AIS INVESTMENT GUIDE

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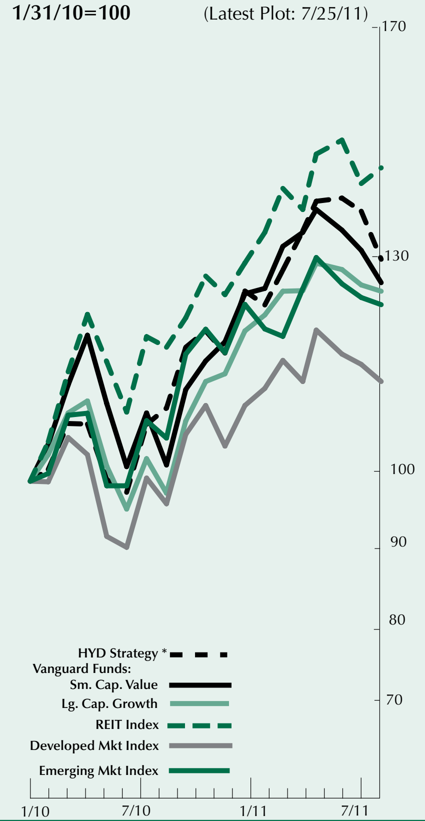
Equity Performance
1/31/10=100 (Latest Plot: 7/25/11)



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

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

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Treasury Bonds, Default, and Credit Ratings

Those of us who attended economics classes dutifully recorded in our notebooks that the returns on obligations of the U.S. Treasury were the "proxy for the risk-free rate of return." They provide a foundation to which "risk premiums" could be added in order to approximate higher expected rates of return for the universe of inherently riskier financial assets.

With federal spending relative to GDP reaching levels not seen since World War II, Congressional leaders and the President have stitched together a last minute package that will avoid default on U.S. debt by increasing the statutory debt ceiling.

If there is a silver lining to all the political drama, it is that investors and taxpayers might now be more amenable to AIER's long-held contention that no financial obligation, sovereign or private, is risk-free, certainly in a world in which money itself is not sound. Despite our best efforts to educate our readers, the best teacher is the market itself.

Though it appears technical default will be avoided – assuming the House and Senate approve the deal—it is not at all clear that Treasury debt will avoid a downgrade by credit rating agencies, nor is it clear what the impact of a downgrade might mean. The deal ostensibly cuts $917 billion over ten years, with potential for $1.7 trillion in additional cuts. But Standard and Poor's, for example, had stated that only a plan that reduces budget deficits by at least $4 trillion dollars over 10 years would avoid a downgrade from AAA to AA.

How might the markets react to a downgrade? The fact is that we are in uncharted territory. The solvency of a sovereign nation with $14 trillion in debt that accounts for 25 percent of global economic output is in question. One could look to prior credit downgrades of other developed nations. In the 1990s Canada saw its bond yields shoot up 0.80 percent when its ratings went from "negative watch" to a formal downgrade. But Japan (1998) had the opposite experience; yields on its ten-year bonds fell 0.70 percent after a negative was followed by an official downgrade.

AIER has reviewed empirical models that go beyond anecdote. The impact of a downgrade would be widespread; many governmental and private entities are bound by statute or charter to sell securities that lose their AAA rating; estimates suggest Treasury yields could rise by as much as 0.50 percent in response.

On the other hand it has been argued[1] that credit agencies add value and help in price discovery in those markets where information is costly to obtain, such as obscure private debt or municipal bond markets. But there is little relevant information that has not been divulged regarding the probability or magnitude of a default on U.S. debt, so the impact of a downgrade on yields might in fact be very limited, to the extent it would represent just one more opinion regarding information already well-publicized.

Though the risk of U.S. default is new, our advice to you is not. No asset is "risk-free" and in an uncertain world, there is no substitute for diversification. The portfolios we recommend, based on the funds found on page 56, represent over 5,300 common stocks spread throughout the world, 2,700 bonds, as well as gold and gold-mining companies that hold over 40 percent of the world's known gold reserves.

1 We appreciate the observations of Gerald Sohan, PhD., Voting Member of the Corporation, AIER.

FOCUS ON COMMODITIES

The following article was co-written with Keith Hocter of Bellwether Consulting, an institutional investment consulting firm. Mr. Hocter is a voting member of AIER, our parent organization, and brings considerable investment experience.

A renewed interest in commodity investments has emerged in the wake of economic recovery, loose monetary policy, and early signs of price inflation. Here we present the fundamental attributes of commodities, good and bad, with which investors should be familiar. We also provide our view of gold as an asset distinct from commodities and traditional investments.

The Case for Commodities

Arguments for an allocation to commodities include its recognition as a store of value due to limited supply, and diversification of a portfolio. Proponents argue that commodities provide a hedge against monetary inflation, and that high volatility is offset by low correlation in a well-designed portfolio.

Measuring the outcome of an investment in purely dollar terms is precarious, as the value of the dollar itself is a moving target. But how do we gauge the changing value of the dollar over time? It is tempting to compare the dollar to other global currencies – for example, using the US Dollar Index (see Chart 1). This index compares the dollar to a basket of other major currencies. While the dollar has declined against this basket since the inception of the index, the level of decline is not, at first blush, terribly alarming.

Note, however, that the Euro composes 58.6 percent of the index. Currently, the Euro is facing difficult challenges due to sovereign debt crises. Since the dollar index is weighted so heavily against another weak currency, the US Dollar Index chart does not begin to show the big picture of buying power erosion. If the US dollar is remaining relatively stable against other falling currencies, then it too is falling in real terms.

It is no accident that physical commodities have been used as a store of value. Consider the large amount of physical effort and cost it takes to raise a cow, drill for oil, or mine for metals. These have limited supplies that cannot be easily manipulated, as opposed to modern fiat currencies which can be created with a click, and they get "used up" over time. Said differently, commodities offer a non-zero expected return in an environment of deteriorating currency value – if you believe the decline of fiat currency purchasing power is systemic, and chronic.

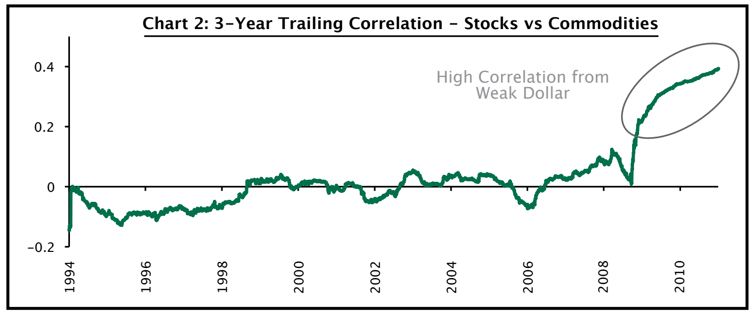


Chart 2: 3-Year Trailing Correlation - Stocks vs Commodities

Finally, commodities can offer diversification as an alternative asset class. Commodities historically maintained low correlation with equities (see Chart 2).[1] The recent rise in correlation can be explained mainly by expansionary monetary policy. In an inflationary environment, riskier asset classes based on a weakening dollar tend to move together.

Arguments Against Commodities

It is evident that money can be made or lost by acquiring and holding commodities; skeptics argue that this is pure "speculation" and not investing at all. The arguments are based on the market's high volatility and zero-sum nature.

Relative to other asset classes, the standard deviation of commodity prices does rank at the high end over long periods of time (see Chart 3). In other words, commodity prices are volatile, especially when compared to fixed income investments. Instances of extreme volatility can be observed, as occurred recently in the silver market when the metal rallied to near $50 per troy ounce and then fell over 30 percent in just a week's time.

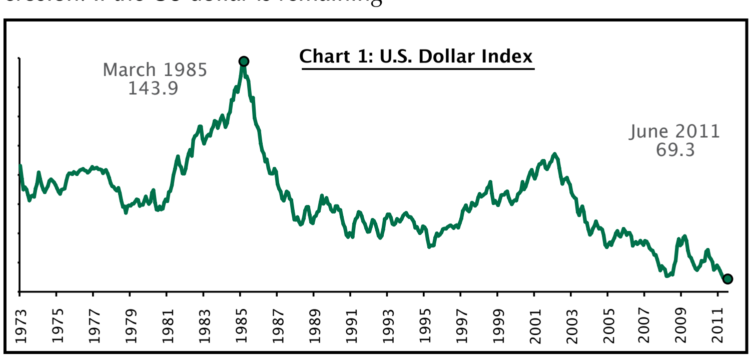


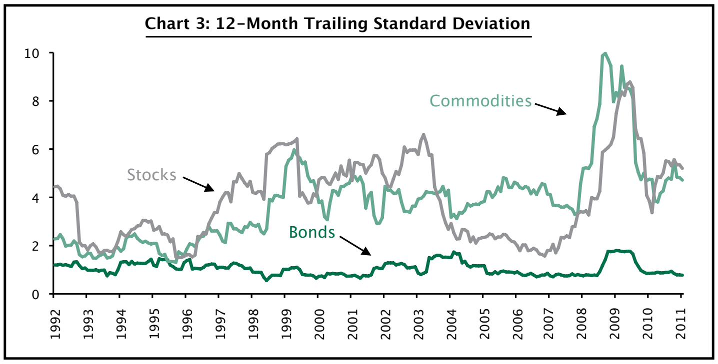
Chart 1: U.S. Dollar Index

The second point is that commodities represent a zero-sum game. Unlike common stocks, where a positive expected return arises due to the productive economic activities of the underlying companies, commodities do not become intrinsically more valuable over time. Therefore every exchange results in a winning and a losing position. In this type of market wealth is neither created nor destroyed, but simply transferred.

That is not to say that speculation serves no useful purpose in a modern economy. Futures markets were initially created for farmers as a hedge against price volatility. During the growing season, a farmer could sell a wheat futures contract for delivery later in the harvest season, thereby locking in a future price for a specified amount of wheat. Over the past few decades, commodity futures markets have increasingly become an exchange for investors to speculate on the price of commodities. Speculators clearly add to market liquidity and contribute to efficient price discovery; whether they increase or reduce volatility is a current subject of debate.

But whether speculation is good or evil is beside the point, argue commodity skeptics; the point is that allocating capital to "stuff" with an expected return of zero is irrational for investors who require positive expected returns over time. They argue for allocating capital instead to the farmers, miners, and processors, who create value by extracting stuff from nature and converting it to a more useful form.

Skeptics point to a famous bet made in 1980 between Julian Simon and Paul Ehrlich. Ehrlich, an environmental



theorist, claimed the world was overpopulated and that humanity was doomed to outstrip the world's resources. Simon, a business professor, sharply disagreed pointing out that human ingenuity had throughout history made more resources available, and that previous doomsayers, such as Malthus were consistently wrong. Simon had Ehrlich choose five of commodity metals. Ehrlich chose copper, chromium, nickel, tin, and tungsten. Simon bet that their prices would fall over the next decade, Ehrlich bet they would increase. Ehrlich lost as the prices of all five fell[2].

As commodities become more scarce their prices rise, but not forever. Higher prices inspire innovation, giving rise to substitutes that ultimately reduce or even eliminate demand for the commodity in question. Though difficult to conceive, even petroleum may be displaced one day just as it once displaced whale oil.

While this argument does cast doubt on commodity speculation as a long-term investment, in our view it falls short of discrediting commodities as a hedging strategy. Few people have an investment time horizon that spans the commodity development cycle – one can suffer a great deal of pain waiting for the market to eventually innovate. Further, one expects to lose money on hedging investments under favorable conditions; Mr. Ehrlich would certainly have fared better had he made the bet in 1995 instead, although for reasons completely disconnected from population growth.

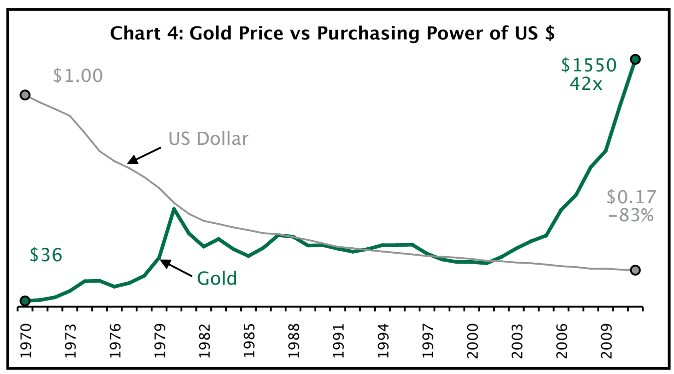
The AIS View – Gold is Distinct

We do not recommend commodities as a component of an investment portfolio. We embrace the arguments of the skeptics, outlined above.

However, we view gold separately from commodities. Gold is commodity-like in that it is a non-productive asset with no ability to produce income, but unlike commodities it has very limited industrial applications, and is not consumed over time. There is no reason to believe gold will be "used up" or displaced by a substitute. No comparable asset has ever emerged to serve as a widely recognized and enduring store of value.[3] The world's gold supply has in fact grown very slowly over hundreds of years.

Consider the loss of buying power of the dollar since 1970 measured by the CPI and the value of gold per troy ounce over a similar period (see Chart 4). Over the past forty years, inflation has consistently diminished the buying power of the dollar while the value of gold has increased by over 40 times. Gold may not have created value over this period, and has been highly volatile, but over the entire span of four decades has clearly served as a store of value.

But gold shares a desirable trait with most other commodities: its returns are not highly correlated, and in fact are often negatively correlated, with those of our other recommended asset classes, especially equities. Gold can therefore serve as a form of portfolio insurance, despite its highly volatile price and "zero sum" nature. Target portfolio allocations to gold should range between five and ten percent depending on risk tolerance, and holdings rebalanced as needed.



1 The correlation coefficient ranges from +1 (perfect positive correlation) to -1 (perfect negative correlation). Desirable asset classes have low positive correlation or negative correlation with others.

2 For further reading see Paul Ehrlich *The Population Bomb* (Sierra Club/Ballantine Books, 1968) and Julian Simon *The Ultimate Resource* (Princeton University Press 1981, 1996).

3 For more, see Steven R. Cunningham, PhD AIER *"Gold ETFs Change the Marketplace"* Research Reports, Vol. LXXVIII, No. 5, March 21, 2011, p. 1 and American Investment Services *"Gold, Money and Portfolio Theory, an Update"*, Investment Guide, Vol. XXXIII, No. 3, March 31, 2011, p. 18.

QUARTERLY REVIEW OF INVESTMENT POLICY

Most of our recommended asset classes ended the second quarter close to where they began. The stock market is a leading indicator of the business cycle and it reacts quickly to news relevant to prospects for economic growth. News for the quarter was mixed at best, and the markets responded in kind.

In the U.S., the S&P 500 fell for six consecutive weeks, but later recovered. Large cap stocks fared slightly better than small caps, while growth stocks similarly edged out value stocks. Markets were unnerved by weak labor and housing markets. Corporations, lenders and consumers continued to hoard cash, forestalling prospects for a robust economic recovery. The re-emergence of the Greek debt crisis and the approaching deadline for increasing the U.S. federal debt limit contributed to general unease.

Foreign developed and emerging market stocks also finished the quarter flat. Commercial real estate (REITs) provided a nearly three percent return, while gold was the best-performing asset class.

We are making no changes to our recommended asset classes or portfolio allocations at this time. These guidelines are presented in the accompanying AIS Model Portfolios table.

Cash and Equivalent Assets[1]

Consumer prices advanced during the quarter as the core Consumer Price Index (CPI) registered a 1.5 percent annual increase through the end of June. While the Fed continued to confront the dilemma inherent in its dual mission

(continued next page)

of price stability and full employment, inflation concerns predominated. During the June meeting of the Fed's Open Market Committee (FOMC) it was noted that price inflation no longer appeared "subdued."

The end of the Fed's second round of quantitative easing (QE2), which was widely anticipated, did not roil bond markets appreciably. But the Fed also indicated it is likely to maintain the level of assets indicated on its balance sheet (roughly $2.9 trillion). As economic data came in during the quarter pointing to a slower economic recovery the Fed signaled it was in no hurry to see higher interest rates. The yield on three month Treasuries, which stood at 0.09 percent at the end of the first quarter, fell to a negligible 0.03 percent by the end of June. One-year yields fell as well, from 0.30 percent to 0.19 percent.

For an analysis of how the Federal Reserve's policy has created unintended hardships for savers, see AIER's recent article *The Downside of Monetary Easing*[2]

Fixed Income

The accompanying chart shows that rates decreased for bonds of all maturities during the three months. Bond prices move inversely with yields; rising Treasury prices suggest that markets continued to favor the relative "safety" of U.S. government obligations over alternatives, despite growing concern over record high debt levels. Over the past year however, longer rates have climbed higher.

During the second quarter price inflation expectations reversed course, after steadily climbing for many months. Though the CPI itself increased over the three months, evidence of a slowing economic recovery and the end of QE2 reduced the "inflation premium" that is built into conventional Treasury yields. At the end of June the difference in yield between conventional and inflation indexed ten year Treasury notes was 2.24 percent, down from 2.45 percent at the end of March. TIPS returned 3.66 percent for the quarter.

Corporate bond yield spreads over Treasury bonds increased by 0.11 percent by quarter-end. This reflected increased market-wide risk aversion, despite strong corporate profitability, high cash reserves, and low default rates. Investment-grade spreads closed the quarter at 1.53 percent, slightly above their long-term average. High-yield spreads rose 0.65 percent to close at 5.42 percent.

Muni bonds returned just over 4.0 percent for the quarter, thanks to falling interest rates, a fifth consecutive quarter of increasing state tax revenues and reduced issuance of new bonds. Though the forecast for new issuance in coming months is low, local government revenues remain weak. Diversification remains extremely important in muni bond investing.

Real Estate[3]

By the end of the second quarter U.S Equity Real Estate Investment Trusts (REITs) had delivered a 2.9 percent total return, and were providing a dividend yield of 3.44 percent. Year to date REITs have returned 10.6 percent and subsector returns have ranged from 16.69 percent (timber) to -3.29 percent (freestanding retail).

REITs' current dividend yield is attractive relative to alternative investments, but investors in need of investment income should avoid the temptation to "load up" on REITs. Income is only one component of total return. A better strategy is to include REITs as a component of a well-diversified portfolio, using an ETF or mutual fund such as those we suggest on page 56. Investors can sell securities

AIS Model Portfolios(1)
For the Period Ending June 30, 2011

Asset Class	*Index*	*Recommended Percentage Allocations* (2)			*Asset Class Statistics: Risk and Return (%)* Total Return (annualized)			Std. Dev. (annualized)
		Conservative	*Moderate*	*Aggressive*	*1 Year*	*10 Year*	*20 year*	*20 year*
Cash & Equivalent Assets (3)	3 Month CD Index	20	10	0	0.33	2.45	3.79	0.62
Short/Int. Fixed Income	Barclays Capital 1-5 Yr Govt/Cred	40	30	0	2.84	4.62	5.75	2.33
Real Estate	DJ US Select REITs Index	10	10	10	34.95	10.53	11.01	20.42
U.S. Large Cap Growth	Russell 1000 Growth Index (USD)	5	5	10	35.01	2.24	7.85	17.35
U.S. Large Cap Value	Russell 1000 Value Index (USD)	15	20	30	28.94	3.98	9.72	14.67
U.S. Small Cap Value	Russell 2000 Value Index (USD)	5	7	13	31.35	7.53	11.69	16.86
	DFA US Micro Cap Portfolio (USD)	0	3	7	37.30	7.99	12.45	20.66
Foreign Developed Markets	MSCI EAFE Index (USD) Gross Div	5	7	13	30.93	6.12	6.41	16.65
Foreign Emerging Markets	MSCI Emg. Mkts. Index (USD) Gross Div	0	3	7	28.17	16.54	10.53	23.63
Gold Related	Gold (London PM Fix Price)	0	5	10	21.02	18.73	7.30	14.88
	Total	100	100	100				

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

	Conservative	*Moderate*	*Aggressive*
Portfolio Return 1 Year	13.90	19.29	30.46
Portfolio Return 10 Year (annualized)	5.49	6.98	8.31
Portfolio Return 20 Year (annualized)	7.44	8.55	10.24
Portfolio Standard Deviation 20 Year (annualized)	6.25	8.22	13.48
Growth of $100 over 20 Years	$420	$516	$703

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

across all of these asset classes, as needed, to generate required cash flows, while keeping their percentage asset class allocations in line with their targets.

Because dividend income accounts for a significant portion of their returns, REITs are best suited for tax-deferred accounts such as IRAs or qualified retirement plans. Most individual investors are best served by utilizing one of our recommended funds (see page 56) rather than purchasing REITs directly.

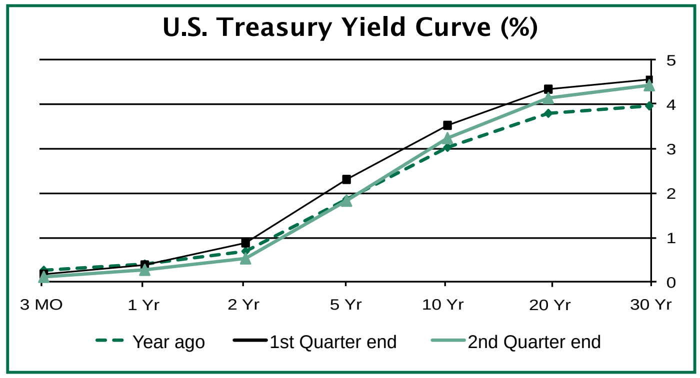
U.S. Equities[4]

Despite disappointing economic news and sovereign debt crises in the U.S. and Europe, the U.S. equity market was flat for the quarter, returning 0.10 percent as measured by the S&P 500.

Growth stocks outperformed value stocks, and in terms of the market capitalization risk dimension, large caps outperformed small caps. The margins of "outperformance", however, were small; once again overall returns were tightly grouped across both styles and market capitalizations. For the equity asset class subsectors that we follow, the Russell 2000 (small cap) Value Index turned in the lowest performance, with a -2.65 total return, (versus -0.59 percent for the Russell 2000 Growth Index). The Russell 1000 (large cap) Growth Index was best, registering a 0.76 return (versus -0.50 percent for the Russell 1000 Value Index).

Among industries, so called defensive sectors held up best, with health care, utility, and consumer staple stocks providing the highest returns. Energy and financial stocks lagged all other industries during the quarter.

The market's valuation, measured by the PE[5] currently stands at 22.1, above the long term average of 17.4. A PE that is higher than average is by no means a signal that the market is due for a fall. Indeed, the market's PE has been "higher than average" since August of 2009. Since that date (22 months) the S&P 500 has provided a total return of over 24 percent.



International Equities[6]

Foreign stocks generally were flat for U.S. investors during the quarter, though this was largely attributable to a declining dollar. Overall, non-U.S. stocks managed a 0.61 percent return measured by the MSCI All Country ex-USA Index (in U.S. dollars). Foreign developed markets (MSCI EAFE Index) provided a 1.8 percent return in U.S. dollars, but dropped in local currencies, where they registered a -0.5 percent return. Emerging markets (MSCI Emerging Markets Index) returned -1.0 percent in dollar terms versus -2.6 percent in local currencies.

In Europe, overall returns were positive, as large cap stocks in Germany and France provided the strongest returns. These gains came despite renewed concerns regarding potential sovereign default in peripheral nations. Greek sovereign debt in particular dominated the news but as the quarter drew to a close, Greece approved additional austerity measures, prompting a $112 billion bailout in the form of an IMF / Eurozone financial stabilization package. A longer term solution remains elusive. Japan, which continued to recover from the tsunami in March, provided a total return of 0.18 percent.

Among emerging markets a mix of monetary tightening and higher reserve requirements in China and India dampened stock prices in local currencies, but higher interest rates provided offsetting currency appreciation. China provided a return of -1.75 percent, while India returned -3.55 percent in U.S. dollars. Russia also experienced losses. Indonesia and other smaller Asian markets managed positive returns.

Gold Related Assets

Gold provided the highest returns (+4.6 percent) among our recommended asset classes during the second quarter, finishing at $1,505.50 per ounce. The rising gold price appears attributable largely to increased investment demand

1 Sources for cash and equivalent and fixed income statistics: U.S. Treasury, U.S. Labor Department (Bureau of Labor Statistics), Fidelity Management and Research Company, The Vanguard Group. Investment Grade bonds: Barclays Capital (BC) Credit Bond Index. Spread is index Option Adjusted Spread; Municipal bonds: BC Municipal Bond Index; TIPS: BC U.S. TIPS Index.
2 William F. Ford, PhD, and Polina Vlasenko, PhD, Research Fellow "The Downside of Monetary Easing" Research Reports, Vol LXXVIII, No. 12, July 4, 2011, p.1.
3 REIT data provided by National Association of Real Estate Trusts (NAREIT).
4 U.S. Market: S&P 500 Index. Small caps: Russell 2000 Growth & Russell 2000 Value Indices, Large caps: Russell 1000 Growth & Russell 1000 Value Indices. Fidelity Management and Research Company.
5 Current Price/Earnings Ratio (PE): Current (month end) S&P 500 index divided by the average of the past 10 years S&P 500 monthly earnings.
6 Non-U.S. stocks: MSCI All Country World ex USA Index. Emerging markets: MSCI Emerging Markets Index. Developed markets MSCI EAFE Index. Currency data: Vanguard, Oanda.com.

Total Return (%)

	2008		*2009*				*2010*				*2011*		*Entire Period*
	3Q	*4Q*	*1Q*	*2Q*	*3Q*	*4Q*	*1Q*	*2Q*	*3Q*	*4Q*	*1Q*	*2Q*	*4Q 2008-2Q 2011*
Barclay Capital 1-5 Yr. Govt./Credit	-0.31	**3.60**	0.53	1.46	2.14	0.42	1.20	1.78	1.66	-0.60	0.27	1.49	14.80
Vanguard REIT Index	5.35	-38.16	-31.76	30.54	**34.86**	**9.39**	10.02	-4.01	13.10	7.42	6.50	3.51	13.34
Vanguard Value Index	-5.72	-20.44	-16.41	16.71	17.38	4.41	6.16	-10.93	9.71	10.17	**7.02**	-0.64	15.61
High-Yield Dow 4/18	**8.77**	-22.71	-23.83	15.66	16.55	8.13	1.81	-8.97	**20.83**	6.69	6.66	2.05	11.62
Vanguard Small Cap Value Index	1.51	-25.57	-18.14	23.83	23.89	3.79	**10.15**	-10.15	10.68	**13.95**	6.88	-1.87	27.01
Vanguard Growth Index	-12.04	-23.88	-4.24	15.59	14.13	7.88	4.85	-12.16	13.37	12.02	4.95	0.91	28.50
Vanguard Developed Markets Index	-18.89	-19.41	-15.82	25.59	19.25	1.67	1.26	-14.61	17.60	6.74	3.08	2.12	18.03
Vanguard Emerging Markets Index	-25.98	-27.82	0.07	**34.14**	21.15	8.26	2.47	-9.12	18.74	7.49	1.78	-0.97	52.24
Gold (London PM Fix)	-4.92	-1.67	**5.38**	1.96	6.55	9.21	2.57	**11.52**	5.06	7.54	2.38	**4.62**	**70.19**

amidst persistent sovereign debt crises in Europe and in the U.S.

As part of its summer speaker series, AIER recently held an event entitled "Bullion and Beyond: A World of Choices for Gold Investors." Panelists discussed three ways of gaining exposure to the gold price: physical holdings of gold bullion, gold ETFs, and gold mining shares. Each of these has advantages and disadvantages. (See below for recent data pertaining to gold "held in the ground" through our recommended gold mining shares.)

We have been recommending gold as part of a well diversified portfolio since 1978. It is our contention, particularly with the recent dramatic growth of gold ETF holdings, that gold has gained stature as a unique form of protection against severe financial disruption. Its price performance since mid-2007 in particular, when the financial "meltdown" began, provides additional empirical evidence that will be persuasive to individual and institutional investors in the future. Prices for bullion coins can be found on page 55, while our preferred ETFs and mining shares can be found on page 56.

THE HIGH-YIELD DOW INVESTMENT STRATEGY

Recommended HYD Portfolio

As of July 15, 2011

	Rank	*Yield*	*Price*	*Status*	*—Percent of Portfolio— Value*	*No. Shares*[1]
AT&T	1	5.67	30.31	Holding**	24.44	23.66
Verizon	2	5.30	36.82	Holding**	25.36	20.21
Merck	3	4.23	35.93	Holding**	19.91	16.26
Pfizer	4	4.05	19.75	Buying	23.69	35.21
Kraft	7	3.28	35.37	Selling	0.00	0.00
DuPont	10	3.03	54.09	Selling	6.26	3.40
Frontier Communications	N/A	N/A	7.71	Selling	0.33	1.25
Cash (6-mo. T-Bill)	--	--	--		0.02	--
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.

The total returns presented in the table below represent changes in the value of a hypothetical HYD portfolio with a beginning date of January 1979 (the longest period for which data was available for the HYD model and relevant indexes) through June 30, 2011*.

	1 mo.	1 yr.	5 yrs.	10 yrs.	20 yrs.	Since 1/79	Std. Dev.
HYD Strategy	-1.34	40.33	4.79	5.38	12.75	15.93	18.04
Russell 1000 Value Index	-2.05	28.94	1.15	3.98	9.72	12.18	14.93
Dow	-1.10	30.37	4.97	4.20	10.06	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.

GOLD MINERS

The companies below comprise our current recommended gold miners. Our intent is to capture a diversified portfolio of companies that provide ownership of "gold in the ground" and also provide income through a stable dividend. There are 30 firms in NYSE Arca Gold Miners Index (GDM), but the five below are by far the largest, accounting for 31 percent of all global gold production, and 46 percent of known reserves. Many of the other gold companies boast of reserves but have little actual gold production, or in fact generate a large portion of their revenues through activities unrelated to gold (other precious metals or base metals) and therefore dilute the desired exposure to the gold price.

	Annual Production (Troy ounces, 000)	Portion of Total Global Annual Gold Production	Reserves* (Troy ounces, 000)	Portion of Known Global Gold Reserves	Market Cap	Dividend Yield
Anglogold Ashanti Ltd., ADR	4,500	5.6%	220,000	13.4%	17 billion	0.46%
Barrick Gold Corp.	7,800	9.8%	140,000	8.5%	50 billion	0.84%
Gold Fields Ltd.	3,500	4.4%	240,000	14.6%	11 billion	1.26%
Goldcorp, Inc.	2,500	3.1%	60,000	3.7%	44 billion	0.53%
Newmont Mining	6,500	8.1%	93,500	5.7%	29 billion	1.26%
Total	24,800	31.0%	753,500	45.9%		
Global Gold Production 2010	80,000					
Global Gold Reserves			1,640,000			

* Proven & Prob. Reserves (North American) Mineral Resources (South African)
Sources: Annual Reports, U.S. Geological Survey, Mineral Commodity Summaries, January 2011

RECENT MARKET STATISTICS

Precious Metals & Commodity Prices ($)

	7/15/11	Mo. Earlier	Yr. Earlier
Gold, London p.m. fixing	**1,587.00**	1,529.75	1,053.50
Silver, London Spot Price	**38.17**	35.26	17.54
Copper, COMEX Spot Price	**4.41**	4.12	2.85
Crude Oil, W. Texas Int. Spot	**95.68**	94.80	77.57
Dow Jones Spot Index	**481.51**	471.82	341.35
Dow Jones-UBS Futures Index	**164.54**	161.32	133.32
Reuters-Jefferies CRB Index	**346.30**	338.96	273.72

Interest Rates (%)

U.S. Treasury bills - 91 day	**0.02**	0.05	0.15
182 day	**0.05**	0.11	0.20
52 week	**0.14**	0.18	0.26
U.S. Treasury bonds - 10 year	**2.94**	2.98	3.00
Corporates:			
High Quality - 10+ year	**4.91**	4.96	4.68
Medium Quality - 10+ year	**5.74**	5.72	6.02
Federal Reserve Discount Rate	**0.75**	0.75	0.75
New York Prime Rate	**3.25**	3.25	3.25
Euro Rates 3 month	**1.61**	1.45	0.80
Government bonds - 10 year	**2.66**	3.06	2.59
Swiss Rates - 3 month	**0.18**	0.18	0.12
Government bonds - 10 year	**1.53**	1.66	1.41

Exchange Rates ($)

British Pound	**1.614900**	1.621800	1.537600
Canadian Dollar	**1.048000**	1.022700	0.961446
Euro	**1.415600**	1.422100	1.289300
Japanese Yen	**0.012700**	0.012390	0.011440
South African Rand	**0.145100**	0.146587	0.132247
Swiss Franc	**1.225800**	1.175364	0.959601

Securities Markets

	7/15/11	Mo. Earlier	Yr. Earlier
S & P 500 Stock Composite	**1,316.14**	1,265.42	1,096.48
Dow Jones Industrial Average	**12,479.73**	11,897.27	10,366.72
Dow Jones Bond Average	**279.66**	277.81	262.13
Nasdaq Composite	**2,789.80**	2,631.46	2,249.08
Financial Times Gold Mines Index	**3,850.36**	3,509.32	3,296.16
FT EMEA (African) Gold Mines	**3,367.65**	3,182.87	3,064.40
FT Asia Pacific Gold Mines	**19,331.48**	17,706.57	13,828.26
FT Americas Gold Mines	**3,258.69**	2,938.36	2,830.13

Coin Prices ($)

	7/15/11	Mo. Earlier	Yr. Earlier	Prem (%)
American Eagle (1.00)	**1,596.28**	1,562.47	1,293.93	0.58
Austrian 100-Corona (0.9803)	**1,503.43**	1,470.72	1,163.93	-3.36
British Sovereign (0.2354)	**377.10**	369.20	294.30	0.94
Canadian Maple Leaf (1.00)	**1,578.00**	1,544.30	1,236.00	-0.57
Mexican 50-Peso (1.2057)	**1,852.50**	1,812.30	1,434.40	-3.19
Mexican Ounce (1.00)	**1,556.90**	1,523.60	1,210.00	-1.90
S. African Krugerrand (1.00)	**1,576.28**	1,542.57	1,229.88	-0.68
U.S. Double Eagle-$20 (0.9675)				
St. Gaudens (MS-60)	**1,662.50**	1,580.00	1,435.00	8.28
Liberty (Type I-AU50)	**1,705.00**	1,705.00	1,600.00	11.04
Liberty (Type II-AU50)	**1,655.00**	1,655.00	1,487.50	7.79
Liberty (Type III-AU50)	**1,637.50**	1,560.00	1,390.00	6.65
U.S. Silver Coins ($1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	**24,862.50**	24,300.00	12,850.00	-8.90
40% Silver Circ. (292 oz.)	**10,162.50**	9,950.00	5,175.00	-8.82
Silver Dollars Circ.	**27,387.50**	28,000.00	15,850.00	-7.25

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at $1587 per ounce and silver at $38.17 per ounce. The weight in troy ounces of the precious metal in coins is indicated in parentheses.

THE DOW JONES INDUSTRIALS RANKED BY YIELD*

	Ticker Symbol	Market Prices ($) 7/15/11	6/15/11	7/15/10	12-Month ($) High	Low	Latest Dividend Amount ($)	Record Date	Paid	Indicated Annual Dividend ($)	Yield† (%)
AT&T	T	30.31	30.35	25.00	31.94	24.50	0.430	7/08/11	8/01/11	1.720	5.67
Verizon	VZ	36.82	35.12	26.80	38.95	26.41	0.488	7/08/11	8/01/11	1.950	5.30
Merck	MRK	35.93	35.17	36.49	37.68	31.06	0.380	6/15/11	7/08/11	1.520	4.23
Pfizer	PFE	19.75	20.19	14.87	21.45	14.39	0.200	8/05/11	9/06/11	0.800	4.05
Intel Corp	INTC	22.37	21.42	21.51	23.96	17.60	0.210	TBA**	TBA**	0.840	3.76
Johnson & Johnson	JNJ	67.45	66.16	60.26	68.05 *H*	56.86	0.570	5/31/11	6/14/11	2.280	3.38
Kraft	KFT	35.37	34.02	29.32	36.02 *H*	28.56	0.290	6/30/11	7/14/11	1.160	3.28
General Electric	GE	18.41	18.39	15.25	21.65	14.25	0.150	6/20/11	7/25/11	0.600	3.26
Procter and Gamble	PG	64.83	63.76	62.73	67.72	59.17	0.525	7/22/11	8/15/11	2.100	3.24
Dupont	DD	54.09	49.54	37.17	57.00	35.61	0.410	8/15/11	9/12/11	1.640	3.03
Chevron	CVX	106.19	98.41	73.04	109.94	70.96	0.780	5/19/11	6/10/11	3.120	2.94
McDonald's	MCD	85.48	81.24	71.33	86.46 *H*	68.59	0.610	6/01/11	6/15/11	2.440	2.85
Travellers	TRV	57.90	57.54	50.30	64.17	48.46	0.410	6/10/11	6/30/11	1.640	2.83
Home Depot, Inc.	HD	35.91	33.88	28.34	39.38	26.62	0.250	6/16/11	6/30/11	1.000	2.78
Coca-Cola	KO	67.53	64.97	52.85	68.89 *H*	51.92	0.470	6/15/11	7/01/11	1.880	2.78
Wal-Mart Stores	WMT	53.63	52.32	50.41	57.90	49.09	0.365	3/11/11	4/04/11	1.460	2.72
J P Morgan	JPM	39.98	40.68	40.46	48.36	35.55	0.250	7/06/11	7/31/11	1.000	2.50
Microsoft Corp.	MSFT	26.78	23.74	25.51	29.46	23.32	0.160	8/18/11	9/08/11	0.640	2.39
Boeing	BA	71.28	73.85	64.37	80.65	59.48	0.420	8/12/11	9/02/11	1.680	2.36
3M Company	MMM	95.47	91.03	83.06	98.19 *H*	78.40	0.550	5/20/11	6/12/11	2.200	2.30
Exxon Mobil	XOM	83.00	78.66	59.27	88.23	57.60	0.470	5/13/11	6/10/11	1.880	2.27
United Tech.	UTX	88.32	83.27	68.15	91.83 *H*	64.57	0.480	8/19/11	9/10/11	1.920	2.17
IBM	IBM	175.54	162.33	130.72	177.77 *H*	122.28	0.750	5/10/11	6/10/11	3.000	1.71
Caterpillar	CAT	109.36	95.65	66.51	116.55	63.34	0.460	7/20/11	8/20/11	1.840	1.68
Cisco	CSCO	15.59	14.84	23.92	26.00	14.78	0.060	7/07/11	7/27/11	0.240	1.54
American Express	AXP	51.81	47.28	43.43	53.80 *H*	37.33	0.180	7/01/11	8/10/11	0.720	1.39
Hewlett-Packard	HPQ	35.09	34.26	47.42	49.39	33.95	0.120	6/15/11	7/06/11	0.480	1.37
Walt Disney	DIS	39.27	38.39	34.05	44.34	31.55	0.400	12/13/10	1/18/11	0.400	1.02
Alcoa	AA	15.48	14.96	10.84	18.47	9.92	0.030	5/16/11	5/25/11	0.120	0.78
Bank of America	BAC	10.00	10.50	15.39	15.31	9.88 *L*	0.010	6/03/11	6/24/11	0.040	0.40

* See the Recommended HYD Portfolio table on page 54 for current recommendations. † Based on indicated dividends and market price as of 7/15/11.
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 7/16/10.
** The board of directors of Intel Corp. has approved on 5/11/11 quarterly dividend to increase to 21 cents/share beginning with the dividend that will be declared in the third quarter of 2011.

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 6/30/11							Annualized Returns[8] (%), as of 6/30/11					
Short/Intermediate Fixed Income														
Vanguard Short-Term Bond Index	BSV[1]/VBISX	2.7 Yrs.	1307	0.22	1.76	60	--	1.98	2.56	4.44	5.20	1.76	3.46	3.97
iShares Barclays 1-3 Yr. Credit Bond	CSJ[1]	1.92 Yrs.	713	0.20	0.98	12	--	2.17	3.28	4.57	--	2.49	3.40	--
iShares Barclays 1-3 Year Treasury	SHY[1]	1.80 Yrs.	36	0.15	1.70	85	--	0.95	1.22	2.66	4.05	0.89	1.97	3.05
Vanguard Limited-Term Tax-Exempt	VMLTX	2.4 Yrs.	1442	0.20	1.52	14	--	2.29	3.71	4.75	4.96	2.53	3.36	3.43
SPDR Short-Term Municipal Bond	SHM[1]	3.13 Yrs.	339	0.20	1.27	14	--	1.49	2.33	4.06	--	1.74	3.77	--
Inflation-Protected Fixed Income														
iShares Barclays TIPS Bond	TIP[1]	8.99 Yrs.	32	0.20	0.57	13	--	3.61	7.55	5.12	6.76	6.16	3.72	5.18
Vanguard Inflation-Protected Securities	VIPSX	9.0 Yrs.	32	0.22	0.53	29	--	3.51	7.22	4.60	6.53	5.90	3.64	5.21
Real Estate														
Vanguard REIT Index	VNQ[1]/VGSIX[2]	6.24 B	106	0.26	0.35	12	2.2	3.14	33.94	6.09	2.83	32.36	4.64	1.54
SPDR Dow Jones REIT	RWR[1]	7.22 B	83	0.25	0.32	10	2.3	2.89	34.55	4.80	1.64	33.11	3.32	0.33
U.S. Large Cap Value														
Vanguard Value Index	VTV[1]/VIVAX	46.65 B	416	0.26	0.23	27	1.7	2.20	28.51	2.91	1.37	28.06	2.48	0.96
iShares Russell 1000 Value Index	IWD[1]	35.74 B	657	0.20	0.20	24	1.5	1.94	28.66	2.20	1.05	28.12	1.76	0.67
U.S. Small Cap Value														
iShares Russell Microcap Index	IWC[1]	0.27 B	1420	0.60	0.33	35	1.5	0.80	32.20	5.87	-0.22	31.99	5.69	-0.35
Vanguard Small-Cap Value Index	VBR[1]/VISVX	1.50 B	983	0.26	0.43	25	1.5	1.71	32.28	8.84	3.53	31.81	8.35	3.07
U.S. Large Cap Growth														
iShares Russell 1000 Growth Index	IWF[1]	37.26 B	594	0.20	0.31	24	4.1	1.24	34.71	4.85	5.16	34.34	4.60	4.96
Vanguard Growth Index	VUG[1]/VIGRX	36.51 B	434	0.26	0.28	26	3.4	1.04	34.49	4.17	5.19	34.27	3.99	5.03
U.S. Marketwide														
Vanguard Total Stock Market Index	VTI[1]/VTSMX	27.38 B	3383	0.17	0.29	5	2.2	1.67	32.43	4.23	3.54	32.08	3.92	3.25
Fidelity Spartan Total Market Index	FSTMX[3]	27.60 B	3096	0.10	0.28	4	2.2	1.57	32.30	4.16	3.52	31.96	3.81	3.20
Foreign- Developed Markets														
iShares MSCI Growth Index	EFG[1]	30.32 B	557	0.40	0.06	28	2.2	1.95	30.79	-1.90	2.37	30.14	-2.16	2.16
iShares MSCI Value Index	EFV[1]	35.90 B	526	0.40	0.06	30	1.1	3.66	29.07	-1.81	0.27	27.89	-2.27	-0.19
Vanguard Europe Pacific Index	VEA[1]/VTMGX[4]	31.79 B	947	0.18	0.08	6	1.5	2.32	32.06	-1.32	1.79	30.48	-1.87	1.55
Vanguard Developed Markets Index	VDMIX[5]	31.8 B	985	0.22	0.07	13	1.5	2.65	32.14	-1.45	1.68	31.51	-2.00	1.12
SPDR S&P International Small Cap	GWX[1]	1.19 B	689	0.60	0.25	17	1.2	2.00	33.42	2.99	--	32.79	2.61	--
Foreign- Emerging Markets														
Vanguard Emerging Market Index	VWO[1]/VEIEX[6]	20.43 B	889	0.35	0.28	12	2.2	1.42	28.64	4.05	10.99	27.37	3.40	10.46
Gold-Related Funds														
iShares COMEX Gold Trust	IAU[1]	--	1	0.25	0.84	0.00	--	0.00	20.59	17.18	19.23	20.59	17.18	19.23
SPDR Gold Shares	GLD[1]	--	1	0.40	0.84	0.00	--	0.00	20.54	16.94	19.19	20.54	16.94	19.19

Recommended Gold-Mining Companies ($)

	Ticker Symbol	7/15/11	Month Earlier	Year Earlier	52-Week High	52-Week Low	Dividends Paid Last 12 Months	Payment Schedule	Yield (%)
Anglogold Ltd., ADR	AU	**43.86**	42.79	41.34	52.86	38.55	0.2026	Semiannual	0.4619
Barrick Gold Corp. †	ABX	**48.31**	43.93	43.07	55.74	39.67	0.4080	Semiannual	0.8445
Gold Fields Ltd.	GFI	**15.45**	14.53	13.44	18.70	12.32	0.1949	Semiannual	1.2615
Goldcorp, Inc. †	GG	**54.13**	47.77	41.33	56.20	38.07	0.2848	Monthly	0.5260
Newmont Mining	NEM	**57.38**	52.31	60.70	65.50	50.05	0.7225	Quarterly	1.2591

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 *Pre-liquidation. 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.