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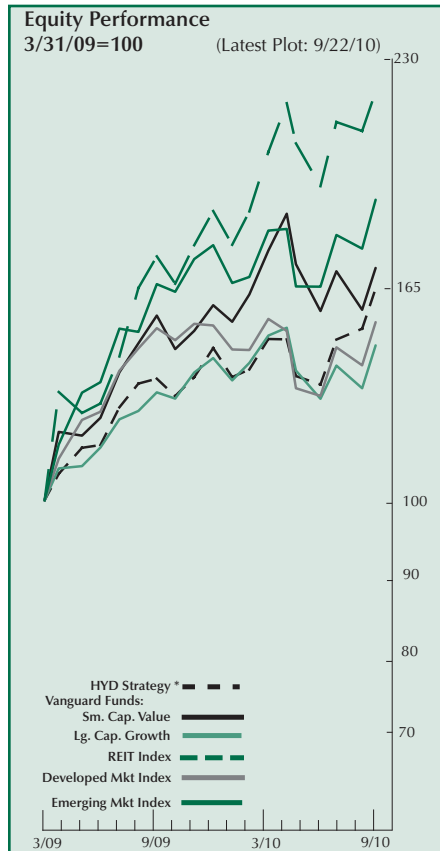
INVESTMENT GUIDE

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* HYD is a hypothetical model based on back-tested results. See p.70 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 Investor Uncertainty Act of 2010

Despite growing investor anxiety regarding substantial tax increases slated to take effect January 1, Congress remains mired in pre-election ideological squabbling and has decided ... to do nothing. Though the clock has not yet run out, we realize that investors must plan, and to that end we provide the table below.¹

Tax uncertainty is nothing new. Additional charts on page 70 depict the variability in federal tax rates over time. But in terms of the complexity of the tax code these statutory rates are only the tip of the iceberg. Ever changing deductions, exemptions and credits further confound taxpayers' ability to project their effective marginal tax rate, a crucial variable for the rational investor.

Key Federal Income Tax Rates for Individual Investors: 2010 and 2011		
Marginal income tax rates		
	2010	2011*
Taxable income thresholds (based on 2010 income tax brackets)**		
Single: More than \$373,650 Married filing jointly: More than \$373,650	35%	39.6%
Single: \$171,851–\$373,650 Married filing jointly: \$209,251–\$373,650	33%	36%
Single: \$82,401–\$171,850 Married filing jointly: \$137,301–\$209,250	28%	31%
Single: \$34,001–\$82,400 Married filing jointly: \$68,001–\$137,300	25%	28%
Single: \$8,376–\$34,000 Married filing jointly: \$16,751–\$68,000	15%	15%
Single: \$0–\$8,375 Married filing jointly: \$0–\$16,750	10%	No 10% bracket
Capital gains tax rates***		
Long-term capital gains (10% and 15% tax brackets)	0%	10%
Long-term capital gains (all other tax brackets)	15%	20%
Short-term capital gains	Taxed as ordinary income	Taxed as ordinary income
Dividend tax rates (qualified)		
10% and 15% tax brackets	0%	Taxed as ordinary income
All other brackets	15%	Taxed as ordinary income

*Reflects tax rates outlined in the 2010 U.S. federal tax code. ** The 2010 taxable income thresholds are provided here as a reference to help investors gauge their marginal income tax bracket. These thresholds are updated annually by the Internal Revenue Service. ***After 2010, the qualified five-year 18% capital gains rate (8% for taxpayers in the 15% tax bracket) will be reinstated.

¹Source: Vanguard research. Don't let the tax sunset leave your portfolio in the dark. August 2010

NAVIGATING STRUCTURED PRODUCTS

Structured products are being promoted aggressively as a “free lunch” -- an opportunity for an unlimited “upside” with no risk of loss. Investors should be highly skeptical of these claims. These products are often intentionally designed to be opaque in order to discourage investors from conducting a thorough analysis. We found the following article, permitted with permission of Dimensional Fund Advisors, to be a useful summary of the general characteristics of structured products.

In recent years, structured products have gained favor among retail investors in Europe and the US. Investment banks promote these securities as sophisticated tools to help investors manage downside risk, enhance returns, or achieve other investment objectives.

Sales have grown briskly since 2006, and despite a decline after the 2008 market crisis, some industry sources expect a rebound in sales and a flurry of new products in the future.¹ With this in mind, it may be useful to understand how the products work and to evaluate the costs, benefits, and tradeoffs before considering one in your investment strategy.

Basic Design

A structured product is a contract that promises to pay a future amount based on the performance of an underlying asset, such as a stock, market index, or commodity. The payoff is typically linked to a preset formula. Most structured products are designed to either preserve capital or enhance returns, and are typically issued as notes.² The notes offer a specific payout over a designated period or at maturity, and the final payout depends on the performance of the underlying asset as well as the value of the derivatives written on it. Since the product typically is issued by an investment bank, the investor is exposed to the credit risk of that entity.

One common product, a principal-protected note, generally offers a

minimum return equal to the original investment, plus a potential return tied to performance of an underlying asset, such as a stock market index. If the index drops during the term, the investor gets his money back, but if the index rises, he may receive the upside gain, but usually only a part of the underlying asset's gain. Structured products can be replicated by portfolios composed of an interest-bearing instrument, such as a certificate of deposit or zero-coupon bond, equity securities, and options or other derivative securities whose performance is linked to the underlying index.³

The following summarizes a few common characteristics of structured products:

- **Complex design:** Most products have a complex design, which can make analysis of pricing, risk exposure, and potential outcomes more difficult. Some investors equate this complexity with higher potential returns, when, in fact, it may only mask high fees and risk. Worse yet, investors may not understand the range of possible outcomes. During the 2008 market crisis, some investors learned a hard lesson when the issuing firm went bankrupt or when their structured product experienced losses from poor performance of the underlying asset.
- **Substantial cost:** These products tend to carry a significant markup and costs that in some cases are difficult to quantify, especially if an investor lacks the technical knowledge to analyze the underlying components of the strategy.
- **Replication:** The payoff of virtually any structured product can be replicated in a portfolio by holding the underlying securities, then buying or selling derivatives written on those securities. In many cases, the costs associated with the replication portfolio are much lower than the structured product itself.
- **Tradeoffs:** In return for receiving a prescribed payout, investors must accept a tradeoff in the form of a lower return and/or limited upside potential. When evaluating a structured payout,

remember that there is no free lunch in the risk-return tradeoff. To pursue higher expected returns, you must accept more risk. If you do not want to bear the risk, you must transfer it to other investors and pay them for taking it.

- **Multiple Risks:** First, there are the inherent risks of the underlying security (e.g., the stock or index). Investors also are exposed to credit risk of the issuing firm. The contract is an agreement with the issuer to make a pre-determined payment in the future, and thus, it is contingent on the firm being able to deliver. Liquidity risk is another issue. Although many structured products are listed and traded on exchanges, they may be difficult to sell, especially in a volatile market. To avoid a potential liquidity problem, investors should consider the time horizon of the product and attempt to match its maturity to their anticipated financial need or objective.

- **Tax considerations:** It is also important to check tax consequences. Some instruments may have certain appeal under the current tax rule. But, often, tax consequences differ according to the investment situation (e.g., whether one buys at the issuance or in the secondary market).

Who Might Benefit?

A structured product might help an investor who needs a specific payout at a designated point in the future and who is willing to pay another party to shoulder much of the uncertainty. But this benefit generally comes at the expense of lower yield or limited upside potential.

One example may be an individual who currently holds restricted company stock whose value may account for a significant portion of his total wealth. Although he might prefer to diversify this exposure, company rules may prohibit a sale until some future date. A structured product might provide protection against the downside risk of the company's stock (even though this might mean giving up the upside potential of the stock), and at

¹ Larry Light, “Twice Shy on Structured Products?” Wall Street Journal, May 28, 2009.

² A reverse convertible bond is one example of a yield enhancement tool. It pays investors a higher coupon rate than other comparable bonds due to its higher risk. This risk comes in the form of the issuer having the option to pay off the debt with either cash or a predetermined number of common stock shares. The method of payment at time of maturity will depend on the stock price, and the issuer will pay with common stock when it is advantageous to do so. The reverse convertible bond was popular until the last market crisis, when many investors experienced heavy losses when they were paid off with lower-value stock shares.

³ A call option provides the holder the right to buy the underlying security at a given price at a certain time in the future. A put option provides the holder with rights to sell the underlying security at a pre-specified price on maturity date. (American-style options can be exercised before the maturity date, whereas European-style options can be exercised only on the maturity date.) An option holder will exercise the put or call option only if the payoff is positive.

the same time, provide better-diversified exposure to an equity index, such as the S&P 500.

Perhaps most important, investors who are considering a structured product should consider why they even

need a highly structured payoff in the future—and if so, whether the payoff can be structured by other means in the portfolio. In many cases, the strategy can be replicated at a lower cost, and perhaps with less risk. Many investors

would prefer an alternative that is less complex and more transparent. And as the recent credit crisis taught many investors, it is wise to avoid investing in things you do not understand.

SPEND FROM CAPITAL

At the turn of the previous century, long before monetary inflating became routine, it was widely accepted that prudent investing meant buying and holding high-grade, fixed currency claims, and that only interest income from these bonds should be used to meet living expenses. In this past era of “sound money”, an investor could be reasonably confident that the face value of the bond at redemption would not be eroded by price inflation. Prudent investing was simply a matter of spending from income (investors would redeem periodic bond “coupons”) and never dipping into capital.

The strength of this conviction is reflected in a story of a female member of a prominent Bostonian family who was arrested for streetwalking. At the urgent family conference that followed the head of the family asked:

“Emily, how could you do such a thing?”

“I needed the money.”

“But your father took care of you in his will, why didn’t you use that money?”

“Why, that would be spending out of capital!”¹

In short, at the turn of the century investors could be confident that their frugality, disciplined saving, and patience would be rewarded with positive returns on their capital. Bonds, in particular British Consols (issued by the British government) served as a low risk investment that would provide a positive real rate of return. While riskier investments such as common stocks were available to those willing to accept greater risk, such dabbling was

regarded as purely speculative.

A century later it is far from certain that a lifetime of disciplined saving will allow an investor to enjoy a stable standard of living in old age. Senior citizens who had hoped to rely on short term bonds and certificates of deposit are effectively at the mercy of the Federal Reserve’s Board of Governors. The Fed’s

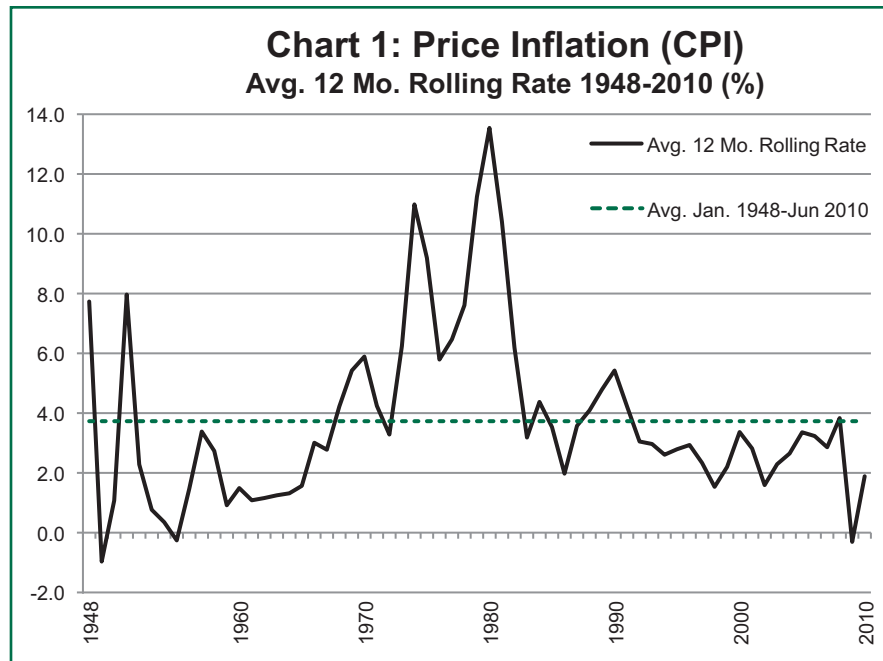
current fixation on ensuring economic recovery has resulted in negative short-term real interest rates that threaten to eviscerate seniors’ life savings.

The Best Course of Action

Fixed income securities, as the name implies, cannot increase payouts to keep

pace with prices of goods and services that invariably rise over time. Though price inflation is currently low by historic standards (see Chart 1), even modest inflating, when compounded, can severely impair an investor’s standard of living.

Today’s investor has little recourse but to embrace common stocks and other asset classes that offer expected returns that are positive, but highly volatile. This means that an investor’s portfolio can lose value quickly from time to time as capital

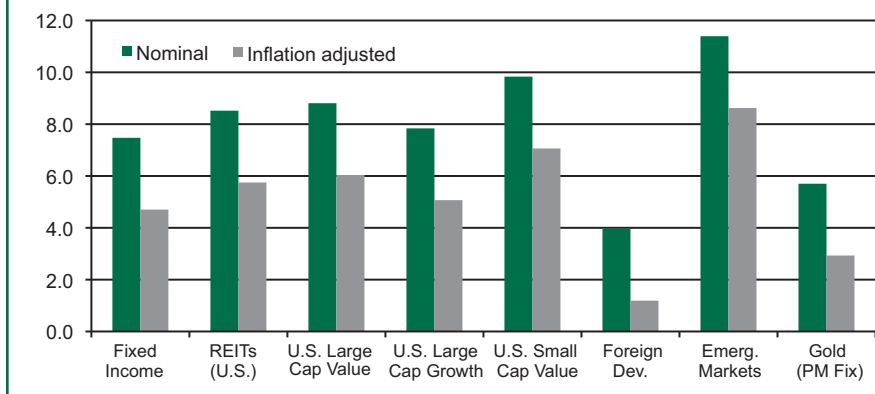


What about TIPS?

Investors approaching retirement sometimes ask us whether they should invest all or most of their portfolio in Treasury Inflation Protected Securities (TIPS). TIPS are obligations of the U.S. Treasury. TIPS face value and semi-annual interest payments are adjusted to match changes in the CPI. (For a detailed explanation of TIPS, see the June 2009 issue of *Investment Guide*).

TIPS can form an important component of a bond portfolio. However, TIPS returns are limited essentially to prevailing real interest rates plus the inflation adjustment. For younger investors TIPS promise very limited real growth. For older investors TIPS can make sense as a means of keeping pace with price inflation, but the CPI is a gauge of broad price inflation that may not be a good benchmark for estimating a particular investor’s actual living costs, particularly in the case of seniors who spend disproportionately on health care. TIPS are also subject to changes in real interest rates, which fluctuate over time. Investors must also pay taxes on the inflation adjustment made to the bond’s face value during the year, even though income is not received until the bond matures.

Chart 2: Asset Class Returns, Nominal versus Inflation-Adjusted (Annualized 4/1989-6/2010)



markets fluctuate, but in exchange for accepting that risk an investor can, over the long term, earn positive returns after accounting for price inflation.

Chart 2 depicts both nominal and inflation-adjusted historical rates of return for each of our recommended asset classes.² A portfolio constructed from these “building blocks” has strong potential for outpacing price inflation.

Chart 3 depicts the volatility an investor can expect from each of these asset classes. For each, historical annualized returns are displayed for the period indicated, as well as the range of returns an investor might expect.³

It’s there to Spend

Investors who follow our approach should abandon the notion of “not spending from capital.” The purpose of a multi-asset class portfolio is to pursue long term growth that will outpace price inflation. Common stocks, REITs and gold are held specifically so that investors can sell them as needed to meet their living expenses, which rise over time.

Charts 4 and 5 are provided for illustration purposes. Suppose a hypothetical investor has saved \$700,000 during his lifetime and now, at age 70, he wants to retire and withdraw \$50,000 every year, adjusted for inflation, for the rest of his life. Suppose further that

while he is concerned primarily with maintaining his standard of living, he also wants to leave as large an estate as possible to his heirs.

We of course do not know the future returns that capital markets will provide, but we can generate probabilistic forecasts based on thousands of projections of monthly historical returns for various asset classes.⁴

Chart 4 represents possible future ending values of the investor’s portfolio, in terms of today’s purchasing power, assuming that it remains fully invested in a broad U.S. bond market index⁵, and a future annual inflation rate of 3.8 percent.⁶ Chart 5 makes the same

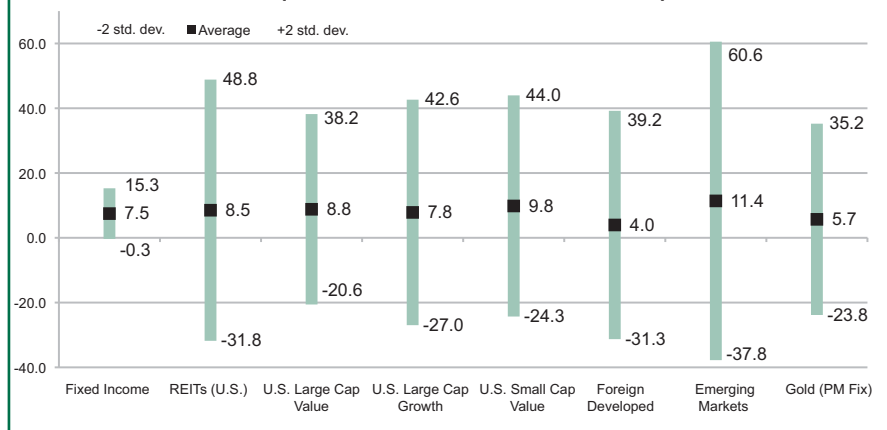
assumptions, except that he chooses to invest in an AIS moderate risk portfolio.

In each chart the top line depicts the investor’s ending wealth in terms of the 95th percentile of potential outcomes (“best case”), the middle line depicts the 50th percentile, and the bottom line depicts the 5th percentile (“worst case”). For example, in Chart 5, the 5th percentile line indicates that the bottom 5 percent of simulated AIS moderate portfolio values would have grown from \$700,000 to no more than \$819,811 after 20 years, but in the case of the all bond portfolio (Chart 4), the bottom 5 percent of ending values would have fallen to \$209,695 or less. The top lines in each chart present the optimistic case, in which the moderate portfolio would have an ending value of \$1,675,072 or more 5 percent of the time, versus only \$415,864 for the all bond portfolio.

These outcomes and the general downward trajectory in the value of the all bond portfolio over time versus the upward trajectory in the value of the moderate portfolio suggest the investor would be well advised to maintain a moderate, multi-asset class portfolio.

If we increase the assumed rate of inflation from 3.8 percent to 6 percent in our simulation, the ending value of both portfolios is reduced substantially. But the moderate portfolio at least stays positive; though not depicted in the

Chart 3: Asset Classes, Historical Returns and Ranges (Annualized %, 4/1989-6/2010)



1 Larry Pratt, How to Invest Wisely, (American Institute for Economic Research, June 2010) p. 19.

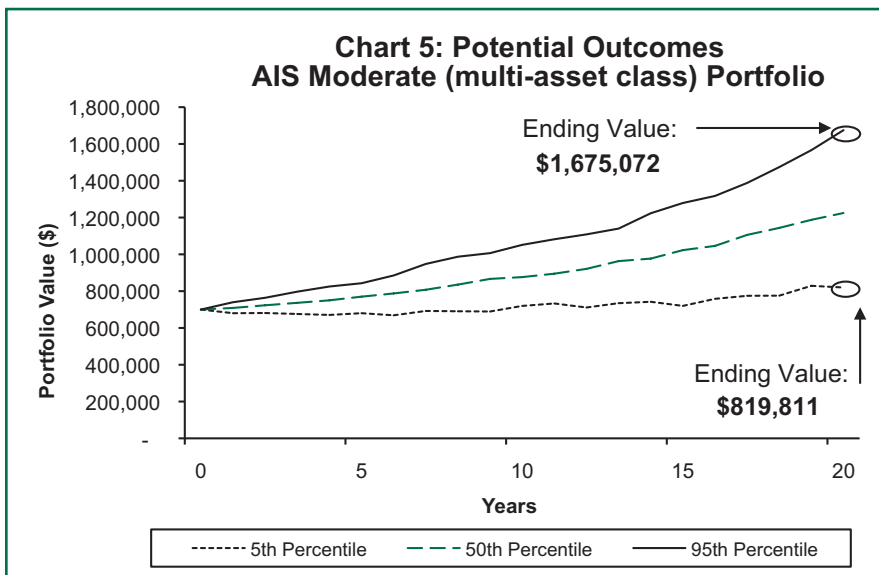
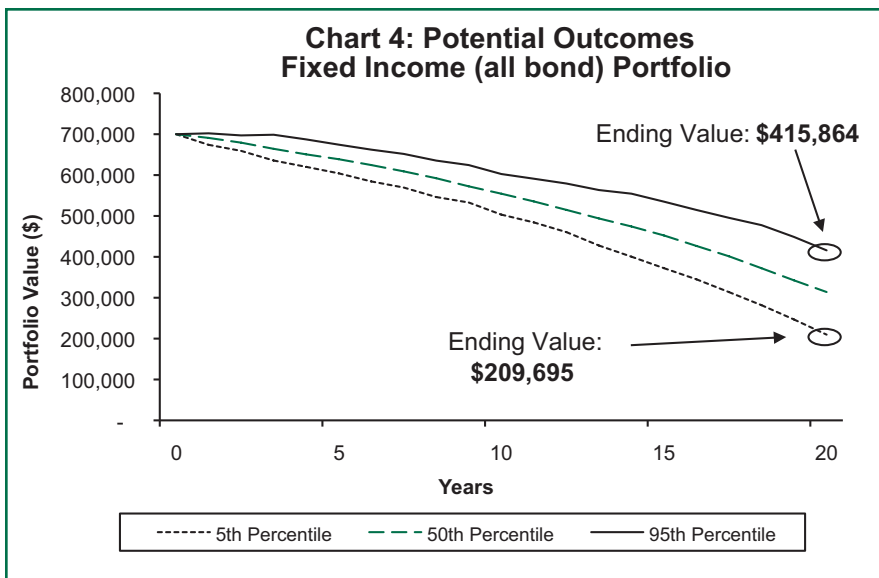
2 AIS Moderate Portfolio Components: 3 Month CD Index (10%) Short/Int. Barclays Capital 1-5 Yr Govt/Cred (30%) DJ US Select REITs Index (10%) Russell 1000 Growth Index (USD) (5%) Russell 1000 Value Index (USD) (20%) Russell 2000 Value Index (USD) (7%) DFA US Micro Cap Portfolio (USD) (3%) MSCI EAFE Index (USD) Gross Div (7%) MSCI Emg. Mkts. Index (USD) Gross Div (3%) Gold (London PM Fix) (5%)

3 Specifically, these ranges represent a 95% confidence interval based on the standard deviation of monthly returns, assuming normal distribution.

4 For a detailed explanation of the rationale for probabilistic forecasting and its limitations please see the May 2008 Investment Guide. See the subscriber only section of our website for assumptions pertaining to this exercise, including source data.

5 Representative Index: Barclays Capital US Aggregate Bond Index

6 Average rolling 12 month change in CPI, beginning Jan. 1948



charts, at an assumed annual inflation rate of 6 percent the all bond portfolio at the 50th (the median) percentile falls to zero before 20 years, while the moderate portfolio ends at \$450,060 at the end of 20 years. See the subscriber only section of the web site for these scenarios.

How to Spend From Capital

Investors can generate cash necessary to meet their needs and simultaneously rebalance their portfolios to their target allocations. All that is required is to ensure that total dollars generated match the desired spending level for the period required, and after the sales are completed that the dollar value of each asset class in the portfolio (as a percentage of the portfolio) matches the investor's target allocations.

Depending on the relative performance among asset classes, rebalancing in this manner may involve selling a portion of every asset class, or selling a portion of some asset classes while purchasing others. Though the objective of this proportional approach to "spending from capital" is to realize capital gains to meet spending needs, investors may find that they are selling certain assets at a loss from time to time. This should not be a source of concern. Over the long term we are confident that capital gains in the portfolio (realized and unrealized) will outweigh such losses.

Gold, Taxes and Money Transfers

Under the federal tax code gold coins and bullion have long been considered collectibles, and gains realized from their sale have been subject to taxation at a rate of 28 percent. Since such sales did not require the issuance of an IRS Form 1099 it has until now been the seller's responsibility to report their realized gains to the IRS.

The rules have changed. Section 9006 of the recently passed Patient Protection and Affordable Care Act (Public Law No. 111-148) requires small business owners to file a 1099-MISC with the Internal Revenue Service (IRS) for payments made to vendors totaling \$600 or more. With gold currently selling at an all time high of \$1,300, it appears that coin dealers must track TINs (Taxpayer Identification Numbers) for

every taxpayer who tenders so much as a single American Eagle 1 ounce coin. We wonder whether gold coins of smaller denominations such as British Sovereigns (0.234 oz.) will become more popular among dealers and investors as a means of avoiding this onerous paperwork requirement.

Separately, a new proposal by the U.S. Treasury Department would require that banks report all electronic money transfers into and out of the U.S. Currently, financial institutions

are required to report all cash transactions exceeding \$10,000. Under the proposed rules, banks would have to report all cross-border transfers of any size, including non-cash transfers. Though these regulations are designed to thwart money laundering, terrorist financing, and tax evasion, it is apparent that the privacy of law abiding investors could be further eroded.



THE HIGH-YIELD DOW INVESTMENT STRATEGY

Recommended HYD Portfolio

As of September 15, 2010

					—Percent of Portfolio—	
	Rank	Yield	Price	Status	Value	No. Shares ¹
Verizon	1	6.25	31.19	Holding**	22.85	21.62
AT&T	2	6.00	28.01	Holding**	23.69	24.97
Pfi	3	4.17	17.27	Buying	10.21	17.45
Merck	4	4.16	36.51	Buying	17.62	14.25
Dupont	5	3.82	42.93	Selling	21.64	14.88
Kraft	6	3.67	31.59	Holding	2.86	2.68
Frontier Communications	N/A		7.84	Selling	1.10	4.15
Cash (6-mo. T-Bill)	--	--	--		0.02%	--
					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)

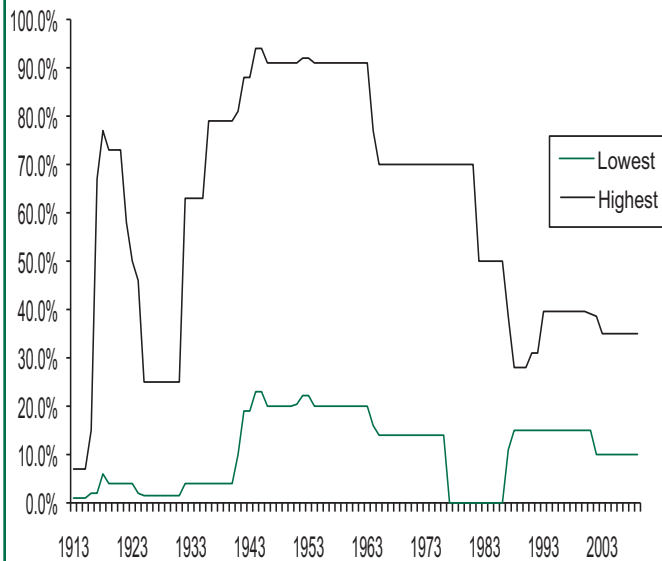
The total returns presented in the table below represent changes in the value of a hypothetical HYD portfolio with a beginning date of January 1979 (the longest period for which data was available for the HYD model and relevant indexes) through August 31, 2010*.

	1 mo.	1 yr.	5 yrs.	10 yrs.	20 yrs.	Since 1/79	Std. Dev.
HYD Strategy	2.14	13.52	3.44	5.66	12.78	15.55	18.17
Russell 1000 Value Index	-4.28	4.97	-1.69	1.92	9.29	11.70	14.99
Dow Jones Industrial Avg.	-3.91	8.39	1.77	1.23	9.51	NA	NA

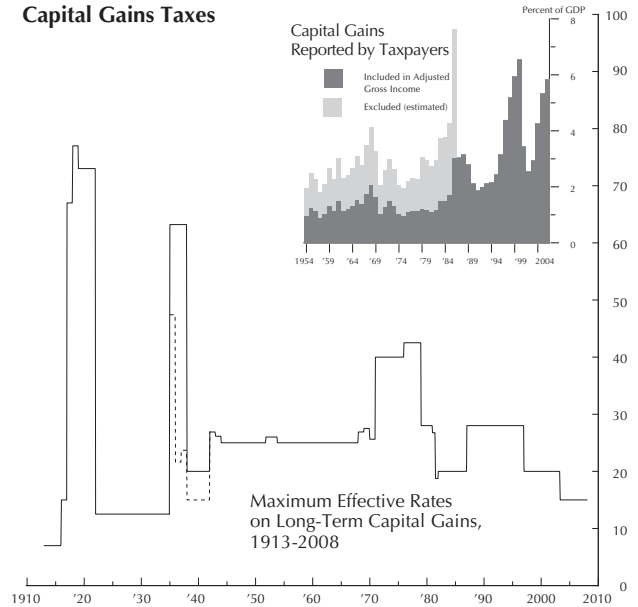
*Data assume all purchases and sales at mid-month prices (+/- \$0.125 per share commissions), reinvestment of all dividends and interest, and no taxes. The 5-, 10- and 20-year total returns are annualized, as is the standard deviation of those returns since January 1979, where available. Model HYD calculations 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.

HISTORICAL VARIABILITY IN TAX RATES

Highest and Lowest U.S. Individual (Statutory) Income Tax Rates Married Filing Jointly 1913 - Present



Capital Gains Taxes



Source: AIER Chart Book. Call 413-528-1216 to order.

RECENT MARKET STATISTICS

Precious Metals & Commodity Prices (\$)

	9/15/10	Mo. Earlier	Yr. Earlier
Gold, London p.m. fixing	1,267.00	1,214.25	996.00
Silver, London Spot Price	20.44	18.06	16.52
Copper, COMEX Spot Price	3.46	3.25	2.79
Crude Oil, W. Texas Int. Spot	76.01	75.38	7.92
Dow Jones Spot Index	379.64	366.43	316.18
Dow Jones-UBS Futures Index	137.61	132.76	126.58
Reuters-Jefferies CRB Index	279.05	268.79	258.17

Interest Rates (%)

U.S. Treasury bills - 91 day	0.15	0.15	0.13
182 day	0.20	0.19	0.21
52 week	0.24	0.24	0.36
U.S. Treasury bonds - 10 year	2.74	2.76	3.47
Corporates:			
High Quality - 10+ year	4.59	4.60	5.17
Medium Quality - 10+ year	5.74	5.78	6.40
Federal Reserve Discount Rate	0.75	0.75	0.50
New York Prime Rate	3.25	3.25	3.25
Euro Rates			
3 month	0.88	0.90	0.77
Government bonds - 10 year	2.40	2.43	3.32
Swiss Rates - 3 month	0.18	0.17	0.30
Government bonds - 10 year	1.45	1.27	2.12

Exchange Rates (\$)

British Pound	1.564100	1.558000	1.643600
Canadian Dollar	0.972668	0.961538	0.929368
Euro	1.300800	1.276700	1.461700
Japanese Yen	0.011678	0.011601	0.010995
South African Rand	0.141183	0.136799	0.135318
Swiss Franc	0.996810	0.950029	0.963948

Securities Markets

	9/15/10	Mo. Earlier	Yr. Earlier
S & P 500 Stock Composite	1,125.07	1,079.25	1,052.63
Dow Jones Industrial Average	10,572.73	10,303.15	9,683.41
Dow Jones Bond Average	268.38	267.82	241.96
Nasdaq Composite	2,301.32	2,173.48	2,102.64
Financial Times Gold Mines Index	3,600.39	3,277.08	3,092.36
FT EMEA (African) Gold Mines	3,306.67	3,021.84	2,969.43
FT Asia Pacific Gold Mines	16,842.79	14,132.86	12,542.37
FT Americas Gold Mines	3,046.02	2,807.68	2,650.29

Coin Prices (\$)

	9/15/10	Mo. Earlier	Yr. Earlier	Prem (%)
American Eagle (1.00)	1,308.80	1,237.63	1,032.57	3.30
Austrian 100-Corona (0.9803)	1,232.93	1,161.72	971.53	-0.73
British Sovereign (0.2354)	311.20	293.80	247.40	4.34
Canadian Maple Leaf (1.00)	1,307.40	1,233.70	1,026.90	3.19
Mexican 50-Peso (1.2057)	1,519.40	1,431.70	1,197.40	-0.54
Mexican Ounce (1.00)	1,280.50	1,227.57	1,013.30	1.07
S. African Krugerrand (1.00)	1,301.07	1,227.57	1,021.82	2.69
U.S. Double Eagle-\$20 (0.9675)				
St. Gaudens (MS-60)	1,475.00	1,405.00	1,380.00	20.33
Liberty (Type I-AU50)	1,600.00	1,600.00	1,382.50	30.52
Liberty (Type II-AU50)	1,487.50	1,487.50	1,370.00	21.35
Liberty (Type III-AU50)	1,427.50	1,360.00	1,332.50	16.45
U.S. Silver Coins (\$1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	14,387.50	12,937.50	11,662.50	-1.55
40% Silver Circ. (292 oz.)	5,862.50	5,275.00	4,737.50	-1.78
Silver Dollars Circ.	16,025.00	15,875.00	13,912.50	1.34

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at \$1267 per ounce and silver at \$20.44 per ounce. The weight in troy ounces of the precious metal in coins is indicated in parentheses.

THE DOW JONES INDUSTRIALS RANKED BY YIELD*

Company	Ticker Symbol	Market Prices (\$)			12-Month (\$)		Latest Dividend Record			Indicated Annual Yield†	
		9/15/10	8/13/10	9/15/09	High	Low	Amount (\$)	Date	Paid	Dividend (\$)	(%)
Verizon	VZ	31.19	30.03	31.00	34.13	25.99	0.488	10/08/10	11/1/10	1.950	6.25
AT&T	T	28.01	26.72	26.70	28.73	23.78	0.420	7/09/10	8/2/10	1.680	6.00
Pfizer	PFE	17.27	16.08	16.21	20.36	14.00	0.180	8/06/10	9/1/10	0.720	4.17
Merck	MRK	36.51	35.00	32.70	41.56	30.29	0.380	9/15/10	10/7/10	1.520	4.16
Dupont	DD	42.93	40.32	33.15	43.11 H	30.06	0.410	8/13/10	9/10/10	1.640	3.82
Kraft	KFT	31.59	29.50	26.08	31.59 H	25.72	0.290	9/30/10	10/14/10	1.160	3.67
Chevron	CVX	79.21	77.40	71.63	83.41	66.83	0.720	8/19/10	9/10/10	2.880	3.64
Johnson & Johnson	JNJ	61.05	58.15	60.15	66.20	56.86	0.540	8/31/10	9/14/10	2.160	3.54
Intel Corp	INTC	18.72	19.15	19.55	24.37	17.60 L	0.158	8/07/10	9/1/10	0.630	3.37
Home Depot, Inc.	HD	29.94	27.31	27.41	37.03	24.47	0.236	9/02/10	9/16/10	0.945	3.16
Procter and Gamble	PG	61.11	59.82	55.03	64.58	39.37	0.482	7/23/10	8/16/10	1.927	3.15
Coca-Cola	KO	57.42	55.73	52.45	59.45	49.47	0.440	9/15/10	10/1/10	1.760	3.07
McDonald's	MCD	74.71	71.89	54.98	76.26 H	55.00	0.550	9/01/10	9/16/10	2.200	2.94
General Electric	GE	16.34	15.38	16.00	19.70	13.75	0.120	9/20/10	10/25/10	0.480	2.94
Exxon Mobil	XOM	61.00	59.91	69.49	76.54	55.94	0.440	8/13/10	9/10/10	1.760	2.89
Travellers	TRV	52.49	50.14	49.01	54.83	46.55	0.360	9/10/10	9/30/10	1.440	2.74
Boeing	BA	62.73	64.84	52.07	76.00	47.18	0.420	8/06/10	9/3/10	1.680	2.68
United Tech.	UTX	68.27	70.70	61.29	77.09	59.31	0.425	8/20/10	9/10/10	1.700	2.49
3M Company	MMM	84.58	84.01	74.68	90.52	67.98	0.525	8/20/10	9/12/10	2.100	2.48
Caterpillar	CAT	72.13	68.01	51.70	72.83	47.50	0.440	7/20/10	8/20/10	1.760	2.44
Wal-Mart Stores	WMT	52.86	50.40	49.93	56.27	47.77	0.303	8/13/10	9/7/10	1.210	2.29
Microsoft Corp.	MSFT	25.12	24.40	25.20	31.58	22.73	0.130	8/19/10	9/9/10	0.520	2.07
IBM	IBM	129.43	127.87	119.35	134.25	116.00	0.650	8/10/10	9/10/10	2.600	2.01
American Express	AXP	40.85	41.73	34.65	49.19	31.69	0.180	7/02/10	8/10/10	0.720	1.76
Alcoa	AA	11.43	10.64	13.99	17.60	9.81	0.030	8/06/10	8/25/10	0.120	1.05
Walt Disney	DIS	34.21	33.68	28.29	37.98	26.84	0.350	12/14/09	1/19/10	0.350	1.02
Hewlett-Packard	HPQ	39.62	40.45	45.64	54.75	37.32 L	0.080	9/15/10	10/6/10	0.320	0.81
J P Morgan	JPM	40.98	37.50	43.19	48.20	35.16	0.050	7/06/10	7/31/10	0.200	0.49
Bank of America	BAC	13.71	13.23	16.79	19.86	12.18 L	0.010	9/03/10	9/24/10	0.040	0.29
Cisco	CSCO	21.59	21.36	22.98	27.74	19.82 L	0.000			0.000	0.00

* See the Recommended HYD Portfolio table on page 70 for current recommendations. † Based on indicated dividends and market price as of 9/15/10. 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 9/16/09.

RECOMMENDED INVESTMENT VEHICLES

Descriptive Quarterly Statistics, as of 6/30/10

Annualized Returns⁸ (%), as of 8/31/10

Security Symbol	Avg. Market Cap. / Avg. Maturity	No. of Holdings	Ratios		P/B	12 Mo. Yield (%)	Annualized Returns ⁸ (%)					
			Expense ⁷ (%)	Sharpe			Turnover (%)	1 yr.	3 yr.	5 yr.	1 yr. After Tax*	3 yr.
Short/Intermediate Fixed Income												
Vanguard Short-Term Bond Index	2.8 Yrs.	1247	0.22	1.79	77	2.40	5.17	5.79	5.05	4.31	4.60	3.71
iShares Barclays 1-3 Yr. Credit Bond	2.1 Yrs.	640	0.20	0.90	23	3.17	5.12	5.33	--	4.03	3.96	--
iShares Barclays 1-3 Year Treasury	2.0 Yrs.	43	0.15	1.76	62	1.28	2.46	4.17	4.15	1.92	3.21	3.00
Vanguard Limited-Term Tax-Exempt	3.0 Yrs.	1344	0.20	1.20	11	2.42	4.46	4.60	3.90	4.46	4.60	3.90
SPDR Short-Term Municipal Bond	3.2 Yrs.	345	0.20	--	4	1.81	4.25	--	--	4.25	--	--
Inflation-Protected Fixed Income												
iShares Barclays TIPS Bond	9.2 Yrs.	30	0.20	0.72	15	3.69	10.38	7.05	5.19	9.15	5.43	3.57
Vanguard Inflation-Protected Securities	9.0 Yrs.	32	0.25	0.68	14	2.49	10.26	6.73	5.06	9.29	5.56	3.63
Real Estate												
Vanguard REIT Index	4.7 B.	99	0.26	-0.04	16	3.29	33.15	-5.36	1.50	31.63	-6.63	0.20
SPDR Dow Jones REIT	5.0 B.	83	0.25	-0.09	15	3.37	33.13	-7.01	0.56	31.53	-8.35	-0.80
U.S. Large Cap Value												
Vanguard Value Index	39.9 B.	422	0.26	-0.54	31	2.74	4.11	-10.53	-1.43	3.71	-10.92	-1.84
iShares Russell 1000 Value Index	32.3 B.	675	0.20	-0.54	24	2.24	4.78	-10.65	-1.79	4.23	-11.08	-2.20
U.S. Small Cap Value												
iShares Russell Microcap Index	0.3 B.	1308	0.60	-0.39	35	0.76	20.10	-12.80	--	19.93	-12.93	--
Vanguard Small-Cap Value Index	1.2 B.	991	0.28	-0.20	33	1.89	8.64	-6.18	-0.38	8.24	-6.62	-0.82
U.S. Large Cap Growth												
iShares Russell 1000 Growth Index	37.0 B.	625	0.20	-0.30	19	1.51	5.98	-6.38	-0.05	5.59	-6.62	-0.26
Vanguard Growth Index	36.0 B.	422	0.28	-0.30	29	1.11	6.30	-6.18	0.09	6.14	-6.32	-0.05
U.S. Marketwide												
Vanguard Total Stock Market Index	25.3 B.	3390	0.18	-0.40	5	2.00	5.69	-8.05	-0.51	5.40	-8.32	-0.79
Fidelity Spartan Total Market Index	23.2 B.	3129	0.10	-0.40	7	1.90	5.89	-8.07	-0.49	na	na	na
Foreign-Developed Markets												
iShares MSCI Growth Index	22.2 B.	603	0.40	-0.44	33	2.16	1.92	-9.57	1.44	1.41	-9.82	na
iShares MSCI Value Index	27.4 B.	514	0.40	-0.52	35	3.69	-6.58	-11.95	0.17	-7.37	-12.49	na
Vanguard Europe Pacific Index	28.1 B.	935	0.20	-0.47	9	2.69	-3.37	-10.82	1.07	-3.57	-11.03	0.84
Vanguard Developed Markets Index	28.1 B.	969	0.10	-0.48	14	1.32	-2.30	-10.71	0.90	-2.54	-11.23	0.36
SPDR S&P International Small Cap	0.9 B.	612	0.59	-0.32	21	1.70	5.60	-8.44	--	5.18	-8.85	--
Foreign-Emerging Markets												
Vanguard Emerging Market Index	16.3 B.	839	0.40	0.04	12	1.30	16.76	-2.23	11.39	16.54	-2.61	11.02
Gold-Related Funds												
iShares COMEX Gold Trust	--	1	0.25	1.03	0.00	0.00	30.67	22.39	23.05	30.67	22.39	23.05
streetTRACKS Gold Shares	--	1	0.40	1.04	0.00	0.00	29.90	22.37	23.04	29.90	22.37	23.04

Recommended Gold-Mining Companies (\$)

Ticker Symbol	Month Earlier	Year Earlier	--- 52-Week ---		Distributions		Yield (%)
			High	Low	Last 12 Months	Frequency (%)	
AU	44.50	42.91	44.25	47.75	0.1850	Semiannual	0.4157
ABX	44.99	42.92	37.95	48.02	0.2720	Semiannual	0.6046
GFI	15.29	13.96	14.53	15.88	0.1610	Semiannual	1.0530
GG	42.76	39.66	42.28	47.41	0.1530	Monthly	0.3578
NEM	62.90	56.72	46.73	64.03	0.4500	Quarterly	0.7154

Data provided by the funds and Morningstar. ¹Exchange Traded Fund, traded on NYSE. ²1% fee for redemption in 1 yr. ³0.5% fee for redemption in 90 days. ⁴1% fee for redemption in 5 yrs. ⁵2% fee for redemption in 60 days. ⁶0.5% fee for purchase and 0.25% fee for redemption. ⁷For Vanguard funds, Expense Ratios shown are for Mutual Funds. ETFs have lower expenses. ⁸For 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.

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