AIS INVESTMENT GUIDE

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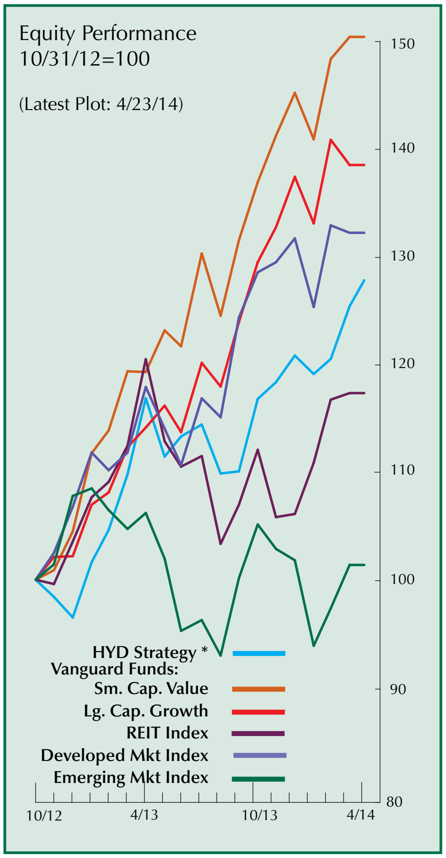

* HYD is a hypothetical model based on back-tested results. See p.30 for more information.

The *Investment Guide* is intended to provide useful information to investors who manage their own financial assets. **We also provide low cost discretionary asset management services** for individuals and institutions seeking professional advice and assistance in implementing an investment strategy.

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A Full Plate for the SEC

Newly appointed SEC Chair Mary Jo White has been busy. During recent House Financial Services Committee oversight hearings she was grilled over high frequency trading (also known as"HFT", or "flash trading"), a controversial practice that has dominated the financial news. On another front the Commission has been tasked under the Dodd-Frank Act with "harmonizing" the separate standards for investment advice that apply to Registered Investment Advisors (RIAs) and Brokers-Dealers.

The good news is that the first issue generally poses little threat to investors who follow our approach while the second matter may be a positive development for investors who work with investment professionals.

HFT has grabbed headlines on the heels of a new book, "Flash Boys", by Michael Lewis. HFT is practiced by traders who employ high-speed computer technology to anticipate order flow from other market participants. This information is gathered mere fractions of a second ahead of others. But it allows traders to perceive trends before others in the market and to reap big rewards, albeit on miniscule margins, by placing trades on the direction of those very short-term trends.

Lewis and others condemn HFT because it reduces transparency and may constitute insider trading. Others see no harm; they characterize the practice as smart trading, and one that provides market liquidity.

We do not know whether regulators will attempt to rein in the practice, or what impact such measures might have. Regardless, *Investment Guide* subscribers can take comfort: there is little risk that index fund owners who trade infrequently will fall victim to HFT traders. We do share the concerns of those who point to the systemic risk posed -- the vast arbitrage system is complex and there is no guarantee that the "flash crash" of 2010 will not be repeated, perhaps with more severe consequences. But ultimately this is simply a new, high-tech source of capital market risk. The emergence of HFT should not dissuade equity investors who seek positive real returns.

Chairman White is pushing for a decision to clarify the roles and duties of RIAs and broker-dealers. Broker-dealers have long been regulated as salespeople under the Securities Exchange Act of 1934, while RIAs have been regulated as providers of advice under the Investment Advisors Act of 1940. As we explain in a following article, RIAs have been held to a higher (fiduciary) standard than brokers, yet brokers have increasingly been assuming an advisory role. This has created confusion among consumers as these services have converged. We hope this will soon be remedied with a positive outcome for individual investors.

QUARTERLY REVIEW OF CAPITAL MARKETS[1]

Capital markets delivered generally positive results for the first quarter. Early in the quarter equity markets fell over growth worries in China and Russia's incursion into the Ukraine. Market volatility in the U.S., measured by the VIX, spiked at 25 in January. But as the quarter closed markets recovered, helped in part by lower interest rates, as the 10-Year U.S. Treasury yield fell from three percent to 2.6 percent. The gold price climbed, at least in part due to international turmoil.

U.S. REITs, perhaps the most interest-rate sensitive of our asset classes, turned in the strongest returns. Among U.S. equities, large caps outperformed small cap stocks and value stocks outperformed growth shares. In overseas markets, developed markets outperformed emerging markets.

Capital markets are leading indicators of overall economic growth. Stock prices discount economic data as quickly as it is released, so perusing such data in hopes of projecting market returns is a futile endeavor. Therefore, while we monitor AIER's statistical indicators pertaining to the overall economy, these observations do not affect our recommended portfolio allocations. However, economic growth affects employment, income, and many other factors of importance to households and businesses. AIER's statistical indicators currently point to continued growth in coming months (see AIER's Business Cycle Conditions, April 2014, www.AIER.org).

We have made no changes to our AIS Model Portfolios table (below). These allocation plans are only guidelines. Investors should establish a plan based on their individual circumstances. Those seeking professional guidance may wish to consider our low-cost advisory services. We will conduct an initial appraisal and assessment of your current holdings at no charge and with no obligation. For more information call us at (413) 528-1216 or email us at aisinfo@americaninvestment.com.

Cash Equivalent Assets[2]

Nominal yields on cash equivalent assets remained very close to zero during the quarter. The Fed Open Market Committee (FOMC) continued to maintain an accommodative stance by keeping its federal funds target rate range at 0.00 to 0.25 percent. Cash equivalent yields generally lost ground to price inflation. The thirteen week Treasury bill is currently yielding 0.04 percent; through March, year-over-year Price inflation measured by the CPI was 1.51 percent while AIER's Everyday Price Index (EPI) fell by 0.10 percent over the same period.

Though real yields on cash equivalent investments are currently negative, investors should continue to maintain a cash balance for liquidity—a stable and readily accessible source of cash is important in virtually every portfolio. For most investors, money market funds are the most convenient means of providing this liquidity. These mutual funds invest in short-term

AIS Model Portfolios[1]
For the Period Ending March 31, 2014

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)	Bank of America/Merrill Lynch 3 Mo. T Bills	20	10	0	0.07	1.65	3.05	0.66
Short/Int. Fixed Income	Barclays Capital 1-5 Yr Govt/Cred	28	21	0	0.42	3.27	4.82	2.16
	Citigroup World ex. US Govt. Bond 1-5 Yr	12	9	0	1.57	3.21	4.76	1.52
Real Estate	S&P Global REITs Index Gross Div	10	10	10	2.21	7.47	9.65	17.42
U.S. Large Cap Growth	Russell 1000 Growth Index (USD)	5	5	10	23.22	7.86	8.52	17.45
U.S. Large Cap Value	Russell 1000 Value Index (USD)	15	20	30	21.57	7.58	9.71	15.08
U.S. Small Cap Value	Russell 2000 Value Index (USD)	5	7	13	22.65	8.07	10.64	17.48
	DFA US Micro Cap Portfolio (USD)	0	3	7	30.20	8.67	12.01	21.08
Foreign Developed Markets	MSCI EAFE Index (USD) Gross Div	5	7	13	18.06	7.01	6.08	16.69
Foreign Emerging Markets	MSCI Emg. Mkts. Index (USD) Gross Div	0	3	7	-1.07	10.45	5.70	23.77
Gold Related	Gold (London PM Fix Price)	0	5	10	-19.18	11.79	5.78	16.62
	Total	100	100	100				

Model Portfolio Statistics[4]: Risk, Return (%) and Growth

	Conservative	*Moderate*	*Aggressive*
Portfolio Return 1 Year	6.26	8.10	13.93
Portfolio Return 10 Year (annualized)	4.57	6.06	8.17
Portfolio Return 20 Year (annualized)	6.15	7.23	9.02
Portfolio Standard Deviation 20 Year (annualized)	5.60	8.04	13.80
Growth of $100 over 20 Years	$330	$404	$563

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 individual 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 32.
3 Investors should maintain cash balances adequate to cover living expenses for up to 6 months in addition to the cash levels indicated.
4 Model portfolio returns reflect the deduction of 0.68% management fee, the rate charged to $500,000 account by AIS.

securities such as Treasury bills, bankers' acceptances, commercial paper, or negotiable certificates of deposit of major commercial banks. Most brokers offer money market funds that are "sweep" vehicles; dividends and interest from other asset classes can be automatically deposited in these accounts at the owner's discretion. Most brokers also allow check-writing.

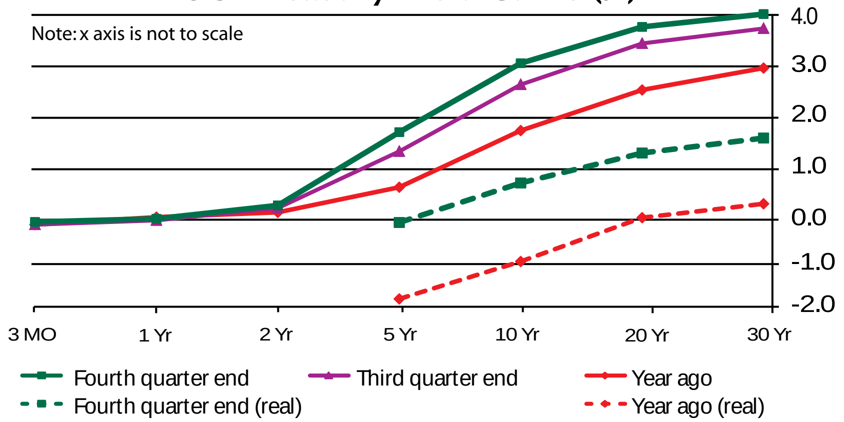
Fixed Income

As anticipated, the Fed began tapering its quantitative easing program. This means that it will continue its purchases of mortgage-backed securities (MBS) and long-term Treasuries, but at a slower rate. In late January the FOMC announced it would reduce purchases of MBS from $35 billion to $30 billion while cutting Treasury purchases from $40 billion to $35 billion. In mid-March, after Janet Yellen assumed the helm as Fed chair, the FOMC announced it would reduce purchases of both MBS and long term Treasuries by an additional $5 billion.

The yield curve remains steep by historical terms, but flattened slightly during the quarter (see accompanying chart). TIPS rose 1.9 percent for the quarter as real interest rates fell. Nominal rates increased slightly for bonds with maturities between one and three years; however, rates on longer-term bonds fell as inflation expectations (measured by the spread between conventional Treasury yields and TIPS) fell. Real yields are currently positive for Treasuries with maturities of five years or more.

Credit spreads generally fell during the quarter as investors' willingness to accept credit risk strengthened. Investment grade corporate bonds returned 2.9 percent. Municipal bonds gained 3.3 percent; pre-tax muni yields closed the quarter just below Treasury yields. For investors in higher tax brackets, munis continue to provide a return advantage versus Treasuries on an after-tax basis.

Chart 1:
U.S. Treasury Yield Curve (%)



At quarter-end the 30 year fixed mortgage was averaging 4.34 percent, with 0.6 points versus 4.46 percent with 0.7 points when the year began.

Real Estate[3]

U.S. equity Real Estate Investment Trusts (REITs) provided the strongest returns among our recommended asset classes during the first quarter. REITs are interest-rate sensitive and benefited in part from lower long-term interest rates. U.S. equity REITs turned in a total return of 8.52 percent following three consecutive quarters of negative performance. Non-U.S. REITs rebounded as well, returning 3.27 percent, led by strong performance from large cap REITs in the U.K. and Australia.

At quarter-end U.S. REITs were yielding 3.83 percent while global REITs were yielding 3.64 percent.

U.S. Equities[4]

The overall U.S. stock market returned 1.97 percent for the quarter. The value dimension of return predominated over growth, as large cap value shares returned 3.02 percent compared with 1.12 percent for large cap growth shares. Similarly, small cap value shares outperformed small cap growth shares, with returns of 1.78 and 0.48 percent, respectively. Along the size spectrum large cap stocks returned 1.18 percent, outperforming small caps, which managed a 1.12 percent return.

Defensive sectors led during the quarter as harsh weather, disappointing data and overall economic uncertainty weighed on the markets. Utilities and healthcare stocks were the strongest performers, returning 10.1 percent and 5.8 percent respectively. The worst performing industries were economically sensitive industrial stocks which gained only 0.1 percent, and consumer discretionary stocks which returned -2.8 percent.

Total Return (%)

	2011			2012				2013				2014	Entire Period
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q 2011-1Q 2014
Barclay Capital 1-5 Yr. Govt./Credit	1.49	0.91	0.43	0.54	0.59	0.89	0.20	0.27	-0.75	0.63	0.14	0.41	5.89
Vanguard REIT Index	3.51	-14.59	15.20	10.71	3.70	-0.07	2.44	8.03	-1.62	-3.01	-0.75	9.89	34.57
Vanguard Value Index	-0.64	-15.53	12.44	10.58	-2.46	5.74	0.83	12.19	3.84	3.56	10.12	2.79	48.22
High-Yield Dow 4/18	2.05	-7.58	17.17	2.48	11.29	7.05	-5.01	12.80	3.01	-2.69	9.16	3.57	63.83
Vanguard Small Cap Value Index	-1.87	-20.67	15.18	12.08	-3.15	5.45	3.57	13.30	1.83	7.62	9.86	3.40	49.95
Vanguard Growth Index	0.91	-13.40	10.90	15.22	-3.92	6.78	-1.11	9.24	1.17	8.43	10.29	0.76	50.84
Vanguard Developed Markets Index	2.12	-20.11	4.01	11.54	-6.86	6.35	7.56	4.41	-0.98	11.61	5.59	0.38	23.32
Vanguard Emerging Markets Index	-0.97	-23.97	5.99	13.94	-8.41	6.45	6.80	-2.66	-8.45	4.76	1.56	-0.40	-10.59
Gold (London PM Fix)	4.62	7.61	-5.49	8.59	-3.85	11.10	-6.67	-3.57	-25.42	11.28	-9.20	7.24	-10.23

International Equities[5]

During the first quarter, international developed markets continued to post positive performance. In U.S. dollars, small caps returned 3.45 percent, outpacing large caps, which returned 0.75 percent. Along the value dimension, value stocks gained 1.09 percent versus 0.40 percent for growth shares. The dollar grew weaker relative to most major currencies, boosting returns to U.S. investors.

Returns in Japan measured -5.10 percent, which dragged down positive returns in most other developed countries. Italy was the best-performing developed market, returning 15.03 percent.

Emerging markets generally lagged the U.S. and non-U.S. developed market indices. Small caps significantly outperformed large caps, and value underperformed growth across all size ranges.

Greece continued to rebound, returning 18.60 percent, second only to Indonesia, which turned in a 22.44 percent return. Russia was by far the worst performing emerging market nation, turning in a -14.69 percent return. Capital fled the market amidst that nation's annexation of the Crimean peninsula.

Emerging markets currencies were mixed versus the U.S. dollar, with wide variation among the major currencies.

Gold

The gold price[6] reversed course during the first quarter, gaining 7.2 percent after falling by 9.2 percent in the previous quarter. As we have documented, the gold price often rises during crises, and indeed was bid up rapidly following Russia's quick and virtually unopposed forays. The gold price began the quarter at $1,204 per ounce and reached a high of $1,385 on March 14, just four days before Russian President Vladimir Putin signed a treaty annexing Crimea. The priced closed the three months at $1,292 and as of mid-April stood at $1,318.

This example provides only the latest example of gold's resilience during crises; long-term data confirms that gold has served as a form of portfolio insurance throughout history. For a detailed analysis, see "Is Gold a Safe Haven?" September 2012 *Investment Guide*, available to subscribers at americaninvestment.com, or email us at aisinfo@americaninvestment.com.

1 This article contains information and excerpts from The Vanguard Group, Fidelity Investments, and Dimensional Fund Advisors as well as data obtained from several index providers.
2 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, Dimensional Fund Advisors. U.S. Treasuries: Barclays U.S. Treasury Index. Corporate (investment grade) bonds: Barclays U.S. Credit Bond Index; Municipal bonds: Barclays Municipal Bond Index; TIPS: Barclays U.S. TIPS Index. High Yield: BofA ML U.S. High Yield Master II Index Foreign (USD hedged. Mortgage rates: Freddie Mac.
3 US REIT data provided by National Association of Real Estate Trusts (NAREIT). FTSE NAREIT All Equity REIT Index). Ex-US REITS: Dow Jones ©. S&P Global ex US REIT Index (Source: Dimensional Fund Advisors, Standard & Poor's).
4 U.S. Market: Russell 3000 Index. Small cap value stocks: Russell 2000 Value Index, Small cap growth stocks: Russell 2000 Growth Index. Large cap stocks: Russell 1000 Growth & Russell 1000 Value Indices. Sector returns represented by S&P 500 sectors.
5 Source: Dimensional Fund Advisors and Fidelity Management and Research Company: Developed markets Large Cap-- MSCI World ex-USA Index, Small Cap -- MSCI World ex USA Small Cap Index. Value – MSCI World ex USA Value Index Growth – MSCI World ex USA Growth Index Emerging markets large cap: MSCI Emerging Markets Index, Small Cap MSCI Emerging Market Small Cap Index. Value MSCI Emerging Markets Value Index, Growth MSCI Emerging Markets Growth Index. Non-U.S. developed market stocks MSCI World ex USA. Country performance provided by Dimensional Fund Advisors, based on respective indexes in the MSCI All Country World ex USA IMI Index (for developed markets) and MSCI Emerging Markets IMI Index. All returns in US currency and net of withholding tax on dividends. MSCI data copyright MSCI 2014, all rights reserved. Currency data: Dimensional Fund Advisors, Oanda.com.
6 London PM fix. Source: World Gold Council

FINANCIAL SERVICE PROVIDERS: PART 1

This newsletter is intended to provide individual investors with information necessary to achieve their financial goals without assistance from financial service providers. However, many individuals nonetheless seek professional guidance. This article is the first in a two part series in which we provide a framework for selecting an investment professional from the bewildering array of options available within the financial services industry.

Defining the Landscape

The notion of "securing one's financial future" may be as old as civilization itself. The tools and opportunities available to pursue this goal have expanded dramatically as property rights, education, the free flow of information and technology have evolved. There are however, several timeless realities that investors must confront. We have often discussed the unavoidable tradeoff between risk and return, and the erosion of purchasing power. But investors must be equally wary of inferior service providers who not only fail to help, but end up separating investors from their wealth.

There are of course many honest, well-qualified professionals within the financial services industry. However, "noise" generated by the financial media and sensational advertising often obscures wide variations among these providers regarding the legal obligations by which they are bound, the services they offer, and the fees they assess. While financial service providers carry many titles, here we describe three frequently-encountered categories.

The term **Registered Investment Advisor (RIA)** is defined by regulation and carries with it specific legal constraints and obligations. RIAs are regulated by the SEC and/or the state in which they operate. At a minimum, an aspiring RIA must pass the SEC exam known as the Series 65 or obtain a waiver from the state in which they do business. RIAs are in the business of giving advice about securities but they are not compensated directly for buying or selling securities. Instead, they often work with a third-party broker/custodian (or in some cases more than one) to execute transactions on their clients' behalf.

RIAs manage portfolios consistent with their clients' objectives on an ongoing basis. Most are not custodians of their clients' assets but often retain limited-power-of-attorney to trade within their clients' brokerage accounts. This arrangement assures flexible and efficient implementation of a mutually-agreed-to allocation plan while leaving the client

Why Seek Professional Investment Advice?

We realize that not everyone is a "do it yourself investor." There are many valid reasons why one might seek guidance from a professional.

Many investors realize they lack the self-discipline required to manage their holdings properly. Our structured approach requires that investors impartially assess their circumstances and needs, formulate an investment designed to meet those needs, and rebalance their portfolio periodically to maintain those portfolio allocations.

Others may have the discipline but simply choose to largely avoid financial matters. Life is short and many investors would rather allocate their time to career, family, or recreation. While they firmly accept the wisdom of a sound investment plan, they are perfectly content to turn to a professional to implement it.

There are many other reasons for seeking professional guidance. Individuals who have managed their assets with success for many years may nonetheless seek an advisor when they grow concerned for a spouse or other heirs who may be unfamiliar with financial matters. Institutions such as non-profit organizations often seek a Registered Investment Advisor to serve as a fiduciary for endowments or trusts, while small business owners with employee retirement plans might also require a fiduciary.

These are just a few of the reasons people turn to us for help. For more information regarding our investment advisory services, contact us at (413) 528-1216 ext. 3138 (individual client services) or ext. 3155 (institutional services). Or email us at aisinfo@americaninvestment.com.

in ultimate control of his portfolio. RIAs sometimes adopt titles such as investment manager, asset manager, wealth manager, or portfolio manager.

Brokers (and broker-dealers) are also defined by regulation and are subject to specific legal constraints and obligations, though these differ substantially from those of RIAs. Brokers are regulated by the SEC and the state in which they operate. At a minimum, an individual has to pass the Series 7 SEC exam. Many states require additional exams such as the Series 66. Brokers are in the business of buying and selling securities on behalf of both their clients and their firms. Individuals working for brokerage firms are often called stockbrokers. Unlike RIAs "full service" brokers not only provide recommendations and investment consulting, but also place trades and retain custody of the client's assets. As is the case with RIAs, brokers often adopt unofficial titles such as financial consultant, financial adviser, or investment consultant.

Financial Planner is not a legal term; there are no regulatory prerequisites for claiming this title. Financial planners develop complete statements of advice for clients based on an extensive analysis. Services may encompass estate and tax planning, insurance needs, debt management, as well as planning for college or retirement. Plans may entail certain legal structures such as family trusts or charitable foundations. Several nongovernmental entities have arisen to award formal professional designations to those who demonstrate adequate expertise, typically by passing a series of exams. Common designations include Certified Financial Planner (CFP) and Chartered Financial Consultant (ChFC).

These are only general categories. The waters are further muddied by other providers whose services might address investment-related matters, and their offerings can easily be confused with the provision of investment advice. Accountants, attorneys, trust departments and insurance agents all provide products and services tangential to financial planning. When shopping for professional help individual investors should insist on full disclosure regarding what duties each provider is legally authorized to assume. An accountant, for example, cannot offer investment advice unless he or she is also an RIA.

An individual or firm can be an investment advisor *and* broker *and* financial planner or *any combination* of the three so long as they meet the legal requirements for each service they provide. However, each category carries with it different legal obligations and compensation structures. When these multiple roles are fulfilled simultaneously there is potential for confusion that could give rise to conflicts of interest.

RIAs: Highest Standard of Care

Investors should understand the standard of care to which a potential service provider is legally bound. Providers can be distinguished by those who are fiduciaries and those who are held to a lower standard.

Fiduciary duty is the strictest duty of care recognized by the U.S. legal system. A fiduciary duty is a legal obligation to act solely in another party's interests. A person or entity who assumes this duty is referred to as a "fiduciary." Fiduciaries may not profit from his or her relationship with their client without informed consent and must avoid any conflicts of interest between themselves and their clients.

RIAs have a legal fiduciary duty and therefore must always put their clients' interests ahead of their own. They must disclose all of their compensation arrangements and any potential conflicts of interest such as owning a security they recommend for their clients.

A *suitability* threshold on the other hand entails a lower standard of care; it only stipulates that a particular investment meet the objectives and means of an investor. It does not require that a provider place his client's interests ahead of his own. It only requires a reasonable belief that a recommendation is suitable given a client's financial needs, objectives, unique circumstances or investment sophistication. For example, a complex derivative product may not be suitable for a retiree living on a limited fixed income, but may be suitable for a more sophisticated investor who can withstand a loss.

Brokers, unlike RIAs, are required only to meet the suitability standard. A broker's duty to his client does not supersede his obligation to his firm, which raises potential for conflicts of interest. For example, because brokers make security recommendations and also place brokerage trades, they could recommend a security because it will garner higher commissions or other revenues for his firm. The transaction must be suitable in light of the client's circumstances but need not be in the client's best interest.

Next month we will take a close look at the cost of obtaining professional guidance from various service providers. Fee structures vary widely and are changing rapidly as technology advances.

THE HIGH-YIELD DOW INVESTMENT STRATEGY

Recommended HYD Portfolio

As of April 15, 2014

	Rank	Yield (%)	Price ($)	Status	—-Percent of Portfolio-— Value (%)	No. Shares (%)[1]
AT&T	1	5.16	35.68	Holding**	23.52	24.96
Verizon	2	4.52	46.92	Holding**	22.68	18.30
Pfizer	3	3.48	29.89	Buying	1.52	1.93
General Electric	4	3.41	25.82	Buying	1.52	2.23
Intel Corp	5	3.36	26.77	Selling	24.69	34.92
Cisco	7	3.32	22.89	Holding	1.53	2.54
Chevron	6	3.33	120.30	Holding	1.51	0.48
McDonald's	8	3.21	100.83	Holding	1.52	0.57
Merck	10	3.14	56.05	Holding	19.52	13.18
Dupont (E.I)	14	2.69	66.90	Holding	1.60	0.91
Hewlett Packard	-	1.80	32.39	Selling	0.00	0.00
Cash (6-mo. T-Bill)	N/A	N/A	N/A		0.39	N/A
Totals					100.00	100.00

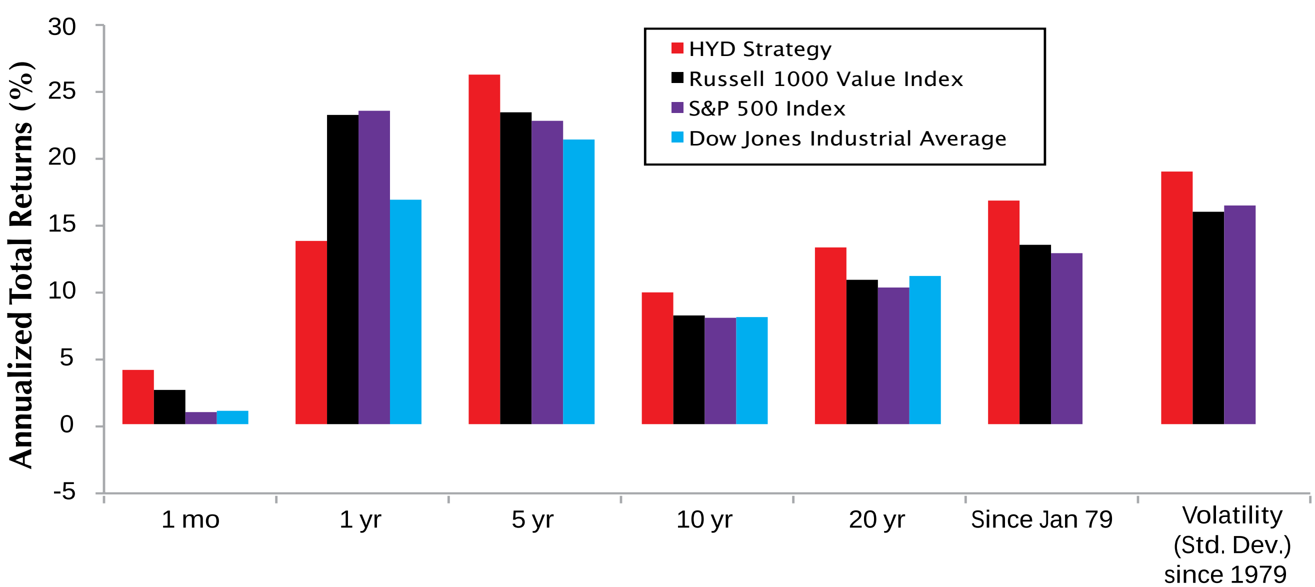
**Currently indicated purchases approximately equal to indicated purchases 18 months ago. 1 Because the percentage of each issue in the portfolio by value reflects the prices shown in the table, we are also showing the number of shares of each stock as a percentage of the total number of shares in the 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.

Comparative Hypothetical Total Returns (%) and Volatility

The data presented in the table and chart below represent total returns generated by a hypothetical HYD portfolio and by benchmark indexes for periods ending March 31, 2014*. Returns for the 5-,10- and 20-year periods are annualized, as is the volatility (standard deviation) of returns (January 1979 is the earliest date for which data was available for both the HYD model and relevant benchmark indexes).

	1 mo.	1 yr.	5 yrs.	10 yrs.	20 yrs.	Since Jan 79	Volatility (Std. Dev.) since 1979
HYD Strategy	3.78	12.78	24.38	9.19	12.33	15.59	17.62
Russell 1000 Value Index	2.39	21.57	21.75	7.58	10.07	12.51	14.81
S&P 500 Index	0.84	21.86	21.16	7.42	9.53	11.93	15.25
Dow Jones Industrial Average	0.93	15.65	19.85	7.47	10.34	N/A	N/A



*Data assume all purchases and sales at mid-month prices (+/–$0.125 per share commissions), reinvestment of all dividends and interest, and no taxes. Model HYD calculations are based on hypothetical trades following a very exacting stock-selection strategy. They do not reflect returns on actual investments or previous recommendations of AIS. Past performance may differ from future results. Historical performance results for the Russell 1000 Value Index, the Dow Jones Industrial Index and the S&P 500 Index 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. HYD Strategy results reflect the deduction of 0.55% management fee, the annual rate assessed to a $500,000 account managed through our High Yield Dow investment service.

RECENT MARKET STATISTICS

Precious Metals & Commodity Prices ($)

	4/15/14	*Mo. Earlier*	*Yr. Earlier*
Gold, London p.m. fixing	**1,298.00**	1,385.00	1,395.00
Silver, London Spot Price	**19.77**	21.36	23.54
Copper, COMEX Spot Price	**3.02**	3.01	3.28
Crude Oil, W. Texas Int. Spot	**103.74**	98.88	88.70
Dow Jones Spot Index	**435.52**	428.69	416.09
Dow Jones-UBS Commodity Index	**136.82**	134.90	129.94
Reuters-Jefferies CRB Index	**309.94**	303.56	281.43

Interest Rates (%)

U.S. Treasury bills -	91 day	**0.04**	0.05	0.06
	182 day	**0.05**	0.08	0.09
	52 week	**0.10**	0.12	0.12
U.S. Treasury bonds -	10 year	**2.64**	2.65	1.72
Corporates:				
High Quality -	10+ year	**4.20**	4.37	3.67
Medium Quality -	10+ year	**4.84**	5.05	4.54
Federal Reserve Discount Rate		**0.75**	0.75	0.75
New York Prime Rate		**3.25**	3.25	3.25
Euro Rates	3 month	**0.33**	0.30	0.20
Government bonds -	10 year	**1.47**	1.60	1.31
Swiss Rates -	3 month	**0.02**	0.02	0.02
Government bonds -	10 year	**0.88**	0.99	0.73

Exchange Rates ($)

British Pound	**1.679200**	1.663000	1.532000
Canadian Dollar	**0.907100**	0.902000	0.979600
Euro	**1.381600**	1.392400	1.308200
Japanese Yen	**0.009760**	0.009860	0.010200
South African Rand	**0.095400**	0.093300	0.109500
Swiss Franc	**1.132200**	1.147800	1.075000

Securities Markets

	4/15/14	*Mo. Earlier*	*Yr. Earlier*
S & P 500 Stock Composite	**1,842.98**	1,841.13	1,552.36
Dow Jones Industrial Average	**16,262.56**	16,065.67	14,599.20
Barclays US Credit Index	**2,486.59**	2,456.25	3,216.49
Nasdaq Composite	**4,034.16**	4,245.40	1,830.54
Financial Times Gold Mines Index	**1,493.95**	1,700.25	1,676.08
FT EMEA (African) Gold Mines	**1,558.15**	1,638.25	8,533.59
FT Asia Pacific Gold Mines	**4,695.86**	5,128.17	1,550.90
FT Americas Gold Mines	**1,291.75**	1,511.24	2,474.20

Coin Prices ($)

	4/15/14	*Mo. Earlier*	*Yr. Earlier*	*Prem (%)*
American Eagle (1.00)	**1,341.03**	1,387.53	1,439.90	3.31
Austrian 100-Corona (0.9803)	**1,262.32**	1,307.43	1,346.43	-0.79
British Sovereign (0.2354)	**315.30**	326.30	335.80	3.19
Canadian Maple Leaf (1.00)	**1,323.40**	1,369.90	1,416.80	1.96
Mexican 50-Peso (1.2057)	**1,555.60**	1,611.00	1,659.10	-0.60
Mexican Ounce (1.00)	**1,310.50**	1,356.60	1,396.50	0.96
S. African Krugerrand (1.00)	**1,325.38**	1,371.88	1,417.38	2.11
U.S. Double Eagle-$20 (0.9675)				
St. Gaudens (MS-60)	**1,370.00**	1,405.00	1,537.50	9.09
Liberty (Type I-AU50)	**2,225.00**	2,225.00	2,225.00	77.18
Liberty (Type II-AU50)	**1,675.00**	1,675.00	1,900.00	33.38
Liberty (Type III-AU50)	**1,350.00**	1,385.00	1,507.50	7.50
U.S. Silver Coins ($1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	**14,900.00**	15,575.00	19,325.00	5.41
40% Silver Circ. (292 oz.)	**5,650.00**	6,012.50	6,875.00	-2.13
Silver Dollars Circ.	**21,850.00**	22,050.00	26,100.00	42.87

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at $1,298.00 per ounce and silver at $19.77 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 ($) 4/15/14*	*3/14/14*	*4/15/13*	*12-Month ($) High*	*Low*	*Latest Dividend Amount ($)*	*Record Date*	*Payable Date*	*Indicated Annual Dividend ($)*	*Yield† (%)*
AT&T	T		35.68	32.49	37.95	39.00	31.74	0.460	4/10/14	5/1/14	1.840	5.16
Verizon	VZ		46.92	46.08	50.64	54.31	45.08	0.530	4/10/14	5/1/14	2.120	4.52
Pfizer	PFE		29.89	31.23	30.45	32.96	27.12	0.260	2/07/14	3/4/14	1.040	3.48
General Electric	GE		25.82	25.11	22.81	28.09	21.11	0.220	2/24/14	4/25/14	0.880	3.41
Intel Corp	INTC		26.77	24.50	21.38	27.12	21.42	0.225	5/07/14	6/1/14	0.900	3.36
Chevron	CVX		120.30	114.10	116.57	127.83	109.27	1.000	2/14/14	3/10/14	4.000	3.33
Cisco	CSCO		22.89	21.35	21.05	26.49	19.98	0.190	4/03/14	4/23/14	0.760	3.32
McDonald's	MCD		100.83	97.58	102.15	103.34	92.22	0.810	3/03/14	3/17/14	3.240	3.21
Procter and Gamble	PG	*I*	80.84	78.98	79.65	85.82	73.61	0.644	4/25/14	5/15/14	2.574	3.18
Merck	MRK		56.05	55.70	46.46	58.14 *H*	44.60	0.440	3/17/14	4/7/14	1.760	3.14
Coca-Cola	KO		40.18	38.17	40.09	43.43	36.83	0.305	3/14/14	4/1/14	1.220	3.04
Microsoft Corp.	MSFT		39.75	37.70	28.69	41.66 *H*	28.50	0.280	5/15/14	6/12/14	1.120	2.82
J P Morgan	JPM		54.80	56.80	47.93	61.48 *H*	46.05	0.380	4/04/14	4/30/14	1.520	2.77
Dupont	DD		66.90	65.77	48.78	68.82 *H*	48.23	0.450	2/14/14	3/14/14	1.800	2.69
Johnson & Johnson	JNJ		99.20	92.81	81.71	99.38 *H*	82.07	0.660	2/25/14	3/11/14	2.640	2.66
Exxon Mobil	XOM		98.68	93.47	86.49	101.74	84.79	0.630	2/10/14	3/10/14	2.520	2.55
3M Company	MMM		134.09	129.83	105.76	140.43	102.89	0.855	2/14/14	3/12/14	3.420	2.55
Wal-Mart Stores	WMT		76.88	74.28	78.47	81.37	71.51	0.480	3/11/14	4/1/14	1.920	2.50
Home Depot, Inc.	HD		75.89	79.38	72.23	83.20	71.94	0.470	3/13/14	3/27/14	1.880	2.48
Boeing	BA		124.27	123.11	86.77	144.57	85.75	0.730	2/14/14	3/7/14	2.920	2.35
Caterpillar	CAT		102.50	95.39	82.27	103.72 *H*	79.49	0.600	4/21/14	5/20/14	2.400	2.34
Travelers	TRV		85.89	82.66	84.71	91.68	77.38	0.500	3/10/14	3/31/14	2.000	2.33
United Tech.	UTX		115.84	112.60	93.52	120.49 *H*	90.30	0.590	2/14/14	3/10/14	2.360	2.04
IBM	IBM		197.02	182.21	209.26	212.00	172.19	0.950	2/10/14	3/10/14	3.800	1.93
Goldman Sachs	GS		154.92	165.35	146.46	181.13	137.29	0.550	2/28/14	3/28/14	2.200	1.42
Unitedhealth Group	UNH		79.51	75.70	61.59	83.32 *H*	58.03	0.280	3/14/14	3/25/14	1.120	1.41
Nike	NKE		72.28	78.32	59.67	80.26	59.11	0.240	3/03/14	4/7/14	0.960	1.33
Walt Disney	DIS		77.66	80.07	58.88	83.65	59.08	0.860	12/16/13	1/16/14	0.860	1.11
American Express	AXP		86.04	90.17	64.10	94.35	63.43	0.230	4/04/14	5/9/14	0.920	1.07
Visa Inc.	V		204.05	220.77	161.29	235.50	161.27	0.400	2/14/14	3/4/14	1.600	0.78

* See the Recommended HYD Portfolio table on page 30 for current recommendations. † Based on indicated dividends and market price as of 4/15/14.
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 4/16/13.
I Dividend increased since 3/15/14 *D* Dividend decreased since 3/15/14

RECOMMENDED INVESTMENT VEHICLES

	Security Symbol	Avg. Market Cap. / Avg. Maturity	Descriptive Quarterly Statistics, as of 3/31/14: No. of Holdings	Expense[3] (%)	Ratios: Sharpe	Turnover (%)	P/B	12 Mo. Yield (%)	Annualized Returns[4] (%), as of 3/31/14: 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	2.8 Yrs.	1893	0.20	1.39	49.6	--	1.05	0.26	1.75	2.59	-0.26	1.15	1.88
iShares Barclays 1-3 Yr. Credit Bond	CSJ[1]	1.99 Yrs.	907	0.20	1.66	8	--	1.10	1.10	1.83	3.80	0.62	1.27	3.02
iShares Barclays 1-3 Yr. Treasury Bond	SHY[1]	1.88 Yrs.	56	0.15	1.18	104	--	0.26	0.24	0.69	0.96	0.13	0.52	0.65
Vanguard Limited-Term Tax-Exempt	VMLTX	2.8 Yrs.	2372	0.20	1.47	14	--	1.65	0.66	2.05	2.45	0.66	2.05	2.45
SPDR N.B. Short-Term Municipal Bond	SHM[1]	3.11 Yrs.	528	0.20	1.24	20	--	0.94	0.65	1.78	2.03	0.24	1.60	1.91
Inflation-Protected Fixed Income														
iShares Barclays TIPS Bond	TIP[1]	8.40 Yrs.	38	0.20	0.62	47	--	1.13	-6.48	3.37	4.75	-6.92	2.48	3.74
Vanguard Inflation-Protected Securities	VIPSX	8.4 Yrs.	38	0.20	0.60	44	--	1.65	-6.79	3.32	4.65	-7.45	2.25	3.66
International Fixed Income														
Vanguard Total International Bond Index	BNDX[1]/VTIBX	8.3 Yrs.	2486	0.23	--	81.2	--	--	--	--	--	--	--	--
Real Estate														
Vanguard REIT Index	VNQ[1] / VGSIX	8.47 B	104	0.24	0.67	9	2.2	3.96	4.08	10.40	28.53	2.80	9.33	27.18
SPDR Dow Jones REIT	RWR[1]	10.20 B	87	0.25	0.64	7	2.3	3.12	4.04	9.98	28.56	2.54	8.64	26.97
Vanguard Global ex-US Real Estate	VNQI[1] / VGXRX[5]	5.40 B	529	0.40	0.36	8.3	1.1	3.39	-2.08	6.63	--	-3.70	5.13	--
iShares International Property ETF	WPS[1]	6.37 B	334	0.48	0.47	9	1.4	4.31	0.26	7.16	19.73	-1.24	5.75	18.17
SPDR Dow Jones Global Real Estate ETF	RWO[1]	8.64 B	216	0.50	0.59	8	1.6	3.59	2.34	8.49	23.90	0.73	7.04	21.99
U.S. Large Cap Value														
Vanguard Value Index	VTV[1] / VIVAX	70.52 B	316	0.24	1.10	24.8	2.0	2.43	21.71	14.01	20.99	21.07	13.50	20.48
iShares Russell 1000 Value Index	IWD[1]	51.51 B	670	0.21	1.10	16	2.2	1.99	21.28	14.56	21.51	20.55	14.05	21.02
U.S. Small Cap Value														
iShares Russell Microcap Index	IWC[1]	0.43 B	1358	0.72	0.88	29	4.2	1.03	33.03	14.87	25.34	32.60	14.50	25.02
Vanguard Small-Cap Value Index	VBR[1] / VISVX	2.73 B	811	0.27	0.91	47.2	1.9	1.84	24.49	14.46	26.08	23.85	13.91	25.53
U.S. Large Cap Growth														
iShares Russell 1000 Growth Index	IWF[1]	49.52 B	634	0.20	1.12	17	6.3	1.35	22.96	14.41	21.43	22.46	14.07	21.11
Vanguard Growth Index	VUG[1] / VIGRX	48.90 B	370	0.24	1.10	32.3	4.5	1.36	21.91	14.69	21.39	21.57	14.43	21.14
U.S. Marketwide														
Vanguard Total Stock Market Index	VTI[1] / VTSMX	37.21 B	3698	0.17	1.11	4.3	2.6	1.86	22.54	14.50	21.93	22.00	14.10	21.54
Fidelity Spartan Total Market Index	FSTMX[2]	36.79 B	3305	0.10	1.10	2	2.3	1.45	22.43	14.53	21.92	21.98	14.18	21.55
Foreign- Developed Markets														
iShares MSCI EAFE Growth Index	EFG[1]	34.94 B	550	0.40	0.49	26	3.7	1.87	14.68	6.95	15.55	14.27	6.69	15.31
iShares MSCI EAFE Value Index	EFV[1]	41.62 B	496	0.40	0.47	27	1.8	3.17	19.82	6.98	15.92	19.05	6.51	15.49
Vanguard FTSE Developed Market	VEA[1] / VTMGX[6]	32.86 B	1370	0.09	0.43	13	1.6	2.94	17.44	7.25	15.99	16.57	6.72	15.55
SPDR S&P International Small Cap	GWX[1]	1.16 B	2027	0.59	0.42	21	1.2	3.03	14.97	5.62	19.23	13.86	4.98	18.60
Foreign- Emerging Markets														
Vanguard FTSE Emerging Market Stock	VWO[1] / VEIEX	17.66 B	961	0.33	-0.19	26	1.7	2.58	-2.80	-3.51	13.90	-3.59	-4.00	13.43
Gold-Related Funds														
iShares Gold Trust	IAU[1]	--	1	0.25	-0.06	0.00	--	0.00	-19.43	-3.79	6.65	-19.43	-3.79	6.65
SPDR Gold Shares	GLD[1]	--	1	0.40	-0.08	0.00	--	0.00	-19.51	-3.92	6.68	-19.51	-3.92	6.68

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. [5]VGXRX includes a 0.25% fee on purchases and redemptions, which are paid directly into the fund. [6]These are admiral shares and have a $10,000 required minimum initial investment. *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.

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