



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
Reynolds Blue Chip Growth	RBCGX	ELC	29.7
Price Latin America	PRLAX	EWR	28.8
Merger Fund	MERFX	EC	26.6
AMIDEX 35	AMDEX	EW	26.3
Boston Prtn Lng/Shrt Eqty	BPLEX	EC	25.6
Yacktman Focused	YAFFX	EV	25.0
iShares Latin Amr	ILF	EW	24.8
Yacktman	YACKX	EV	24.7
Profunds Ultra OTC	UOPIX	EA	24.7
Fidelity Latin America	FLATX	EWR	24.4
Price New Asia	PRASX	EWR	24.0
Wells Fargo Growth	SGROX	ELC	23.9
ABN AMRO Mid Cap	CHTTX	EMC	23.5
Berwyn Income	BERIX	HGI	23.5
Harbor Capital Appreciation	HACAX	ELC	23.4
White Oak Grth Stk	WOGSX	ELC	23.2
Aegis Value	AVALX	EV	23.1
Flex Muirfield	FLMFX	ELC	22.9
Spectra N	SPECX	ELC	22.8
Tweedy Browne Global Value	TBGVX	EW	22.7
SPDR NASDAQ 100	QQQQ	ELC	22.5
Investec China HK	ICHKX	EWR	22.2
Metzler/Payden Emrg M rkt	MPYMX	EW	22.2
Lazard Small Cap Open	LZCOX	ESC	22.0
Matthews China	MCHFX	EWR	22.0
Oakmark Intrntl Small Cap	OAKEX	EW	21.9
US Gbl Growth	USGLX	ELC	21.9
Fidelity OTC	FOCPX	ESC	21.9
Westcore Intrntl	WTIFX	EW	21.9
Rydex OTC	RYOCX	ESC	21.9
TCW Gal Sict Eqty	TGCNX	ELC	21.8
Westcore Growth	WTEIX	EGI	21.7
Vanguard Cap Value	VCVLX	EGI	21.7
Neubrg & Brmn Lmted Bond	NLMBX	BS	26.8
Fidelity Cap/Incm	FAGIX	BH	25.7
USAA Intrm Bond	USIBX	BI	24.4
USAA HiYld	USHYX	BH	23.4
BlackRock Hi Yld	BHYXS	BH	22.2
Federated High Yld	FHYTX	BH	21.6
Buffalo High Yld	BUFHX	BH	21.2
Price High Yield	PRHYX	BH	20.8

Best of Times and Worst of Times

Nearly everyone knows the start of the famous Dickens' quote, "It was the best of times, it was the worst of times". Here's the next sentence; "it was the age of wisdom, it was the age of foolishness". I think that quite nicely summarizes the last decade for us as participants and investors.

If we use this year alone to measure investment success, we may think it was the best of times. The Dow Industrials gained some 20%. Other indexes did even better.

But if our starting point is 10 years ago, it was the worst of times. Well nearly the worst of time. Since the 1900s, the decade just ended was the second worst decade after the 1930s. A buy/hold indexer is down for the last 10 year period.

Even over the last five years, the market is flat, essentially ending the period where it began. Investors may wonder whether those were the good or the bad times, neither winning or losing.

Of course over the last three years, things look downright horrible with the market losing some 25%. Definitely the worst of times, as some participated wholeheartedly in the "age of foolishness".

The last year, as noted, was great. Armageddon avoided. Melt-down contained. Fallout limited. Markets around the globe had started in panic and ended in relief.

So, might we draw any lessons from these best and worst times, this age of wisdom and foolishness? I think there are two.

One, selections, buy and hold versus buy and evolve.

To consistently make money over the long-term evolve. This means we invest with the leaders and sell/avoid the laggards. Long-term subscribers know that the Nineties were the Nifty Fifty era. Then it was the small cap and value time. More recently the international area dominated. But even within such broad generalizations there are individual fund managers that lead, then lag. The only fund constant is change.

Two, timing, bigger fool versus valuation.

Obviously, as I hope everyone by now has learned, value matters in investing. To ignore this rule means one is hoping a bigger fool will come along. Sometimes they do, but many times they don't.

In this present day, as we learn from the past and look to the future, may we evolve with the leaders and know that value matters.

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AROUND THE CAMPFIRE

Here's to the past from which we learn.

Here's to the future to which we yearn. And here's to the present in which we sojourn.

Happy New Year to you and yours.

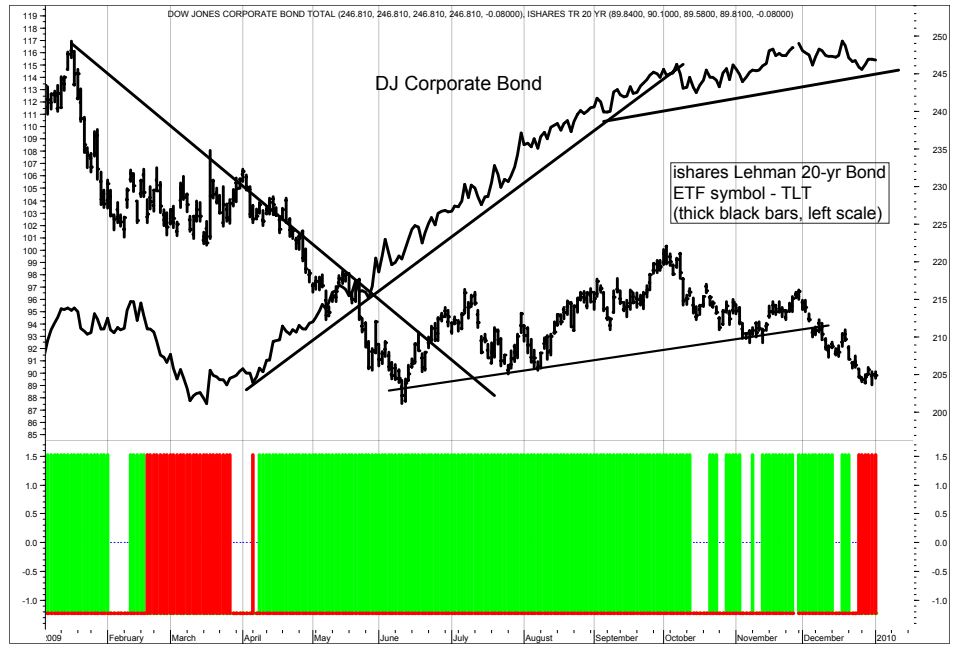
Interest Rates and Bond Prices

Even though the SLM Bond Timing Model has now turned bearish on bonds, I want to give bonds the benefit of the doubt.

The economy is not so strong to raise rates. The Fed is not inclined to raise rates. The main driver that influences those things, which is job growth, is nonexistent.

The whole decade just passed is the worst of the last 100 years for job growth in America. Most recently, of the last 24 months, we have had one month of job gain. It was a grand total of 4,000.

So, this current weakness looks more like an opportunity to buy on weakness, rather than a harbinger of future lower lows and lower highs (bear market definition).



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. The model is based on the corporate bond market.

MAAP: Income

No portfolio changes last month. Will look to make changes to the portfolio this month.

MONTHLY ACTIVITY

MONTH ENDING: 12/31/2009

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
						FGMNX	Bond Gov	Fidelity GNM A	11.35	1,853.6711	21,039	10%
						PYGNX	Bond Gov	Payden GNM A	10.21	1,978.6639	20,202	9%
						LKFIX	Bond Flxble	LKCM Fincm	10.85	1,924.1477	20,877	10%
						FAGIX	Bond HiYld	Fidelity Cap/Incm	8.62	3,523.3971	30,372	14%
						MM	Money Market		100	125,852.0000	125,852	58%
						MM	Margin Loan		-100	-	-	0%
Total Valuation=											218,342	100%

MAAP: Aggressive Growth, Growth, and Balanced

PREVIOUS ACTIVITY						TO MONTH ENDING: 12/31/2009			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	
				-	-	BERIX	Hybrid	Berwyn Income	12.77	3,691,390.1	47,139	1%	
						EEM	Eqty Wrld	Emrg Mrkt ETF	41.50	927,505.8	38,491	9%	
						JAOSX	Eqty Wrld	Janus Overseas	42.50	1,552,356.8	65,975	15%	
						WTIFX	Eqty Wrld	Westcore Intrntl	11.67	3,429,862.9	40,027	9%	
						YACKX	Eqty Value	Yacktman	15.22	2,609,943.1	39,723	9%	
						MM	Money Market		100	205,090.0000	205,090	47%	
											Total Valuation=	\$436,446	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	
				-	-	BERIX	Hybrid	Berwyn Income	12.77	7,376,860.3	94,203	12%	
						EEM	Eqty Wrld	Emrg Mrkt ETF	41.50	1,127,505.8	46,791	6%	
						JAOSX	Eqty Wrld	Janus Overseas	42.50	2,257,973.5	95,964	13%	
						WTIFX	Eqty Wrld	Westcore Intrntl	11.67	6,860,385.7	80,061	11%	
						YACKX	Eqty Value	Yacktman	15.22	5,219,886.2	79,447	11%	
						MM	Money Market		100	359,682.0000	359,682	48%	
											Total Valuation=	\$756,147	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	
				-	-	BERIX	Hybrid	Berwyn Income	12.77	3,688,450.1	47,102	8%	
						EEM	Eqty Wrld	Emrg Mrkt ETF	41.50	727,505.8	30,191	5%	
						JAOSX	Eqty Wrld	Janus Overseas	42.50	2,257,973.5	95,964	15%	
						WTIFX	Eqty Wrld	Westcore Intrntl	11.67	6,859,725.7	80,053	13%	
						YACKX	Eqty Value	Yacktman	15.22	5,219,886.2	79,447	13%	
						FAGIX	Bond HiYld	Fidelity Cap/Incm	8.62	7,048,014.3	60,754	10%	
						LKFIX	Bond Fixble	LKCM Fincm	10.85	4,810,374.2	52,193	8%	
						MM	Money Market		100	181,425.0000	181,425	29%	
											Total Valuation=	\$627,128	100%

No portfolio changes last month.

All MAAP portfolio performances include an annual 2% management fee expense, as if we managed it for you. All dividends are reinvested.

Market Timing and Asset Allocation

Real Estate Index (IYR)

Not much else besides the real estate market symbolizes the best and worst, the wise and foolish decade just past. The chart shows the gradual consistent price increase to parabolic peak that marks the I-must-get-in-at-any-price because-it-is-on-the-way-to-the-moon-without-me climax and then collapse of the DJ US Real Estate Index (IYR).

We can understand a couple of things from this. One

we have to buy and sell. This isn't a new mantra I'm preaching, but one I've been saying for more than 20 years now. Two, which goes along hand in glove with number one, we must understand that value matters. Price earnings. Cost of capital. Disaster scenarios. They matter.

So, at this point, the past is past. Whether real estate is a good buy depends on value. Just don't fall in love.



TIMING POSITIONS (Intermediate is weeks to months. Long term is months to years.)

STOCKS: Neutral intermediate-term Bullish long-term
GOLD: Neutral. **BONDS:** Neutral.

STOCK MARKET COMMENTS (SUM: 4 bull, 7 neutral, 1 bear)

- US Gov. fiscal policy, **bullish** (turning toward neutral).
- Corporate activity **neutral** (buy backs low).
- Economy, **neutral** (job growth nonexistent).
- Inflation, **neutral**. (commodities' overhang).
- Oil prices, **neutral** (supply and demand equalizing).
- Housing, **neutral** (first-time buyer tax credit extended).
- Investor sentiment, **bearish** (fund cash levels low, enthusiasm up).
- Federal Reserve policy, **bullish** (easing still the watchword).
- Market valuation (PE, yield, book), **bullish** (undervalued).
(16,500 projected on DJ Industrials to fair value, earnings discounted).
- Terrorism/war risk, **neutral** (monitor Israel and Iran).
- Hedge fund/leverage risk, **bullish** (liquidity improving).
- Technical, **neutral**, (divergence between Industrials and Transports).

Speaking of value throughout this month's Newsletter, I note the Market Valuation to the left came down about 10% this month from roughly 18,500 to 16,500 on the Dow Industrials.

The main reason for this is the jump in bond yields. This yield increase effects a number of things. Cost of capital increases may effect future company earnings. The main thing, however, is yield competition. Bonds are less risky than stocks. That we can earn more on bonds now than before puts a lower value on stocks.

The other change is the bearish reading on investor sentiment. Folks now believe the stock story.

Performance Scoreboard

INDEXES, FUND STYLES & MAAP PORTFOLIOS	% RETURNS FROM THE PAST X MONTHS THRU 12/31/09					V Vol- atility	INDEX CLOSE		PERFORMANCE IN:					
	X= 12	9	6	3	1				2008	2007	2006	2005	2004	2003
DJ Wilshire 5000	26.52	41.71	21.99	5.37	2.72	6.6	11497.40	-	-36.68	3.94	13.72	8.24	10.85	29.44
Dow Jones Industrials	18.82	37.05	23.45	7.37	0.80	5.5	10428.00	-	-33.84	6.43	16.29	-0.61	3.15	25.32
Standard & Pooors 500	23.45	39.76	21.30	5.49	1.78	6.1	1115.10	-	-38.49	3.53	13.62	3.00	8.99	26.38
Russell 2000	25.22	47.93	23.04	3.49	7.88	8.4	625.39	-	-34.80	-2.75	17.00	3.32	17.00	45.37
Dow Jones World Index	31.97	49.00	22.64	4.19	2.23	6.9	226.93	-	-42.85	8.43	18.52	9.41	14.43	33.42
Gold/Sliver Index (XAU)	35.85	25.10	21.03	1.72	-8.42	14.1	168.25	-	-28.54	21.84	11.11	28.87	4.65	19.89
Dow Jones Ttl Bond	17.89	20.13	8.91	0.97	-0.87	2.8	246.89	-	180	5.24	3.70	140	3.99	2.20
Small Cap	31.86	47.31	22.14	4.09	6.57	7.7	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.		-39.13	-3.52	7.20	2.63	11.74	39.43
Mid Cap	35.93	45.64	22.62	4.97	4.62	7.1			-41.93	6.00	6.79	8.38	12.96	33.65
Large Cap	33.01	42.89	22.26	5.87	2.82	6.3			-39.89	5.81	6.11	5.75	13.34	27.54
Value	30.13	46.46	21.78	4.44	2.59	6.8			-37.96	-6.44	10.08	3.66	11.26	27.18
Contrary	-5.99	-6.44	-7.03	-1.35	-14.1	6.1			5.36	-1.11	-1.99	5.78	3.11	0.47
World Growth	37.01	52.91	20.82	1.72	0.64	7.5	For more information about these model portfolios, please see pages five and six.		-47.03	x	x	13.07	17.11	34.67
Growth/Income	25.16	38.97	20.20	5.07	2.29	6.0			-36.20	0.47	9.82	4.23	10.24	23.46
Bond Long	-8.70	-2.00	-0.93	-6.28	-5.85	4.2			1191	6.19	2.75	10.32	8.43	8.64
Bond High Yield	30.64	27.53	12.77	2.87	1.91	4.0			-23.05	x	8.84	5.76	6.63	16.24
Bond World	10.54	11.46	4.06	-2.05	-3.49	3.2			-7.34	4.74	5.65	7.40	9.07	11.56
MAAP Aggrsv Grth	21.35	26.57	12.54	1.92	1.40	3.5			-10.73	4.30	9.95	7.20	0.57	15.03
MAAP Growth	20.83	26.66	12.49	1.85	1.32	3.2			-5.75	3.39	5.66	3.50	1.53	11.56
MAAP Balanced	24.69	31.35	15.80	2.60	1.70	3.8			-13.09	3.17	7.59	2.01	5.88	12.57
MAAP Income	5.60	5.68	3.83	0.64	-0.01	0.6			-4.78	4.32	2.80	-1.86	1.90	7.05

Funds and MAAP portfolio data include dividend reinvestment and fees (2% annual for MAAP, as if Investment Selections & Timing, Inc. were managing a subscriber's portfolio). 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 and ETFs. Firstly, we separate them into their primary Asset class, Equity, Bond, Hybrid. Then we subdivide them into Styles like small, large, value, international, etc.. Secondly, we rank the funds by recent performance relative to the market and peer group (CS). Thirdly, we measure their risk by volatility (V).

Portfolio Allocation (market timing). We follow a straightforward approach to allocation: Overweight the Portfolio to the investment Style that is performing the strongest on a risk-adjusted basis. We also use contrary (bear market) funds, ETFs, and cash (money market funds).

Diversification. We diversify by fund company, investment style, and asset class. The funds themselves normally reduce specific company risk, so that the main investment risk is the market's direction (up or down).

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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