



# 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
Yacktman	YACKX	EV	28.9
AmCent Equity Income	TWEIX	EGI	28.6
FBP Contrarian Balanced	FBPBX	HB	28.0
Primary Trend	PTFDX	EGI	27.7
Ameristock	AMSTX	EGI	26.7
AmCent Cap Value	ACTIX	EV	26.6
Vanguard Wellesley Incm	VWINX	HB	26.2
Mosaic Balanced	BHBFX	HB	25.6
AmCent Lrg Co Value	ALVIX	ELC	25.5
Gateway Index Plus	GATEX	EC	25.4
AmCent Value	TWVLX	EV	24.8
Vanguard Equity Income	VEIPX	EGI	24.8
Yacktman Focused	YAFFX	EV	24.8
Holland Balanced	HOLBX	HB	24.3
Mosaic Investors	MINVX	EV	24.3
Loomis Sayles Value	LSGIX	EGI	24.3
Exeter Modrt	EXBAX	HGI	24.1
ABN AMRO Value	RVALX	EV	24.0
Third Ave REIT	TAREX	ERE	23.9
Fidelity Utilities	FIUIX	EGI	23.7
USAA World Growth	USAWX	EW	23.6
Weitz Partners Val	WPVLX	EV	23.6
Clipper Fund	CFIMX	EV	23.5
Longleaf Small Cap	LLSCX	ESC	23.5
Tweedy Browne Amrcn Value	TWBCX	EV	23.5
Jensen	JENSX	ELC	23.5
Northern LrgCap Value	NOLVX	EV	23.3
Gabelli Gbl Telecom	GABTX	EWR	23.1
Merger Fund	MERFX	EC	23.0
Mosaic Foresight	GEWWX	HB	23.0
Weitz Value Fund	WVALX	EV	23.0
Vanguard Windsor II	VWNFX	ELC	22.9
Exeter Extend	MNBAX	HB	22.6
Managers Bond	MGFIX	BF	15.8
Westcore Flex Incm	WTLTX	BL	14.1
Fidelity Cap/Incm	FAGIX	BH	11.1
Fidelity High Incm	SPHIX	BH	11.0
Janus High Yield	JAHYX	BH	10.5
Federated High Yld	FHYTX	BH	10.3
USAA HiYld	USHYX	BH	9.6
Northeast Investors Trust	NTHFX	BF	9.5

## Where To Now?

With the Dow Industrials finally making it back to its pre-bubble burst peak in 2000, the question naturally arises where to now?

To see into the future, it helps to survey the landscape, asking where are we now?

While the Industrials are now at a peak, the previous leader the Transports is now lagging. See the chart on page 7. This is a bearish sign, indicating a slowing economy as the Transports reflect the movement of goods and people worldwide.

The economy is decelerating noticeably. In the first quarter, GDP was 5.6%. In the second quarter, GDP was 2.6%. The third quarter advance reading is due 10/27, but the Fed is expecting further slowdowns due mainly to the housing decline.

Regardless of the housing data, however, are the leading economic indicators. They have been dropping. This too signals recession. The next reading is due 10/19.

The fourth indicator to examine is the inverted yield curve. It's worse than it was previously, but no one is paying attention any more. Short rates are still around

5%, while longer term rates are down around 4.5-4.75%. This too is bearish.

It's one thing to bet with the Fed, but a whole 'nother thing to bet against them. This is especially true since they're communicating against the market, saying we know the economy is slowing, that housing is tumbling, but we're more concerned with inflation and its prospects.

Inflation is way above trend. The Fed's comfort zone is between 1-2%. Instead it's running at 2.5%. Lest you think the recent drop in energy prices will help, remember this personal consumption index, their favored indicator, is sans energy and food prices. If anything, it may climb further because of the lower energy prices, which may translate into higher consumption, more inflation.

So, where to now? Lower is the word. Large value, growth and income is where to invest.

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## AROUND THE CAMPFIRE

In the most precise of all possible investment worlds, we'd want 100% cash at the top when things looked the best and 0% cash at the bottom when things looked the worst. Call it market timing or asset allocation or value investing, we want to buy low in fear and sell high in greed.







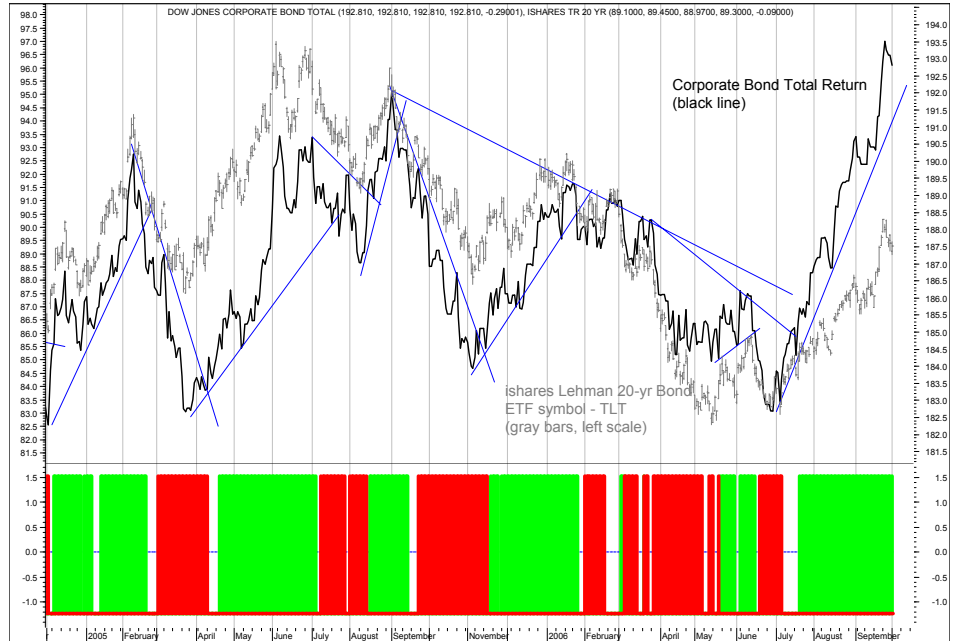
# Interest Rates and Bond Prices

The Bond Model remains bullish, even though the rally has been nearly straight up. After some backing and filling, it should continue for a number of reasons.

The economy is weakening; GDP expanded at 2.6% last quarter, down from 5.4%. The leading economic indicators is heading even lower. The inverted yield curve will also help keep on the inflation lid.

So, in the MAAP Income Portfolio shown below, I'll be extending the duration of the Portfolio by selling the short term fund (Wells Fargo Ultra Short) and buying the longer term fund (Westcore Flexible Income).

I'm also selling the international income fund as it lags its peer group.



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

As noted below, sell the two current positions and replace it with the longer-term bond fund.

## MONTHLY ACTIVITY

MONTH ENDING: 9/30/2006

## 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
9-Oct	sell	Wfargo Ultra Shrt		4,455.3649		STADX	Bond Shrt	Wfargo Ultra Shrt	9.11	4,455.3649	40,588	20%
9-Oct	sell	Prudnt Gbl Incm		3,157.0639		PSAFX	Bond World	Prudnt Gbl Incm	12.30	3,157.0639	38,832	19%
9-Oct	buy	Westcore Flex Incm			80,000							
							MM	Money Market	100	125,873.9200	125,874	61%
							MM	Margin Loan	-100	-	-	0%
Total Valuation=											205,294	100%

# MAAP Growth and Balanced Portfolios

**MONTHLY ACTIVITY**
**MONTH ENDING: 9/30/2006**
**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
9-Oct	sell	JAOSX		562.5879	-							0%
					-	MID SX	Gold	Midas	3.77	2,487.5622	9,378	2%
						VWINX	Hybrid	Vngrd Wellsly	21.95	1402.1741	30,778	8%
						JAOSX	Eqty Intrntl	Janus Overseas	39.82	562.5879	22,402	6%
						CIVVX	Eqty Intrntl	Causeway Intrntl	18.93	1,115.4490	21,115	6%
						FAIRX	Eqty LrgCap	Fairholme	27.18	737.4631	20,044	5%
						AAIPX	Eqty Intrntl	Amrcn B Intrntl Eqty	23.67	916.5903	21,696	6%
						SSAIX	Eqty Intrntl	Ssga Intrntl Stk	12.92	1,696.6528	21,921	6%
						RYURX	Contrary	Rydex Ursa	8.03	5,679.0300	45,603	12%
							MM	Money Market	100	187,245.9100	187,246	49%
<b>Total Valuation=</b>											<b>\$380,183</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
9-Oct	sell	JAOSX		562.5879	-							
					-	VWINX	Hybrid	Vngrd Wellsly	21.95	1,869.5688	41,037	6%
						TB GVX	EqtyWorld	TwdyBrwn Gbl Val	29.33	1,178.4102	34,563	5%
						JAOSX	Eqty Intrntl	Janus Overseas	39.82	562.5879	22,402	4%
						CIVVX	Eqty Intrntl	Causeway Intrntl	18.93	1,115.4490	21,115	3%
						FAIRX	Eqty LrgCap	Fairholme	27.18	737.4631	20,044	3%
						AAIPX	Eqty Intrntl	Amrcn B Intrntl Eqty	23.67	916.5903	21,696	3%
						SSAIX	Eqty Intrntl	Ssga Intrntl Stk	12.92	1,696.6528	21,921	3%
						RYURX	EqtyContry	Rydex Ursa	8.03	5,679.0300	45,603	7%
							MM	Money Market	100	405,515.8500	405,516	64%
<b>Total Valuation=</b>											<b>\$633,897</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
9-Oct	sell	JAOSX		562.5879	-							
					-	VWINX	Hybrid	Vngrd Wellsly	21.95	1,869.5688	41,037	8%
						TB GVX	EqtyWorld	TwdyBrwn Gbl Val	29.33	982.0068	28,802	5%
						JAOSX	Eqty Intrntl	Janus Overseas	39.82	562.5879	22,402	4%
						CIVVX	Eqty Intrntl	Causeway Intrntl	18.93	1,115.4490	21,115	4%
						FAIRX	Eqty LrgCap	Fairholme	27.18	737.4631	20,044	4%
						AAIPX	Eqty Intrntl	Amrcn B Intrntl Eqty	23.67	916.5903	21,696	4%
						SSAIX	Eqty Intrntl	Ssga Intrntl Stk	12.92	1,696.6528	21,921	4%
							MM	Money Market	100	366,112.4200	366,112	67%
<b>Total Valuation=</b>											<b>\$543,130</b>	<b>100%</b>

The gold and contrary Rydex Ursa fund held down profits in the portfolios. Sell the positions on 10/9 as noted above as that fund lags its peers, falling into the three comet category. Any replacements will have to wait for a market pullback and fund buy signal.

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

# Market Timing and Asset Allocation

## 9 year weekly Dow Industrials (light line) and Transports (dark line)

The Industrials have finally made it to an all-time closing high, confirming rallies in some of the other indexes.

The one index that hasn't made it back to where it was in 2000 is the NASDAQ Composite Index, reflecting the bubble back then in all things tech. I sus-

pect it will be another 9 years before it confirms.

As you can see on the chart, the leader in this three-year bull market had been the Transports (dark line), but they are now lagging the late rise in the Industrials (light line). This suggests a weaker economy and market troubles ahead.



### MARKET and FUND COMMENTS

STOCKS: Neutral, making a top.

GOLD: Bearish.

BONDS: Bullish.

US Gov. fiscal policy, neutral.

Corporate actions (buy backs, mergers), bullish.

Economy, from neutral to bearish by early 2007.

Inflation, bearish as it increases.

Oil prices, neutral to bullish (falling).

Investor sentiment, neutral.

Federal Reserve policy, bearish (tightening, inverted yield curve).

Market valuation, bearish.

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

Stock market rallying as oil, gold, and other commodities decline. Fear of inflation is abating and expectation of rate cuts are increasing. The possibility of a recession in 2007 is ignored.

### 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 9/30/06					V Vol- atility	INDEX CLOSE		PERFORMANCE IN:					
	X= 12	9	6	3	1				2005	2004	2003	2002	2001	2000
DJ Wilshire 5000	8.60	6.45	1.45	3.87	2.17	1.7	13346.00	-	8.24	10.85	29.44	-22.08	-12.06	-11.41
Dow Jones Industrials	10.51	8.97	5.13	4.74	2.62	16	11679.10	-	-0.61	3.15	25.32	-16.76	-7.10	-6.18
Standard & Poors 500	8.71	7.01	3.17	5.17	2.46	16	1335.85	-	3.00	8.99	26.38	-23.37	-13.04	-10.14
Russell 2000	8.65	7.78	-5.17	0.13	0.70	2.9	725.59	-	3.32	17.00	45.37	-2158	103	-4.20
Dow Jones World Index	12.60	9.09	2.15	3.69	0.98	2.3	255.43	-	9.41	14.43	33.42	-20.73	-16.58	-15.89
Gold/Silver Index (XAU)	13.73	0.30	-9.32	-10.55	-12.47	8.5	128.42	-	28.87	4.65	19.89	25.57	128	-5.94
Dow Jones Ttl Bond	2.46	2.45	3.76	5.43	1.32	1.0	193.10	-	1.40	3.99	2.20	11.96	6.77	13.40
Small Cap	6.42	4.99	-5.86	-0.96	0.94	3.0	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.		2.63	11.74	39.43	-21.96	-6.21	0.96
Mid Cap	7.52	4.47	-3.20	0.67	1.64	2.7			8.38	12.96	33.65	-21.89	-11.03	-0.38
Large Cap	5.82	2.93	-1.47	2.49	2.13	2.2			5.75	13.34	27.54	-21.75	-13.19	-3.69
Value	9.70	8.17	3.02	3.79	2.00	2.0			3.66	11.26	27.18	-15.61	2.30	9.99
Contrary	1.67	2.17	1.92	-2.67	-1.81	2.2			5.78	3.11	0.47	9.99	2.83	13.54
World Growth	1.53	2.04	1.93	-2.83	-1.91	2.3			13.07	17.11	34.67	-15.76	-19.89	-12.70
Growth/Income	8.18	6.64	1.69	3.59	1.63	1.9	4.23	10.24	23.46	-18.22	-7.76	0.03		
Bond Long	2.25	1.87	4.66	5.96	1.12	1.8	10.32	8.43	8.64	6.73	2.45	11.68		
Bond High Yield	5.66	5.23	2.31	2.64	0.64	0.8	5.76	6.63	16.24	-7.55	-4.73	-12.68		
Bond World	3.36	3.95	3.11	2.69	-0.33	1.2	7.40	9.07	11.56	10.56	1.48	0.18		
MAAP Aggrsv Grth	10.32	8.22	2.71	0.40	-0.33	1.4	For more information about these model portfolios, please see pages five and six.		7.20	0.57	15.03	-4.93	1.42	1.78
MAAP Growth	5.42	4.29	1.93	0.74	0.19	0.6			3.50	1.53	11.56	-1.22	0.75	2.64
MAAP Balanced	5.01	4.17	1.93	0.93	0.24	0.6			2.01	5.88	12.57	0.09	-0.56	0.37
MAAP Income	1.72	1.39	0.53	-0.08	-0.45	0.2			-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.

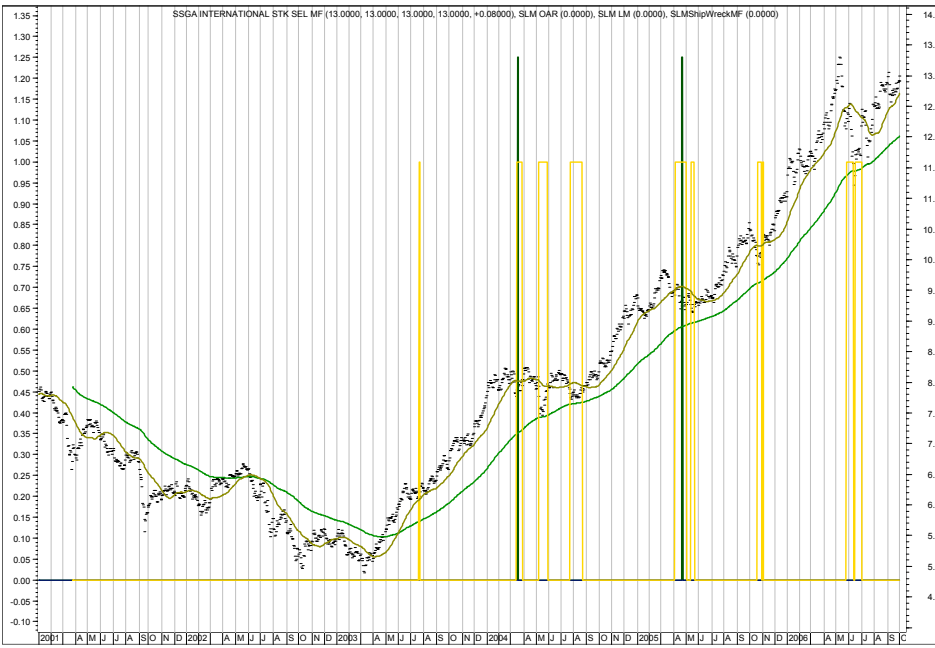
The fund dropped out of the top 20% at the end of January 2005. Even though the timing model remained bullish, the fund was sold. It would not have been rebought in July 2005 with the timing model buy because the fund was not in the top 5% at the time of the buy signal. It could have been bought in May.

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 top chart is SSGA International (SSAIX)

The middle chart is FBP Balanced (FBPBX).

The bottom chart is Ameristock Fund (AMSTX)

