AIS INVESTMENT GUIDE
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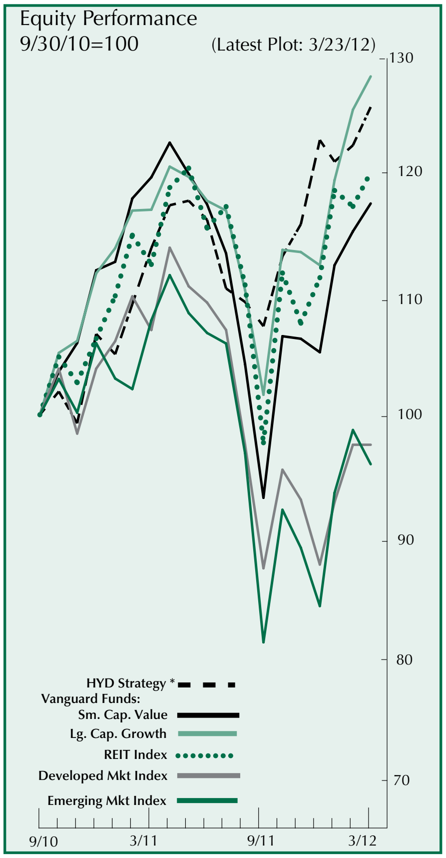

* HYD is a hypothetical model based on back-tested results. See p.22 for full explanation.

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 413-528-0008.

Online: www.americaninvestment.com

"Let Them ~~Eat Cake~~ Buy Stocks!"

On March 26 Federal Reserve Chairman Ben Bernanke reaffirmed the Fed's desire to hold interest rates low for the foreseeable future. With current annual price inflation (CPI) running close to 3.0 percent and 90-day Treasury bills yielding 0.10 percent, it appears investors will continue to confront negative real returns on cash equivalent assets for some time.

The Fed, saddled with an implausible dual mandate of maximum employment and price stability, has clearly chosen to pursue the former at the expense of investors who rely on Treasury bills, CDs and money market accounts to fund their day-to-day spending needs. According to a recent New York Times article[1], Sarah Bloom Raskin, who serves on the Fed's board of governors, claimed during a recent speech that less than seven percent of household assets were held in short term instruments, and that *"Instead, the bulk of household wealth is held in stocks, retirement accounts, business equity and real estate"* and that *"For these other types of assets, rates of return depend primarily on the strength of the economy and how fast the economy is growing. Thus, these returns should be supported, over time, by the accommodative monetary policy that we have in place."*

Fedspeak translation: "Don't worry, buy stocks." Apparently it is of little concern to Ms. Raskin that stocks, business equity and real estate are far riskier than cash equivalents. While it is true that these assets provide returns that outpace rising consumer prices over time, they are highly volatile and therefore do not serve well in the short term as a hedge against price inflation. The Fed's expansionary monetary policy comes at the expense of savers, who are being encouraged to assume the far more speculative role of equity investors.

Our concerns run deeper. The Fed's several attempts toward quantitative easing have significantly increased the probability of accelerated price inflation (see chart on following page). Indeed AIER's research shows that 15 percent annual price inflation (CPI) is not inconceivable by early 2014, given current monetary aggregates, and depending on changes in the money multiplier and future Fed policy. The predicament investors now face, as bad as it is, could quickly become a disaster.

The problem is compounded when consumer inflation is examined more closely. As we recounted last month AIER's Everyday

(continued next page)

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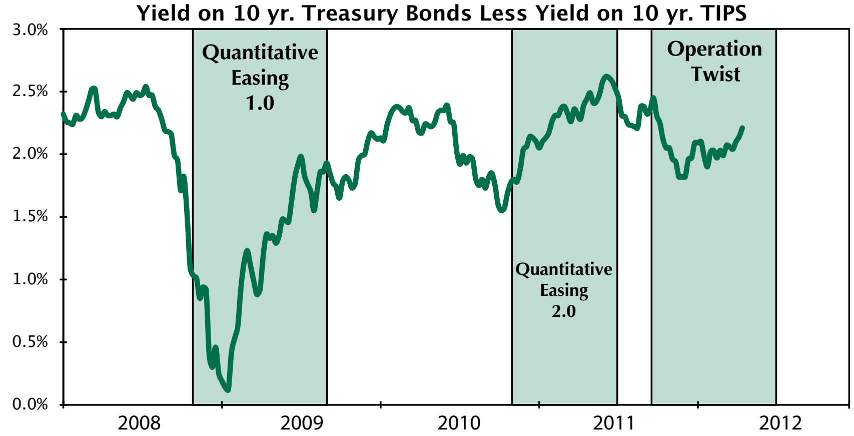
Price Index (EPI) makes clear that prices of goods and services that households purchase frequently are far more volatile and have risen a great deal more than the CPI.

Fed policies have left investors with a serious dilemma: accept negative real returns on cash equivalent assets, or take a chance by tilting more heavily toward stocks. The asset classes we recommend include carefully established commitments to U.S. and foreign stocks and commercial real estate. Gold is included as insurance against extreme and sudden bouts of price inflation as well as financial crises. But these volatile holdings are balanced with short term bonds and TIPS, which are intended to provide a hedge against short term price inflation.

Your best defense remains a portfolio allocated across these assets according to your needs and tolerance for risk. Do not reach for yield by overweighting high yielding stocks or below-investment-grade bonds. Investors most vulnerable to short term price shocks, such as senior citizens who rely on their savings for cash flow, should favor short term bonds and TIPS within their fixed income allocation.

Fed Actions and US Inflation Expectations
Yield on 10 yr. Treasury Bonds Less Yield on 10 yr. TIPS



Source: Federal Reserve Board.

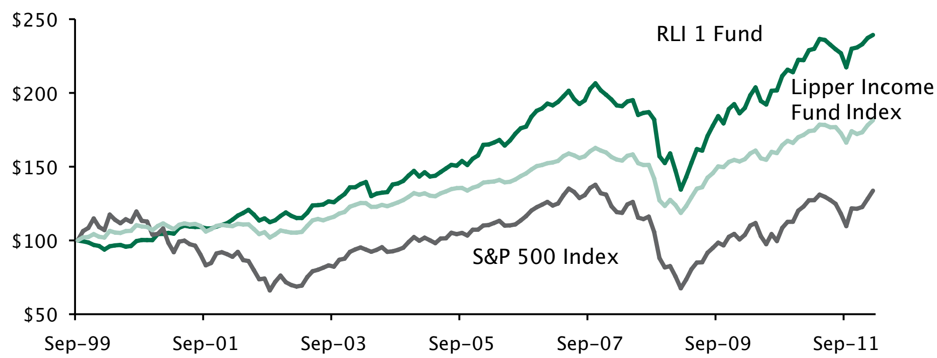
1 "0.2% Interest? You Bet We'll Complain" New York Times NY Times, March 4, 2012.

STRUCTURED ASSET MANAGEMENT: WALKING THE WALK, PART 1

Most of our readers are familiar with our structured approach to asset management. This month and next we will examine an actual account we have managed for many years—the Reserve Life Income 1 (RLI 1)[1] fund, which is held in trust on behalf of our parent organization, the American Institute for Economic Research (AIER), and the fund's many income beneficiaries.

AIER is non-profit educational entity organized as a public charity. RLI 1 is a pooled income fund -- a type of charitable remainder program specified by the internal revenue code. Though pooled income funds have unique constraints readers will find that they can apply to their own portfolios many of the universal aspects of passive investing we describe.

Chart 1: Growth of $100: RLI 1 vs. Selected Indicies
September 1999 – February 2012



* Performance data represents past performance for the RLI 1 fund. The Lipper Income Fund Index and S&P 500 Index represent hypothetical indexes, not actual securities. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. Average annual total returns include reinvestment of dividends and capital and are gross of management fees. October 1999-February 2012 is the longest period for which reliable historical data was available. Source for Lipper Income Fund Index: Lipper Associates. Source for S&P 500 Index: Ibbotson Associates.

Pooled Income Funds—Dual Objectives

The allocation plan we have adopted for RLI 1 reflects the fact that the returns generated by pooled income funds are shared by two distinct parties (for this reason these funds are often referred to as "split interest" trusts). Investment income, as defined by the IRS, is distributed quarterly to beneficiaries (named by the donor), while capital gains accrue on behalf of, and are ultimately distributed to, the remainderman (the public charity, in this case AIER) upon the death of the last beneficiary. The accompanying box explains the mechanics of these funds.

In a pooled income fund, unlike other types of accounts, the investment manager must explicitly recognize investment income as a distinct source of total return and produce enough of it meet the interests of beneficiaries. In other types of investment accounts investors are not so constrained, and in fact they should generally ignore the distinction between income and appreciation and focus on *total* return and risk. For these "normal" investment accounts income generating assets such

1 AIER has two pooled income funds, RLI 1 and RLI 2, which total roughly $131 million in assets under management. The funds are managed in identical fashion.
2 The mechanics of this fund are beyond the scope of this article. It provides a high level of investment income through a combination of short-term fixed income investments and S&P 500 futures contracts.
3 The results shown for RLI1 in Chart 1 are not necessarily of the results for other investment accounts managed by AIS over the same periods since accounts reflect a variety of allocations among asset classes depending on the investment objectives, financial needs and risk tolerance of the account holder.

as bonds should be considered a tool for reducing portfolio volatility rather than a source of investment income per se.

This dual objective inherent in pooled income funds poses a special challenge for an investment manager. As is the case in all investment accounts, the manager strives to maximize overall after-tax risk-adjusted returns. However, in a pooled income fund the manager must also contend with competing interests. Some asset classes, such as bonds, provide returns largely through investment income while others, such as small cap value stocks, provide returns largely through capital appreciation. Other things equal, beneficiaries would prefer to see the fund invested in the former category, while the remainderman would prefer the latter.

How Have We Done?

Chart 1 depicts the growth of $100 invested in RLI 1 beginning in October 1999. The chart is similar to that portrayed by many money management firms. In order to standardize these results for comparison with the benchmarks it assumes that all dividends and interest are reinvested. No adjustments are made for management fees (AIS charges our minimum of 0.275 percent annually).[3]

Next month we will take a closer look at the way these returns are measured and presented, and also the how investors should select appropriate benchmarks. This month we will focus on the details of how we developed and implemented our investment plan; we hope our readers will find these general principals applicable to the management of their own portfolios.

How to Allocate?

Table 1 on page 20 depicts the evolution of our portfolio allocation plan for RLI 1, beginning in October 1999. These changes do not reflect market timing. For example, we added REITs in June 2003, but we did not do so because we thought they had wonderful short-term prospects. The changes reflect our embrace of new asset categories as legitimate asset classes to be held for the long term; these were added only after exhaustive review of data going back as far as 1926. We began utilizing them in the RLI funds at approximately the same time we began recommending them in the *Investment Guide*.

Currently only 30 percent of the portfolio is held in cash or fixed-income securities. It might seem unusual that a fund with a mandate to produce investment income would dedicate such a large portion of its holdings to equities and gold. This is explained by two aspects of our approach that allow for a steadily growing level of investment income despite such an allocation. These include portfolio rebalancing and astute selection of particular investment vehicles.

The Balancing Act

When a portfolio is rebalanced periodically, those assets that have appreciated to a percentage allocation that exceeds their target allocations are sold off to a level that reflects the target. The proceeds are reinvested to restore those asset classes that have fallen below of their targeted levels. This mechanical means of “selling high” and “buying low” provides portfolio stability and balanced growth. In the case of the pooled income funds, the tendency over the long run will be to sell equities, which tend to appreciate at a relatively high rate, and purchase bonds with the proceeds. Other factors held constant (e.g. interest rates) this process can be expected to generate an ever-growing pool of investment income for distribution to beneficiaries. Thus through regular rebalancing the overall portfolio “pie” grows, serving the interests of both the remainderman and income beneficiaries.

To help manage this process, we use charts for each asset class. As an example, Chart 2 depicts the RLI fund’s allocation to gold related assets over time. In addition to its target allocation (eight percent since October 2004) we have established upper and lower “bands” (equal to +/-15 percent of the target percentage) to determine when rebalancing is justified. The chart depicts actual rebalancing trades that were executed when the gold price had appreciated relative to the prices of our other asset classes. When gold’s percentage allocation reached the upper limit of its targeted range (9.2 percent), we sold an adequate number of shares to restore gold to its eight percent target, and purchased shares of other asset classes that had fallen below their target allocations.

Pooled Income Funds and CRUTs

“Split-interest donations” to charities, in which the donor retains the right to receive income from the donated assets, are considered charitable gifts. There are two main types maintained by AIER: Reserve Life Income Funds (RLIs) and Charitable Remainder Unitrusts (CRUTs).

The RLI funds are pooled income funds. Donated assets are held in a trust maintained by AIER that operates much like a mutual fund. Donors are assigned a number of units that depend on the value of the donated assets. The donor’s assets are pooled in the fund with the assets of other donors and invested. Income received by the fund (dividends, interest, etc.) is distributed among the income beneficiaries according to the number of units assigned. When the last income beneficiary named by the donor dies, the value of the units will be “severed” from the fund and transferred to AIER to fund its many charitable activities.

Charitable Remainder Unitrusts (CRUTs) are held in a separate account and not “pooled” with other donations. The donor typically stipulates a fixed percentage of the value of the fund to be distributed annually to income beneficiaries. Distributions are often provided through a combination of investment income and capital appreciation.

Aside from a donor’s charitable intentions, perhaps the most practical reason for making these split-interest gifts is the avoidance of taxes on donated assets that would be otherwise encumbered by large capital gains. When a gift of appreciated property is made and subsequently sold by the trust for reinvestment, no capital gains taxes are due. The donor therefore receives an income stream earned on the *full value* of the reinvested proceeds generated from the sale of his highly appreciated (but often low-yielding) donated assets

Donors also receive an income tax deduction in the year the gift is made, and the donor’s estate will receive a charitable deduction for the estimated value of the charity’s remainder interest. **For more information contact Mr. Declan Sheehy at (413) 528-1216 ext. 3153.**

Table 1: The Evolution of an Allocation Plan -- AIER Pooled Income Funds					
Asset Class / Investment Vehicle	**Oct 1999 – May 2001**	**Jun 2001 - May 2003**	**Jun 2003 - Oct 2004**	**Nov 2004 - Jun 2011**	**Jul 2011 - Present**
Cash Equivalents (Money markets, Bonds < 1 yr)	**7.5**	**7.5**	**10**	**5**	**5**
Short Term Fixed Income	**22.5**	**32.5**	**25**	**25**	**25**
Treas, Agencies, Corp. < 5 yr.	22.5	22.5	15	15	15
DFA Global Bond Funds	0	10	10	10	0
DFA US Govt. Bond Funds					10
Income Equities	**60**	**50**	**25**	**25**	**25**
AIS Rec. Utility stocks			12	12	15
DNP Select Income Fund			3	3	0
AIS Recommended REITs			10	10	10
Large Cap Value Stocks			**30**	**20**	**20**
HYD stocks			30	20	20
Large Cap Growth Stocks	**0**	**0**	**0**	**7**	**7**
DFA Enhanced US Large Co Port				7	7
Small Cap Value Stocks	**0**	**0**	**0**	**4**	**4**
DFA US Small Cap Value Port.				4	4
Foreign Stocks	**0**	**0**	**0**	**6**	**6**
DFA Int. Small Cap. Value Port				2	2
DFA Int. Value Port.				2	2
DFA Emerg. Markets Val. Port				2	2
Gold Related Assets	**10**	**10**	**10**	**8**	**8**
AIS Rec. Gold Mining Stocks	10	10	10	8	8
	100	**100**	**100**	**100**	**100**

Investment Vehicles: Choose Wisely

Once their desired asset classes have been determined, investors should choose investment vehicles appropriate to their circumstances; not all passive investment vehicles are alike. In addition to cost, an investor's objective should weigh heavily when making this selection. For example, in a taxable account an investor might utilize a tax-exempt bond fund, but use a conventional bond fund in his tax-deferred account.

The RLI 1 fund has unique objectives so we took considerable care in selecting appropriate vehicles for it. In particular, through prudent selection of investment vehicles we have managed to take a large stake in several equity asset classes without sacrificing investment income. Table 1 includes the investment vehicles we utilize in each asset class. In several cases we have chosen to purchase shares directly rather than utilize mutual funds, which might not be practical for investors with small accounts.

Within the **cash equivalent** and **short-term fixed income** asset classes we use a combination of mutual funds and direct investments in bonds. In order to avoid significant credit risk we confine our direct holdings of fixed income instruments to U.S. Treasuries, federal agencies and high-quality corporate bonds. Our passive approach requires that we make no attempt to predict interest rates, so we use a laddered approach, buying at the "long end" (bonds with roughly five year maturity) and holding the bonds until maturity. When bonds have less than one year remaining they are re-categorized as cash equivalents. The bond funds are also passively managed, but utilize a variable maturity approach.

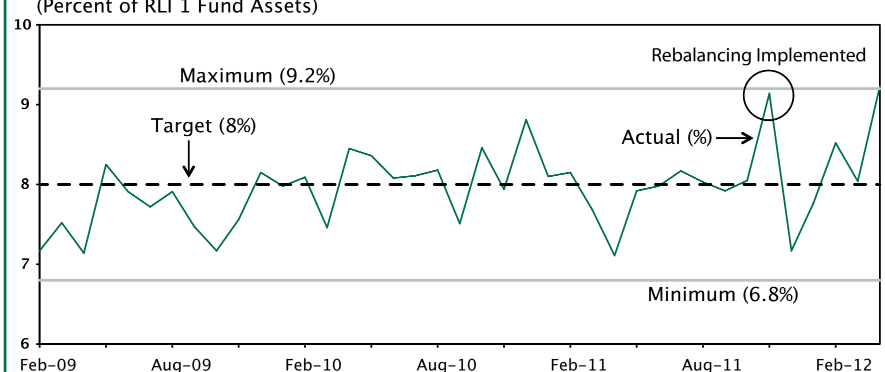
Within **income equities** we decided to invest directly in shares of individual REITs and utilities. We wanted to capture the returns attributable to the equity REIT universe but we realized that we could avoid even the very low expense ratios incurred with passive REIT index mutual funds if we created our own portfolio. Among utilities, we hold a passive portfolio of regulated utilities that to provide a high and sustainable dividend.

Our high-yield Dow (HYD) model was originally conceived in order to meet the RLI funds' need for investment income. HYD is a **large-cap value** asset class strategy that identifies value stocks based on their relative dividend yield. This approach provides a higher level of investment income than the traditional book-to-market-value approach (the latter method is employed by our recommended large cap value funds found on page 24). The HYD model portfolio is not widely diversified and requires monthly trading so many investors may choose to forego HYD in favor of these mutual funds.

We use a unique investment vehicle for the **large cap growth** asset class as well. Once again, the traditional investment vehicles that we would otherwise favor fall short when it comes to income distributions. Growth companies generally do not declare large dividends; instead they tend to reinvest earnings. In order to gain exposure to this asset class without sacrificing investment income we turned to the Dimensional Fund Advisors (DFA) Enhanced U.S. Large Company Portfolio[2] (DFELX), which is designed to capture the returns of the S&P 500 stock index while generating a high level of investment income.

The **small cap value** and **foreign stock** asset classes have liquidity constraints that effectively prohibit us,

Chart 2:**Gold: An Example of Asset Class Rebalancing**
(Percent of RLI 1 Fund Assets)



as well as most investors, from investing directly in these securities. Most of these stocks are either thinly traded (in the case of micro cap stocks) or trade in markets that lack transparency. We have therefore turned to mutual funds to capture the returns attributable to each of these asset classes.

For our allocation to **gold related assets** we hold the five recommended gold mining shares listed on page 24. These shares offer exposure to the gold price and a small portion of their return is typically paid in the form of a dividend. We do not utilize our recommended gold exchange-traded funds for the RLIs because they provide no investment income.

Next month we will use the RLI funds to demonstrate how investors should measure their success. We will discuss appropriate measures of risk and return, and proper use of benchmarks.

MOMENTUM IN STOCK PRICES: AVOID FALLING KNIVES

Academic research provides evidence of that stock prices do not change randomly, as theory suggests, but instead exhibit momentum. Renowned financial economist Eugene Fama has acknowledged this as the greatest challenge to his theory of efficiency in financial markets. AIER has reviewed stock prices and found independent evidence that supports these findings. While there is no practical means of capturing the higher returns suggested by this data, certain mutual funds employ defensive strategies that add value at the margin by avoiding trades that are likely to incur unnecessary costs associated with momentum.

The Efficient Market Hypothesis (EMH) asserts that stock prices change randomly in response to new information (i.e. "news"). EMH asserts that because stock prices have no memory they move independently from one period to the next. It therefore follows that no one can consistently outperform the risk-adjusted returns of the overall stock market by skillfully trading on news as it emerges.

There is large body of evidence, however, pointing to identifiable trends, up and down, in the short-term movements of stock prices.[1] Behavioral economists have posited several hypotheses that could account for this phenomenon. Most recently, staff economists at AIER found evidence of momentum and described the Positive Feedback Trading Hypothesis as a possible explanation.[2] In simple terms, this asserts that sometimes traders will buy a stock simply because its price has increased. This trend fuels further increases in the price. The opposite can occur when traders begin selling aggressively when they see that a stock's price is falling.

Momentum exists but it does not mean that you can easily employ a trading strategy that will produce excess returns reliably. This would require a high volume of trading among relatively illiquid, thinly traded small cap shares, because it is among these stocks that evidence of momentum is most prevalent. The gap, or "spread" between what buyers are willing to pay for a stock and what sellers are willing to accept is wider among illiquid stocks compared to more liquid, readily traded shares. In practice these costs stand to eliminate momentum profits that might otherwise seem available in historical data.

These strategies are also perilous. As AIER points out, eventually prices revert to the mean, when momentum can suddenly shift and work in the opposite direction. Missing these turning points incurs substantial risk. The momentum trader must therefore devote considerable time and attention to following prices; this results in substantial opportunity costs for investors who might prefer spending their time in other pursuits. One might consider hiring a professional investor who claims to have the skill to overcome these hurdles. But if this skill was genuine there is no reason to believe that the advisor's fee would not eliminate any potential gains.

Go For Singles, Not Homers

Investors should not adopt momentum-based trading strategies in pursuit of above-normal returns. Rather than swing for the fences, wise investors will instead reduce the costs associated with momentum by avoiding the purchase of stocks with falling prices as well as the sale of stocks with rising prices. One advisor characterized this approach as "avoiding falling knives".

These momentum-driven costs can add up quickly, even within our passive portfolio strategy. Though our approach does not require a high volume of trading, its implementation can be more costly than necessary if momentum is ignored. For example, when a large cap stock becomes eligible for the small stock universe, it can be prudent to delay its purchase until the downward price trend has run its course. Dimensional Fund Advisors employs such a strategy within their equity mutual funds. This provides an advantage over index-based mutual funds and ETFs, which often lack this flexibility because they are constrained by a mandate to track a commercial index as closely as possible.

1 Jegadeesh, Narasimhan and Titman, Sheridan. Returns to Buying Winners and Selling Losers: Implications for Stock Market Efficiency, Journal of Finance, Vol. XLVIII, No.1, March 1993
2 Liang, Shelly X., Phd. Money from Momentum, Research Reports, Vol. LXXIX, no.4, March 5, 2012

A READER INQUIRES

Subscriber -- *Under the "Gold-Related Funds" category, you recommend ETFs like IAU and GLD. Why do you not also recommend ETFs Physical Swiss Gold Shares (SGOL)? SGOL is also a physical gold-backed ETF with an expense ratio comparable to GLD.*

AIS – We review the operation of a fund that has come to market before we recommend it unless it is a new subset or a new share class of an existing fund. A new ETF may not gain traction in the market; in the past some ETFs have been withdrawn due to their failure to attract a minimal level of assets needed to survive. We want to ensure a fund will remain viable once it has been endorsed in the *Investment Guide*.

ETF Securities has offered U.S. registered physically-backed precious metal exchange traded products (ETPs) since July 2009. We have been watching their two gold bullion based ETFs, (SGOL and AGOL) since their launch. We track these funds relative to our recommended ETFs (GLD and IAU) in terms of performance, volatility, tracking and expenses, as well as other considerations such as independent auditing of their holdings and the funds' legal structure.

The advantage of bullion-based exchange-traded products is that they can track the gold price closely while providing the liquidity and convenience of trading in capital markets, which cannot be provided through holding gold bullion directly. We will continue to recommend the best funds available for accomplishing this.

AIS & AIER Investment Conference Series

The Real Cost of Price Inflation: How the CPI Understates Your Budget and what Investors Can Do About It.

Wednesday, April 25th 6:00 pm – 7:30 pm at Hilton Stamford, Connecticut.

The first in a series of AIS & AIER joint conferences takes place on Wednesday April 25th from 6:00 pm - 7:30 pm in Stamford, Connecticut at the Hilton Stamford. To reserve your place and for more information please email events@aier.org, or call us at (888) 528-1216. Mark your calendars as this is an event you do not want to miss. AIER's Director of Research and Education and Acting President, Dr. Steven Cunningham. PhD and John L. Barry, President & CEO, American Investment Services will be presenting.

Subscribers are encouraged to arrive early to "meet and mingle." Refreshments will be served.

THE HIGH-YIELD DOW INVESTMENT STRATEGY

Recommended HYD Portfolio

As of March 15, 2012	*Rank*	*Yield (%)*	*Price ($)*	*Status*	*—Percent of Portfolio—* Value (%)	*—Percent of Portfolio—* No. Shares (%)[1]
AT&T	1	5.56	31.64	Holding**	24.63	24.11
Verizon	2	5.06	39.54	Holding**	24.91	19.51
Merck	3	4.41	38.06	Holding**	24.81	20.18
Pfizer	4	4.02	21.91	Holding**	25.61	36.20
Cash (6-mo. T-Bill)	--	--	--	--	0.04	--
Total					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 February 29, 2012*.

	1 mo.	1 yr.	5 yrs.	10 yrs.	20 yrs.	Since 1/79	Std. Dev.
HYD Strategy	1.12	14.79	1.94	6.70	11.71	15.85	17.96
Russell 1000 Value Index	3.99	2.18	-1.08	4.75	9.18	12.00	15.05
Dow	2.89	8.83	3.92	5.11	9.64	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.

RECENT MARKET STATISTICS

Precious Metals & Commodity Prices ($)

	3/15/12	Mo. Earlier	Yr. Earlier
Gold, London p.m. fixing	**1648.00**	1733.00	1400.50
Silver, London Spot Price	**32.36**	33.69	33.88
Copper, COMEX Spot Price	**3.89**	3.80	4.13
Crude Oil, W. Texas Int. Spot	**105.10**	101.79	97.17
Dow Jones Spot Index	**445.01**	441.95	457.53
Dow Jones-UBS Commodity Index	**145.58**	144.70	157.58
Reuters-Jefferies CRB Index	**315.90**	314.95	338.14

Interest Rates (%)

		3/15/12	Mo. Earlier	Yr. Earlier
U.S. Treasury bills -	91 day	**0.08**	0.11	0.10
	182 day	**0.15**	0.13	0.14
	52 week	**0.20**	0.17	0.22
U.S. Treasury bonds -	10 year	**2.29**	1.93	3.33
Corporates:				
High Quality -	10+ year	**4.11**	3.81	5.10
Medium Quality -	10+ year	**5.36**	5.12	6.01
Federal Reserve Discount Rate		**0.75**	0.75	0.75
New York Prime Rate		**3.25**	3.25	3.25
Euro Rates	3 month	**0.87**	1.05	1.17
Government bonds -	10 year	**1.96**	1.91	3.11
Swiss Rates -	3 month	**0.10**	0.08	0.18
Government bonds -	10 year	**0.81**	0.68	1.70

Exchange Rates ($)

	3/15/12	Mo. Earlier	Yr. Earlier
British Pound	**1.566900**	1.571000	1.606400
Canadian Dollar	**1.007252**	1.003500	1.017191
Euro	**1.307000**	1.308700	1.396800
Japanese Yen	**0.012008**	0.012780	0.012373
South African Rand	**0.131390**	0.129930	0.143509
Swiss Franc	**1.082720**	1.084000	1.088495

Securities Markets

	3/15/12	Mo. Earlier	Yr. Earlier
S & P 500 Stock Composite	**1,402.60**	1,343.23	1,281.87
Dow Jones Industrial Average	**13,252.76**	12,780.95	11,855.42
Dow Jones Bond Average	**296.50**	298.75	270.06
Nasdaq Composite	**3,056.37**	2,915.83	2,667.33
Financial Times Gold Mines Index	**3,224.05**	3,504.58	3,564.57
FT EMEA (African) Gold Mines	**3,050.83**	3,441.00	3,256.66
FT Asia Pacific Gold Mines	**14,727.76**	16,929.45	16,203.54
FT Americas Gold Mines	**2,719.42**	2,898.12	3,034.97

Coin Prices ($)

	3/15/12	Mo. Earlier	Yr. Earlier	Prem (%)
American Eagle (1.00)	**1,750.50**	1,772.70	1,469.97	6.22
Austrian 100-Corona (0.9803)	**1,643.82**	1,665.22	1,383.03	1.75
British Sovereign (0.2354)	**411.40**	416.60	347.80	6.05
Canadian Maple Leaf (1.00)	**1,723.00**	1,745.10	1,453.60	4.55
Mexican 50-Peso (1.2057)	**2,025.40**	2,051.80	1,704.30	1.93
Mexican Ounce (1.00)	**1,700.40**	1,722.30	1,433.90	3.18
S. African Krugerrand (1.00)	**1,721.18**	1,743.28	1,452.07	4.44
U.S. Double Eagle-$20 (0.9675)				
St. Gaudens (MS-60)	**1,745.00**	1,735.00	1,537.50	9.44
Liberty (Type I-AU50)	**1,975.00**	1,975.00	1,642.50	23.87
Liberty (Type II-AU50)	**1,835.00**	1,855.00	1,575.00	15.09
Liberty (Type III-AU50)	**1,727.50**	1,715.00	1,502.50	8.35
U.S. Silver Coins ($1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	**23,450.00**	23,350.00	25,100.00	1.35
40% Silver Circ. (292 oz.)	**9,450.00**	9,450.00	10,250.00	0.01
Silver Dollars Circ.	**26,425.00**	26,250.00	27,375.00	5.56

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at $1,648 per ounce and silver at $32.36 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 ($) 3/15/12	2/15/12	3/15/11	12-Month ($) High	Low	Latest Dividend Amount ($)	Record Date	Paid	Indicated Annual Dividend ($)	Yield† (%)
AT&T	T		31.64	29.87	27.81	31.94	27.27	0.440	1/10/12	2/1/12	1.760	5.56
Verizon	VZ		39.54	37.83	34.87	40.48	32.28	0.500	4/10/12	5/1/12	2.000	5.06
Merck	MRK		38.06	38.02	31.86	39.43	29.47	0.420	3/15/12	4/6/12	1.680	4.41
Pfizer	PFE		21.91	21.11	19.76	22.17	16.63	0.220	2/03/12	3/6/12	0.880	4.02
Johnson & Johnson	JNJ		65.07	64.65	58.48	68.05	57.50	0.570	2/28/12	3/13/12	2.280	3.50
General Electric	GE		20.16	18.76	19.61	20.85	14.02	0.170	2/27/12	4/25/12	0.680	3.37
Procter and Gamble	PG		67.68	64.55	60.66	67.95 *H*	57.56	0.525	1/20/12	2/15/12	2.100	3.10
Dupont	DD		53.56	49.46	52.40	57.00	37.10	0.410	2/15/12	3/14/12	1.640	3.06
Kraft	KFT		38.30	38.29	31.13	39.06	30.43	0.290	3/30/12	4/16/12	1.160	3.03
Intel Corp	INTC		27.75	26.58	20.18	27.90 *H*	19.16	0.210	2/07/12	3/1/12	0.840	3.03
Chevron	CVX		110.03	105.00	101.23	112.28 *H*	86.68	0.810	2/17/12	3/12/12	3.240	2.94
Coca-Cola	KO	*I*	70.33	68.40	63.03	71.77	61.29	0.510	3/15/12	4/1/12	2.040	2.90
McDonald's	MCD		98.04	98.61	75.12	102.22	72.89	0.700	3/01/12	3/15/12	2.800	2.86
Travelers	TRV		59.08	59.29	58.52	64.17	45.97	0.410	3/09/12	3/30/12	1.640	2.78
J P Morgan	JPM	*I*	44.70	37.40	44.61	47.80	27.85	0.300	4/05/12	4/30/12	1.200	2.68
3M Company	MMM		90.00	87.01	89.50	98.19	68.63	0.590	2/17/12	3/12/12	2.360	2.62
Wal-Mart Stores	WMT	*I*	61.23	61.76	52.06	62.63	48.31	0.398	12/07/12	1/2/13	1.590	2.60
Microsoft Corp.	MSFT		32.85	30.05	25.39	32.94 *H*	23.65	0.200	5/17/12	6/14/12	0.800	2.44
Home Depot, Inc.	HD		49.20	45.71	36.29	49.71 *H*	28.13	0.290	3/08/12	3/22/12	1.160	2.36
Boeing	BA		75.43	75.21	69.69	80.65	56.01	0.440	2/10/12	3/2/12	1.760	2.33
United Tech.	UTX		86.89	82.60	79.51	91.83	66.87	0.480	2/17/12	3/10/12	1.920	2.21
Exxon Mobil	XOM		86.09	84.12	81.39	88.13	67.03	0.470	2/10/12	3/9/12	1.880	2.18
Hewlett-Packard	HPQ		24.40	29.12	40.93	43.28	21.50	0.120	3/14/12	4/4/12	0.480	1.97
Caterpillar	CAT		113.45	112.53	100.75	116.95 *H*	67.54	0.460	1/20/12	2/18/12	1.840	1.62
Cisco	CSCO		19.91	19.91	17.39	20.49	13.30	0.080	4/05/12	4/25/12	0.320	1.61
IBM	IBM		206.00	192.25	159.02	206.18 *H*	151.71	0.750	2/10/12	3/10/12	3.000	1.46
Walt Disney	DIS		43.47	41.25	41.62	44.13	28.19	0.600	12/16/11	1/18/12	0.600	1.38
American Express	AXP		56.72	51.52	43.64	56.76 *H*	41.30	0.180	1/06/12	2/10/12	0.720	1.27
Alcoa	AA		10.35	10.10	16.04	18.47	8.45	0.030	2/03/12	2/25/12	0.120	1.16
Bank of America	BAC		9.24	7.78	13.96	14.29	4.92	0.010	3/02/12	3/23/12	0.040	0.43

* See the Recommended HYD Portfolio table on page 22 for current recommendations. † Based on indicated dividends and market price as of 3/15/12.
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 3/16/11.
I Dividend increased since 2/15/12 *D* Dividend decreased since 2/15/12

RECOMMENDED INVESTMENT VEHICLES

	Security Symbol	Avg. Market Cap. / Avg. Maturity	No. of Holdings	Expense[7] (%)	Sharpe Ratios	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 12/31/11							Annualized Returns[8] (%), as of 2/29/12					
Short/Intermediate Fixed Income														
Vanguard Short-Term Bond Index	BSV[1]/VBISX	2.70 Yrs.	1359	0.22	2.07	60	--	1.81	3.29	3.96	4.60	2.55	3.10	3.49
iShares Barclays 1-3 Yr. Credit Bond	CSJ[1]	1.90 Yrs.	690	0.20	1.39	12	--	1.92	2.19	5.32	4.24	1.53	4.34	--
iShares Barclays 1-3 Year Treasury	SHY[1]	1.91 Yrs.	44	0.15	1.11	85	--	0.81	1.34	1.54	3.37	1.06	1.10	2.55
Vanguard Limited-Term Tax-Exempt	VMLTX	2.80 Yrs.	1559	0.20	1.88	14	--	2.18	4.21	3.46	3.73	4.21	3.46	3.73
SPDR Short-Term Municipal Bond	SHM[1]	3.10 Yrs.	368	0.20	1.35	25	--	1.33	4.20	3.02	--	3.64	2.81	--
Inflation-Protected Fixed Income														
iShares Barclays TIPS Bond	TIP[1]	9.22 Yrs.	33	0.20	1.55	15	--	4.11	14.40	11.00	7.75	12.76	9.68	6.22
Vanguard Inflation-Protected Securities	VIPSX	9.50 Yrs.	32	0.22	1.66	29	--	4.01	14.19	10.93	7.54	12.54	9.86	6.15
Real Estate														
Vanguard REIT Index	VNQ[1]/VGSIX[2]	6.23 B	110	0.26	0.77	12	1.9	3.40	5.70	42.62	-1.17	4.84	40.95	-2.34
SPDR Dow Jones REIT	RWR[1]	7.74 B	82	0.26	0.75	10	2.0	3.15	6.05	43.19	-2.28	4.86	41.23	-3.51
U.S. Large Cap Value														
Vanguard Value Index	VTV[1]/VIVAX	39.99 B	410	0.26	0.62	27	1.3	2.52	1.47	24.57	-0.87	1.08	24.07	-1.28
iShares Russell 1000 Value Index	IWD[1]	33.55 B	656	0.20	0.61	24	1.4	2.30	2.00	24.78	-1.18	1.65	24.33	-1.56
U.S. Small Cap Value														
iShares Russell Microcap Index	IWC[1]	0.25 B	1401	0.60	0.59	35	1.3	1.21	-3.52	27.79	-2.37	-3.75	27.56	-2.53
Vanguard Small-Cap Value Index	VBR[1]/VISVX	1.21 B	1021	0.26	0.69	25	1.1	2.03	-0.34	31.65	1.23	-0.76	31.14	0.78
U.S. Large Cap Growth														
iShares Russell 1000 Growth Index	IWF[1]	38.82 B	592	0.20	0.99	24	3.7	1.39	7.43	27.25	4.37	7.21	26.97	4.16
Vanguard Growth Index	VUG[1]/VIGRX	34.87 B	426	0.26	0.97	26	2.9	1.08	8.32	26.90	4.51	8.14	26.68	4.34
U.S. Marketwide														
Vanguard Total Stock Market Index	VTI[1]/VTSMX	25.30 B	3322	0.17	0.81	5	1.8	1.80	4.48	26.60	2.01	4.20	26.23	1.71
Fidelity Spartan Total Market Index	FSTMX[3]	26.80 B	3227	0.10	0.81	4	1.9	1.81	4.46	26.58	1.97	4.46	26.58	1.97
Foreign- Developed Markets														
iShares MSCI Growth Index	EFG[1]	24.50 B	564	0.40	0.40	27	1.8	2.47	-5.25	19.55	-1.37	-5.41	19.36	-1.50
iShares MSCI Value Index	EFV[1]	32.27 B	492	0.40	0.33	29	0.9	4.53	-9.92	19.43	-4.69	-10.20	19.09	-5.00
Vanguard Europe Pacific Index	VEA[1]/VTMGX[4]	26.69 B	921	0.18	0.38	6	1.2	3.45	-8.08	20.13	-2.76	-8.38	19.82	-3.00
Vanguard Developed Markets Index	VDMIX[5]	26.44 B	960	0.20	0.38	5	1.2	3.63	-7.95	20.16	-2.88	-8.48	19.65	-3.43
SPDR S&P International Small Cap	GWX[1]	0.93 B	740	0.61	0.59	22	1.0	0.53	-6.43	26.72	--	-6.75	26.24	--
Foreign- Emerging Markets														
Vanguard Emerging Market Index	VWO[1]/VEIEX[6]	15.74 B	905	0.35	0.78	15	1.6	2.19	-1.18	32.20	5.88	-1.48	31.88	5.52
Gold-Related Funds														
iShares COMEX Gold Trust	IAU[1]	--	1	0.25	1.04	0	--	0.00	25.09	23.03	21.04	25.09	23.03	21.04
SPDR Gold Shares	GLD[1]	--	1	0.40	1.04	0	--	0.00	24.95	22.48	21.18	24.95	22.48	21.18

Recommended Gold-Mining Companies ($)

	Ticker Symbol	3/15/12	Month Earlier	Year Earlier	--- 52-Week --- High	Low	Dividends Paid Last 12 Months	Payment Schedule	Yield (%)
Anglogold Ltd., ADR	AU	**38.42**	43.12	46.06	51.69	37.42	0.4935	Semiannual	1.2845
Barrick Gold Corp. †	ABX	**43.85**	47.43	49.23	55.95	42.50	0.4590	Quarterly	1.0468
Gold Fields Ltd.	GFI	**14.21**	16.32	17.03	18.70	13.62	0.4423	Semiannual	3.1126
Goldcorp, Inc. †	GG	**44.48**	45.27	46.52	56.31	41.91	0.3842	Monthly	0.8638
Newmont Mining	NEM	**53.84**	59.60	52.10	72.42	50.05	1.2000	Quarterly	2.2288

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.