



# 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
Midas	MIDSX	EG	34.8
US Gbl Invst US Gold	USERX	EG	29.5
Oakmark International	OAKIX	EW	28.9
US Gbl Invst World PMtl	UNWPX	EG	28.8
Prudent Bear	BEARX	EC	28.1
Kinetics Internet	WWWFX	EA	25.7
Fairholme	FAIRX	ELC	25.7
Vanguard Prcs Mtls	VGPMX	EG	24.9
Vanguard European Index	VEURX	EWR	24.8
USAA Pr Mtls	USAGX	EG	24.8
SSgA Intl Stock	SSAIX	EW	24.6
Oakmark Global	OAKGX	EW	24.1
AmCent Intl Discv	TWEGX	EW	23.0
Vanguard Intl Expl	VINEX	EW	22.5
Permanent Portfolio Family	PRPFX	HB	22.2
USAA International	USIFX	EW	22.1
American AA Intrntl Eqty	AAIPX	EW	22.1
Vanguard Dev Mkt	VDMIX	EW	22.1
Profunds Rising Rates	RRPIX	EC	22.0
Prudent Safe Harbor	PSAFX	EC	21.9
Schwab International Index	SWINX	EW	21.6
Rydex Juno (short 30year TBond)	RYJUX	EC	21.6
Laudus Rosen Intl SmCap	RISIX	EW	21.6
Causeway Intl Val	CIVVX	EW	21.4
USAA World Growth	USAWX	EW	21.4
Toqueville Gold	TGLDX	EG	21.3
Price International Discovery	PRIDX	EW	21.1
Janus Overseas	JAOSX	EW	21.0
Oakmark Intrntl Small Cap	OAKEX	EW	20.9
Legg Mason Intl Eqty	LMGEX	EW	20.9
Columbia International Stk	CMISX	EW	20.9
Gabelli Gold	GOLDX	EG	20.8
Dreyfus Intl Stock	DIISX	EW	20.6
Permanent Portfolio T-Bill	PRTBX	BS	70.4
Permanent Port Versatile Bond	PRVBX	BF	67.2
Wells Fargo UltrShrt FI	STADX	BS	47.2
Neubgr & Brmn Lmtd Bond	NLMBX	BS	39.0
Harbor Short Duration Fund	HASDX	BS	37.2
Homestead Shrt Bond	HOSBX	BS	36.7
Wells Fargo Short term Bond	SSTBX	BS	36.5
AMF Shrt US Gov	ASITX	BS	35.3

## Markets Oversold

With the significant drop last month in the markets, the front page funds showing the top 5% of the funds we follow have a few new names.

The new names show up primarily from the Contrary Style, including Prudent Bear (BEARX) and Safe Harbor (PSAFX). Two more contrary funds that gain when rates rise (prices drop) also show up. The latter two are volatile and are more suitable for trading rather than longer-term investing. There's also a large cap growth fund that shows up. It's been a long-time since one has appeared. It probably won't stay for long.

Even with the new names, however, the top list remains dominated by gold and world equity funds. I expect this dominance to continue.

On page seven is a chart of the XAU (the gold and silver index). It shows that gold has retreated to a major up trend line that remains in place. If you haven't already bought or are looking to increase your gold exposure, now is a good time to buy. The major trend is up and we're buying against that trend on weakness. This is the essence

of the recently introduced fund timing models we've been talking about the last few months. Buy with the major trend and against the minor trend.

The international equity markets are in the same position as the precious metals markets. The major trend remains up, but the minor trend is down. Now is the time to reenter these markets as we've been nibbling in the portfolios on page six.

At the time of this writing (June 5), nearly all of the top 5% funds shown to the left are in buy zones. Three are shown on page 10 (internet accessed PDF file only). They're not all open to new investors and some that are available through one fund supermarket (brokerage), may not be available at another discount broker, so you may have to pick and choose.

The bears are out too quickly on this sell off. I'm expecting a rally back to recovery highs.

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### AROUND THE CAMPFIRE

Filling up the car these days is similar to trading stocks; it's filled with questions. Should I buy the dip? Wait for it to drop further? Fill up now before it goes higher? These aren't small questions when the day to day fluctuations run in the dimes. The poor guy that drives a hummer must be going nuts.





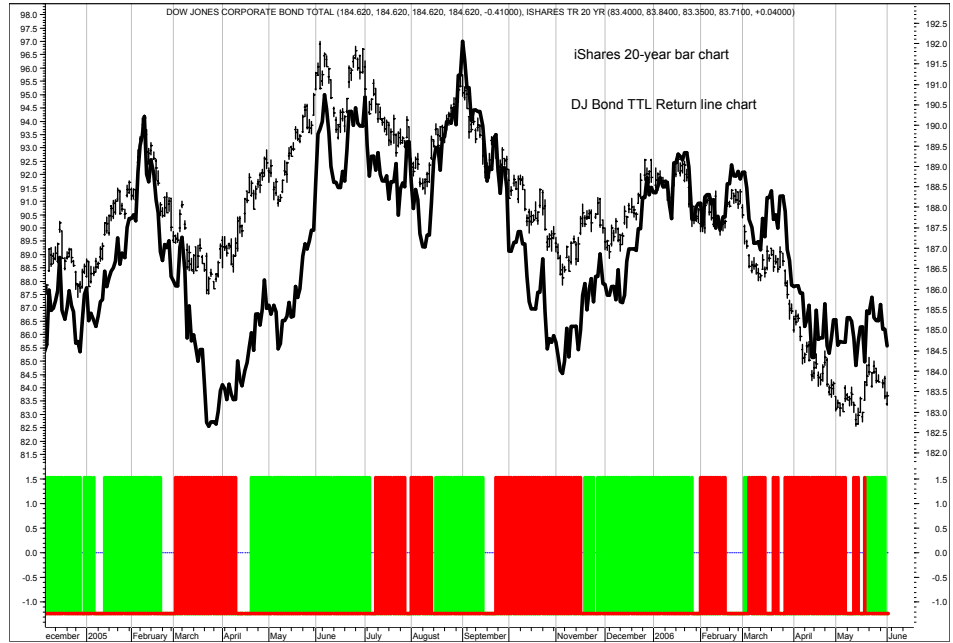


# Interest Rates and Bond Prices

Last month, I mentioned to watch for the possibility of a change in the SLM Bond Market Timing Model from bearish to bullish. This would suggest that interest rates had potentially peaked and prices had lowed out. This has happened as you can see on the chart to the right with the color change from red to green (if you see this as a pdf file).

This change was forewarned by a break in the down trend line. Basically, the bond market started to go sideways last month, which suggested the trend change.

The question now is whether this trend change from bearish to bullish will continue. With inflation and the economy strong, best guess is this will be a short-term change.



The SLM Bond Market Timing Model shown 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

Since the Bond Model shown above has turned bullish, I'll lengthen the maturity just a bit by buying a short-term fund STADX (Wells Fargo Ultra Short Bond); this will go out in an emailed hotline notice.

MONTHLY ACTIVITY

MONTH ENDING: 5/31/2006

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
												0%
						MM	Money Market		1.00	205,061,920	205,062	100%
						MM	Margin Loan		-1.00	-	-	0%
Total Valuation=											205,062	100%

# MAAP Growth and Balanced Portfolios

**MONTHLY ACTIVITY**

**MONTH ENDING: 5/31/2006**

**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
25-May	buy	Midas (MID SX)	4.02	2,487.5622	10,000							0%
25-May	buy	Price Intrntl Dis (PRIDX)	46.30	215.9827	10,000	MID SX	Gold	Midas	4.13	2,487.5622	10,274	3%
						UNWPX	Gold	US Gbl Prc M tl	28.93	1,447.1803	4,1867	11%
7-Apr	sell	PRMSX	29.45	1,746.9420	51,447	PRIDX	Eqty Intrntl	Price Intrntl Discvry	46.59	215.9827	10,063	3%
7-Apr	sell	NBISX	24.49	1,052.6219	25,779							
						RYURX	Contrary	Rydex Ursa	8.29	5,679.0300	47,079	13%
							MM	Money Market	1.00	266,509.9100	266,510	71%
<b>Total Valuation=</b>											<b>\$375,792</b>	<b>100%</b>

**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
					-							0%
					-							0%
7-Apr	sell	PRMSX	29.45	1,247.8129	36,748	PRGSX	EqtyWorld	TRowePr Gbl Stk	20.27	1,652.9555	33,505	5%
7-Apr	sell	NBISX	24.49	2,105.2239	51,557	TB GVX	EqtyWorld	TwdyBrwn Gbl Val	27.90	1,178.4102	32,878	5%
												0%
												0%
						RYURX	EqtyContry	Rydex Ursa	8.29	5,679.0300	47,079	8%
							MM	Money Market	1.00	511,668.8500	511,669	82%
<b>Total Valuation=</b>											<b>\$625,131</b>	<b>100%</b>

**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
												0%
						PRGSX	EqtyWorld	TRowePr Gbl Stk	20.27	1,377.4663	27,921	5%
7-Apr	sell	NBISX	24.49	2,105.2239	51,557	TB GVX	EqtyWorld	TwdyBrwn Gbl Val	27.90	982.0068	27,398	5%
												0%
												0%
												0%
												0%
												0%
												0%
							MM	Money Market	1.00	478,796.4200	478,796	90%
<b>Total Valuation=</b>											<b>\$534,116</b>	<b>100%</b>

Because of the market's sell off last month, I deployed some cash into selected top funds.

All MAAP portfolio performance include an annual 2% management fee expense. All dividends are reinvested.

# Market Timing and Asset Allocation

## The Current Bull Market in Gold (XAU Index)

The chart below shows the XAU, the gold and silver index.

As you can see, it has fallen back to its major support line.

With inflation rising, the dollar falling, and developing country citizens buying, it's time to reenter.

Look for the uptrend to resume shortly.



### MARKET and FUND COMMENTS

STOCKS: Neutral, continued sideways trend.

GOLD: Bullish.

BONDS: Neutral.

US Gov. fiscal policy, neutral.

Corporate actions (buy backs, mergers), bullish.

Economy, from bullish to bearish by early 2007.

Inflation, bearish as it increases.

Oil prices, neutral.

Investor sentiment, bullish (high put buying, editors bearish).

Federal Reserve policy, bearish (tightening).

Market valuation, bearish.

Exogenous events: Terrorism risk, bearish; hedge fund risk, neutral; unwinding of Japan carry trade, neutral.

May's downturn may mark a trend change. But sentiment went too quickly bearish, so expect another rally before Fall weakness.

### 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 5/31/06					V Vol- atility	INDEX CLOSE		PERFORMANCE IN:					
	X= 12	9	6	3	1				2005	2004	2003	2002	2001	2000
DJ Wilshire 5000	8.94	5.11	2.55	-0.62	-3.31	2.0	1284.170	-	8.24	10.85	29.44	-22.08	-12.06	-11.41
Dow Jones Industrials	6.70	6.55	3.35	1.59	-1.75	1.9	1168.30	-	-0.61	3.15	25.32	-16.76	-7.10	-6.18
Standard & Poors 500	6.60	4.08	1.65	-0.83	-3.09	1.7	1270.09	-	3.00	8.99	26.38	-23.37	-13.04	-10.14
Russell 2000	16.91	8.18	6.46	-1.32	-5.69	3.7	721.01	-	3.32	17.00	45.37	-21.58	1.03	-4.20
Dow Jones World Index	17.98	11.94	8.18	0.82	-4.17	2.5	246.94	-	9.41	14.43	33.42	-20.73	-16.58	-15.89
Gold/Silver Index (XAU)	65.30	48.90	24.42	6.94	-9.81	9.2	142.60	-	28.87	4.65	19.89	25.57	1.28	-5.94
Dow Jones Ttl Bond	-1.29	-3.24	-0.59	-1.94	-0.12	0.9	185.03	-	1.40	3.99	2.20	11.96	6.77	13.40
Small Cap	17.64	9.06	6.65	-0.65	-5.28	3.6	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.  For more information about these model portfolios, please see pages five and six.		2.63	11.74	39.43	-21.96	-6.21	0.96
Mid Cap	15.29	7.95	4.66	-1.07	-4.89	3.0			8.38	12.96	33.65	-21.89	-11.03	-0.38
Large Cap	9.01	4.68	0.99	-2.05	-4.25	2.4			5.75	13.34	27.54	-21.75	-13.19	-3.69
Value	10.06	6.29	4.81	0.59	-2.74	2.1			3.66	11.26	27.18	-15.61	2.30	9.99
Contrary	6.00	5.34	5.39	4.88	2.55	2.3			5.78	3.11	0.47	9.99	2.83	13.54
World Growth	28.56	18.21	13.69	2.42	-5.15	3.4			13.07	17.11	34.67	-15.76	-19.89	-12.70
Growth/Income	9.49	5.41	3.18	-0.42	-3.11	2.1			4.23	10.24	23.46	-18.22	-7.76	0.03
Bond Long	-5.30	-7.41	-3.41	-5.57	-0.40	2.0			10.32	8.43	8.64	6.73	2.45	11.68
Bond High Yield	5.36	1.89	2.56	-0.24	-0.82	1.1			5.76	6.63	16.24	-7.55	-4.73	-12.68
Bond World	1.16	-0.40	0.82	-1.19	-0.79	1.3			7.40	9.07	11.56	10.56	1.48	0.18
MAAP Aggrsv Grth	15.13	11.54	8.98	3.18	-0.33	1.4			7.20	0.57	15.03	-4.93	1.42	1.78
MAAP Growth	6.91	4.87	4.30	0.95	0.08	0.6			3.50	1.53	11.56	-1.22	0.75	2.64
MAAP Balanced	5.90	3.80	3.67	0.72	-0.09	0.6			2.01	5.88	12.57	0.09	-0.56	0.37
MAAP Income	1.70	1.72	1.45	0.63	0.21	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.

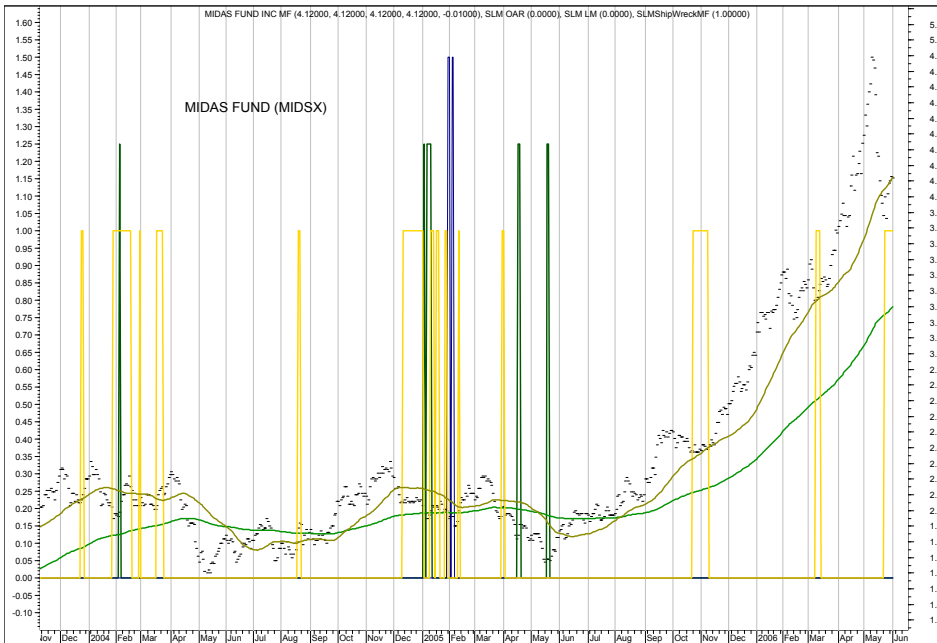
The fund dropped out of the top 20% at the end of January 2005. Even though the timing model remained bullish, the fund was sold. It would not have been rebought in July 2005 with the timing model buy because the fund was not in the top 5% at the time of the buy signal. It could have been bought in May.

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.





The charts show the daily closes of various funds in the top 5% of the funds we track.

The chart may also show up to three indicators on the price area. These buy signals may be shown as either blue, gold, or green spikes. These are contrary indicators, buying on weakness.

Our strategy is to buy from the top 5% of the funds we monitor and hold as long as they remain in the top 20%. If they fall out of the top 20% because of this selection strategy, sell. Alternatively, if the fund gets a timing sell signal, sell. Replace with funds from the top 5%.

