



American Investment Services, Inc.

DISCLOSURE DOCUMENT – FORM ADV PART 2A

(Firm “Brochure”)

Dated: March 31, 2014

Registered Investment Adviser’s Name:

American Investment Services, Inc.

IARD/CRD Number: 110043

SEC File Number: 801-14337

Main Office:

250 Division Street

Great Barrington, MA 01230

Mailing Address:

P.O. Box 1000

Great Barrington, MA 01230

Attn: John L. Barry, President & CEO

Main Business Phone:

Toll Free 888-528-1216

Local 413-528-1216

Website:

www.americaninvestment.com

This brochure provides information about the qualifications and business practices of American Investment Services, Inc. (“AIS”). If you have any questions about the contents of this Brochure, please contact us at 888-528-1216 or aisinfo@americaninvestment.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

AIS is an SEC-registered investment adviser under the federal Investment Advisers Act of 1940. Registration of an investment adviser does not imply a certain level of skill or training. The oral and written communications distributed by AIS provide you with information to assist you in determining whether to hire AIS as your Investment Adviser. You can find additional information about AIS on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 Summary of Material Changes

American Investment Services, Inc.'s last annual update occurred on March 31, 2013. The changes disclosed here have occurred since that last update.

American Investment Services, Inc. is pleased to announce the following staffing changes:

- Amanda Gershon joined AIS as Director of Operations in July, 2013.
- Bo Bo Nge resigned as Research Director in October, 2013 to pursue a PhD in Economics at the University of London and is continuing to provide research support to AIS on a part-time, remote basis.
- Christine Weaver assumed the role of Chief Compliance Officer in January, 2014.

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Item 4 Advisory Business

Our Firm's History

American Investment Services, Inc. ("AIS") is a Delaware corporation organized in 1978. Since its formation, AIS has been a wholly-owned subsidiary of the American Institute for Economic Research ("AIER"), a not-for-profit scientific and research organization founded in 1933. AIER established AIS to manage certain trust assets contributed to AIER and to provide investment advice and information to public investors that is consistent with AIER's mission, research findings and methodology.

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."

We carry out this mission by providing individuals, corporations and institutional investors (including AIER) with investment management and advisory services and through the sale of our monthly *Investment Guide*. AIS is governed by a Board of Directors appointed by the AIER Trustees.

Principal Executive and Advisory Personnel - Descriptions of the educational backgrounds and employment histories of AIS's Executive and Advisory Personnel appear at the end of this Brochure.

John L. Barry, President and Chief Executive Officer
Seth L. Hoffman, Executive Vice President and Director of Individual Client Services
Charles D. Murphy, Vice President and Chief Financial Officer
David F. St. Peter, CFA, Vice President, Director of Institutional Services and Corporate Secretary
Mackenzie W. Waggaman, Vice President
Matthew J. Svirida, Vice President
Christine Weaver, Chief Compliance Officer and Portfolio Administrator
Amanda Gershon, Director of Operations

Board of Directors

Gregory van Kipnis, Chair
Frederick C. Harwood
Neil D. Holden, DBA
Gerald E. Sohan, PhD.
Roy Bouffard, CFP

Assets Under Management

As of January 31, 2014, AIS managed client portfolios representing approximately \$613 million in financial assets for 360 clients who have established 1,038 individual accounts with us. Of these assets, approximately 66% were managed on behalf of individual clients (including their trusts and qualified plans) and 34% were managed on behalf of corporate or other institutional clients, including non-profit or non-profit endowments, of which 69% were managed on behalf of the planned giving program of our parent, AIER. All of these assets are managed on a discretionary basis for clients who have engaged us for ongoing advisory services with respect to their investment portfolios.

Non-Participation in Wrap Fee Programs

As a matter of firm policy, AIS does not sponsor any wrap fee programs. A wrap fee program is an advisory program under which a specified fee not based directly on transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.

About Our Services Generally

AIS is an independent, fee-only Registered Investment Adviser. AIS's advice and recommendations offered through investment services and publications can be described as **structured, passive, asset allocation**. This approach to investment management is based on the major tenets of Modern Portfolio Theory ("MPT") and holds that capital markets are highly efficient at pricing securities, and that investors are rewarded with return for accepting risk. Investment allocations in our portfolio management services are based on our understanding of client objectives and needs and are individually tailored for each account. Clients may impose restrictions on investing in specific company securities, industries or types of financial products. Recommendations provided in our publications are of a more general nature and are not intended as client-specific recommendations.

Specific Advisory Programs Offered (Types of Services) - AIS offers three programs to clients:

- The Professional Asset Management Program ("PAM");
- The High-Yield Dow Program ("HYD"); and
- The Portfolio Allocation Service ("PAS").

Discretionary Advisory Services

Professional Asset Management ("PAM")

PAM is a discretionary investment advisory service for an entire portfolio. This service is designed for clients who embrace structured low-cost, personalized asset management but who do not wish to participate in managing their own portfolios. The program provides ongoing investment advisory services. PAM is generally open to all investors, though AIS generally requires a minimum investment of \$100,000 for new clients. However, it is designed for clients with investable assets of \$300,000 or more. Accounts may be combined to meet that total.

Generally, PAM clients receive the following:

- Development and implementation of a client specific investment plan, based on the advisor's understanding of the client's unique circumstances and needs. Plans are updated as needed when the client circumstances change. This recommendation report will include our plan for liquidation of existing securities (taking into account tax and other consequences);
- Quarterly reports, which include portfolio holdings by asset class and total returns versus appropriate benchmarks (from inception and for various time periods);

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- Monthly or quarterly statements provided directly by an independent, third-party custodian that holds the client's assets;
- Portfolio reviews, no less frequently than once per calendar quarter, to include portfolio rebalancing if warranted;
- The benefits of ongoing AIS research and analysis of available investment vehicles and alternatives and other matters that may affect clients;
- Access to mutual fund products from Dimensional Fund Advisors (DFA), which are not available to retail investors and are only available through selected DFA-approved advisors; and
- A complimentary subscription to the monthly AIS *Investment Guide*.

High-Yield Dow ("HYD")

HYD is a discretionary investment advisory service designed to replicate the returns of a domestic large cap value model portfolio – the *high-yield Dow* ("HYD") Model developed by AIER. The HYD model is generally fully "invested" in a subset of those stocks that comprise the Dow Jones Industrial Average (DJIA). The HYD model portfolio follows a rules-based "four for 18-month" strategy based on relative dividend yield. From time-to-time, the portfolio will include spin-offs of DJIA components or stocks that are no longer part of the DJIA and un-reinvested cash from dividends. Individual accounts will also hold adequate cash to cover brokerage costs and AIS management fees (if the client authorizes AIS to deduct fees). The program provides ongoing investment advisory services. HYD is generally open to all investors, though AIS recommends a minimum investment of \$150,000 for new individual accounts and reserves the right to determine if the service is appropriate for each individual.

Generally, HYD clients receive the following:

- Quarterly reports, which include portfolio holdings by asset class and total returns versus appropriate benchmarks (from inception and for various time periods);
- Monthly or quarterly statements provided directly by an independent, third-party custodian that holds the client's assets;
- Monthly portfolio reviews and rebalancing to keep the portfolio in line with our model target allocations;
- The benefits of ongoing AIS research and analysis of available investment vehicles and alternatives and other matters that may affect clients; and
- A complimentary subscription to the monthly AIS *Investment Guide*.

Portfolio Allocation Service (“PAS”)

PAS is a discretionary investment advisory service for investors with smaller accounts who cannot be serviced through our more personalized PAM program in a cost-effective manner. PAS is generally open to all investors, though AIS generally requires a minimum investment of \$50,000 for new clients. This service is for single accounts only (i.e., accounts cannot be aggregated and will be managed to models on an individual account basis).

Generally, PAS clients receive the following:

- Selection of one of five “model portfolios” designed for investors with varying degrees of risk tolerance ranging from an aggressive, all-equity portfolio to a conservative, all fixed income portfolio;
- Annual reports, which include portfolio holdings by asset class and total returns versus appropriate benchmarks (from inception and for various time periods);
- Monthly or quarterly statements provided directly by an independent, third-party custodian that holds the client’s assets;
- Portfolio reviews no less than once per calendar year, to include portfolio rebalancing as necessary;
- The benefits of ongoing AIS research and analysis of available investment vehicles and alternatives and other matters that may affect clients;
- Access to mutual fund products from Dimensional Fund Advisors (DFA), which are not available to retail investors and are only available through selected DFA-approved advisors; and
- A complimentary subscription to the monthly AIS *Investment Guide*.

Non-Discretionary Services and Publications

In addition, AIS publishes a monthly publication, *Investment Guide*, and offers non-discretionary consulting services to the sponsors of 401(k) and other company-sponsored retirement plans.

Investment Guide

AIS publishes the *Investment Guide* monthly. Each issue reports on developments in modern portfolio theory and implications for individual investors. Additional investment-related topics include taxation, financial planning and innovations in capital markets. Four times a year a “Quarterly Review of Investment Policy” is presented with recommended investment allocations for individuals of varying risk profiles. Each issue includes a recommended list of no-load, low-cost index type investment vehicles appropriate for each asset class. These vehicles are screened to meet AIS criterion with respect to expenses, turnover ratios, diversification and ability to deliver the returns of their respective asset class.

The present cost of a monthly subscription is \$59.00/year for print subscriptions and \$49.00/year for electronic subscriptions. AIS may offer discounted subscription offers from time-to-time.

Retirement Plan Consulting Services

AIS serves as consultant to sponsors of qualified retirement plans. AIS provides recommendations regarding investment options and service providers such as custodians, third-party administrators and record keepers. Services may also include drafting a plan Investment Policy Statement, providing annual participant education and preparing reports to plan sponsors. Fees are based on a percentage of plan assets per our PAM fee schedule.

Conflicts of Interest

AIS offers services on a non-exclusive basis. AIS seeks to avoid situations where one client's interests may conflict with the interests of other clients or with AIS.

All clients and prospective clients should be aware of the following with respect to AIS and our parent, AIER:

- AIER, through its charitable giving programs, is AIS's largest advisory client;
- AIS may manage investment accounts for AIS's Directors, Employees and AIER Trustees;
- The AIS Board of Directors approves the compensation of AIS employees; and
- The AIS Board of Directors (who are appointed by AIER's Trustees) declares any dividends paid to AIER, as sole shareholder of AIS.

If any of the relationships described above give rise to a conflict of interest, AIS intends to put the interests of its other clients first and to make prompt disclosure of the conflict to all affected parties.

AIS reserves the right to refuse service to any potential client if, based on our judgment, our service(s) is not appropriate for the client.

While AIS advisory staff is familiar with financial planning, including estate and income tax issues, we are strictly investment advisers and not financial planners, lawyers or accountants. We may take tax issues into consideration when implementing our investment strategy and recommending specific investment vehicles. However, we recommend that clients and prospective clients consult a financial planner, legal counsel or tax expert for broader tax and planning matters.

Item 5 Fees and Compensation

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. AIS charges asset value based fees based upon a percentage of assets under management ("AUM") or a fixed, minimum annual fee, whichever is greater or, for PAS accounts, a flat 0.75% of AUM. The specific manner in which fees are charged by AIS is established in a client's written Agreement with AIS.

Our tiered, cumulative fee structure is based on AUM where AUM is equal to the combined value of all managed accounts. AUM may be combined by household or other aggregation established in the Agreement. The fee charged will depend on the total assets managed under the Agreement, with breakpoints at various asset levels and is non-negotiable. In most cases, as the asset level increases, the fee as applicable is reduced as a percentage of assets.

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The fee is calculated and billed quarterly in arrears following the end of each calendar quarter. To calculate the fee due, AUM is calculated as of the close of business on the last day of the quarter being billed. The initial date for calculating AUM is the date on which the assets are available for trading in the managed account. If services rendered by AIS commence on a day other than the first day of the quarter or terminate other than on the last day of the quarter, the fee is prorated. Fees for partial quarters will be prorated based on the number of days during the quarter during which the account Agreement was in effect. Fees are prorated for any significant capital contribution made into a managed account following the initial establishment of the account during the applicable calendar quarter. Upon termination of any account, any earned fees will be immediately due and payable. AIS guarantees to refund, on a pro-rata basis, any prepayment for services canceled and not yet provided to clients or subscribers.

The management fee is a tiered, cumulative structure based on AUM, generally per the following schedule:

PAM Fee Schedule:

AIS Professional Asset Management Fee Tiers		
Minimum Annual Fee is \$1,500		
Tier	Applies to AUM	Annual Fee
1	\$100,000 - \$250,000	0.80% of AUM or \$1,500, whichever is greater
2	\$250,001 - \$500,000	Tier 1 maximum fee plus 0.55% of AUM in Tier 2
3	\$500,001 - \$1,000,000	Tier 2 maximum fee plus 0.25% of AUM in Tier 3
4	\$1,000,001 - \$1,800,000	Tier 3 maximum fee plus 0.10% of AUM in Tier 4
5	\$1,800,001 - \$10,000,000	Flat 0.30% of total AUM
6	\$10,000,001 - \$20,000,000	Tier 5 maximum fee plus 0.25% of AUM in Tier 6
7	\$20,000,001 - \$150,000,000	Flat 0.275% of total AUM
8	Over \$150,000,000	Tier 7 maximum fee plus 0.15% of AUM in Tier 8

For accounts in which the minimum fee applies, the minimum fee of \$1,500 per year is, in effect, a fixed fee.

HYD Fee Schedule:

AIS High Yield Dow Fee Tiers		
Minimum Annual Fee is \$1,350		
Tier	Applies to AUM	Annual Fee
1	\$100,000 - \$250,000	0.70% of account or \$1,350, whichever is greater
2	\$250,001 - \$500,000	Tier 1 maximum fee plus 0.40% of AUM in Tier 2
3	\$500,001 - \$1,000,000	Tier 2 maximum fee plus 0.25% of AUM in Tier 3
4	\$1,000,001 - \$1,500,000	Tier 3 maximum fee plus 0.10% of AUM in Tier 4
5	\$1,500,001 - \$10,000,000	Flat 0.30% of total AUM
6	\$10,000,001 - \$20,000,000	Tier 5 maximum fee plus 0.25% of AUM in Tier 6
7	\$20,000,001 - \$150,000,000	Flat 0.275% of AUM
8	Over \$150,000,000	Tier 7 maximum fee plus 0.15% of AUM in Tier 8

For accounts in which the minimum fee applies, the minimum fee of \$1,350 per year is, in effect, a fixed fee.

PAS Fee: The management fee is a flat 0.75% of AUM.

How Fees Are Paid

Fees may be:

- Debited by the custodian from a client's custodial account and remitted by the custodian to AIS;
- Paid directly by check or credit card; or
- Any combination of these payment methods.

Other Fees or Expenses Paid to Third Parties in Connection with Advisory Services

Fees paid to AIS for investment advisory services are separate and distinct from fees and expenses charged by clients to third-party product providers. These include fees and expenses charged by mutual funds and exchange traded funds to their shareholders and brokerage and custody-related costs paid to the custodian.

For the portions of their account invested in mutual funds or Exchange-Traded Funds ("ETFs"), clients will, in effect, pay two advisory fees - one to AIS for selecting each vehicle and one to the fund's advisors. Mutual fund expenses are generally described in each fund's prospectus. These expenses will generally include a management fee, other fund expenses and, in rare instances, a redemption fee.

Clients will incur transaction fees or commissions in connection with the trading of mutual funds, ETFs and individual stocks and bonds. These fees are charged by the client's brokers and custodians. Mutual fund transaction fees charged by our recommended brokers/custodians (Schwab Institutional, Fidelity Investments and TD Ameritrade) currently range from \$20.00 to \$49.95 per trade depending on the dollar amount of the trade. Commissions for equity trades also vary from custodian to custodian, but are generally between \$7.95 and \$16.95 depending on the client's total household assets custodied and the lot size of the trade. Each broker/custodian also has an individual schedule for individual bond trades and may also include a "spread" in their pricing.

Additional fees may be charged by custodians for cash management such as wire transfers, account transfers and closures or other services. These fee schedules are available from the broker/custodian.

Comparable Services

AIS believes that the total charges and fees associated with its programs are competitive with available alternatives offering similar services. However, lower fees for comparable services may be available. Investors can invest directly in our recommended portfolios without the assistance of an advisor. Such investors would not receive the benefit of professional advice. Advice includes selection of investment vehicles appropriate for each client's financial circumstances, objectives, and needs, as well as the assistance to undertake a disciplined approach to portfolio rebalancing while considering the tax implications of each transaction while avoiding emotional reactions to systemic market events. Additionally, fund products from Dimensional Fund Advisors ("DFA") are not available directly to retail investors and may be purchased only through a relationship with a qualified investment advisor.

Item 6 Performance-Based Fees and Side-by-Side Management

AIS does not charge performance-based fees, nor does it manage accounts which impose performance-based fees.

Item 7 Types of Clients

AIS provides investment advice to individuals and trusts, including high net worth individuals and trusts, qualified retirement plan sponsors, endowments, organizations, institutions and other businesses entities. The minimum account size is generally \$50,000 for the PAS service, \$100,000 for the PAM service and \$150,000 for the HYD service.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Generally

Our investment strategy is based on a wide body of empirical academic research and historical market data that embodies the major tenets of Modern Portfolio Theory ("MPT"), as articulated by the work of Harry Markowitz (the Capital Asset Pricing Model), Eugene Fama, Sr. (Efficient Market Hypothesis), Fama and Kenneth French (three-factor regression), and William Sharpe (the Arithmetic of Active Management). AIS also incorporates research, based on the work of AIER founder E.C. Harwood, on monetary theory, inflation, and gold-related assets as an alternative to fiat currency.

Our approach to the capital markets relies on several key principles:

- 1) Markets are efficient. Companies compete with each other for investment capital and investors compete for attractive returns. This competition quickly drives prices to *fair value* in the "collective judgment" of all market participants, and ensures that no investor can consistently expect greater return without bearing greater risk.
- 2) All investors, in the aggregate, can expect the market rate of return less expenses.
- 3) *Idiosyncratic risk*, or the risks posed by holding individual stocks or sectors, can be diversified away through comprehensive global portfolio diversification. *Systemic risk* cannot be diversified away. Therefore investors willing to accept more systemic risk expect to be rewarded with prospects for higher return. Investors can mitigate this risk by adding more stable assets such as short-term bonds and cash.
- 4) Equity returns can be explained by exposure three risk factors – the risk of the market (or Beta), exposure to small capitalization stocks and exposure to value stocks (measured by book-to-market or dividend yield). "Tilting" an "all-market" portfolio toward either of the other two factors will increase expected returns.

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- 5) The returns on fixed income are determined by the portfolios exposure to term and credit risk.
- 6) Gold and gold-related assets represent a form of money that cannot be destroyed, and therefore, if held in a portion of a portfolio can provide a form of portfolio insurance.

These principles tell us that in a globally diversified portfolio, asset allocation decisions and portfolio structure, rather than market timing or individual stock selection determine portfolio returns. Within this framework the most important factors that determine success are an appropriate understanding of investor's risk preference and the control of all investment-related costs (i.e., expenses and taxes).

Sources of Information

AIS relies heavily on information provided by clients pertaining to their financial situation, investment objectives, time horizon, liquidity requirements, tax sensitivity, estate plans and other factors. This information forms the foundation of an asset allocation plan designed to meet each client's goals and is formalized in an Investment Policy Statement ("IPS"). The IPS is a communication tool that is revised as the clients' circumstances and objectives change.

AIS relies on internal research, and on research provided in collaboration with financial economists employed by AIER. AIS also employs commercially available software (such as Morningstar), securities rating services and other public sources of information.

AIS also receives research and consulting services from Dimensional Fund Advisors ("DFA"), Vanguard, iShares, and State Street Global Advisors. DFA provides historical market data and computer programs. AIS uses this information to model historical and expected returns – and to conduct probabilistic forecasting (i.e., Monte Carlo simulation).

Types of Investments

AIS generally builds portfolios of no-load equity and bond mutual funds and ETFs. AIS typically recommends passively managed funds managed by DFA, iShares and Vanguard. These funds provide broad diversification and low turnover which reduces fund management expenses incurred by fund shareholders.

In larger accounts AIS may utilize the High-Yield Dow investment strategy (i.e., individual U.S. large-cap value securities), individual Real Estate Investment Trust (REIT) securities, individual utility securities, and individual fixed income instruments. AIS also invests client portfolios in individual gold mining company stocks and gold bullion-backed exchange traded funds.

Portfolios may also include individual equity or fixed income securities that are not included in any of the strategies described. These are exceptions and are usually "legacy" positions that a client may have purchased prior to working with AIS. They may be held because of tax considerations, or for other client specific reasons.

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AIS will generally develop a plan in consultation with the client for the liquidation of non-recommended positions. If a client wishes to maintain non-recommended securities and not include them in their portfolio plan AIS may, after discussion with the client, exclude them from our management fee and performance calculations. In such situations AIS reports will clearly state that the positions are “unsupervised” and that AIS is not responsible for their management.

AIS will also review existing variable annuities for prospective clients and may recommend that clients transfer their existing annuities to low-cost, no-load variable or fixed annuities when appropriate. If appropriate AIS will manage these annuities as part of the client’s overall asset allocation plans.

Risk of Loss, Generally

Investing in securities involves a risk of loss that clients should be prepared to bear. Risk is the measurement of the degree of unpredictability of a given portfolio’s return in any given period. All investment programs carry the risk of loss, and there is no guarantee that any recommended investment strategy will meet its objectives. Even the most conservative investment strategy is subject to risk. Investment recommendations seek to limit risk through global diversification both within and across asset classes, including global and fixed income securities.

Diversification can minimize portfolio volatility, but will not eliminate the possibility of declines in portfolio values, which can be severe at times. AIS believes that investors will be rewarded with higher expected returns (relative to the entire market) by increasing exposure to the risks inherent in small cap and value stocks. Additionally, an allocation to gold-related assets has provided portfolio protection in times of extreme market instability.

Specific types of Risk

Market Risk: Market risk, also known as systematic risk, is the risk inherent to the entire market or an entire market segment. For example, interest rates, recession, natural disasters and wars all represent sources of nonsystematic market risk that cannot be avoided through market diversification. Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer specific events will cause the value of securities, and the funds that own them, to rise or fall. The value of even a well-diversified portfolio will fluctuate, and there is a risk that investors will lose money.

Foreign Securities and Currencies Risk: Foreign securities prices may decline or fluctuate because of: (a) economic or political actions of foreign governments, and/or (b) less regulated or less liquid securities markets. Investors holding these securities are also exposed to foreign currency risk (the possibility that foreign currency will fluctuate in value against the U.S. dollar).

Small Company Risk: Securities of small companies are often less liquid than those of large companies which can make it difficult to execute trades in a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, smaller capitalization companies are also more vulnerable than larger companies to adverse business or economic developments as they may have more limited resources.

Value Investment Risk: Value stocks may perform differently from the market as a whole. Following a value oriented investment strategy may cause the Portfolio to, at times, underperform equity funds that use other investment strategies. **This risk may be more pronounced within the high-yield Dow strategy, which is less diversified than most large cap value indexing strategies.**

Emerging Markets Risk: Numerous emerging market countries have a history of, and continue to experience economic and political disruption. Stock markets in many emerging market countries are relatively small, expensive to trade in, and risky. Foreigners are often limited in their ability to invest in, and withdraw assets from these markets. Additional restrictions may be imposed under other conditions. Frontier market countries generally have smaller economies or less developed capital markets. As a result, the risks of investing in emerging market countries are magnified in frontier market countries.

Derivatives: Derivatives are securities, such as futures contracts, whose value is derived from that of other securities or indices. Derivatives can be used for hedging (attempting to reduce risk by offsetting one investment position with another) or non-hedging purposes. Derivative securities are subject to a number of risks including liquidity, interest rate, market, credit and management risks, and the risk of improper valuation.

Securities Lending: Securities lending involves the risk that the borrower may fail to return the lender's securities, or fail to do so in a timely manner. As a result, mutual funds which lend securities may lose money and there may be a delay in recovering the loaned securities.

Interest Rate Risk: Fixed income securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices fall. When interest rates fall, fixed income security prices rise. In general, fixed income securities with longer maturities are more sensitive to these price changes versus fixed income securities with shorter maturities.

Credit Risk: Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value, and thus, impact fixed income performance.

Inflation Risk: To the extent that cash balances are maintained assets may be subject to the risk of inflation and loss of purchasing power when adjusted for inflation.

Item 9 Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events relating to their firm or certain management personnel which would be material to clients' evaluation of the firm and its ability to manage the clients' investment portfolios.

AIS has had no legal or disciplinary events which are required to be disclosed. All AIS employees have submitted a Criminal Offender Record Information ("CORI") Acknowledgment Form in connection with their Massachusetts investment advisor representative registration.

Item 10 Other Financial Industry Activities and Affiliations

AIS is **not** registered (nor does it have any applications pending) as a securities broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, municipal or government securities dealer or broker.

AIS **does not** have any relationships or financial arrangements that involve any of the following:

- Investment company or other pooled investment vehicle, including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” or offshore fund;
- Other investment advisor or financial planner;
- Banking or thrift institution;
- Futures commission merchant, commodity pool operator, or commodity trading advisor;
- Accountant or accounting firm;
- Sponsor or syndicator of limited partnerships;
- Broker-dealer, municipal securities dealer, or government securities dealer or broker;
- Lawyer or law firm;
- Insurance company or agency;
- Pension consultant; or
- Real estate broker or dealer.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

A. AIS Code of Ethics

AIS has adopted a Code of Ethics to comply with Rule 204(A)-1 and to which all investment adviser representatives, employees and supervised persons are bound to adhere and are required to review and sign a Code Attestation annually. The Code’s principles and policies are designed to emphasize the fiduciary duty to clients required by all AIS employees and directors. In addition, these same principles and policies detail the process for compliance with applicable laws such as insider trading and anti-money laundering. The AIS Code of Ethics provides for 1) a high ethical standard of conduct; 2) compliance with all federal securities laws; and 3) policies and procedures for the reporting of certain personal securities transactions on a quarterly basis as well as upon hire and annually for all AIS’s employees.

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The goals of the AIS Code of Ethics are to protect the firm's clients and the firm's reputation. The Code of Ethics includes the following general principles:

- AIS employees will at all times place the interests of their clients before all others;
- AIS employees will conduct personal securities transactions in a manner that avoids any conflict of interest or abuse of position or trust;
- AIS employees will safeguard the confidentiality of client information;
- AIS employees will undertake investment decisions in a manner that is independent and appropriate for each individual client; and
- AIS employees will dispatch their duties in a manner that safeguards the firm's reputation and is consistent with the principles of honesty, integrity and professionalism.

The AIS Code of Ethics is available to AIS advisory clients or prospective clients upon written request to the Chief Compliance Officer at AIS's office address or by email request to aisinfo@americaninvestment.com.

B. Participation or interest in Client Transactions and Personal Trading

AIS does not participate in securities in which it has a material financial interest. AIS and its related persons, as a matter of policy, do not recommend to clients, or buy or sell for client accounts, securities in which the firm or its related persons has a material financial interest.

C. The AIS Code of Ethics allows individuals associated with the firm to buy or sell for their personal accounts the same securities as AIS purchases for or recommends to clients. However, it is the expressed policy of our firm that no person employed by the firm shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on investment decisions of advisory clients. Generally, our investments in mutual funds, ETFs, and large-capitalization stocks do not give rise to conflicts because they are readily available to all investors and the timing of transactions by AIS personnel cannot impact the market.

D. The AIS Code of Ethics requires that anyone associated with the advisory practice who possesses access to advisory recommendations ("access persons") provide annual securities holdings reports and quarterly transaction reports to AIS's Chief Compliance Officer or his/her designee. The Code of Ethics also details our policy prohibiting the use of material non-public information and the confidentiality of client information.

Item 12 Brokerage Practices

Recommended Brokerage Firms (Custodians)

AIS does not have the authority to determine the broker to be used for the execution of client transactions without obtaining specific client consent. AIS may recommend that clients establish accounts with specific broker-dealers based on certain factors, in which we consider the following:

- Client services (including communication, access to information, trust services and product availability);
- Commission structure and competitive rates;
- SIPC insurance and excess SIPC insurance;
- National reputation;
- Custodial and transfer services and rates;
- Access to institutional trading platforms that allow for automated trading and downloads and activity files;
- Access to fixed income trading;
- Access to trade-away services that allow AIS to execute trades through fixed income specialist firms;
- The availability of Dimensional Fund Advisor ("DFA"), Vanguard and other no-load mutual funds; and
- Other services that allow AIS to provide efficient investment advisory services to clients including, but not limited to best execution.

Based on these factors, our discretionary PAM and HYD programs currently offer clients a choice of three broker-dealer/custodians: Charles Schwab Institutional, TD Ameritrade Institutional or Fidelity Investments ("Recommended Brokers"). For PAS, AIS has chosen a single broker-dealer/custodian, Charles Schwab Institutional, in order to lower the cost of the service for all clients.

We may recommend that a transaction be executed at a specific broker-dealer in the event that we feel we can achieve better execution, specifically in the case of individual fixed income securities where we may use a fixed income specialist firm and in the case of an exchange of annuities based on our recommendations. AIS will notify the client at the time such a transaction is made.

Soft Dollar Arrangement and Brokerage for Client Referrals

AIS has no formal or informal brokerage arrangements from which it receives "soft dollar" benefits or client referrals and does not participate in client directed brokerage arrangements.

However, due to the institutional relationships we have with our Recommended Brokers, we do receive services that assist AIS in managing and administering clients' accounts. For example, the Recommended Brokers provide our advisory business with access to institutional trading and custody services, which are not typically available to retail investors. Additionally, Recommended Brokers may provide third party research, publications, access to educational conferences, roundtables and webinars or practice management resources. These services are generally available to investment advisers on an unsolicited basis and at no additional charge. Most of these services may be used to service all or a substantial number of AIS's accounts.

The benefits provided by the Recommended Brokers include:

- Software and other technology that
 - provide access to client account data (such as trade confirmations and account statements);
 - facilitate trade execution,
 - provide research, pricing information and other market data,
 - facilitate payment of AIS's fees from its client accounts,
 - assist with back-office functions, record keeping and client reporting, and
 - assist in the aggregation and allocation of block trades.
- Assistance with practice management in general.
- Compliance related resources.

In addition, the Recommended Brokers may offer to make available, arrange and/or pay for these types of services rendered to AIS by independent third parties. Recommended Brokers may discount or waive fees that they would otherwise charge for some of these services or pay all or part of the fees to a third-party providing these services to AIS. As a fiduciary, AIS endeavors to always act in its clients' best interests. AIS's recommendation that clients maintain their assets in accounts at these Brokers may be based in part on the benefits to AIS of the availability of some of the foregoing products and services and not only on the nature, cost or quality of custody and brokerage services provided which may create a potential conflict of interest.

Item 13 Review of Accounts

Rebalancing Accounts Generally (PAS, PAM and HYD Services)

Account reviews are performed by portfolio managers no less than quarterly to determine if asset class values have deviated from fixed targets or target ranges and for the purpose of meeting clients' cash flow needs. Even if one or more asset classes fall outside their target, the advisor may determine not to rebalance the asset class for various reasons, such as avoidance of short-term capital gains, deferring long-term capital gains, minimizing transaction costs, or for various other reasons related to economic or market-related factors.

Additional portfolio reviews are undertaken upon request by clients, such as when special cash needs arise or when additional cash or securities are added to the investment portfolio. AIS will respond to such requests promptly.

Other conditions that may trigger a review and potential rebalance are changes in the tax laws, new investment information and changes in a client's situation or circumstances. AIS may also execute sales and purchases for tax loss harvesting.

In executing rebalancing actions, the portfolio manager will seek to rebalance one or more asset classes closer to the targets, but may choose not to rebalance a specific asset class or security in light of tax considerations, transaction costs relative to the trade amount or for other reasons. AIS may estimate the market close at any point during the day during which trades are placed and undertake trades on that basis. Since the stock market can be very volatile, this may cause us to underestimate or overestimate the amount needed to effect a rebalancing action.

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Clients receive written quarterly reports, which include portfolio holdings by asset class and total returns versus appropriate benchmarks (from inception and for various time periods).

Rebalancing for HYD Accounts and HYD Holdings within PAM accounts

Our high-yield Dow model portfolio is calculated monthly based on mid-month closing prices. HYD accounts are rebalanced the following day in order to bring the holdings back in line with the percentage value of each holding in our model portfolio. AIS will generally not place rebalancing trades if the transaction cost is more than one-percent of the value of the trade.

For PAM accounts that hold a portion of the large-cap value segment of the portfolio in the high yield Dow model, we will generally make rebalancing trades monthly based on the mid-month calculation.

The Chief Executive Officer is responsible for ensuring that the monitoring and rebalancing of client portfolios is carried out in a diligent and prudent manner.

Item 14 Client Referrals and Other Compensation

AIS **does not** provide or accept compensation from any person for client referrals.

Referrals to other professionals (such as tax, legal or financial planning experts) may be undertaken where appropriate to meet individual client needs, but AIS will receive no compensation for such a referral.

AIS may bill clients for preparation of tax filings and other statements for Charitable Remainder Unitrust accounts. In those instances, the fee will be a direct pass through from the tax preparer to the client and AIS will receive no compensation.

Item 15 Custody

AIS does not accept custody of clients' cash or securities, and AIS is not granted access to our clients' accounts. This is for the safety of our clients' assets. AIS cannot withdraw, transfer or otherwise move funds or cash from any client account to any AIS account other than for fee deduction purposes, as explained below. AIS, in certain circumstances and only with the client's specific directions, can request that the custodian wire transfer or otherwise move funds or cash from a client account to the account of a third party, but only after the AIS Advisor has verbally confirmed or obtained written and signed instructions from the client or an authorized signer of the account to verify the request for a third party funds transfer.

With prior written client consent, AIS may be provided with the authority to request that the custodian debit the client's quarterly management fee from a client's custodial account and then have the fee remitted by the custodian to AIS. This process is generally more efficient for the client and for AIS, and there may be tax benefits for the client when fees can be paid from certain tax-deferred accounts.

All of our clients receive account statements directly from qualified, third-party custodians; the bank or broker-dealer that maintains their assets. We encourage clients to carefully review these account statements and compare them to the reports provided by AIS. This review will help clients ensure that all account transactions, including deductions for management fees, remain proper. Clients are welcomed to contact us with any questions or concerns and should notify us immediately if they should find a discrepancy in their statements.

Item 16 Investment Discretion

AIS requests written authority in the form of a limited power of attorney to trade in clients' accounts. This allows AIS to determine which securities to sell and in what amounts without consultation with the client on a transaction-by-transaction basis. However, the client may place conditions including restrictions on transactions in specific company securities or industries or types of financial products. These conditions should be communicated to AIS in writing.

If a client chooses to direct its brokerage to a broker other than our Recommended Brokers (see Item 12 Above), the client may forego certain benefits. For example, there may be a disparity in the commission schedule available to the client compared to other AIS clients and best execution will not be achieved. AIS reserves the right to decline to provide advisory services in these cases.

Item 17 Voting Client Securities

AIS may accept discretion to vote by proxy the securities owned by its clients ("Client Securities"). As required by Rule 206(4)-6 of the Advisers Act, AIS has adopted policies and procedures relating to its proxy voting activities where AIS does have proxy voting authority.

The following is a summary of the AIS Proxy Voting Policies:

- AIS will generally vote all proxies for Client Securities that it receives;
- AIS will refrain from voting if a matter covered by a proxy represents a material conflict of interest with the client(s) owning the securities, unless instructed how to vote by the client(s);
- AIS will refrain from voting if it deems non-voting to be in the best interests of clients;
- AIS will vote proxies in accordance with general or specific instructions or guidelines provided by clients; and
- In the absence of client instructions or guidelines, AIS will vote proxies so as to maximize the economic value of the client securities and serve the best interests of clients.

The following is a summary of the AIS Proxy Voting Procedures:

- AIS will monitor actions of corporations whose securities are held in client accounts;
- AIS will ensure action is taken on each proxy by the proxy voting deadline;
- AIS will identify whether a material conflict of interest exists between AIS and client(s); and
- AIS shall retain the records of all proxies voted.

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Generally, the investments of AIS do not give rise to conflicts of interest regarding the securities owned by its clients. However, should any potential conflict of interest arise concerning AIS voting proxies for client securities, the issues set forth in the proxy notice and materials are reviewed by the AIS investment advisor designated to vote proxies and, if necessary, will consult with the Compliance and Risk Management Committee in order to identify whether a material conflict exists.

Clients are welcomed to contact AIS to obtain information on how AIS voted their securities or to obtain a copy of AIS's proxy voting policies and procedures.

Item 18 Financial Information

AIS accepts discretion over clients' accounts as described in Item 16. AIS is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. AIS does not currently face such a condition and has never been subject to a bankruptcy proceeding.

ADV Part 2B ("Brochure Supplement") Our Investment Advisory Team Members

The educational background and employment histories of AIS personnel are described in the following pages, listed alphabetically. These descriptions provide the information required to be set forth in the Part 2B Brochure Supplement of Form ADV under recent SEC amendments of that form.

AIS requires that any personnel with a professional designation complete annual continuing education requirements, as required by the professional designation or certification program.

All advisors must have a commitment to our investment approach and demonstrate a strong commitment to their fiduciary responsibility to clients.

John L. Barry, President and CEO, is responsible for supervision of the activities of all advisory personnel. Mr. Barry can be reached at 413-528-1216, ext. 3119.



John L. Barry, ChFC, President and Chief Executive Officer

Mr. Barry is responsible for strategic planning and for the overall direction of the firm. He is closely involved in investment strategy and serves as editor-in-chief of the *Investment Guide*.

Educational Background, John graduated with a BBA in finance from Notre Dame in 1984. He received an MA in Economics from the University of California Santa Barbara in 1991 and an MBA from the University of Montana in 1988.

Employment History, John served for eight years as a junior officer in the U.S. Air Force, attaining the rank of Captain; in his final duty assignment he taught undergraduate economics at the U.S. Air Force Academy. He left the service to work as an analyst for Prudential Insurance before joining AIS in 1994. He became President and CEO in 2000.

John's duties include overseeing portfolio strategy, new business development and producing the monthly newsletter, *Investment Guide*. He plays a key role in monitoring developments in Modern Portfolio Theory and in guiding staff to ensure that useful advances in financial theory are adopted in practice.

Personal Summary, John received his ChFC (Chartered Financial Consultant) designation in 2002. He is an avid runner and Nordic skier and enjoys fishing and spending time with his wife and three children.

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Amanda Gershon, Director of Operations

Ms. Gershon joined AIS in 2013. Amanda is responsible for increasing the understanding of programs used in order to take full advantage of the efficiencies that can be gained through their use, monitoring the systems/programs used and determining when upgrades and/or changes need to be made. In addition, she performs the quarterly reporting, the monthly Assets Under Management calculation, the monthly technology provider invoice reconciliation, report generation for the monthly newsletter and runs the monthly HYD calculation.

Educational Background, Amanda received a BA in Chemical Engineering and Management from Rensselaer Polytechnic Institute in 2003 and an MBA with a concentration in Finance from the University of Connecticut in 2012.

Employment History, Prior to joining AIS in 2013, Amanda was VP of Portfolio Administration at Wright Investors' Service with primary responsibilities of overseeing the daily management of the bank trust accounts and institutional accounts. Previously, she was a portfolio administrator and prior to that she worked in the support group at Wright.

Personal Summary, Amanda has worked in the investment industry for 9 years and has previously held Series 6 and Series 63 securities licenses. She enjoys traveling and has her PADI Scuba Diving Certification. She has also been a member of the United States Bowling Congress (USBC) since 2007 and a member of the American Poolplayers Association (APA) since 2009.



Seth L. Hoffman, Executive Vice President and Director of Individual Client Services

Mr. Hoffman is a portfolio manager, contributes articles regularly to the *Investment Guide* and is involved in the investment research and portfolio design process and the firm's business development strategy.

Educational Background, Seth graduated with a BA in international studies from Vassar College in 1990. He received an MBA in international management from Thunderbird School of International Management in 1996. He has also completed coursework at Columbia University and the University of Granada in Granada, Spain.

Employment History, Seth joined AIS in 2003 as a senior analyst and portfolio manager. He became administrative vice president in 2005, chief compliance officer in 2008 and executive vice president in 2010. He held various positions with the American International Group (AIG) from 1998 to 2002.

Personal Summary, Seth completed the global management associate program at American International Group (AIG) and held various positions of increasing responsibility at AIG prior to joining AIS in January of 2003. Seth lives in Richmond, Massachusetts with his wife and two children.

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Charles D. Murphy, Vice President and Chief Financial Officer

Mr. Murphy is a portfolio manager and is also responsible for accounting operations including preparation of quarterly and annual financial statements. Charles is also actively involved in marketing and the design and promotion of the *Investment Guide*.

Educational Background, Charles graduated with a BBA in Accounting from Loyola University at Baltimore in 1997.

Employment History, Charles has been Vice President and Chief Financial Officer of AIS since 2007. Prior to joining AIS, Charles was a Financial Advisor with Merrill Lynch, Pierce, Fenner, and Smith, and served as Vice President, Controller and Financial Advisor for Dion Money Management in Williamstown, MA.

Personal Summary, Charles has over twenty years of experience in the financial services industry in investment management and accounting. Charles also proudly served in the United States Navy during Operations Desert Shield and Desert Storm. He lives in Pittsfield, Massachusetts with his wife and two children.



David F. St. Peter, CFA, Vice President, Director of Institutional Services

Mr. St. Peter joined AIS in 2008, is a portfolio manager and is responsible for institutional accounts. He is also involved in portfolio research and business operations. David serves as Corporate Secretary of AIS.

Educational Background, David graduated with a BA in Biology from Harvard in 1995. He received an MBA in Finance from Columbia Business School in 2002.

Employment History, Prior to joining AIS, David managed an equity portfolio using a proprietary stock screening and trading model. He previously worked as a security analyst at Loomis, Sayles & Co. in Boston and was a financial analyst with Goldman, Sachs & Co. in New York City.

Personal Summary, David has over 15 years of experience in finance and investment management. He received his CFA (Chartered Financial Analyst) designation in 2000. David lives in Stockbridge, Massachusetts with his wife and three sons.

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Matthew J. Svirida, Vice President

Mr. Svirida joined AIS in 2005, is a portfolio manager and oversees equity trading.

Educational Background, Matthew graduated with a BBA from Hofstra University in 1992 and has completed graduate coursework at Mercy College, New York.

Employment History, Matthew has been employed in the financial services field since 1997. He previously worked for JP Morgan Chase in New York City where he held two positions during his time there. He worked as a Group Administrator with Personal Financial Services, an affluent investment sales group, and also held the position of Representative Liaison where he assisted and educated the 300+ financial advisors in the nationwide Chase Investment Services, Inc. network. Prior

to his tenure with JP Morgan Chase, he was employed on the trading desk of two independent broker-dealers.

Personal Summary, Matthew is currently working towards his Certified Financial Planner (CFP) certification. He lives in Becket, MA with his wife and son, enjoys supporting his local community sponsored farm and has a wide variety of interests including swimming, biking, yoga, table tennis, guitar and cooking.



Mack W. Waggaman, Vice President

Mr. Waggaman is a portfolio manager and contributes to the Investment Guide.

Educational Background, Mack received his BA from the Rochester Institute of Technology in 1975 and an MBA from the Rennsselaer Polytechnic Institute in 2003.

Employment History, Prior to joining AIS in 2004, Mack was as a financial consultant and broker for A.G. Edwards & Co. He previously worked in the motion picture and television industry where he held numerous executive positions, including Vice President and General Manager of Medialab Studio, L.A.

Personal Summary, Mack returned to the Northeast in 1998 after a long and varied career as an executive in the motion picture and television industry during which he worked in both film and animation. Mack enjoys rowing and outdoor recreation. He has three adult children and lives in Mt. Washington, Massachusetts with his wife Judy.

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Christine Weaver, Chief Compliance Officer and Portfolio Administrator

Ms. Weaver is responsible for the AIS compliance program and is responsible for account maintenance for new and existing client accounts.

Educational Background, Christine received a BA and ABA-Approved Certificate of Advanced Paralegal Studies from Elms College, Chicopee, MA in 1992. She later studied Finance at Rensselaer Hartford, CT, graduating in 2008 with an MBA in Business Administration and Finance from American International College in Springfield, MA. Most recently, she successfully completed the National Regulatory Services' Investment Adviser Core program in December of 2012 and the Investment Adviser Compliance Certificate Program in December of 2013.

Employment History, Christine previously worked in law firms in Springfield and Hyannis, MA in the areas of personal injury, bankruptcy, real estate and wills and estates and in the financial services industry including compliance and investment analyst positions with MassMutual Financial Group and Babson Capital Management LLC.

Personal Summary, Christine is active with the Adult Archery League, as well as the Fundraising Committee, of Lee Sportsmen's Association in Lee, MA and has been a member of The Society for Creative Anachronism, Inc. since 1995. She is a member of the Massachusetts Motorcycle Association and became a Certified Rider Coach through the Motorcycle Safety Foundation in August, 2012. She has been musically active throughout her lifetime, including participating in many various community bands, orchestras and choirs including the Eagles Band and Berkshire Music School Orchestra in Pittsfield, MA.