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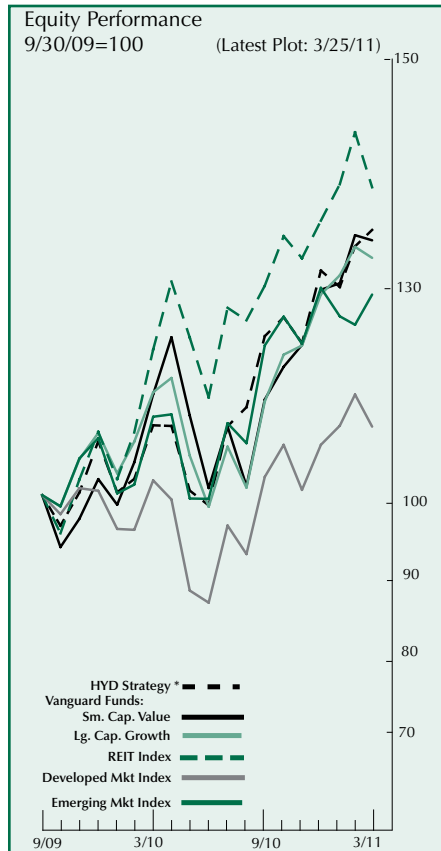
INVESTMENT GUIDE

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Taking Stock of Stocks

The first quarter of the New Year has brought an astonishing sequence of global events. The horrific earthquake in Japan, the world's fourth largest economy, has claimed at least 10,000 lives. Political uprisings throughout the oil-rich Middle East offer both promise and peril, but instability is the watchword. Domestically, states are struggling to address unprecedented fiscal crises and the federal government's debt has risen to 97 percent of GDP, the 12th highest level among all nations. The dollar's status as the world's reserve currency is being openly questioned.

In this environment it is more important than ever for investors to remain disciplined. This is especially true in the "information age" when hyperbole and fear-mongering salesmen are only a mouse-click away. To that end, it is helpful to step back and review long term trends in security prices. The chart below depicts the (hypothetical) inflation adjusted returns provided by the S&P 500 since World War II.

Robust post-war growth defied the dismal forecasts of many economists, as did the stock market. A dollar invested in the S&P in 1945 would have grown to \$6.91 by the end of 1964, for an annualized real return of 10.1 percent. But the good times did not last. A dollar invested at the beginning of 1965 would have fallen to \$0.94 by the end of 1981, a 17 year span that led many to conclude that stocks should be abandoned as a long term investment strategy.

It turned out that 1982 would in fact have been a particularly bad time to throw in the towel. Over the next 18 years the index grew on average by 14.7 percent annually in real terms; a dollar invested at the end of 1981 would grow to \$11.84 at the end 1999, even after adjusting for price inflation.

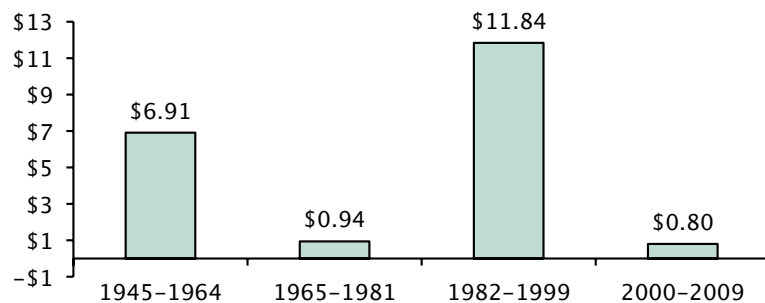
The year 2000 ushered in the so-called "lost decade." By the end of 2009 a dollar invested in the S&P would have fallen to almost \$0.80.

These observations tell us nothing about what to expect over the next several years. We are confident however that as the market ebbs and flows there will be no shortage of doomsday headlines at market troughs, and at the peaks investment "geniuses" will abound, touting their track records as "skill". The best defense against these threats is a well diversified portfolio that includes foreign stocks, bonds, gold, and REITs, in addition to U.S. stocks.

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

The Fate of a Dollar Invested



Online: www.americaninvestment.com

GOLD, MONEY, AND PORTFOLIO THEORY: AN UPDATE

Gold and gold related assets have formed a portion of our recommended portfolios since our founding in 1978. There is nothing sacrosanct about gold, or any other asset class, for that matter. Our recommendations are derived not from ideology, but from economic theory supported by empirical evidence.

AIER recently published research pertinent to anyone considering gold as an investment. The first article included an empirical assessment of gold and the potential impact of gold-based exchange-traded funds (ETFs).¹ The second described the “five pillars” of money, with an emphasis on the distinction between fiat and commodity-based currencies.² Here we draw upon those articles to review whether gold should be included in a well-diversified investment portfolio.

The topic of gold can be relied upon to generate controversy among investment practitioners. Many ridicule the yellow metal as a “mere commodity.” They point out that, while capital assets such as common stocks and bonds provide a claim on assets with an expectation of positive returns, gold does not generate income. The tradeoff between risk and return among stocks, for example, can be gauged by considering market prices with book value, earnings or dividends. Gold offers no such mechanism. To their detractors, gold investors are mere speculators who can only hope to sell their holdings to some “greater fool” at a higher price.

Even among commodities, gold is peculiar because it provides no obvious utility. Oil for example, can be burned for energy; copper can be turned into wire to conduct electricity or into pipe to carry water. Gold, however, has historically had only very limited industrial uses (in dentistry, electronics, etc.). Perhaps Warren Buffett best summarized this view when he said “It gets dug out of the ground in Africa, or someplace. Then we melt it down, dig another hole, bury it again and pay people to stand around guarding it. It has no utility. Anyone watching from Mars would be scratching their head.”

While these arguments are

legitimate, they are incomplete. They fail to recognize that gold has served as a form of money throughout history. The pertinent issue for investors is whether gold is valuable as a component within a diversified investment portfolio. This must be examined both on theoretical grounds, and empirically. Two central questions arise: First, is there reason to believe that investors will regard gold as a legitimate form of money relative to alternatives? And second, what do the data say about gold as an asset within a well-diversified portfolio?

Pillars or Promises?

Most economists agree that any medium that purports to serve as money must fulfill five fundamental requirements. The five requirements are: Money is a social institution. It is based on trust. It is a store of value. It separates sales from purchases. It is a contract.

Consumers’ and investors’ concerns are pragmatic: What medium best fulfills these five requirements *among alternatives available*? There is no perfect form of money. While some fiat currencies have been far better managed than others, it is apparent to us that all share a common deficiency: they have suffered great losses in purchasing power over time.³ At the same time investors must hold some form of fiat currency in order to survive. Presently Dollars, Euros, etc. are the only form of legal tender. Therefore the central issue is whether gold, in light of these five requirements, merits consideration as an alternative form of money, and if so, in what proportion it should be held.

As a **social institution**, gold has been embraced in commerce for centuries. Fiat currencies, on the other hand, are susceptible to being over-issued. Governments throughout history have succumbed to the temptation of debasing their currencies for political expediency, and in the process undermined living standards and ultimately their own legitimacy. Paper money issued by the Continental Congress and Confederate States of America are only recent examples.

Money is based on **trust** and the success of any fiat currency depends on the credibility of the issuing government. Commodity-backed currencies, on the other hand, are tied explicitly to something that is widely valued and traded. In theory a fiat regime that requires its central bank to target a specific inflation rate, or a constant growth rate in its money supply, could establish the trust required of a viable currency. However, as AIER points out “either form of targeting can only succeed if central bankers are disciplined, benevolent, and unmotivated by political interests.” In our view, trust in the U.S. dollar is especially difficult because the Fed is charged explicitly with the politically appealing but often conflicting mandates for moderate price inflation and low unemployment.

To serve as a **store of value**, money must *have* value. Fiat currencies have value only to the extent that they are demanded (see trust, above) and are issued in limited supply by central banks. A commodity has value by definition as do currencies that are commodity-backed. The intrinsic value of gold, however, unlike oil, timber, copper, etc., is not apparent, instead it depends on something deep within the human psyche. However, gold meets many criteria that other commodities cannot. It is widely valued and it can be delivered and measured in a uniform measure of purity. Gold is divisible and it does not rot, spoil or otherwise lose value because of physical deterioration.

To serve effectively as money, a currency must **separate sales from purchases**. This avoids the need for a “coincidence of wants” for an exchange to take place. In a barter economy, a cobbler in need of flour must locate a miller in need of shoes. Money, on the other hand, allows the cobbler to sell his shoes to *anyone* in need of shoes in exchange for some widely recognized currency. The cobbler can in turn exchange that currency for flour with *any* miller, regardless of the latter’s needs. As AIER points out, with fiat currencies this functionality can quickly disintegrate. This was the case in many former Soviet republics during the 1990s, when hyperinflation was pervasive. Workers would convert their wages immediately into any type

1 Steven R. Cunningham, PhD, Director of Research, AIER “Gold ETFs Change the Marketplace” Research Reports, Vol. LXXVIII, No. 5, March 21, 2011, p.1

2 Steven R. Cunningham, PhD, Director of Research, AIER “The Five Pillars of Money” Economic Bulletin, Vol. LI, March 2011, p. 1

3 “The World’s Tallest Dwarf” Research Reports, Vol. LXIV, No. 17, September 8, 1997, p.97

4 Lawrence S Pratt, How to Invest Wisely (American Institute for Economic Research, 2010) p. 16

of good in hopes of finding someone willing to trade for what they needed. Gold, in contrast, remains widely recognized (if unofficially) as a medium of exchange throughout the world. In many cultures gold jewelry, chains and coins are hoarded and used in transactions in lieu of paper currencies.

If a currency's value is fleeting, it will redistribute wealth from one party to another, often unpredictably. This undermines the fifth pillar, that **money is a contract**. This pillar is especially important to investors. For example in our world of fiat currencies lenders demand that any fixed income security provide a rate of interest that includes an "inflation premium" as a hedge against some unknown deterioration of future purchasing power. Compared with a fiat system, history provides ample evidence that gold fulfills the contractual role quite well. British Sovereign bonds or "consols" are perpetual annuities first issued by the British government in 1751. Until 1945, when governments around the world began rejecting the gold standard in favor of officially sponsored inflating, four percent Consols traded consistently close to par value and the wholesale price level in Great Britain had been essentially unchanged since 1815, when Wellington defeated Napoleon at Waterloo.⁴

Gold, however, is far from perfect as a form of money. Its chief advantage is also a liability. Gold is relatively fixed in supply, which ensures fiscal restraint on the part of governments and prevents politically-driven inflating. A fixed monetary base, however, is a two-edged sword. Stable prices require that a nation's money supply keep pace with output. As advances in productivity allowed the creation of more goods and services relative to a fixed money supply, aggregate prices would fall resulting in severe economic contraction.

What's in the Data?

Our first question was whether there is reason to believe that investors will regard gold as a legitimate form of money in light of available alternatives. We believe there is. We have presented the theoretical case that commodities, gold in particular, demonstrate properties that meet the requirements of money. While gold has shortcomings, we submit that investors will continue to value these qualities as long as central bankers

fail to demonstrate the discipline that is required in order for a fiat regime to succeed.

But theory alone is not enough. What do the data say about gold as an asset within a well-diversified portfolio? This question is especially relevant now, considering the ascent of gold bullion-based ETFs. While these vehicles have been a boon to individual investors, they have also had considerable impact on the global gold market.

We have long recommended gold as a form of portfolio insurance; based

"The desire of gold is not for gold. It is for the means of freedom and benefit."

-- Ralph Waldo Emerson

on its correlation (or lack thereof) with financial assets, we have observed that it has tended to "zig" when stocks and bonds "zag." The phenomenal success of ETFs, however, has altered the global gold market considerably. AIER has reviewed recent data and external research to assess the behavior of the gold price relative to financial assets.

As recently as 2006, Hiller, Draper, and Faff cited strong empirical results suggesting that inclusion of gold reduces systematic risk, particularly during turbulent times, and that portfolios with gold provide superior reward-to-risk ratios compared to portfolios without gold. Other external research suggested gold prices are not predictable and

change in a manner consistent with a "random walk."

There is emerging evidence, however, that the "random walks" of gold, common stocks and T-bills may be converging, which points to a possible long-term equilibrium. This means that investors systematically exchange gold and common stocks in response to changes in their relative price levels. If this relationship ultimately increases correlations between gold and stock prices, gold's role as a form of portfolio insurance would be diminished. On the other hand if gold is viewed increasingly as an alternative to common stocks, we might expect that gold, like stocks, may in fact generate positive expected returns.

We must weigh a variety of factors in assembling our recommended portfolios on behalf of clients in our Professional Asset Management program. In summation, these findings do not diminish the value of gold as an asset class.

We continue to recommend that most investors devote between five and ten percent of their holdings to gold related assets and rebalance their holdings periodically, consistent with keeping trading costs low. The gold mining stocks and gold bullion-based ETFs on page 24 are the best investment vehicles for maintaining exposure to gold.



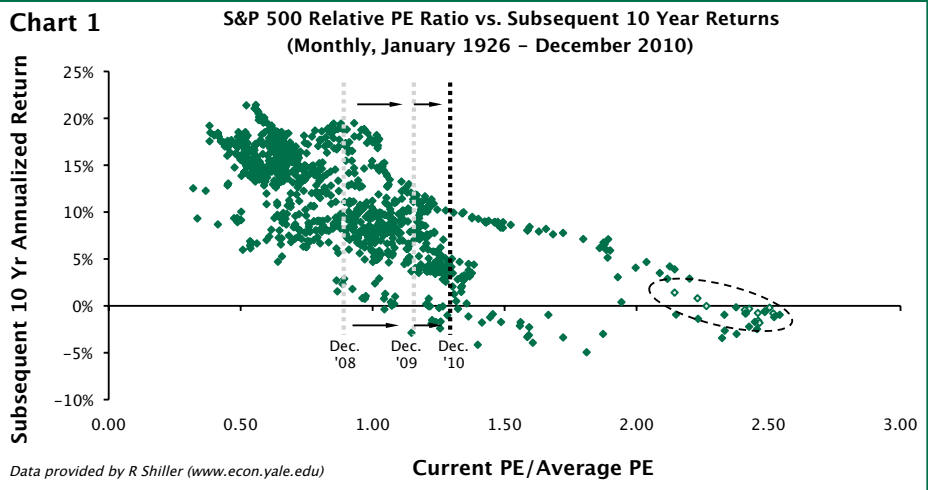
"Whatever happened to G-O-L-D?"

RISK AND RETURN REVISITED

Today we take another look at the association between relative market valuation and stock market returns. This current update takes into account market performance over the past twelve months, where we stand today and a peek at what may lie ahead.

To review, the price to earnings ratio (PE) can be used to gauge the value of the stock market. The PE divides the market's current price level (in this case the S&P 500) by the market's earnings for a given time period. The relative PE measure we use is for ease of interpretation. The current state of the S&P 500 can be classified as either "low priced" or "high priced" by examining the relative PE¹ ratio. A ratio of less than 1.0 indicates that the market's current PE is less than the average historical PE, and therefore could be considered low priced, while a ratio above 1.0 indicates that the market's current PE is greater than its historical average, and thus could be considered high priced.

By the end of 2008, the stock market was in turmoil as investors were concerned about the outlook for the overall economy. This fear was reflected in the relative valuation of stocks. At 0.88, the market was trading at a discount to its average relative PE. Since then the market has rebounded significantly, pushing both prices and relative valuation higher. By the end of 2009, relative PE had climbed up to 1.17. By the end of 2010, it had risen



further, to 1.29. This shift is depicted in Chart 1.

Ghosts of the Tech Rally

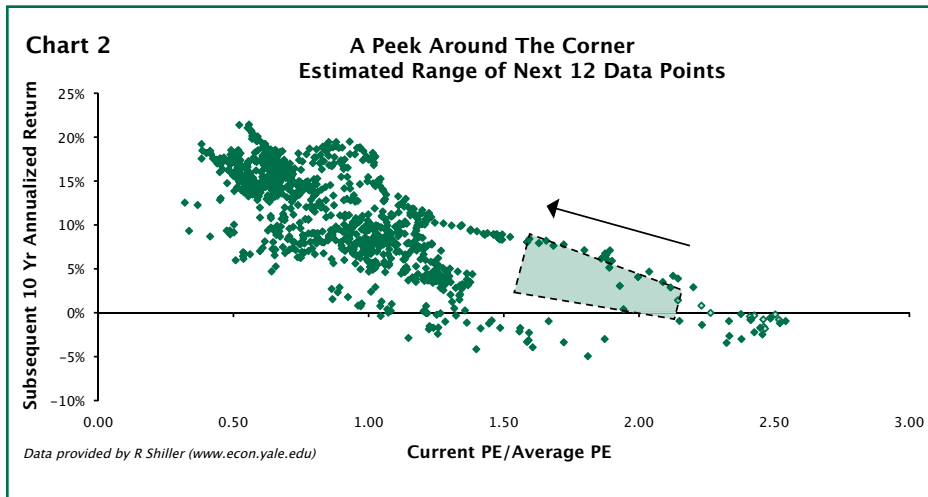
The "empty" dots on the right hand side of the chart (encapsulated in the circle) represent the 12 new data points added to the graph over the past 12 months. For example, the first point plots the relative PE as of January 2000 (2.52) and the subsequent 10 year annualized return of -0.80 percent (between February 1, 2000 and January 31, 2010). These points represent a set of twelve subsequent 10 year returns of the S&P 500, beginning right at the peak of the unprecedented run-up in technology stock prices and just as the country began its slide into recession. The relative PEs of the market at the time (measured on the horizontal axis) ranged between 2.1 and 2.5. The subsequent

10 year returns (vertical axis) were mostly negative, varying from -1.59 percent to +1.41 percent annualized. As a comparison, the average annual return of the S&P 500 over the 84 year span beginning January 1926 and ending December 2010 was 9.87 percent. These latest data are consistent with the observation that long term returns appear to be negatively correlated with the market's relative valuation.

A Peek Around The Corner

Given the nature of the data, we have a pretty good idea of where the next 12 points will be on the chart by the end of next year. Of course we do not know what the actual returns or earnings of the S&P 500 will be for 2011, but even so we already have most of the necessary data (we have returns and earnings through December 2010).

So, over 90 percent of the necessary data is already "baked into" these prospective returns and PE figures. Chart 2 incorporates a one standard deviation range of expected returns of the S&P 500 for 2011 based on historical experience. Therefore, if the S&P 500 generates annual returns between -10 percent and 30 percent for 2011, the next 12 data points should fall somewhere within the shaded region of the chart. The arrow direction indicates the chronological progression, month by month, of the data "up" and "back" toward the middle of the chart. During the period under consideration (beginning February 2001) PEs were falling as the tech stock "boom" ended.



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

RISK, RETURN, AND CAPITAL ASSETS

Financial theory asserts that capital assets such as common stocks are priced to reflect the risk they bear at any point in time. By this logic, we expect low price-to-earnings ratios (PEs) when fear is rampant and investors can be enticed to buy stocks only at low (relative) prices. High PEs would generally coincide with good times, when prospects are bright and investors are eager to invest.

It is instructive to consider the implications of risk from the vantage point of the firm as well. We would expect a firm's cost of capital to be related directly to its perceived riskiness. If, for example, a firm issues new bonds when its credit risk is regarded to be high, it must issue bonds with relatively high interest rates in order to attract investors. Conversely, when risk is low and economic prospects are bright, a firm can attract investors by paying a more modest "credit premium" on its bonds.

A firm can also issue new shares of common stock. This is just an alternative to bonds as a means of raising capital, so the cost versus risk story is the same. Common stocks, however, do not pay a fixed interest rate so instead share prices adjust to reflect risk. When distress is apparent, PEs can be expected to fall because firms find they can sell new stock only at relatively low prices; their cost capital is high. Conversely, PEs will rise when times are good and prospects are bright, so firms enjoy a lower cost of capital because they can issue shares at relatively high prices.

Conclusion

Chart 2 illustrates what might be called an "illusion of prediction." It may appear that if you are able to map out a future path of the data, there may be ways to better predict what future returns will be. However, it is not that simple. There is a large difference

between a negative 10 percent and a positive 30 percent return for the year, yet the magnitude of this difference is not expressed adequately by the shaded region in the second chart. Said differently, the apparent "narrow" range of the shaded region actually represents a wide variety of returns, making

attempts to forecast future returns with any accuracy unreliable, to say the least.

These charts are useful because they portray a clear long-term trade-off between risk and return that is consistent with theory. Even when we include a fairly wide range of possible returns for 2011, this trade-off remains apparent. These charts serve as a poignant reminder that there is no free lunch.

It is worth repeating that research to date shows no reliable way to capitalize on any apparent relationship between relative valuation and returns. The most recent data points do not alter this conclusion. It is ill advised, even for "risk tolerant" investors to wait around for exceptionally low relative PEs to enter the market, and for exceptionally high PEs before selling. As always, we will continue to evaluate and observe relationships and interactions between market variables and returns. We have yet to identify a statistically valid methodology that would take advantage of any such relationship. We recommend sticking to your long term allocation plan and rebalancing on a regular basis.

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

FOREIGN DEBT: POSSIBILITY AND PERIL

In the lead article this month we allude to the U.S. government's growing debt. As investors differ in their sensitivity to various sources of risk, we are aware that some are particularly concerned about their exposure to U.S. Treasury obligations.

Such investors might consider debt issued in other developed nations. There are many nations with relative debt levels that are lower than that of the U.S. Diversifying a portfolio to include the sovereign debt of developed nations can reduce the overall risk of sovereign default. But such a strategy also provides the opportunity to generate higher returns. Several European nations, for example have experienced rapidly rising interest rates over the past year precisely because investors demanded greater expected returns in exchange for taking on additional risk. As long as risk

is carefully controlled by diversifying across several nations, investors can conceivably earn higher returns.

Sovereign bonds pay principal and interest denominated in the currency of the issuing nation, which introduces exchange-rate risk when those cash flows are converted back to dollars. This volatility can easily "swamp" the returns earned by the underlying bonds. Since the primary purpose of fixed income is enhanced portfolio stability, we recommend a strategy that "hedges" any foreign currency exposure to the dollar in order to eliminate this particular risk.

Foreign debt, like dollar-denominated debt, is subject to interest rate (term) risk and credit risk. Both can be controlled using the same techniques we apply in managing domestic bond portfolios. For most investors, bonds should be limited in duration to no

more than five years. Credit risk can be managed by including a wide range of sovereign, supra-national and corporate issuers, and by limiting exposure to any single issuer. Investments can be further limited to include only top-rated issuers.

We have identified bond funds offered by Dimensional Fund Advisors (DFA) that methodically segregate these several sources of uncertainty through structured global diversification. DFA funds can be purchased only through a DFA-approved Registered Investment Adviser (see box on page 22 for more information). Though the bond index funds we recommend on page 24 are far superior to actively managed bond funds, currently there are no index based mutual funds or ETFs available that provide this controlled exposure to sovereign debt risk and the potential rewards it brings.

THE HIGH-YIELD DOW INVESTMENT STRATEGY

Recommended HYD Portfolio

As of March 15, 2011

	Rank	Yield	Price	Status	—Percent of Portfolio—	
					Value	No. Shares ¹
AT&T	1	6.18	27.81	Holding**	23.23	24.19
Verizon	2	5.59	34.87	Holding**	25.06	20.81
Merck	3	4.77	31.86	Holding**	15.52	14.11
Pfizer	4	4.05	19.76	Buying	19.70	28.88
Kraft	5	3.73	31.13	Holding	2.45	2.28
DuPont	10	3.13	52.40	Selling	13.37	7.39
Frontier Communications	N/A	N/A	7.93	Selling	0.64	2.34
Cash (6-mo. T-Bill)	--	--	--		.03	--
Totals	--	--	--		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 February 28, 2010*.

	<u>1 mo.</u>	<u>1 yr.</u>	<u>5 yrs.</u>	<u>10 yrs.</u>	<u>20 yrs.</u>	<u>Since 1/79</u>	<u>Std. Dev.</u>
HYD Strategy	3.95	27.74	4.18	5.42	13.28	15.88	18.12
Russell 1000 Value Index	3.69	22.16	1.57	4.11	9.81	12.32	14.99
Dow	3.16	21.60	4.93	4.02	10.03	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 incurrance of which would have the effect of decreasing historical performance results.

INVESTMENT VEHICLES AND THE AIS APPROACH

For clients in our Professional Asset Management program, we purchase securities drawn from a broad universe of investment vehicles, including those listed on page 24. While that list includes funds issued by well-known firms such as Vanguard, Fidelity, and iShares, we do not list funds created by Dimensional Fund Advisors (DFA), which we use extensively for our clients.

DFA's mission is "to deliver the performance of capital markets and increase returns through state-of-the-art portfolio design and trading." Its portfolios are constructed based on the research findings of leading academics in modern finance.

We do not list DFA funds because, while most *Investment Guide* subscribers are "do-it-yourself" investors, DFA makes its funds available to individual investors only through Registered Investment Advisers (RIAs), such as AIS. We are among a group of "DFA-approved" RIAs who have demonstrated a commitment to investing based on principles consistent with Modern Portfolio Theory. Among those principles is that mutual fund trading should be kept to a minimum. This in turn keeps DFA's operating costs to a minimum, which is essential to providing optimal returns. DFA provides no remuneration to advisers for selling their funds, nor does AIS accept any remuneration for selling any investment product.

We have no allegiance to any fund family or product provider. Rather, DFA, Vanguard and others compete for our business. We screen investment vehicles carefully and use only the best within each asset class. We then use these funds as portfolio "building blocks" with which we assemble allocation plans designed to match the various risk profiles of our many clients.

This approach has proven successful. We now manage \$480 million in assets (an "all time high") on behalf of 280 clients.

For more information, contact us at (413) 528-1216 or visit www.americaninvestment.com. To learn more about DFA, visit www.dfaus.com.

RECENT MARKET STATISTICS

Precious Metals & Commodity Prices (\$)

	3/15/11	Mo. Earlier	Yr. Earlier
Gold, London p.m. fixing	1,400.50	1,372.75	1,053.50
Silver, London Spot Price	33.88	30.72	17.54
Copper, COMEX Spot Price	4.13	4.47	2.85
Crude Oil, W. Texas Int. Spot	97.17	84.31	77.57
Dow Jones Spot Index	457.53	467.92	341.35
Dow Jones-UBS Futures Index	157.58	161.64	133.32
Reuters-Jefferies CRB Index	338.14	336.29	273.72

Interest Rates (%)

U.S. Treasury bills - 91 day	0.10	0.13	0.17
182 day	0.14	0.17	0.24
52 week	0.22	0.29	0.40
U.S. Treasury bonds - 10 year	3.33	3.61	3.71
Corporates:			
High Quality - 10+ year	5.10	5.26	5.25
Medium Quality - 10+ year	6.01	6.14	6.27
Federal Reserve Discount Rate	0.75	0.75	0.75
New York Prime Rate	3.25	3.25	3.25
Euro Rates			
3 month	1.17	1.09	0.65
Government bonds - 10 year	3.11	3.29	3.15
Swiss Rates - 3 month	0.18	0.17	0.25
Government bonds - 10 year	1.70	1.82	1.74

Exchange Rates (\$)

British Pound	1.606400	1.612800	1.504300
Canadian Dollar	1.017191	1.011634	0.978857
Euro	1.396800	1.349400	1.365200
Japanese Yen	0.012373	0.011935	0.011056
South African Rand	0.143509	0.136893	0.134771
Swiss Franc	1.088495	1.033378	0.940292

Securities Markets

	3/15/11	Mo. Earlier	Yr. Earlier
S & P 500 Stock Composite	1,281.87	1,328.01	1,150.51
Dow Jones Industrial Average	11,855.42	12,226.64	10,642.15
Dow Jones Bond Average	270.06	266.12	251.25
Nasdaq Composite	2,667.33	2,804.35	2,362.21
Financial Times Gold Mines Index	3,564.57	3,679.32	2,991.66
FT EMEA (African) Gold Mines	3,256.66	3,251.35	2,705.89
FT Asia Pacific Gold Mines	16,203.54	17,141.46	12,920.66
FT Americas Gold Mines	3,034.97	3,148.71	2,575.43

Coin Prices (\$)

	3/15/11	Mo. Earlier	Yr. Earlier	Prem (%)
American Eagle (1.00)	1,469.97	1,409.97	1,160.28	4.96
Austrian 100-Corona (0.9803)	1,383.03	1,324.93	1,085.72	0.74
British Sovereign (0.2354)	347.80	333.60	275.20	5.50
Canadian Maple Leaf (1.00)	1,453.60	1,393.50	1,155.20	3.79
Mexican 50-Peso (1.2057)	1,704.30	1,632.70	1,338.10	0.93
Mexican Ounce (1.00)	1,433.90	1,374.50	1,130.10	2.38
S. African Krugerrand (1.00)	1,452.07	1,392.07	1,149.18	3.68
U.S. Double Eagle-\$20 (0.9675)				
St. Gaudens (MS-60)	1,537.50	1,450.00	1,312.50	13.47
Liberty (Type I-AU50)	1,642.50	1,602.50	1,600.00	21.22
Liberty (Type II-AU50)	1,575.00	1,540.00	1,300.00	16.24
Liberty (Type III-AU50)	1,502.50	1,432.50	1,247.50	10.89
U.S. Silver Coins (\$1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	25,100.00	21,350.00	11,775.00	3.62
40% Silver Circ. (292 oz.)	10,250.00	8,662.50	4,662.50	3.61
Silver Dollars Circ.	27,375.00	23,000.00	14,800.00	4.45

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at \$1400.5 per ounce and silver at \$33.88 per ounce. The weight in troy ounces of the precious metal in coins is indicated in parentheses.

THE DOW JONES INDUSTRIALS RANKED BY YIELD*

	Ticker Symbol	Market Prices (\$)			12-Month (\$)		Latest Dividend Record			Indicated Annual Yield†	
		3/15/11	2/15/11	3/15/10	High	Low	Amount (\$)	Date	Paid	Dividend (\$)	(%)
AT&T	T	27.81	28.24	25.78	30.10	23.78	0.430	1/10/11	2/1/11	1.720	6.18
Verizon	VZ	34.87	36.46	29.86	37.70	25.99	0.488	4/08/11	5/2/11	1.950	5.59
Merck	MRK	31.86	32.79	37.75	39.04	30.70	0.380	3/15/11	4/7/11	1.520	4.77
Pfizer	PFE	19.76	19.05	17.26	20.26 H	14.00	0.200	2/04/11	3/1/11	0.800	4.05
Kraft	KFT	31.13	30.67	29.56	32.67	27.49	0.290	3/31/11	4/14/11	1.160	3.73
Johnson & Johnson	JNJ	58.48	60.62	64.57	66.20	56.86	0.540	3/01/11	3/15/11	2.160	3.69
Intel Corp	INTC	20.18	21.45	21.17	24.37	17.60	0.180	2/07/11	3/1/11	0.720	3.57
McDonald's	MCD	75.12	76.15	65.93	80.94	65.31	0.610	3/01/11	3/15/11	2.440	3.25
Procter and Gamble	PG	60.66	63.92	63.70	66.95	39.37	0.482	1/21/11	2/15/11	1.927	3.18
Dupont	DD	52.40	54.11	35.48	56.19 H	33.66	0.410	2/15/11	3/14/11	1.640	3.13
Coca-Cola	KO	63.03	63.19	53.65	65.88	49.47	0.470	3/15/11	4/1/11	1.880	2.98
General Electric	GE	19.61	21.46	17.29	21.65	13.75	0.140	2/28/11	4/25/11	0.560	2.86
Chevron	CVX	101.23	96.34	73.57	104.99 H	66.83	0.720	2/16/11	3/10/11	2.880	2.85
Wal-Mart Stores	WMT	52.06	54.95	55.42	57.90	47.77	0.365	3/11/11	4/4/11	1.460	2.80
Home Depot, Inc.	HD	36.29	37.69	32.69	39.38 H	26.62	0.250	3/10/11	3/24/11	1.000	2.76
Microsoft Corp.	MSFT	25.39	26.96	29.29	31.58	22.73	0.160	5/19/11	6/9/11	0.640	2.52
Travellers	TRV	58.52	59.35	52.73	61.15 H	47.69	0.360	3/10/11	3/31/11	1.440	2.46
3M Company	MMM	89.50	92.00	81.26	94.16 H	67.98	0.550	2/18/11	3/12/11	2.200	2.46
Boeing	BA	69.69	71.40	69.40	76.00	59.48	0.420	2/11/11	3/4/11	1.680	2.41
Exxon Mobil	XOM	81.39	82.97	66.30	88.23 H	55.94	0.440	2/10/11	3/10/11	1.760	2.16
United Tech.	UTX	79.51	84.93	71.84	85.46	62.88	0.425	2/18/11	3/10/11	1.700	2.14
Caterpillar	CAT	100.75	103.00	59.47	105.86 H	54.89	0.440	1/20/11	2/19/11	1.760	1.75
American Express	AXP	43.64	46.19	40.70	49.19	37.13	0.180	1/07/11	2/10/11	0.720	1.65
IBM	IBM	159.02	162.84	127.83	167.72 H	116.00	0.650	2/10/11	3/10/11	2.600	1.64
Walt Disney	DIS	41.62	43.09	33.72	44.34 H	30.72	0.400	12/13/10	1/18/11	0.400	0.96
Hewlett-Packard	HPQ	40.93	47.99	52.42	54.75	37.32	0.080	3/16/11	4/6/11	0.320	0.78
Alcoa	AA	16.04	17.40	13.51	17.68	9.81	0.030	2/04/11	2/25/11	0.120	0.75
J P Morgan	JPM	44.61	46.82	43.07	48.36 H	35.16	0.050	1/06/11	1/31/11	0.200	0.45
Bank of America	BAC	13.96	14.77	16.85	19.86	10.91	0.010	3/04/11	3/25/11	0.040	0.29
Cisco	CSCO	17.39	18.67	26.08	27.74	17.25 L	0.000			0.000	0.00

* See the Recommended HYD Portfolio table on page 14 for current recommendations. † Based on indicated dividends and market price as of 3/15/11. Extra dividends are not included in annual yields. H New 52-week high. L New 52-week low. (s) All data adjusted for splits and spin-offs. 12-month data begins 3/16/10.

RECOMMENDED INVESTMENT VEHICLES

Security Symbol	Avg. Market Cap. / Avg. Maturity	No. of Holdings	Ratios		P/B	12 Mo. Yield (%)	Annualized Returns ⁸ (%), as of 2/28/11					
			Sharpe	Turnover (%)			Total	1 yr.	3 yr.	5 yr.	1 yr.	3 yr.
Short-/Intermediate Fixed Income												
Vanguard Short-Term Bond Index	2.7 Yrs.	1294	0.22	1.49	77	2.16	2.77	3.60	5.00	1.92	2.55	3.71
iShares Barclays 1-3 Yr. Credit Bond	1.9 Yrs.	685	0.20	0.91	23	2.48	3.13	3.96	--	2.27	2.72	--
iShares Barclays 1-3 Year Treasury	1.8 Yrs.	36	0.15	1.38	62	1.03	1.35	2.17	4.04	0.99	1.42	2.98
Vanguard Limited-Term Tax-Exempt	2.9 Yrs.	1406	0.20	1.08	11	2.34	1.33	3.51	3.59	1.33	3.51	3.59
SPDR Short-Term Municipal Bond	3.1 Yrs.	358	0.20	0.78	14	1.60	0.83	3.77	--	0.22	3.55	--
Inflation-Protected Fixed Income												
iShares Barclays TIPS Bond	8.7 Yrs.	31	0.20	0.49	15	2.51	6.74	3.42	5.41	5.82	2.04	3.91
Vanguard Inflation-Protected Securities	9.3 Yrs.	31	0.25	0.48	14	2.44	6.81	3.11	5.27	5.89	2.03	3.96
Real Estate												
Vanguard REIT Index	5.3 B.	101	0.26	0.23	16	3.28	38.73	5.63	3.11	37.05	4.21	1.84
SPDR Dow Jones REIT	6.1 B.	84	0.25	0.20	10	2.94	39.00	4.30	1.94	37.46	2.71	0.67
U.S. Large Cap Value												
Vanguard Value Index	37.6 B.	424	0.26	-0.10	31	2.22	22.25	0.83	1.95	21.82	0.38	1.53
iShares Russell 1000 Value Index	33.4 B.	669	0.20	-0.10	24	1.98	21.92	0.14	1.46	21.52	-0.27	1.08
U.S. Small Cap Value												
iShares Russell Microcap Index	0.3 B.	1353	0.60	0.10	35	0.82	28.80	-0.98	0.32	28.61	-1.15	0.19
Vanguard Small-Cap Value Index	1.3 B.	990	0.28	0.24	33	1.82	28.88	7.63	3.77	28.41	7.15	3.31
U.S. Large Cap Growth												
iShares Russell 1000 Growth Index	38.6 B.	628	0.20	0.06	19	1.27	24.69	4.76	4.45	24.42	4.53	4.25
Vanguard Growth Index	34.8 B.	427	0.28	0.06	29	1.01	23.62	4.27	4.40	23.42	4.10	4.24
U.S. Marketwide												
Vanguard Total Stock Market Index	24.2 B.	3377	0.18	0.01	5	1.68	24.27	3.33	3.41	23.93	3.02	3.12
Fidelity Spartan Total Market Index	25.1 B.	3085	0.10	0.01	7	1.65	24.39	3.24	3.41	na	na	na
Foreign-Developed Markets												
iShares MSCI Growth Index	25.9 B.	582	0.40	-0.11	28	2.1	20.97	-2.68	3.02	20.81	-2.82	2.90
iShares MSCI Value Index	31.1 B.	526	0.40	-0.15	30	3.25	18.47	-2.75	1.51	18.17	-2.98	1.21
Vanguard Europe Pacific Index	29.5 B.	949	0.20	-0.13	9	2.44	20.44	-1.91	2.83	19.00	-2.45	2.59
Vanguard Developed Markets Index	29.4 B.	987	0.10	-0.13	14	2.79	20.48	-2.07	2.64	19.91	-2.62	2.08
SPDR S&P International Small Cap	1.1 B.	694	0.60	0.08	17	2.38	30.33	1.49	--	29.60	1.16	--
Foreign-Emerging Markets												
Vanguard Emerging Market Index	18.2 B.	822	0.40	0.14	12	1.43	20.94	0.74	9.25	19.74	0.12	8.73
Gold-Related Funds												
iShares COMEX Gold Trust	--	1	0.40	0.90	0.00	0.00	25.83	12.82	19.79	25.83	12.82	19.79
streetTRACKS Gold Shares	--	1	0.40	0.90	0.00	0.00	26.82	12.80	20.00	26.82	12.80	20.00

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.

Recommended Gold-Mining Companies (\$)

Ticker Symbol	3/15/11	Month Earlier	Year Earlier	52-Week		Distributions	Yield (%)
				High	Low		
AU	46.06	45.91	37.61	52.86	36.04	Last 12 Months	Frequency
ABX	49.23	49.19	39.01	55.72	36.69	0.2026	Semiannual
GFI	17.03	16.16	11.96	18.53	11.91	0.4760	Semiannual
GG	46.52	43.97	39.09	50.80	36.35	0.1949	Semiannual
NEM	52.10	58.04	49.73	65.50	48.20	0.2202	Monthly
						0.5500	Quarterly

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.