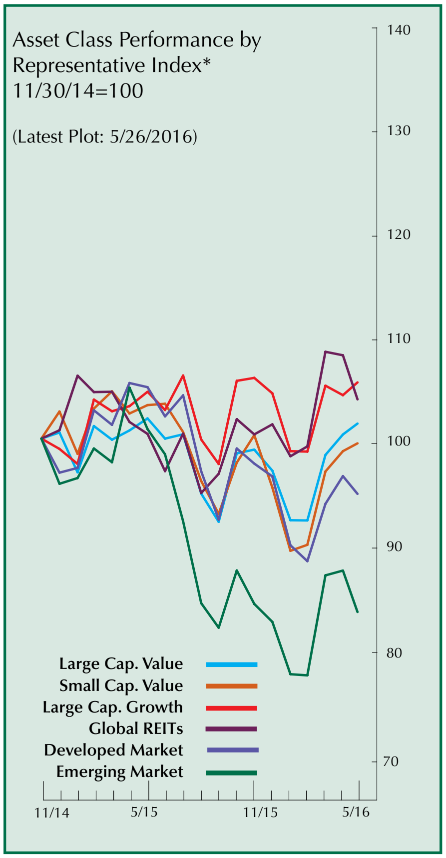
AIS INVESTMENT GUIDE

Published Monthly by
American Investment Services, Inc

Vol. XXXIX, No. 5 Great Barrington, Massachusetts 01230 May 31, 2016



* See page 37 for representative indexes.

About the High Yield Dow Strategy…

Interest in our High Yield Dow (HYD) strategy has spiked recently. While we are not surprised, we are somewhat apprehensive as we suspect this enthusiasm might be driven by HYD's strong hypothetical performance of late (see page 38).

While there are good and bad times to begin investing, these moments are obvious only in retrospect. We make no attempt identify these points, so now is as good a time as any to launch an HYD portfolio. However, "return chasing" often ends in disappointment for investors who lack a long-term perspective.

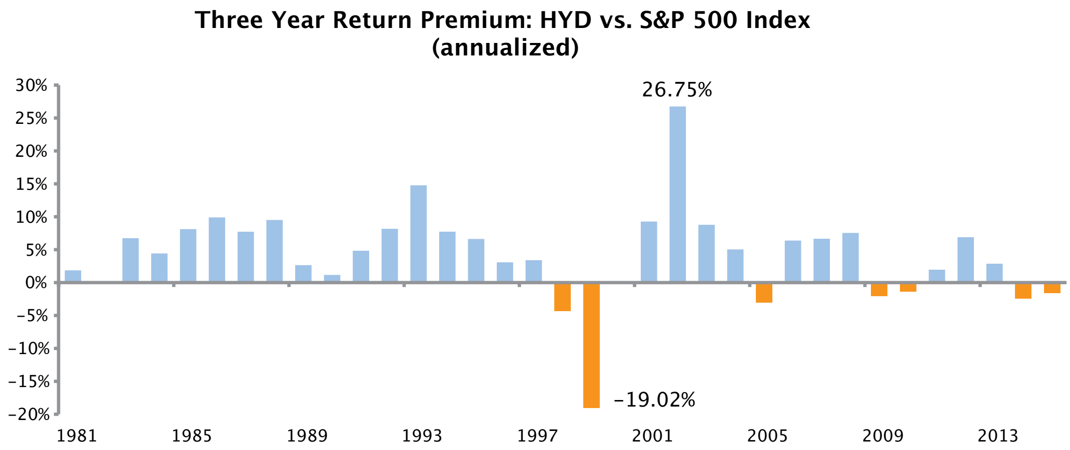
The model's returns have outpaced those of its benchmark indexes handily over the past month, 12-month and 5-year spans, as well as over longer periods. But its monthly returns are also substantially more volatile than those of the benchmarks, and there have been several multi-year periods when the model's returns have fallen below those of the benchmarks.

The chart on the following page depicts the hypothetical rolling three-year return premium of the HYD model over the S&P 500 Index[1] on a calendar-year basis. We chose this index because it is comprised of U.S. large cap stocks and is commonly cited as a proxy for the performance of the U.S. stock market.

Over the entire period shown, between January 1981 and December 2015, the HYD model portfolio provided a total annualized return of 15.5% versus 11.0% for the S&P 500. But the HYD strategy is not for the faint of heart. This stretch included periods of extreme outperformance (Jan 2000 – Dec 2002, +26.8%) as well as underperformance (Jan 1997 - Dec 1999, -19.0%). The chart shows that during that span there were seven three-year periods (orange bars) when the HYD strategy underperformed the S&P 500.

Investors drawn to the model's recent performance should take note: in the future the HYD approach will almost certainly generate multiple-year returns that lag those of the overall U.S. stock market, sometimes by a wide margin.

(continued next page)



Returns depicted are hypothetical. Three-year rolling premium is computed as the three-year annualized compound return on the AIS HYD Strategy minus the three-year annualized compound return on the S&P 500. The S&P data is provided by Standard & Poor's Index Services Group. 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 AIS), or product made reference to directly or indirectly, will be profitable or equal to past performance levels. Indexes are not available for direct investment. Historical performance results for investment indexes and/or categories generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment-management fee, the incurrence of which would have the effect of decreasing historical performance results. The results portrayed in this portfolio reflect the reinvestment of dividends and capital gains.

Investors should also consider the HYD approach in light of alternatives such the broadly diversified index mutual funds we recommend. The long term returns of these funds have lagged the HYD model returns, but have been far less volatile. Costs are an important consideration as well. The HYD model requires monthly trading, which can be burdensome to individual investors and costly for accounts of less than $100,000. Investors will smaller accounts often find the fund option to be more suitable.

The HYD strategy was designed to address an explicit need for investment income, a need many investors may not share. The model was developed for pooled income trust accounts, which have a specific mandate to generate investment income, but not capital gains, to beneficiaries. The strategy helped to satisfy the income needs of these trusts, while also providing strong overall returns. Investors who have similar trust accounts or who have an explicit need for investment income might find HYD attractive.

1. Calculated as the three-year annualized compound return on the AIS HYD Strategy minus the three-year annualized compound return on the S&P 500 Index.

New Fiduciary Rule's Winners & Losers[1]

In our October 2015 issue we discussed the Department of Labor's pending "Fiduciary Rule". On April 6 the Labor Department rolled out its final version of the rule (pending congressional approval). Below we reprint an article that describes succinctly the likely implications for investors. Our take is the same; though the rule provides exceptions, and will not be implemented immediately, it is a significant step in the right direction. By all indications it appears to be a win for household investors.

Today the Department of Labor is rolling out the long-anticipated "Fiduciary Rule" that will bring an ever-larger swath of individuals under the umbrella of "fiduciary." For the most part, I think this is a good thing, but it will have significant impact on the investment landscape.

First, what's actually happening?

At the moment, people who interact with clients about their investments can fall under any number of umbrellas. Some are "registered as investment advisors" (RIAs) with the SEC. That's pretty much the highest standard you can ask for, and anyone who's an RIA is already working as a "fiduciary" on behalf of his or her clients. That means that RIAs are obligated to put their clients' interests ahead of their own … which is frankly what you expect when you pay for a professional service of any kind.

Suitability Standard

But there are lots and lots of folks out there who work with clients but are not themselves RIAs. The traditional "broker," for instance, lives under the umbrella of the Financial Industry Regulatory Authority and is held to a "suitability" standard.

Those Series 7 licensed brokers can (until this rule is phased in) get paid commissions on stock trades, just like you see in 1980s Wall Street movies, as long as that broker can stand in front of some future judge and say, "Yes, your honor, I believe MSFT was a suitable investment for my client," regardless of whether a particular trade or strategy was really advancing the client's long-term goals.

Insurance agents, meanwhile, are generally regulated by state insurance regulators, and can have a host of professional standards to follow, which may or may not go past a simple "suitability" test.

The new DOL rule brings everyone (at least everyone who touches retirement accounts, which is the DOL's purview), theoretically, under one standard. On the surface, this is a great thing. I'm all for clean, easy-to-understand standards that protect investors and simplify the process of getting and giving advice.

Of course, there are wrinkles.

Under the rule, a client can sign a contract that effectively opts him out of the fiduciary relationship with his advice-giver. Doing so allows the advisor to be paid a commission or a revenue share based on the products being sold.

Why would an investor do such a thing?

Well, perhaps because he really trusts and likes his advisor and is fine with that advisor getting paid by someone else. Like any piece of regulation, there are complexities in how this new standard will be implemented, and that will lead to winners and losers.

Who Wins? Who Loses?

The big winner here is likely the end investor. Why? Because she can at least have some assurance that anyone she's hiring to help run her money is actually working in her best interests, with no funny business going on. The counterargument to this is that by effectively shutting down potential revenue streams for certain kinds of advisors, small investors will get left out in the cold.

I'm not sure I buy that argument. The major robo-advisor platforms like Wealthfront and Betterment are already RIAs, and thus obligated to act as fiduciaries for their clients. And the robo-advice model is perfect for smaller accounts, where complexity is generally at a minimum. So robos are probably winner No. 2.

Winner No. 3? Exchange-traded funds. There's a reason why every major robo-advisor platform is leveraging ETFs: They are often the cheapest, most tax-efficient, most flexible way to get exposure to an asset class. As more and more advisors are forced to act—legally, and defensibly in court—in their clients' best interests, they'll naturally gravitate toward ETFs.

Here's A Scenario

Imagine this scenario: a client with a $1 million portfolio goes to an advisor and asks for a basic asset allocation plan. The advisor is sitting at his desk, looking at options for large-cap equity exposure. On one hand, he sees an S&P 500 ETF with a 0.05% expense ratio that's never made a capital gains distribution. On the other, he sees an S&P 500 mutual fund with a 0.10% expense ratio that pays out capital gains year after year. Which one does the advisor want to defend—either to the client or to a judge?

And winner No. 4? Indexing writ large. Based on the latest S&P Index vs. Active Scorecard, 66% of all large-cap managers, 57% of all midcap managers and 72% of all small-cap managers failed to beat their simple benchmarks in 2015—benchmarks that are all available in dirt-cheap ETFs and mutual funds. Over the past five and 10 years, the numbers are worse.

Does that mean active management never works? Of course not. Last year, 33% of large-cap managers did, in fact, beat their benchmarks. Their investors are happy. But any advisor acting as a fiduciary will have to convince both her clients and a judge that she is so good at selecting active managers that she can confidently beat the odds and select the active managers who will beat the benchmark in the *next* year. Because if advisors can't convincingly make that argument, how can they claim they are acting in their clients' best interests?

Oh Brave New World

Whether you love it or hate it, this new rule will head to Congress for a vote in 60 days. If passed, the fiduciary standard starts going into effect, with full phased-in compliance by 2018. That's a good long time for the industry to adjust. In the coming weeks and months, you'll be reading more about how different firms are preparing to comply.

Many folks will complain that the new rules have been watered down (which, indeed, they have been, compared with the initial proposals) and contain too many loopholes under the "exemption" contract discussed above. Others will argue that the rule goes too far and presents an undue compliance burden. Like most regulations, when both sides are grumbling, it's probably a decent compromise.

In any case, it's here, and, honestly, it's going to shake up the industry for years to come. Whole business models based on revenue sharing in retirement plans are going to go by the wayside. Investors will have a much clearer understanding of what they're getting for their advice-dollars, and as always, the industry will adapt.

1. This article originally appeared at http://www.factset.com/insight/2016/04/department-of-labors-new-fiduciary-rule-winners-losers#.Vz8_IfkrJD8, by Dave Nadig. April 06, 2016 (Dave Nadig@FactSet). Mr. Nadig is Director of Exchange Traded Funds at FactSet Research Systems also serves as a Voting Member of the Corporation for our parent organization, the American Institute for Economic Research.

What Is Fiduciary Advice?

Anyone searching for investment advice is undoubtedly confronted with many choices of service providers operating under titles such as certified financial planner, financial consultant, registered investment advisor, stockbroker, and insurance agent.

These titles can be confusing because on the surface it is not clear whether these professionals are legally required to have a client's best interest in mind when making investment recommendations.

Many investors may have read that the Department of Labor (DOL) announced a substantial overhaul in the regulation of financial advice given on retirement savings. Central to this discussion are two terms: fiduciary and suitability. What does it mean for an advisor to operate on a fiduciary standard, and how does this differ from a suitability standard?

The Fiduciary Standard

The DOL has described a "fiduciary" as someone who is required to put their clients' best interest before their own profits. Fiduciaries include registered investment advisors, advisors to mutual funds, and others who hold themselves out to be fiduciaries (like trustees and certain retirement plan consultants).

Fiduciaries are required to act impartially and provide advice that is in their clients' best interest, and in doing so, must act with the care, skill, prudence, and diligence that a prudent person would exercise based on the current circumstances. A fiduciary must avoid misleading statements about fees and must avoid conflicts of interest.

Fiduciaries are typically compensated by payment of a fee rather than a commission. Fiduciaries to retirement plans, plan participants, and IRAs are also prohibited from receiving payments that create conflicts of interest unless they comply with the terms of certain exemptions issued by the DOL.

Probably most importantly, clients can expect that a fiduciary will act with transparency and avoid prohibited conflicts of interest. For example, given two comparable investment choices for a client, a fiduciary should typically

(continued next page)

recommend an option with lower management fees.

Fiduciaries are personally liable for breaches of their fiduciary duties. For example, if there is a loss caused by a breach of fiduciary duty, the fiduciary must make the plan or IRA whole by restoring any losses caused by the breach and restoring to the plan or IRA any profits made through the use of plan or IRA assets. Civil actions to obtain appropriate relief for a breach of fiduciary duty may be brought by a participant, beneficiary, fiduciary, or the US Secretary of Labor and the fiduciary may be subject to excise tax penalties.

The Suitability Standard

Historically, representatives of a broker-dealer are required under the securities laws to judge the suitability of a product for a prospective investor, based primarily on that person's financial goals, income, and age. Unless agreed otherwise, under this standard the rules do not legally require a recommendation of the most cost-effective product, a disclosure regarding conflicts associated with the investment, or disclosure of the compensation received when making that recommendation. Under the new DOL rule, it may mean that common forms of broker compensation, such as commissions and revenue sharing, will be restricted.

A Single Standard of Advice

As many financial advisors are dual registered as both brokers and investment advisors, it can be difficult to determine under which standard investment advice is given. A primary goal of the recent regulatory changes was to create a single standard for retirement financial advice based on a fiduciary model. Many clients already receive fiduciary advice, and for those clients the change in rules will not have much impact. Following the new DOL rule, it may be the case that professional financial advice for retirement assets (whatever the source) is subject to a level fiduciary standard.[1] However, as with any investment advice, clients should conduct their own research, ask questions, and learn more about the reputation and philosophy of an advisor.[2]

1. Note that in certain circumstances, information provided by advisors or brokers may not be treated as fiduciary advice. Some examples of these exceptions from the new DOL rule are providing general investment education, simple "order-taking" (executing an order to buy or sell without providing a recommendation), or certain "robo-advice."
2. For informational purposes only and not for the purpose of providing tax or legal advice. You should contact your tax advisor or attorney to obtain advice with respect to any particular issue or problem.

Investing and Control: Where to Focus

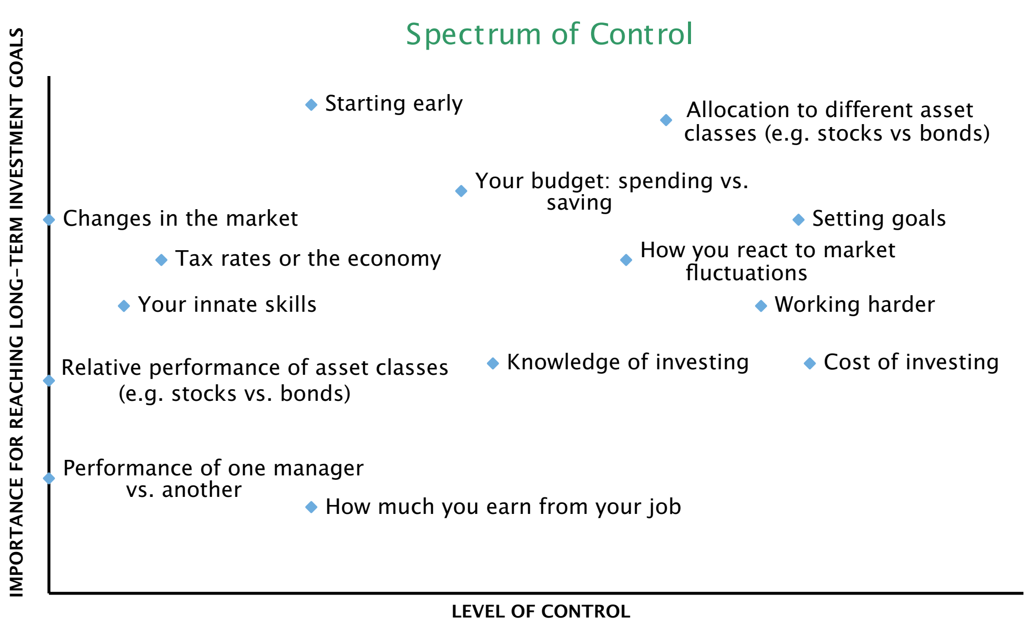
Before developing an investment, you should understand an important overarching philosophy: You can't control financial market fluctuations. You can control how much you save, how much you spend, how you invest your money, and how you adapt to changes in the economy and changes in your life.

You should aim to select a portfolio of investments that will allow you to stay invested in good times and bad. When you stay invested, there will be times when market volatility makes it feel like you've lost control. Maintaining a plan can help rein in this feeling. Controlling emotions is a critical component of successful investing.

You may think that the market will tank because China's economy is slowing, or that gold will skyrocket in value because inflation is due for a spike, or that bond yields have nowhere to go but up, but the market doesn't care what you think. You might be right, and you might be wrong. A prepared investor will be ready to endure periods of poor, and perhaps confusing performance, knowing that their long-term plan is still intact. Many investors have difficulty when long periods of poor market performance take hold. They feel the need to *do something*, even when there's nothing that can be done.

At the end of the day Lady Luck will play a big role in how well your investments perform. Take the divergent examples of investors who started saving regularly in 1980, versus younger investors who started in 2000. The investor that started in 1980 has seen stock market returns of nearly 12 percent per year through the end of 2015. The investor that started at the beginning of 2000 has seen annual returns of only about 5 percent.

Did the worker who started saving in 1980 need do anything particularly clever to get superior returns? Did the worker who started in 2000 do anything particularly stupid? The answer to both is no. Even a very clever



allocation would not have allowed the young investor to accumulate as much as the older investor, whereas even a conservative allocation would have allowed the older investor to thrive. The only difference is when they started and the returns that were generated in the following years.

To repeat, you can't control what the market does. We hope our guidance will help you to develop a process and a plan for how you will react, or not react, over time. In the spectrum of control, we suggest that you focus on what you can control instead of what you can't. There's no use in beating yourself up about missing out on something that happened in the past. The good news is that factors you can control are more important than the ones you can't.

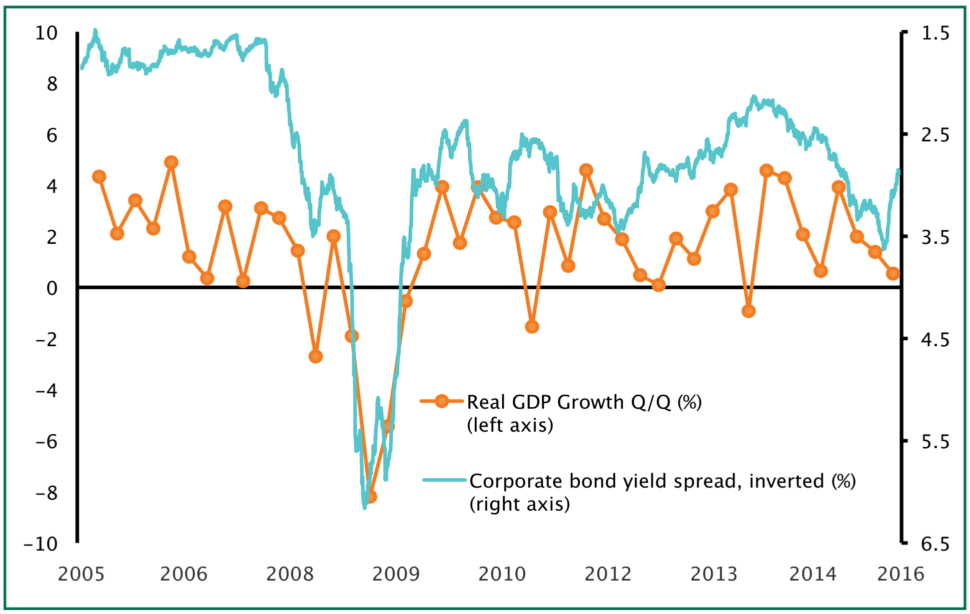
Focus on these factors for long-term investing success:

- Your asset allocation: Research suggests that asset allocation explains over 90 percent of return variance. This is an important driver of long-term investment success, and you have complete control over it.
- Setting goals: By setting appropriate goals and working toward them, you will vastly improve your chance of success.
- Cost of investing: Although there will be some cost of investing in funds, this factor is largely within your control and finding reasonably priced investment options is critically important to your long-term success. For example, if you invested $250 per month over the course of 30 years, an extra 1 percent in fees would reduce your end portfolio value by somewhere around 17 percent!
- Your budget: how much you save is critically important to how much you end up with. After all, you can't invest what you don't save.
- How you react to markets: Although our human nature compels us to run away after markets have fallen, the better response is actually to stay invested at precisely the time when it hurts the most.
- Starting early: Control over this factor of course depends on your age, but the power of compounding shows us that starting early is possibly the most important determinant of investment success. If you can't start early, start now!

Fixed Income and the Economy[1]

In general, bond yields tend to rise as economic growth accelerates. Faster growth increases the risk of a pick-up in inflation, which reduces the value of a fixed-income investment. An accelerating expansion can also lead the Federal Reserve to raise its federal funds target rate, which would also undercut the value of a bond or other fixed-income investment.

Corporate bond yields reflect both economic conditions and expectations of the risk of default for each issuer. Overall economic conditions can contribute to the risk of default for individual companies—slow economic growth or a recession increase the likelihood of default, while stronger growth tends to reduce it.



If corporate bond yields are analyzed relative to Treasury securities—calculating the difference, or spread, between the yields—we can isolate the default risk component implicit in the investment. Corporate spreads over Treasuries tend to widen during periods of economic weakness as default risk rises, and they tend to narrow during times of economic strength as the risk of default declines.

Before the Great Recession, corporate bond yields fluctuated between 1.5 and 2 percentage points higher than the yield on 10-year Treasury notes. During the recession, that spread widened to 6 percentage points. More recently, in 2014 the spread narrowed to about 2.25 percentage points as GDP growth strengthened during the second and third quarters. Since then, economic growth has been erratic, hitting a low of 0.5 percent on an annual basis in the first quarter of this year. It is interesting that the yield spread widened from mid-2014 through early 2016 but has sharply reversed course in the past several weeks. This suggests that bond investors see a lower default risk in the months ahead.

1. This article is reprinted, originally published in AIER's Business Conditions Monthly, May 16 Vol. 3 Issue 5 (Fixed Income)

Asset classes and representative index chart on page 33: 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 May 13, 2016					—-Percent of Portfolio-—	
	Rank	*Yield (%)*	*Price ($)*	*Status*	*Value (%)*	*No. Shares (%)*[1]
Verizon	1	4.44	50.94	Holding**	24.60	29.41
Caterpillar	2	4.40	70.07	Holdling**	15.49	13.46
Chevron	3	4.25	100.74	Buying	24.57	14.85
Cisco	4	3.92	26.53	Buying	2.97	6.82
IBM	5	3.79	147.72	Holding	5.96	2.46
Pfizer	6	3.62	33.19	Holding	1.65	3.03
Exxon Mobil	9	3.38	88.66	Holding	5.57	3.82
General Electric	12	3.10	29.64	Holding	7.00	14.39
McDonald's	18	2.76	128.83	Selling	6.64	3.14
AT&T	N/A	4.90	39.15	Selling	5.53	8.61
Cash (6-mo. T-Bill)	N/A	N/A			0.01	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.

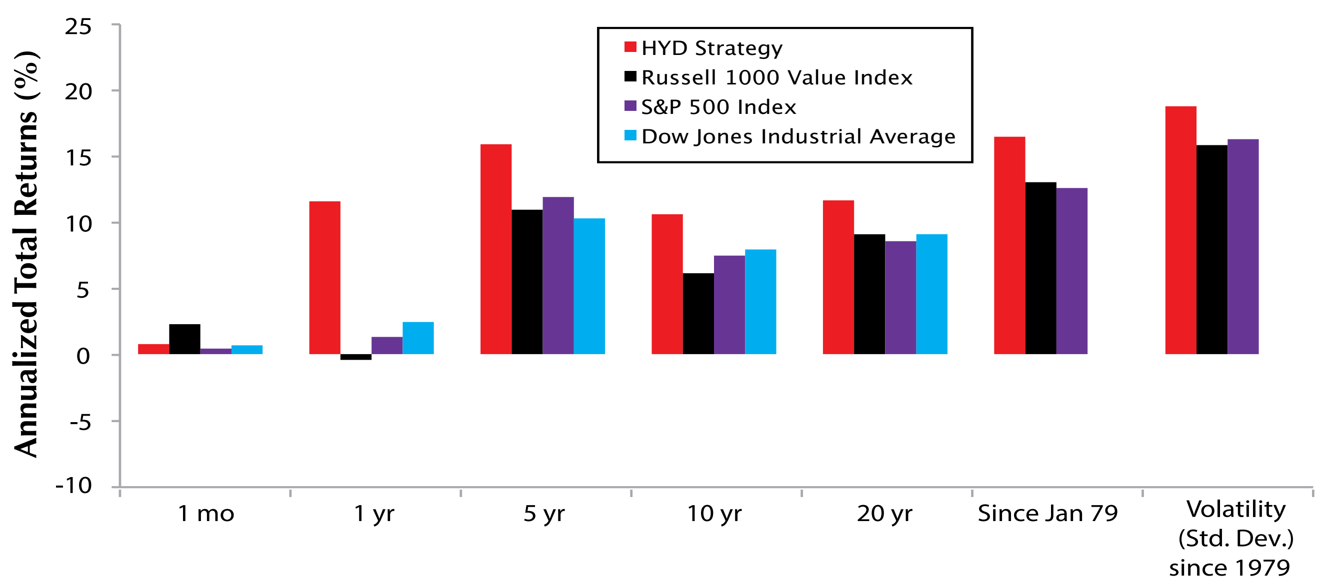
Performance was achieved by means of retroactive application of a model designed with the benefit of hindsight.

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 April 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).

	1 mo.	*1 yr.*	*5 yrs.*	*10 yrs.*	*20 yrs.*	*Since Jan 79*	*Volatility (Std. Dev.) since 1979*
HYD Strategy	0.70	10.71	14.72	9.81	10.78	15.24	17.38
Russell 1000 Value Index	2.10	-0.40	10.13	5.67	8.40	12.05	14.65
S&P 500 Index	0.39	1.21	11.02	6.91	7.92	11.65	15.07
Dow Jones Industrial Average	0.62	2.25	9.52	7.34	8.41	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 ($)

	5/13/16	*Mo. Earlier*	*Yr. Earlier*
Gold, London p.m. fixing (oz)	**1,265.90**	1,227.10	1,220.50
Silver, London Spot Price (oz)	**17.09**	16.17	17.25
Copper, COMEX Spot Price (100 lb)	**207.50**	215.30	292.60
Crude Oil, W. Texas Int. Spot (bbl)	**46.21**	40.36	59.69
Bloomberg Commodity Spot Index	**306.26**	291.07	346.66
Bloomberg Commodity Index	**84.47**	80.39	105.35
Reuters-Jefferies CRB Index	**182.55**	173.64	231.46

Interest Rates (%)

U.S. Treasury bills -	91 day	**0.27**	0.22	0.01
	182 day	**0.36**	0.36	0.08
	52 week	**0.53**	0.51	0.20
U.S. Treasury bonds -	10 year	**1.70**	1.75	2.14
Corporates:				
High Quality -	10+ year	**3.57**	3.59	3.95
Medium Quality -	10+ year	**4.61**	4.75	4.86
Federal Reserve Discount Rate		**1.00**	1.00	0.75
New York Prime Rate		**3.50**	3.50	3.25
Euro Rates	3 month	**-0.26**	-0.25	-0.01
Government bonds -	10 year	**0.17**	0.17	0.62
Swiss Rates -	3 month	**-0.74**	-0.72	-0.79
Government bonds -	10 year	**-0.31**	-0.34	0.00

Exchange Rates ($)

British Pound	**1.436500**	1.420200	1.572700
Canadian Dollar	**0.772900**	0.780100	0.832400
Euro	**1.130900**	1.128400	1.145100
Japanese Yen	**0.009205**	0.009195	0.008382
South African Rand	**0.064919**	0.068708	0.084768
Swiss Franc	**1.025300**	1.033300	1.091700

**Note: As of 4/15/2016, the source for the exchange rates has changed to Bloomberg.

Securities Markets

	5/13/16	*Mo. Earlier*	*Yr. Earlier*
S & P 500 Stock Composite	**2,046.61**	2,080.73	2,122.73
Dow Jones Industrial Average	**17,535.32**	17,897.46	18,272.56
Barclays US Credit Index	**2,695.58**	2,674.33	2,595.66
Nasdaq Composite	**4,717.68**	4,938.22	5,048.29
Financial Times Gold Mines Index	**1,650.78**	1,472.00	1,288.01
FT EMEA (African) Gold Mines	**1,768.50**	1,747.26	1,319.34
FT Asia Pacific Gold Mines	**8,125.18**	7,221.52	5,933.35
FT Americas Gold Mines	**1,319.78**	1,141.12	1,061.55

Coin Prices ($)

	5/13/16	*Mo. Earlier*	*Yr. Earlier*	*Prem (%)*
American Eagle (1.00)	**1,299.20**	1,274.50	1,237.40	2.63
Austrian 100-Corona (0.9803)	**1,239.94**	1,215.73	1,158.22	-0.08
British Sovereign (0.2354)	**308.36**	302.54	289.90	3.48
Canadian Maple Leaf (1.00)	**1,283.20**	1,258.50	1,216.70	1.37
Mexican 50-Peso (1.2057)	**1,514.91**	1,485.14	1,427.40	-0.75
Mexican Ounce (1.00)	**1,313.20**	1,258.50	1,204.20	3.74
S. African Krugerrand (1.00)	**1,284.20**	1,259.50	1,217.07	1.45
U.S. Double Eagle-$20 (0.9675)				
St. Gaudens (MS-60)	**1,310.00**	1,260.00	1,260.00	6.96
Liberty (Type I-AU50)	**2,150.00**	2,150.00	2,225.00	75.54
Liberty (Type II-AU50)	**1,375.00**	1,375.00	1,450.00	12.27
Liberty (Type III-AU50)	**1,285.00**	1,265.00	1,250.00	4.92
U.S. Silver Coins ($1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	**13,897.50**	12,715.00	12,472.50	13.73
40% Silver Circ. (292 oz.)	**5,000.50**	4,512.50	4,707.50	0.20
Silver Dollars Circ.	**23,000.00**	23,000.00	17,740.00	73.97

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at $1,265.90 per ounce and silver at $17.09 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 ($) 5/13/16*	*4/15/16*	*5/15/15*	*12-Month ($) High*	*Low*	*Latest Dividend Amount ($)*	*Record Date*	*Payable Date*	*Indicated Annual Dividend ($)*	*Yield† (%)*
Verizon	VZ		50.94	51.35	49.79	54.49	38.06	0.565	4/8/2016	5/2/2016	2.260	4.44
Caterpillar	CAT		70.07	79.17	88.43	89.62	56.36	0.770	4/25/2016	5/20/2016	3.080	4.40
Chevron	CVX		100.74	97.23	108.03	107.51	69.58	1.070	5/19/2016	6/10/2016	4.280	4.25
Cisco	CSCO		26.53	27.90	29.55	29.90	22.46	0.260	4/6/2016	4/27/2016	1.040	3.92
IBM	IBM	*I*	147.72	151.72	173.26	174.44	116.90	1.400	5/10/2016	6/10/2016	5.600	3.79
Pfizer	PFE		33.19	32.50	33.99	36.46	28.25	0.300	5/13/2016	6/1/2016	1.200	3.62
Intel Corp	INTC		29.91	31.46	32.99	35.59	24.87	0.260	5/7/2016	6/1/2016	1.040	3.48
Merck	MRK		53.88	56.14	60.23	61.70	45.69	0.460	3/15/2016	4/7/2016	1.840	3.41
Exxon Mobil	XOM	*I*	88.66	84.97	87.35	90.00 *H*	66.55	0.750	5/13/2016	6/10/2016	3.000	3.38
Boeing	BA		132.12	131.13	146.88	150.59	102.10	1.090	5/13/2016	6/3/2016	4.360	3.30
Procter and Gamble	PG		81.23	82.30	81.05	83.87	65.02	0.670	4/18/2016	5/16/2016	2.678	3.30
General Electric	GE		29.64	31.03	27.27	32.05	19.37	0.230	2/29/2016	4/25/2016	0.920	3.10
Coca-Cola	KO		45.35	46.10	41.52	47.13	36.56	0.350	6/15/2016	7/1/2016	1.400	3.09
Wal-Mart Stores	WMT		64.94	69.06	79.24	79.94	56.30	0.500	8/12/2016	9/6/2016	2.000	3.08
J P Morgan	JPM		61.20	61.87	65.88	70.61	50.07	0.440	4/6/2016	4/30/2016	1.760	2.88
Microsoft Corp.	MSFT		51.08	55.65	48.30	56.85	39.72	0.360	5/19/2016	6/9/2016	1.440	2.82
Johnson & Johnson	JNJ	*I*	113.56	110.18	102.30	115.00 *H*	81.79	0.800	5/24/2016	6/7/2016	3.200	2.82
McDonald's	MCD		128.83	127.78	98.04	131.96 *H*	87.50	0.890	3/1/2016	3/15/2016	3.560	2.76
3M Company	MMM		168.32	168.78	163.30	171.27 *H*	134.00	1.110	5/20/2016	6/12/2016	4.440	2.64
United Tech.	UTX	*I*	100.27	104.57	118.49	119.66	83.39	0.660	5/20/2016	6/10/2016	2.640	2.63
Apple	AAPL	*I*	90.52	109.85	128.77	132.97	89.47 *L*	0.570	5/9/2016	5/12/2016	2.280	2.52
Dupont	DD		62.91	65.27	66.73	75.72	47.11	0.380	5/13/2016	6/10/2016	1.520	2.42
Travelers	TRV	*I*	112.67	116.23	102.68	118.28	95.21	0.670	6/10/2016	6/30/2016	2.680	2.38
Home Depot, Inc.	HD		133.13	135.01	113.35	137.82 *H*	92.17	0.690	3/10/2016	3/24/2016	2.760	2.07
American Express	AXP		64.12	62.14	80.22	81.92	50.27	0.290	7/1/2016	8/10/2016	1.160	1.81
Goldman Sachs	GS		155.34	158.52	202.97	218.77	139.05	0.650	6/1/2016	6/29/2016	2.600	1.67
Unitedhealth Group	UNH		129.00	127.33	119.33	135.11 *H*	95.00	0.500	3/11/2016	3/22/2016	2.000	1.55
Walt Disney	DIS		100.52	98.59	110.30	122.08	86.25	0.710	12/14/2015	1/11/2016	1.420	1.41
Nike	NKE		57.31	59.50	52.49	68.20	47.25	0.160	6/6/2016	7/5/2016	0.640	1.12
Visa Inc.	V		76.83	80.08	69.57	81.73 *H*	60.00	0.140	5/13/2016	6/7/2016	0.560	0.73

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

RECOMMENDED INVESTMENT VEHICLES

	Security Symbol	Avg. Market Cap. / Avg. Maturity	Descriptive Quarterly Statistics, as of 3/31/16: No. of Holdings	Expense[3] (%)	Ratios: Sharpe	Turnover (%)	P/B	12 Mo. Yield (%)	Annualized Returns[4] (%), as of 4/30/16: 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.	2285	0.16	0.73	52	-	1.39	1.56	1.10	1.53	0.97	0.56	0.95
iShares Barclays 1-3 Yr. Credit Bond	CSJ[1]	2.01 Yrs.	1039	0.20	1.14	17	-	1.26	1.35	1.11	1.47	0.80	0.63	0.94
iShares Barclays 1-3 Yr. Treasury Bond	SHY[1]	1.90 Yrs.	106	0.15	0.57	122	-	0.58	0.76	0.61	0.66	0.51	0.43	0.48
Vanguard Limited-Term Tax-Exempt	VMLTX	3.3 Yrs.	-	0.20	0.94	16	-	1.48	1.96	1.30	1.79	1.96	1.30	1.79
SPDR N.B. Short-Term Municipal Bond	SHM[1]	3.01 Yrs.	700	0.20	0.59	20	-	0.93	1.77	1.08	1.51	1.67	1.05	1.45
Inflation-Protected Fixed Income														
iShares Barclays TIPS Bond	TIP[1]	8.41 Yrs.	41	0.20	-0.26	47	-	0.32	0.96	-0.96	2.45	0.82	-1.39	1.78
Vanguard Inflation-Protected Securities	VIPSX	8.7 Yrs.	-	0.20	-0.27	43	-	0.73	0.90	-1.06	2.41	0.57	-1.71	1.52
International Fixed Income														
Vanguard Total International Bond Index	BNDX[1]/VTIBX	9.1 Yrs.	3960	0.17	-	13	-	1.54	2.98	--	--	2.29	--	--
Real Estate														
Vanguard REIT Index	VNQ[1] / VGSIX	16.47 B	156	0.26	0.56	8	2.37	4.22	7.63	6.97	9.83	6.10	5.69	8.67
SPDR Dow Jones REIT	RWR[1]	20.55 B	97	0.25	0.58	6	2.65	3.62	7.75	7.30	9.75	6.00	5.70	8.30
Vanguard Global ex-US Real Estate	VNQI[1] / VGXRX[5]	8.92 B	648	0.36	-0.01	12	1.05	2.86	-5.15	-0.44	4.59	-6.51	-1.78	3.21
iShares International Property ETF	WPS[1]	10.27 B	392	0.48	0.14	8	1.09	3.27	-1.73	1.25	5.50	-2.66	0.03	4.23
SPDR Dow Jones Global Real Estate ETF	RWO[1]	17.05 B	232	0.50	0.39	7	1.76	3.15	3.56	4.41	7.48	2.18	2.92	6.05
U.S. Large Cap Value														
Vanguard Value Index	VTV[1] / VIVAX	124.31 B	328	0.22	0.90	8	1.96	2.61	1.11	10.17	10.08	0.51	9.57	9.54
iShares Russell 1000 Value Index	IWD[1]	110.57 B	686	0.20	0.75	13	1.80	2.54	-0.54	9.37	9.90	-1.14	8.80	9.40
U.S. Mid Cap														
Vanguard Mid-Cap ETF	VO	0.48 B	1429	0.60	0.42	26	1.71	1.50	-3.37	10.34	9.55	-3.79	9.95	9.21
iShares Russell Mid-Cap Index	IWR	3.18 B	856	0.20	0.65	16	1.65	2.95	-2.28	10.19	9.72	-2.73	9.74	9.32
U.S. Small Cap Value														
iShares Russell Microcap Index	IWC[1]	141.10 B	637	0.20	1.06	13	5.69	1.40	-7.93	7.51	6.87	-8.32	7.13	6.50
Vanguard Small-Cap Value Index	VBR[1] / VISVX	123.88 B	351	0.22	0.92	9	4.49	1.28	-1.57	10.17	9.47	-2.16	9.58	8.92
U.S. Marketwide														
Vanguard Total Stock Market Index	VTI[1] / VTSMX	107.87 B	3703	0.16	0.89	3	2.56	1.93	-0.35	10.59	10.35	-0.80	10.11	9.92
Fidelity Spartan Total Market Index	FSTMX[2]	108.01 B	-	0.10	0.89	2	2.55	2.40	-0.31	10.60	10.38	n/a	n/a	n/a
Foreign- Developed Markets														
iShares MSCI EAFE Growth Index	EFG[1]	55.17 B	551	0.40	0.18	27	2.59	1.81	-5.67	2.74	2.60	-5.93	2.41	2.32
iShares MSCI EAFE Value Index	EFV[1]	54.00 B	481	0.40	-0.09	29	1.12	3.78	-13.33	-0.38	0.26	-13.84	-1.06	-0.28
Vanguard FTSE Developed Market	VEA[1] / VTMGX[6]	39.64 B	3708	0.09	0.09	3	1.40	2.95	-8.80	1.64	1.76	-9.41	0.92	1.17
SPDR S&P International Small Cap	GWX[1]	1.19 B	2296	0.40	0.20	51	1.26	2.65	0.18	4.71	3.08	-0.59	2.96	1.86
Foreign- Emerging Markets														
Vanguard FTSE Emerging Market Stock	VWO[1] / VEIEX	37.05 B	3451	0.33	-0.51	7	1.44	3.04	-18.34	-4.52	-4.66	-19.05	-5.30	-5.26
Gold-Related Funds														
iShares Gold Trust	IAU[1]	7.32 B	-	0.25	-0.39	-	-	-	8.68	-4.59	-3.73	8.68	-4.59	-3.73
SPDR Gold Shares	GLD[1]	32.19 B	-	0.40	-0.40	-	-	-	8.50	-4.73	-3.87	8.50	-4.73	-3.87

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 or individual tax situations.

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.