AIS INVESTMENT GUIDE

Published Monthly by
American Investment Services, Inc

Vol. XXXIX, No. 7 | Great Barrington, Massachusetts 01230 | July 31, 2016

* See page 54 for representative indexes.

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.

To learn more please contact us.

(888) 528-1216 8:30 – 4:30 EST

aisinfo@americaninvestment.com

P.O. Box 1000
Great Barrington, MA 01230

Good News

On June 23 the citizens of the U.K. voted to leave the European Union. Markets were jolted, with the U.S. stock market losing 3.7% the day after the vote. But just a week later the market had rebounded, ending the quarter almost exactly at its level just prior to the vote.

The event serves as a reminder that capital markets react quickly to news, good and bad. Based on headlines, it may seem that bad news has predominated in recent years. Indeed as the 21st century has dawned investors have endured a remarkable series of disturbing events and trends including:

- The housing boom, peak and collapse.
- The greatest financial crisis and most severe recession since the 1930s.
- Surging oil prices said to threaten global prosperity (remember "peak oil"?)
- Tumbling oil prices said to threaten global prosperity.
- The rise of ISIS and increase in the number of terrorist attacks worldwide.
- Severe natural disasters including hurricanes Sandy and Katrina.
- A contentious debate regarding the threat of man-made global warming and what to do about it.
- A collapse in emerging market economies and stock markets.
- The European debt crisis surrounding Greece (Grexit.)
- A multitude of banking and financial scandals.

It is important, however, to consider data that paint a far brighter picture:

- Over the last 25 years, 2 billion people globally have moved out of extreme poverty.[1]
- Over the same period, mortality rates among children under the age of 5 have fallen by 53%, from 91 deaths per 1000 to 43 deaths per 1000.

(continued next page)

- Globally, life expectancy has been improving. From 2000 to 2015 the global increase was 5.0 years, with an even larger increase of 9.4 years in parts of Africa.[2]
- Global trade has expanded as a proportion of GDP from 20% in 1995 to 30% by 2014, signaling greater global integration.[3]
- U.S. energy-related carbon dioxide emissions fell by 12% between 2005 and 2015, thanks mostly to technological advances in natural gas production, as well as renewable sources.[4]
- Access to financial services has greatly expanded. Among adults in the poorest 40% of households within developing economies, the share without a bank account fell by 17 percentage points on average between 2011 and 2014.[5]
- The world's biggest economy, the US, has been recovering. Unemployment has halved in six years, from nearly 10% to 5%.[6]

While these profoundly positive if unspectacular facts tend to escape media attention, capital markets appear to be more astute; over the last 25 years ending May 2016 one dollar invested in a global portfolio of stocks would have grown to more than five and a half dollars.

That is good news for investors, period.

1. "Human Development Report 2015: Work for Human Development," United Nations
2. "World Health Statistics 2016," World Health Organization
3. "International Trade Statistics 2015," World Trade Organization
4. U.S. Energy Information Administration http://www.eia.gov/todayinenergy/detail.cfm?id=26152
5. "The US Bureau of Labor Statistics, 15 March 2016. Global Findex Database 2014: Measuring Financial Inclusion Around the World," World Bank.
6. U.S. Bureau of Labor Statistics, 15 March 2016.

QUARTERLY REVIEW OF CAPITAL MARKETS[1]

The second quarter was generally positive for investors. Interest rates once again fell across the yield curve as bond prices were bolstered by the Fed's reluctance to increase short term rates, and by the vote in the U.K. to withdraw from the European Union (Brexit).

U.S. stocks had a strong quarter, rising 2.63% overall. Value stocks outperformed growth shares, especially among large caps, and small caps outperformed large caps. Foreign stocks languished, with emerging markets essentially flat and developed market shares losing ground following events in the U.K.

We recommend gold chiefly as a hedge against unanticipated financial

AIS Sample Portfolios[1]
For the Period Ending June 30, 2016

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	5	5	3	0.19	1.04	2.42	0.66
Short/Int. Fixed Income	Barclays Capital 1-5 Yr Govt/Cred	45	20	8	2.63	3.51	4.44	2.05
	Citigroup World ex. US Govt. Bond 1-5 Yr	20	10	4	2.35	2.96	4.19	1.32
Real Estate	S&P Global REITs Index Gross Div	4	5	6	17.81	5.97	10.48	17.76
U.S. Marketwide	Russell 3000 Index (USD)	5	9	13	2.14	7.40	7.96	15.72
U.S. Large Cap Value	Russell 1000 Value Index (USD)	2	4	7	2.86	6.13	8.46	15.31
U.S. Mid Cap	Russell Midcap Index (USD)	5	9	13	0.56	8.07	10.04	17.15
U.S. Small Cap Value	Russell 2000 Value Index (USD)	3	6	9	-2.58	5.15	9.13	17.96
	DFA US Micro Cap Portfolio (USD)	1	2	2	-4.31	7.00	10.05	21.30
Foreign Developed Markets	MSCI EAFE Index (USD) Gross Div	4	20	24	-9.72	2.05	4.38	16.92
Foreign Emerging Markets	MSCI Emg. Mkts. Index (USD) Gross Div	1	5	6	-11.71	3.88	5.26	23.86
Gold Related	Gold (London PM Fix Price)	5	5	5	12.79	7.97	6.40	17.24
	Total	100	100	100				

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

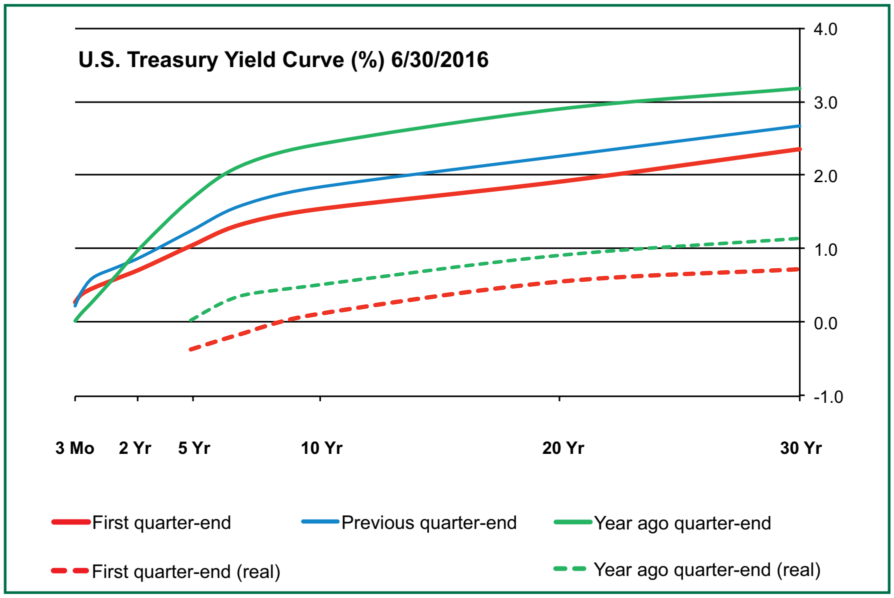
	Conservative	*Moderate*	*Aggressive*
Portfolio Return 1 Year	1.85	-0.85	-1.52
Portfolio Return 10 Year (annualized)	3.87	4.37	4.76
Portfolio Return 20 Year (annualized)	5.05	6.02	6.72
Portfolio Standard Deviation 20 Year (annualized)	4.01	9.32	12.53
Growth of $100 over 20 Years	$268	$322	$367

1 **Performance was achieved by means of retroactive application of a model designed with the benefit of hindsight.** 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. 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. **Sample 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 56.
3 Investors should maintain cash balances adequate to cover living expenses for up to 6 months in addition to the cash levels indicated.
4 Sample portfolio returns reflect the deduction of 0.725% management fee, the PAM rate charged to a $500,000 account managed by AIS. A maximum annual management fee for the PAM service of 1.50% applies to accounts of $100,000 (our minimum account size) in Assets Under Management ("AUM"). The fee decreases thereafter as AUM increases. Accounts with AUM less than $500,000 would incur a fee greater than 0.725% and, therefore, returns would be lower than indicated. See AIS ADV Part 2 for full details, available at http://americaninvestment.com/images/pdf/ADV_Part_2A.pdf.

crises and true to form the gold price rose sharply in response to the Brexit crisis, finishing the quarter with the highest total return among our recommended asset classes. Global real estate (equity REITs) posted strong returns as well, perhaps bolstered by meager interest rates.

The three sample portfolio allocations in the table nearby are only a guide. Each of the asset classes listed provides a unique risk-return profile, but the proper level of exposure to any particular asset class depends entirely on the investor. The best approach is to use these asset classes as "building blocks" to structure a portfolio that fits your circumstances

Mutual funds and ETFs that generally track the same asset classes as those cited in the table are listed on the back page of this publication.



Cash Equivalent Assets[2]

Prices of frequently purchased household goods, measured by AIER's Everyday Price Index (EPI), increased 2.3% during the quarter, but fell by 1.3% over the past 12 months. During May and June the EPI was driven higher by higher energy costs, slightly offset by lower grocery prices. The Consumer Price Index (non-seasonally adjusted), which includes big-ticket items (such as cars, appliances, and furniture) and prices that are contractually fixed for prolonged periods (such as housing) increased 1.2% during the quarter and 1.0% for the full year.

At quarter-end the bond market was projecting annual price inflation (CPI) of 1.4% over the next 5 and 10 years (based on the TIPS break-even rate).

The Federal Reserve's Open Market Committee (FOMC) did not raise its fed funds target interest rate when it met in mid-June. The target remains 0.25-0.50%. The FOMC has not excluded an increase by year-end, but a very weak employment report in May and the surprise Brexit vote suggests an increase is far from imminent. The yield on the 1-year Treasury bill stood at 0.45% at quarter end.

Fixed Income

Interest rates for U.S. Treasury securities of all maturities fell during the second quarter, following a similar shift in the first quarter. Treasury prices, which move in the opposite direction of interest rates, were driven higher by continued modest price inflation, a likely "flight to safety" among global investors following the Brexit vote, and perceptions that the Fed will not target higher short term rates any time soon.

The yield on the 5-year Treasury note fell 20 basis points (bps) to end the quarter at 1.01% while the yield on the 10-year Treasury note declined 29 bps to 1.49%. The 30-year Treasury bond declined 31 bps to finish at 2.30%.

During the second quarter short-term corporate (investment grade) bonds returned 1.05%, intermediate-term issues returned 2.24%, while long term obligations gained 6.64%. Short-term municipal bonds returned 0.66%, while intermediate-term municipal bonds gained 1.84%.

Over the first half of the year the overall U.S. bond market generated a total return of 5.31%, while long term government bonds, which are more interest rate sensitive than shorter term issues, gained 14.94%. Treasury Inflation Protected Securities (TIPS) provided a 6.24% return as real rates fell during the first six months. Short term global bonds (1-5 year, hedged to the U.S. dollar) returned 1.86%.

Mortgage rates (30-year fixed) were averaging 3.48% with 0.5 points at mid-year, down slightly from 3.71% (nationwide) with 0.5 points when the second quarter began.

We continue to recommend that investors avoid long term fixed income securities. The purpose of bonds is to provide portfolio stability. Longer term bond prices are highly sensitive to changing interest rates, which undermines this stability. Though falling interest rates of late have provided strong returns for long term bond holders, investors should generally limit their bond portfolios to an average maturity of five years or less.

Real Estate[3]

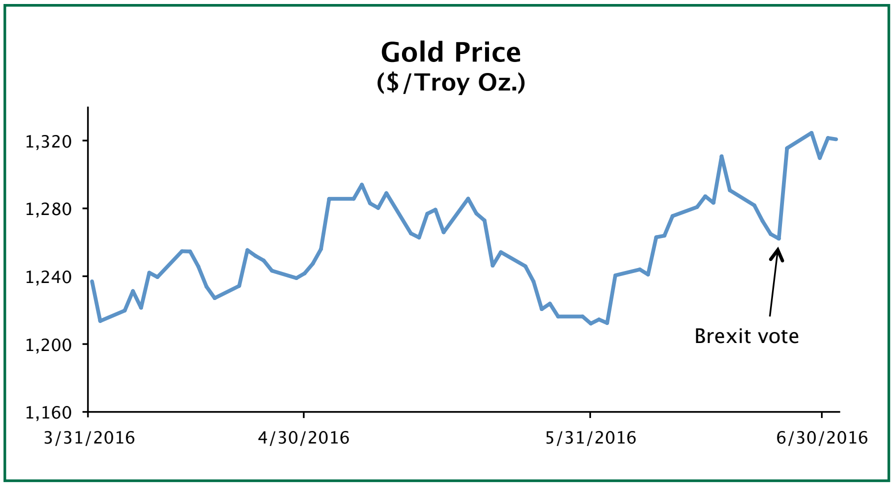
U.S. Equity Real Estate Investment Trusts (REITs) returned 7.41% during the second quarter, outperforming the broad U.S. equity market. Global (ex-U.S.) REITs faced a headwind of a stronger dollar, gaining 1.31%, but also outperformed broad developed market indices.

Year-to-date, U.S. REITs and Global REITs have posted very strong returns (10.82% and 10.02%, respectively). REITs' strong dividend payouts have grown relatively more attractive in light of persistent low interest rates. Despite their strong price appreciation so far this year, U.S. REITs were yielding 3.59% at the end of June, compared with 1.49% for 10-year U.S. Treasury notes.

U.S. Equities[4]

Though U.S. stocks provided modest returns of 2.63% during the second quarter, investors endured a tumultuous quarter-end. The market fell by 5.67% over June 24 and 27, immediately following the Brexit vote, but nearly regained all of those losses over the final three days.

Value indices outperformed growth



indices across all size ranges while small caps outperformed large caps. Large cap value shares returned 4.58% versus 0.61% for large cap growth shares, while small value shares delivered a 4.31% return compared with 3.24% for small cap growth stocks. Small caps as a group returned 3.79% compared with 2.46% for large cap stocks.

Amidst persistent low interest rates, high dividend-yielding stocks fared particularly well. Telecom and utility stocks were among the best performing industry sectors, along with energy stocks, which were bolstered by a recovery in the oil price.

International Equities[5]

In U.S. dollar terms, non-U.S. developed market indices lagged both the U.S. equity market and emerging markets indices during the quarter. Returns for U.S. investors were hampered by exchange rates, as the dollar rose against most developed market currencies, except for the Yen.

Within non-U.S. developed equity markets, small caps returned -1.28% versus -1.05% for large caps, while growth shares earned 0.07% versus -2.17% for value shares.

Emerging market stocks, lifted in part by a rebound in commodity prices, outperformed non-U.S. developed market stocks in dollar terms, returning 0.66%, but fell short of U.S. market returns. Within emerging markets growth shares topped value shares while large caps outpaced small caps.

Gold[6]

The gold price ended the quarter at $1,321 per ounce, marking a return of 6.77% for the full three months. The price of gold is sensitive to interest rates as well as financial crises, and the second quarter provided evidence of both.

Gold competes with short term Treasuries as a safe haven asset, but provides no income as Treasuries do, so gold grows relatively more attractive when investors perceive that low interest rates are likely to prevail. Indeed, on June 16, after the Fed resolved to leave rates unchanged, the gold price reached a year-to-date high of $1,311 per ounce.

As we have pointed out, data suggest that the gold price often rises in the face of unexpected financial disruptions. Indeed, during the two trading days following the shocking Brexit vote, as U.S. equities lost 5.67%, the gold price increased by 4.94%.

The fact is, negative nominal interest rates now prevail in developed markets across the globe, rendering gold a relatively high yielding asset, at 0%.

Investors should consider devoting 5% of their portfolio to gold ETFs as a form of insurance against financial disruption. Investors more averse to such events might consider a higher allocation, while those less sensitive to global disruptions might choose a lower allocation.

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. 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 reflect the reinvestment of dividends and capital gains. Returns depicted are hypothetical and do not reflect historical recommendations of AIS.
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 EPI: American Institute for Economic Research. EPI, CPI not seasonally adjusted. U.S. bond market: Barclays U.S. Aggregate Bond Index. Long term U.S. government bonds: Barclays Long U.S. Government Bond Index Global bonds: Citigroup WGBI 1-5 Years (USD hedged). U.S Corporate (investment grade) bonds: Barclays U.S. Corporate Bond Index. Municipal bonds: Barclays Municipal Bond Index; TIPS: Barclays U.S. TIPS Index. Mortgage rates: Freddie Mac.
3. U.S. REIT data provided by National Association of Real Estate Trusts (NAREIT). U.S. REITs: FTSE NAREIT All Equity REIT Index. Foreign (Ex-US) REITS: 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 Value stocks: Russell 1000 Value Index Large Cap Growth Stocks: Russell 1000 Growth Index. Sector returns represented by S&P 500 sectors.
5. Source: Dimensional Fund Advisors and Fidelity Management and Research Company: Non-U.S. Developed Markets: MSCI EAFE Index (Gross). 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: MSCI EM 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. 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 2016, all rights reserved. Currency data: Bloomberg.
6. Gold Price: London PM Fix. Source: World Gold Council

WHY YOUR RETURNS MAY DIFFER FROM FUND PERFORMANCE

Have you ever looked at the growth of your 401(k) balance in a mutual fund and wondered why it seemed to lag or perhaps exceed the published returns of that fund? Chances are it is not because the fund is publishing fishy numbers.

Funds calculate performance on a *time-weighted* basis. When you go to a mutual fund website, it will often show the hypothetical growth of $10,000 over the last 5, 10, or 20 years. This is an honest result. If you put $10,000 in at the beginning of the period and made no deposits or withdrawals, you would get exactly that result. That is the return that a fund will report, and it is entirely accurate.

The problem is that people don't invest in this manner. In 401(k) plans, for instance, people deposit additional savings every month. Even if we assume that people aren't trading in and out of different funds or withdrawing money, we should expect a different return pattern when the amount invested gradually increases as deposits are made over time. As opposed to the fund's published return, the investor experiences what is called a dollar-weighted return.

Imagine a worker who started putting $100 into his 401(k) every month beginning July 1996 through June 2016, for a total of 20 years. Let's further assume he simply places the money in a simple S&P 500 Index fund, and to really simplify the analysis, let's assume $0 fees, and that he never withdraws money or trades to another fund.

The first $100 he puts into the fund will receive exactly the rate of return that the fund reports. Over this 20-year period, this $100 would have grown to about $455, for an average annual return of 7.87 percent (the total return that includes the reinvestment of dividends). This exactly matches the fund's reported annual return over the last 20 years.

But since he's contributing each month, rather than up front, his total investment will not earn that 20-year, 7.87 percent average rate of return. For example, the $100 he contributed at the 10 year point (July 2006) would have earned an average annual return of only 7.42 percent per year over the final 10 years.

The sequence of returns matters for *investor* performance, but it doesn't matter for *fund* performance. If an investor is making equal, periodic investments throughout his investment horizon and if there are higher-than-average returns early in the investment period—when he has relatively less invested in the market—his overall performance will fall below the fund's return. Likewise, if the fund has weak returns early and great returns later on, his performance may be better than the fund's.

You can't control either the timing or the sequence of returns, but they will have a big impact on the terminal value of your holdings. Investors who have been in the markets for the last 20 years probably experienced excellent growth during the late 1990's, but realized more tepid returns since. The result may be that they have underperformed the funds in which they're invested.

We want to emphasize that this hypothetical example was based on a 20 year span during which the market happened to provide stronger returns over the first 10 years compared with the second. Readers should not conclude that timing the market is a worthwhile endeavor. Your savings rate should be based on your age, current earnings, and your future income goals.

To Make the Point

Finally, a hypothetical (and extreme) example of how the sequence of returns can affect your performance is provided in the table below. Suppose someone invests $1,000 per year for 10 years. In the left panel, the fund returns 100 percent the first year, but 0 percent every year thereafter for 10 years, for a 7.2 annual fund return. In the right panel, the opposite sequence of returns is depicted; the fund returns nothing for nine years and 100 percent in the 10th year, when the investor now has $10,000 exposed to this large return. The fund's performance is still 7.2 percent per year, but the resulting outcome for the investor is quite different. The investor's realized performance swings from 1.7 percent to 12.3 percent. Notably both outcomes vary widely from the fund's 7.2 percent performance.

The bottom line is that the sequence of returns you experience will impact the returns you actually earn. There is little you can do about it, but it can be helpful in understanding why your returns may differ from the reported returns of the funds in which you invest.

The Sequence of Returns Can Affect Performance (Hypothetical)

		Early return high, late returns low		Early returns low, late returns high	
Year	Deposit	Fund's Return	Investor's Balance	Fund's Return	Investor's Balance
0	1,000		1,000		1,000
1	1,000	100%	3,000	0%	2,000
2	1,000	0%	4,000	0%	3,000
3	1,000	0%	5,000	0%	4,000
4	1,000	0%	6,000	0%	5,000
5	1,000	0%	7,000	0%	6,000
6	1,000	0%	8,000	0%	7,000
7	1,000	0%	9,000	0%	8,000
8	1,000	0%	10,000	0%	9,000
9	1,000	0%	11,000	0%	10,000
10	-	0%	11,000	100%	20,000
Fund performance		**7.2%**		**7.2%**	
Investor performance			**1.7%**		**12.3%**

THE HIGH-YIELD DOW INVESTMENT STRATEGY

Recommended HYD Portfolio

As of July 15, 2016

	Rank	Yield (%)	Price ($)	Status	—Percent of Portfolio— Value (%)	No. Shares (%)[1]
Verizon	1	4.05	55.84	Holding**	24.87	30.99
Chevron	2	4.00	107.03	Holding**	24.42	15.88
Caterpillar	3	3.82	80.70	Buying	19.16	16.52
IBM	4	3.50	159.78	Buying	8.86	3.86
Cisco	5	3.49	29.82	Holding	3.01	7.03
Pfizer	7	3.26	36.77	Holding	1.65	3.13
Exxon Mobil	8	3.15	95.12	Holding	5.39	3.94
McDonald's	14	2.88	123.61	Holding	4.33	2.44
General Electric	15	2.80	32.88	Selling	5.54	11.73
AT&T	N/A	4.48	42.89	Selling	2.76	4.48
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.

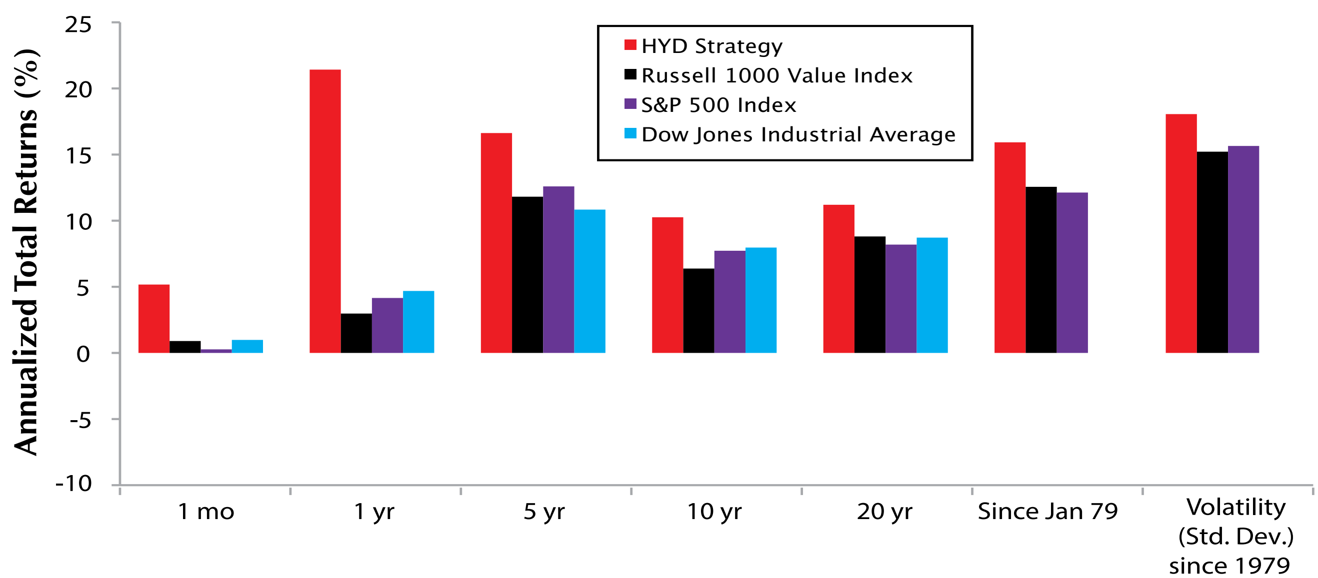
Performance was achieved by means of retroactive application of a model designed with the benefit of hindsight.

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 June 30, 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	4.97	20.58	15.98	9.86	10.76	15.30	17.35
Russell 1000 Value Index	0.86	2.86	11.35	6.13	8.46	12.07	14.62
S&P 500 Index	0.26	3.99	12.10	7.42	7.87	11.65	15.04
Dow Jones Industrial Average	0.95	4.50	10.41	7.66	8.38	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.

Asset classes and representative index chart on page 41: 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

RECENT MARKET STATISTICS

Precious Metals & Commodity Prices ($)

	7/15/16	*Mo. Earlier*	*Yr. Earlier*
Gold, London p.m. fixing (oz)	**1,327.00**	1,283.30	1,147.40
Silver, London Spot Price (oz)	**20.14**	17.41	15.31
Copper, COMEX Spot Price (100 lb)	**223.35**	209.40	255.55
Crude Oil, W. Texas Int. Spot (bbl)	**45.95**	48.01	51.41
Bloomberg Commodity Spot Index	**316.59**	323.22	324.74
Bloomberg Commodity Index	**86.70**	88.47	98.48
Reuters-Jefferies CRB Index	**188.86**	191.74	216.62

Interest Rates (%)

U.S. Treasury bills -	91 day	**0.30**	0.26	0.01
	182 day	**0.41**	0.35	0.10
	52 week	**0.49**	0.50	0.24
U.S. Treasury bonds -	10 year	**1.55**	1.57	2.35
Corporates:				
High Quality -	10+ year	**3.33**	3.43	4.20
Medium Quality -	10+ year	**4.26**	4.50	5.27
Federal Reserve Discount Rate		**1.00**	1.00	0.75
New York Prime Rate		**3.50**	3.50	3.25
Euro Rates	3 month	**-0.30**	-0.27	-0.02
Government bonds -	10 year	**-0.01**	0.05	0.76
Swiss Rates -	3 month	**-0.76**	-0.77	-0.76
Government bonds -	10 year	**-0.55**	-0.41	0.10

Exchange Rates ($)

British Pound	**1.319200**	1.420400	1.563900
Canadian Dollar	**0.770900**	0.774500	0.774300
Euro	**1.103500**	1.126000	1.095000
Japanese Yen	**0.009538**	0.009433	0.008078
South African Rand	**0.068593**	0.065588	0.080519
Swiss Franc	**1.017900**	1.040200	1.050500

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

Securities Markets

	7/15/16	*Mo. Earlier*	*Yr. Earlier*
S & P 500 Stock Composite	**2,161.74**	2,071.50	2,107.40
Dow Jones Industrial Average	**18,516.55**	17,640.17	18,050.17
Barclays US Credit Index	**2,761.20**	2,718.30	2,550.87
Nasdaq Composite	**5,029.59**	4,834.93	5,098.94
Financial Times Gold Mines Index	**1,989.36**	1,734.84	1,029.59
FT EMEA (African) Gold Mines	**2,362.07**	1,796.42	1,103.38
FT Asia Pacific Gold Mines	**10,125.21**	8,609.04	5,031.70
FT Americas Gold Mines	**1,523.19**	1,398.04	827.15

Coin Prices ($)

	7/15/16	*Mo. Earlier*	*Yr. Earlier*	*Prem (%)*
American Eagle (1.00)	**1,395.40**	1,298.10	1,197.80	5.15
Austrian 100-Corona (0.9803)	**1,334.21**	1,238.86	1,120.03	2.56
British Sovereign (0.2354)	**331.00**	308.10	280.60	5.96
Canadian Maple Leaf (1.00)	**1,379.40**	1,282.10	1,177.20	3.95
Mexican 50-Peso (1.2057)	**1,630.89**	1,513.59	1,380.20	1.93
Mexican Ounce (1.00)	**1,409.40**	1,312.10	1,165.00	6.21
S. African Krugerrand (1.00)	**1,380.40**	1,283.10	1,177.57	4.02
U.S. Double Eagle-$20 (0.9675)				
St. Gaudens (MS-60)	**1,345.00**	1,280.00	1,245.00	4.76
Liberty (Type I-AU50)	**2,150.00**	2,150.00	2,225.00	67.46
Liberty (Type II-AU50)	**1,375.00**	1,375.00	1,425.00	7.10
Liberty (Type III-AU50)	**1,330.00**	1,270.00	1,240.00	3.59
U.S. Silver Coins ($1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	**15,567.00**	13,629.50	12,775.00	8.10
40% Silver Circ. (292 oz.)	**5,824.00**	5,024.50	4,437.50	-0.97
Silver Dollars Circ.	**21,750.00**	21,750.00	16,600.00	39.60

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at $1,327.00 per ounce and silver at $20.14 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 ($) 7/15/16*	*6/15/16*	*7/15/15*	*12-Month ($) High*	*Low*	*Latest Dividend Amount ($)*	*Record Date*	*Payable Date*	*Indicated Annual Dividend ($)*	*Yield† (%)*
Verizon	VZ	55.84	52.84	47.33	56.95 *H*	38.06	0.565	7/8/2016	8/1/2016	2.260	4.05
Chevron	CVX	107.03	100.63	94.24	107.58 *H*	69.58	1.070	5/19/2016	6/10/2016	4.280	4.00
Caterpillar	CAT	80.70	75.07	84.16	83.29	56.36	0.770	7/20/2016	8/20/2016	3.080	3.82
IBM	IBM	159.78	150.68	168.53	173.78	116.90	1.400	5/10/2016	6/10/2016	5.600	3.50
Cisco	CSCO	29.82	28.65	28.11	30.00	22.46	0.260	7/7/2016	7/27/2016	1.040	3.49
Boeing	BA	132.39	130.16	146.89	150.59	102.10	1.090	8/12/2016	9/2/2016	4.360	3.29
Pfizer	PFE	36.77	34.79	34.98	37.19 *H*	28.25	0.300	8/5/2016	9/1/2016	1.200	3.26
Exxon Mobil	XOM	95.12	90.16	82.76	95.55 *H*	66.55	0.750	5/13/2016	6/10/2016	3.000	3.15
Procter and Gamble	PG	86.01	82.95	82.15	86.89 *H*	65.02	0.670	7/22/2016	8/15/2016	2.678	3.11
Merck	MRK	59.63	56.09	58.22	60.07	45.69	0.460	6/15/2016	7/8/2016	1.840	3.09
Coca-Cola	KO	45.63	45.01	41.13	47.13	36.56	0.350	6/15/2016	7/1/2016	1.400	3.07
J P Morgan	JPM	64.18	61.97	69.19	70.61	50.07	0.480	7/6/2016	7/31/2016	1.920	2.99
Intel Corp	INTC	35.07	31.61	29.69	35.59	24.87	0.260	8/7/2016	9/1/2016	1.040	2.97
McDonald's	MCD	123.61	122.25	99.07	131.96	87.50	0.890	6/6/2016	6/20/2016	3.560	2.88
General Electric	GE	32.88	30.59	26.77	32.95 *H*	19.37	0.230	6/20/2016	7/25/2016	0.920	2.80
Wal-Mart Stores	WMT	73.67	71.12	73.65	74.35 *H*	56.30	0.500	8/12/2016	9/6/2016	2.000	2.71
Microsoft Corp.	MSFT	53.70	49.69	45.76	56.85	39.72	0.360	8/18/2016	9/8/2016	1.440	2.68
Johnson & Johnson	JNJ	123.00	116.41	100.42	124.30 *H*	81.79	0.800	8/23/2016	9/6/2016	3.200	2.60
United Tech.	UTX	105.50	100.54	111.25	111.01	83.39	0.660	8/19/2016	9/10/2016	2.640	2.50
3M Company	MMM	181.40	167.80	156.00	181.84 *H*	134.00	1.110	5/20/2016	6/12/2016	4.440	2.45
Apple	AAPL	98.78	97.14	126.82	132.97	89.47	0.570	5/9/2016	5/12/2016	2.280	2.31
Dupont	DD	67.16	65.76	59.00	75.72	47.11	0.380	5/13/2016	6/10/2016	1.520	2.26
Travelers	TRV	118.64	111.81	102.42	119.30 *H*	95.21	0.670	6/10/2016	6/30/2016	2.680	2.26
Home Depot, Inc.	HD	134.78	126.53	115.58	137.82	92.17	0.690	6/2/2016	6/16/2016	2.760	2.05
American Express	AXP	63.78	61.42	78.54	81.66	50.27	0.290	7/1/2016	8/10/2016	1.160	1.82
Unitedhealth Group	UNH	141.33	137.26	125.86	142.96 *H*	95.00	0.625	6/17/2016	6/28/2016	2.500	1.77
Goldman Sachs	GS	161.64	146.16	212.96	214.61	138.20 *L*	0.650	6/1/2016	6/29/2016	2.600	1.61
Walt Disney	DIS	99.80	98.27	118.30	122.08	86.25	0.710	7/11/2016	7/28/2016	1.420	1.42
Nike	NKE	57.87	54.31	55.95	68.20	47.25	0.160	6/6/2016	7/5/2016	0.640	1.11
Visa Inc.	V	78.30	78.17	70.02	81.73	60.00	0.140	5/13/2016	6/7/2016	0.560	0.72

* See the Recommended HYD Portfolio table on page 54 for current recommendations. † Based on indicated dividends and market price as of 7/15/16. 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 7/16/15.
I Dividend increased since 6/15/16 *D* Dividend decreased since 6/15/16

RECOMMENDED INVESTMENT VEHICLES

	Security Symbol	Avg. Market Cap. / Avg. Maturity	Descriptive Quarterly Statistics, as of 6/30/16: No. of Holdings	Expense[3] (%)	Ratios: Sharpe	Turnover (%)	P/B	12 Mo. Yield (%)	Annualized Returns[4] (%), as of 6/30/16: 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.	2366	0.16	0.89	52	-	1.41	2.57	1.83	1.66	1.95	1.24	1.05
iShares Barclays 1-3 Yr. Credit Bond	CSJ[1]	2.03 Yrs.	1040	0.20	1.38	17	-	1.31	2.03	1.49	1.52	1.45	1.00	1.00
iShares Barclays 1-3 Yr. Treasury Bond	SHY[1]	1.89 Yrs.	109	0.15	0.59	122	-	0.61	1.16	0.85	0.68	0.89	0.66	0.50
Vanguard Limited-Term Tax-Exempt	VMLTX	3.2 Yrs.	3546	0.20	0.94	16	-	1.48	2.60	1.87	1.73	2.60	1.87	1.73
SPDR N.B. Short-Term Municipal Bond	SHM[1]	2.97 Yrs.	792	0.20	0.52	20	-	0.93	2.12	1.63	1.40	1.95	1.57	1.33
Inflation-Protected Fixed Income														
iShares Barclays TIPS Bond	TIP[1]	8.71 Yrs.	41	0.20	0.02	41	-	0.35	4.17	2.18	2.50	4.02	1.81	1.93
Vanguard Inflation-Protected Securities	VIPSX	8.8 Yrs.	40	0.20	0.02	43	-	0.73	4.50	2.27	2.55	4.17	1.62	1.76
International Fixed Income														
Vanguard Total International Bond Index	BNDX[1]/VTIBX	9.4 Yrs.	4060	0.17	-	13	-	1.52	7.94	5.66	-	7.24	4.94	--
Real Estate														
Vanguard REIT Index	VNQ[1] / VGSIX	17.01 B	153	0.26	0.70	11	2.52	4.14	23.85	13.38	12.42	22.00	11.95	11.16
SPDR Dow Jones REIT	RWR[1]	19.73 B	100	0.25	0.70	6	2.66	3.68	22.41	13.23	11.99	20.42	11.57	10.50
Vanguard Global ex-US Real Estate	VNQI[1] / VGXRX[5]	9.58 B	656	0.36	0.24	12	1.06	2.96	0.21	3.94	4.91	-1.31	2.46	3.47
iShares International Property ETF	WPS[1]	10.03 B	408	0.48	0.39	8	1.09	3.23	1.66	5.07	5.53	0.66	3.88	4.24
SPDR Dow Jones Global Real Estate ETF	RWO[1]	16.11 B	235	0.50	0.61	6	1.80	3.12	13.19	9.49	8.74	11.66	8.07	7.28
U.S. Large Cap Value														
Vanguard Value Index	VTV[1] / VIVAX	133.30 B	317	0.22	0.89	8	2.07	2.52	4.51	10.39	11.35	3.89	9.78	10.79
iShares Russell 1000 Value Index	IWD[1]	113.53 B	684	0.20	0.80	13	1.83	2.45	2.70	9.65	11.12	2.09	9.07	10.61
U.S. Mid Cap														
Vanguard Mid-Cap ETF	VO	0.53 B	1406	0.60	0.45	26	1.78	1.45	-0.88	10.77	10.56	-1.41	10.34	10.20
iShares Russell Mid-Cap Index	IWR	3.52 B	855	0.20	0.73	16	1.79	2.44	0.40	10.61	10.73	-0.06	10.17	10.32
U.S. Small Cap Value														
iShares Russell Microcap Index	IWC[1]	131.76 B	633	0.20	1.02	13	5.54	1.40	-11.92	5.99	8.13	-12.29	5.61	7.76
Vanguard Small-Cap Value Index	VBR[1] / VISVX	131.77 B	336	0.22	0.94	9	4.83	1.31	0.05	10.04	10.74	-0.62	9.43	10.17
U.S. Marketwide														
Vanguard Total Stock Market Index	VTI[1] / VTSMX	114.46 B	3641	0.16	0.90	3	2.73	1.91	2.01	10.95	11.45	1.55	10.47	11.01
Fidelity Spartan Total Market Index	FSTMX[2]	110.77 B	-	0.10	0.90	3	2.70	2.57	2.00	10.92	11.47	1.36	10.42	11.05
Foreign- Developed Markets														
iShares MSCI EAFE Growth Index	EFG[1]	57.62 B	554	0.40	0.31	25	2.73	1.92	-5.06	3.85	2.96	-5.47	3.47	2.62
iShares MSCI EAFE Value Index	EFV[1]	53.18 B	519	0.40	0.06	25	1.08	3.47	-15.48	-0.33	-0.13	-16.15	-1.08	-0.76
Vanguard FTSE Developed Market	VEA[1] / VTMGX[6]	45.97 B	3746	0.09	0.24	3	1.50	2.80	-8.48	2.76	2.06	-9.20	2.00	1.39
SPDR S&P International Small Cap	GWX[1]	1.26 B	2285	0.40	0.51	51	1.27	2.49	-2.35	6.30	3.29	-3.17	4.50	2.01
Foreign- Emerging Markets														
Vanguard FTSE Emerging Market Stock	VWO[1] / VEIEX	40.13 B	3636	0.33	-0.17	7	1.42	2.56	-12.08	-0.75	-3.52	-12.84	-1.52	-4.18
Gold-Related Funds														
iShares Gold Trust	IAU[1]	8.21 B	-	0.25	-0.19	-	-	-	12.45	3.21	-2.83	12.45	3.21	-2.83
SPDR Gold Shares	GLD[1]	37.09 B	-	0.40	-0.20	-	-	-	12.30	3.06	-2.97	12.30	3.06	-2.97

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.