



# 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
Merger Fund	MERFX	EC	29.0
AMIDEX 35	AMDEX	EW	26.6
Metzler/Payden Emrg Mkt	MPYMX	EW	25.0
FPA Crescent	FPACX	HGI	23.6
Berwyn Income	BERIX	HGI	23.1
Boston Prtn Lng/Shrt Eqty	BPLEX	EC	21.9
Aegis Value	AVALX	EV	21.6
ABN AMRO Mid Cap	CHTTX	EMC	21.5
Oakmark Intrntl Small Cap	OAKEX	EW	21.4
Fidelity Asset Manager Income	FASIX	HA	21.3
Marshall Small Cap	MRSCX	ESC	20.7
Tweedy Browne Global Value	TBGVX	EW	20.5
Price New Asia	PRASX	EWR	19.7
Yacktman Focused	YAFFX	EV	19.6
USAA Balncd Str	USBSX	HB	19.5
Legg Mason Opp	LMOPX	EMC	19.4
Price Latin America	PRLAX	EWR	19.2
Yacktman	YACKX	EV	19.1
Legg Mason Spcl Invest	LMASX	ELC	19.0
Westcore Intrntl	WTIFX	EW	18.7
Price International Discovery	PRIDX	EWR	18.3
Vanguard Cap Value	VCVLX	EGI	18.2
Preferred Intrntl Value	PFFIX	EW	18.2
Gamco Gbl Convertible	GAGCX	EW	17.9
Flex Quantex	FLCGX	ELC	17.9
Matthews Asian G/I	MACSX	EW	17.7
Wells Fargo MidCap Dis	SMCDX	EMC	17.7
Bascom Balanced	BHBFX	HB	17.6
Fidelity Convertible Securities	FCVSX	EGI	17.6
Vanguard Convertible Securities	VCVSX	EGI	17.5
Schwartz Value	RCMFX	ESC	17.5
Artisan Intl SmCap	ARTJX	EW	17.4
Janus Gbl LifeScienc	JAGLX	EWR	17.3
USAA Intrm Bond	USIBX	BI	28.6
USAA HiYld	USHYX	BH	22.7
BlackRock Hi Yld	BHYSX	BH	22.2
Fidelity Cap/Incm	FAGIX	BH	22.2
USAA Income	USAIX	BF	20.9
Loomis Sayles Bond	LSBRX	BF	20.3
Managers Bond	MGFIX	BF	19.9
Buffalo High Yld	BUFHX	BH	19.2

## Vacuuming

While nature may abhor a vacuum (Francois Rabelais), it does not prevent investors and pundits from thinking within them about what to buy and sell (or buy and hold without regard to value as suggested in last month's issue), but mainly a vacuum is one in which we might just freeze, fret and fear.

The President just offered his \$3.8 trillion dollar budget for the fiscal year ending September 2011.

The deficit is projected at \$1.3 trillion dollars. This is down just slightly from 2009's deficit.

One well-respected (I guess they are because they are certainly big and known, but did they warn of financial calamity in 2008?) pundit's knee-jerk reaction to it is Moody's who threatens the USA's AAA rating with a downgrade. (As this goes to press, on a side note, Standard & Poor's just dropped Berkshire Hathaway's AAA rating to AA+ on the heels of its buyout of Burlington Northern.)

Anyway, as horrendous as these deficit numbers might look on the surface, thinking about it is better served within the room of relationships. The numbers don't exist in a vacuum, but as part of a huge house called the USA Gross Domestic Product (GDP). So, just how big is the US economy? If we need to sell Alaska to bail ourselves out, for example, how much would we get?

(Tongue in cheek, I asked.)

The current deficit is projected at about 10% of GDP. What does that mean? It once peaked at 28% in 1943 in WW II and earlier at 17% in 1919 in WW I. Is not the war on terror part of the reason for the deficit? The point is that as a percentage of GDP, we have been here before.

To be sure, this is not to say that unrestrained, free-for-all (except for me and thee) spending is excused or may continue indefinitely. It can't. But neither does it need to be reigned in or feared as such at this time.

In times past, yes, the powers that be understood the necessity of curbing their appetite to spend other people's money when times are good. That is when you pay things down. That is not the time to maintain a lifestyle built on borrowed money. That is when you build up your reserve, your line of credit to maintain without question your AAA rating.

So, while vacuum thinking about the numbers in isolation from GDP is unproductive, so too is it useless not to consider the future. And that future will eventually arrive.

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## AROUND THE CAMPFIRE

What does the winner of the Super Bowl and Bangladesh Butter production have to do with the stock market? Absolutely nothing, except that they correlate fairly well as two predictors of its success or failure in the following year. Go figure. (See page 7 bottom.)







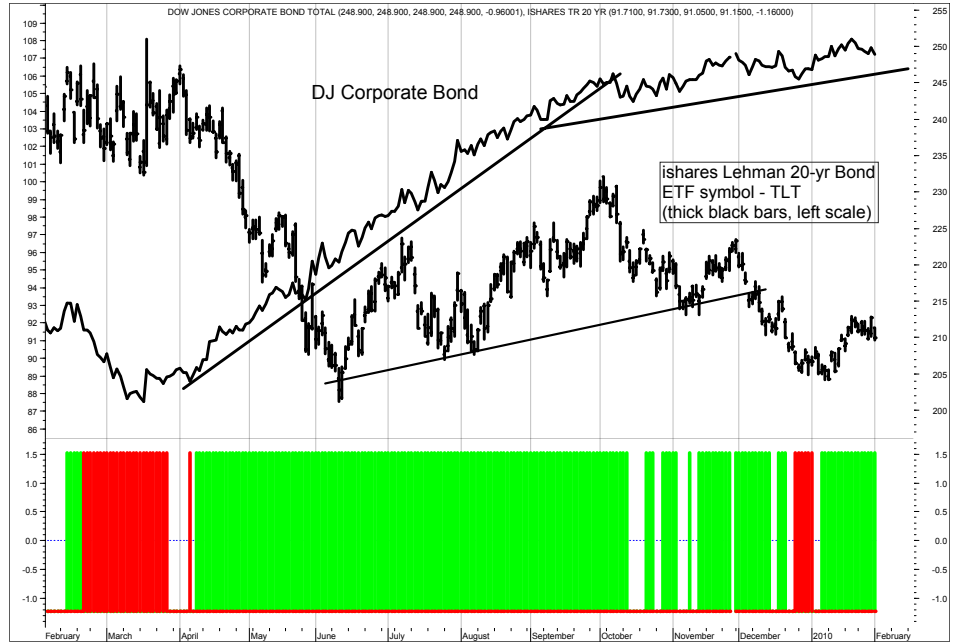
# Interest Rates and Bond Prices

Sometimes the benefit of the doubt pays off. I mentioned last month that the SLM Bond Market Timing Model had turned bearish, but thought it looked more like a correction than the start to a new bear market in bonds.

The bond market since then did rally back and the Model turned bullish once again.

The economy drives intermediate and long term interest rates over the long-term. The Fed controls short-term rates. In each case, there is really no reason to think that an interest rate top is forming, let alone in place.

The economy is growing, but the main driver, jobs, is still weak. Unemployment of 10% is unacceptable. So expect monetary easing to be the norm.



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. I was expecting to make some changes, but the GNMA funds (government oriented) ended up rallying and I decided to stick with them awhile longer.

### MONTHLY ACTIVITY

MONTH ENDING: 1/31/2010

### 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 GNMA	1149	1853.6711	21,299	10%
						PYGNX	Bond Gov	Payden GNMA	10.28	1,978.6639	20,341	9%
						LKFIX	Bond Flxble	LKCM Fincm	11.00	1,924.1477	21,166	10%
						FAGIX	Bond HiYld	Fidelity Cap/Incm	8.58	3,523.3971	30,231	14%
						MM	Money Market		100	125,961.0000	125,961	58%
						MM	Margin Loan		-100	-	-	0%
Total Valuation=											218,997	100%

# MAAP: Aggressive Growth, Growth, and Balanced

PREVIOUS ACTIVITY						TO MONTH ENDING: 1/31/2010			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	12.75	3,691,390.1	47,065	1%	
					-	EEM	Eqty Wrld	Emrg Mrkt ETF	38.28	927,505.8	35,505	8%	
					-	JAOSX	Eqty Wrld	Janus Overseas	41.24	1,552,356.8	64,019	15%	
					-	WTIFX	Eqty Wrld	Westcore Intrntl	11.32	3,429,862.9	38,826	9%	
					-	YACKX	Eqty Value	Yacktman	14.95	2,609,943.1	39,019	9%	
					-	MM	Money Market		100	205,261,000.0	205,261	48%	
											Total Valuation=	\$429,695	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	12.75	7,376,860.3	94,055	13%	
					-	EEM	Eqty Wrld	Emrg Mrkt ETF	38.28	1,127,505.8	43,161	6%	
					-	JAOSX	Eqty Wrld	Janus Overseas	41.24	2,257,973.5	93,119	12%	
					-	WTIFX	Eqty Wrld	Westcore Intrntl	11.32	6,860,385.7	77,660	10%	
					-	YACKX	Eqty Value	Yacktman	14.95	5,219,886.2	78,037	10%	
					-	MM	Money Market		100	359,982,000.0	359,982	48%	
											Total Valuation=	\$746,014	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	12.75	3,688,450.1	47,028	8%	
					-	EEM	Eqty Wrld	Emrg Mrkt ETF	38.28	727,505.8	27,849	5%	
					-	JAOSX	Eqty Wrld	Janus Overseas	41.24	2,257,973.5	93,119	15%	
					-	WTIFX	Eqty Wrld	Westcore Intrntl	11.32	6,859,725.7	77,652	13%	
					-	YACKX	Eqty Value	Yacktman	14.95	5,219,886.2	78,037	13%	
					-	FAGIX	Bond HiYld	Fidelity Cap/Incm	8.58	7,048,014.3	60,472	10%	
					-	LKFIX	Bond Fixble	LKCM Fincm	11.00	4,810,374.2	52,914	9%	
					-	MM	Money Market		100	18,157,600.0	18,157	29%	
											Total Valuation=	\$618,647	100%

No portfolio changes last month. I know I suggested I would be making some changes, but as the market corrected, it seemed best to wait for the dust to settle. Plus, need to evolve out of middle-of-the-pack EEM. So, still watch for emailed hotlines in February.

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

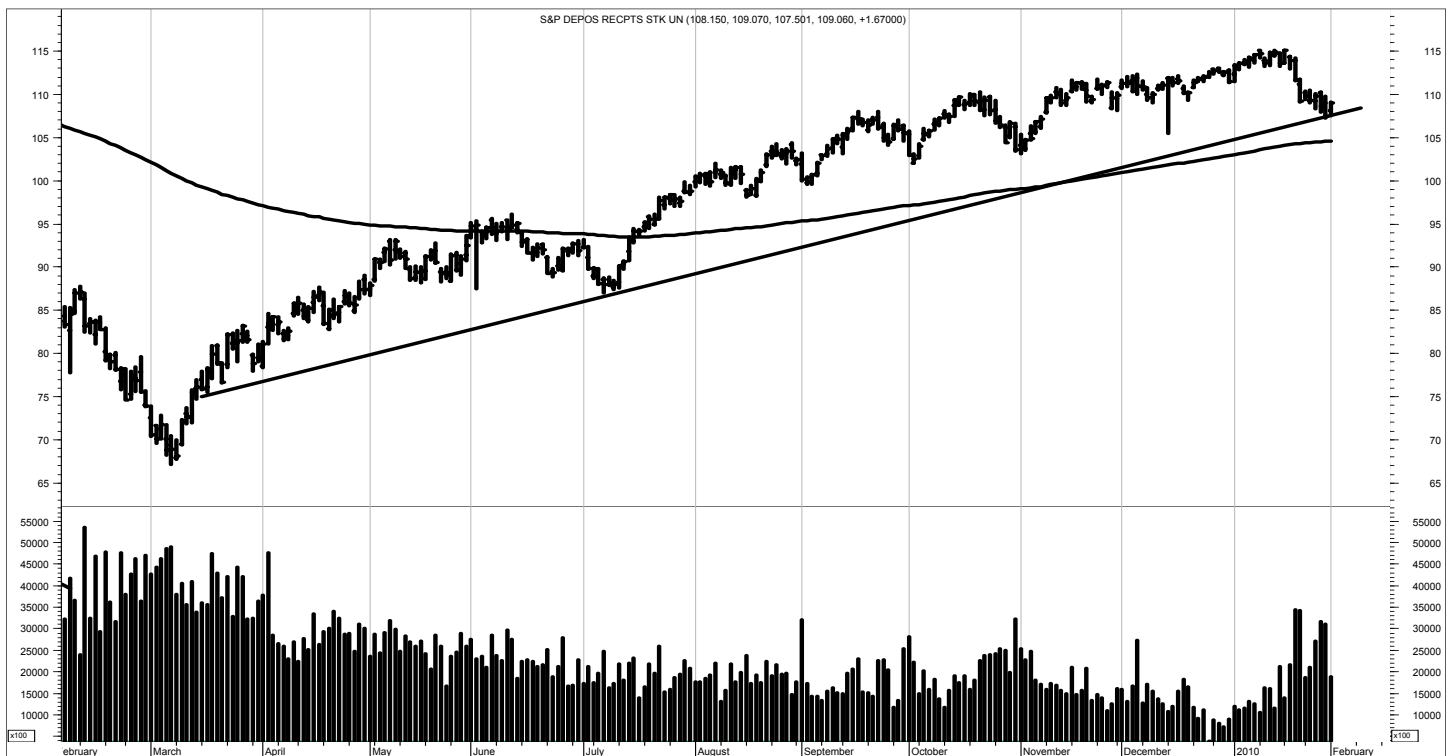
## S&P 500 and the Bull Market

In January, the stock market tumbled some 4%. This correction puts it back onto the primary, long-term bull market up trend line.

On this correction, I'd like to see some fear build back into investors. I'd like the percentage of bears to increase and the number of bulls to decrease. I'd like forecasters to loudly say, the bull is dead.

As this sentiment change takes place, I would also like to see further improvement in the economy. I would also like to see the Fed maintain their low rate policy and for fiscal stimulus to continue.

If all these things take place, we can be even more assured that this is a correction within the long-term bull market, that it is still very early in the upswing.



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

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

### STOCK MARKET COMMENTS (SUM: 5 bull, 6 neutral, 1 bear)

- US Gov. fiscal policy, **bullish** (turning toward neutral).
- Corporate activity **neutral** (buy backs low, insiders cautious).
- Economy, **neutral** (job growth nonexistent).
- Inflation, **neutral**. (commodities' overhang).
- World input, **bearish** (China tightening, European banks weakening).
- Housing, **neutral** (foreclosure inventory overhang).
- Investor sentiment, **neutral** (fund cash levels low, investor balance).
- 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, **bullish**, (markets "in gear" to the upside).

In my years of searching for the one indicator, the holy grail, of stock market forecasting, I finally concluded that there is no one singular cup from which the future could be divined. A spread, a table of cups might be somewhat better, knowing that nothing is perfect. Hence the 12 influential companions shown on the left.

These too are not cast in stone, but should change with the times. So it is that I am switching one from "oil prices" to "world input". Oil is less important as a driver of market events.

I realize that "world input" is a very broad category, but markets are markets influenced by and integrated with each other.

Cheers!

# Performance Scoreboard

INDEXES, FUND STYLES & MAAP PORTFOLIOS	% RETURNS FROM THE PAST X MONTHS THRU 1/31/10					V Vol- atility	INDEX CLOSE		PERFORMANCE IN:					
	X= 12	9	6	3	1				2009	2008	2007	2006	2005	2004
DJ Wilshire 5000	34.47	25.05	10.46	5.55	-2.51	5.5	1208.70	-	26.52	-36.68	3.94	13.72	8.24	10.85
Dow Jones Industrials	25.83	23.25	9.77	3.65	-3.46	4.8	10067.30	-	18.82	-33.84	6.43	16.29	-0.61	3.15
Standard & Pooors 500	30.03	23.04	8.75	3.64	-3.70	5.2	1073.87	-	23.45	-38.49	3.53	13.62	3.00	8.99
Russell 2000	35.74	23.48	8.14	6.98	-3.73	7.2	602.04	-	25.22	-34.80	-2.75	17.00	3.32	17.00
Dow Jones World Index	39.30	28.73	9.04	2.48	-3.44	5.8	219.13	-	31.97	-42.85	8.43	18.52	9.41	14.43
Gold/Sliver Index (XAU)	19.29	23.25	-0.46	-5.56	-12.08	12.3	147.93	-	35.85	-28.54	21.84	11.11	28.87	4.65
Dow Jones Ttl Bond	18.36	17.96	5.38	1.53	1.20	2.6	249.86	-	17.89	1.80	5.24	3.70	1.40	3.99
Small Cap	38.39	24.67	8.69	5.40	-3.73	6.7	Columns 2 through 6		31.86	-39.13	-3.52	7.20	2.63	11.74
Mid Cap	39.54	24.42	9.71	5.42	-3.44	6.1	are the average returns		35.93	-41.93	6.00	6.79	8.38	12.96
Large Cap	35.97	23.82	8.84	3.86	-4.27	5.5	and Column 7 is the		33.01	-39.89	5.81	6.11	5.75	13.34
Value	38.33	25.91	10.30	4.35	-2.80	5.8	average V (Volatility)		30.13	-37.96	-6.44	10.08	3.66	11.26
Contrary	-9.20	-7.06	-4.72	-3.45	0.45	5.5	for all funds in each		-5.99	5.36	-1.11	-1.99	5.78	3.11
World Growth	46.94	31.51	7.13	0.53	-4.43	5.5	fund style. Usually,		37.01	-47.03	x	x	13.07	17.11
Growth/Income	30.34	22.70	8.71	3.93	-3.23	5.1	the larger the V,		25.16	-36.20	0.47	9.82	4.23	10.24
Bond Long	-4.75	-0.99	-2.22	-3.47	2.18	4.2	the greater		-8.70	11.91	6.19	2.75	10.32	8.43
Bond High Yield	25.34	18.67	7.51	2.57	0.17	3.2	the risk.		30.64	-23.05	x	8.84	5.76	6.63
Bond World	11.62	8.38	1.01	-2.37	-0.59	2.7			10.54	-7.34	4.74	5.65	7.40	9.07
MAAP Aggrsv Grth	24.27	14.86	5.17	2.18	-1.55	3.3	For more information		21.35	-10.73	4.30	9.95	7.20	0.57
MAAP Growth	24.42	14.92	5.46	2.20	-1.34	3.1	about these model		20.83	-5.75	3.39	5.66	3.50	1.53
MAAP Balanced	28.21	18.40	7.80	2.70	-1.35	3.5	portfolios, please		24.69	-13.09	3.17	7.59	2.01	5.88
MAAP Income	5.81	4.98	3.09	0.84	0.30	0.5	see pages five and six.		5.60	-4.78	4.32	2.80	-1.86	1.90

Funds and MAAP portfolio data include dividend reinvestment. 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. And 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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