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Wholly Owned by the
American Institute for Economic Research

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John L. Barry, ChFC
President and Chief Executive Officer

To all of our clients:

Capital markets provided additional gains in the fourth quarter, topping off a year which brought double-digit total returns among all of our recommended asset classes, with the exception of fixed income which nonetheless registered a respectable 4.69 percent gain.

Among the many lessons conveyed in 2009, perhaps the two most important concerned discipline and the role of gold. The rout that occurred in 2008 accelerated early in the year. By mid-March the U.S. stock market was in free fall as equities (measured by the Dow Jones Wilshire 5000 index) lost 33 percent of their value in less than ten weeks. Amidst the panic we did not waiver, but instead adhered to the target allocations we established, and by year-end our approach was vindicated.

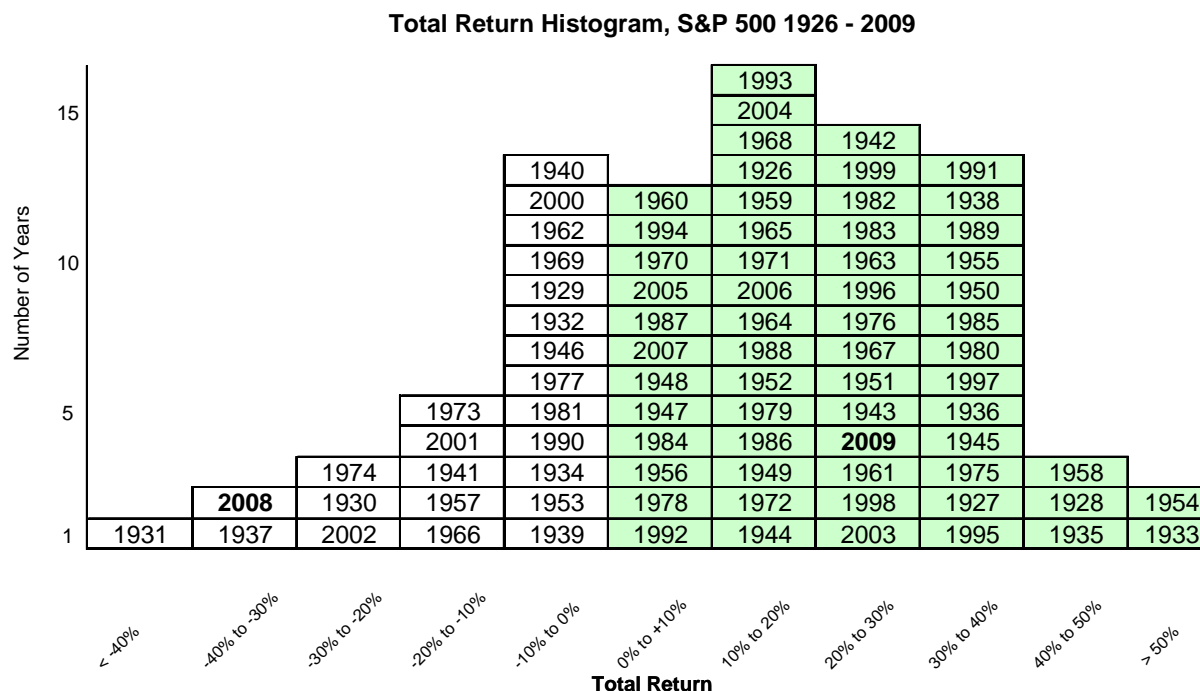
The role of gold as a form of portfolio insurance was tested and confirmed. During the “booming 1990s” gold had taken a back seat as the economy prospered and common stocks provided double digit annual returns on a routine basis. Throughout that euphoric era we were among a dwindling number of money managers who recommended gold as protection against accelerated monetary inflating and sudden financial crisis.

The wisdom of our approach has since been rewarded. Though gold was characteristically volatile throughout the turbulent first decade of the new millennium, it outperformed our other recommended asset classes by wide margin (see “The Decade at a Glance” in the December 2009 *Investment Guide*). During 2009, even after the immediate concerns over the global financial crisis had subsided, demand remained strong as investors turned to gold as a form of hard currency in the face of central banks’ vast expansion of global liquidity (monetary inflating) and soaring fiscal budget deficits. Now that gold has proven its worth we suspect it may be even more widely embraced as a cornerstone of portfolio construction as the world awakens (belatedly) to the inherent deficiencies of fiat currencies.

Total Returns: Representative PAM Indexes (%)						
Asset Class	Benchmark	1Q 2009 01/01/09- 03/31/09	2Q 2009 04/01/09- 06/30/09	3Q 2009 07/01/09- 09/30/09	4Q 2009 10/01/09- 12/31/09	1 Yr. 12/31/08- 12/31/09
Short/Intermediate Fixed Income	Lehman Bros/ Merrill Lynch 1-5 Yr. Gov/Credit Index	0.53	1.46	2.20	0.44	4.69
Real Estate	Dow Jones Wilshire REIT Index	-33.92	31.46	35.44	9.18	28.46
U.S. Small Cap Value	Russell 2000 Value Index	-19.64	17.99	22.70	3.62	20.56
U.S. Large Cap Value	Russell 1000 Value Index	-16.77	16.69	18.24	4.22	19.69
U.S. Large Cap Growth	Russell 1000 Growth Index	-4.12	16.33	13.96	7.94	37.20
Foreign Developed Markets	MSCI EAFE Index	-13.85	25.85	19.52	2.22	32.46
Foreign Emerging Markets	MSCI Emerging Markets Index	1.02	34.84	21.04	8.58	79.02
Gold Related	Gold London PM Fix	5.38	1.96	6.55	9.21	25.04

The histogram below shows the distribution of returns for the U.S. stock market (measured by the S&P 500 index) over the past 84 years ending December 31, 2009. This depiction demonstrates at least two important points. First, the randomness of returns from year-to-year is evident; there is no discernable “momentum” in returns from year to year. This was demonstrated most vividly in calendar years 2008 and 2009 (in bold face type), when the market’s second worst on record (a 37 percent loss) was followed by a 26.5 percent gain. Second, over 12 month periods positive returns are predominant; the chart is skewed because there have been 60 years of market gains (depicted in green) and only 24 years with losses. There is a third important point the chart does not capture: the magnitude of the market’s gains in positive years on average exceeds the magnitude of losses during negative years. The average (arithmetic) return during positive years was +22.02 percent versus -13.61 percent during negative years.

Overall, these factors have resulted in an average (geometric) annual return over the period of +9.81 percent and a median return of +13.39 percent.



Underlying data provided by Dimensional Fund Advisors and Standard and Poor's.

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Our hypothetical high-yield Dow (HYD) model provided a total return of 11.04 percent for the year. The model fell well short of its benchmark indexes in the first quarter because it had greater exposure to banking stocks relative to the indexes. Over the next three quarters the model's relative performance rebounded. The HYD approach, over longer time spans, has held up well in both relative and absolute terms (see the current *Investment Guide* for the most recent long term data).

Total Returns (%)	1Q 2009 01/01/09-03/31/09	2Q 2009 04/01/09-06/30/09	3Q 2009 07/01/09-09/30/09	4Q 2009 10/01/09-12/31/09	1 Yr. 12/31/08-12/31/09
HYD Model	-23.83	15.66	16.55	8.13	11.04
Dow Jones Industrial Avg.	-12.48	11.96	15.82	8.10	22.69
S&P 500 Index	-11.01	15.93	15.61	6.04	26.46
Russell 1000 Value Index	-16.77	16.69	18.24	4.22	19.69
Lipper Large Cap Value Index	-11.75	16.34	15.90	5.02	24.96

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The ongoing debate over the shape of financial regulatory reform prompts us to remind you of our fiduciary responsibility as your investment advisor. Registered Investment Advisers (RIAs) and Broker-Dealers (BDs) are held to very different standards of care and duties of loyalty in delivering services to clients. This has led to considerable confusion for investors, and efforts to address the problem appear headed in the wrong direction.

An RIA, as a fiduciary, is subject to a principles-based standard that requires the RIA to act in its clients' best interests at all times. Specifically, an RIA must put his clients' interest before his own, control expenses, avoid conflicts of interest, manage conflicts of interest in such a manner that the client understands the conflict and can give informed consent, disclose all fees and compensation in writing, and inform clients of available alternatives.

BDs on the other hand, are not fiduciaries and are held to a much lower "suitability standard" in their relationships with customers. Most BD transactions fall under commercial contract law. Broker dealers must only demonstrate that their recommended investments are "suitable" for their clients, a standard of care that falls far short of the "best interest" standard with to which RIAs are bound.

Unfortunately current efforts in Congress to address this problem may result in more harm than good. The Senate appears poised to vote on a new "harmonized" federal fiduciary standard for both BDs and RIAs that would dilute the definition of what it means to be a fiduciary. *We reject this "one step forward two steps back" approach. It is a political ploy designed to appease the BDs powerful lobby while creating the illusion of genuine reform. Our standards will not be compromised. Regardless of the law that might emerge we will adhere to the higher standard of care to which we have always been bound, and employ only those practices that are in your best interest.*

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As always, please feel free to contact us with any questions or concerns.

Sincerely,



John L. Barry, ChFC
President and CEO, American Investment Services, Inc.

Although we may list unsupervised assets in your account for you as a courtesy, they are not deemed managed assets and, therefore, AIS does not assume responsibility for buying, selling, or holding these securities. The value of these securities is not included in the calculation of your management fee. • It is your responsibility to promptly inform AIS of any material change in your stated objectives for your accounts and to consult with AIS at least annually to provide updated information, if any, about your financial circumstances and investment objectives. • All investment strategies have the potential for profit or loss. Changes in investment strategies, contributions or withdrawals may materially alter the performance, strategy and results of your portfolio. • Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client's investment portfolio. • Past performance may not be indicative of future results. Therefore, no current or prospective client should assume that the future performance of any specific investment, investment strategy (including the investments and/or investment strategies recommended by the adviser), or product made reference to directly or indirectly, will be profitable or equal to past performance level. • 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 your portfolio reflect the reinvestment of dividends and capital gains.