.54	4.02
Frontier Communications	N/A		7.60	Selling	1.19	4.34
Cash (6-mo. T-Bill)	--	--	--		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)

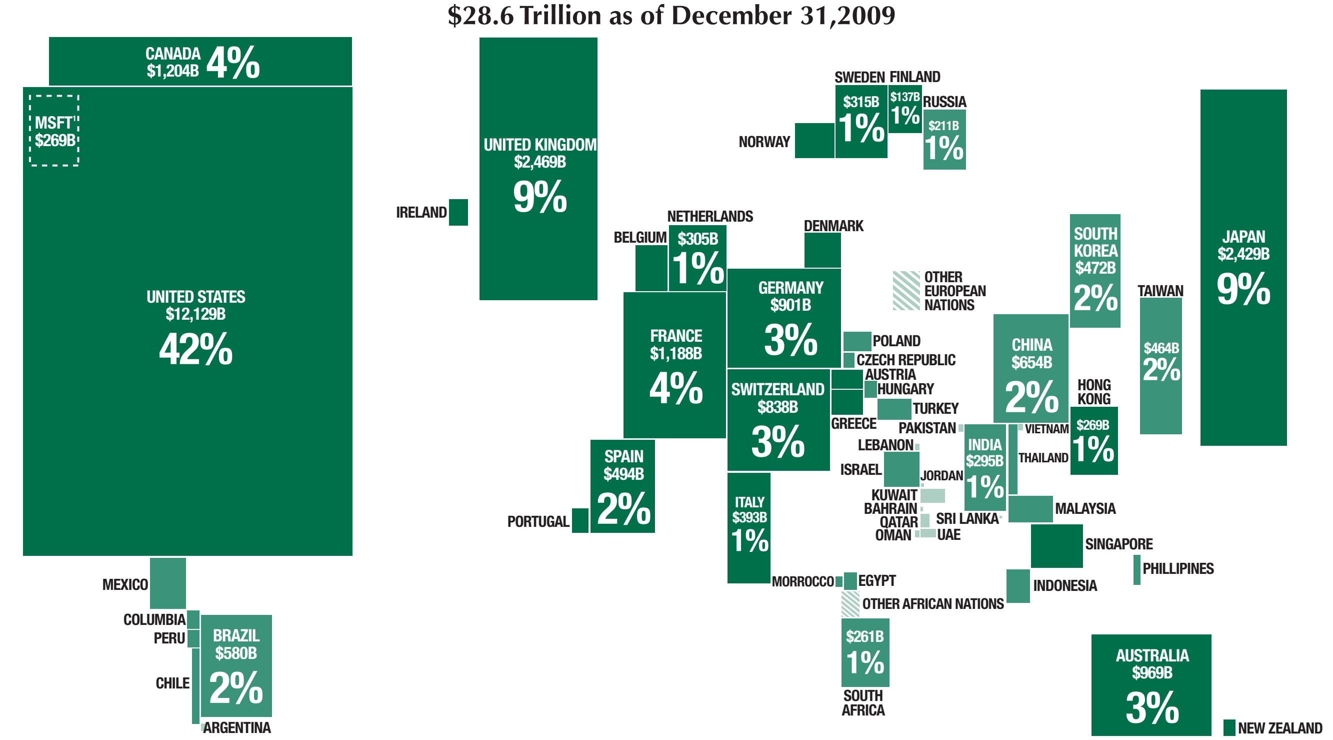
The total returns presented in the table below represent changes in the value of a hypothetical HYD portfolio with a beginning date of January 1979 (the longest period for which data was available for the HYD model and relevant indexes) through July 31, 2010*.

	1 mo.	*1 yr.*	*5 yrs.*	*10 yrs.*	*20 yrs.*	*Since 1/79*	*Std. Dev.*
HYD Strategy	9.74	17.15	2.69	6.85	12.39	15.52	18.19
Russell 1000 Value Index	6.77	15.40	-0.91	2.92	9.02	11.88	14.98
Dow Jones Industrial Avg.	7.23	17.28	2.34	2.31	9.19	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.

WORLD MARKET CAPITALIZATION

$28.6 Trillion as of December 31,2009



MSCI Index Affiliation. Dark Green: Developed markets, Green: Emerging Markets, Lt. Green: Frontier Markets. In US dollars. Map reflects countries in the MSCI All Country World IMI Index and MSCI Frontier Markets Index. Market Cap data is free-float adjusted. MSCI data copyright MSCI 2009, all rights reserved. Vietnam data provided by MFMI. Many small nations not displayed. Totals may not equal 100% due to rounding. For educational purposes, should not be construed as investment advice. 1. An example large cap stock provided for comparison.

RECENT MARKET STATISTICS

Precious Metals & Commodity Prices ($)

	8/13/10	Mo. Earlier	Yr. Earlier
Gold, London p.m. fixing	**1,214.25**	1,208.00	953.60
Silver, London Spot Price	**18.06**	18.42	14.98
Copper, COMEX Spot Price	**3.25**	3.01	2.83
Crude Oil, W. Texas Int. Spot	**75.38**	76.61	67.50
Dow Jones Spot Index	**366.43**	350.80	317.67
Dow Jones-UBS Futures Index	**132.76**	128.92	127.51
Reuters-Jefferies CRB Index	**268.79**	264.21	257.75

Interest Rates (%)

U.S. Treasury bills - 91 day	**0.15**	0.15	0.18
182 day	**0.19**	0.20	0.27
52 week	**0.24**	0.26	0.44
U.S. Treasury bonds - 10 year	**2.76**	3.00	3.67
Corporates:			
High Quality - 10+ year	**4.60**	4.68	5.34
Medium Quality - 10+ year	**5.78**	6.02	6.62
Federal Reserve Discount Rate	**0.75**	0.75	0.50
New York Prime Rate	**3.25**	3.25	3.25
Euro Rates 3 month	**0.90**	0.80	0.88
Government bonds - 10 year	**2.43**	2.59	3.48
Swiss Rates - 3 month	**0.17**	0.12	0.35
Government bonds - 10 year	**1.27**	1.41	1.99

Exchange Rates ($)

British Pound	**1.558000**	1.537600	1.352900
Canadian Dollar	**0.961538**	0.961446	0.911328
Euro	**1.276700**	1.289300	1.421600
Japanese Yen	**0.011601**	0.011440	0.010566
South African Rand	**0.136799**	0.132247	0.124037
Swiss Franc	**0.950029**	0.959601	0.932923

Securities Markets

	8/13/10	Mo. Earlier	Yr. Earlier
S & P 500 Stock Composite	**1,079.25**	1,096.48	1,004.09
Dow Jones Industrial Average	**10,303.15**	10,366.72	9,321.40
Dow Jones Bond Average	**267.82**	262.13	238.15
Nasdaq Composite	**2,173.48**	2,249.08	1,985.52
Financial Times Gold Mines Index	**3,277.08**	3,296.16	2,648.94
FT EMEA (African) Gold Mines	**3,021.84**	3,064.40	2,524.84
FT Asia Pacific Gold Mines	**14,132.86**	13,828.26	10,769.00
FT Americas Gold Mines	**2,807.68**	2,830.13	2,274.49

Coin Prices ($)

	8/13/10	Mo. Earlier	Yr. Earlier	Prem (%)
American Eagle (1.00)	**1,237.63**	1,239.93	977.58	1.93
Austrian 100-Corona (0.9803)	**1,161.72**	1,163.93	918.33	-2.40
British Sovereign (0.2354)	**293.80**	294.30	226.65	2.79
Canadian Maple Leaf (1.00)	**1,233.70**	1,236.00	971.90	1.60
Mexican 50-Peso (1.2057)	**1,431.70**	1,434.40	1,131.90	-2.21
Mexican Ounce (1.00)	**1,227.57**	1,210.00	958.90	1.10
S. African Krugerrand (1.00)	**1,227.57**	1,229.88	966.92	1.10
U.S. Double Eagle-$20 (0.9675)				
St. Gaudens (MS-60)	**1,405.00**	1,435.00	1,265.00	19.60
Liberty (Type I-AU50)	**1,600.00**	1,600.00	1,277.50	36.19
Liberty (Type II-AU50)	**1,487.50**	1,487.50	1,225.00	26.62
Liberty (Type III-AU50)	**1,360.00**	1,390.00	1,197.50	15.77
U.S. Silver Coins ($1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	**12,937.50**	12,850.00	10,275.00	0.19
40% Silver Circ. (292 oz.)	**5,275.00**	5,175.00	4,125.00	0.03
Silver Dollars Circ.	**15,875.00**	15,850.00	12,675.00	13.63

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at $1214.25 per ounce and silver at $18.06 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 ($) 8/13/10	7/15/10	8/14/09	12-Month ($) High	Low	Latest Dividend Amount ($)	Record Date	Paid	Indicated Annual Dividend ($)	Yield† (%)
Verizon	VZ	30.03	26.80	31.08	34.13	25.99	0.475	7/09/10	8/2/10	1.900	6.33
AT&T (New)	T	26.72	25.00	25.45	28.73	23.78	0.420	7/09/10	8/2/10	1.680	6.29
Pfizer	PFE	16.08	14.87	15.77	20.36	14.00	0.180	8/06/10	9/1/10	0.720	4.48
Merck	MRK	35.00	36.49	30.98	41.56	29.94	0.380	9/15/10	10/7/10	1.520	4.34
Dupont	DD	40.32	37.17	32.36	42.66 *H*	30.06	0.410	8/13/10	9/10/10	1.640	4.07
Kraft	KFT	29.50	29.32	28.10	31.09	25.72	0.290	6/30/10	7/14/10	1.160	3.93
Chevron	CVX	77.40	73.04	68.63	83.41	66.06	0.720	8/19/10	9/10/10	2.880	3.72
Johnson & Johnson	JNJ	58.15	60.26	60.08	66.20	56.86 *L*	0.540	8/31/10	9/14/10	2.160	3.71
Home Depot, Inc.	HD	27.31	28.34	27.14	37.03	24.47	0.236	6/03/10	6/17/10	0.945	3.46
Intel Corp	INTC	19.15	21.51	18.77	24.37	18.31	0.158	8/07/10	9/1/10	0.630	3.29
Procter and Gamble	PG	59.82	62.73	52.37	64.58	39.37	0.482	7/23/10	8/16/10	1.927	3.22
Coca-Cola	KO	55.73	52.85	48.47	59.45	48.12	0.440	9/15/10	10/1/10	1.760	3.16
General Electric	GE	15.38	15.25	13.92	19.70	13.03	0.120	9/20/10	10/25/10	0.480	3.12
McDonald's	MCD	71.89	71.33	55.27	73.34 *H*	53.88	0.550	9/01/10	9/16/10	2.200	3.06
Exxon Mobil	XOM	59.91	59.27	68.21	76.54	55.94	0.440	8/13/10	9/10/10	1.760	2.94
Travellers	TRV	50.14	50.30	47.25	54.83	46.39	0.360	9/10/10	9/30/10	1.440	2.87
Boeing	BA	64.84	64.37	44.87	76.00	43.10	0.420	8/06/10	9/3/10	1.680	2.59
Caterpillar	CAT	68.01	66.51	46.00	72.83	43.19	0.440	7/20/10	8/20/10	1.760	2.59
3M Company	MMM	84.01	83.06	71.32	90.52	67.98	0.525	8/20/10	9/12/10	2.100	2.50
United Tech.	UTX	70.70	68.15	57.21	77.09	55.55	0.425	8/20/10	9/10/10	1.700	2.40
Wal-Mart Stores	WMT	50.40	50.41	51.79	56.27	47.77	0.303	8/13/10	9/7/10	1.210	2.40
Microsoft Corp.	MSFT	24.40	25.51	23.69	31.58	22.73	0.130	8/19/10	9/9/10	0.520	2.13
IBM	IBM	127.87	130.72	118.57	134.25	115.15	0.650	8/10/10	9/10/10	2.600	2.03
American Express	AXP	41.73	43.43	31.72	49.19	30.09	0.180	7/02/10	8/10/10	0.720	1.73
Alcoa	AA	10.64	10.84	13.27	17.60	9.81	0.030	8/06/10	8/25/10	0.120	1.13
Walt Disney	DIS	33.68	34.05	25.86	37.98	24.89	0.350	12/14/09	1/19/10	0.350	1.04
Hewlett-Packard	HPQ	40.45	47.42	44.09	54.75	39.95	0.080	9/15/10	10/6/10	0.320	0.79
J P Morgan	JPM	37.50	40.46	42.45	48.20	35.16	0.050	7/06/10	7/31/10	0.200	0.53
Bank of America	BAC	13.23	15.39	17.39	19.86	13.02	0.010	9/03/10	9/24/10	0.040	0.30
Cisco	CSCO	21.36	23.92	21.31	27.74	20.68	0.000			0.000	0.00

* See the Recommended HYD Portfolio table on page 62 for current recommendations. † Based on indicated dividends and market price as of 8/13/10.
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 8/16/09.

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 7/31/10*					
Short/Intermediate Fixed Income														
Vanguard Short-Term Bond Index	BSV[1]/ VBISX	2.8 Yrs.	1247	0.22	1.79	77	--	2.40	5.24	5.95	5.12	4.35	4.73	3.77
iShares Barclays 1-3 Yr. Credit Bond	CSJ[1]	2.1 Yrs.	640	0.20	0.90	23	--	3.17	5.74	5.36	--	4.59	3.95	--
iShares Barclays 1-3 Year Treasury	SHY[1]	2.0 Yrs.	43	0.15	1.76	62	--	1.28	2.66	4.46	4.25	2.10	3.46	3.08
Vanguard Limited-Term Tax-Exempt	VMLTX	3.0 Yrs.	1344	0.20	1.20	11	--	2.42	4.02	4.51	3.85	4.02	4.51	3.85
SPDR Short-Term Municipal Bond	SHM[1]	3.2 Yrs.	345	0.20		4	--	1.81	3.46	--	--	3.16	--	--
Inflation-Protected Fixed Income														
iShares Barclays TIPS Bond	TIP[1]	9.2 Yrs.	30	0.20	0.72	15	--	3.69	9.36	6.74	5.30	8.09	5.12	3.66
Vanguard Inflation-Protected Securities	VIPSX	9.0 Yrs.	32	0.25	0.68	14	--	2.49	9.33	6.38	5.11	8.36	5.21	3.68
Real Estate														
Vanguard REIT Index	VNQ[1]/ VGSIX[2]	4.7 B.	99	0.26	-0.04	16	1.8	3.29	53.67	-2.95	0.98	51.93	-4.25	-0.31
SPDR Dow Jones REIT	RWR[1]	5.0 B	83	0.25	-0.09	15	1.8	3.37	54.65	-4.80	0.04	52.79	-6.17	-1.31
U.S. Large Cap Value														
Vanguard Value Index	VTV[1]/ VIVAX	39.9 B.	422	0.26	-0.54	31	1.7	2.74	14.28	-8.83	-0.65	13.85	-9.23	-1.06
iShares Russell 1000 Value Index	IWD[1]	32.3 B	675	0.20	-0.54	24	1.6	2.24	15.19	-9.01	-1.01	14.58	-9.44	-1.43
U.S. Small Cap Value														
iShares Russell Microcap Index	IWC[1]	0.3 B.	1308	0.60	-0.39	35	1.5	0.76	15.57	-8.93	--	15.35	-9.09	--
Vanguard Small-Cap Value Index	VBR[1]/ VISVX	1.2 B.	991	0.28	-0.20	33	1.4	1.89	23.57	-3.52	0.58	23.12	-3.98	0.13
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	13.45	-4.38	0.64	13.04	-4.63	0.43
Vanguard Growth Index	VUG[1]/ VIGRX	36.0 B.	422	0.28	-0.30	29	3.3	1.11	13.77	-4.12	0.80	13.59	-4.27	0.66
U.S. Marketwide														
Vanguard Total Stock Market Index	VTI[1]/ VTSMX	25.3 B.	3390	0.18	-0.40	5	2.1	2.00	14.98	-6.09	0.27	14.66	-6.37	-0.01
Fidelity Spartan Total Market Index	FSTMX[3]	23.2 B.	3129	0.10	-0.40	7	2.0	1.90	15.06	-6.14	0.30	na	na	na
Foreign- Developed Markets														
iShares MSCI Growth Index	EFG[1]	22.2 B.	603	0.40	-0.44	33	1.9	2.16	8.06	-9.05	--	7.52	-9.30	--
iShares MSCI Value Index	EFV[1]	27.4 B.	514	0.40	-0.52	35	1.1	3.69	4.15	-11.55	--	3.26	-12.09	--
Vanguard Europe Pacific Index	VEA[1]/ VTMGX[4]	28.1 B.	935	0.20	-0.47	9	1.5	2.69	4.93	-9.91	2.47	4.71	-10.12	2.24
Vanguard Developed Markets Index	VDMIX[5]	28.1 B.	969	0.10	-0.48	14	1.5	1.32	6.14	-9.80	2.29	5.88	-10.34	1.74
SPDR S&P International Small Cap	GWX[1]	0.9 B	612	0.59	-0.32	21	1.1	1.70	15.68	-9.11	--	15.22	-9.51	--
Foreign- Emerging Markets														
Vanguard Emerging Market Index	VWO[1]/ VEIEX[6]	16.3 B.	839	0.40	0.04	12	2.2	1.30	18.68	-1.79	12.11	18.46	-2.18	11.74
Gold-Related Funds														
iShares COMEX Gold Trust	IAU[1]	--	1	0.25	1.03	0.00	--	0.00	23.41	20.53	21.93	23.41	20.53	21.93
streetTRACKS Gold Shares	GLD[1]	--	1	0.40	1.04	0.00	--	0.00	24.01	20.18	21.72	24.01	20.18	21.72

Recommended Gold-Mining Companies ($)

	Ticker Symbol	8/13/10	Month Earlier	Year Earlier	52-Week High	52-Week Low	Distributions Last 12 Months	Distributions Frequency	Yield (%)
Anglogold Ltd., ADR	AU	**42.91**	41.34	37.76	47.52	34.11	0.1852	Semiannual	0.4316
Barrick Gold Corp. †	ABX	**42.92**	43.07	33.92	48.02	32.17	0.2720	Semiannual	0.6337
Gold Fields Ltd.	GFI	**13.96**	13.44	12.32	15.88	10.88	0.1610	Semiannual	1.1533
Goldcorp, Inc. †	GG	**39.66**	41.33	35.36	47.41	32.84	0.1530	Monthly	0.3858
Newmont Mining	NEM	**56.72**	60.70	40.63	63.38	38.53	0.4500	Quarterly	0.7934

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.