



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
Potomac US Short	PSPSX	EC	20.0
Grizzly Short	GRZZX	EC	18.0
PS Oil	DBO	EA	13.9
Laudus Rosen US L/S	RMNIX	EC	13.3
Hussman Strtg Grth	HSGFX	EMC	13.3
Rydex URSA (short S&P 500)	RYURX	EC	12.7
PS Energy	DBE	EA	12.1
Heartland Value	HRVIX	EV	12.0
PS Commodity	DBC	EC	11.5
Profunds Ultra Bear	URPIX	EC	10.3
Berwyn Income	BERIX	HGI	9.1
Greenspring Fund	GRSPX	HGI	8.9
Wells Fargo MultiCap Value	SMTVX	EV	6.3
Royce Special Eq	RYSEX	ESC	6.3
Artisan SmCap Val	ARTVX	ESC	6.2
Victory Small Co Opp G	GOGFX	ESC	6.1
Gabelli Mathers Fund	MATRX	HGI	5.6
Parnassus Incm Fund Balanced	PRBLX	EGI	5.6
Boston Prtn Lng/Shrt Eqty	BPLEX	EC	5.3
Neuberger & Berman Genesis	NBGNX	ESC	5.1
PS Agrcltr	DBA	EC	4.8
Berwyn	BERWX	ESC	4.7
Royce Premier Series	RYPRX	EA	4.5
Janus Olympus	JAOLX	EA	4.3
The Arbitrage	ARBFX	EC	4.3
FMI Common Stk	FMIMX	ESC	4.3
William Blair Val Dis	BVDIX	ESC	3.9
Price Small Cap Value	PRSVX	ESC	2.9
Royce Value Ser	RYVFX	ESC	2.9
Merger Fund	MERFX	EC	2.5
Northern SmlCap Value	NOSGX	ESC	2.5
Rydex Arktos	RYAIX	EC	2.4
Neubrg & Brmn Lmtd Bond	NLMBX	BS	30.6
Amrcn Bcn Intm Bond	AAPAX	BI	22.2
Preferred Short Govt Secrts	PFSGX	BS	21.9
Permanent Port Versatile Bond	PRVBX	BF	15.1
Wells Fargo Corp Bond	STCBX	BF	12.0
Wells Fargo Shrt HiYld	STHBX	BH	11.7
Dreyfus Short-Intmtd Govt	DSIGX	BI	11.6
AmCent Inf Adj B	ACITX	BU	11.5

The Process Continues

The news oriented bottoming process of up and down continues unabated. First in March, the market rallied sharply after Bear Stearns was taken over. The Industrials then subsequently declined to new bear market lows. In early July, the government said it would step in if necessary to bail out the mortgage giants, additionally Merrill Lynch wrote off its toxic securities, taking the hit. The market again rallied sharply, but then sold off again. The news now is that indeed the government will buy out FNMA and FrMAC in order to help the markets.

Buy out of the GSE's is a bit of a misnomer, however, in that common equity holders are, for all practical purposes, wiped out in the deal. Both stocks now trade below a buck.

Just as an aside to unabashedly plug our evolution style approach to mutual fund investing. There is a well-known fund manager who went years in outperforming the S&P 500. But then came the financial unraveling. Truly he liked FNM at \$55 and loved it at \$25. Today I'm not sure how he feels with the stock near three bits. As to his share-

holders, they are feeling the pain as the fund followed the "value" stocks lower, dropping from the seventies to \$40. The point is just as an investor should not fall in love with a stock, they should not fall in love with a fund manager. Be ever vigilant in evolving with the leaders and avoiding the laggards. None of us are so smart as to know the future, but we can evolve with the market leaders and avoid the laggards.

Okay, as I mentioned last month, the background has turned somewhat positive, but I want to delineate that comment. The financial background has improved. We know what we are dealing with. The economy has deteriorated somewhat, though. The unemployment rate jumped above 6%, even though oil is dropping and interest rates are stable and the housing market seems to be creeping along the bottom. So, the bottoming process continues.

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AROUND THE CAMPFIRE

Adding together the wealth of the two richest Americans, Bill Gates and Warren Buffett, they could buy up 100% of the equities in the Russian Trading System's market cap of \$119 billion today and still have a billion or so left over. It is a remarkable thing called compounding capitalism.

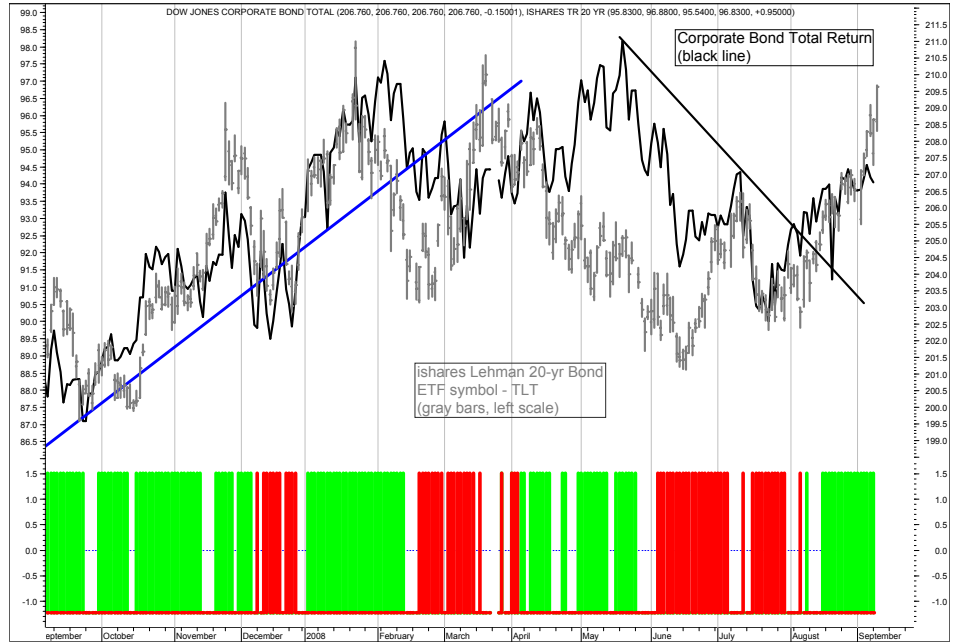
Interest Rates and Bond Prices

With the continued financial crisis and the slowing world economy, bonds turned from bearish to bullish. There is a flight to quality and away from commodity oriented investing as that bubble also has burst.

Tough market crowd though. First we thought higher oil prices would send the economy into recession. Now that we get lower oil prices, we think we are in that recession, since demand is down.

Bottom line is that we have been looking for a top in oil and a stronger dollar, which is why we exited our international bond positions over the last few months.

The high yield position will remain under stress for now, but should recover by the new year.



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

So far the mantra continues to work: A stronger dollar.
No portfolio changes.

MONTHLY ACTIVITY

MONTH ENDING: 8/31/2008

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	8.05	3,314.9171	26,685	12% 0%
							MM	Money Market	100	19,158.0000	19,158	88%
							MM	Margin Loan	-100	-	-	0%
Total Valuation=											218,273	100%

MAAP Growth and Balanced Portfolios

MONTHLY ACTIVITY

MONTH ENDING: 8/31/2008

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
12-Aug	sell	MIDSX	3.71	6,246.9607	23,176							0%
12-Aug	sell	CGMFX	47.11	820.3154	38,645							0%
16-Sep	buy	HRVIX			40,000							
						PRBLX	Equity G/I	Parnassus Bal	25.24	1,380.1262	34,834	9%
						WPFRX	Eqty MidCap	Westport Grth	20.66	1,592.3567	32,898	8%
						JORNX	Eqty MidCap	Janus Orion	11.80	3,348.7833	39,516	10%
						HRVIX	Eqty Value	Heartland Value				0%
						RYURX	Contrary	Rydex Ursa	40.83	2,821.9318	115,219	30%
							MM	Money Market	100	165,595.0000	165,595	43%
Total Valuation=											\$388,063	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
12-Aug	sell	MIDSX	3.71	3,759.3985	13,947							0%
12-Aug	sell	CGMFX	47.11	820.3154	38,645							
16-Sep	buy	HRVIX			40,000							
						PRBLX	Equity G/I	Parnassus Bal	25.24	1,380.1262	34,834	5%
						WPFRX	Eqty MidCap	Westport Grth	20.66	1,592.3567	32,898	5%
						JORNX	Eqty MidCap	Janus Orion	11.80	3,348.7833	39,516	6%
						HRVIX	Eqty Value	Heartland Value				0%
						RYURX	EqtyContry	Rydex Ursa	40.83	2,267.6039	92,586	14%
							MM	Money Market	100	453,429.0000	453,429	69%
Total Valuation=											\$653,263	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
12-Aug	sell	MIDSX	3.71	3,759.3985	13,947							0%
12-Aug	sell	CGMFX	47.11	820.3154	38,645							
16-Sep	buy	HRVIX			40,000							
						PRBLX	Equity G/I	Parnassus Bal	25.24	1,380.1262	34,834	6%
						WPFRX	Eqty MidCap	Westport Grth	20.66	1,592.3567	32,898	6%
						JORNX	Eqty MidCap	Janus Orion	11.80	3,348.7833	39,516	7%
						HRVIX	Eqty Value	Heartland Value				0%
						FAGIX	Bond HIYld	Fidelity Cap/Incm	8.05	6,629.8343	53,370	10%
						RYURX	EqtyContry	Rydex Ursa	40.83	1,049.3179	42,844	8%
							MM	Money Market	100	356,293.0000	356,293	64%
Total Valuation=											\$559,755	100%

September and October are usually good months to start buying funds, especially now as the bottoming process is taking place.

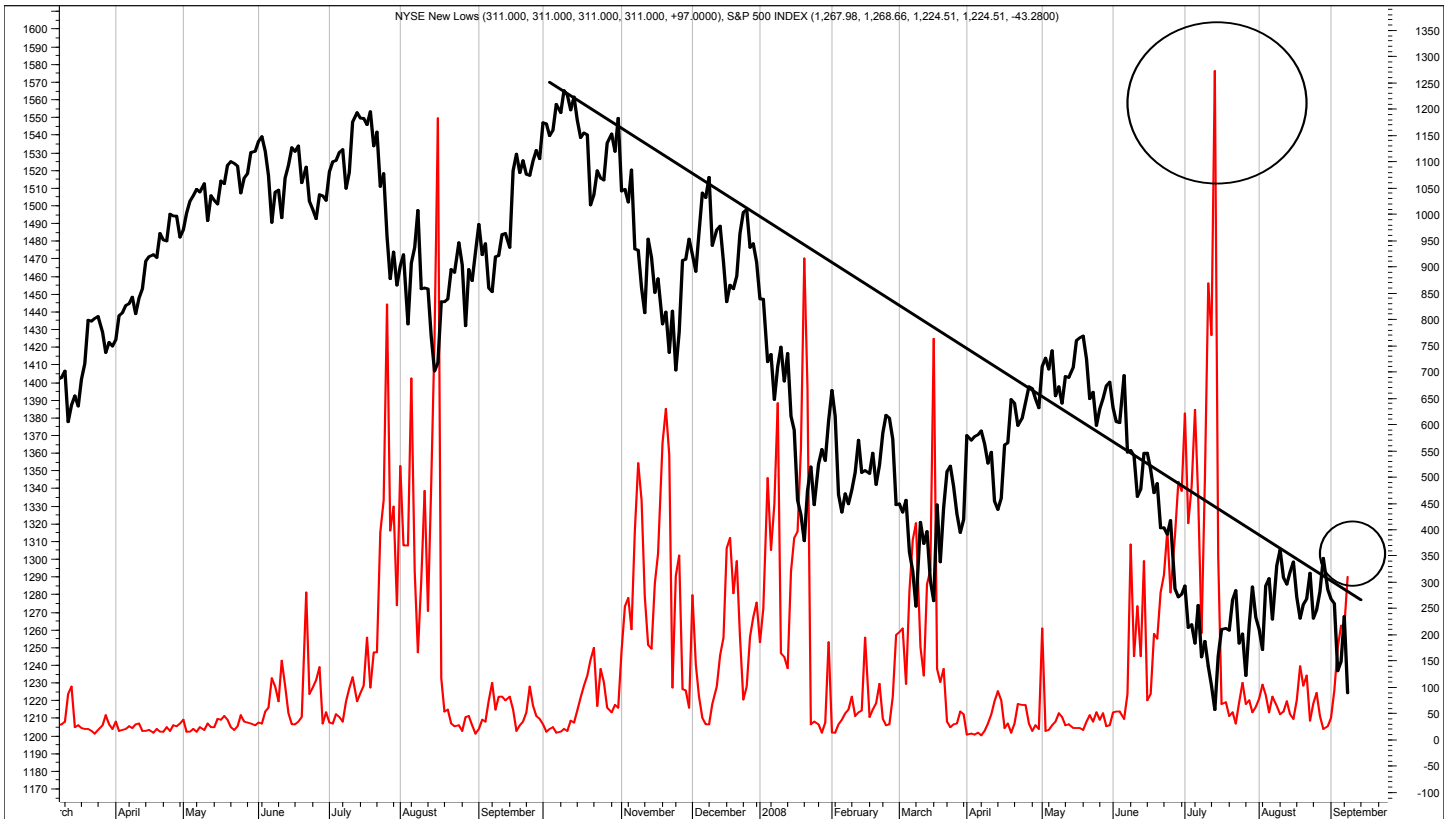
All MAAP portfolio performances include a separate annual 2% management fee expense (the fee we would charge to manage it). All dividends are reinvested.

Market Timing and Asset Allocation

S&P 500 and the Number of New Lows

The chart below chronicles the current bear market from its top in September, 2007 to the present. As you can see, stocks remain in a firmly entrenched down trend. But this won't last forever. We are now looking for signs of a bottoming process. The finan-

cial news continues to drive the market up and down, but underlying the headline fears are signs that the bottom is forming. Fear has picked up. If we get a new index low, watch to see that the number of new NYSE lows remains less than 1200.



TIMING POSITIONS

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

STOCK MARKET COMMENTS

- US Gov. fiscal policy, **neutral** (GSE bailout).
- Corporate activity (buy backs, mergers), **bearish** (credit dried up).
- Economy, **bearish** (recession risk increasing).
- Inflation, **neutral** (expectations are moderating).
- Oil prices, **neutral** (bubble? top in place).
- Housing, **bearish** (inventory overhang, falling prices, no liquidity).
- Investor sentiment, **neutral** (some bears, some bulls, not lopsided).
- Federal Reserve policy, **neutral** (near the end of easing).
- Market valuation (PE, yield, book), **bearish** (too high values).
(7000 projected on the Industrials to fair value vs. bond yield).
- Terrorism/war risk, **bearish** (Russia, Iran, Israel tensions).
- Hedge fund/leverage risk, **neutral** (leverage coming down).
- Technical, **bullish**, (bullish divergence, double bottom).

As of 9/9/08, 10-year Treasuries have outperformed the S&P 500 over the previous 1, 3, 6, and 12 month periods, as well as over the past 3, 5, and 10 years. That confirms the secular bear market that has unfolded after the stock market burst in 2000.

To the future though, I am watching for an intermediate-term bottom to form in this September-October time frame. Panic is starting to fill the air as, like I mentioned last month, we find out where we stand in this financial mess, even if it is in insolvency. But, there are some bargains forming elsewhere.

Performance Scoreboard

INDEXES, FUND STYLES & MAAP PORTFOLIOS	%RETURNS FROM THE PAST X MONTHS THRU 8/31/08					V Vol- atility	INDEX CLOSE		PERFORMANCE IN:					
	X= 12	9	6	3	1				2007	2006	2005	2004	2003	2002
DJ Wilshire 5000	-11.61	-12.11	-2.46	-7.97	1.37	3.0	1324.50	-	3.94	13.72	8.24	10.85	29.44	-22.08
Dow Jones Industrials	-13.58	-13.67	-5.89	-8.66	1.45	2.6	1643.50	-	6.43	16.29	-0.61	3.15	25.32	-16.76
Standard & Pooors 500	-12.97	-13.39	-3.59	-8.39	1.22	2.9	1282.83	-	3.53	13.62	3.00	8.99	26.38	-23.37
Russell 2000	-6.73	-3.68	7.77	-1.17	3.50	3.8	739.50	-	-2.75	17.00	3.32	17.00	45.37	-21.58
Dow Jones World Index	-13.82	-16.69	-8.31	-12.56	-2.12	3.1	254.32	-	8.43	18.52	9.41	14.43	33.42	-20.73
Gold/Sliver Index (XAU)	6.00	-12.77	-24.09	-17.76	-11.61	8.3	149.22	-	21.84	11.11	28.87	4.65	19.89	25.57
Dow Jones Ttl Bond	3.25	0.83	-0.81	-0.23	0.79	0.7	206.51	-	5.24	3.70	1.40	3.99	2.20	11.96
Small Cap	-9.18	-7.74	3.07	-5.18	2.10	3.7	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.	-3.52	7.20	2.63	11.74	39.43	-21.96	
Mid Cap	-6.74	-9.44	-1.12	-9.00	0.52	3.5		6.00	6.79	8.38	12.96	33.65	-21.89	
Large Cap	-7.80	-11.06	-1.55	-8.18	0.79	3.3		5.81	6.11	5.75	13.34	27.54	-21.75	
Value	-12.25	-11.53	-2.60	-7.20	1.81	3.2		-6.44	10.08	3.66	11.26	27.18	-15.61	
Contrary	9.15	7.11	-1.47	1.16	-1.76	3.4		-1.11	-1.99	5.78	3.11	0.47	9.99	
World Growth	-13.16	-18.04	-10.02	-15.04	-3.81	3.9	x	x	13.07	17.11	34.67	-15.76		
Growth/Income	-10.04	-10.96	-2.52	-7.74	0.92	2.9	0.47	9.82	4.23	10.24	23.46	-18.22		
Bond Long	4.88	0.50	-0.91	1.45	1.09	1.7	6.19	2.75	10.32	8.43	8.64	6.73		
Bond High Yield	-1.15	-2.09	-0.16	-2.58	-0.06	1.4	x	8.84	5.76	6.63	16.24	-7.55		
Bond World	4.31	0.09	-2.50	-1.73	-1.30	1.3	4.74	5.65	7.40	9.07	11.56	10.56		
MAAP Aggrsv Grth	-0.23	-3.00	-3.80	-4.93	-2.08	1.3	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	0.39	-1.14	-1.49	-2.41	-0.81	0.7		3.39	5.66	3.50	1.53	11.56	-1.22	
MAAP Balanced	-1.68	-2.93	-1.88	-4.10	-0.89	1.0		3.17	7.59	2.01	5.88	12.57	0.09	
MAAP Income	2.60	0.86	-1.17	-1.16	-0.36	0.5		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 five portfolios shown on pages 5 and 6. See Scoreboard above for comparative performances.

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