



**Disciplined, Diversified & Cost Effective**

## Who We Are

American Investment Services (AIS) is an SEC Registered Investment Adviser founded in 1978. AIS is wholly owned by the American Institute for Economic Research (AIER) and is governed by a board of directors appointed by AIER.

AIS provides low-cost independent investment management and advice to individuals, estates, trusts, retirement plans, and charitable organizations. For more than three decades, we have been working to meet our clients' needs during alternating periods of economic boom, recession, and inflation.

AIS provides investment services on a fee-only basis and receives no commissions or other financial compensation from brokers, investment companies, or any party other than our advisory clients.

## Mission Statement

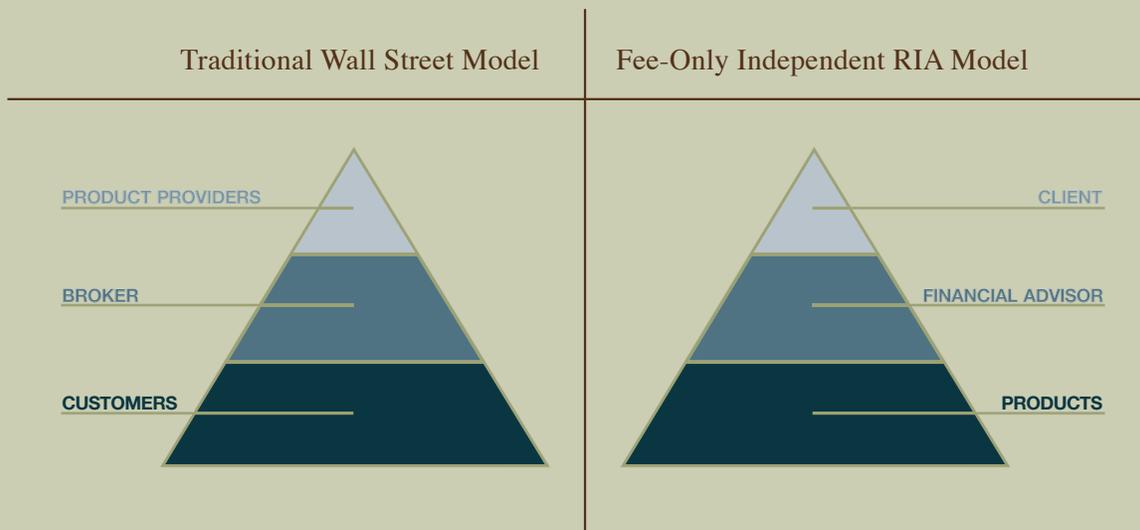
AIS provides investment management and information based on portfolio diversification, discipline, and cost effectiveness consistent with the scientific research findings of AIER. We serve the interests of individuals and organizations through these investment services and the sale of investment publications. AIS seeks to maximize shareholder wealth by acting solely in the best interests of our clients and readers.

**"For Integrity there is no Substitute."  
–E. C. Harwood, founder, AIER**

# Our Approach to Investment Management

We are completely independent. We are fiduciaries and free from the conflicts of interest and *double dipping* arrangements that have been so rampant in this era of seemingly endless financial scandals.

The traditional brokerage model provides incentives for brokers and sales representatives to aggressively market expensive products that don't necessarily meet client needs or to trade excessively to generate commission income. This structure creates conflicts of interest. Our independent *fee-only* Registered Investment Advisor model turns this process around by properly aligning incentives to put the client first. This allows independent advisors like AIS to focus on our clients' needs rather than *pushing products*.

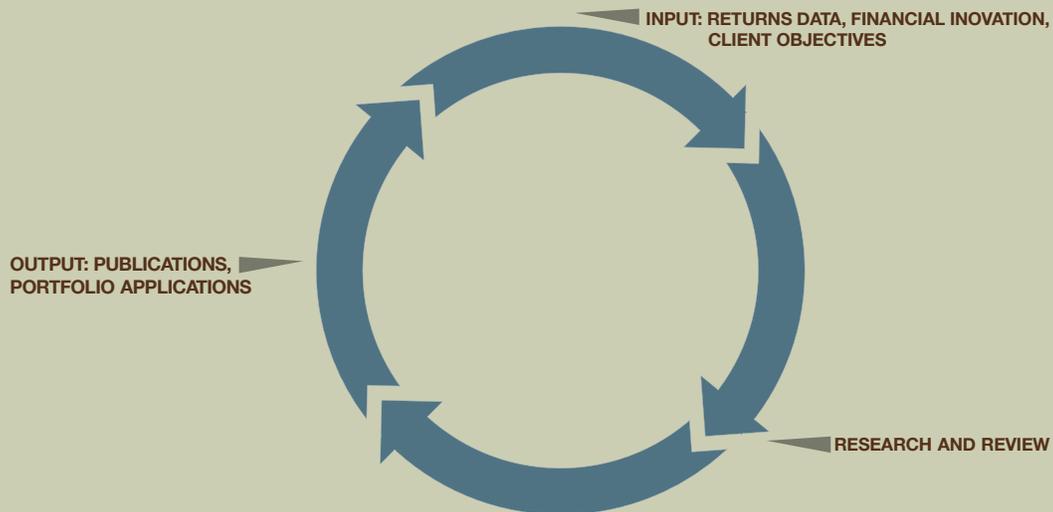


## Science versus Salesmanship

Our structured, rational, and quantifiable approach to portfolio construction stands in sharp contrast to the rudderless approach of traditional investment managers who implicitly believe that markets fail—they attempt to pick stocks that are “mispriced” and second guess the fluctuations inherent in capital markets. Though their rhetoric may be compelling, their track records are not. The evidence is clear: Investors are better served by simply maintaining broad exposure to the appropriate segments of capital markets in a disciplined manner, consistent with their tolerance for risk.

## Empirical Research

Our investment research process involves a feedback loop that combines academic rigor with *real world* application. Our inputs include a review of capital markets data going back as far as 1926, a competitive investment management marketplace that constantly fosters innovation, and client input regarding their investment objectives. We continuously challenge our fundamental assumptions and the basic tenets of our investment approach (market efficiency, diversification, discipline, and cost minimization). Our observations are published in our monthly publication, *Investment Guide*, and applied in building and maintaining client portfolios. This time-tested, objective approach allows us to provide our clients with the best tools available to meet their investment goals.



## Markets work

Our approach to wealth management reflects an abiding belief in the ability of capital markets to reward investors for the capital they supply. Markets are competitive—and that is good news for investors. Firms compete with each other for investment capital, while investors compete for returns. This relentless quest drives security prices to their fair value so that no investor can expect greater returns without bearing greater risk.



*AIS President & CEO John L. Barry addresses attendees at AIER seminar.*

We employ statistical reasoning to identify asset classes—groupings of securities that have unique risk and return attributes. This framework allows us to construct a portfolio designed to meet the particular needs of each client in a manner that is measured and deliberate. Our objective is to provide the strongest returns possible consistent with each client's tolerance for risk. In order to avoid sharp variations in portfolio value, we choose from asset classes with historical returns that have been positive, but not highly correlated with one another. We include asset classes that have performed well during a variety of economic environments including the inevitable *boom* and *bust* phases of the business cycle that the long-term investor is sure to encounter.

## What Fiduciary Duty Means at AIS

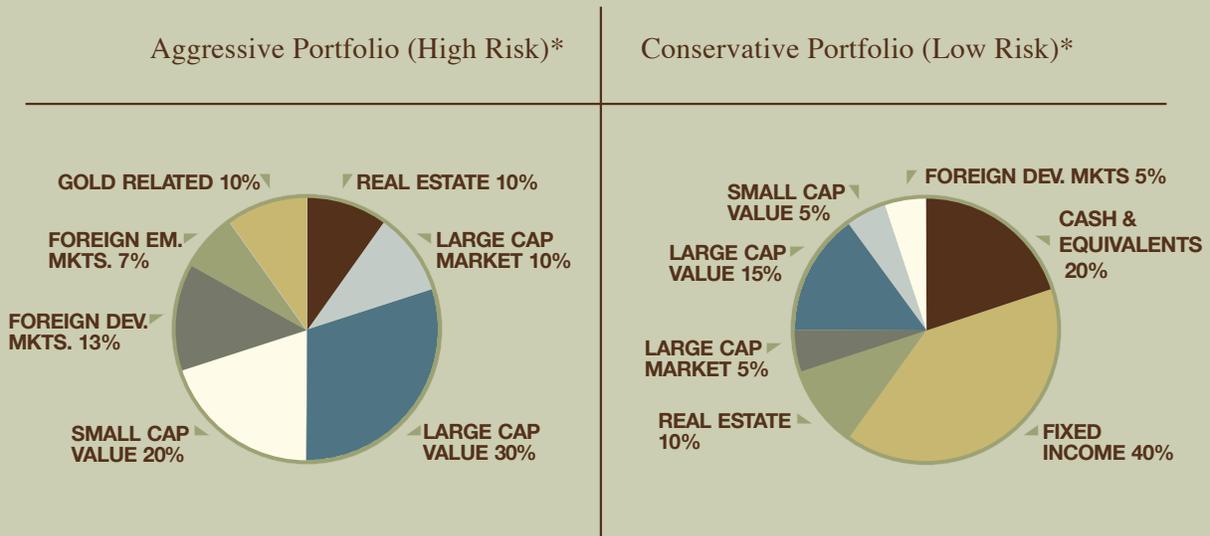
Our fiduciary obligation to our clients is of paramount importance. Disclosures alone are insufficient to meet this obligation. We actively seek to promote financial literacy among our clients and readers so that they can make informed decisions regarding their financial well being. We are bound by the duties of due care, loyalty, and good faith toward our clients because of the trust and confidence our clients place in us.

# Our Timeless Investment Principles

## Diversification

Comprehensive global asset allocation can neutralize the risks specific to individual securities, industries, and countries. In capital markets with randomly changing security prices, it is not possible to consistently predict which assets within the capital markets will *outperform* or *underperform* the market as a whole.

While higher returns are not obtainable without assuming greater risk, one can assume more risk without any expectation of earning a higher return. In other words, there exists, *good risk* and *bad risk*. We can identify the reckless risks and do away with them through careful and deliberate diversification. This leaves a portfolio exposed only to that risk that cannot be “diversified away.” Investors can therefore expect to be compensated with higher returns in exchange for bearing this risk.



\* The portfolio allocations depicted above are for general illustrative purposes. Actual portfolio allocations may be tailored to meet individual circumstances.

## Discipline

Long-term discipline is a cornerstone of successful investing. Capital markets are inherently unpredictable, and investors are rewarded for putting their capital at risk during inevitable bull and bear market cycles. Market history shows that bull market cycles last longer than bear market cycles and produce cumulative gains that more than offset losses experienced in bear markets. AIS plays a key role in educating clients about asset class investing, developing portfolio allocations to meet specific objectives, and helping them maintain the necessary discipline to meet long-term goals.

## Low Cost

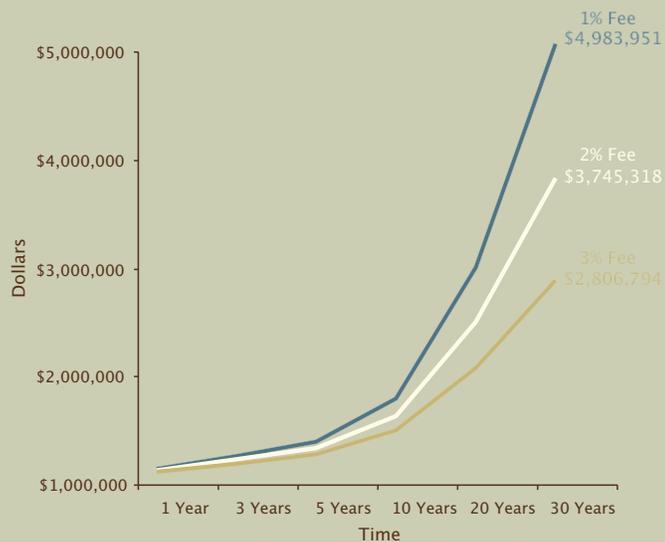
When it comes to fees, transparency is essential. No investor should consider a product or service that does not fully disclose all investment-related costs. Because we are not affiliated with any product provider, we are free to choose from the entire universe of investment vehicles and services, and we have developed considerable expertise in assessing hidden costs.

### Fees Matter

Over long time periods, high management fees and related expenses can be a significant drag on wealth creation.

Index-type investments generally maintain lower fees than the average actively managed investment by minimizing trading costs and eliminating the costs of researching stocks.

Assumed 6.5% Annualized Return over 30 Years



## Low Cost(continued)

There are three components of cost in our program:

- AIS management fee: We strive to keep our asset-based fee is among the lowest in our industry.
- Mutual fund expenses: We constantly scour the universe of index-type mutual funds and exchange traded funds for the most cost-effective vehicles available.
- Brokerage fees: Our clients benefit from extremely low commission schedules through three discount brokers who compete for our business.

# The Key Benefits of Working with an Independent Investment Adviser

Clients of Independent registered investment advisers enjoy notable protections.

- **Understand exactly what you are paying for**

We charge a fee based on a percentage of total assets managed. This fee structure is simple, transparent and easy to understand.

- **Know where your money is held**

Our clients' assets are held at independent qualified third-party institutions. Our custodians have strong balance sheets and their primary business is servicing client assets rather than trading for their own accounts. Clients have real time online access to accounts and transactions.

- **Separation of advisory, custody and fund management functions**

This separation improves transparency and accountability, limits the potential for conflicts of interest, and provides for multiple independent reviews and oversight of accounts.

- **Full regulatory protections**

The customer protection rule ensures that your assets are held in customer accounts that are segregated from the brokerage firm's assets. Client accounts are covered by the Securities Investor Protection Corporation and private excess insurance above those limits.

# Products and Services

## Investment Guide

Our monthly publication reviews the latest developments in financial theory and the capital markets. On a quarterly basis we provide recommended portfolio allocations for individuals with varying risk profiles. Hypothetical returns are published to demonstrate how these allocations have performed over the long-term. The *Investment Guide* is ideal for *do-it-yourself* investors.

## Professional Asset Management

Professional Asset Management is a low-cost discretionary investment advisory service for an entire portfolio. This service is for those who embrace structured low-cost, personalized asset management but are not inclined to manage their own portfolio. We employ a simple and convenient process that focuses on capturing the returns of an asset class portfolio. We will assume only the risk necessary to provide the highest probability of meeting your financial goals and objectives.

## Portfolio Allocation Service

Portfolio Allocation Service is a comprehensive low-cost discretionary investment advisory service intended for investors with smaller accounts (\$50,000 - \$300,000). It is a streamlined service that allows investors to choose from among five pre-determined allocation plans depending on their circumstances and tolerance for risk.

## High-Yield Dow Service

Our discretionary High-Yield Dow service is an investment program for individuals seeking professional management of the U.S. large-cap value segment of their portfolio only. With this service, AIS implements the HYD “4-for-18” model strategy on your behalf. This strategy, based on research AIER conducted on historical returns of Dow Jones Industrial stocks, focuses on holding the four highest yielding stocks for 18 months.

“Any intelligent fool can make things bigger and more complex...It takes a touch of genius—and a lot of courage to move in the opposite direction.”

-Albert Einstein

## How to Get Started

To find out if our low-cost discretionary investment advisory service is right for you, please fill out the attached Financial Appraisal Form and return it to us with copies of your current financial statements. We will provide a comprehensive evaluation of your current portfolio and a recommendation report. There is no cost or obligation for this service.



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