



**Item 1      Cover Page**

**Part 2A of Form ADV: Firm Brochure**

**American Investment Services, Inc.**

*Office Location:*

250 Division Street  
Great Barrington, MA 01230

*Mailing Address:*

P.O. Box 1000  
Great Barrington, MA 01230

*Main Business Telephones:*

Local:      (413) 528-1216  
Toll Free: (888) 528-1216  
Facsimile: (413) 528-0008

*Email:* [AisInfo@americaninvestment.com](mailto:AisInfo@americaninvestment.com)

*Web Address:* [www.americaninvestment.com](http://www.americaninvestment.com)

September 21, 2017

This brochure provides information about the qualifications and business practices of American Investment Services, Inc. (hereinafter "AIS", the "Firm", "we" or "our"). Should the reader have any questions about the contents of this brochure, please contact AIS at 888-528-1216 or [AisInfo@americaninvestment.com](mailto:AisInfo@americaninvestment.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

AIS is an SEC-registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training.

Additional information about AIS is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Search the site using a unique identifying number, known as a CRD number. AIS' CRD number is 110043.

## Item 2     Material Changes

This item is used to provide our clients and prospective clients with a summary of new and/or updated information. We will advise you of changes based on the nature of the revision(s) as follows:

- *Annual Update.* We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.
- *Material Changes.* Should a material change in our operation occur, depending on its nature we will promptly communicate this to clients (otherwise, it will be summarized in this Item). "Material changes" requiring prompt notification will include: changes of corporate structure; ownership, principals or directors; location or contact information; disciplinary proceedings; nature of advisory services – any information that is critical to a client's or prospective client's full understanding of who we are, how to contact us, and how we conduct business.

The following summarizes new or revised disclosures based on information previously provided in our Firm Brochure dated March 31, 2017:

Sandra Potter-Stevenson joined AIS as our firm's Chief Compliance Officer, effective August 3, 2017.

*Item 12. Brokerage Practices.* Disclosures are revised to more clearly reflect our firm's practice requiring clients to select and direct AIS as to the qualified custodian/broker-dealer responsible for maintaining their assets. In addition, we have revised our trading practices to include block trading when appropriate and consistent with our duty to seek best execution.

### Item 3 Table of Contents

Item 1	Cover Page .....	1
Item 2	Material Changes .....	2
Item 3	Table of Contents.....	3
Item 4	Advisory Business.....	4
	GENERAL INFORMATION .....	4
	PORTFOLIO MANAGEMENT, SUPERVISION AND ADVICE .....	5
	Professional Asset Management (“PAM”).....	6
	High-Yield Dow (“HYD”) .....	7
	Portfolio Allocation Service (“PAS”).....	7
	Retirement Plan Consulting Services .....	8
	PUBLICATIONS .....	9
	AMOUNT OF MANAGED ASSETS .....	10
Item 5	Fees and Compensation.....	10
	PORTFOLIO MANAGEMENT SERVICES FEES .....	10
	PAM and HYD Fees .....	10
	PAS Fees.....	10
	Retirement Plan Consulting Services Fees.....	11
	Financial Planning and Consulting Services Fees.....	11
	Publication Cost .....	11
	GENERAL INFORMATION .....	11
Item 6	Performance-Based Fees and Side-By-Side Management.....	13
Item 7	Types of Clients.....	13
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	13
	Generally.....	13
	Sources of Information .....	14
	Types of Investments.....	15
	Risk of Loss, Generally .....	15
	Specific Types of Risk .....	16
Item 9	Disciplinary Information .....	17
Item 10	Other Financial Industry Activities and Affiliations.....	17
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	17
Item 12	Brokerage Practices .....	18
	Directed Brokerage .....	19
	Trade Aggregation and Allocation .....	19
	Products and Services Available to AIS from Schwab, TD Ameritrade and Fidelity .....	21
	Retirement Plan Consulting Services .....	23
Item 13	Review of Accounts .....	22
	Rebalancing Accounts Generally (PAM and PAS Services) .....	22
	Rebalancing for HYD Accounts and HYD Holdings within PAM Accounts. ....	23
	Reports.....	23
	Retirement Plan Consulting Services .....	23
Item 14	Client Referrals and Other Compensation .....	23
Item 15	Custody .....	23
Item 16	Investment Discretion .....	24
Item 17	Voting Client Securities.....	24
Item 18	Financial Information.....	26

## Item 4     **Advisory Business**

### **GENERAL INFORMATION**

AIS, a SEC-registered investment adviser incorporated in Delaware with its principal place of business located in Massachusetts, began conducting business in 1978. AIS is a wholly-owned subsidiary of the American Institute for Economic Research ("AIER"), a not-for-profit organization, and is governed by a Board of Directors appointed by AIER's Trustees. 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.

#### AIS Board of Directors

Neil D. Holden, DBA, Chair  
Roy Bouffard, CFP  
Nelson E. Furlano, CPA  
Gerald E. Sohan, PhD  
James Finnerty

#### AIS Mission Statement

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

AIS carries out this mission by providing individuals, corporations and institutional investors with investment management and advisory services and through the sale of a monthly newsletter, the *Investment Guide* ("IG").

#### AIS Staff

John L. Barry, President and Chief Executive Officer  
Melissa Byrne, Client Services  
Luke F. Delorme, Director of Financial Planning  
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, Vice President, Dir. of Institutional Services and Corp. Secretary  
Sandra Potter-Stevenson, Chief Compliance Officer  
Tricia R. Storti, Client Services Manager  
Matthew J. Svirida, Vice President  
Mackenzie W. Waggaman, Vice President

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 the interests of AIS.

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

- AIER, through trusts established under its charitable giving programs, is AIS' largest advisory client;
- AIS may manage investment accounts for AIS' Directors, Employees and AIER Trustees;
- The AIS Board of Directors approves the compensation of AIS employees; and
- The AIS Board of Directors 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 (those clients not referenced above) first and to make prompt disclosure of the conflict to all affected parties.

## **PORTFOLIO MANAGEMENT, SUPERVISION AND ADVICE**

AIS is a fee-only registered investment adviser. The investment approach underlying our investment services and publications can be characterized 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 regarding AIS' portfolio management services are based on our understanding of client objectives and needs. Clients may impose reasonable restrictions on investing in specific company securities, industries or types of financial products. Please refer to the "Investment Discretion" section (Item 16) of this document for more information.

Investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Mutual fund shares
- Securities of foreign issuers
- Municipal securities
- Commercial paper
- Corporate debt securities (other than commercial paper)
- Securities traded over-the-counter
- Exchange-Traded Funds (ETFs)
- Certificates of deposit
- United States governmental securities
- Variable annuities

Because some types of investments involve certain additional degrees of risk, they will only be implemented when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

AIS investment management and advisory services for clients include:

- The Professional Asset Management program
- The High-Yield Dow program
- The Portfolio Allocation Service
- Retirement Plan Services

### **Professional Asset Management (“PAM”)**

PAM is a discretionary investment management service for an entire portfolio. This service is designed for clients who embrace structured low-cost, personalized asset management. Under PAM the client authorizes AIS to make and implement investment decisions with respect to a specified portfolio that is designed in consultation with client. The PAM service can include management of self-directed retirement plan assets on a discretionary basis if the plan permits, or, if it does not, on a supervisory basis involving continuous portfolio review and trading recommendations that are to be implemented by the client. PAM can also encompass management of certain annuities on a discretionary or non-discretionary basis. AIS also offers clients PAM with financial planning services on an optional basis for an additional fee.

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. This account size may be negotiable under certain circumstances. AIS may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Generally, PAM clients receive the following:

- Development and implementation of a client-specific investment plan, based on the account manager’s understanding of the client’s unique circumstances and needs. Plans are updated as needed when the client circumstances change. Typically, this investment plan will include a recommendation for liquidation of existing securities (taking into consideration 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);
- Portfolio reviews, no less frequently than once per calendar quarter, to include portfolio rebalancing if warranted; and
- 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.

- PAM includes financial planning and consulting. This includes a review of the client's overall financial circumstances at the inception of service and on an ongoing basis. The account manager will discuss the client's options, as appropriate, regarding taxation, retirement planning, insurance, endowment spending and business planning legacy concerns as well as other client-specific financial planning matters. A formal written financial plan may be prepared, depending on the client's needs.

Financial Planning Services are also available on a stand-alone basis for individuals and institutions who are not in need of asset management services, but who desire an independent assessment and/or guidance with regard to financial planning.

### **High-Yield Dow ("HYD")**

HYD is a discretionary investment management service designed to replicate the returns of a domestic large cap value model portfolio – the High-Yield Dow ("HYD") model -- based on a research study conducted 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, AIS management fees (if the client authorizes AIS to deduct fees) and client distribution needs.

HYD is generally open to all investors, though AIS generally recommends a minimum investment of \$150,000 of AUM for this service and reserves the right to determine if the service is appropriate for each individual. This account size may be negotiable under certain circumstances. AIS may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Generally, in addition to discretionary account management HYD clients receive the following:

- Quarterly reports, which include portfolio holdings and total returns versus appropriate benchmarks (from inception and for various time periods); and
- Monthly portfolio reviews and rebalancing to keep the portfolio in line with model target allocations.

### **Portfolio Allocation Service ("PAS")**

PAS is a discretionary investment advisory service designed as a cost-effective solution for investors with a single account. An AIS adviser and the client will consult to select one of several "model portfolios" designed for investors with varying degrees of risk preference ranging from an aggressive, all-equity portfolio to a conservative, all-fixed income portfolio.

PAS is generally open to all investors, though AIS generally recommends a minimum investment of \$50,000 of AUM for this service. This account size may be negotiable under certain circumstances.

Generally, PAS 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);
- Portfolio reviews, no less frequently than once per calendar quarter, to include portfolio rebalancing if warranted; and
- Financial planning and consulting. An account manager will review the client's overall financial circumstances at the inception of service and on an ongoing basis. The account manager will discuss the client's options, if appropriate, regarding taxation, retirement planning, insurance, and legacy concerns as well as other client-specific financial planning matters. A formal written financial plan may be prepared, depending on the client's needs.

### **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 generalized annual participant education and preparing reports to plan sponsors.

*Investment Policy Statement Preparation (hereinafter referred to as "IPS").* AIS will meet with the plan sponsor (in person or over the telephone) to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. AIS will then prepare a written IPS detailing those needs and goals, including an encompassing policy under which these goals are to be achieved. The IPS also lists the criteria for selection of investment vehicles as well as the procedures and timing interval for monitoring of investment performance.

*Selection of Investment Vehicles.* AIS assists plan sponsors in constructing appropriate asset allocation models. AIS will then review various mutual funds to determine which investments are appropriate to implement the Plan's IPS. The number of investments to be recommended will be determined by the plan sponsor, based on the IPS.

*Monitoring of Investment Performance.* AIS monitors investment options for participants. Although AIS is not involved in any way in the purchase or sale of these investments, AIS evaluates the plan investment options and will make recommendations to the plan sponsor.



*Retirement Plan Rollovers.* A participant in a company-sponsored retirement plan who is leaving the employer typically has four options (and may engage in a combination of these options):

- 1) leave the money in the former employer's plan, if permitted;
- 2) roll over the assets to a new employer's plan, if one is available and rollovers are permitted;
- 3) rollover to an IRA, or
- 4) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences).

When appropriate to the needs of the individual, AIS may recommend an investor roll over plan assets to an Individual Retirement Account (IRA) managed by AIS. As a result AIS and its representatives may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave his or her plan assets with his or her previous employer or roll the assets to a plan sponsored by a new employer will generally result in no compensation to AIS (unless the client engages AIS to monitor and/or manage the account while maintained at either employer). AIS has an economic incentive to encourage an investor to roll plan assets into an IRA that AIS will manage or to engage AIS monitor and/or manage the account while maintained at the client's employer. There are various factors that AIS may consider before recommending a rollover, including but not limited to: (i) the investment options available in the plan versus the investment options available in an IRA, (ii) fees and expenses in the plan versus the fees and expenses in an IRA, (iii) the services and responsiveness of the plan's investment professionals versus those of AIS, (iv) required minimum distributions and age considerations, and (v) employer stock tax consequences, if any, among other possible considerations. No client or prospective client is under any obligation to rollover plan assets to an IRA managed by AIS or to engage AIS to monitor and/or manage the account while maintained at the client's employer.

## **PUBLICATIONS**

AIS publishes the *Investment Guide* (the "IG"), a monthly newsletter. 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 in the IG with sample portfolio allocations based on hypothetical (non-investable) commercial indexes. These allocations are intended to demonstrate how individuals of varying risk profiles can construct portfolios tailored to their circumstances and preferences. Each monthly 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 criteria with respect to expenses, turnover ratios, diversification and consistency in their ability to deliver the returns of their respective asset class.

Investment recommendations covering broad asset classes are provided in this newsletter, however, the information provided does not purport to meet the objectives or needs of any individual or provide personalized investment advice nor is supervision provided for subscribers.

## **AMOUNT OF REGULATORY ASSETS UNDER MANAGEMENT**

As of January 31, 2017, AIS provided continuous and regular supervision or management services for client assets totaling \$833,866,068, of which \$828,334,802 was managed on a discretionary basis.

## **Item 5 Fees and Compensation**

### **PORTFOLIO MANAGEMENT SERVICES FEES**

AIS provides investment services on a fee-only basis. The specific manner in which fees are charged is established in the client's written Investment Advisory Agreement with AIS.

#### **PAM and HYD Fees**

AIS charges asset value based fees calculated as a percentage of Assets Under Management ("AUM"). PAM and HYD portfolio management fees generally range from 0.80% to 0.275% or a fixed, minimum annual fee (currently \$1,500), whichever is greater.

The annualized fee for PAM and HYD accounts is charged generally according to the following schedule:

<b>Tier</b>	<b>Applies to AUM</b>	<b>Annual Fee</b>
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 0.65% of AUM in Tier 2
3	\$500,001 - \$10,000,000	Tier 2 maximum fee plus 0.40% of AUM in Tier 3
4	\$10,000,001 - \$20,000,000	Tier 3 maximum fee plus 0.25% of AUM in Tier 4
5	\$20,000,001 - \$150,000,000	Flat 0.275% of total AUM
6	Over \$150,000,000	Tier 5 maximum plus 0.15% of AUM in Tier 6

#### **PAS Fees**

The PAS management fee is a flat 0.75% of AUM with a minimum of \$1,000.

## **Retirement Plan Consulting Services Fees**

Fees for Retirement Plan Consulting Services are based on a percentage of plan assets per the PAM fee schedule in effect at the time the client executed an advisory agreement with AIS.

## **Financial Planning and Consulting Services Fees**

Stand-alone financial planning services are provided at an hourly rate and are negotiable depending on the nature of the engagement.

## **Publication Cost**

The present cost of a monthly *Investment Guide* subscription is \$59/year for print and \$49/year for electronic delivery. The annual subscription fee is waived for all AIS advisory clients. AIS may offer discounted subscription offers from time to time as part of our marketing efforts.

## **GENERAL INFORMATION**

*Portfolio Management Service Fees.* Fees are calculated and billed in arrears at the end of each calendar quarter based upon the asset value (market or fair market value in the absence of market value), of the client's account as of the close of business on the last day of the calendar 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 calendar quarter or terminate other than on the last day of the calendar quarter, the fee is pro-rated.

Fees for partial quarters will be prorated based on the number of days during the calendar 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.

When authorized by the client, fees are debited from the account in accordance with the terms set forth in the Investment Advisory Agreement.

*Limited Negotiability of Advisory Fees:* Although AIS has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the Investment Management Agreement between AIS and each client.

Under limited circumstances as an accommodation to existing AIS clients we may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

*Termination of the Advisory Relationship.* A client agreement may be canceled at any time, by either party, for any reason upon receipt of ten (10) days written notice.

Upon termination of any account, any earned fees will be immediately due and payable. Any fees due to AIS shall be prorated to the date of termination and billed accordingly. Any prepaid, unearned fees will be pro-rated and then will be promptly refunded. AIS guarantees to refund, on a pro-rata basis, any subscription prepayment not yet provided to subscribers.

*Mutual Fund Fees.* All fees paid to AIS for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. Generally, a client could invest in certain mutual funds directly, without our services. In that case, the client would not receive the services provided by AIS which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Importantly, however, certain funds utilized by AIS may not be available to the client directly. Accordingly, the client should review both the fees charged by the funds and AIS' fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

*Non-Participation in Wrap Fee Programs and Separately Managed Account Fees.* As a matter of firm policy, AIS does not sponsor or serve as a portfolio manager for any wrap fee programs.

*Additional Fees and Expenses.* In addition to AIS advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker-dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

*Certain fees for Annuities.* AIS may provide advice regarding the selection of annuities and asset allocation among the underlying sub-accounts held within variable annuities. Clients who engage AIS to manage such products may in effect incur three levels of fees: fees paid to the insurance company, fees assessed by the investment manager of the sub-accounts, and our AIS management fee. Insurance product fees and expenses are described in each product's prospectus, but may include asset based, spread, mortality fees as well as surrender charges and sales fees.

*Grandfathering of Minimum Account Requirements.* Advisory clients are subject to minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, AIS' minimum account requirements and advisory fee schedules may differ among clients.

*ERISA Accounts.* AIS is deemed to be a fiduciary to advisory clients that are employee benefit plans or certain individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986. As such, AIS is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, adherence to Impartial Conducts Standards which require that AIS and our advisers providing advice on the firm's behalf (i) provide advice that is in the best interest of the retirement investor, (ii) receive no more than reasonable compensation, and (iii) make no misleading statements about investment transactions, compensation and conflicts of interest at the time a recommendation is being made.

*Advisory Fees in General.* Clients should be aware that equivalent advisory services may be available from other investment advisers for similar fees.

*Limited Prepayment of Fees.* Under no circumstances does AIS require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

AIS does not charge performance-based fees, nor does it provide side-by-side management arrangements.

## **Item 7 Types of Clients**

AIS generally provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals);
- High net worth individuals;
- Pension and profit sharing plans;
- Charitable organizations;
- Corporations or other businesses not listed above; and
- State or municipal government entities.

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

### **GENERALLY**

AIS' 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), among others.

AIS also incorporates research based on the work of AIER founder, E.C. Harwood, pertaining to monetary theory, inflation, and gold-related assets as an alternative to fiat currency.

AIS' approach to the capital markets relies on several key principles:

- 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.
- All investors, in the aggregate, can expect the market rate of return less expenses.
- 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.
- Equity returns can be explained by exposure to 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.
- The returns on fixed income securities or a portfolio of fixed income securities is highly dependent on a portfolio's exposure to term and credit risk.
- Gold represents a form of money that cannot be debased. In times of extreme financial disruption, gold can provide a form of portfolio insurance.

These principles demonstrate 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 as well as external research. AIS also employs commercially available software (such as Morningstar, Bloomberg and Haver Analytics), securities rating services and other public sources of information.

AIS o 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 index or factor-based 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 takes positions in gold bullion-backed exchange traded funds on behalf of its clients.

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.

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 the 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.

401k plan investment options vary widely from plan to plan and are determined by plan sponsors. Investments available may therefore not be what AIS would select absent those limitations. AIS will review investment options for client self-directed 401k assets and make recommendations that are determined to best meet the client’s individual situation.

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 systematic 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 may also be 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.



*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**

AIS is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of the AIS advisory business or the integrity of AIS' management.

AIS and AIS management personnel have no reportable disciplinary events to disclose.

## **Item 10    Other Financial Industry Activities and Affiliations**

AIS and AIS related persons are not engaged in other financial industry activities and have no other industry affiliations.

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

AIS has adopted a Code of Ethics (the "Code") which sets forth high ethical standards of business conduct that AIS requires of employees, including compliance with applicable Federal and State regulations governing registered investment advisory practices. The Code is designed to assure that the personal securities transactions, activities and interests of AIS' employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

AIS and AIS personnel owe a duty of loyalty, fairness and good faith towards clients and have an obligation to adhere not only to the specific provisions of the Code, but to the general principles that guide the Code. AIS has established policies requiring AIS supervised persons' reporting Code violations to senior management or an alternate designee, and possible sanctions for Code violations include suspension or termination of employment.

Annually, AIS delivers the Code to each supervised person and requires an attestation of understanding and compliance with the Code by each such supervised person. The Code requires that anyone associated with the advisory practice who possesses access to advisory recommendations (“access persons”) provide initial and annual securities holdings reports and quarterly transaction reports to AIS’ Chief Compliance Officer or an alternate designee.

The Code allows individuals associated with AIS 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 that no person employed by AIS 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.

The Code of Ethics also details AIS’ policy prohibiting the use of material non-public information and the confidentiality of client information. While AIS does not believe that it has any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity. As such, no Principal or employee of AIS may buy or sell securities where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.

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 AIS or its related persons has a material financial interest.

AIS and individuals associated with AIS are prohibited from engaging in principal or agency cross transactions.

AIS requires prior approval for any IPO or private placement investments by related persons of AIS.

The code also provides for oversight, enforcement and recordkeeping provisions. AIS has established procedures for the maintenance of all required books and records.

A copy of the AIS Code of Ethics is available to advisory clients and prospective clients by request to [AisInfo@americaninvestment.com](mailto:AisInfo@americaninvestment.com), or by calling 888-528-1216.

## **Item 12 Brokerage Practices**

AIS does not have any soft-dollar arrangements and does not receive any commissions or other revenue from brokerage firms.

Prior to engaging AIS to provide discretionary investment management and supervisory services, clients will be required to execute an Investment Advisory Agreement with AIS setting forth the terms and conditions under which AIS shall manage the client’s assets and a separate custodial/clearing agreement with one or more broker-dealer/custodians designated by the client.

## **Directed Brokerage**

As AIS will not request the discretionary authority to determine the broker-dealer to be used or the commission rates to be paid in these situations, clients must direct our firm as to the broker-dealer to be used. AIS participates in the Schwab Institutional services program offered to independent investment advisers by Charles Schwab & Company, Inc., (Schwab) and the institutional customer program offered by TD Ameritrade Institutional, a division of TD Ameritrade Inc., ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade Institutional services program offered to independent investment advisers by TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade"). Schwab and TD Ameritrade are SEC-registered broker-dealers, FINRA member firms and members of SIPC.

The Schwab and TD Ameritrade brokerage programs will generally be recommended to advisory clients for the execution of mutual fund and equity securities transactions. AIS periodically reviews these programs to ensure that these recommendations are consistent with our fiduciary duty. These trading platforms are essential to AIS' service arrangements and capabilities, and we may not accept clients who direct the use of other brokers. As part of these programs, AIS receives benefits that it would not receive if it did not offer investment advice (See the disclosure under Item 14 of this Brochure).

In directing the use of a particular broker or dealer, it should be understood that AIS will not have authority to negotiate commissions among various brokers or obtain volume discounts, and best execution may not be achieved. Not all investment advisers require clients to direct the use of specific brokers. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients (who may direct the use of another broker).

In addition, clients may have established accounts with National Financial Services LLC/Fidelity Brokerage Services LLC ("Fidelity") as the qualified custodian/broker. Fidelity is a SEC-registered broker-dealer, FINRA member firm and member of SIPC.

Schwab, TD Ameritrade and Fidelity do not generally charge clients a custody fee and are compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through the broker or that settle into the clients' accounts at the brokers.

AIS is independently operated and is not affiliated with Schwab, TD Ameritrade, Fidelity or any other custodian. Furthermore, AIS does not have any arrangements to compensate any broker-dealer for client referrals.

## **Trade Aggregation and Allocation**

AIS will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. AIS will typically aggregate trades among clients whose accounts can be traded at a given broker. AIS block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with AIS, or our firm's order allocation policy.
- 2) The trading desk in concert with the account manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The account manager must reasonably believe that the order aggregation will benefit, and will enable AIS to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, an order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- 8) AIS' client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.

9) Funds and securities for aggregated orders are clearly identified on AIS' records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

10) No client or account will be favored over another.

AIS also supervises accounts held by qualified custodians that are not among AIS' recommended custodians, on a limited basis. These accounts include but are not limited to self-directed 401k accounts, IRC Section 529 plans, and investment subaccounts held within annuities. The custodian for these accounts varies according to the account.

### **Products and Services Available to AIS from Schwab, TD Ameritrade and Fidelity**

Schwab, TD Ameritrade and Fidelity provide AIS and our clients with access to institutional brokerage services (trading, custody, reporting and related services), many of which are not typically available to retail customers. These custodian/brokers also make various support services available to AIS to help us manage or administer our clients' accounts and to help us manage and grow our business. These support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. Following is a more detailed description of such support services:

**Services that benefit clients.** Institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available include some to which we might not otherwise have access, or that would require a significantly higher initial investment by our clients.

**Services that may not directly benefit clients.** Custodian/Brokers also make available to AIS other products and services that benefit AIS but may not directly benefit clients or their accounts. These products and services assist us in managing and administering out clients' accounts. They include investment research. We may use this research to service all or a substantial number of our clients' accounts. In addition to investment research, software and other technologies are made available that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping and client reporting

**Services that generally benefit only AIS.** Custodian/brokers offer other services intended to help us manage and further develop our business enterprise.

These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal and business needs
- Publications and conferences on practice management

The availability of these services from these custodian/brokers benefits AIS because we do not have to produce or purchase them and thus results in a potential conflict of interest. We may have an incentive to request that clients maintain accounts with a custodian based on our interest in receiving services that benefit our business rather than based on clients' interests in receiving the best value in custody services and the most favorable execution of clients' transactions. We believe, however, that our recommendation of Schwab and TD Ameritrade as custodians and brokers is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of services.

### **Retirement Plan Consulting Services**

AIS does not arrange for the execution of securities transactions for pension plans as a part of this service. The client is responsible for the implementation of securities transactions for these accounts.

## **Item 13 Review of Accounts**

### **Rebalancing Accounts Generally (PAM and PAS Services)**

While the underlying securities within our portfolio management accounts are continually monitored, comprehensive account reviews are performed by AIS advisers no less than quarterly to determine if asset class values have deviated from desired allocation 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 account manager 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.

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. Accordingly, it is important clients inform their respective account manager of any significant changes in their financial circumstances, objectives, etc. 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.

### **Rebalancing for HYD Accounts and HYD Holdings within PAM Accounts**

AIS' High-Yield Dow model portfolio is evaluated and rebalanced monthly based on mid-month data. HYD accounts are rebalanced the following day in order to bring the holdings back in line with the percentage value of each holding in the 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, AIS will generally make rebalancing trades monthly based on the mid-month calculation.

**Reports.** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, generally we provide PAM, HYD and PAS clients with written quarterly reports, which include portfolio holdings by asset class and total returns versus appropriate benchmarks (from inception and for various time periods). These reports will also remind the client to notify us if there have been changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions.

### **Retirement Plan Consulting Services**

**Reviews.** AIS account managers will review the Plan's Investment Policy Statement (IPS) whenever the Plan Sponsor advises AIS of a change in circumstances regarding the needs of the plan. AIS will also review the investment options of the plan. Such reviews are generally conducted no less than annually.

**Reports.** Plan participants receive statements from the record keeper of the Plan.

## **Item 14 Client Referrals and Other Compensation**

It is the policy of AIS not to engage solicitors or to pay related or non-related persons for referring potential clients to AIS.

It is also our Firm's policy not to accept or allow AIS related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services AIS provides to clients.

## **Item 15 Custody**

AIS previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that advisory fees are directly debited from many client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact AIS directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, AIS also sends account statements directly to clients on a quarterly basis. AIS urges all clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

AIS does not have actual or constructive custody of client accounts.

## **Item 16 Investment Discretion**

Clients hire AIS to provide discretionary asset management services and, as such, AIS places trades in client accounts without contacting the client prior to each trade to obtain the client's permission.

Our Firm's discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

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. Clients may also change/amend such limitations by providing AIS with written instructions.

In self-directed retirement plan accounts in which the plan does not permit discretionary management by a third party, and for certain annuities that do not permit discretionary management AIS will provide continuous account supervision and make specific trade recommendations to the client, who in turn, is responsible for their implementation.

## **Item 17 Voting Client Securities**

AIS votes proxies for client accounts with written, delegated authority from the client. Clients always have the right to decline delegating proxy voting authority to AIS, and may rescind previously granted authority upon written notice.



Clients can instruct AIS to vote proxies according to particular criteria; however, these requests must be made in writing. AIS will vote proxies in the best interest of the client and in accordance with established policies and procedures.

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

- With delegated authority from the client, AIS will generally vote all proxies for client securities;
- 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; and
- AIS will identify whether a material conflict of interest exists between AIS and client(s).

AIS will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by AIS that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. Clients may request, in writing, information on how proxies for his/her shares were voted.

AIS will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct AIS in writing to transmit copies of class action notices to the client or a third party. Upon such written direction, AIS will make commercially reasonable efforts to forward such notices in a timely manner.

## **Item 18 Financial Information**

As an advisory firm that maintains discretionary authority for client accounts, AIS is also required to disclose any financial condition that is reasonably likely to impair the Firm's ability to meet all contractual obligations. AIS has no such financial circumstances to report.

Under no circumstances does AIS require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, AIS is not required to include a financial statement.

AIS has not been the subject of a bankruptcy petition at any time during the past ten years.