



No-Load Mutual Fund Selections & Timing Newsletter

Striving to provide you with the most return and the least risk.

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Top 5% Funds By C

C measures the risk (V) adjusted relative performance between fund and market (CS).

Fund	Symbol	Style	C
Nicholas Equity Income	NSEIX	EGI	36.7
Matthews China	MCHFX	EWR	34.8
Gabelli Gbl Telecomm	GABTX	EWR	34.4
Fidelity Utilities	FIUIX	EGI	32.7
AmCent Utilities Income	BULIX	EGI	31.9
Jensen	JENSX	ELC	31.9
FBP Contrarian Balanced	FBPBX	HB	30.5
AmCent Lrg Co Value	ALVIX	ELC	29.7
Selected American Shares	SLASX	ELC	29.5
Vanguard Value Index	VIVAX	EV	28.7
Copley	COPLX	EV	28.5
Gabelli Equity Incm	GABEX	EGI	28.4
Longleaf Intl	LLINX	EW	27.6
Wells Fargo Balanced	STAAH	HA	27.5
Investec China HK	ICHKX	EWR	27.4
Harbor Value	HAVLX	EV	27.3
Matrix Ad Value	MAVFX	EV	27.0
AmCent Cap Value	ACTIX	EV	26.9
Oak Value	OAKVX	EV	26.9
Buffalo Balanced	BUFBX	HB	26.8
Wells Fargo Grth/Incm	SGRIX	EGI	26.6
McMorgan Balanced	MCMBX	HB	26.5
SSgA Intl Stock	SSAIX	EW	26.5
Vanguard European Index	VEURX	EWR	26.4
Vanguard 500 Index	VFINX	EGI	26.3
Vanguard Asset Allocation	VAAPX	HA	26.2
California Invest S&P 500 Indx	SPFIX	EGI	26.1
Primary Trend	PTFDX	EGI	26.0
Accessor Incm/Grth	ACIGX	HGI	25.8
TIAA-CREF Grth/Incm	TIGIX	EGI	25.8
Price Capital Opportunity	PRCOX	ELC	25.8
Longleaf Small Cap	LLSCX	ESC	25.6
McMorgan Eqty	MCMEX	EGI	25.5
Westcore Flex Incm	WTLTX	BL	23.7
Excelsior Hi Yld	UMHYX	BH	20.4
Fidelity Cap/Incm	FAGIX	BH	19.1
Legg Mason High Yield	LMHYX	BH	18.6
Northeast Investors Trust	NTHFX	BF	17.7
Northern HiYld	NHFIX	BH	17.6
USAA HiYld	USHYX	BH	17.2
BlackRock Hi Yld	BHYSX	BH	17.2

A Look Ahead

There is universal optimism and bullishness from Wall Street to Main Street that is expecting stocks to return anywhere from 10 to 40% in 2007.

For my part, I too was a bull for this year as recently as last month. But the pattern I was expecting was turned on its end by all this optimism expressing itself (rally) in the last quarter. I had been expecting a decline into last October and then a rally that would last throughout this year. Unfortunately great minds think alike, but when we do, the market makes us humble again.

Put simply, there are too many bulls across the spectrum from analysts, investors, advisors, and managers, too many great minds thinking alike, to have stocks perform accordingly.

But at least we know now what drove last quarter's rally. They were buying in anticipation of a great 2007.

Like the teeter tooter, however, when it's too heavy on one side, nothing happens. But when they jump off, there is nothing left to stabilize it, unless you're the lone short at the other end.

A recent poll showed every Wall Street analyst expecting the

2007 stock market to end up as a banner year. So what do you do? You buy in 2006.

The percentage of bullish advisors is extreme. See chart on page 7. They've been buying.

Each year, Barron's publishes its Roundtable discussion with famous investors. This year, as you might guess by now, they are all bullish for 2007. Not a bear among them. Although I'm not sure how frequently this one-sided bullishness happens, one famous time was back in January 1973. It marked the peak and stocks went on to collapse (again) 40% over the next two years.

Why all the optimism? Expectations are high is all, but the buying appears over.

So, I now expect a sell off of at least 5% and more closer to 10% in stocks for at least the first quarter or until optimism is burnt off, and then a rally back in the second half of the year.

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AROUND THE CAMPFIRE

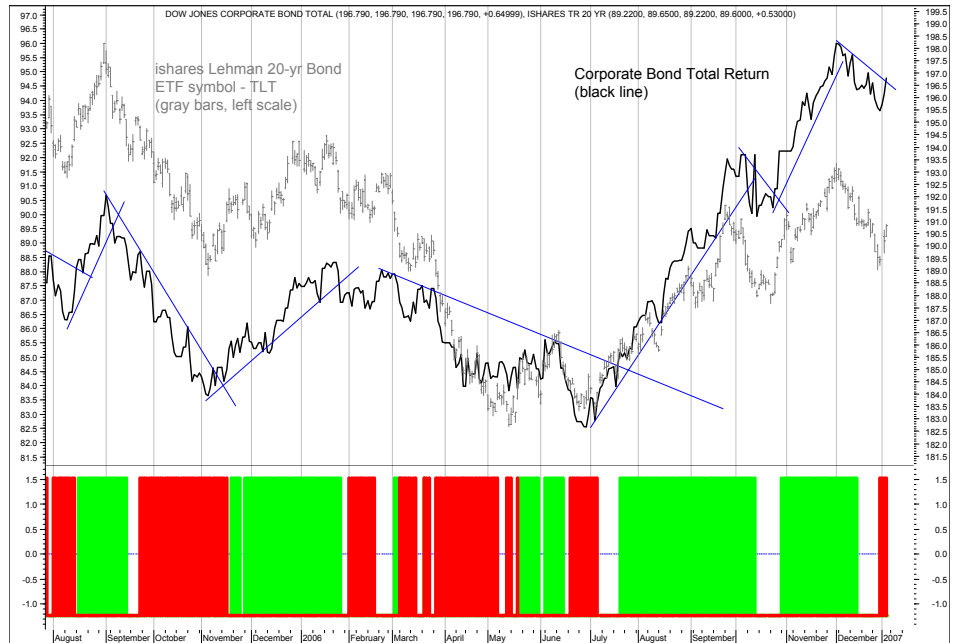
Funds pay dividends and capital gains in December. When this occurs, the price declines by the amount of the distribution. For example, a fund priced at \$20.00, paying a \$1.00 distribution will be priced at \$19.00 the next day, \$1 would be credited to your account. Our fund data provider picks this up in January, so prices will be adjusted then.

Interest Rates and Bond Prices

As mentioned last month, the potential for a SLM Bond Timing Model change from bullish to bearish would be signaled by a trend line break. This has happened as shown on the chart in early December. The Model is now bearish.

With the economy sort of muddling along, it's hard to imagine what would trigger a sell off in bonds, but it seems mainly technical. Too many investors are too bullish on bonds, including the top dog and well known bond guru from PIMCO, Bill Gross.

Still the Federal Reserve has been telling us they are still very worried about inflation and it is above its comfort zone. Until things slow noticeably expect yields to move higher in 2007.



The SLM Bond Market Timing Model shown on bottom part of chart above is an intermediate to long-term (months to years) forecasting tool of the direction of bond prices and yields, which move inversely. If you see this as a PDF file off the internet, the green bars are buy/hold, the red bars are sell/avoid signals. White spaces indicate that the previous signal is still in effect. If you see this as a printed version, the dark bars indicate red, the lighter bars indicate green.

MAAP Income Portfolio

I'll continue to hold the bond fund, since it was only bought in the last three months, to avoid the redemption charge. No changes.

MONTHLY ACTIVITY

MONTH ENDING: 12/31/2006

MONTH END VALUATIONS

INCOME, selected & timed, style and asset allocated (bond, balanced, cash)

Activity Date	Activity	Fund	Action Price	Number of Shares	Action Value	Symbol	Fund Style	Fund	Ending NAV	Number of Shares	Current Value	Percent of Total
						WTLTX	BL	Westcore Flex Incm	10.41	7,962.1946	82,886	40%
							MM	Money Market	100	125,254.9200	125,255	60%
							MM	Margin Loan	-100	-	-	0%
Total Valuation=											208,141	100%

MAAP Growth and Balanced Portfolios

MONTHLY ACTIVITY

MONTH ENDING: 12/31/2006

MONTH END VALUATIONS

AGGRESSIVE GROWTH, selected & timed, style allocated (stock, balanced, cash)

Activity Date	Activity	Fund	Action Price	Number of Shares	Action Value	Symbol	Style	Name	Ending NAV	Number of Shares	Current Value	Percent of Total
						MIDSX	Gold	Midas	4.29	2,487.5622	10,672	3%
					-	VWINX	Hybrid	Vngrd Wellsly	2180	1462.3641	31,880	8%
					-	FAIRX	Eqty LrgCap	Fairholme	28.99	748.0331	21,685	6%
					-	RYURX	Contrary MM	Rydex Urso Money Market	7.47 100	8,506.3693 258,494.9100	63,543 258,495	16% 67%
Total Valuation=											\$386,274	100%

GROWTH, selected & timed, style & asset allocated (stock, balanced, cash)

Activity Date	Activity	Fund	Action Price	Number of Shares	Action Value	Symbol	Fund Style	Fund	Ending NAV	Number of Shares	Current Value	Percent of Total
						VWINX	Hybrid	Vngrd Wellsly	2180	1,950.0088	42,510	7%
					-	FAIRX	Eqty LrgCap	Fairholme	28.99	748.0331	21,685	3%
					-	RYURX	EqtyContry	Rydex Urso	7.47	5,846.2800	43,672	7%
					-		MM	Money Market	100	534,349.8500	534,350	83%
Total Valuation=											\$642,217	100%

BALANCED, selected & timed, style & asset allocated (stock, balanced, bond, cash)

Activity Date	Activity	Fund	Action Price	Number of Shares	Action Value	Symbol	Fund Style	Fund	Ending NAV	Number of Shares	Current Value	Percent of Total
						VWINX	Hybrid	Vngrd Wellsly	2180	1,950.0088	42,510	8%
					-	FAIRX	Eqty LrgCap	Fairholme	28.99	748.0331	21,685	4%
					-		MM	Money Market	100	496,731.4200	496,731	89%
Total Valuation=											\$560,927	100%

With investor sentiment nearly universally bullish, the contrary approach will most likely be the best course. We have lots of cash, lower risk funds, and a fund that will profit if the market declines.

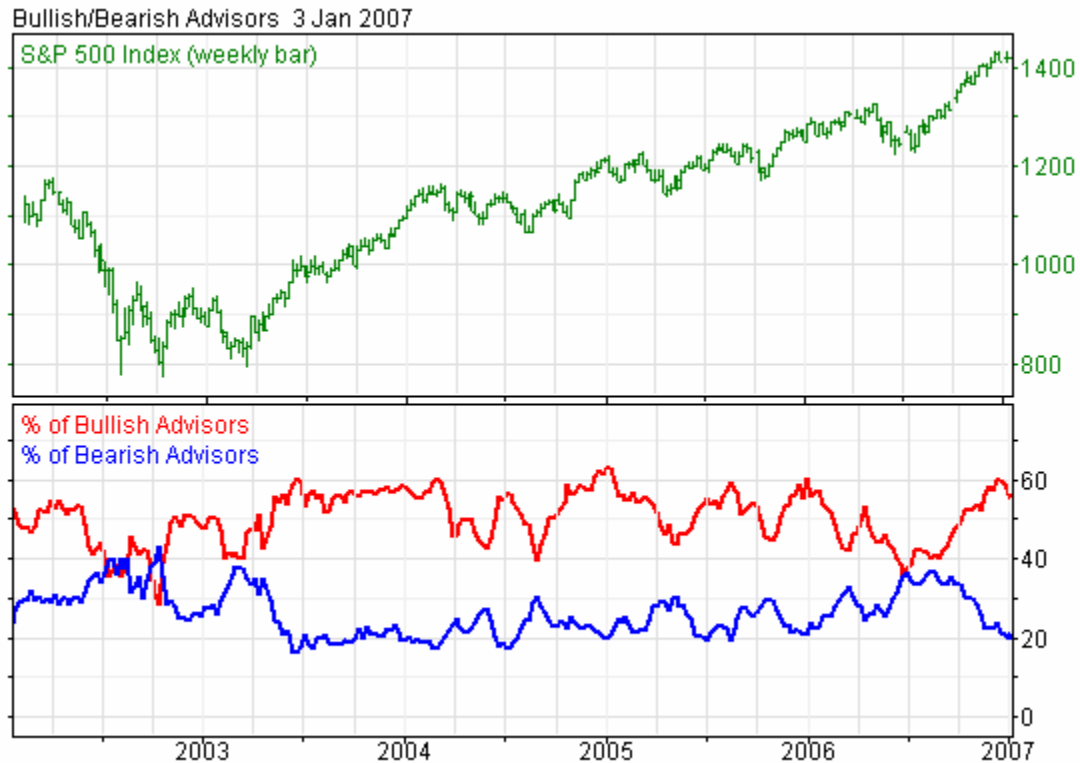
All MAAP portfolio performances include a separate annual 2% management fee expense (the fee we would charge to manage it). All dividends are reinvested.

Market Timing and Asset Allocation

% Advisors Bullish and Bearish (from Investor's Intelligence)

The chart from Investor's Intelligence (investorsintelligence.com) shows just how lopsided advisor sentiment is. There's way too many bulls and way too few bears. Look for a correction of at least

3-10% to occur over the next three months into Spring. (If you don't see this as color on the internet, the line at 60% is the % bulls, the line at 20% is the % bears.)



MARKET POSITION and STOCK MARKET COMMENTS

STOCKS: Bearish, awaiting a 3-10% correction from highs.
GOLD: Neutral,
BONDS: Neutral, also too many bulls.

US Gov. fiscal policy, neutral.

Corporate actions (buy backs, mergers), bullish.

Economy, from neutral to bearish by early 2007.

Inflation, bearish as it increases.

Oil prices, neutral.

Housing, bearish.

Investor sentiment, bearish (too many bulls).

Federal Reserve policy, bearish (inverted yield curve).

Market valuation, neutral.

Exogenous events: Terrorism risk, neutral; hedge fund risk, neutral.

Stock market appears to have turned from neutral to bearish—negative divergence between Industrials and Transports, too many bulls, economy and housing soft, but no interest rate cut.

SLM TIMING MODELS

LCITT, modified 1/96, 3/97, 9/98.
Large cap stock intermediate-term, signals lasting weeks to months.

LC Long-term, modified 11/95
Large cap stock long-term, lasting months to years. Under reconstruction.

SCITT, introduced 3/03
Small cap stock intermediate-term, signals lasting weeks to months.

GOLD, shown bi monthly.

BONDS, page 5

First three are under a rework for 2006, emphasizing timing on funds directly. Signals last months to years.

Performance Scoreboard

INDEXES, FUND STYLES & MAAP PORTFOLIOS	%RETURNS FROM THE PAST X MONTHS THRU 12/31/06					V Vol- atility	INDEX CLOSE		PERFORMANCE IN:					
	X= 12	9	6	3	1				2005	2004	2003	2002	2001	2000
DJ Wilshire 5000	13.72	8.38	10.96	6.83	100	1.8	14257.50	-	8.24	10.85	29.44	-22.08	-12.06	-11.41
Dow Jones Industrials	16.29	12.19	11.77	6.71	197	1.6	12463.10	-	-0.61	3.15	25.32	-16.76	-7.10	-6.18
Standard & Pooers 500	13.62	9.54	11.66	6.17	126	1.6	1418.30	-	3.00	8.99	26.38	-23.37	-13.04	-10.14
Russell 2000	17.00	2.94	8.69	8.55	0.20	2.9	787.66	-	3.32	17.00	45.37	-21.58	103	-4.20
Dow Jones World Index	18.52	10.98	12.65	8.64	2.06	2.4	277.50	-	9.41	14.43	33.42	-20.73	-16.58	-15.89
Gold/Sliver Index (XAU)	11.11	0.44	-0.92	10.77	-4.71	8.2	142.25	-	28.87	4.65	19.89	25.57	128	-5.94
Dow Jones Ttl Bond	3.70	5.03	6.72	1.23	-1.13	1.1	195.47	-	1.40	3.99	2.20	11.96	6.77	13.40
Small Cap	7.20	-3.93	1.38	1.95	-5.19	3.3	Columns 2 through 6 are the average returns and Column 7 is the average V (Volatility) for all funds in each fund style. Usually, the larger the V, the greater the risk.	2.63	11.74	39.43	-21.96	-6.21	0.96	
Mid Cap	6.79	-1.09	2.89	2.16	-4.40	2.9		8.38	12.96	33.65	-21.89	-11.03	-0.38	
Large Cap	6.11	1.65	5.64	2.93	-2.05	2.2		5.75	13.34	27.54	-21.75	-13.19	-3.69	
Value	10.08	5.11	6.12	1.67	-3.74	2.3		3.66	11.26	27.18	-15.61	2.30	9.99	
Contrary	-1.99	-2.45	-6.74	-4.42	-2.45	2.2		5.78	3.11	0.47	9.99	2.83	13.54	
World Growth	-2.18	-2.51	-6.96	-4.50	-2.40	2.3	13.07	17.11	34.67	-15.76	-19.89	-12.70		
Growth/Income	9.82	4.75	6.66	2.53	-2.72	2.1	4.23	10.24	23.46	-18.22	-7.76	0.03		
Bond Long	2.75	5.51	6.80	0.52	-2.59	1.7	10.32	8.43	8.64	6.73	2.45	11.68		
Bond High Yield	8.84	5.82	6.16	3.14	0.39	0.8	5.76	6.63	16.24	-7.55	-4.73	-12.68		
Bond World	5.65	4.79	4.38	1.44	-1.58	1.2	7.40	9.07	11.56	10.56	1.48	0.18		
MAAP Aggrsv Grth	9.95	4.36	2.01	1.60	-0.04	1.2	For more information about these model portfolios, please see pages five and six.	7.20	0.57	15.03	-4.93	1.42	1.78	
MAAP Growth	5.66	3.27	2.06	1.31	0.18	0.6		3.50	1.53	11.56	-1.22	0.75	2.64	
MAAP Balanced	7.59	5.27	4.24	3.28	0.77	0.7		2.01	5.88	12.57	0.09	-0.56	0.37	
MAAP Income	2.80	1.93	1.31	1.38	0.34	0.3		-1.86	1.90	7.05	1.75	4.59	2.37	

Funds and MAAP portfolio data include dividend reinvestment and fees (2% annual for MAAP). Market data does not include dividends, except for T-Bond Index.

Managed Asset Allocation Program (MAAP)

Fund Selection. We conduct a three-step selection process on more than 900 funds. Firstly, we separate funds into their primary investment style, Equity, Bond, Hybrid, and then subdivide into small, large, value, etc.. Secondly, we rank the funds by recent performance relative to their peer group (CS). Thirdly, we consider their historical risk, as measured by their volatility (V).

Portfolio Allocation. We follow a straightforward approach to allocation: Overweight the portfolio to the investment style that is performing the strongest out of the three (stocks, bonds, cash) major asset classes.

Diversification. We diversify by fund company, investment style, and asset class. The funds themselves normally reduce specific company risk, so that the main investment risks are the market and then the industry.

MAAP. Our Managed Asset Allocation Program brings our proprietary fund selection and market timing models together. We EVOLVE, buying from the top 5%, holding as long as the fund is in the top 20%. If it drops below 4 comets, we evolve, selling that fund and buying from the top 5% again. We overlay market timing on this fund selection evolution. The results are five portfolios shown on pages 5 and 6. See Scoreboard above for comparative performances.

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SAMPLE FUND EVOLUTION SELECTING AND TIMING

This is to show a sample evolution of the newly combined fund selecting and fund timing strategies working together. It is not indicative of actual results or picks. The funds were chosen because they show the strategies in action.

The selecting strategy is to buy from the top 5% and hold as long as the fund remains in the top 20% (5% and next 15%) of the funds we track. The timing strategy shows precise buy and sell points based only on the fund. The green is hold, the red is sell/avoid. The green spike is buy. No color indicates that the previous signal is still in effect.

I pick up the process with the first valid buy signal in September, 2004. The fund selecting model showed MNEFX in the top 5% at the time. The timing model also gave a buy signal, as shown by the dark green spike, the inverted V on the top chart.

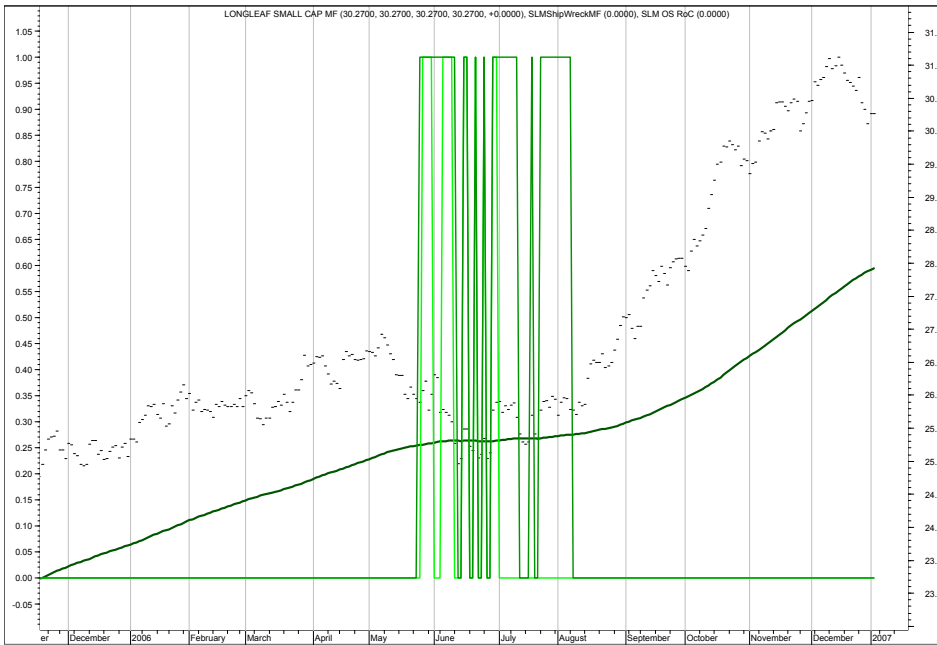
The fund dropped out of the top 20% at the end of January 2005. Even though the timing model remained bullish, the fund was sold. It would not have been rebought in July 2005 with the timing model buy because the fund was not in the top 5% at the time of the buy signal. It could have been bought in May.

The second chart shows its replacement. There was a buy spike and the fund was in the top 5%. Three months later it dropped out of the top 20% and was sold.

The third chart shows the replacement fund for the reinvestment. It was selected because it was in the top 5% and there was a timing model buy signal. The fund is still in the top 5%.

The end result is a gain of about 37% over the last 13 months. The Wilshire 5000 was up roughly 15% over the same period.





All of these funds are currently in the top 5%. The 200-day moving average is the solid trending dark line. The green spikes are buy signals (assuming the fund is within the top 5% at the time of the signal).

The top chart is LLSCX Long Leaf Small Cap.

The middle chart is OAKVX Oak Value.

The bottom chart is MIDSX Midas Fund (gold).

