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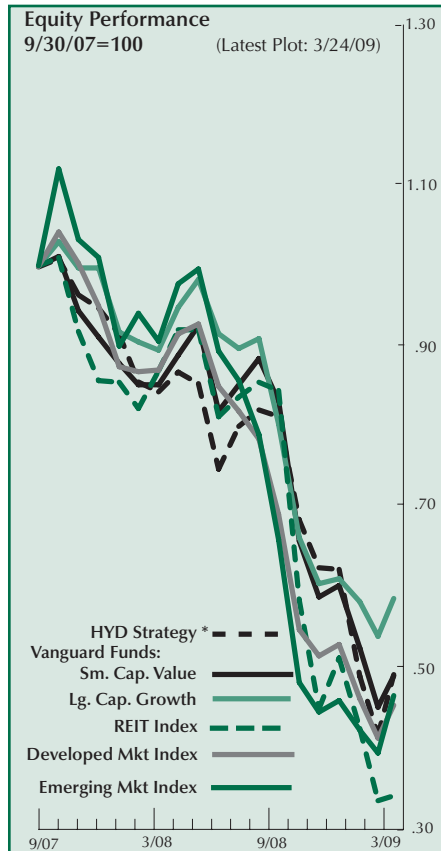
INVESTMENT GUIDE

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* HYD is a hypothetical model based on back-tested results. See p.22 for full explanation

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Socialist Fears and the Stock Market

Since last November's election we have heard from many investors who are unnerved at the prospect of a socialist future. Indeed an enormous expansion of federal spending is underway and ambitious plans have been hatched for greater government involvement in healthcare, energy and in other sectors. Newsweek magazine recently went so far as to announce on its cover that "We are All Socialists Now." However, the fact that the stock market has fallen precipitously since Election Day is no reason to abandon stocks. In fact this reaction is itself a resounding affirmation that capitalism is alive and well.

Our capital markets are clearly alert to the enormous risks that the nation currently faces. Stock prices have been driven sharply downward. To the extent that the market perceives socialism or any other factor to be a genuine threat to economic prosperity, this perception is reflected in current prices.

With respect to the news at hand, and what it might portend for investors, the damage is done. Capital markets are forward-looking and brutally efficient, so investors have already felt the effects of any economic harm that might result from potential government expansion. The impact on the real economy will play out over coming months and years, but security prices have *already fallen* in *anticipation* of slower growth. Sellers of stocks have been able to entice buyers only with dramatic reductions in prices that offer above-average expected returns. Going forward, if news proves to be consistent with the current level of pessimism, those returns will be realized by investors who stay the course. If the news is worse, returns will be lower, and if news is better than expected, returns will be higher.

While national growth rates can certainly be inhibited by government expansion, there is no clear link between a country's growth rates and its stock market returns. Though it may seem intuitively appealing that nations with higher growth rates should allow investors an opportunity to earn abnormal rates of return, empirical evidence casts doubt. A recent study¹ assessed emerging market countries, which are perceived to be less efficient and would therefore have more opportunity for exploiting such a connection. There proved to be no advantage to knowing in advance which countries had the highest rates of GDP growth. Consistent with economic theory, *anticipated* growth rates are reflected in current prices.

Investors should not allow political opinion, which is so often emotionally charged, to prompt a departure from rational investing. Politicians seek power, and while Democrats and Republicans both spend in order to attain it, they differ in the expenditures they favor. The President and the Congress are clearly seeking greater government control of the economy. But neither can control the consensus view of millions of investors. It is in this, and in the certainty that markets will reflect good news as well as bad, that investors who believe in the spirit of free enterprise should take heart.

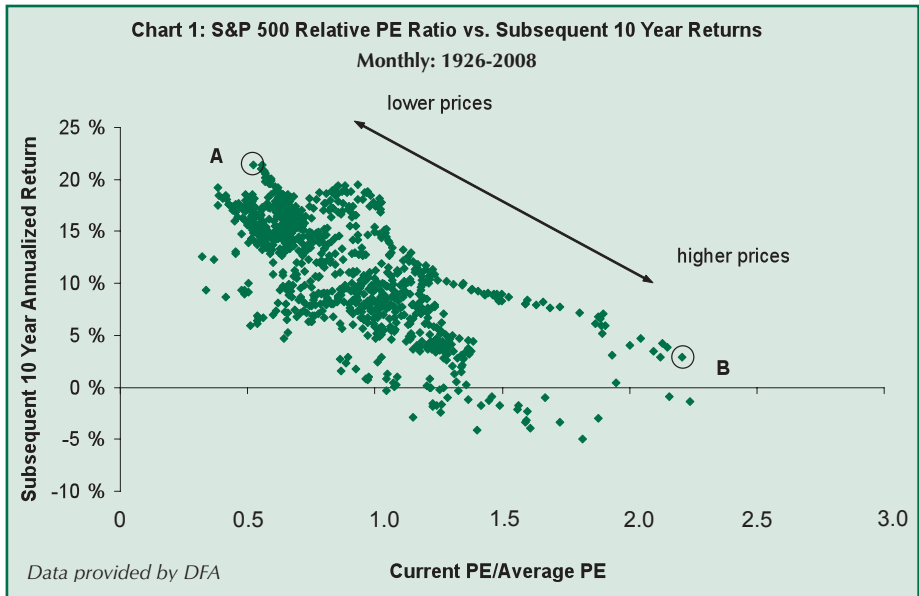
¹Jim Davis, "Economic Growth and Emerging Market Returns" Dimensional Fund Advisors. August 2006.

RISK AND RETURN: WHERE ARE WE TODAY?

Relative market valuations can be highly instructive to prudent investors. But historical valuation statistics can also be deceiving and are subject to misuse by prognosticators. In this article we attempt to demonstrate a rational use of this data, which is meaningless if not viewed in the context of risk.

The price to earnings ratio (PE) can be used to gauge the value of the stock market. The PE divides the market's current price level (typically represented by a broad index such as the S&P 500), by the market's earnings for a given time period. We have used a modified version of this calculation to examine historical valuation levels since 1926. In Chart 1 we have plotted monthly S&P 500 Relative Price to Earnings Ratios¹ against their subsequent 10 year annualized returns.

We constructed the Relative PE (instead of the PE itself) for ease of interpretation. The current state of the S&P 500 can be classified as either "low priced" or "high priced" by examining this Relative PE ratio. A ratio of less than 1.0 indicates that the market's current PE is less than the average historical PE, and therefore could be considered low priced, while a ratio above 1.0 indicates that the market's current PE is greater than its historical average, and thus could be considered high priced. Using these



definitions, we observe that in periods where the market is considered to be low priced, the subsequent 10 year annual returns are generally higher than those periods where the market is high priced. This is clear in the generally downward sloping pattern evident in Chart 1.

To illustrate, point A on the chart represents July 1949, when the Relative PE ratio had fallen to only 0.55 and which provided average annualized returns of 21.05% for the next ten years, through June 1959. On the flip side, point B represents the state of the

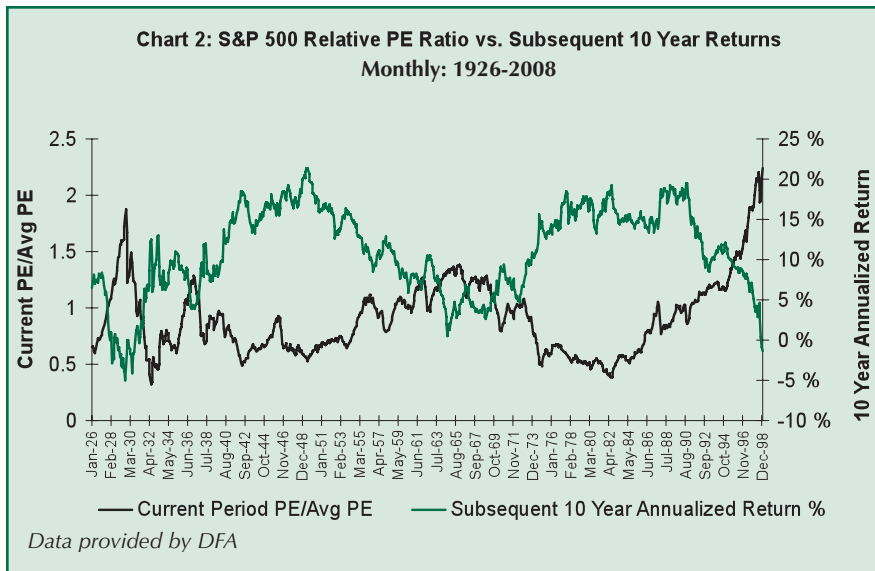
market in July of 1998, with the market carried a Relative PE ratio of 2.21, and provided annualized returns for the following ten years of only 2.91%. To put these extremes in perspective, the average annualized return for the entire period (1926 through 2008) was 9.62%.

Chart 2 presents the same data, but separately and in chronological order.² Periods of relatively low prices were followed by periods of relatively high 10 year returns, and high priced periods were generally followed by low returns.

No Free Lunch

At first blush, it is tempting to conclude that in order to earn above average returns, all you need to do is wait and buy stocks when the market is low priced, and then sell when the market becomes high priced. Market timers exploit this illusion, and mislead investors, by pointing to low valuations as evidence that the market is "underpriced", and that high priced stocks are "overpriced". While this association may appear reasonable, both theoretical examination and empirical evidence point to the contrary.

Market timers believe in a "free lunch". They believe that markets do not work properly and that there are consistent, exploitable opportunities available to "beat the market". They believe that low valuations represent periods when stocks are underpriced relative to the risks they pose and that the opposite holds for periods of high prices.



¹The **numerator**, Current PE, is the current (month end) S&P 500 index divided by the average of the past 10 years monthly S&P 500 earnings. The **denominator**, Average PE, is simply the arithmetic average of these PE figures over the entire dataset (1926-2008).

²Readers can also view similar charts with subsequent 1, 3 and 5 year returns on our website www.americaninvestment.com

Common sense rejects this line of reasoning. If such a “free lunch” existed i.e., if excess returns could be earned without bearing greater risk, and if market equilibrium works as we expect, any exploitable opportunities will indeed be exploited and such opportunities would vanish. Buyers would rush in and “bid up” the prices of “underpriced” securities, and, conversely, market forces would push “overpriced” securities downward.

If low priced does not necessarily mean underpriced, and high priced does not necessarily mean overpriced, how can we explain the fact that returns are, overall, higher following periods of low relative valuation? The only plausible explanation is risk.

What Exactly is Risk?

The dictionary defines risk as “the possibility of loss or injury”. This definition, however, does not take into consideration time horizon, which is an integral part of an investor’s risk-tolerance equation. Someone with a time frame of six months often has a lower tolerance for volatility than someone with a time frame of 10 years.

A widely-used financial definition of risk is based on volatility. Volatility is the price movement of an asset, both up and down, versus its average price over a given time period, and is usually measured by standard deviation³. An asset experiencing high volatility has moved a significant amount (in both directions) during that time period. Periods of high volatility are associated with high levels of uncertainty.

Markets find their equilibrium levels fairly quickly, so wise investors will assume that markets are always “correctly priced” to reflect current risks. Prices fall when risk increases and rise when risks recede, and the rate and significance of news affects the volatility of stock prices.

News dissemination is both random and unpredictable, and prices move accordingly as this new information is incorporated into the marketplace. During the past year and a half, the news went from bad to worse. Prices fell to valuations not seen in over a decade. This fall in prices was accompanied by increased volatility.

Table 1

	Low Price Months: (Relative PE <1)		
	<u>1 Year</u>	<u>5 Year</u>	<u>10 Year</u>
Prior Period Volatility* (Risk)	18.7%	19.5%	18.9%
Subsequent Period Annualized Returns**	16.8%	13.9%	14.6%
	High Price Months: (Relative PE >1)		
	<u>1 Year</u>	<u>5 Year</u>	<u>10 Year</u>
Prior Period Volatility* (Risk)	13.0%	14.9%	14.9%
Subsequent Period Annualized Returns**	6.2%	7.9%	7.6%

* Average standard deviation of monthly S&P 500 returns over the previous 1, 5 and 10 year period multiplied by the square root of the number of periods used for calculation (12).
 ** Average annualized returns of the S&P 500 over the following 1, 5 and 10 year period.

If our assumptions are correct, we would expect to see periods of low relative valuation and higher volatility to be followed by higher returns. Table 1 indicates that this is indeed the case.

Though the data appear to uphold the theory, volatility is incomplete as a representation of financial risk. After all, an asset that lost exactly 10% of its value every year for five years would have zero volatility, yet few investors would consider this to have been a risk-free experience. For financial economists, a precise definition of risk remains elusive. However, this does not mean that we should embrace the arguments of those who assert, implicitly if not explicitly, that excess returns can be generated without enduring greater risk.

The inherent trade-off between risk and return becomes clearer when we consider risk from the flip side of the coin, that is, from the viewpoint of the firm when it seeks to raise capital from potential investors.

Cost of Capital Equals Expected Return

Merton Miller won a Nobel Prize for Economics in 1990 for his accomplishments in financial theory, including his simple but robust theorem which states that a company’s cost of capital equals an investor’s expected return.

As risk levels increase, so does the cost of doing business. These costs are included in a firm’s “cost of capital”. A company that could issue \$1 million in bonds at a 6% interest rate during good times may have to increase that rate to 10% in today’s environment, where un-

certainty is higher, in order to get people to step in and buy.

The same relationship holds true for stocks, which are just an alternative means of raising capital. During periods of high risk, rational investors require additional incentives to hold stocks in their portfolio. This incentive comes in the form of lower prices. However, lower prices alone are inadequate incentive for investors to buy – it does no good to buy stocks at low prices if they stay low forever. Investors buy at lower prices because the overall expected return has increased, which compensates the investor for assuming increased levels of risk.

David Booth, co-founder of Dimensional Fund Advisors, recently made the case for higher expected returns in the current environment by using the Gordon model of pricing, which is expressed as:

$$P = \frac{E}{R - g}$$

Where:

P=Price Level

E=Normalized Earnings

R=Cost of Capital

g=Constant Earnings Growth Rate

Booth discusses potential scenarios which could cause stock prices (P) to drop by 50%, which is how much the stock market has declined since the beginning of 2008. The upshot is that it is difficult to construct a reasonable scenario that cuts the price level in half and doesn’t also increase R, the cost of capital, which is the investor’s expected return.⁴

Expanding upon Miller’s original theorem, we can therefore say that Higher Risk = Higher Cost of Capital = Higher Expected Returns.

continued

³Standard deviation measures the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. In mathematical terms, standard deviation is calculated as the square root of variance.

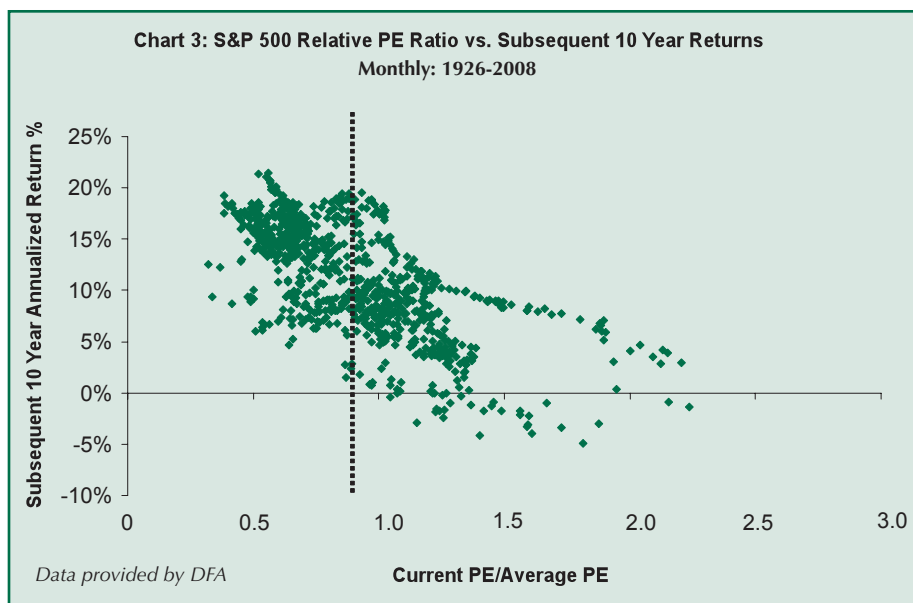
⁴We encourage you to visit our website at www.americaninvestment.com to view this article in its entirety.

Where Are We Today?

In Chart 3, we modified our original scatter plot by demarcating today's Relative PE level (0.88) as a vertical line. Of course we do not know the subsequent 10 year return, but the chart indicates that historically, whenever the Relative PE was at this level, the annual return for the S&P 500 over the next 10 years averaged 11.25%. While the past is no guarantee of future results, empirical evidence shows that future returns increase as relative valuations move lower.

It is entirely possible that news could grow worse than the market expects, in which case actual returns would fall below current expected returns. It is equally possible however that news could turn out to be better than anticipated, in which case actual returns will exceed current expected returns. These outcomes are evident in the dispersion of returns that fall on the vertical line. Historically, when the relative PE has been close to 0.88, 10 year returns have averaged 11.25%, but they have ranged roughly between 2.0% and 20%.

Incremental and systematic rebalancing of portfolios to target allocations



is the rational approach to portfolio management. This entails selling asset classes that have performed relatively well recently (bonds) and buying those that have underperformed (stocks). It is the proper strategy to follow in order to take advantage of the increased expected returns that the stock market offers during periods of low relative valuation.

To deviate from a carefully considered asset allocation plan is folly, and

the cost of straying is highest when the temptation to do so is greatest. Investors without an established allocation plan invariably fail. They shift away from stocks when fear and panic have driven prices down, often just when expected returns are highest, and they tend to shift into stocks when good news has pushed prices up and expected returns are lowest. We will continue our efforts to help you avoid these pitfalls.

WHAT TO DO WITH YOUR 401(K) WHEN YOU LEAVE AN EMPLOYER

The economic recession has swelled the ranks of the unemployed, job changers, and new retirees. Amidst the pressures of living without a regular paycheck, an often-overlooked issue for those affected by a change in employment status is what to do with a 401(k) plan from a previous job. Even after the severe market downturn, the amounts in these plans often represent a substantial chunk of retirement savings, so preserving assets and avoiding costly mistakes is critical. It is also important to review your options before you leave a job because once you make a decision it is often irreversible.

With some exceptions, companies pretty much have your money locked up as long as you are working for them. Once you leave your job, however, you can do whatever you want with it. The important thing to remember is to avoid the urge to take your distribution and use it to pay for college, buy a house or car, or just splurge on a vacation. If you tap your account early you will incur income taxes and possibly penalties, and you will no longer have the power of

tax-deferred accumulation of earnings on your side. This is retirement money and, with some exceptions, it should remain in some form of retirement plan.

There are several alternatives to emptying your nest egg that will keep your money growing tax-deferred as long as possible while avoiding taxes and penalties for early withdrawal.

Moving To a Rollover IRA

An IRA rollover is a way to transfer money tax-free from a 401(k) into another kind of retirement plan called a rollover IRA. The amount you roll over is not subject to current taxes and continues to accumulate tax-deferred until you take it out of the plan.

If you leave your job and wish to conduct a rollover, there are two ways to do it:

--**Indirect transfer.** With this type of rollover, you instruct your employer to send you a check for the amount in your 401(k) plan. You'll actually receive 20 percent less than that because com-

panies must withhold 20 percent of your money for income taxes. You must deposit the money into a rollover IRA within 60 days of receiving the check or the IRS will consider it a taxable distribution and the amount will be subject to income taxes plus a possible 10 percent early distribution penalty.

--**A trustee-to-trustee transfer.** In what is often called a direct rollover, you do not receive a check from your employer. Instead, the money in your 401(k) is wired directly from the employer to a brokerage firm, mutual fund company, or other trustee. The employer makes the distribution check payable to the new IRA custodian and you never get the tempting smell of the money on your hands. If an employer insists on mailing the check directly to the former employee the IRS says the 20 percent withholding rule does not apply, provided the check is made payable to the new IRA custodian.

Some people prefer an indirect transfer because it's like having a temporary loan for 59 days. But handled im-

properly, it can be an expensive option. Let's say you are rolling over a \$150,000 plan balance into an IRA, using the regular rollover method rather than a direct rollover. You receive a check from your employer for \$120,000 (\$150,000 less 20 percent withholding.) After 50 days you are ready to complete the transaction by depositing the \$150,000 into an IRA. However, due to withholding you only have \$120,000 in hand. You'll need to come up with the extra \$30,000 within the 60-day time frame. Otherwise, you will owe federal and possibly state income taxes, plus a possible early distribution penalty.

Stick With the Old Plan

If your 401(k) balance is over \$5,000 the employer must allow you to leave your money in the plan, if you elect to do so, until you reach normal retirement age (usually 65). Although the money will continue to grow tax-deferred, the investment menu is dictated by the employer and is often more limited than the choices in a rollover IRA.

However, if you think you may need to tap into the account before age 59 1/2--not an unlikely scenario if you have been laid off and have little or no income left to meet living expenses--keeping money in an employer plan may be preferable because it is easier to access than it would be in an IRA. If you are at least age 55 in the year of separation from service, you may take distributions from a company plan without penalty (although you will still need to pay income tax on the distribution). By contrast, any distributions you take from an IRA before age 59 1/2 may be subject to an early withdrawal penalty. You could also borrow from the 401(k) plan if you need to, something you cannot do with an IRA. The decision to leave the money with an employer is revocable, so you can transfer it somewhere else months, or even years, down the road. But you can't add any new contributions to the account.

Move to a New Employer's Plan

While most people associate a rollover with IRAs, you can also roll over the balance from a former employer's 401(k) to a new employer's 401(k). You might decide to do this if you have a job lined up, you like the new employer's investment options and don't mind selling your old investments, and you prefer

to keep your money in one place. Not all companies permit this option, so be sure to check with the new employer first.

Company Stock: A Special Case

It usually makes sense to keep your money in a tax-sheltered retirement plan through one of the options listed above. A possible exception is when your 401(k) is invested in the company stock of your employer.

If the stock has appreciated significantly, you can save on taxes by withdrawing the shares and putting them in a taxable account rather than rolling them over into an IRA with the rest of your money. By doing this, you pay ordinary income tax only on the cost basis of the stock. Any appreciated portion of the company stock is taxed at favorable capital gains rates when you sell it. You could sell the stock immediately upon retirement because the rule requiring you to hold shares for longer than one year to receive long-term capital gains treatment does not apply to stock distributions taken in this manner. If you decide to hold on to the stock, any additional appreciation would be taxed at long-term capital gains rates as long as the holding period exceeds one year. By contrast, if you rolled the shares into an IRA, you would not pay any tax immediately. But you would pay presumably higher income tax rates on the value of the stock when you take your money out.

Annuitize Your 401(k)

One way to avoid the 10 percent penalty when you take a distribution from a 401(k) or an IRA before age 59 1/2 is to annuitize by taking the withdrawals as part of what the IRS calls "a series of substantially equal periodic payments" at least annually. The payments must be made over the life expectancy of the account owner, or over the joint life expectancies of the account owner and designated beneficiary. The IRS provides guidance on computing payment amounts.

Other Considerations

Plan loans. Many people do not realize that when an employee leaves a job and has an outstanding loan balance in a 401(k), he needs to continue making loan payments, or the plan may require that it be paid back entirely. If the loan

defaults, the entire unpaid balance is reported as a taxable distribution subject to income tax and a 10 percent penalty for those under age 55. If you have been laid off or retire with an outstanding loan balance, discuss with your employer what you need to do to ensure the loan does not go into default status.

Creditor protection. A qualified employer plan may have more legal protection from creditors than an IRA, although IRA assets of up to \$1 million are protected from creditors under federal bankruptcy law.

Roth IRA conversion or Roth rollover. If you decide to roll over your 401(k) into a traditional IRA you have the option of converting it to Roth IRA later on. To do this you would need to pay income tax on the untaxed portion of the account at the time of conversion, but subsequent withdrawals of the remaining amount would be tax-free (although, because of special rules governing distributions from Roth IRA conversions, they could be subject to an early withdrawal penalty for those under age 59 1/2.) To be eligible to convert a traditional IRA to a Roth, a taxpayer's adjusted gross income must be \$100,000 or less. Starting in 2010, the income restriction is lifted.

Up until January 2008, you had to follow the two-step process outlined above of rolling over an employer plan to a traditional IRA, then converting to a Roth IRA. Now, you can skip the first part and roll assets from a qualified retirement plan directly into a Roth IRA, although you will still need to pay applicable income taxes and your modified adjusted gross income cannot exceed \$100,000. If your income is over the \$100,000 limit but you think you may wish to convert in the future, you could park your money in a traditional rollover account now and convert to a Roth beginning next year when the \$100,000 income limit disappears for rolling a traditional IRA or a 401(k) into a Roth IRA.

When you move your 401(k) directly to a Roth, the only portion of the distribution not subject to taxes are amounts attributable to after-tax contributions. Since direct rollovers from qualified employer plans to Roth IRAs are fairly new ground there may be complications involved with the separating and reporting of taxable monies from nontaxable after-tax contributions. If your account contains both, consult your tax advisor or plan custodian about your distribution options.

THE HIGH-YIELD DOW INVESTMENT STRATEGY

On March 16th Alcoa announced that it will reduce its quarterly dividend to \$0.03/share joining the list of firms in the high-yield Dow model that have reduced their dividend in recent months. Generally, it is unusual for firms in the Dow Jones Industrial Average to do so, but the economic recession has been severe, and in the face of slowing revenues many of these firm's have opted to scale back their payouts.

Much of the model's success is attributable to the fact that these firms have historically maintained a steady or increasing dividend stream. If a stock is purchased when its indicated dividend yield is relatively low (compared with other stocks in the model) and is later sold when its yield is relatively high, then its share price must have experienced a greater gain (or a smaller loss) compared with others.

In the past when firms have cut their dividend and their yields have fallen, many were sold over the ensuing 18 months not because of rising share prices but because of the reduced dividend. While these shares were often sold at a loss, this was not always the case. The market has at times reacted favorably to what investors perceived to be a financially prudent decision. We will not second-guess the model. Valuations have fallen sharply, and many prices are at their lowest levels in many years. Risk is high, as are expected returns.

INVESTMENT GUIDE subscribers can establish and maintain a portfolio simply by ensuring that their portfolios are allocated to reflect the percentage valuations listed in the table to the right. Each month this table will reflect the results of any purchases or sales called for by the model.

For investors who do not wish to manage their own accounts, we can manage an HYD portfolio on your behalf through our low-cost HYD investment service. Contact us at (413) 528-1216.

HYD: The Nuts and Bolts

Our HYD model began by incrementally "investing" a hypothetical sum of \$1 million over 18 months. Specifically, one eighteenth of \$1 million (\$55,000) was invested equally in each of the 4 highest-yielding issues in the Dow Jones Industrial Average each month, beginning in July 1962. Once fully invested (January 1964) the model began a regular monthly process of considering for sale only those shares purchased 18

months earlier, and replacing them with the shares of the four highest-yielding shares at that time. The model each month thus mechanically purchases shares that are relatively low in price (with a high dividend yield) and sells shares that are relatively high in price (with a low dividend yield), all the while garnering a relatively high level of dividend income. The model also makes monthly "rebalancing" trades, as required, in order to add to positions that have lagged the entire portfolio and sell positions that have done better.

For a thorough discussion of the strategy, we recommend AIER's booklet, "How to Invest Wisely," (\$12).

Of the four stocks eligible for purchase this month **Alcoa**, **DuPont** and **AT&T** were not eligible for purchase 18 months ago. HYD investors should find that the indicated purchases of Alcoa and DuPont and sales of **Pfizer**, **Citigroup**, **Altria Group** and **Philip Morris International** are sufficiently large to warrant trading. In larger accounts, rebalancing positions in **Verizon** and may be warranted.

Recommended HYD Portfolio

As of March 13, 2009

	Rank	Yield	Price	Status	Percent of Portfolio	
					Value	No. Shares ¹
Alcoa	1	11.87%	5.73	Buying	4.99	10.72
DuPont	2	8.41%	19.49	Buying	4.36	2.76
AT&T Corp.	3	6.76%	24.27	Buying	13.12	6.66
Verizon	4	6.48%	28.40	Holding**	23.01	9.98
Caterpillar	5	6.27%	26.78			
Merck & Co.	6	5.62%	27.07			
American Express	7	5.50%	13.09			
Kraft	8	5.15%	22.53			
Boeing	9	5.03%	33.40			
Pfizer	10	4.40%	14.54	Selling	30.71	26.02
General Electric	13	4.16%	9.62	Holding	6.11	7.83
Citigroup	23	2.25%	1.78	Selling	3.00	20.77
Bank of America	29	0.69%	5.76	Holding	5.60	11.97
Altria Group	NA		16.68	Selling	2.17	1.60
Philip Morris Int'l	NA		36.01	Selling	4.68	1.60
Fairpoint	NA		0.49	Selling	0.00	0.09
Cash (6-mo. T-Bill)	NA				2.26	--
					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.

Hypothetical Returns: HYD and Relevant Indices

The total returns presented in the table below represent changes in the value of a hypothetical HYD portfolio with a beginning date of January 1979 (the longest period for which data was available for the HYD model and relevant indexes). See the accompanying text for a description of the model's construction.

Hypothetical Total Returns (percent, through February 28, 2009)*

	1 mo.	1 yr.	5 yrs.	10 yrs.	20 yrs.	Since 1/79	Std. Dev.
HYD Strategy	-14.99	-50.97	-6.37	1.78	10.84	14.30	18.06
Russell 1000 Value Index	-13.36	-47.35	-6.65	-1.23	7.37	10.78	14.77
Dow	-11.24	-40.65	-5.50	-0.62	8.46	NA	NA

*Data assume all purchases and sales at mid-month prices (+/- \$0.125 per share commissions), reinvestment of all dividends and interest, and no taxes. The 5-, 10- and 20-year total returns are annualized, as is the standard deviation of those returns since January 1979, where available. Model HYD calculations are based on hypothetical trades following a very exacting stock-selection strategy, and are gross of any management fees. They do not reflect returns on actual investments or previous recommendations of AIS. Past performance may differ from future results. Historical performance results for investment indexes and/or categories generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment-management fee, the incurrence of which would have the effect of decreasing historical performance results.

RECENT MARKET STATISTICS

Precious Metals & Commodity Prices (\$)

	3/13/09	Mo. Earlier	Yr. Earlier
Gold, London p.m. fixing	928.00	935.50	1003.50
Silver, London Spot Price	13.11	13.37	20.41
Copper, COMEX Spot Price	1.66	1.54	3.85
Crude Oil, W. Texas Int. Spot	46.24	37.50	110.20
Dow Jones Spot Index	245.67	249.82	435.51
Dow Jones-AIG Futures Index	105.94	108.16	215.83
Reuters-Jefferies CRB Index	211.08	213.14	416.40

Interest Rates (%)

U.S. Treasury bills - 91 day	0.19	0.29	1.16
182 day	0.41	0.45	1.29
52 week	0.66	0.60	1.37
U.S. Treasury bonds - 10 year	2.89	2.89	3.44
Corporates:			
High Quality - 10+ year	5.51	5.32	5.48
Medium Quality - 10+ year	8.45	8.13	6.86
Federal Reserve Discount Rate	0.50	0.50	3.50
New York Prime Rate	3.25	3.25	6.00
Euro Rates			
3 month	1.70	2.00	4.61
Government bonds - 10 year	3.07	3.34	3.79
Swiss Rates - 3 month	0.46	0.50	2.82
Government bonds - 10 year	2.12	2.02	2.96

Exchange Rates (\$)

British Pound	1.397200	1.442200	2.029400
Canadian Dollar	0.784191	0.804182	1.013479
Euro	1.289100	1.287900	1.560400
Japanese Yen	0.010200	0.010889	0.009980
South African Rand	0.100025	0.100659	0.126523
Swiss Franc	0.841751	0.863483	0.992851

Securities Markets

	3/13/09	Mo. Earlier	Yr. Earlier
S & P 500 Stock Composite	756.55	826.84	1,288.14
Dow Jones Industrial Average	7,223.98	7,850.41	11,951.09
Dow Jones Bond Average	202.59	212.23	206.08
Nasdaq Composite	1,431.50	1,534.36	2,212.49
Financial Times Gold Mines Index	2,285.90	2,489.64	3,553.88
FT EMEA (African) Gold Mines	2,352.96	2,219.62	2,837.59
FT Asia Pacific Gold Mines	9,045.33	9,865.68	16,248.63
FT Americas Gold Mines	1,923.89	2,201.82	3,147.78

Coin Prices (\$)

	3/13/09	Mo. Earlier	Yr. Earlier	Prem (%)
American Eagle (1.00)	936.78	954.97	994.92	0.95
Austrian 100-Corona (0.9803)	870.42	888.03	942.42	-4.32
British Sovereign (0.2354)	214.95	219.25	232.55	-1.60
Canadian Maple Leaf (1.00)	929.18	947.28	991.70	0.13
Mexican 50-Peso (1.2057)	1,072.90	1,094.50	1,161.60	-4.11
Mexican Ounce (1.00)	910.00	927.90	963.60	-1.94
S. African Krugerrand (1.00)	927.85	945.95	972.65	-0.02
U.S. Double Eagle-\$20 (0.9675)				
St. Gaudens (MS-60)	1,320.00	1,145.00	1,022.50	47.02
Liberty (Type I-AU50)	1,350.00	1,170.00	1,060.00	50.36
Liberty (Type II-AU50)	1,315.00	1,142.50	1,012.50	46.46
Liberty (Type III-AU50)	1,277.50	1,115.00	990.00	42.29
U.S. Silver Coins (\$1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	10,425.00	10,400.00	13,900.00	11.22
40% Silver Circ. (292 oz.)	3,712.50	3,975.00	5,577.50	-3.02
Silver Dollars Circ.	12,875.00	12,575.00	15,475.00	26.95

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at \$928 per ounce and silver at \$13.11 per ounce. The weight in troy ounces of the precious metal in coins is indicated in parentheses.

THE DOW JONES INDUSTRIALS RANKED BY YIELD*

Ticker Symbol	Market Prices (\$)			12-Month (\$)		Latest Dividend Record			Indicated Annual Yield†		
	3/13/09	2/13/09	3/14/08	High	Low	Amount (\$)	Date	Paid	Dividend (\$)	(%)	
Alcoa	AA	5.73	7.48	38.39	44.77	4.97 L	0.170	2/06/09	2/25/09	0.680	11.87
DuPont	DD	19.49	22.40	46.98	52.49	16.05 L	0.410	2/13/09	3/13/09	1.640	8.41
AT&T (New)	T	24.27	24.19	35.03	40.70	20.90	0.410	1/09/09	2/02/09	1.640	6.76
Verizon	VZ	28.40	29.56	33.82	39.94	23.07	0.460	4/9/09	5/01/09	1.840	6.48
Caterpillar	CAT	26.78	30.94	74.79	85.96	21.71 L	0.420	1/20/09	2/20/09	1.680	6.27
Merck	MRK	27.07	28.75	40.97	45.73	20.05 L	0.380	3/06/09	4/01/09	1.520	5.62
American Express	AXP	13.09	15.74	41.01	52.63	9.71 L	0.180	1/09/09	2/10/09	0.720	5.50
Kraft	KFT	22.53	25.20	29.87	34.97	20.81 L	0.290	3/25/09	4/08/09	1.160	5.15
Boeing	BA	33.40	40.48	76.23	88.29	29.05 L	0.420	2/06/09	3/06/09	1.680	5.03
Pfizer***	PFE	14.54	14.58	20.64	21.60	11.62 L	0.160			0.640	4.40
Home Depot, Inc.	HD	20.71	21.22	25.75	30.74	17.05	0.225	3/12/09	3/26/09	0.900	4.35
3M Company	MMM	48.00	49.42	77.53	83.22	40.87 L	0.510	2/20/09	3/12/09	2.040	4.25
General Electric	GE	9.62	11.44	33.82	38.52	5.73 L	0.100			0.400	4.16
Chevron	CVX	62.91	69.73	85.34	104.63	55.50	0.650	2/17/09	3/10/09	2.600	4.13
Coca-Cola	KO	41.22	43.85	57.53	61.90	37.44 L	0.410	3/15/09	4/01/09	1.640	3.98
McDonald's	MCD	52.38	56.81	54.78	67.00	45.79	0.500	3/02/09	3/16/09	2.000	3.82
Intel Corp	INTC	14.70	13.88	20.66	25.29	12.05 L	0.140	2/07/09	3/01/09	0.560	3.81
United Tech.	UTX	40.57	47.09	67.71	75.86	37.40 L	0.385	2/20/09	3/10/09	1.540	3.80
Johnson & Johnson	JNJ	50.64	57.10	62.65	72.76	46.25 L	0.460	2/24/09	3/10/09	1.840	3.63
Procter and Gamble	PG	46.95	51.09	66.74	73.57	43.93 L	0.400	1/23/09	2/17/09	1.600	3.41
Microsoft Corp.	MSFT	16.65	19.09	27.96	32.10	14.87 L	0.130	5/21/09	6/18/09	0.520	3.12
Exxon Mobil	XOM	67.20	74.59	85.91	96.12	56.51 L	0.400	2/10/09	3/10/09	1.600	2.38
Citigroup	C	1.78	3.49	19.78	27.35	.97 L	0.010	2/02/09	2/27/09	0.040	2.25
Wal-Mart Stores	WMT	49.19	46.35	49.82	63.85	46.25	0.273	12/11/09	1/04/10	1.090	2.22
IBM	IBM	90.36	93.84	115.23	130.93	69.50	0.500	2/10/09	3/10/09	2.000	2.21
Walt Disney	DIS	17.13	18.52	30.78	35.02	15.14 L	0.350	12/15/08	1/20/09	0.350	2.04
Hewlett-Packard	HPQ	29.45	35.87	45.92	49.97	25.39 L	0.080	3/11/09	4/01/09	0.320	1.09
J P Morgan	JPM	23.75	24.69	36.54	50.63	14.96 L	0.050	4/06/09	4/30/09	0.200	0.84
Bank of America**	BAC	5.76	5.57	35.69	43.46	2.53 L	0.010	3/06/09	3/27/09	0.040	0.69
General Motors	GM	2.72	2.50	19.22	24.24	1.27 L	0.000	7/15/08	7/15/08	0.000	0.00

* See the Recommended HYD Portfolio table on page 6 for current recommendations. † Based on indicated dividends and market price as of 3/15/09.

Extra dividends are not included in annual yields. H New 52-week high. L New 52-week low. (s) All data adjusted for splits and spin-offs. 12-month data begins 2/16/08.

**Bank of America agreed with the U.S. Treasury on 1/16/2009 to limit its dividend payment to \$0.01 per share per quarter for next three years.

*** Pfizer announced on 01/26/09 that it will reduce its quarterly dividend payment to \$0.16/share.

RECOMMENDED INVESTMENT VEHICLES

Ticker Symbol	Avg. Market Cap. / Avg. Maturity	No. of Holdings	Descriptive Quarterly Statistics, as of 12/31/08			Ratios	Turnover (%)	P/B	12 Mo. Yield (%)	Annualized Returns (%), as of 2/28/09				
			Expense (%)	Sharpe	Turnover (%)					1 yr.	5 yr.	Total 3 yr.	1 yr. After Tax*	3 yr.
Short/Intermediate Fixed Income														
Vanguard Short-Term Bond Index	2.8 Yrs.	966	0.11	--	79	--	--	3.69	2.28	--	--	0.98	--	
Vanguard Short-Term Bond Index	2.8 Yrs.	966	0.18	0.69	79	--	--	3.78	2.22	5.47	3.66	0.93	3.94	
iShares Barclays 1-3 Yr. Credit Bond	2.1 Yrs.	120	0.20	na	64	--	4.10	1.74	-1.74	--	--	-3.12	--	
iShares Barclays 1-3 Year Treasury	1.8 Yrs.	41	0.15	1.07	76	--	3.41	3.22	3.22	5.67	3.73	2.02	4.24	
Vanguard Limited-Term Tax-Exempt	2.6 Yrs.	805	0.15	-0.10	32	--	3.35	4.36	4.36	3.92	2.73	4.36	3.92	
Real Estate														
Vanguard REIT Index	4.9 B.	98	0.10	-0.33	13	2.1	8.22	-56.99	-56.99	-24.75	--	-57.57	-25.64	
Vanguard REIT Index	4.9 B.	98	0.20	-0.33	13	2.1	8.06	-57.45	-57.45	-24.84	-8.49	-58.03	-25.70	
U.S. Large Cap Value														
Vanguard Value Index	43.6 B.	411	0.10	-0.72	20	1.7	4.23	-46.15	-46.15	-16.61	-6.37	-46.42	-16.97	
Vanguard Value Index	43.6 B.	411	0.20	-0.72	20	1.7	4.09	-46.19	-46.19	-16.69	-6.45	-46.45	-17.03	
U.S. Small Cap Value														
iShares Russell Microcap Index	0.2 B.	1336	0.60	-0.82	21	1.0	1.31	-47.46	-47.46	-23.56	--	-47.56	-23.66	
Vanguard Small-Cap Value Index	1.3 B.	986	0.11	-0.58	34	1.3	3.08	-45.44	-45.44	-19.21	-6.76	-45.80	-19.62	
Vanguard Small-Cap Value Index	1.3 B.	986	0.22	-0.58	34	1.3	2.90	-45.54	-45.54	-19.30	-6.86	-45.87	-19.69	
U.S. Large Cap Growth														
iShares Russell 1000 Growth Index	26.6 B.	644	0.20	-0.72	16	2.6	1.67	-40.07	-40.07	-13.46	-6.50	-40.18	-13.61	
Vanguard Growth Index	34.8 B.	399	0.22	-0.70	23	3.1	1.29	-39.91	-39.91	-13.05	-6.07	-40.00	-13.17	
U.S. Marketwide														
Vanguard Total Stock Market Index	25.4 B.	3502	0.07	-0.70	4	2.1	3.50	-43.14	-43.14	-15.16	-6.15	-43.33	-15.41	
Fidelity Spartan Total Market Index	22.0 B.	3241	0.10	-0.71	4	1.6	2.55	-43.32	-43.32	-15.19	-6.14	na	na	
Foreign-Developed Markets														
iShares MSCI Growth Index	22.9 B.	494	0.40	-0.39	37	2.4	3.00	-48.87	-48.87	-13.66	--	-48.94	-13.75	
iShares MSCI Value Index	21.3 B.	568	0.40	-0.49	28	1.1	4.86	-51.37	-51.37	-17.09	--	-51.46	-17.36	
Vanguard Europe Pacific Index	28.3 B.	996	0.12	--	6	1.9	3.42	-49.88	-49.88	--	--	-50.04	--	
Vanguard Tax-Managed International	28.3 B.	996	0.15	-0.43	6	1.9	3.31	-50.43	-50.43	-15.47	-3.44	-50.59	-15.67	
Vanguard Developed Markets Index	35.0 B.	1011	0.22	-0.44	7	2.3	5.29	-50.17	-50.17	-15.45	-3.46	-50.66	-16.02	
Foreign-Emerging Markets														
Vanguard Emerging Market Index	14.1 B.	837	0.25	-0.18	9	2.1	5.00	-56.22	-56.22	-12.58	--	-56.54	-12.96	
Vanguard Emerging Market Index	14.1 B.	838	0.37	-0.17	9	2.1	4.70	-56.48	-56.48	-12.82	2.45	-56.79	-13.18	
Gold-Related Funds														
iShares COMEX Gold Trust	--	1	0.40	--	--	--	0.00	-3.54	-3.54	18.33	--	-3.54	18.33	
streetTRACKS Gold Shares	--	1	0.40	--	--	--	0.00	-2.40	-2.40	19.16	--	-2.40	19.16	

Data provided by the funds and Morningstar. *Exchange Traded Fund, traded on NYSE. †Exchange Traded Fund, traded on AMEX. ‡1% fee for redemption in 1 yr. †0.5% fee for redemption in 90 days. ‡1% fee for redemption in 5 yrs. ‡2% fee for redemption in 60 days. ‡0.5% fee for purchase and 0.5% fee for redemption. * Calculated using the highest individual federal income tax rates in effect at the time of each distribution and do not reflect the impact of state and local taxes and individual tax situations. † Dividend shown is after 15% Canadian tax withholding. ‡ Not subject to U.K. withholding tax.

Recommended Gold-Mining Companies (\$)

Ticker Symbol	Year	52-Week		Distributions	Yield (%)
		High	Low		
Anglogold Ltd., ADR + Barrick Gold Corp.	3/13/09	33.85	13.37	Last 12 Months	0.2874
Gold Fields Ltd.	3/13/09	29.65	17.27	Frequency	0.0973
Goldcorp, Inc.	3/13/09	12.44	4.64	0.4000	1.3491
Newmont Mining	3/13/09	29.61	13.84	0.1836	1.4759
	3/13/09	38.54	21.17	0.4000	0.5167

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.