



# 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
Fidelity Utilities	FIUIX	EGI	43.6
Fidelity Convertible Securities	FCV SX	EGI	41.3
Investec China HK	ICHKX	EWR	40.3
First Eagle Fund of Amr	FEAFX	ELC	39.9
AmCent Utilities Income	BULIX	EGI	39.7
Longleaf Intl	LLINX	EW	39.6
Matthews China	MCHFX	EWR	39.1
Oakmark Eqty Incm I	OAKBX	HB	38.6
Atlas Blncd	ATBAX	HB	38.5
Spectra N	SPECX	ELC	38.3
Fidelity Asset Manager	FASMX	HA	37.5
Longleaf Small Cap	LLSCX	ELC	37.1
Vanguard Windsor II	VWNFXD	ELC	36.9
1st Source Incm Eqty	FMIEX	EGI	36.7
Auxier Focus	AUXFX	EMC	36.6
Fidelity Disciplined Equity	FDEQX	ELC	36.6
Price Mid Value	TRMCX	EV	36.5
Janus Contrarian	JSVAX	EMC	36.4
Rainier Balanced	RIMBX	HB	36.4
Lazard Mid Cap	LZMOX	EW	36.3
Gabelli Gbl Telecomm	GABTX	EWR	36.2
Fidelity Asset Manager Growth	FASGX	HA	36.2
Fairholme	FAIRX	ELC	36.1
Gabelli Westwood Balanced	WEBAX	HB	35.9
Fidelity Value	FDVLX	EV	35.8
Merger Fund	MERFX	EC	35.8
Parnassus Incm Fund Balanced	PRBLX	EGI	35.8
AmCent Veedot	AMVIX	ESC	35.8
Boston Prtn MidCap Val	BPMCX	EMC	35.8
Homestead Value	HOVLX	EV	35.7
FPA Crescent	FPACX	HGI	35.6
Gabelli Westwood Equity	WESWX	EGI	35.6
ABN AMRO Mid Cap	CHTTX	EMC	35.5
x	x	x	x
Fidelity Cap/Incm	FAGIX	BH	31.1
Price High Yield	PRHYX	BH	30.7
TIAA-CREF HiYld	TCHYX	BH	30.5
Westcore Flex Incm	WTLTXD	BL	29.3
Neubrg & Brmn Lmtd Bond	NLMBX	BS	28.9
USAA HiYld	USHYXD	BH	28.6
TCW Gal HiYld	TGHNX	BH	28.6

## Liquidity Not Value

So far the market has rallied the second longest time in the last 50 years without so much as a 10% correction. The longest time this happened ended in 2000. We all know what happened after that.

Corrections are healthy for the market; without them the market gets overbought and then collapses. But what happened then may not have to repeat.

The current rally started back in 2002 and is now the third longest bull market in the last 100 years, defined as one without a 15% correction. For the length of time it has rallied, it is below average in magnitude. If we halve its duration, but keep the return the same, it is about average.

So why are we lasting longer, yet rallying less than historical averages?

The main reason we have rallied less is we started from such high valuations. The PE ratios at the start of the bear were far above norms, but at the end of the bear, they only returned to normal, but not to cheap.

So, the main reason we have lasted longer is the world's liquidity. These buyout funds are offering billions for apparently

overvalued companies without breaking a sweat to raise the capital. Microsoft (MSFT) for example recently announced an acquisition of aQuantive (AQNT) at about 100x earnings. Even if that company were to grow earnings by 50% over the next 5 years, which by itself is highly unlikely, it would still take another 20 years to make back their principle, let alone any sort of return.

If the Fed wants to cool things down, as I've been saying, the next move in interest rates will be up, not down, even if the housing market takes a further tumble. Consumers may suffer, but businesses are awash in capital, making buybacks of their own shares and of others at ridiculous valuations. It probably will end bad.

In the meantime, the market rallies without any corrections, regardless of value, solely because there is cash to put to work. This is the same as in 2000.

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## AROUND THE CAMPFIRE

The lake from which our city, Plano, draws its water was 17 feet below normal by the end of last summer. Because of the bathtub effect, less space to fill as the water declines so it goes out more quickly, I was thinking it will never refill itself. But today the lake is plus 3 feet above normal. We have had some sort of rain, thank God.







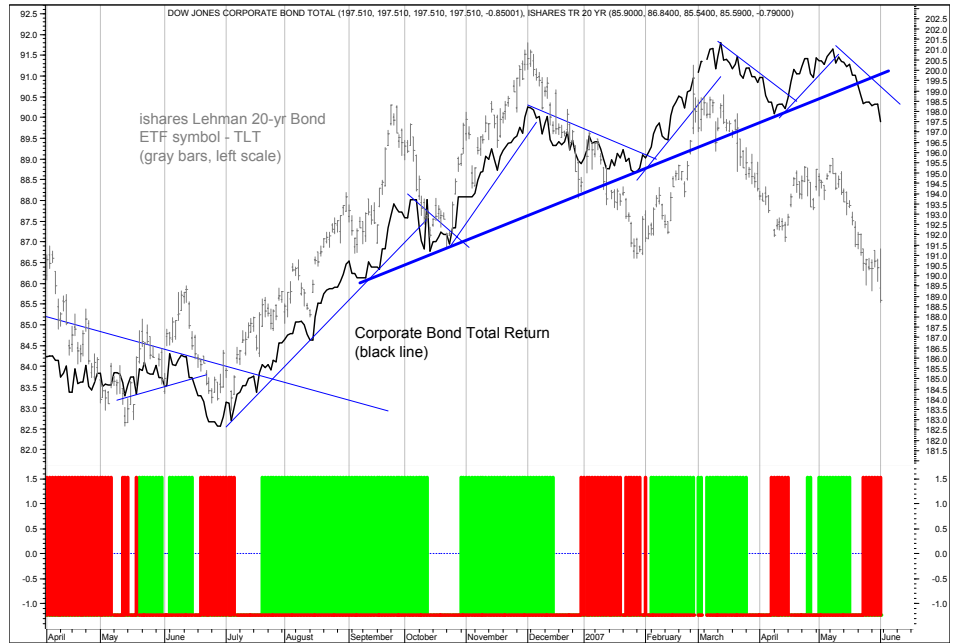
# Interest Rates and Bond Prices

The bond market sold off last month and the SLM Bond Market Timing Model is now bearish.

Furthermore, the sell off took the market decisively below a very important trend line as you can see on the chart. It dates back to last September and was touched five times previously.

The market is beginning to come around to my point of view that the next likely Fed move will be to raise rates. At best they keep them steady for the remainder of the year. The odds of them cutting rates are zero and miniscule. The only thing that would prompt a cut would be some sort of disaster.

Time to get out of long bonds. This may also begin to impact income oriented stocks.



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

Time to take profits and sell the long bond fund position in the MAAP Income Portfolio. It is becoming more and more apparent that the Fed is not going to lower rates for a number of reasons. Housing is stabilizing without doing much damage. Inflation is ramping up. World banks are raising their rates.

## MONTHLY ACTIVITY

MONTH ENDING:

4/30/2007

## 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
15-Jun	sell	Westcore Flex Incm		all		WTLTX	BL	Westcore Flex Incm	10.63	8,124.5646	86,364	41%
							MM	Money Market	100	125,907.0000	125,907	59%
							MM	Margin Loan	-100	-	-	0%
Total Valuation=											212,271	100%

# MAAP Growth and Balanced Portfolios

**MONTHLY ACTIVITY**

**MONTH ENDING:** 4/30/2007

**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
15-Jun	sell	Vngrd Wellsly		all								0%
15-Jun	sell	Clipper		all		MIDSX	Gold	Midas	4.80	2,487.5622	11,940	3%
						VWINX	Hybrid	Vngrd Wellsly	22.50	1,462.3641	32,903	8%
						TWEIX	Eqty G/I	AmCent Eqty Incm	9.10	3,775.7437	34,359	9%
						SPECX	Eqty LrgCap	Spectra N	10.37	1,646.0905	17,070	4%
						OAKGX	Eqty Wrld	Oakmark Global	28.33	1217.2630	34,485	9%
						CFIMX	Eqty LrgCap	Clipper	95.76	269.8618	25,842	7%
						RYURX	Contrary	Rydex Ursa	35.51	17012739	60,412	15%
							MM	Money Market	100	174,809.0000	174,809	45%
<b>Total Valuation=</b>											<b>\$391,821</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
15-Jun	sell	Vngrd Wellsly		all								7%
15-Jun	sell	Clipper		all		VWINX	Hybrid	Vngrd Wellsly	22.50	1,950.0008	43,875	7%
						TWEIX	Eqty G/I	AmCent Eqty Incm	9.10	3,775.7437	34,359	5%
						SPECX	Eqty LrgCap	Spectra N	10.37	1,234.5679	12,802	2%
						OAKGX	Eqty Wrld	Oakmark Global	28.33	1217.2630	34,485	5%
						CFIMX	Eqty LrgCap	Clipper	95.76	269.8618	25,842	4%
						RYURX	EqtyContry	Rydex Ursa	35.51	1,169.2560	41,520	6%
							MM	Money Market	100	458,349.0000	458,349	70%
<b>Total Valuation=</b>											<b>\$651,233</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
15-Jun	sell	Vngrd Wellsly		all								8%
15-Jun	sell	Clipper		all		VWINX	Hybrid	Vngrd Wellsly	22.50	1,950.0088	43,875	8%
						TWEIX	Eqty G/I	AmCent Eqty Incm	9.10	3,775.7437	34,359	6%
						SPECX	Eqty LrgCap	Spectra N	10.37	1,234.5679	12,802	2%
						OAKGX	Eqty Wrld	Oakmark Global	28.33	1217.2630	34,485	6%
						CFIMX	Eqty LrgCap	Clipper	95.76	269.8618	25,842	5%
							MM	Money Market	100	420,603.0000	420,603	74%
<b>Total Valuation=</b>											<b>\$571,967</b>	<b>100%</b>

The two funds noted above as sells have fallen out of the top 20%. Time to take profits in them and put the proceeds back into cash, the money market fund.

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

## Round Trip Ticket Takes Seven Years

The S&P 500 has finally made the round trip from its peak in 2000 to its bottom in 2002 back to its peak in 2007.

As you can see, the market is very overvalued, driven by liquidity, not value.

I mentioned the unexpected risk of a rate rise. This is happening as we go to press. The sell off in bonds is so severe, they yield curve is now positive.

Downside risk is to the 140 level on the S&P 500, which is around 12,000 on the Industrials.



### MARKET POSITION and STOCK MARKET COMMENTS

STOCKS: Bearish.  
GOLD: Neutral, within a broad trading range.  
BONDS: Bearish.

US Gov. fiscal policy, neutral.

Corporate actions (buy backs, mergers), bullish.

Economy, neutral.

Inflation, bearish.

Oil prices, bearish.

Housing, bearish.

Investor sentiment, bearish.

Federal Reserve policy, bearish (tightening).

Market valuation, bearish.

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

The evidence above is growing for a top to the bull market.

Liquidity, not value, drives the market. Fundamentals do not support it.

### 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 2007, emphasizing timing on funds directly. Signals last months to years.

# Performance Scoreboard

INDEXES, FUND STYLES & MAAP PORTFOLIOS	%RETURNS FROM THE PAST X MONTHS THRU 5/31/07					V Vol- atility	INDEX CLOSE		PERFORMANCE IN:					
	X= 12	9	6	3	1				2006	2005	2004	2003	2002	2001
DJ Wilshire 5000	20.41	18.37	9.53	8.34	3.41	2.0	15462.20	-	13.72	8.24	10.85	29.44	-22.08	-12.06
Dow Jones Industrials	22.02	19.74	11.50	11.08	4.32	2.1	13627.60	-	16.29	-0.61	3.15	25.32	-16.76	-7.10
Standard & Pooors 500	20.51	17.40	9.28	8.80	3.25	1.9	1530.62	-	13.62	3.00	8.99	26.38	-23.37	-13.04
Russell 2000	17.50	17.58	7.77	6.79	4.00	2.4	847.18	-	17.00	3.32	17.00	45.37	-2158	103
Dow Jones World Index	23.31	20.39	11.99	8.96	2.80	2.1	304.51	-	18.52	9.41	14.43	33.42	-20.73	-16.58
Gold/Sliver Index (XAU)	-1.99	-4.74	-6.38	0.07	1.97	4.8	139.76	-	11.11	28.87	4.65	19.89	25.57	128
Dow Jones Ttl Bond	7.20	4.08	0.33	-0.63	-1.11	1.1	198.36	-	3.70	1.40	3.99	2.20	11.96	6.77
Small Cap	17.35	20.15	10.76	8.07	4.01	2.6	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.	7.20	2.63	11.74	39.43	-2196	-6.21	
Mid Cap	20.58	22.13	12.32	9.70	4.47	2.5		6.79	8.38	12.96	33.65	-2189	-1103	
Large Cap	18.01	17.91	9.74	8.51	3.59	2.2		6.11	5.75	13.34	27.54	-2175	-13.19	
Value	21.56	19.60	10.55	8.10	3.35	2.2		10.08	3.66	11.26	27.18	-15.61	2.30	
Contrary	-2.12	-1.93	1.22	-0.47	-0.17	2.1		-1.99	5.78	3.11	0.47	9.99	2.83	
World Growth	-2.52	-2.29	1.04	-0.58	-0.22	2.2	x	13.07	17.11	34.67	-15.76	-19.89		
Growth/Income	20.53	18.60	10.36	8.52	3.46	2.0	9.82	4.23	10.24	23.46	-18.22	-7.76		
Bond Long	8.17	2.58	-1.99	-2.29	-1.88	1.8	2.75	10.32	8.43	8.64	6.73	2.45		
Bond High Yield	29.93	28.28	23.80	2.03	0.29	2.0	8.84	5.76	6.63	16.24	-7.55	-4.73		
Bond World	6.55	3.78	0.83	0.41	-1.11	1.1	5.65	7.40	9.07	11.56	10.56	148		
MAAP Aggrsv Grth	6.81	3.93	1.08	0.52	-0.99	1.1	For more information about these model portfolios, please see pages five and six.	9.95	7.20	0.57	15.03	-4.93	142	
MAAP Growth	3.79	2.96	1.59	0.80	0.34	0.3		5.66	3.50	1.53	11.56	-1.22	0.75	
MAAP Balanced	6.23	5.63	3.57	1.01	0.66	0.5		7.59	2.01	5.88	12.57	0.09	-0.56	
MAAP Income	3.12	2.50	2.38	0.97	0.41	0.3		2.80	-1.86	1.90	7.05	1.75	4.59	

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.

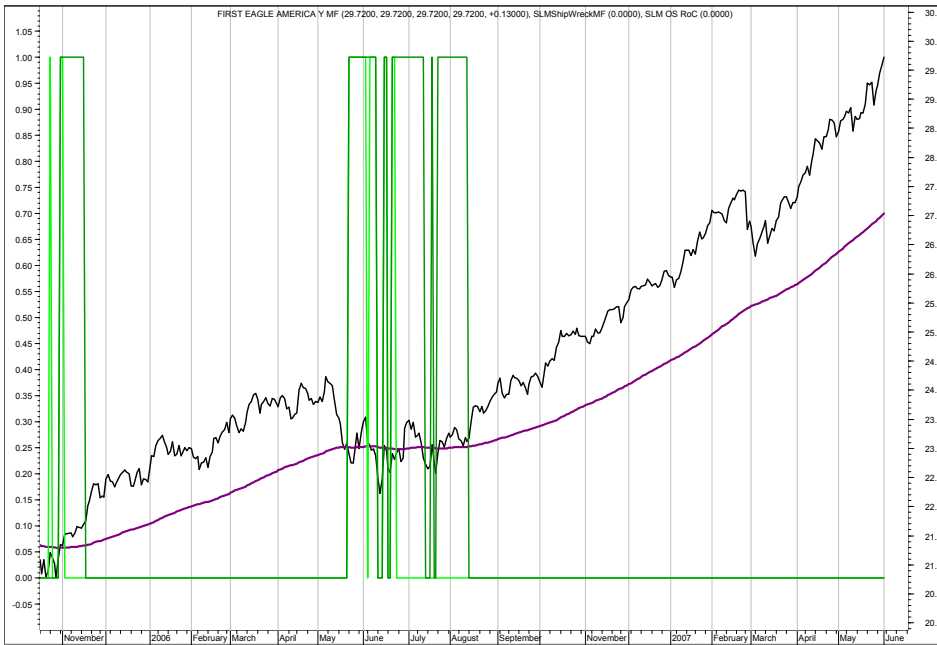
The fund dropped out of the top 20% at the end of January 2005. Even though the timing model remained bullish, the fund was sold. It would not have been rebought in July 2005 with the timing model buy because the fund was not in the top 5% at the time of the buy signal. It could have been bought in May.

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 150-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 FEAFX, First Eagle Fund.

The middle chart is ATBALX, Atlas Balanced Fund.

The bottom chart is JSVAX, Janus Contrarian Fund.

