



* See page 21 for representative indexes.

Emergency Savings¹

Nearly all investors should hold some level of cash and similar short-term investments (sometimes called cash equivalents) such as CDs, money market funds, and short-term treasuries. This should include an emergency level of cash equivalents over-and-above the dedicated allocation assigned within a long term investment plan.

The logic is simple: If an emergency pops up that requires funding, you don't want to have to disrupt an investment strategy intended to fund a comfortable retirement or other long-term goals.

A variety of factors should be weighed in deciding how much to save for a rainy day. Some of the most important questions to consider are:

- How secure is your job? For people with less job security, a higher emergency savings fund may be warranted.
- Does your household have one or two incomes? One-earner households should consider keeping a larger emergency stash.
- How is your health? People with potential health concerns may consider setting more aside.
- Do your health, auto, home owner/rental insurance policies entail a high level of self-insurance (i.e., high deductibles)?
- Who relies on your income? Children and parents that may need help could justify keeping more in a safety fund.

Clearly, individual circumstances will determine the "right" amount of emergency cash to hold. One approach is to maintain a nest egg adequate to cover six months of household expenditures. Another is to calculate a level of total liquid assets based on your total current debts. For example, suppose your mortgage, car, and student loans require outlays of \$25,000 over the next year. A rule of thumb is to maintain somewhere between one and two times as much (\$25,000 to \$50,000) in liquid assets.

In articles that follow we explain pending regulatory changes pertaining to money market mutual funds, which are a primary vehicle for holding cash equivalent assets for many household investors.

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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¹ This article is adapted from *How Much Should You Hold in Emergency Savings?*, by Luke Delorme, which appeared in the AIER blog "Daily Economy" December 23, 2015.

BEHAVIORAL ECONOMICS AND THE RATIONAL MAN

Our recommendations are based on the notion that investors should behave as if markets are priced efficiently. The efficient markets hypothesis (“EMH”) posits that market prices rapidly reflect public information as it becomes available. This means that market prices are the best estimate of actual value.

This hypothesis rests on an assumption that investors and suppliers of capital act rationally in their own self-interest. This of course is a simplification, which is why the efficient market hypothesis is referred to as a model, and not reality. In our view, security prices are in fact determined by human beings who are fundamentally rational but strongly influenced by emotions. The question, however, is not whether EMH or its underlying assumptions are “true” -- rather the issue is whether EMH is useful in forming an effective investment strategy. We believe strongly that the answer is yes.

It is obvious that humankind’s “animal spirits” can prompt highly volatile market cycles. However, the timing and magnitude of market trends, along with the peaks and troughs in prices, are only obvious in retrospect. We advise investors to avoid the temptation to time these cycles. Instead of trying to anticipate the ebb and flow of human emotions, investors should form an allocation plan they are comfortable with and stick with it, by periodically rebalancing their portfolios to match those target allocations. In short, investors should act as if markets are efficient by accepting the wisdom of thousands of market participants as the best arbiter of value.

The purpose of this article is to assist in that effort by describing the emotional tendencies that so often lead investors astray. Though we do not cover all of the behavioral obstacles, or biases, that can impede success, we discuss those that arise frequently. Many of these biases have overlapping themes and lessons.

Social Conformity

Several experiments demonstrate how humans can be influenced by their peers. Moreover, social norms can cause a distortion of reality. In one experiment, respondents proved more likely to choose an obviously wrong answer when

their peers in the group knowingly chose the wrong answer. It’s human nature to prefer to be wrong along with the masses than to go out on a limb on your own.

This is evident in finance when investors follow the crowd. In the late 1990’s investors flooded into dot-com stocks as they soared to new highs. Many investors lost their shirts when they followed suit instead of maintaining a broadly allocated portfolio. Data shows that the more investors pile into stocks the lower on average are their expected returns.

So when “everybody is doing it”, remember to maintain your individuality. We hope this newsletter will help you maintain self-discipline by reminding you that there is a viable, well supported alternative to running with the crowd.

Pattern Seeking

Humans tend to see patterns even when they don’t exist. Some have suggested this inclination may have evolved to predict patterns in nature, such as the need to anticipate food sources. Unfortunately this skill is of little use in “hunting” for undervalued securities.

We can be tempted into acting on those perceived patterns in capital markets instead of accepting current prices as the best estimate of future value. Many money managers seize on this tendency by pointing to compelling charts of prices and trading volumes with apparent trends that they claim portend future price changes. This variation of timing is often referred to as “technical analysis.” Research has failed to support technical analysis as a better alternative to EMH as a means of explaining how securities are priced.

Pattern seeking (along with social conformity) can also prompt “return chasing”. As the name implies, this is the well-known propensity of investors to chase returns – by buying after prices have risen and selling after prices have fallen. (One observer characterized this as “skating to where the puck was”). Avoiding it is necessary for long-term investment success.

Paying for the Past

Return chasing is often encouraged by many in the financial media who

lend credence to an investment manager’s three-year or five-year track record. Naturally, certain managers will outperform over short-run periods just by chance. But attention-hungry pundits seem all too dismissive of the boring mathematical reality of chance outcomes.

There have been several research studies (some ongoing for many years) that suggest that the number of managers that outperform their benchmarks is no higher than what would be predicted by chance alone. In other words, every year we would expect about 50 percent of managers to do better than the median performer. After two years, we would expect 25 percent of managers to be better than the median for two straight years. After three years, we would expect 12.5 percent of managers to have outperformed over three straight years, and so on. As we have documented, these projections of outperformance by chance prove highly accurate in predicting actual outcomes in subsequent periods.

This bias is not confined to investing, but wherever it is evident, it invariably results in bad decisions. Many can attest to getting the flu shot, but still contracting the flu. Does that mean that I shouldn’t get the flu shot this year because it doesn’t work? Of course not – it is statistically invalid to extrapolate the probability of getting the flu based on an outcome from a single year, but lots of people do. How about the people with a grandparent that smoked a pack of cigarettes a day and lived until age 90? The single sample of Grandpa Bob tells us nothing about the dangers of smoking.

Hyperbolic Discounting

Hyperbolic discounting means that people have an overwhelming preference for money today versus of money tomorrow. It can best be explained by way of example. In a famous experiment, respondents were asked whether they would prefer \$10 today or \$11 tomorrow. The majority chose \$10 today. They were then asked whether they would prefer \$10 one year from now, or \$11 one year and one day from now. The respondents chose \$11.

On its face, this is the same decision: Are you willing to wait one day in order to increase the amount

you receive by \$1? When asked about today and tomorrow, respondents overwhelmingly preferred the money today. When asked about one year from now, respondents thought “What’s an extra day when I’m already waiting an entire year?” This is hyperbolic discounting. We discount the present at a higher rate than the future.

This tendency can be extremely costly when it causes us to delay financial decisions. We think, “What’s another day to wait to start investing?” Before you know it, three years might have passed, along with the opportunity to reap the benefits of sound investing.

Loss Aversion

Loss aversion is another well-studied human phenomenon. It essentially means that people react more strongly to losses than they do to gains of the same magnitude. When faced with a 50/50 proposition of either a \$100 gain or a \$50 loss, people prefer not to engage in the bet. Even when they get an opportunity to make the bet repeatedly, which has a higher expected payoff versus not betting, they turn it down. The fear of the \$50 loss overwhelms the joy of a \$100 gain.

The anxiety over losses contributes to the sunk cost fallacy that traps many investors. We have often heard investors lament that the price of a particular security had fallen to a level below what they originally paid for it, and that they will not sell it until it “comes back” to that earlier level.

This is irrational. The cost of any asset is a sunk cost; once purchased it is irretrievable and therefore should not affect our future decisions, even if it might mean selling at a loss. The owner holds an asset with some current value and faces two choices. He can continue to hold it, or he can sell it and invest the proceeds in an alternative asset. Each option has a future value that is unknown, but the better outcome will not depend at all on what the investor originally paid.

Variable Risk Tolerance

When we construct our investment portfolios, we do so at a point in time. If you ask me how I will react to a large market fluctuation, I can only guess

based on how I feel today. I have a level of risk with which I am comfortable, and therefore I invest in a portfolio that reflects that tolerance. If I’m risk averse — maybe because I’m approaching retirement or just afraid of losing money — I tilt toward safer assets such as cash and treasuries. If I’m risk-seeking — either because I need higher returns or because I have a long time horizon — I tilt toward risky assets such as stocks.

The problem is that risk tolerance is not constant. It tends to spike during periods of uncertainty, such as financial turbulence. This means that we might “think” that we’re able to tolerate the volatility associated with a certain allocation to stocks, but we don’t really know the truth until volatility actually strikes. Investors should understand this natural tendency; for many it is prudent to adopt a portfolio less risky than one they “think” bears reasonable risk.

Familiarity Bias

People tend to buy what they already know, ascribing less risk to the known than to the unknown. It’s often cited as a reason that people tend to have a home bias (buying domestic instead of international stocks). It’s also the reason that people will choose a fund in their 401(k) when it bears a name such as Goldman Sachs or Fidelity. The problem is, a Goldman Sachs S&P 500 fund is just as risky as a Vanguard S&P 500 fund, yet the Goldman Sachs one almost certainly costs more. Similarly, U.S. stocks may have performed well recently, but that doesn’t necessarily mean they don’t entail the same risk as foreign developed markets (this latter example is also referred to as “recency bias.”)

A classic example of familiarity bias is found in 401(k) plans in which employees have the opportunity to invest in their employer’s

stock. A worker might reason that, as a knowledgeable and enthusiastic employee, she knows a great deal about the company’s prospects and should load up on its stock. This is extremely risky because it subjects the investor to company-specific risk, which provides no expected compensation in the form of higher returns. Moreover, the employee is already assuming a great deal of risk tied to the firm’s fate because her *income* relies on the firm’s prospects. From a risk-return perspective, employees who have this option are often well advised to instead purchase well-diversified equity mutual funds.

Behavioral Economics

Behavioral economists have identified several specific tendencies that run contrary to the assumption of rationally self-interested, emotionally-detached buyers and sellers. Their work is extremely valuable because investors who recognize these tendencies in their own behavior can avoid the costly mistakes they can generate. But behavioral economics has not yet developed an overall model of human behavior that supplants EMH (and the “rational man” assumption on which it relies) as the best explanation of how securities are priced.



“Hey, investor fears need calming over here, too.”

1. See September 2014 Investment Guide, p. 69, Five-Year Transition Matrix—Performance Over Two Non-Overlapping Five-Year Periods (Based on Quartiles).

MONEY MARKET CHANGES AFOOT

In July 2014, the Securities and Exchange Commission introduced important changes¹ that will affect money market mutual funds. These changes take effect on October 14, 2016. It behooves anyone with a stake in these funds to be aware of these developments.

Investors are unlikely to notice substantial changes in the way their funds operate on a day-to-day basis, but significant costs could be imposed during financial crises.

The changes for retail (non-institutional) investors center on the introduction of new discretionary liquidity fees and redemption “gates” that will apply to municipal/tax exempt and prime/general purpose money market funds; government and U.S. Treasury funds are exempt (see accompanying boxes for more detail).

Rationale

These changes are intended to better ensure that funds maintain adequate liquidity during times of financial distress. Currently, a fund’s board of directors has authority to suspend redemptions during a “run”, but liquidation can cause a fund’s net asset value (per share portfolio price) to fall below \$1.00 and ultimately impose costs not only on those seeking to redeem their shares but also on those who elect to ride out the turmoil and remain invested.

Liquidity fees provide an alternative to the blunt tool of suspending redemptions. These fees allow investors access to their funds during financial turmoil, but at a cost. The ability to impose fees

only on redeeming shareholders allows the board to pass along the burden of liquidity costs to those who put the fund at risk, as opposed to all shareholders. Liquidity fees are paid into the fund, providing further incentive for investors to remain invested.

Nuts and Bolts

The rules empower a fund’s board of directors to impose fees and/or gates according to the following rules:

1. A fund’s board has the *discretion* to impose fees as high as 2% on redemptions, and/or redemption gates for up to 10 days in a 90-day period, in the event a fund’s weekly liquidity² falls below 30%.
2. A fund is *required* to introduce a fee of 1% in the event weekly liquidity falls below 10%. However, a majority of independent directors may vote to waive, reduce, or increase the fee (up to 2%), if they decide that doing so is in the shareholders’ best interests.
3. All fees are payable to the fund. Any fee or gate will cease to apply once liquidity is restored to a level above 30% or if the board determines that a liquidity fee or gate is no longer in the best interest of the fund.
4. The board may opt to use either technique only (gates or fees) if only one is considered necessary to serve the best interests of the fund.

The SEC emphasized that the board has discretion to apply these rules in order to ensure the best interests of shareholders’ are served. The rules are clearly intended to provide the board with flexibility to impose fees or gates they deem appropriate for the circumstances.

While flexibility is a plus, it is also means that these restrictions will not apply automatically. Failure to meet the 30% and 10% thresholds only authorizes the board to apply the fees or gates described; they are not required to do so. Investors should therefore monitor fund liquidity but also read carefully all communications from the sponsor, especially during times of distress.

The rules, however, ease the investor’s burden by improving transparency. The 30% and 10% weekly liquidity thresholds provide investors with the ability to monitor a fund’s liquidity and assess its stability on an ongoing basis. Each day funds are required to report their daily and weekly liquid assets as a percentage of the fund’s total assets, as well as net cash flows from the previous day. The fund must also publish promptly whether a redemption gate has been imposed or removed.

We will continue to monitor developments as the October 16 deadline approaches. However, we do not anticipate substantial changes in the way most households’ money market funds operate.

1. These rules were adopted through amendments to Rule 2a-7 under the Investment Company Act of 1940.

2. Rules are based on funds maintaining 10% of their portfolios in overnight securities and 30% in securities maturing in five business days.

Redemption Gates

A gate limits redemptions in a fund for a temporary period of time, and is imposed at the direction of the fund’s board of directors. Under the new rules gates may be imposed for up to 10 business days in a 90 day period.

Liquidity Fees

A liquidity fee is a payment assessed against investors who require access to their cash during times of market stress. Liquidity fees are imposed at the discretion of the fund’s board of directors. All fees are payable to the fund.

Government Funds Exempt

Government money market mutual fund are exempt from the reforms described. The SEC defines government funds as those funds that invest 99.5% of their total assets in cash, government securities, or repurchase agreements collateralized by government securities.

MONEY MARKETS: AN IMPORTANT DISTINCTION

Money market mutual funds are often referred to as “money funds” or “money market funds.” These funds however differ fundamentally from money market deposit accounts offered by banks.

Money market deposit accounts are liabilities on a bank’s balance sheet. The bank can earn a return on these accounts by investing these funds. The bank pays the depositor an agreed upon rate of interest, and typically lends the funds to borrowers. While this entails risk,

depositors’ accounts are FDIC insured. Banks may offer yields competitive with those offered by money market mutual funds, but may also impose restrictions such as minimum balance requirements and certain transaction limits.

A money market mutual fund (money market fund) on the other hand is a security, typically held through a broker or mutual fund company. Depending on the type of fund, underlying assets in these accounts can include U.S. Treasury securities other

government obligations, repurchase agreements, tax exempt securities of states and municipalities, commercial paper, certificates of deposit, corporate debt, and other debt instruments. These funds can be established as sweep accounts within a brokerage account, and offer convenience through features such as checking and automatic transfers. Money market mutual funds however are not FDIC insured.

WILL FUNDS BE FORCED TO “FLOAT”?

Money market mutual funds have long traded at a net asset value of \$1.00 per share, regardless of the current market value of the assets held in the fund. This “stable NAV” is maintained through amortized cost accounting. This has historically provided money market investors with two attractive features: a relatively high rate of interest combined with the stability of a checking account.

Stable NAV poses no problems when cash flows into and out of these funds remain within reasonable parameters. However, during mass redemptions, a fund could be forced to “break the buck”, resulting in a share

price below \$1.00. During the peak of the financial crisis in 2008, The Reserve Primary Fund, which held substantial amounts of Lehman Brothers commercial paper, announced that it would not be able to redeem all of its shares at \$1.00 per share. This prompted regulators to begin the reform process that is now being implemented.

These money market reforms require *institutional* municipal/tax exempt and *institutional* prime and general purpose funds to adopt a floating, rather than a stable, NAV. For those funds, daily share prices will be calculated using the market-based value of portfolio holdings,

rounded to the fourth decimal.

Retail money market mutual funds, however, will maintain a stable \$1.00 share price. Retail funds are defined as funds that have policies and procedures reasonably designed to limit beneficial owners to natural persons. Businesses, defined benefit plans, endowments and other accounts that are not beneficially owned by natural persons will have access to institutional accounts only. Bottom line: individual investors will continue to have access to funds priced at \$1.00 per share.

REMINDER: SOCIAL SECURITY “FILE AND SUSPEND” DEADLINE LOOMS

Certain investors still have an opportunity to take advantage of the “file and suspend” strategy that allows filers to earn deferred benefits while family members draw immediate benefits based on the filer’s past earnings.

Congress recently ended this provision, however, so those who qualify and hope to take advantage of it must act by the end of April.

Once a worker reaches full retirement age, he or she can file for benefits but suspend actual payment of those benefits in order to earn credits that increase the eventual benefit by as much as 32% (plus cost of living adjustments). A key feature of this “file and suspend” strategy was that it still permitted other family members (a spouse at full retirement age, or

dependent children) to receive an immediate benefit based on the filer’s earnings, even while the filer’s deferred benefit continued to grow.

This feature will no longer be available to workers who turn age 66 after April 29, 2016. In those cases family members will no longer be able to receive a benefit based on the filer’s past earnings unless the filer is actually receiving benefits.

However, people between ages 66 and 70 by April 29th should still consider this traditional file and suspend strategy. If an individual files and suspends by April 29th, a spouse who was at least age 62 by the end of 2015 can collect “restricted spousal benefits” when he or she reaches full retirement age. This allows both spouses to delay their own

earned benefits. This means that couples can maximize their total long-term benefit (by both delaying until age 70), while collecting “free” spousal benefits.

Bottom line: If you have not reached your full retirement age by April 29, this strategy will no longer be available. However, for married couples between 62 and 66, there may still be a way to get some free spousal benefits. Check out AIER’s blog for some examples: <https://www.aier.org/blog/social-security-file-and-suspend-ends-what-now>.

For more information call Luke Delorme, Director of Financial Planning Services at 413-645-3327.

Asset classes and representative index chart on page 17: large cap value, Russell 1000 Value Index; small cap value, Russell 2000 Value Index; large cap growth, Russell 1000 Growth Index; Global REITs, S&P Global REIT Index; foreign developed markets, MSCI EAFE Index; emerging markets, MSCI Emerging Markets Index

THE HIGH-YIELD DOW INVESTMENT STRATEGY

Recommended HYD Portfolio

As of March 15, 2016

	Rank	Yield (%)	Price (\$)	Status	—Percent of Portfolio—	
					Value (%)	No. Shares (%) ¹
Chevron	1	4.54	94.27	Buying	22.74	15.01
Verizon	2	4.29	52.67	Holding**	25.56	30.18
Caterpillar	3	4.25	72.44	Buying	13.49	11.58
Pfizer	4	4.06	29.54	Buying	1.52	3.20
IBM	6	3.64	142.96	Holding	5.97	2.60
Exxon Mobil	7	3.53	82.82	Holding	5.38	4.04
General Electric	13	3.04	30.28	Holding	7.40	15.21
McDonald's	16	2.88	123.43	Selling	9.69	4.89
AT&T	N/A	5.01	38.52	Selling	8.23	13.29
Cash (6-mo. T-Bill)	N/A	N/A	N/A		0.02	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.

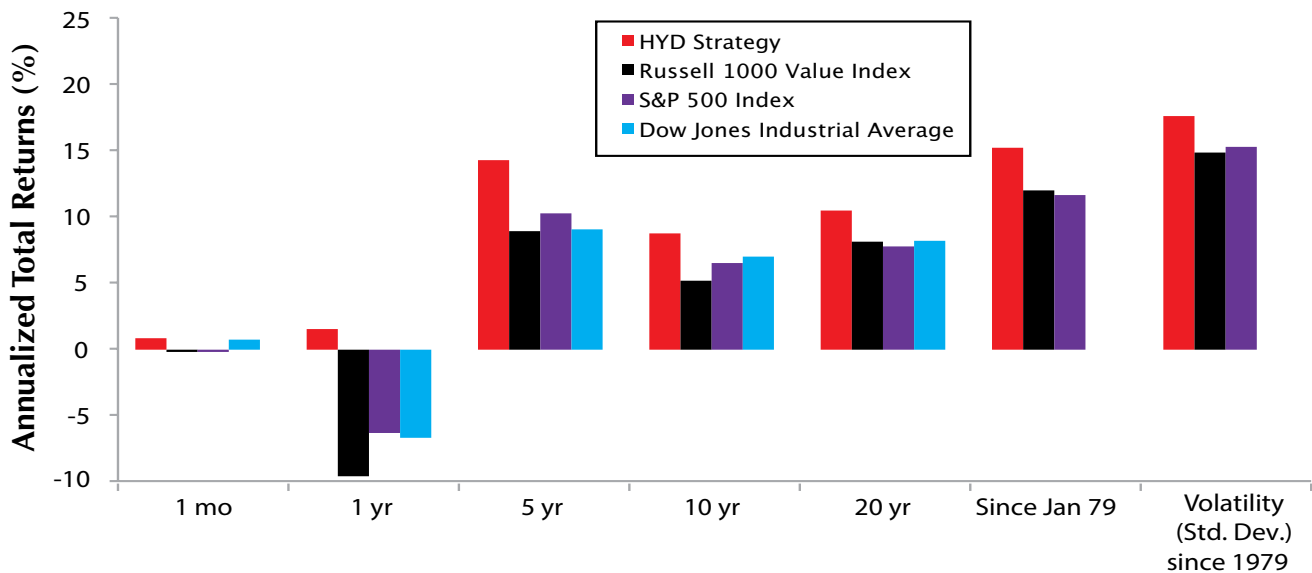
Performance was achieved by means of retroactive application of a model designed with the benefit of hindsight.

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 February 29, 2016*. 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).

	<u>1 mo.</u>	<u>1 yr.</u>	<u>5 yrs.</u>	<u>10 yrs.</u>	<u>20 yrs.</u>	<u>Since Jan 79</u>	<u>Volatility (Std. Dev.) since 1979</u>
HYD Strategy	0.85	1.53	14.09	8.64	10.34	15.01	17.36
Russell 1000 Value Index	-0.03	-9.41	8.81	5.13	8.03	11.84	14.65
S&P 500 Index	-0.13	-6.19	10.13	6.44	7.67	11.49	15.07
Dow Jones Industrial Average	0.75	-6.55	8.94	6.92	8.09	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. **Performance was achieved by means of retroactive application of a model designed with the benefit of hindsight.** 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 0.73% 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 (\$)

	3/15/16	Mo. Earlier	Yr. Earlier
Gold, London p.m. fixing (oz)	1,232.00	1,239.75	1,152.00
Silver, London Spot Price (oz)	15.32	15.64	15.50
Copper, COMEX Spot Price (100 lb)	223.35	203.15	266.35
Crude Oil, W. Texas Int. Spot (bbl)	36.34	29.44	44.84
Bloomberg Commodity Spot Index	281.02	268.05	317.33
Bloomberg Commodity Index	78.82	75.44	97.58
Reuters-Jefferies CRB Index	171.07	160.36	210.70

Interest Rates (%)

U.S. Treasury bills - 91 day	0.33	0.28	0.02
182 day	0.52	0.38	0.11
52 week	0.70	0.49	0.24
U.S. Treasury bonds - 10 year	1.97	1.75	2.11
Corporates:			
High Quality - 10+ year	3.79	3.98	3.70
Medium Quality - 10+ year	5.16	5.34	4.60
Federal Reserve Discount Rate	1.00	1.00	0.75
New York Prime Rate	3.50	3.50	3.25
Euro Rates			
3 month	-0.24	-0.19	0.03
Government bonds - 10 year	0.21	0.27	0.21
Swiss Rates - 3 month	-0.73	-0.77	-0.78
Government bonds - 10 year	-0.38	-0.35	-0.07

Exchange Rates (\$)

British Pound	1.416450	1.445700	1.475200
Canadian Dollar	0.748447	0.719347	0.781067
Euro	1.111200	1.124400	1.052150
Japanese Yen	0.008860	0.008869	0.008252
South African Rand	0.062737	0.063041	0.080164
Swiss Franc	1.014919	1.023699	0.994827

Securities Markets

	3/15/16	Mo. Earlier	Yr. Earlier
S & P 500 Stock Composite	2,015.93	1,864.78	2,053.40
Dow Jones Industrial Average	17,251.53	15,973.84	17,749.31
Barclays US Credit Index	2,606.51	2,562.83	2,597.69
Nasdaq Composite	4,728.67	4,337.51	4,871.76
Financial Times Gold Mines Index	1,310.18	1,240.37	1,109.08
FT EMEA (African) Gold Mines	1,620.59	1,552.71	1,159.90
FT Asia Pacific Gold Mines	6,730.01	6,296.27	4,680.38
FT Americas Gold Mines	991.90	937.52	921.93

Coin Prices (\$)

	3/15/16	Mo. Earlier	Yr. Earlier	Prem (%)
American Eagle (1.00)	1,293.50	1,272.90	1,201.03	4.99
Austrian 100-Corona (0.9803)	1,232.88	1,214.16	1,126.72	2.08
British Sovereign (0.2354)	306.66	302.17	282.20	5.74
Canadian Maple Leaf (1.00)	1,276.00	1,256.90	1,183.20	3.57
Mexican 50-Peso (1.2057)	1,506.23	1,483.21	1,388.60	1.40
Mexican Ounce (1.00)	1,276.00	1,256.90	1,172.00	3.57
S. African Krugerrand (1.00)	1,277.00	1,257.90	1,185.47	3.65
U.S. Double Eagle-\$20 (0.9675)				
St. Gaudens (MS-60)	1,290.00	1,245.00	1,260.00	8.23
Liberty (Type I-AU50)	2,150.00	2,150.00	2,225.00	80.38
Liberty (Type II-AU50)	1,375.00	1,375.00	1,450.00	15.36
Liberty (Type III-AU50)	1,265.00	1,215.00	1,230.00	6.13
U.S. Silver Coins (\$1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	12,860.00	12,918.00	12,212.50	17.40
40% Silver Circ. (292 oz.)	4,572.50	4,581.50	4,562.50	2.21
Silver Dollars Circ.	23,000.00	23,000.00	16,875.00	94.07

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at \$1,232.00 per ounce and silver at \$15.32 per ounce. The weight in troy ounces of the precious metal in coins is indicated in parentheses. Note: The Bloomberg Commodity Spot Index and the Bloomberg Commodity Index were previously the Dow Jones Spot Index and the Dow Jones-UBS Commodity Index, respectively, as of 7/1/14. Data that was being retrieved from Dow Jones is now being retrieved from Bloomberg.

THE DOW JONES INDUSTRIALS RANKED BY YIELD*

Ticker Symbol	Market Prices (\$)			12-Month (\$)		Amount (\$)	Latest Dividend		Indicated		
	3/15/16	2/12/16	3/13/15	High	Low		Record Date	Payable Date	Annual Dividend (\$)	Yield† (%)	
Chevron	CVX	94.27	85.43	101.62	112.20	69.58	1.070	2/18/2016	3/10/2016	4.280	4.54
Verizon	VZ	52.67	50.11	48.84	53.81	38.06	0.565	4/8/2016	5/2/2016	2.260	4.29
Caterpillar	CAT	72.44	63.15	79.23	89.62	56.36	0.770	1/20/2016	2/20/2016	3.080	4.25
Pfizer	PFE	29.54	29.36	34.00	36.46	28.25	0.300	2/5/2016	3/2/2016	1.200	4.06
Cisco	CSCO	27.66	25.11	27.94	29.90	22.46	0.260	4/6/2016	4/27/2016	1.040	3.76
IBM	IBM	142.96	121.04	154.28	176.30	116.90	1.300	2/10/2016	3/10/2016	5.200	3.64
Exxon Mobil	XOM	82.82	81.03	83.87	90.09	66.55	0.730	2/11/2016	3/10/2016	2.920	3.53
Merck	MRK	52.42	49.03	56.20	61.70	45.69	0.460	3/15/2016	4/7/2016	1.840	3.51
Boeing	BA	126.36	108.63	151.57	155.99	102.10	1.090	2/12/2016	3/4/2016	4.360	3.45
Intel Corp	INTC	31.65	28.64	30.93	35.59	24.87	0.260	5/7/2016	6/1/2016	1.040	3.29
Procter and Gamble	PG	81.31	80.99	81.83	85.11	65.02	0.663	1/22/2016	2/16/2016	2.652	3.26
Coca-Cola	KO	45.24	43.11	39.91	45.71	36.56	0.350	3/15/2016	4/1/2016	1.400	3.09
General Electric	GE	30.28	28.26	25.04	31.49	19.37	0.230	2/29/2016	4/25/2016	0.920	3.04
J P Morgan	JPM	59.20	57.49	61.00	70.61	50.07	0.440	4/6/2016	4/30/2016	1.760	2.97
Wal-Mart Stores	WMT	68.09	66.18	81.90	83.90	56.30	0.500	5/13/2016	6/6/2016	2.000	2.94
McDonald's	MCD	123.43	117.93	96.35	124.83	87.50	0.890	3/1/2016	3/15/2016	3.560	2.88
Johnson & Johnson	JNJ	107.76	101.82	99.21	108.35	81.79	0.750	2/23/2016	3/8/2016	3.000	2.78
3M Company	MMM	162.41	153.96	162.74	167.70	134.00	1.110	2/12/2016	3/12/2016	4.440	2.73
Microsoft Corp.	MSFT	53.59	50.50	41.38	56.85	39.72	0.360	5/19/2016	6/9/2016	1.440	2.69
United Tech.	UTX	96.29	85.95	118.74	120.60	83.39	0.640	2/19/2016	3/10/2016	2.560	2.66
Dupont	DD	62.83	58.40	80.50	75.72	47.11	0.380	2/12/2016	3/14/2016	1.520	2.42
Travelers	TRV	113.92	107.49	106.72	116.48	95.21	0.610	3/10/2016	3/31/2016	2.440	2.14
Home Depot, Inc.	HD	129.71	116.32	114.82	135.47	92.17	0.690	3/10/2016	3/24/2016	2.760	2.13
Apple	AAPL	104.58	93.99	123.59	134.54	92.00	0.520	2/8/2016	2/11/2016	2.080	1.99
American Express	AXP	59.23	52.66	80.60	83.54	50.27	0.290	1/8/2016	2/10/2016	1.160	1.96
Goldman Sachs	GS	152.03	146.13	189.34	218.77	139.05	0.650	3/2/2016	3/30/2016	2.600	1.71
Unitedhealth Group	UNH	124.85	111.82	115.25	126.21	95.00	0.500	3/11/2016	3/22/2016	2.000	1.60
Walt Disney	DIS	98.24	91.15	106.44	122.08	86.25	0.710	12/14/2015	1/11/2016	1.420	1.45
Nike	NKE	61.40	56.42	47.91	68.20	47.25	0.160	3/7/2016	4/4/2016	0.640	1.04
Visa Inc.	V	71.91	70.42	66.26	81.01	60.00	0.140	2/19/2016	3/1/2016	0.560	0.78

* See the Recommended HYD Portfolio table on page 22 for current recommendations. † Based on indicated dividends and market price as of 3/15/16.

Extra dividends are not included in annual yields. H New 52-week high. L New 52-week low. All data adjusted for splits and spin-offs. 12-month data begins 3/16/15.

I Dividend increased since 2/15/16 D Dividend decreased since 2/15/16

RECOMMENDED INVESTMENT VEHICLES

Descriptive Quarterly Statistics, as of 12/31/15

Annualized Returns⁴ (%), as of 2/29/16

Security Symbol	Avg. Market Cap./Avg. Maturity	No. of Holdings	Expense ³ (%)	Sharpe Ratio	Turnover (%)	P/B	12 Mo. Yield (%)	Annualized Returns ⁴ (%)					
								1 yr.	3 yr.	5 yr.	1 yr.	3 yr.	5 yr.
Short-/Intermediate Fixed Income													
Vanguard Short-Term Bond Index	2.8 Yrs.	2205	0.20	0.54	45	-	1.40	1.37	1.02	1.56	0.79	0.47	0.98
iShares Barclays 1-3 Yr. Credit Bond	1.97 Yrs.	970	0.20	1.13	17	-	1.18	0.63	0.86	1.38	0.10	0.38	0.85
iShares Barclays 1-3 Yr. Treasury Bond	1.89 Yrs.	92	0.15	0.31	122	-	0.54	0.82	0.58	0.70	0.52	0.41	0.52
Vanguard Limited-Term Tax-Exempt SPDR N.B. Short-Term Municipal Bond	3.3 Yrs. 3.06 Yrs.	- 584	0.20 0.20	0.86 0.50	16 20	-	1.50 0.92	1.77 1.70	1.34 1.17	1.93 1.71	1.78 1.30	1.34 1.02	1.93 1.61
Inflation-Protected Fixed Income													
iShares Barclays TIPS Bond	8.33 Yrs.	40	0.20	-0.46	47	-	0.34	-0.93	-1.31	2.73	-1.08	-1.75	2.00
Vanguard Inflation-Protected Securities	8.7 Yrs.	-	0.20	-0.48	39	-	0.77	-0.88	-1.41	2.68	-1.21	-2.08	1.75
International Fixed Income													
Vanguard Total International Bond Index	8.9 Yrs.	3961	0.17	-	13	-	1.62	2.23	-	-	1.55	-	-
Real Estate													
Vanguard REIT Index	10.78 B	154	0.26	0.77	8	2.38	3.97	-4.40	7.64	9.08	-5.51	6.43	7.99
SPDR Dow Jones REIT	16.06 B	98	0.25	0.80	6	2.58	3.22	-3.52	8.14	9.18	-4.87	6.62	7.79
Vanguard Global ex-US Real Estate	1.4 B	658	0.36	0.12	12	1.05	2.89	-11.15	-1.01	3.20	-12.42	-2.34	1.86
iShares International Property ETF	6.41 B	394	0.48	0.25	8	1.06	3.26	-9.71	0.94	3.79	-10.51	-0.26	2.57
SPDR Dow Jones Global Real Estate ETF	11.52 B	231	0.50	0.57	7	1.77	3.01	-6.90	4.69	6.57	-8.02	3.24	5.18
U.S. Large Cap Value													
Vanguard Value Index	84.62 B	321	0.23	1.30	6	2.06	2.64	-6.55	9.48	8.99	-7.11	8.89	8.48
iShares Russell 1000 Value Index	54.17 B	692	0.20	1.16	13	1.77	2.51	-9.50	8.05	8.59	-10.04	7.50	8.11
U.S. Mid Cap													
Vanguard Mid-Cap ETF	10.80 B	371	0.09	1.27	11	2.69	2.96	-11.03	9.52	8.70	-11.40	9.16	8.40
iShares Russell Mid-Cap Index	11.09 B	831	0.20	1.23	10	2.51	1.61	-11.34	8.91	8.74	-11.74	8.49	8.37
U.S. Small Cap Value													
iShares Russell Microcap Index	0.43 B	1452	0.60	0.86	26	2.45	1.53	-16.91	5.80	5.61	-17.30	5.44	5.27
Vanguard Small-Cap Value Index	3.09 B	846	0.23	1.00	12	1.82	3.96	-11.45	7.93	8.00	-11.93	7.38	7.49
U.S. Marketwide													
Vanguard Total Stock Market Index	52.60 B	3780	0.17	1.30	3	2.75	2.01	-8.02	9.88	9.46	-8.44	9.41	9.06
Fidelity Spartan Total Market Index	52.33 B	-	0.10	1.31	2	2.74	2.43	-7.94	9.91	9.49	n/a	n/a	n/a
Foreign-Developed Markets													
iShares MSCI EAFE Growth Index	30.19 B	547	0.40	0.52	27	2.67	1.78	-10.74	1.89	1.89	-11.00	1.56	1.62
iShares MSCI EAFE Value Index	41.99 B	485	0.40	0.22	29	1.14	3.65	-19.89	-1.72	-1.30	-20.38	-2.39	-1.84
Vanguard FTSE Developed Market	32.03 B	1861	0.09	0.40	4	1.57	2.96	-14.57	0.67	0.59	-15.20	-0.05	0.03
SPDR S&P International Small Cap	1.09 B	2310	0.40	0.54	51	1.23	2.70	-6.84	1.94	1.28	-7.63	0.16	0.03
Foreign-Emerging Markets													
Vanguard FTSE Emerging Market Stock	12.67 B	3086	0.33	-0.43	7	1.48	3.35	-24.41	-8.81	-5.61	-25.00	-9.39	-6.05
Gold-Related Funds													
iShares Gold Trust	5.27 B	-	0.25	-0.90	-	-	-	1.53	-8.26	-2.87	1.53	-8.26	-2.87
SPDR Gold Shares	22.20 B	-	0.40	-0.90	-	-	-	1.31	-8.41	-3.02	1.31	-8.41	-3.02

Data provided by the funds and Morningstar. ¹Exchange Traded Fund, traded on NYSE. ²0.5% fee for redemption in 90 days. ³For Vanguard funds, expense ratios shown are for mutual funds, ETFs have lower expenses. ⁴For Vanguard Funds, returns shown are for mutual funds; ETFs' returns may deviate. ⁵VGXRX includes a 0.25% fee on purchases and redemptions, which are paid directly into the fund. ⁶These 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 or individual tax situations.

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