

AIS

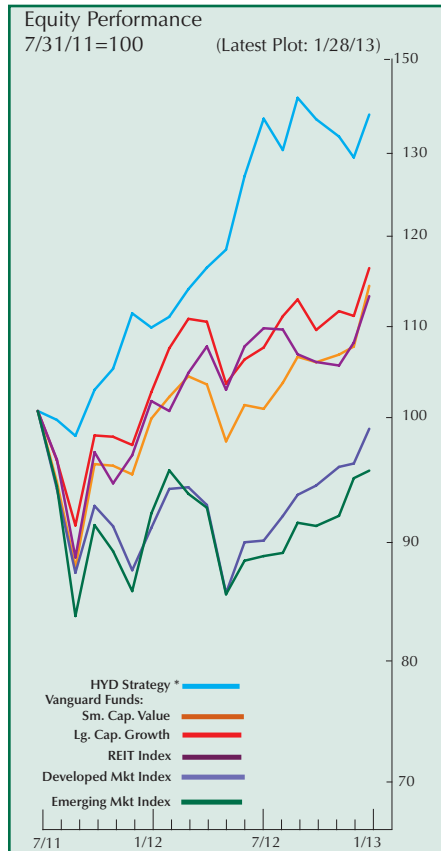
INVESTMENT GUIDE

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* HYD is a hypothetical model based on back-tested results. See p.6 for more information.

New Year's Resolutions

Investors who heeded our simple, timeless principles and followed our recommended allocations would have generated respectable returns during 2012. This is also true for longer time periods (see page 2 for hypothetical returns on our recommended portfolios).

- I will understand my own circumstances and formulate an investment plan based on my needs, not in anticipation of market trends.
- I will remind myself that investing is not a form of entertainment—if I have an urge to gamble, I will go to Las Vegas.
- I will stick to my plan.
- I will not attempt to pick winning stocks.
- I will ensure that my holdings are adequately diversified within each asset class I own.
- I will focus on minimizing my investment-related costs.
- I will stay abreast of changes in investment-related tax laws.
- I will not purchase any financial instrument I do not understand.
- I will ignore money managers or others selling products rather than advice.
- I will ignore market prognosticators.
- I will take full advantage of my qualified retirement plans by making the maximum allowable contributions consistent with my budget.
- I will hold my least tax-efficient assets in my tax-deferred accounts.
- I will rebalance my portfolio infrequently, but at regular intervals regardless of the current state of the markets.
- I will not allow the price I have paid for a security to influence my future investment decisions—except for tax considerations regarding capital gains and losses.
- At year end I will harvest tax losses simply and without deviating from my target portfolio allocations, by selling and buying index-type funds within the same asset class.
- I will appreciate the simplicity of the AIS approach; instead of worrying about factors that are not within my control, I will establish my plan and turn my attention to enjoying life.

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.

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QUARTERLY REVIEW OF CAPITAL MARKETS¹

As the New Year begins we reflect upon 2012 as a year in which the bond market did not crash, U.S. government finances did not “go over a cliff”, and the Chinese economy and stock market did not collapse. The re-election of President Obama did not doom the U.S. stock market, and the euro was not abandoned. Unfortunately any one of these overblown threats could have, and probably did cause undisciplined investors to miss out on the solid returns generated among our recommended asset classes, depicted below.

Despite these impressive returns the year was unremarkable in that it only served to demonstrate, yet again, that prognosticators and pundits are of little value to investors who look to capital markets as a source of long-term wealth.

Though the full year was kind to investors, fourth quarter returns proved to be a mixed bag among our recommended asset classes. U.S. stocks generally ended in positive territory, though they were outperformed by foreign equities in both emerging and developed countries. Gold was down

while short-term bonds managed to provide small gains.

We have made no changes to our recommended allocations, which can be found in the accompanying AIS Model Portfolios table.

Cash and Equivalent Assets²

The Fed Funds rate remained at 0.25 percent during the quarter. Minutes from the Fed’s Open Market Committee (FOMC) on December 11 indicate that the rate is likely to remain low through mid-2015, reiterating earlier policy. The FOMC announced that it would continue to target a low rate as long as the unemployment rate remains above 6.5 percent and expected inflation over two years remains below 2.5 percent.

Yields on short-term instruments had changed little by quarter-end. One-year Treasury yields remained essentially unchanged, closing the quarter at 0.16 percent while three-month Treasury bills were paying 0.10 percent.

The latest emanations from the Fed suggest that monetary easing will continue to the tune of \$85 billion per

month in bond purchases, half of which will be comprised of mortgage-backed securities. This would add roughly \$1 trillion to the Fed’s balance sheet over the next 12 months. Whether this will translate to a higher rate of consumer price inflation will depend on money velocity, which is the rate of spending on new goods and services.

At year-end price inflation measured 1.74 percent, based on the year-over-year change in the CPI. During the month of November, AIER’s Everyday Price Index (EPI), which measures prices for goods and services that consumers purchase on a day-to-day basis, fell by 1.8 percent. The drop was largely attributable to a decline in gasoline prices. On a 12 month basis, however the EPI registered a two percent increase.

In summation, after accounting for inflation investors continued to earn negative returns on CDs, Treasury bills and on their money market accounts during the quarter and the full year. We nevertheless continue to urge caution; liquidity is extremely important and most investors should avoid the temptation to reduce these cash equivalent holdings in

AIS Model Portfolios¹ For the Period Ending December 31, 2012

Asset Class	Index	Recommended Percentage Allocations ²			Asset Class Statistics: Risk and Return (%)			
		Conservative	Moderate	Aggressive	Total Return (annualized)	Std. Dev. (annualized)		
					1 Year	10 Year	20 year	20 year
Cash & Equivalent Assets (3)	3 Month CD Index	20	10	0	0.35	2.13	3.46	0.66
Short/Int. Fixed Income	Barclays Capital 1-5 Yr Govt/Cred	40	30	0	2.24	3.72	5.16	2.21
Real Estate	DJ US Select REITs Index	10	10	10	17.12	11.48	10.92	20.99
U.S. Large Cap Growth	Russell 1000 Growth Index (USD)	5	5	10	15.26	7.52	7.12	17.42
U.S. Large Cap Value	Russell 1000 Value Index (USD)	15	20	30	17.51	7.38	9.08	14.99
U.S. Small Cap Value	Russell 2000 Value Index (USD)	5	7	13	18.05	9.50	10.18	17.39
	DFA US Micro Cap Portfolio (USD)	0	3	7	18.24	10.42	11.00	21.00
Foreign Developed Markets	MSCI EAFE Index (USD) Gross Div	5	7	13	17.90	8.70	6.48	17.02
Foreign Emerging Markets	MSCI Emg. Mkts. Index (USD) Gross Div	0	3	7	18.63	16.88	8.82	24.10
Gold Related	Gold (London PM Fix Price)	0	5	10	8.26	16.93	8.36	16.04
	Total	100	100	100				

Model Portfolio Statistics⁴: Risk, Return (%) and Growth

	Conservative	Moderate	Aggressive
Portfolio Return 1 Year	6.89	9.67	15.89
Portfolio Return 10 Year (annualized)	6.06	7.92	9.91
Portfolio Return 20 Year (annualized)	6.64	7.75	9.04
Portfolio Standard Deviation 20 Year (annualized)	5.24	7.62	13.28
Growth of \$100 over 20 Years	\$362	\$445	\$565

1 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 the AIS), or product made reference to directly or indirectly, will be profitable or equal to past performance levels. Historical performance results for individual 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. Model 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 6.

3 Investors should maintain cash balances adequate to cover living expenses for up to 6 months in addition to the cash levels indicated.

4 Model portfolio returns reflect the deduction of 0.68% management fee, the rate charged to \$500,000 account by AIS.

pursuit of higher yields.

Fixed Income

The yield curve for U.S. Treasuries (see chart on page 4) became slightly steeper during the quarter. The difference in yield between 10-year U.S. Treasury bonds and one-month U.S. Treasury bills was 1.76 percent at the end of the fourth quarter, compared to 1.59 percent at the end of the third quarter. However, compared with a year ago the curve flattened slightly, as yields were mostly lower for bonds with maturities greater than two years.

During the quarter investors displayed an appetite for yield and a willingness to assume greater credit risk, generally following the trend for the full year. Emerging market debt and high-yield debt (i.e. junk bonds) were in demand. During the quarter high-yield bonds returned 3.2 percent versus -0.01 percent for U.S. Treasuries (all maturities). For the full year high-yield debt delivered an impressive 15.6 percent return, dwarfing the two percent return on Treasuries.

Investment-grade credit spreads (the difference in yield between high-quality corporate bonds and Treasury securities) fell during the quarter. Investment grade bonds returned 1.1 percent for the quarter and 9.4 percent for the full year.

Municipal bonds, which provide tax-free interest, returned 0.7 percent for the quarter and 6.8 percent for the 12 months. U.S. Treasury Inflation Protected Securities (TIPS) outpaced conventional Treasuries handily, with returns of 0.7 percent for the quarter and 7.0 percent for all of 2012.

Short-term Treasuries, high-quality corporate and municipal bonds have traditionally served as a source of portfolio stability and positive real returns. The Fed's persistent emphasis on maintaining low short term rates and

inflating the money supply, however, may continue to imperil prospects for earning positive inflation-adjusted returns. Nevertheless, bonds remain the best tool available for investors seeking to offset the volatility inherent in common stocks, so we do not recommend that investors alter their current allocations between bonds and stocks, even in the face of heightened prospects for accelerated price inflation. Investors most concerned about an unexpected surge in consumer prices should consider altering the allocation within their bond portfolios to favor TIPS.

Real Estate³

After lagging the broad market earlier in the year U.S. Real Estate Investment Trusts (equity REITs) rebounded during the fourth quarter. Investors were rewarded with a 3.11 percent return over the three months, and garnered a 19.7 percent return for the full 12 months.

At year-end REITs had an indicated dividend yield of 3.5 percent. REITs have historically provided a dependable source of dividend income, because in order to avoid taxation of earnings at the entity level, REITs must distribute at least 90 percent of income generated (from rents) in the form of a dividend.

REITs provide valuable portfolio diversification because their returns have typically exceeded price inflation by a wide margin but have not been highly correlated with either stocks or bonds. This was demonstrated again during the past 12 months and empirical evaluation suggests it will persist over the long term.

U.S. Equities⁴

The broad U.S. market was flat during the fourth quarter, registering a total return of only 0.25 percent. Investors had to contend with the

U.S. presidential election and its aftermath, including the inability of U.S. policymakers to agree on a strategy for fiscal sustainability. Other worries included the Euro zone, which fell into recession and a devastating hurricane on the U.S. east coast. The full year, however, was strong by historical standards, as the broad U.S. market was up by more than 16 percent.

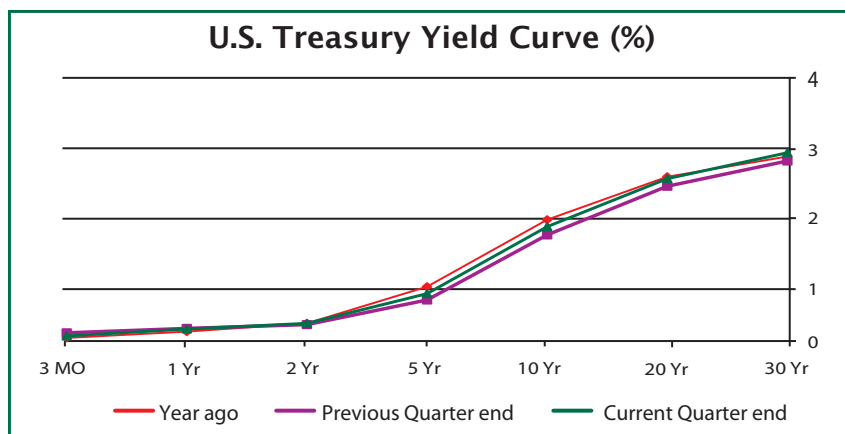
For the quarter, asset class returns ranged from 3.22 percent for small cap value stocks to -1.32 percent for large cap growth stocks. Large cap value stocks provided a 1.52 percent return while small growth shares returned 0.45 percent. Among industries financial stocks and industrial stocks performed best, while telecommunications and information technology stocks lagged.

Over the full year, asset class returns ranged from 18.05 percent for small cap value stocks to 14.59 percent for small cap growth stocks. Value outperformed growth among large stocks as well, with returns of 17.51 percent and 15.26 percent, respectively. There was hardly any distinction along the market capitalization (size) risk dimension, as small caps trailed large caps by 0.10 percent. The strongest sectors for the full year were financials and consumer discretionary stocks. The weakest sectors were utilities and energy.

The hypothetical returns of our high-yield Dow model (a large cap value alternative) fell short of its benchmark indexes during the fourth quarter, but over the course of the year provided a total return of nearly 16 percent and a steady stream of dividend income (see page 6 for more detail). The model has also become more broadly diversified. It now includes seven stocks in four industries compared with only four stocks in two industries just twelve months ago.

(continued next page)

	Total Return (%)												Entire Period 1Q 2010- 4Q 2012
	2010				2011				2012				
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
Barclay Capital 1-5 Yr. Govt./Credit	1.20	1.78	1.66	-0.60	0.27	1.49	0.91	0.43	0.54	0.59	0.89	0.20	8.45
Vanguard REIT Index	10.02	-4.01	13.10	7.42	6.50	3.51	-14.59	15.20	10.71	3.70	-0.07	2.44	48.66
Vanguard Value Index	6.16	-10.93	9.71	10.17	7.02	-0.64	-15.53	12.44	10.58	-2.46	5.74	0.83	25.04
High-Yield Dow 4/18	1.81	-8.97	20.83	6.69	6.66	2.05	-7.58	17.17	2.48	11.29	7.05	-5.01	60.41
Vanguard Small Cap Value Index	10.15	-10.15	10.68	13.95	6.88	-1.87	-20.67	15.18	12.08	-3.15	5.45	3.57	28.76
Vanguard Growth Index	4.85	-12.16	13.37	12.02	4.95	0.91	-13.40	10.90	15.22	-3.92	6.78	-1.11	32.62
Vanguard Developed Markets Index	1.26	-14.61	17.60	6.74	3.08	2.12	-20.11	4.01	11.54	-6.86	6.35	7.56	11.41
Vanguard Emerging Markets Index	2.47	-9.12	18.74	7.49	1.78	-0.97	-23.97	5.99	13.94	-8.41	6.45	6.80	11.77
Gold (London PM Fix)	2.57	11.52	5.06	7.54	2.38	4.62	7.61	-5.49	8.59	-3.85	11.10	-6.67	48.59



International Equities⁵

Foreign developed market stocks delivered a 5.8 percent dollar-denominated return during the fourth quarter, the strongest among all of our recommended equity asset classes. Developed markets were also very strong for all of 2012, with a 16.6 percent return. Not all developed countries are alike, however; the dispersion among countries' returns was wide. Greece rebounded with a 17.9 percent return during the three months, leading all developed market countries, while Canada managed only a 0.2 percent return. For the full year dispersion was even greater; the difference between the best (Belgium) and worst (Israel) performers was 33 percent. Currency fluctuations hurt U.S. investors in the

fourth quarter, as a stronger dollar reduced returns by 1.1 percent. For the full year, however, the dollar was generally weaker, reducing returns on developed market shares by 0.2 percent.

Developed market value stocks returned 6.96 percent for the quarter and 17.29 percent for the full year, while growth shares returned 4.90 percent for the quarter and 15.48 percent for the year. Within the size dimension, large stocks outperformed small stocks for the quarter (5.93 percent versus 4.84).

Emerging market stocks provided very strong fourth quarter dollar-denominated returns of 5.58 percent, and during all of 2012 returned 18.7 percent. Emerging market growth stocks outperformed their value counterparts during the quarter (6.42 percent versus 4.70 percent) as well as for the full year

(20.56 percent versus 15.87 percent). Along the size spectrum, large caps edged out small caps by 0.30 percent during the quarter, but small caps outpaced large caps by four percent for the full year.

Gold Related Assets⁶

The gold price fell 6.67 percent over the final three months of 2012. Gold began the quarter at \$1,776 per ounce and ranged between \$1,651 and \$1,792 before closing the year at \$1,657. For the full year gold returned 8.26 percent.

Gold continued to demonstrate its value as a form of portfolio insurance during the year. Its returns continued to indicate very low correlation with the returns of our other recommended asset classes. Though gold produces no income, research suggests it serves well during times of extreme financial distress such as the housing crisis and subsequent stock market decline that occurred between 2007 and 2009. We contend that investors regard gold as a form of money that, unlike the world's government-issued currencies, cannot be created and easily devalued by policymakers.

Gold is a volatile asset, and should be held only in modest proportion. The AIS Model Portfolios table on page 2 can serve as a guideline for investors with varying ability to withstand risk and market fluctuations.

1 This article contains information provided by The Vanguard Group, Fidelity Investments and Dimensional Fund Advisors as well as data obtained from several index providers.

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. U.S. Treasuries: Barclays U.S. Treasury Index. Corporate (investment grade) bonds: Barclays Credit Index; Municipal bonds: Barclays Municipal Bond Index; TIPS: Barclays U.S. TIPS Index. High Yield: BofA ML U.S. High Yield Master II Index

3 REIT data provided by National Association of Real Estate Trusts (NAREIT). (FTSE NAREIT All Equity REIT Index)

4 U.S. Market: Russell 3000 Index. Small cap value stocks: Russell 2000 Value Index, Large cap stocks: Russell 1000 Growth & Russell 1000 Value Indices. Small cap stocks: Russell 2000 index. Sector returns represented by S&P 500 sectors

5 Source: Dimensional Fund Advisors and Fidelity Management and Research Company: 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 Emerging Markets Index, Small Cap MSCI Emerging Market Small Cap Index. Non-U.S. developed market stocks MSCI World ex USA. 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 2012, all rights reserved. Currency data: Dimensional Fund Advisors, Oanda.com.

6 All gold prices and returns based on London PM fix.

TAX CHANGES: THE IMPACT ON INDIVIDUAL INVESTORS

Although Congress averted a tumble over the fiscal cliff with last-minute action, we would like you to be aware of the impact of the bill — known as the American Taxpayer Relief Act of 2012 — that was signed into law on January 2.¹

We have compiled an overview of the key provisions of this new law.

- **A Tax Increase on the Highest Incomes in 2013.** Although most taxpayers avoided a tax increase, rates did rise for top earners. Taxpayers (including those who receive income through partnerships and S corporations) who earn more than \$400,000 (\$450,000 for married taxpayers filing jointly) have a marginal tax rate of 39.6 percent. All other existing rates remain the same.
- **Higher Capital Gains Rates for Top Earners.** The same individuals who are subject to the new 39.6 percent top rate on income now face a 20 percent rate on capital gains and dividends, up from 15 percent. Taxpayers in the 10 percent and 15 percent income brackets have a zero capital gains rate and those in the middle will continue to pay 15 percent.

- **Higher Personal Exemptions Phase-out Levels.** The phase-out levels for personal exemptions and itemized deduction have been raised to \$300,000 for married couples and surviving spouses and \$250,000 for individuals.
- **Permanent AMT Inflation Indexing.** The alternative minimum tax originally was intended to prevent high-income individuals from avoiding taxes. In the absence of a patch for last year, more than 60 million middle-income taxpayers might have been subject to the AMT on their 2012 income. After years of last-minute AMT “patches,” the new law permanently indexes the AMT to inflation starting in tax year 2012. For income you earned in 2012, the exemptions are \$50,600 for individuals and \$78,750 for married taxpayers filing jointly.
- **Restoration of the Full Rate for Social Security and Medicare Taxes.** The law did not extend the 2 percent cut for the employees’ portion of the Social Security payroll tax, which

means it will go back to the full rate of 6.2 percent on income up to \$113,700 in 2013.

- **Clarity on Estate and Gift Taxes.** After years of uncertainty in this area, the new law holds the estate and gift-tax exclusion at \$5 million, indexed for inflation (\$5.12 million in 2012). The top tax rate jumped to 40 percent from 35 percent as of Jan. 1, 2013, but without this change, it would have soared to 55 percent with a \$1 million exclusion amount. The act made permanent the estate tax portability election, which allows a surviving spouse to use a deceased spouse’s unused exemption amount.
- **Marriage Penalty Relief Retained.** Certain taxpayers filing jointly will no longer have to worry about paying more than if they filed as single taxpayers; joint filers also will enjoy a larger standard deduction.
- **Education Tax Benefits Extended.** Many deductions for education expenses were set to expire at the end of last year, but they will remain in

place under the new law. For example, the law extends the deduction for qualified education expenses through 2013 and retroactively for the 2012 tax year.

- **Conversions to Roth Retirement Plans.** The new law allows participants in an employer-sponsored 401(k) to transfer any amount to a Roth 401(k) — the funds will be taxed upon conversion.
- **Tax Relief for Mortgage Loan Modifications.** Taxpayers struggling to pay their mortgages, or whose home values have fallen below their purchase price, were given another year of tax relief on any qualifying “indebtedness income” they may receive as a result of a loan modification or short sale on their principal residence.

Also, taxpayers who have net investment income beginning in 2013 will face a 3.8 percent surtax on categories of certain unearned income, potentially increasing the total tax rate to 43.4 percent. This tax was slated to go into effect as a result of health care reform.

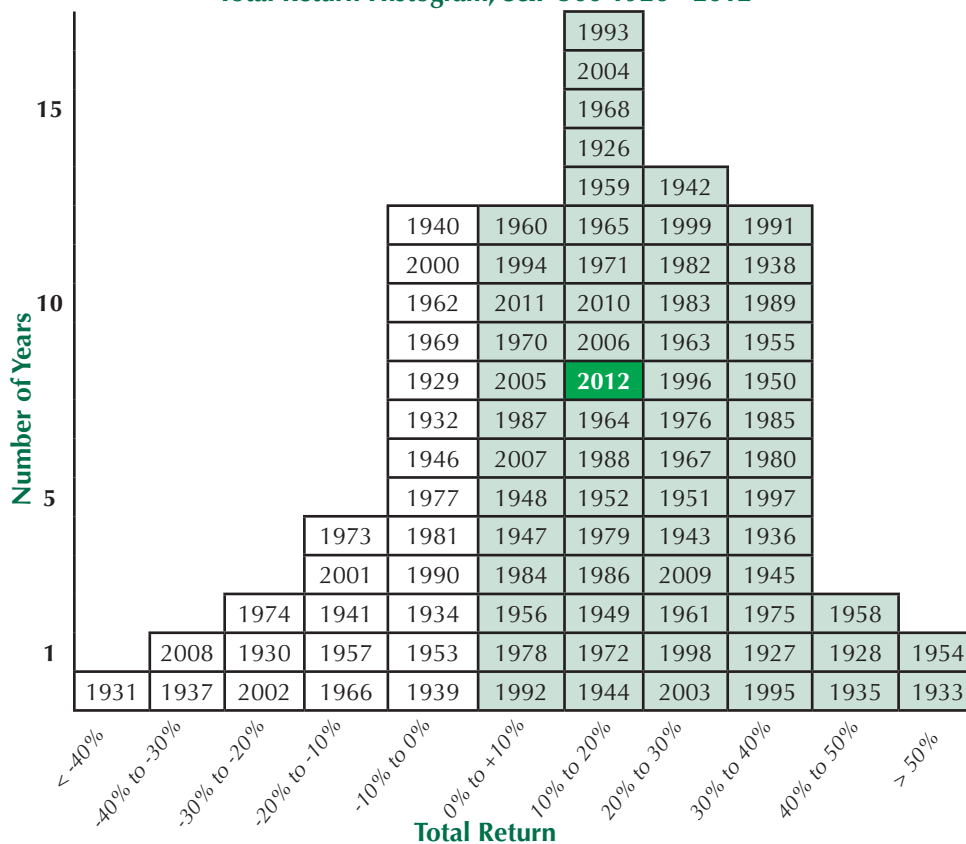
1 Adapted from materials provided by the American Institute of Certified Public Accountants

87 YEARS OF U.S. STOCK MARKET RETURNS

The histogram shown depicts the distribution of returns for the U.S. stock market (measured by the total annual returns on the S&P 500 index) since 1926. This presentation makes at least two important points. First, the randomness of returns is evident; there is no discernible “momentum” in annual returns from year-to-year. Second, over 12 month periods positive returns are predominant; there have been 63 years of market gains (depicted in green) and only 24 years with losses. There is a third important point that is not as obvious: 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 +21.50 percent versus -13.61 percent during negative years.

Overall, these factors have resulted in an average (geometric) annual return over the period of 9.84 percent and a calendar year median return of +14.32 percent.

Total Return Histogram, S&P 500 1926 - 2012



THE HIGH-YIELD DOW INVESTMENT STRATEGY

Recommended HYD Portfolio

As of January 15, 2013

	Rank	Yield (%)	Price (\$)	Status	---Percent of Portfolio---	
					Value (%)	No. Shares (%) ¹
AT&T	1	5.33	33.76	Holding**	23.86	23.55
Verizon	2	4.91	41.97	Holding**	23.69	18.81
Intel	3	4.11	21.88	Buying	7.59	11.56
Merck & Co.	4	4.01	42.87	Holding**	22.18	17.24
Dupont	5	3.72	46.25	Holding	1.57	1.13
Pfizer	6	3.61	26.62	Selling	19.36	24.23
Hewlett Packard	12	3.19	16.53	Holding	1.73	3.48
Cash (6-mo. T-Bill)	N/A	N/A	N/A		0.02	--
Totals					100.00	100.00

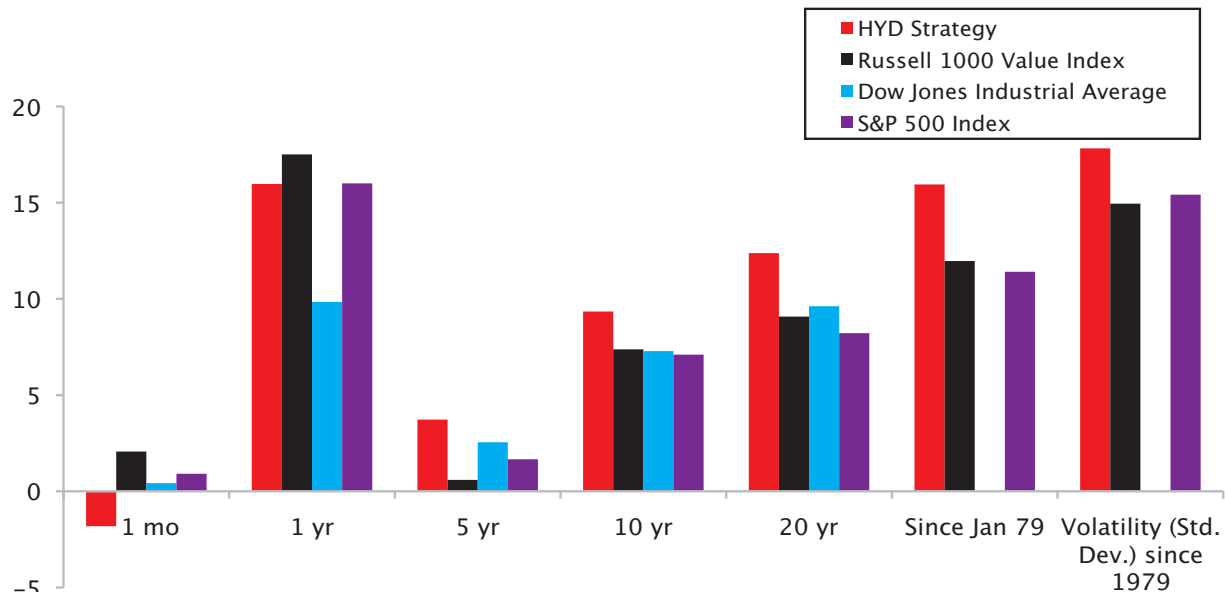
**Currently indicated purchases approximately equal to indicated purchases 18 months ago. ¹ Because the percentage of each issue in the portfolio by value reflects the prices shown in the table, we are also showing the number of shares of each stock as a percentage of the total number of shares in the entire portfolio.

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 December 31, 2012*. Returns for the 5-, 10- and 20-year periods are annualized, as is the volatility (standard deviation) of returns. (January 1979 earliest date for which data was available for both the HYD model and relevant benchmark indexes).

	<u>1 mo.</u>	<u>1 yr.</u>	<u>5 yrs.</u>	<u>10 yrs.</u>	<u>20 yrs.</u>	<u>Since Jan 79</u>	<u>Volatility (Std. Dev.) since 1979</u>
HYD Strategy	-1.81	15.97	3.73	9.34	12.38	15.95	17.82
Russell 1000 Value Index	2.07	17.51	0.59	7.38	9.08	11.97	14.95
S&P 500 Index	0.91	16.00	1.66	7.10	8.22	11.41	15.41
Dow Jones Industrial Average	0.42	9.84	2.55	7.28	9.62	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. 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 0.55% management fee, the annual rate assessed to a \$500,000 account managed through our High Yield Dow investment service.

RECENT MARKET STATISTICS

Precious Metals & Commodity Prices (\$)

	1/15/13	Mo. Earlier	Yr. Earlier
Gold, London p.m. fixing	1,680.50	1,696.25	1,635.50
Silver, London Spot Price	31.19	32.52	29.64
Copper, COMEX Spot Price	3.62	3.67	3.63
Crude Oil, W. Texas Int. Spot	93.27	86.72	98.69
Dow Jones Spot Index	442.14	443.37	423.05
Dow Jones-UBS Commodity Index	139.92	140.54	140.51
Reuters-Jefferies CRB Index	298.10	295.34	307.70

Interest Rates (%)

U.S. Treasury bills - 91 day	0.09	0.04	0.03
182 day	0.11	0.09	0.06
52 week	0.14	0.13	0.10
U.S. Treasury bonds - 10 year	1.86	1.72	1.89
Corporates:			
High Quality - 10+ year	3.74	3.66	3.81
Medium Quality - 10+ year	4.67	4.62	5.13
Federal Reserve Discount Rate	0.75	0.75	0.75
New York Prime Rate	3.25	3.25	3.25
Euro Rates			
3 month	0.20	0.18	1.26
Government bonds - 10 year	1.49	1.34	1.84
Swiss Rates - 3 month	0.02	0.01	0.06
Government bonds - 10 year	0.67	0.50	0.68

Exchange Rates (\$)

British Pound	1.608900	1.613900	1.530100
Canadian Dollar	1.016360	1.014200	0.975991
Euro	1.334200	1.313400	1.268200
Japanese Yen	0.011280	0.011970	0.013000
South African Rand	0.113570	0.115900	0.122860
Swiss Franc	1.078200	1.087400	1.048880

Securities Markets

	1/15/13	Mo. Earlier	Yr. Earlier
S & P 500 Stock Composite	1,472.34	1,413.58	1,289.09
Dow Jones Industrial Average	13,534.89	13,135.01	12,422.06
Dow Jones Bond Average	322.41	321.76	293.44
Nasdaq Composite	3,110.78	2,971.33	2,710.67
Financial Times Gold Mines Index	2,791.14	2,824.97	3,505.08
FT EMEA (African) Gold Mines	2,561.24	2,640.02	3,313.66
FT Asia Pacific Gold Mines	11,043.79	11,815.56	15,244.37
FT Americas Gold Mines	2,428.14	2,425.55	2,981.88

Coin Prices (\$)

	1/15/13	Mo. Earlier	Yr. Earlier	Prem (%)
American Eagle (1.00)	1,742.80	1,767.70	1,687.80	3.71
Austrian 100-Corona (0.9803)	1,633.82	1,657.82	1,583.03	-0.82
British Sovereign (0.2354)	406.00	411.80	396.60	2.63
Canadian Maple Leaf (1.00)	1,712.30	1,737.10	1,660.20	1.89
Mexican 50-Peso (1.2057)	2,013.10	2,042.70	1,950.60	-0.65
Mexican Ounce (1.00)	1,690.20	1,714.80	1,638.30	0.58
S. African Krugerrand (1.00)	1,713.18	1,737.97	1,658.47	1.94
U.S. Double Eagle-\$20 (0.9675)				
St. Gaudens (MS-60)	1,825.00	1,900.00	1,690.00	12.25
Liberty (Type I-AU50)	2,075.00	2,075.00	1,975.00	27.62
Liberty (Type II-AU50)	1,937.50	1,942.50	1,855.00	19.17
Liberty (Type III-AU50)	1,785.00	1,875.00	1,670.00	9.79
U.S. Silver Coins (\$1,000 face value, circulated)				
90% Silver Circ. (715 oz.)	23,012.50	23,575.00	21,187.50	3.19
40% Silver Circ. (292 oz.)	9,162.50	9,587.50	8,437.50	0.60
Silver Dollars Circ.	28,625.00	28,500.00	24,037.50	18.64

Note: Premium reflects percentage difference between coin price and value of metal in a coin, with gold at \$1,680.50 per ounce and silver at \$31.19 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 (\$)		Amount (\$)	Latest Dividend		Indicated		
	1/15/13	12/14/12	1/13/11	High	Low		Record Date	Payable Date	Annual Dividend (\$)	Yield†	
AT&T	T	33.76	34.01	30.07	38.58	29.02	0.450	1/10/13	2/1/13	1.800	5.33
Verizon	VZ	41.97	44.21	38.92	47.32	36.80	0.515	1/10/13	2/1/13	2.060	4.91
Intel Corp	INTC	21.88	20.53	25.14	29.27	19.23	0.225	11/07/12	12/1/12	0.900	4.11
Merck	MRK	42.87	43.54	38.32	48.00	36.91	0.430	12/17/12	1/8/13	1.720	4.01
Dupont	DD	46.25	44.09	48.40	53.98	41.67	0.430	11/15/12	12/14/12	1.720	3.72
Pfizer	PFE	26.62	25.18	21.84	26.88	20.75	0.240	2/01/13	3/5/13	0.960	3.61
General Electric	GE	21.20	21.62	18.84	23.18	18.02	0.190	12/24/12	1/25/13	0.760	3.58
Microsoft Corp.	MSFT	27.21	26.81	28.25	32.95	26.26	0.230	2/21/13	3/14/13	0.920	3.38
Johnson & Johnson	JNJ	72.37	70.69	65.26	72.79	61.71	0.610	2/26/13	3/12/13	2.440	3.37
McDonald's	MCD	91.51	88.88	100.35	102.22	83.31	0.770	12/03/12	12/17/12	3.080	3.37
Procter and Gamble	PG	69.88	69.93	65.81	70.99	59.07	0.562	1/18/13	2/15/13	2.248	3.22
Hewlett-Packard	HPQ	16.53	14.75	26.49	30.00	11.35	0.132	12/12/12	1/2/13	0.528	3.19
Chevron	CVX	113.44	107.82	106.09	118.53	95.73	0.900	11/16/12	12/10/12	3.600	3.17
Coca-Cola	KO	37.32	37.66	66.99	79.36	35.58	0.255	11/30/12	12/17/12	1.020	2.73
Cisco	CSCO	20.98	19.86	19.06	21.30	14.96	0.140	11/29/12	12/19/12	0.560	2.67
J P Morgan	JPM	46.35	42.81	35.92	46.49	30.83	0.300	1/04/13	1/31/13	1.200	2.59
Exxon Mobil	XOM	89.53	88.08	84.88	93.67	77.13	0.570	11/09/12	12/10/12	2.280	2.55
Boeing	BA	76.94	74.02	74.60	78.02	66.82	0.485	2/15/13	3/8/13	1.940	2.52
United Tech.	UTX	85.96	79.98	76.08	87.50	70.71	0.535	11/16/12	12/10/12	2.140	2.49
Travelers	TRV	75.56	73.37	59.37	75.71	55.86	0.460	12/10/12	12/31/12	1.840	2.44
3M Company	MMM	97.29	92.28	83.60	97.40	81.99	0.590	11/23/12	12/12/12	2.360	2.43
Wal-Mart Stores	WMT	68.98	68.75	59.54	77.60	57.18	0.398	12/07/12	1/2/13	1.590	2.31
Caterpillar	CAT	95.67	89.00	102.48	116.95	78.25	0.520	12/24/12	12/31/12	2.080	2.17
Home Depot, Inc.	HD	63.95	62.06	43.51	65.92	43.52	0.290	11/29/12	12/13/12	1.160	1.81
IBM	IBM	192.50	191.76	179.16	211.79	179.32	0.850	11/09/12	12/10/12	3.400	1.77
Unitedhealth Group	UNH	53.62	54.05	52.70	60.75	49.82	0.213	12/11/12	12/21/12	0.850	1.59
Walt Disney	DIS	51.09	48.67	38.40	53.40	38.38	0.750	12/10/12	12/28/12	0.750	1.47
Alcoa	AA	8.92	8.74	9.80	10.92	7.97	0.030	11/02/12	11/25/12	0.120	1.35
American Express	AXP	60.76	56.65	49.76	61.97	48.84	0.200	1/04/13	2/8/13	0.800	1.32
Bank of America	BAC	11.55	10.58	6.61	12.20	6.44	0.010	12/07/12	12/28/12	0.040	0.35

* See the Recommended HYD Portfolio table on page 6 for current recommendations. † Based on indicated dividends and market price as of 1/15/13.

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 1/16/12.

I Dividend increased since 12/15/12 D Dividend decreased since 12/15/12

RECOMMENDED INVESTMENT VEHICLES

Descriptive Quarterly Statistics, as of 12/31/12

Annualized Returns⁴ (%), as of 12/31/12

Security Symbol	Avg. Market Cap./Avg. Maturity	No. of Holdings	Expense ³ (%)	Sharpe Ratio	Turnover (%)	P/B	12 Mo. Yield (%)	Annualized Returns ⁴ (%)					
								1 yr.	3 yr.	5 yr.	1 yr. After Tax*	3 yr.	5 yr.
Short-/Intermediate Fixed Income													
Vanguard Short-Term Bond Index	2.8 Yrs.	1468	0.22	2.03	67	--	1.44	1.95	2.94	3.70	1.38	2.21	2.78
iShares Barclays 1-3 Yr. Credit Bond	1.9 Yrs.	770	0.20	1.68	8	--	1.57	3.28	2.77	3.73	2.71	2.05	2.73
iShares Barclays 1-3 Year Treasury	1.8 Yrs.	54	0.15	1.55	72	--	0.37	0.31	1.32	2.20	0.18	1.06	1.65
Vanguard Limited-Term Tax-Exempt	2.7 Yrs.	1870	0.20	1.80	15	--	1.85	1.77	2.48	3.18	1.77	2.48	3.18
SPDR N.B. Short-Term Municipal Bond	3.1 Yrs.	384	0.20	1.19	23	--	1.21	1.29	2.06	3.28	0.84	1.87	3.17
Inflation-Protected Fixed Income													
iShares Barclays TIPS Bond	9.2 Yrs.	36	0.20	1.86	15	--	2.21	6.80	8.71	6.89	5.97	7.57	5.52
Vanguard Inflation-Protected Securities	9.4 Yrs.	34	0.20	1.89	28	--	2.49	6.78	8.68	6.68	5.64	7.46	5.48
Real Estate													
Vanguard REIT Index	8.10 B	113	0.24	0.98	10	2.3	3.42	17.53	17.82	5.94	16.11	16.55	4.65
SPDR Dow Jones REIT	9.46 B	84	0.25	0.97	7	2.3	3.05	16.80	17.68	5.04	15.55	16.39	3.62
U.S. Large Cap Value													
Vanguard Value Index	48.01 B	429	0.24	0.70	23	1.6	2.59	15.00	9.90	0.32	14.55	9.49	-0.09
iShares Russell 1000 Value Index	37.80 B	696	0.20	0.72	21	1.5	2.30	17.28	10.66	0.48	16.31	10.11	0.00
U.S. Small Cap Value													
iShares Russell Microcap Index	0.29 B	1331	0.60	0.61	31	1.4	1.95	19.42	11.65	0.96	18.60	11.25	0.67
Vanguard Small-Cap Value Index	1.40 B	1026	0.24	0.70	30	1.3	2.48	18.56	12.35	4.66	17.98	11.87	4.19
U.S. Large Cap Growth													
iShares Russell 1000 Growth Index	45.09 B	572	0.20	0.74	19	4.0	1.66	15.03	11.14	2.95	14.36	10.77	2.66
Vanguard Growth Index	49.26 B	411	0.24	0.74	23	3.6	1.37	16.89	11.61	3.17	16.65	11.41	2.99
U.S. Marketwide													
Vanguard Total Stock Market Index	32.92 B	3276	0.17	0.74	5	2.1	2.02	16.25	11.18	2.18	15.90	10.87	1.87
Fidelity Spartan Total Market Index	31.47 B	3310	0.10	0.75	17	2.0	1.87	16.29	11.30	2.14	15.96	10.99	1.83
Foreign-Developed Markets													
iShares MSCI EAFE Growth Index	30.65 B	523	0.40	0.35	26	2.2	2.32	16.54	4.59	-3.18	15.53	4.18	-3.46
iShares MSCI EAFE Value Index	34.01 B	509	0.40	0.23	27	1.0	3.81	17.52	2.09	-4.40	15.82	1.41	-4.87
Vanguard MSCI EAFE	29.40 B	890	0.11	0.29	5	1.3	3.00	18.60	4.00	-3.24	18.06	3.65	-3.54
Vanguard Developed Markets Index	29.17 B	934	0.20	0.29	8	1.3	3.47	18.83	4.10	-3.33	18.05	3.51	-3.90
SPDR S&P International Small Cap	1.04 B	837	0.59	0.43	2	1.0	2.70	15.72	6.71	-1.28	14.61	6.05	-1.73
Foreign-Emerging Markets													
Vanguard Emerging Market Stock Idx	19.05 B	888	0.33	0.31	8	1.6	2.04	18.64	4.63	-1.00	18.06	4.27	-1.38
Gold-Related Funds													
iShares Gold Trust	--	1	0.25	0.83	--	--	0.00	8.37	14.64	14.41	8.37	14.64	14.41
SPDR Gold Shares	--	1	--	0.82	--	--	0.00	5.27	14.21	14.29	5.27	14.21	14.29

Recommended Gold-Mining Companies (\$)

Ticker Symbol	Month Earlier	Year Earlier	52-Week		Dividends Paid Last 12 Months	Payment Schedule	Yield (%)
			High	Low			
AU	29.55	29.90	47.17	28.61	0.5607	Quarterly	1.8975
ABX	34.59	34.23	50.39	31.00	0.6375	Quarterly	1.8430
GFI	12.19	11.70	16.97	11.09	0.4963	Semiannual	4.0714
GG	37.48	36.82	50.74	31.54	0.4633	Monthly	1.2360
NEM	45.19	44.29	64.43	42.95	1.4000	Quarterly	3.0980

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.

Data provided by the funds and Morningstar. ¹Exchange Traded Fund, traded on NYSE. ²0.5% fee for redemption in 90 days. ³For Vanguard funds, Expense Ratios shown are for Mutual Funds. ETFs have lower expenses. ⁴For Vanguard Funds, returns shown are for Mutual Funds; ETFs' returns may deviate *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 and individual tax situations. † Dividend shown is after 15% Canadian tax withholding.