AIS INVESTMENT GUIDE

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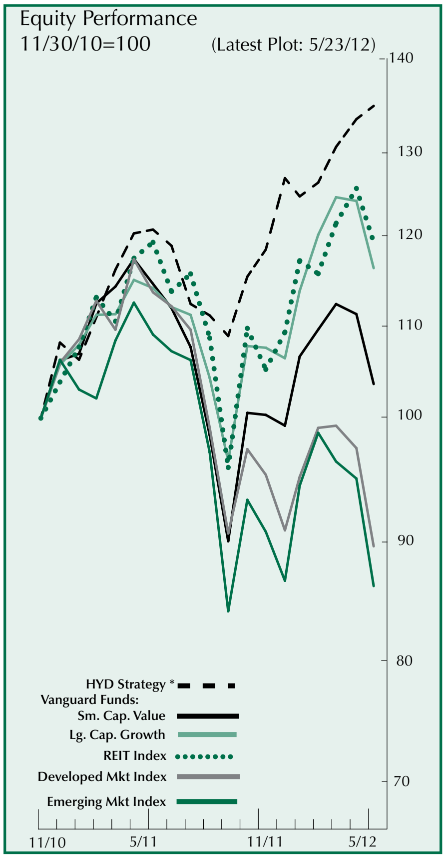

* HYD is a hypothetical model based on back-tested results. See p.38 for full explanation.

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.

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Forty Years Ago…Today

The dollar value of the euro has plummeted, as European leaders have once again failed to restore confidence. But soon the media and the markets will refocus on the dismal fiscal outlook in the U.S., where Congress and the administration face, yet again, the need to increase the debt limit. The stakes are higher this year, because the Bush-era tax cuts expire at year-end and automatic spending cuts will take place if a deal is not reached. In short, the euro and the dollar appear to be in head-to-head competition for the title of "least-bad" currency.

Some lessons are never learned. Below we have reprinted an excerpt from AIER's Economic Education Bulletin four decades ago, when investors faced similarly unsettling circumstances:

Why Gold? Economic Education Bulletin Vol. XII No. 5 May 1972 American Institute for Economic Research:

"The supposedly 'responsible men' in charge of the central banks of the world have had ample opportunity to demonstrate their ability to manage money-credit systems without the discipline of gold. Economists indoctrinated with the Keynesian dogmas and politicians who 'never had it so good' (as they have found life to be in the flight from reality induced by prolonged inflating) have collaborated with money managers to erect a great inverted pyramid of paper credit.

Now the end approaches. They, the governments and money managers, have succeeded in making gold relatively the greatest bargain in the world, simply by inflating currencies and thus pushing up the prices of everything else. The economic distortions created in the process are staggering in their magnitude and complexity.

Great inflations are not something new in the world, but heretofore they have not been worldwide. On previous

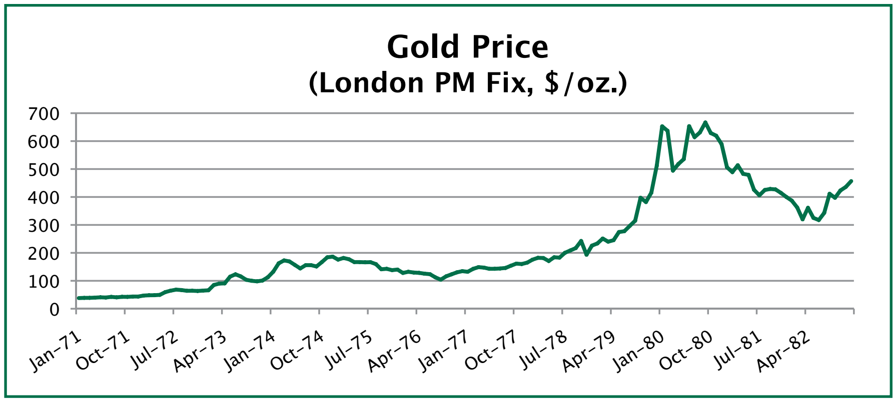
(continued next page)

occasions, such as the Mississippi Bubble engineered in France by Lord Keynes' spiritual ancestor, John Law, or the South Sea Bubble in England, or the more recent great boom centered in the United States during the 1920's the scope of the economic distortions was limited by relatively less inflating in other countries. But in the past quarter century, with the aid of U.S. dollars, nearly all nations have participated. Now there are only two alternatives:

1. *Either the United States in particular and many other nations as well must deflate drastically for a prolonged period in order to remove inflationary purchasing media from circulation and correct the many serious economic distortions; or,*

2. *The dollar and most other currencies must be devalued by raising the 'price' of gold."*

The accompanying chart depicts the gold price during the decade that followed.



While we will not opine as to whether gold is "relatively the greatest bargain on earth" at present, we are as confident as ever that most investors would be wise to devote five and ten percent of their portfolio to gold related assets.

We revisit this article not as a forecast of impending doom. On the contrary, today's problems, while they are of a greater magnitude in the amount of specie involved, are not new to politicians or investors. The choices are the same then as now.

History teaches that policymakers faced with an anxious and angry electorate invariably choose the easy way out, by inflating away the value of sovereign debt. This leaves investors with a Hobson's choice. One can hold cash and short-term bonds, which provide relatively stable nominal returns but almost certain losses in real terms. Equities and gold, on the other hand, can outpace inflation over time, but are highly volatile in the short-term.

Our recommended portfolios recognize these alternatives and provide a range of options for investors with varying circumstances.

SOUND MONEY, FREE MARKETS, PROPERTY RIGHTS, AND THE INDIVIDUAL INVESTOR

The American Institute for Economic Research (AIER) asserts that free societies depend on reliable information. American Investment Services (AIS) in turn is charged with providing information that will help individuals grow and protect their wealth, and with helping to ensure that citizens are well informed regarding the functioning of capital markets.

In this article we review our investment approach to explain how our recommendations are consistent with three longstanding tenets of AIER's research: free markets, sound money and property rights.

Free Markets

Since its founding, AIER has pointed to the fallacies of centrally planned economies and emphasized the superiority of economies based on voluntary exchange. In particular, goods and services will be produced and allocated more efficiently when prices are determined by supply and demand rather than by a central authority.

This dichotomy, free markets versus central planning, is also reflected in the evolution of financial economics. Since the 1950s the study of finance has evolved as a legitimate field of academic inquiry. Our approach to investing is based on the work of giants in the field and embraces the central assertions of what is now widely recognized as the Efficient Market Hypothesis (EMH).

EMH asserts that current market prices are the best approximation of a security's intrinsic value and that prices adjust rapidly to reflect the impact of unforeseen events. In other words EMH is simply an extension of the fundamental assertion that markets work. Its central implication is that no money manager or investor, given publicly available information, can consistently identify profitable opportunities due to capital market inefficiencies based on "mispricing." These prognosticators therefore cannot hope to provide risk-adjusted returns greater than those of the market, just as no central planner can set prices effectively to ensure efficient distribution of goods and services.

Sound Money

AIER 's staff economists have written extensively about the role of money. In order to serve effectively as a form of money any form of purchasing media must demonstrate five fundamental attributes. It must separate sales from purchases, serve as a social institution, be based on trust, provide a store of value, and form a contract.[1]

In a world of fiat currencies investors must be especially vigilant regarding money as a story of value. Because they can be created at the stroke of a pen, these currencies erode investors' purchasing power over time. Each of our recommended asset classes was selected with this reality in mind.

Ongoing price inflation reduces the real returns earned by long-term fixed-income securities. Uncertainty regarding future price inflation further undermines the stability of long-term bond prices. Our bond recommendations are therefore restricted to short-term fixed-income obligations and inflation-adjusted securities. Common stocks

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

provide ownership in the means of production of goods and services, and therefore provide strong prospects for returns that will outpace price inflation over time. Foreign based stocks offer the same potential and also provide diversification among currencies, reducing the risk of dollar price inflation. Gold has long served as a form of money and provided a store of value during periods of hyperinflation.

Property Rights

Property rights include the exclusive right to determine the use of a resource, the exclusive right to the services of a resource, and the right to exchange the resource at terms acceptable to buyer and seller. Capital markets that recognize property rights ensure household investors that their property will not be seized or valued arbitrarily.

The right to offer shares of ownership in centralized stock exchanges provides an efficient means by which firms can raise capital needed to create goods and services. At the same time individual investors can instantly assume ownership in something as vast as the U.S. economy by simply purchasing a U.S. market-wide index fund. This remarkable mechanism generates hundreds of thousands of transactions per day that would not take place if strong property rights did not exist to ensure transferability of ownership.

Property rights vary among countries. No country is completely free of political risk, such as a change in government that could result in the nationalization of assets owned by U.S. citizens. This risk is generally highest within emerging market funds. The funds we offer on page 40 include access to capital markets around the globe. However, our recommended funds apply criteria designed to avoid investing in countries where property rights are not robust. For example, the Vanguard Emerging Markets Index fund states in its prospectus states that:

"The Fund's advisor employs a sampling technique, using its discretion—based on an analysis that considers liquidity, *repatriation of capital*, and entry barriers in various markets—to determine whether or not to invest in particular securities."

Looking Ahead

Human prosperity has arguably advanced more during the past 300 years than during the 12,000 years of preceding modern human history. It is no coincidence that only during the past three centuries have sound money, free markets and property rights all been extended broadly. These principles nonetheless continue to come under assault. We will continue to protect the interests of our readers and clients by recommending an optimal investment strategy amidst this ongoing struggle.

Corporations and Risk Sharing in Capitalist Economies

The corporation's advantages are no secret. It allows the individual investor to share in the equity of a firm without requiring the investor to commit a large sum or to become involved in the firm's operations, and it enables the investor to protect uncommitted capital from liabilities that the firm may acquire. None of these advantages accrue to investors in the equity of proprietorships and partnerships. Additionally, shares in corporate equity trade easily, and trade more easily the larger is the number of investors who own stock in the company. These properties of corporate shares make maintenance of a diversified portfolio easier for the investor, allow the investor to specialize in matters other than the managing of the corporation and in which the investor is more expert, free capital not committed to the corporation from liability incurred by the corporation, and more easily alter the equity holdings of the investor through the operation of markets that, generally, are very active. Very many investors and potential investors would be made worse off and would choose not to hold an equity stake at all if the corporation, or something like the corporation, did not exist.

Not only management entrenchment problems but also solutions to risk and expertise problems flow from diffuse ownership of the modern corporation. This ownership structure necessitates the delegation of authority, and not only because, as a practical matter, this facilitates business decision making as compared to involving thousands of uninformed shareholders in the day-to-day operations of the firm. Delegation also arises as a means for limiting the liabilities that might otherwise occur from the corporation's business dealings. It is unlikely that investors could be relieved so easily of these liabilities if they were directly and actively involved in the business decisions that resulted in the creation of them. Limited liability requires operational distance between shareholders and the day-to-day business dealings of the corporations in which they own stock. No doubt, this is one reason for Boards of Directors, one function of which is to insulate shareholders from the charge of being responsible for a corporation's debt. Management entrenchment problems result, but the degree to which they are present generally imposes costs on shareholders that are smaller than those that would arise from a greater liability burden.

Far from being failed experiments of capitalism, the corporation and the organized capital markets that serve it rank high among capitalism's great innovations. And capitalism itself, in at least three ways, reduces the cost of the governance problems that come with the corporation: (1) stock prices adjust to account for known or suspected governance problems, (2) market institutions arise to help investors become informed about the severity of governance problems, and (3) capital markets provide investors with a wide variety of ownership structures from which they may choose investments that correspond to their preferences in regard to tradeoffs between control, on one hand, and risk, liability, and liquidity, on the other hand.

—Harold Demsetz

"Business Governance and the Institutions of Capitalism," paper delivered at the Mont Pèlerin Society General Meeting in Salt Lake City, August 14–19, 2004.

INVESTMENT FALLACIES

We encourage investors to stick to the basics and to keep things simple. There are, however, widely-held investment-related notions that are in fact simplistic and can cost investors dearly. Some of these have even been promoted in the media as sound practices.

"Market Returns are for Suckers"

Humans observe patterns and make simplifying assumptions about the world in order to make life easier. We are also subject to certain biases including overconfidence that our recent observations of reality will extend to the future.

Capital markets provide a wealth of data for pattern seekers. The stock market attracts some of the greatest minds in mathematics, physics, and economics – after all that's where the money is! However, these great minds have consistently managed to underperform the average market rate of return.

Interpreting patterns is a poor investment strategy. How does an investor know whether an apparent winning strategy is genuine or occurred by chance? Even when a money manager's returns appear to have "beaten the market" on a risk-adjusted basis, decades of subsequent data are required[1], typically, to ensure that the manager is truly skilled. The fact is, while there may be a handful of money managers who possess such talent *they cannot be identified in advance*. Of course such scarce talent is not free and economic logic suggests that any excess returns will invariably revert to the manager rather than accrue to the investor.

Our aim is not to beat the market but to help ensure that investors' financial objectives are met.

"I Don't Want to Pay Capital Gains Taxes"

Not many people enjoy paying taxes, but sometimes tax-avoidance can entail greater risk and reduce overall returns. These investors lose sight of their objective—to maximize their risk-adjusted returns *after taxes*—and instead become fixated on avoiding taxes altogether, especially those levied on realized capital gains.

In some situations a single stock can account for a large portion of the investor's portfolio value—25 percent or more. In these cases shares are held in a taxable account and carry a very low cost basis. It is clear that the investor should diversify to avoid the risks inherent in a single company and industry. But the investor becomes hung up on the fact that he will incur a certain cost (a 15 percent federal levy on the realized gain), while ignoring an uncertain but potentially enormous cost should the stock collapse.

French President Francois "I don't like the rich" Hollande to push for 75% tax rate on millionaires

The optimal solution to this dilemma is not always cut and dried. Much depends on the particular situation. For our clients we often employ a strategy of selling off shares over several tax years if we decide, after consulting with the client, that the benefit of delaying the tax outweighs the risk of being less than optimally diversified.

Another possible solution is a charitable remainder unitrust (CRUT). This allows an investor to donate the full market value of his stock to a charity, which will be sold without incurring a capital gains tax and reinvested in assets that will provide the donor's named beneficiary with an income stream for life. At the death of the last named beneficiary the assets become the property of the charity. The donor also gains an immediate tax deduction for the present value of his eventual donation. For more information on these programs, including that of our parent, the American Institute for Economic Research (AIER), contact Mr. Declan Sheehy at (413) 528-1216.

"I'll Wait for the Stock to Come Back"

Investors all too often fret about the price they have paid for a security, and allow that concern to influence their immediate investment decisions. We have often heard investors lament that the value of a particular security had fallen from what they had originally paid for it, and that they will not sell it until it "comes back" to that level.

This rationale is flawed. The cost of any asset is a sunk cost; it is irretrievable and therefore should not affect an investor's decision. The holder of any asset has two basic choices at any given time: he can continue to hold the asset, or he can sell it and invest the proceeds in some alternative other asset. Each of these options has a future value that is unknown, *but the better outcome has nothing to do with what the investor paid for his security once upon a time.*

"Never Spend Out of Capital"

Some investors, especially those approaching retirement, are wed to the notion that they should live off of their investment income (dividends and interest) and avoid "dipping into capital" by selling securities in order to meet their spending needs. This was once a reasonable maxim but it is no longer a

1 Don't Leave Your Savings to Chance Investment Guide (AIS) Vol. XXXIII, No. 12. December 2011, p. 89

valid concept in financial planning.

At one time the U.S. dollar was defined as, and redeemable on demand in, specific amounts of gold. High-grade bonds and similar instruments thus were even better than gold—they paid interest. The long-term stability of prices seemed assured, so bondholders were equally well-assured that the long-term value of their bonds would not deteriorate. Spending from capital was considered imprudent; only the interest income from such holdings should be used to meet living expenses.

The story is told of a female member of a proper Bostonian family who was picked up by the police for streetwalking. At the urgent family conference that followed, the head of the family asked:

"Emily how could you do such a thing?"

"I need the money," she calmly replied.

"But your father took care of you in his will, why didn't you use that money?"

"Why, that would have been spending out of capital!"

Since the gold standard was abandoned, monetary inflating has become institutionalized. Although inflationary expectations are built into bond prices, these expectations are only the market's best guess at future price inflation. There is still a good chance that bondholders' total returns will be eroded by price inflation.

In this environment investors are forced to consider supplementing their fixed-income holdings with common stocks and gold, which have historically outpaced price inflation. These provide returns largely through capital appreciation; they are purchased so that at some point they may be sold. Thus spending out of capital is no longer to be avoided, and is in fact an inherent part of the strategy.

"Always Dollar Cost Average"

Dollar cost averaging (DCA) is a popular but flawed notion. It simply refers to investing an equal dollar amount at fixed intervals of time. The idea is to take advantage of price volatility; fewer shares will be purchased when prices are high, and more will be purchased when prices are low. If there is any price volatility, an investor who follows the practice will wind up with an average cost per share that is below the average of the share prices at which he purchased his shares.

If you have a steady cash flow to invest, such as a portion of your monthly paycheck, there is nothing wrong with investing this income stream at regular intervals. Indeed millions of investors practice this regularly through tax-deductible payroll contributions to their 401(k) plans. But what if you have a lump sum to invest? It turns out dollar cost averaging is not the panacea it is sometimes made out to be.

Proponents of dollar cost averaging often present an example such as the following. An individual has $1,500 to invest. He can invest $500 per month for three months or he can invest the $1,500 all at once. Suppose that initial purchase price is $20 per share, and that the price increases by $10 per month, so that the prices series is $20, $30, and $40. The average of these prices is $30.

Dollar Cost Averaging		
Monthly Investment	**Price per share**	**Shares Purchased**
$500	$20	25.00
$500	$30	16.67
$500	$40	12.50
	Total	54.17

The accompanying table shows that with dollar cost averaging the investor winds up with 54.17 shares, so that the average cost of his shares is $27.69 ($1,500 / 54.17), which is over 8 percent below the average price of $30.

But DCA proponents invariably neglect to point out that the investor would have been better off had he invested the $1,500 immediately. In that case he would have purchased 75 shares that would be worth $3,000 at the end of the three months versus 54.17 shares worth $2,167 under DCA.

Security price changes are unpredictable over short term intervals, but trend upward over time. Therefore investors who have a truly long-run view, and who are constructing a portfolio that is well-diversified across asset classes should generally not be afraid to invest a large portion of their capital to a given asset class at any point in time. Subsequent rebalancing to match target allocations will ensure that no asset class will become disproportionately large relative to another and thereby help to improve portfolio stability.

SHOULD INVESTORS BUY HIGH DIVIDEND-YIELD STOCKS?

The following article was written by Dimensional Fund Advisors and is reprinted in its entirety.[1]

Readers may be surprised by this cautionary statement regarding high-yielding stocks, considering our longstanding commitment to the high-yield Dow (HYD) investment strategy. We have always emphasized that the HYD model is only one means of capturing the returns of the large-cap value asset class, and we have been very clear that the HYD approach provides highly volatile returns that warrant only a very limited allocation for most investors.

As a rule of thumb we recommend the HYD approach only for investors who can afford to devote at least $100,000 to an HYD portfolio. In addition, investors should limit their allocation to large cap value stocks to a range of 15 to 30 percent of their total investment portfolio (depending on your circumstances, see our AIS Recommended Portfolio table[2]*). Finally, the HYD model should comprise no more than half of this large cap value allocation; the balance should be invested in one of our large cap value investment vehicles on page 40.*

With bond yields still hovering around historic lows, some investors may be tempted to consider dividend-paying stocks as a way of generating income from their portfolios, presumably with the benefit of not having to sell from their principal. But before embarking on this strategy, it is important to understand several considerations:

1. **SIMPLE MATH:** When firms make dividend payments, it is relatively

1 Apollo D. Lupescu, PhD, Vice President. Dimensional Fund Advisors "Should Investors Buy High Dividend-Yield Stocks?" Quarterly Market Review, First Quarter 2012.

2 See AIS Model Portfolios table, "Quarterly Review of Capital Markets", Investment Guide Vol. XXXIV, No. 4 April 2012 p. 28

common for the stock price to decrease on the ex-dividend date by an amount roughly equal to the dividend paid. For example, an investor holding 10 shares of a stock priced at $100 per share has a total account value of $1,000. If the stock pays a dividend of $5 per share, the stock price would generally drop to $95 on the ex-dividend date, so the investor's overall account value does not change due to dividend payments. If the investor takes the dividend in cash, he would have $950 in the stock and $50 in cash. Taking the dividend payment in cash for spending purposes actually reduces the principal value of the account. Fundamentally, it is no different from selling the stock without waiting for the dividend payment. The same principle applies to distributions in mutual funds.

2. **TOTAL RETURN:** The total return of holding a stock is the sum of its dividend payments and price appreciation, and that sum is what should really matter to investors, not just the dividend. Until this quarter, Apple chose to reinvest its profits rather than pay dividends, and over the past decade it has been one of the best-performing stocks in the US market. Should investors have stayed away from Apple just because it wasn't paying dividends? Many small cap stocks reinvest their earnings and don't pay dividends, yet as an asset class have higher expected returns than large cap stocks.

3. **TAXES:** Until a few years ago many investors purposefully avoided dividend-paying stocks because of the high tax rates, which were lowered in 2003 to 15% for most qualified dividends. Unless Congress takes action, the top tax rate for the highest earners is set to jump to 43.4% next year, as reported in the *Wall Street Journal*. That is a maximum income tax rate of 39.6%—since dividends will once again be taxed as regular income—plus a 3.8% tax on investment income as part of the health-care overhaul passed in 2009.

Dividend paying stocks certainly have a place in a holistic portfolio, but such a strategy should not supersede other fundamental tenets of investing, such as diversification and focusing on the sources of risk and expected return. Generating lifetime income from an investment portfolio is too complex of an issue to be solved by simply chasing stocks with high dividend yields.

THE HIGH-YIELD DOW INVESTMENT STRATEGY

Recommended HYD Portfolio

As of May 15, 2012					*—-Percent of Portfolio-—*	
	Rank	*Yield (%)*	*Price ($)*	*Status*	*Value (%)*	*No. Shares (%)*[1]
AT&T	1	5.28	33.35	Holding**	25.42	24.23
Verizon	2	4.87	41.05	Holding**	25.15	19.48
Merck	3	4.45	37.74	Holding**	24.22	20.40
Pfizer	4	3.95	22.30	Holding**	25.17	35.88
Cash (6-mo. T-Bill)	--	--	--	--	0.04	--
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 April 30, 2012*.

	1 mo.	1 yr.	5 yrs.	10 yrs.	20 yrs.	Since 1/79	Std. Dev.
HYD Strategy	2.15	12.19	1.41	6.95	11.59	15.93	17.91
Russell 1000 Value Index	-1.02	1.03	-1.72	4.83	9.13	12.00	15.02
Dow	0.16	5.97	3.04	5.50	9.60	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 ($)

	5/15/12	*Mo. Earlier*	*Yr. Earlier*
Gold, London p.m. fixing	**1556.50**	1666.50	1505.75
Silver, London Spot Price	**28.28**	32.37	36.20
Copper, COMEX Spot Price	**3.52**	3.62	3.98
Crude Oil, W. Texas Int. Spot	**93.97**	102.82	99.64
Dow Jones Spot Index	**412.60**	428.97	467.49
Dow Jones-UBS Commodity Index	**133.88**	139.46	159.84
Reuters-Jefferies CRB Index	**289.14**	302.85	338.53

Interest Rates (%)

U.S. Treasury bills -	91 day	**0.09**	0.09	0.03
182 day		**0.15**	0.13	0.07
52 week		**0.18**	0.17	0.17
U.S. Treasury bonds -	10 year	**1.76**	2.02	3.20
Corporates:				
High Quality -	10+ year	**3.76**	3.93	4.98
Medium Quality -	10+ year	**5.00**	5.17	5.83
Federal Reserve Discount Rate		**0.75**	0.75	0.75
New York Prime Rate		**3.25**	3.25	3.25
Euro Rates	3 month	**0.69**	0.76	1.42
Government bonds -	10 year	**1.46**	1.69	3.09
Swiss Rates -	3 month	**0.11**	0.11	0.18
Government bonds -	10 year	**0.65**	0.78	1.85

Exchange Rates ($)

British Pound	**1.602500**	1.585100	1.617900
Canadian Dollar	**0.997000**	1.002200	1.030078
Euro	**1.276900**	1.308200	1.414100
Japanese Yen	**0.012500**	0.012350	0.012382
South African Rand	**0.121000**	0.125940	0.142448
Swiss Franc	**1.063300**	1.088300	1.122712

Securities Markets

	5/15/12	*Mo. Earlier*	*Yr. Earlier*
S & P 500 Stock Composite	**1,330.66**	1,370.26	1,337.77
Dow Jones Industrial Average	**12,632.00**	12,849.59	12,595.75
Dow Jones Bond Average	**303.40**	299.23	275.88
Nasdaq Composite	**2,893.76**	3,011.33	2,828.47
Financial Times Gold Mines Index	**2,532.65**	3,026.08	3,543.15
FT EMEA (African) Gold Mines	**2,409.28**	2,661.93	3,259.59
FT Asia Pacific Gold Mines	**11,356.97**	13,915.11	18,115.70
FT Americas Gold Mines	**2,140.07**	2,595.05	2,946.89

Coin Prices ($)

	5/15/12	*Mo. Earlier*	*Yr. Earlier*	*Prem (%)*
American Eagle (1.00)	**1,653.00**	1,699.30	1,550.57	6.20
Austrian 100-Corona (0.9803)	**1,556.93**	1,594.22	1,459.22	2.04
British Sovereign (0.2354)	**387.70**	399.30	366.40	5.81
Canadian Maple Leaf (1.00)	**1,627.10**	1,671.70	1,532.40	4.54
Mexican 50-Peso (1.2057)	**1,918.40**	1,964.30	1,798.10	2.22
Mexican Ounce (1.00)	**1,611.60**	1,649.70	1,511.80	3.54
S. African Krugerrand (1.00)	**1,621.57**	1,669.97	1,530.68	4.18
U.S. Double Eagle-$20 (0.9675)				
St. Gaudens (MS-60)	**1,645.00**	1,710.00	1,605.00	9.24
Liberty (Type I-AU50)	**2,025.00**	1,975.00	1,705.00	34.47
Liberty (Type II-AU50)	**1,785.00**	1,785.00	1,672.50	18.53
Liberty (Type III-AU50)	**1,630.00**	1,685.00	1,557.50	8.24
U.S. Silver Coins ($1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	**20,637.50**	22,137.50	25,750.00	2.06
40% Silver Circ. (292 oz.)	**8,325.00**	9,037.50	10,450.00	0.81
Silver Dollars Circ.	**24,625.00**	25,875.00	32,175.00	12.56

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at $1,556.50 per ounce and silver at $28.28 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 ($) 5/15/12*	*4/13/12*	*5/13/11*	*12-Month ($) High*	*Low*	*Latest Dividend Amount ($)*	*Record Date*	*Paid*	*Indicated Annual Dividend ($)*	*Yield† (%)*
AT&T	T		33.35	30.54	31.41	33.92 *H*	27.29	0.440	4/10/12	5/1/12	1.760	5.28
Verizon	VZ		41.05	37.26	37.26	41.43 *H*	32.28	0.500	4/10/12	5/1/12	2.000	4.87
Merck	MRK		37.74	37.78	37.08	39.50 *H*	29.47	0.420	3/15/12	4/6/12	1.680	4.45
Pfizer	PFE		22.30	21.85	20.92	23.30 *H*	16.63	0.220	5/11/12	6/5/12	0.880	3.95
Johnson & Johnson	JNJ	*I*	63.61	63.54	66.62	68.05	59.08	0.610	5/29/12	6/12/12	2.440	3.84
General Electric	GE		18.40	18.88	19.89	20.36	14.02	0.170	2/27/12	4/25/12	0.680	3.70
Chevron	CVX	*I*	100.90	100.78	102.39	112.28	86.68	0.900	5/18/12	6/11/12	3.600	3.57
Procter and Gamble	PG		63.72	65.81	66.86	67.95	57.56	0.562	4/27/12	5/15/12	2.248	3.53
Dupont	DD	*I*	50.15	52.02	52.91	56.20	37.10	0.430	5/15/12	6/12/12	1.720	3.43
J P Morgan	JPM		36.24	43.21	43.15	46.49	27.85	0.300	7/06/12	7/31/12	1.200	3.31
Intel Corp	INTC		26.88	28.09	23.41	29.27 *H*	19.16	0.210	5/07/12	6/1/12	0.840	3.13
McDonald's	MCD		91.01	96.97	80.74	102.22	80.00	0.700	3/01/12	3/15/12	2.800	3.08
Kraft	KFT		38.82	37.35	34.89	39.99 *H*	31.88	0.290	3/30/12	4/16/12	1.160	2.99
Travelers	TRV	*I*	64.15	58.12	62.33	65.27 *H*	45.97	0.460	6/08/12	6/29/12	1.840	2.87
Exxon Mobil	XOM	*I*	81.79	82.95	80.87	87.94	67.03	0.570	5/14/12	6/11/12	2.280	2.79
3M Company	MMM		85.78	85.69	96.01	98.19	68.63	0.590	5/18/12	6/12/12	2.360	2.75
Wal-Mart Stores	WMT		59.35	59.77	55.72	62.63	48.31	0.398	12/07/12	1/2/13	1.590	2.68
Coca-Cola	KO		76.57	71.94	68.18	77.82 *H*	63.34	0.510	6/15/12	7/1/12	2.040	2.66
Microsoft Corp.	MSFT		30.21	30.81	25.03	32.95	23.65	0.200	5/17/12	6/14/12	0.800	2.65
United Tech.	UTX		76.17	79.80	88.98	91.83	66.87	0.480	5/18/12	6/10/12	1.920	2.52
Boeing	BA		72.58	72.92	79.03	78.81	56.01	0.440	5/11/12	6/1/12	1.760	2.42
Home Depot, Inc.	HD		48.67	50.96	37.01	52.88 *H*	28.13	0.290	3/08/12	3/22/12	1.160	2.38
Hewlett-Packard	HPQ		22.40	24.57	40.41	40.34	21.50	0.120	3/14/12	4/4/12	0.480	2.14
Caterpillar	CAT		92.68	105.89	106.33	116.95	67.54	0.460	4/23/12	5/19/12	1.840	1.99
Cisco	CSCO		16.54	19.85	16.88	21.30	13.30	0.080	4/05/12	4/25/12	0.320	1.93
IBM	IBM	*I*	199.04	202.80	169.92	210.69	157.13	0.850	5/10/12	6/9/12	3.400	1.71
American Express	AXP		57.94	57.28	49.49	61.42 *H*	41.30	0.200	7/06/12	8/10/12	0.800	1.38
Alcoa	AA		8.71	9.85	17.10	17.29	8.45	0.030	5/14/12	5/25/12	0.120	1.38
Walt Disney	DIS		45.01	41.85	41.52	45.80 *H*	28.19	0.600	12/16/11	1/18/12	0.600	1.33
Bank of America	BAC		7.30	8.68	11.93	12.11	4.92	0.010	6/01/12	6/22/12	0.040	0.55

* See the Recommended HYD Portfolio table on page 38 for current recommendations. † Based on indicated dividends and market price as of 5/15/12.
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 5/16/11.
I Dividend increased since 4/15/12 *D* Dividend decreased since 4/15/12

RECOMMENDED INVESTMENT VEHICLES

	Security Symbol	Avg. Market Cap. / Avg. Maturity	Descriptive Quarterly Statistics, as of 3/31/12: No. of Holdings	Expense[3] (%)	Ratios: Sharpe	Turnover (%)	P/B	12 Mo. Yield (%)	Annualized Returns[4] (%), as of 4/30/12: Total 1 yr.	Total 3 yr.	Total 5 yr.	After Tax* 1 yr.	After Tax* 3 yr.	After Tax* 5 yr.
Short/Intermediate Fixed Income														
Vanguard Short-Term Bond Index	BSV[1]/VBISX	2.80 Yrs.	1354	0.22	2.08	67	--	1.71	2.79	3.64	4.53	2.09	2.82	3.45
iShares Barclays 1-3 Yr. Credit Bond	CSJ[1]	1.91 Yrs.	682	0.20	2.00	12	--	1.81	1.85	4.60	4.12	1.22	3.68	2.98
iShares Barclays 1-3 Year Treasury	SHY[1]	1.91 Yrs.	61	0.15	1.20	85	--	0.74	1.09	1.48	3.25	0.85	1.07	2.48
Vanguard Limited-Term Tax-Exempt	VMLTX	2.70 Yrs.	1611	0.20	1.99	14	--	2.10	3.39	3.15	3.62	3.39	3.15	3.62
SPDR Short-Term Municipal Bond	SHM[1]	3.07 Yrs.	374	0.20	1.24	25	--	1.42	3.11	2.70	--	2.57	2.45	--
Inflation-Protected Fixed Income														
iShares Barclays TIPS Bond	TIP[1]	9.25 Yrs.	35	0.20	1.66	15	--	3.70	11.51	9.97	7.74	10.11	8.68	6.24
Vanguard Inflation-Protected Securities	VIPSX	9.20 Yrs.	32	0.20	1.65	28	--	3.68	11.43	9.85	7.54	9.96	8.76	6.19
Real Estate														
Vanguard REIT Index	VNQ[1]/VGSIX	6.59 B	115	0.24	1.49	10	1.7	3.23	9.80	32.06	0.89	8.79	30.62	-0.33
SPDR Dow Jones REIT	RWR[1]	8.43 B	83	0.25	1.49	10	2.2	2.92	10.14	32.46	-0.17	8.92	30.84	-1.46
U.S. Large Cap Value														
Vanguard Value Index	VTV[1]/VIVAX	42.50 B	422	0.24	1.30	23	1.5	2.32	0.43	17.92	-1.61	0.05	17.48	-2.02
iShares Russell 1000 Value Index	IWD[1]	36.46 B	659	0.20	1.27	24	1.5	2.16	0.85	18.11	-1.83	0.39	17.66	-2.21
U.S. Small Cap Value														
iShares Russell Microcap Index	IWC[1]	0.28 B	1380	0.60	1.08	35	1.5	1.20	-5.23	19.29	-2.25	-5.52	19.06	-2.42
Vanguard Small-Cap Value Index	VBR[1]/VISVX	1.29 B	1010	0.24	1.22	30	1.2	1.84	-2.73	20.89	1.03	-3.14	20.43	0.58
U.S. Large Cap Growth														
iShares Russell 1000 Growth Index	IWF[1]	44.10 B	586	0.20	1.44	24	4.0	1.22	7.06	21.21	3.94	6.78	20.93	3.71
Vanguard Growth Index	VUG[1]/VIGRX	38.73 B	403	0.24	1.40	23	3.3	0.98	8.03	21.22	4.14	7.85	21.02	3.97
U.S. Marketwide														
Vanguard Total Stock Market Index	VTI[1]/VTSMX	27.49 B	3326	0.17	1.37	5	2.0	1.63	3.41	20.01	1.46	3.13	19.68	1.17
Fidelity Spartan Total Market Index	FSTMX[2]	29.77 B	3272	0.10	1.37	4	2.1	1.60	3.48	20.02	1.44	na	na	na
Foreign- Developed Markets														
iShares MSCI Growth Index	EFG[1]	26.62 B	559	0.40	0.87	27	2.0	2.21	-10.18	13.90	-2.96	-10.34	13.72	-3.09
iShares MSCI Value Index	EFV[1]	35.03 B	490	0.40	0.77	29	1.0	4.13	-15.59	9.18	-6.64	-15.85	8.88	-6.95
Vanguard Europe Pacific Index	VEA[1]/VTMGX	28.53 B	899	0.12	0.84	5	1.2	3.11	-13.13	11.97	-4.40	-13.41	11.69	-4.64
Vanguard Developed Markets Index	VDMIX	27.90 B	940	0.20	0.84	5	1.2	3.25	-12.99	12.07	-4.49	-13.49	11.59	-5.03
SPDR S&P International Small Cap	GWX[1]	1.04 B	730	0.61	1.09	22	1.1	2.13	-11.17	17.86	-2.39	-11.47	17.41	-2.76
Foreign- Emerging Markets														
Vanguard Emerging Market Index	VWO[1]/VEIEX	17.27 B	900	0.33	0.98	10	1.7	1.93	-13.66	17.88	3.20	-13.92	17.59	2.84
Gold-Related Funds														
iShares COMEX Gold Trust	IAU[1]	--	1	0.25	1.04	--	--	0.00	7.27	22.48	18.99	7.27	22.48	18.99
SPDR Gold Shares	GLD[1]	--	1	0.40	1.04	--	--	0.00	7.11	22.71	19.05	7.11	22.71	19.05

Recommended Gold-Mining Companies ($)

	Ticker Symbol	5/15/12	Month Earlier	Year Earlier	--- 52-Week --- High	Low	Dividends Paid Last 12 Months	Payment Schedule	Yield (%)
Anglogold Ltd., ADR	AU	**30.81**	34.01	43.61	49.14	30.70	0.6143	Semiannual	1.9938
Barrick Gold Corp. †	ABX	**34.99**	41.61	45.01	55.95	34.86	0.5270	Quarterly	1.5061
Gold Fields Ltd.	GFI	**11.75**	12.82	15.34	18.49	11.72	0.4423	Semiannual	3.7643
Goldcorp, Inc. †	GG	**32.54**	41.61	47.76	56.31	32.41	0.4029	Monthly	1.2382
Newmont Mining	NEM	**43.39**	48.68	52.78	72.42	43.34	1.3500	Quarterly	3.1113

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]0.5% fee for redemption in 90 days. [3]For Vanguard funds, Expense Ratios shown are for Mutual Funds. ETFs have lower expenses. [4]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 anTd local taxes and individual tax situations. † Dividend shown is after 15% Canadian tax withholding.