



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
Grizzly Short	GRZZX	EC	23.8
Rydex URSA (short S&P 500)	RYURX	EC	22.8
Potomac US Short	PSPSX	EC	20.0
Profunds Ultra Bear	URPIX	EC	18.1
Rydex Arktos	RYAIX	EC	16.9
x	x	x	x
Profunds UltraShrt OTC	USPIX	EC	13.1
Profunds Shrt SmCap	SHPIX	EC	8.4
Hussman Strtg Ttl Rtrn	HSTRX	HB	6.8
SPDR Gold	GLD	EG	0.7
PS Gold	DGL	EG	-0.8
Prudent Bear	BEARX	EC	-2.3
FBR SmCap Fincl	FBRSX	EA	-6.1
Gabelli Gold	GOLDX	EG	-6.3
Currency Euro	FXE	EC	-6.3
Merger Fund	MERFX	EC	-6.5
Gabelli Mathers Fund	MATRX	HGI	-8.0
Rydex Precious Metals	RYPMX	EG	-8.3
Jamestown Blncd	JAMBX	HB	-8.4
Tocqueville Gold	TGLDX	EG	-9.2
US Gbl Invst US Gold	USERX	EG	-9.7
USAA Pr Mtls	USAGX	EG	-9.9
x	x	x	x
AmCent Global Gold	BGEIX	EG	-9.9
Buffalo Small Cap	BUFEX	ESC	-10.4
Copley	COPLX	EV	-10.4
James Market Neutral	JAMNX	EC	-10.5
Commonwealth Japan	CNJFX	EWR	-10.7
iShares China	FXI	EW	-10.8
PS Agrcltr	DBA	EC	-11.3
PS Silver	DBS	EG	-11.3
Reynolds Blue Chip Growth	RBCGX	ELC	-11.6
The Arbitrage	ARBFX	EC	-12.6
Rydex US Govt Bond	RYGBX	BU	36.2
Wasatch Hsng Trsry	WHOSX	BL	33.1
iShares 20+yr Trsry	TLT	BL	30.1
Vanguard LT Trsry	VUSTX	BL	23.3
Dreyfus US Long	DRGBX	BL	22.8
iShares 10-20 Trsry	TLH	BI	19.7
Price US Treasury Bond Long	PRULX	BL	19.6
iShares 7-10yr Trsry	IEF	BI	16.9

Swing Away

Good riddance to 2008. Whew, it is finally over, at least on a calendar basis, even if the effects linger into 2009. Still, we can mark a new beginning. This “thankfulness that it is over”, this relief, is evident, even if the MAAP portfolios are down “only” an average of 9%. Remember they include an assumed 2% management fee, as if we were managing the portfolio for you. Subscribers who followed our advice exactly would only be down roughly 7% for 2008.

Down 7% as compared to the proverbial “buy and hold” mentality of down 38% on the various market averages. They really must be relieved to call it over. Fully invested up and fully invested down for some. The Dow Industrials are back to where they were six years ago. It will take a bull market of some 62% to get them back to breakeven. For us, we need only a 9% rally.

Fully invested up and fully invested down. Is it really a viable investment strategy going forward? What exactly is wrong with taking a profit? What is incorrect about standing on the sidelines when risk appears high? As someone put it, this might be

investment baseball we’re playing, but there are no ball and strike counts. You can wait with the bat on your shoulder until you get that nice, fat pitch. Yet, if you have a limit, you might swing at most of them until you’re tired; and then comes the easy smash, bases loaded home run. The trouble is you’re shell-shocked, still fully invested, and so don’t have the nerve or cash to buy up the dollars that are trading at fifty cents.

But as one who also manages money in addition to writing this newsletter, I know that clients don’t like to pay you for sitting in cash, which is something they can do for themselves. So, I understand their game. Fully invested up and fully invested down. Swing you idiot.

So, 2009 comes in on the heels of the third worst year in market history. More than likely, it will not be repeated and just maybe that 62% will happen.

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AROUND THE CAMPFIRE

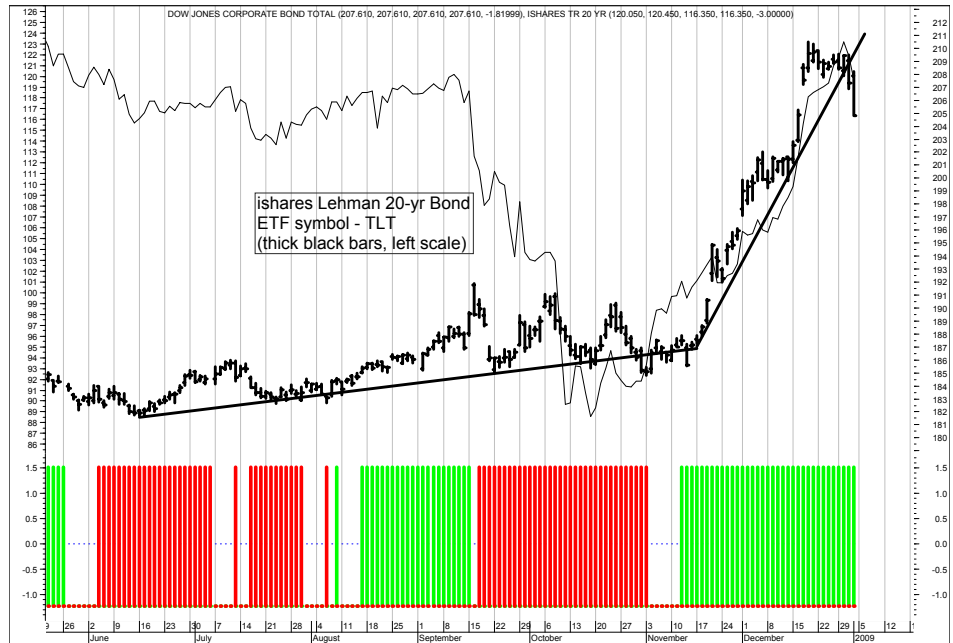
Just think, if you did this right, you could celebrate at least three new years in a twelve month period. One for the religious new year, two for the civil new year, and three for the cultural new year. Maybe resolutions would last longer than a few months, if they were renewed about every four months or so. Anyway Happy 2009 and RIP 2008.

Interest Rates and Bond Prices

The bond market rally appears over for now, as you can see on the chart.

The breaking of the up trend line is the technical signal, but is there a fundamental reason to think bond prices have peaked and interest rates have troughed?

Unfortunately not really. The long and intermediate-term leading economic indicators are still pointing downward, signaling weakness, a recession. Still the bond market is pricing in Armageddon and is over done to the upside. Like with stocks, it too will fluctuate. So, the bond market may pull back, go sideways to adjust to the lower yields, but ultimately the longer term fundamental picture is still positive for bonds.



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

The question of last month appears to be very timely, as the bond market appears to have turned over from bullish to bearish. Like stocks, things (bonds) don't go to the moon either. No portfolio changes.

MONTHLY ACTIVITY

MONTH ENDING: 12/31/2008

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
12-Aug	sell	BEGBX	14.83	2,162.9067	32,076	FAGIX	Bond HiYld	Fidelity Cap/Incm	5.46	3,314.9171	18,099	9%
						MM	Money Market		100	188,655.0000	188,655	91%
						MM	Margin Loan		-100	-	-	0%
Total Valuation=										206,754	100%	

MAAP: Aggressive Growth, Growth, and Balanced

PREVIOUS ACTIVITY		TO MONTH ENDING: 12/31/2008				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
14-Nov	buy	HrtInd Val HRVIX	17.96	946.5479	17,000							
14-Nov	buy	Royce SEqty RYSEX	13.63	1247.2487	17,000							
14-Nov	buy	Emrg Mrkt EEM	22.22	765.0765	17,000							
14-Nov	buy	Rydex2x S&P 500 (RSU)	22.86	743.6570	17,000	EEM	Eqty Wrld	Emrg Mrkt ETF	24.97	1455.0116	36,332	10%
19-Nov	sell	Rydex2x S&P 500 (RSU)	21.00	743.6570	15,617	PRBLX	Eqty G/I	Parnassus Eqty Incm	19.29	2,213.0003	42,689	12%
8-Jan	sell	Parnassus Eqty Incm		all		WPFRX	Eqty MidCap	Westport Grth	14.67	1,597.5667	23,436	7%
8-Jan	sell	Westport Grth		all		JORNX	Eqty MidCap	Janus Orion	6.47	3,379.8433	21,868	6%
8-Jan	sell	Janus Orion		all		HRVIX	Eqty Value	Heartland Value	18.70	3,420.7587	63,968	18%
8-Jan	sell	Berwyn Incm		all		BERIX	Hybrid G/I	Berwyn Incm	10.30	1,738.7740	17,909	5%
8-Jan	sell	Berwyn Incm		all		RYSEX	Eqty SmlCap	Royce Spcl Eqty	13.69	3,798.0995	51,996	14%
8-Jan	buy	Jamestown Blncd			20,000							
8-Jan	buy	Buffalo Small Cap			20,000	JAMBX		Jamestown Blncd				
8-Jan	buy	FMI Com Stk			20,000	BUF SX	Eqty SmlCap	Buffalo Small Cap				
8-Jan	buy	AstnTmr SmlCp			20,000	FMIMX	Eqty SmlCap	FMI Com Stk				
8-Jan	buy	AstnTmr SmlCp			20,000	ATASX	Eqty SmlCap	AstnTmr SmlCp				
						MM		Money Market	100	10,1475.0000	10,1475	28%
Total Valuation=											\$359,673	100%

GROWTH, selected & timed, style & asset allocated (stock, balanced, cash)												
Activity Date	Activity	Fund	Action Price	Number of Shares	Action Value	Symbol	Style	Fund	Ending NAV	Number of Shares	Current Value	Percent of Total
14-Nov	buy	HrtInd Val HRVIX	17.96	1837.4165	33,000							
14-Nov	buy	Royce SEqty RYSEX	13.63	3,668.3786	50,000	EEM	Eqty Wrld	Emrg Mrkt ETF	24.97	1455.0116	36,332	6%
14-Nov	buy	Emrg Mrkt EEM	22.22	765.0765	17,000	PRBLX	Eqty G/I	Parnassus Bal	19.29	2,213.0103	42,689	7%
8-Jan	sell	Parnassus Eqty Incm		all		WPFRX	Eqty MidCap	Westport Grth	14.67	1,597.5667	23,436	4%
8-Jan	sell	Westport Grth		all		JORNX	Eqty MidCap	Janus Orion	6.47	3,379.8433	21,868	3%
8-Jan	sell	Janus Orion		all		HRVIX	Eqty Value	Heartland Value	18.70	5,149.3236	96,292	15%
8-Jan	sell	Berwyn Incm		all		BERIX	Hybrid G/I	Berwyn Incm	10.30	1,738.7740	17,909	3%
8-Jan	sell	Berwyn Incm		all		RYSEX	Eqty SmlCap	Royce Spcl Eqty	13.69	8,835.0730	120,952	19%
8-Jan	buy	Jamestown Blncd			40,000							
8-Jan	buy	Buffalo Small Cap			40,000	JAMBX		Jamestown Blncd				
8-Jan	buy	FMI Com Stk			40,000	BUF SX	Eqty SmlCap	Buffalo Small Cap				
8-Jan	buy	FMI Com Stk			40,000	FMIMX	Eqty SmlCap	FMI Com Stk				
8-Jan	buy	AstnTmr SmlCp			40,000	ATASX	Eqty SmlCap	AstnTmr SmlCp				
						MM		Money Market	100	266,318.0000	266,318	43%
Total Valuation=											\$625,796	100%

BALANCED, selected & timed, style & asset allocated (stock, balanced, bond, cash)												
Activity Date	Activity	Fund	Action Price	Number of Shares	Action Value	Symbol	Style	Fund	Ending NAV	Number of Shares	Current Value	Percent of Total
14-Nov	buy	HrtInd Val HRVIX	17.96	1837.4165	33,000							
14-Nov	buy	Royce SEqty RYSEX	13.63	3,668.3786	50,000	EEM	Eqty Wrld	Emrg Mrkt ETF	24.97	1455.0116	36,332	7%
14-Nov	buy	Emrg Mrkt EEM	22.22	765.0765	17,000	PRBLX	Eqty G/I	Parnassus Bal	19.29	2,213.0103	42,689	8%
8-Jan	sell	Parnassus Eqty Incm		all		WPFRX	Eqty MidCap	Westport Grth	14.67	1,597.5667	23,436	5%
8-Jan	sell	Westport Grth		all		JORNX	Eqty MidCap	Janus Orion	6.47	3,379.8433	21,868	4%
8-Jan	sell	Janus Orion		all		HRVIX	Eqty Value	Heartland Value	18.70	5,149.3236	96,292	19%
8-Jan	sell	Berwyn Incm		all		BERIX	Hybrid G/I	Berwyn Incm	10.30	1,738.7740	17,909	4%
8-Jan	sell	Berwyn Incm		all		RYSEX	Eqty SmlCap	Royce Spcl Eqty	13.69	8,835.0730	120,952	24%
8-Jan	buy	Jamestown Blncd			20,000							
8-Jan	buy	Buffalo Small Cap			20,000	FAGIX	Bond HiYld	Fidelity Cap/Incm	5.46	6,629.8343	36,199	7%
8-Jan	buy	FMI Com Stk			20,000							
8-Jan	buy	AstnTmr SmlCp			20,000							
						MM		Money Market	100	107,275.0000	107,275	21%
Total Valuation=											\$502,952	100%

Time to do some Evolving, selling the laggards and buying the leaders. Per the portfolio activities shown above, sell the positions noted and buy the new funds. If you also do this for your portfolio, you will want to use rough percentages, as opposed to dollar amounts. For example, roughly 6% of the total Aggressive Growth Portfolio will go into each of the new positions.

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

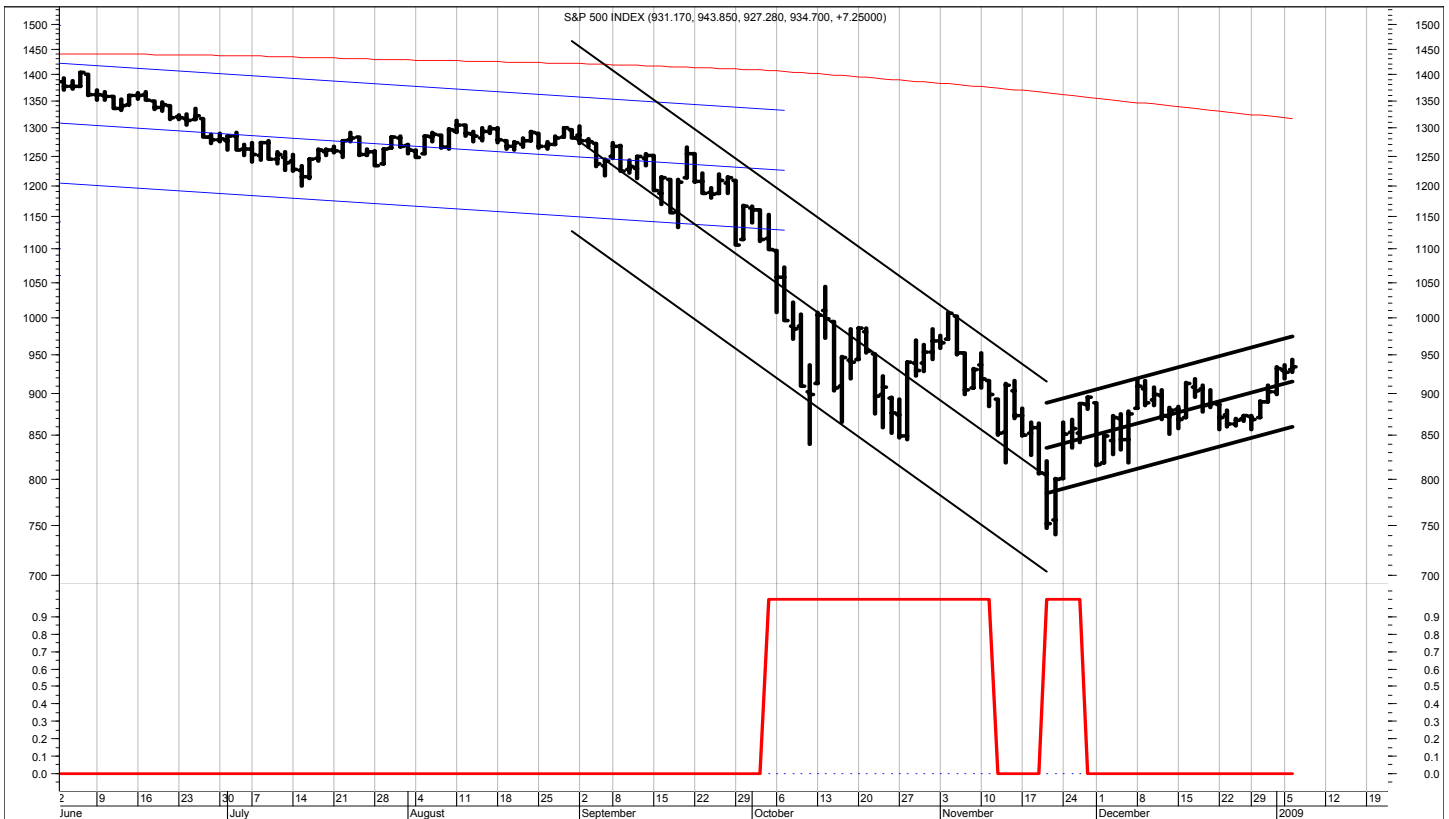
Market Timing and Asset Allocation

S&P 500, Trend Channels, Oversold Indicator

As you can see on the chart below, the severe market plunge appears over. The brutal downtrend is broken. A mild new uptrend is now in place. Is this a new bull market or simply a bear market bounce?

Right now, I'd have to say it doesn't really mat-

ter which one it is, even though the peaks are higher and the valleys are higher. The reason that it really doesn't matter, however, is that I intend to treat them both the same. As long as the trend is up, we want to participate. If it turns over, we want to be out.



TIMING POSITIONS

STOCKS: Neutral. **GOLD:** Neutral. **BONDS:** Neutral.

STOCK MARKET COMMENTS

US Gov. fiscal policy, **bullish** (bailouts, more stimulus checks).
Corporate activity (buy backs, mergers), **neutral** (insiders buying).
Economy, **bearish** (recession).
Inflation, **neutral** (deflation more likely).
Oil prices, **bullish** (cheaper to fill up cars, trains, ships, planes).
Housing, **bearish** (inventory overhang, falling prices, no liquidity).
Investor sentiment, **neutral** (lots of bears, but too quick to turn).
Federal Reserve policy, **bullish** (aggressive easing).
Market valuation (PE, yield, book), **neutral** (earnings down).
(11,300 projected on Industrials to fair value, trailing earnings).
Terrorism/war risk, **bearish**.
Hedge fund/leverage risk, **neutral** (leverage coming down).
Technical, **neutral**, (very oversold, but probable retest of lows).

The only change to the Stock Market Comments shown to the left is about the Hedge fund/leverage risk. I moved it from bearish to neutral. Much of the selling at year end was from them due to redemption requests. That is now mostly over.

The main long-term market drivers, fiscal and monetary policies, remain solidly bullish. This should eventually, though we don't know exactly when, find its way into the stock market both in terms of investor buying as well as from better earnings as consumers buy, businesses employ, and GDP expands.

Performance Scoreboard

INDEXES, FUND STYLES & MAAP PORTFOLIOS	%RETURNS FROM THE PAST X MONTHS THRU 12/31/08					V Vol- atility	INDEX CLOSE		PERFORMANCE IN:					
	X= 12	9	6	3	1				2007	2006	2005	2004	2003	2002
DJ Wilshire 5000	-38.68	-31.84	-30.49	-23.38	2.63	5.0	9087.17	-	3.94	13.72	8.24	10.85	29.44	-22.08
Dow Jones Industrials	-33.84	-28.43	-22.67	-19.12	-0.60	3.8	8776.39	-	6.43	16.29	-0.61	3.15	25.32	-16.76
Standard & Pooers 500	-38.49	-31.71	-29.43	-22.56	0.78	4.5	903.25	-	3.53	13.62	3.00	8.99	26.38	-23.37
Russell 2000	-34.80	-27.40	-27.58	-26.51	5.56	6.1	499.45	-	-2.75	17.00	3.32	17.00	45.37	-21.58
Dow Jones World Index	-42.85	-37.04	-35.57	-22.54	3.86	5.5	17195	-	8.43	18.52	9.41	14.43	33.42	-20.73
Gold/Sliver Index (XAU)	-28.54	-29.93	-36.57	-5.61	2191	12.3	123.85	-	2184	11.11	28.87	4.65	19.89	25.57
Dow Jones Ttl Bond	180	0.91	177	7.78	8.29	2.2	209.43	-	5.24	3.70	140	3.99	2.20	1196
Small Cap	-39.13	-31.93	-32.32	-26.79	2.55	6.1	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.		-3.52	7.20	2.63	11.74	39.43	-2196
Mid Cap	-41.93	-35.36	-37.26	-26.72	1.49	5.9			6.00	6.79	8.38	12.96	33.65	-2189
Large Cap	-39.89	-32.72	-33.05	-24.06	0.98	5.3			5.81	6.11	5.75	13.34	27.54	-2175
Value	-37.96	-31.66	-29.65	-24.41	0.19	5.0			-6.44	10.08	3.66	11.26	27.18	-15.61
Contrary	5.36	-164	-3.93	-3.88	-5.11	5.0			-1.11	-199	5.78	3.11	0.47	9.99
World Growth	-47.03	-41.75	-41.02	-26.43	1.96	6.5			x	x	13.07	17.11	34.67	-15.76
Growth/Income	-36.20	-30.22	-29.17	-22.00	0.34	4.7	For more information about these model portfolios, please see pages five and six.		0.47	9.82	4.23	10.24	23.46	-18.22
Bond Long	1191	9.89	1129	1100	7.00	2.9			6.19	2.75	10.32	8.43	8.64	6.73
Bond High Yield	-23.05	-20.67	-21.67	-16.07	3.71	2.9			x	8.84	5.76	6.63	16.24	-7.55
Bond World	-7.34	-9.77	-8.67	-4.05	2.77	2.1			4.74	5.65	7.40	9.07	11.56	10.56
MAAP Aggrsv Grth	-10.73	-9.05	-12.54	-5.49	2.03	2.0	For more information about these model portfolios, please see pages five and six.		4.30	9.95	7.20	0.57	15.03	-4.93
MAAP Growth	-5.75	-4.82	-6.81	-2.92	1.68	1.1			3.39	5.66	3.50	1.53	11.56	-1.22
MAAP Balanced	-13.09	-10.79	-13.27	-7.26	2.01	1.9			3.17	7.59	2.01	5.88	12.57	0.09
MAAP Income	-4.78	-6.73	-5.78	-2.87	-0.01	0.7			4.32	2.80	-1.86	1.90	7.05	1.75

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 nearly 800 funds. Firstly, we separate funds into their primary investment style, Equity, Bond, Hybrid, and then subdivide into categories like 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 four portfolios shown on pages 5 and 6. See Scoreboard above for comparative performances.

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