250 Division Street
Great Barrington, MA 01230
413-528-1216
413-528-0008 Fax
www.americaninvestment.com

AIS
American Investment Services, Inc

Wholly Owned by the
American Institute for Economic Research

To all of our clients: July 2011

Most of our recommended asset classes ended the second quarter close to where they began. The stock market is a leading indicator of the business cycle and it therefore reacts quickly to news relevant to prospects for economic growth. News for the quarter was mixed at best, and the markets generally responded in kind.

In the U.S., the S&P 500 fell for six consecutive weeks, but later recovered. Large cap stocks fared slightly better than small caps, while growth stocks similarly edged out value stocks. Markets were unnerved by weak labor and housing markets. Corporations, lenders and consumers continued to hoard cash, forestalling prospects for a robust economic recovery. The re-emergence of the Greek debt crisis and the approaching deadline for increasing the U.S. federal debt limit contributed to general unease.

Foreign developed and emerging market stocks also finished the quarter flat. Commercial real estate (REITs) provided a nearly four percent return, while gold was the best-performing asset class, as the London PM fix ended the quarter at $1,505.50 per ounce.

Total Returns: Representative PAM Indexes (%)

Asset Class	Benchmark	3Q 2010 07/01/10-09/30/10	4Q 2010 10/01/10-12/31/10	1Q 2011 1/1/11-3/31/11	2Q 2011 4/1/11-6/30/11	1 Yr. 07/01/10-6/30/11
Short/Intermediate Fixed Income	Barcalys Capital / Merrill Lynch 1-5 Yr. Gov/Credit Index	1.71	-0.56	0.31	1.48	2.96
Real Estate	Dow Jones US Select REIT Index	13.22	7.45	6.70	3.97	34.95
U.S. Small Cap Value	Russell 2000 Value Index	9.72	15.36	6.60	-2.65	31.35
U.S. Large Cap Value	Russell 1000 Value Index	10.13	10.54	6.46	-0.51	28.94
U.S. Large Cap Growth	Russell 1000 Growth Index	13.00	11.83	6.03	0.76	35.01
Foreign Developed Markets	MSCI EAFE Index	16.53	6.65	3.45	1.83	30.93
Foreign Emerging Markets	MSCI Emerging Markets Index	18.16	7.36	2.10	-1.04	28.17
Gold Related	Gold London PM Fix	5.06	7.54	2.38	4.62	21.02

Over the past three months the hypothetical returns from our 4-for-18 High Yield Dow model came in slightly higher than other large-cap value indexes.

Total Returns (%)	**3Q 2010 07/01/10-09/30/10**	**4Q 2010 10/01/10-12/31/10**	**1Q 2011 1/1/11-3/31/11**	**2Q 2011 4/1/11-6/30/11**	**1 Yr. 07/01/10-6/30/11**
HYD Model	20.83	6.69	6.66	2.06	40.33
Dow Jones Industrial Avg.	11.13	8.04	7.07	1.42	30.37
S&P 500 Index	11.29	10.76	5.92	0.10	30.69
Russell 1000 Value Index	10.13	10.54	6.46	-0.5	28.94
Lipper Large Cap Value Index	10.29	10.34	5.86	-0.37	28.35

We would like to take this opportunity to keep you apprised of exciting developments at AIS and at AIER. We are happy to say that we have largely avoided the economic malaise that has affected the broader economy. As the second quarter drew to a close our assets under management reached an all-time high of $500 million, and we now serve 305 households who have come to appreciate our patient and prudent approach to portfolio management.

To accommodate this growth we are reorganizing our work processes and expanding our staff. We anticipate improved efficiencies in our trading and account management procedures that will allow greater staff specialization and ultimately, a better service experience for you.

The need for sound economic research and education has never been greater and AIER is ambitiously, but prudently, expanding its staff to meet that need. Most notably Steven Cunningham, PhD., joined AIER as Director of Research and Education late in 2010. Steve is well suited to extend AIER's heritage of independent, objective empirical research. His background is in mathematics as well as economics and he most recently served as an Associate Professor in the University of Connecticut's Department of Economics, where he oversaw the Master Degree Program in Economics and was founder and first director of the Connecticut Center for Economic Analysis. Steve has brought a renewed focus on financial market research to AIER in recent months and AIS has already benefited from his brief tenure.

We are confident you will prosper from these efforts. Please feel free to contact us with any questions or concerns.

Sincerely,

John L. Barry

John L. Barry, ChFC, President & CEO

- 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 AIS Moderate Portfolio is comprised of the following index series: (BofA ML Three Month T-Bill: 10%, BofA ML Corp./Gov. 1-5 Year: 30%, DJ US Select REIT Index: 10%, Russell 1000 Value Index: 20%, Russell 2000 Value Index: 7%, DFA US Micro-Cap Portfolio: 3%, Russell 1000 Growth Index: 5%, MSCI EAFE Index: 7%, MSCI Emerging Markets Index: 3%, London Gold PM Fix Price: 5%. Source for index data: DFA Returns Program, Kitco (London PM fix).
- "Back testing" is a process of objectively simulating historical investment returns by applying a set of rules and hypothetically investing in the securities or asset classes that are chosen. The performance of the investment allocation shown is a hypothetical example of the performance of the allocation found in a back test, using a stated initial value, if the investment allocation had been in existence and employed for the period specified and does not reflect actual results. Back testing is designed to allow investors to understand and evaluate certain strategies by seeing how they would have performed hypothetically during certain time periods.
- The results portrayed in this portfolio reflect the reinvestment of dividends and capital gains.