



# 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
Grizzly Short	GRZZX	EC	25.5
Rydex URSA (short S&P 500)	RYURX	EC	22.0
Potomac US Short	PSPSX	EC	20.0
Profunds Ultra Bear	URPIX	EC	19.7
Rydex Arktos	RYAIX	EC	15.5
Hussman Strtg Grth	HSGFX	EMC	14.6
Profunds UltraShrt OTC	USPIX	EC	13.9
Laudus Rosen US L/S	RMNIX	EC	13.3
Prudent Bear	BEARX	EC	9.8
Wells Fargo MultiCap Value	SMTVX	EV	6.3
Janus Olympus	JAOLX	EA	4.3
Profunds Shrt SmCap	SHPIX	EC	3.9
FBR SmCap Fincl	FBRSX	EA	3.3
The Arbitrage	ARBFX	EC	2.6
Spdr Gold	GLD	EG	2.0
Columbia REIT	CREEX	ERE	1.7
x	x	x	x
PS Energy	DBE	EA	0.8
Stratton Monthly Dividend Shrs	STMDX	ERE	0.8
PS Oil	DBO	EA	0.5
WPG Tudor	TUDRX	ESC	0.4
Heartland Value	HRVIX	EV	0.3
Gabelli Mathers Fund	MATRX	HGI	-0.6
PS Commodity	DBC	EC	-2.0
FMI Common Stk	FMIMX	ESC	-2.1
Northern SmlCap Value	NOSGX	ESC	-2.1
Boston Prtn Lng/Shrt Eqty	BPLEX	EC	-2.3
Merger Fund	MERFX	EC	-2.4
Vanguard REIT	VGSIX	ERE	-2.4
Yacktman Focused	YAFFX	EV	-2.5
AmCent Real Estate	REACX	ERE	-2.8
Reynolds Blue Chip Growth	RBCGX	ELC	-2.8
Cohen & Steers Realty Shares	CSRSX	ERE	-3.0
Permanent Portfolio T-Bill	PRTBX	BS	57.5
Neubgr & Brmn Lmtd Bond	NLMBX	BS	56.7
Amrcn Bcn Intm Bond	AAPAX	BI	37.2
Dreyfus Short-Intmtd Govt	DSIGX	BI	27.2
Payden GNMA	PYGNX	BU	25.9
Wells Fargo Corp Bond	STCBX	BF	24.4
USAA GNMA	USGNX	BU	24.3
iShares 1-3 yr Trsry	SHY	BS	23.7

## Are We There Yet?

There is only one word to describe the market of the last month, which is brutal. From its peak in 10/08 to trough in 10/09, so far, on the Wilshire 5000 (an index of nearly all stocks), it is down 35%. The bulk of that, however, has come in the last 12 trading days from its close on 9/19 to 10/7, the index has lost 22%.

Enough of that, however, the question is will there be an end to the carnage? Absolutely. Its timing is another question.

So far, this is an average bear market in terms of magnitude, being down 35%.

As to timing, it is roughly in the middle of the average duration of bear markets measured from the 1950's. It could linger a few more months or could end this month.

Keep in mind that most bear markets do end in either September or October. Why? Current history suggests a couple of reasons. It is because that is when redemptions are due for hedge funds. If you want out by year's end, and lots of folks do, you have to let them know now. To meet those requests, the funds have to sell their positions to raise cash. Moreover, mutual

funds typically have an October year end. They have to pay out any dividends and capital gains. Folks may not want to hold for those distributions, while the fund itself is down.

Thus we should begin looking for the decline to end fairly soon both because of time and magnitude. But how to know?

Exhaustion, some call it capitulation. The sellers would be gone. Are we there yet? Some of the bullish bearish sentiment indicators indicate yes. The well-known VIX index is at record highs. The put/call ratio is bullish. But others like Investor's Intelligence are not yet at extremes. Folks are not looking at their statements, but neither have they sworn never to buy stock again.

So, we are long overdue for a substantial bounce, but thereafter I look for a retest of the recent lows. From there, a new bull market should unfold.

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### AROUND THE CAMPFIRE

The CEO of Bank of America (BAC) surely did not do any favors by loudly proclaiming that the dividend was safe, only to cut it in half a few months later. Who cares whether he bought Merrill or not? Let the company go bankrupt. He could have bought it for pennies and kept his word, but now he looks like all the other snake-oil salesmen.



Table with columns: Fund Style, Legend, Fund Name, Symbol, S, A, Ttl. % return (dividends + or - capital changes) last (12m, 9m, 6m, 3m, 1m), V, NAV, CS, Rank, C. Rows are categorized by Fund Style such as 'Large Cap 97 funds followed', 'Usually... Market cap greater than \$3.5 billion...', 'Value 47 funds followed', 'World Growth 80 funds followed', and 'World Regional 26 funds followed'.

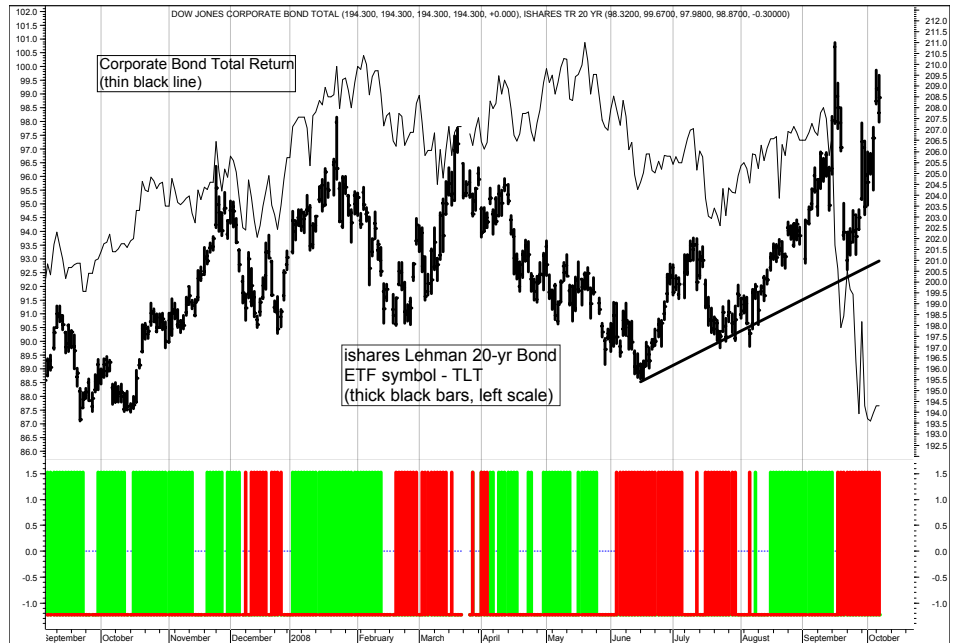


# Interest Rates and Bond Prices

My two indexes used for the Bond Timing Model diverged sharply last month. Apparently the DJ Bond Index held some of those toxic securities. You can see the plunge in price on the chart. The TLT (20-year Treasury bond index) went the opposite direction, as might be expected.

So the Bond Model went bearish based on corporates, but not on Treasuries. This is the first time since 1992 when the TLT index was created that this has happened. Normally they move in tandem. So, I'll be making an adjustment to the model in the months ahead.

Incidentally this divergence between apparently related markets happens rarely with large and small cap stocks too.



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

No portfolio changes.

## MONTHLY ACTIVITY

MONTH ENDING:

9/30/2008

## 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	7.32	3,314.9171	24,265	11% 0%
							MM	Money Market	100	188,592.0000	188,592	89%
							MM	Margin Loan	-100	-	-	0%
Total Valuation=											212,857	100%

# MAAP Growth and Balanced Portfolios

**MONTHLY ACTIVITY**

**MONTH ENDING: 9/30/2008**

**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	MDSX	3.71	6,246.9607	23,176							0%
12-Aug	sell	CGMFX	47.11	820.3154	38,645							0%
16-Sep	buy	HRVIX	25.25	1,584.1584	40,000							
24-Sep	buy	BERIX	11.69	1,710.8640	20,000	PRBLX	Eqty G/I	Parnassus Bal	23.95	2,203.5103	52,774	14%
24-Sep	buy	PRBLX	24.29	823.3841	20,000	WPFrx	Eqty MidCap	Westport Grth	18.33	1,592.3567	29,188	8%
24-Sep	buy	RYSEX	17.83	1,121.7050	20,000	JORNx	Eqty MidCap	Janus Orion	9.65	3,348.7833	32,316	8%
						HRVIX	Eqty Value	Heartland Value	24.22	1,584.1584	38,368	10%
						BERIX	Hybrid G/I	Berwyn Incm	11.39	1,710.8640	19,487	5%
						RYSEX	Eqty SmlCap	Royce Spcl Eqty	17.26	1,121.7050	19,361	5%
						RYURX	Contrary	Rydex Ursa	43.91	2,267.6039	99,570	15%
							MM	Money Market	100	353,533.0000	353,533	55%
<b>Total Valuation=</b>											<b>\$380,583</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
12-Aug	sell	MDSX	3.71	3,759.3985	13,947							0%
12-Aug	sell	CGMFX	47.11	820.3154	38,645							
16-Sep	buy	HRVIX	25.25	1,584.1584	40,000							
24-Sep	buy	BERIX	11.69	1,710.8640	20,000	PRBLX	Equity G/I	Parnassus Bal	23.95	2,203.5103	52,774	8%
24-Sep	buy	PRBLX	24.29	823.3841	20,000	WPFrx	Eqty MidCap	Westport Grth	18.33	1,592.3567	29,188	5%
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						RYSEX	Eqty SmlCap	Royce Spcl Eqty	17.26	1,121.7050	19,361	5%
						RYURX	EqtyContry	Rydex Ursa	43.91	2,267.6039	99,570	15%
							MM	Money Market	100	353,533.0000	353,533	55%
<b>Total Valuation=</b>											<b>\$644,597</b>	<b>108%</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
12-Aug	sell	MDSX	3.71	3,759.3985	13,947							0%
12-Aug	sell	CGMFX	47.11	820.3154	38,645							
16-Sep	buy	HRVIX	25.25	1,584.1584	40,000							
24-Sep	buy	BERIX	11.69	1,710.8640	20,000	PRBLX	Equity G/I	Parnassus Bal	23.95	2,203.5103	52,774	10%
24-Sep	buy	PRBLX	24.29	823.3841	20,000	WPFrx	Eqty MidCap	Westport Grth	18.33	1,592.3567	29,188	5%
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						HRVIX	Eqty Value	Heartland Value	24.22	1,584.1584	38,368	7%
						BERIX	Hybrid G/I	Berwyn Incm	11.39	1,710.8640	19,487	5%
						RYSEX	Eqty SmlCap	Royce Spcl Eqty	17.26	1,121.7050	19,361	5%
						FAGIX	Bond HiYld	Fidelity Cap/Incm	7.32	6,629.8343	48,530	9%
						RYURX	EqtyContry	Rydex Ursa	43.91	1,049.3179	46,076	8%
							MM	Money Market	100	256,235.0000	256,235	47%
<b>Total Valuation=</b>											<b>\$542,334</b>	<b>103%</b>

September and October are usually good months to start buying funds. Watch your emails for additional buy signals.

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 Major Buy Signals from 2002 through 2008

The chart shows us a few things.

One we have a fairly rare major buy signal shaping up, which is shown on the lower half by spikes.

Two the market is far below its bear market down trend, which is shown by the two ellipticals.

These suggest a rally of at least 10% is imminent and more likely closer to 25%, which would take the S&P 500 back to roughly 1250 from below 1000.

Probably that will only be a bear market rally instead of something larger over an extended time.



### TIMING POSITIONS

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

### STOCK MARKET COMMENTS

- US Gov. fiscal policy, **bullish** (bailouts).
- Corporate activity (buy backs, mergers), **bearish** (credit dried up).
- Economy, **bearish** (recession risk).
- Inflation, **neutral** (expectations are moderating).
- Oil prices, **neutral** (bubble top in place, projected to \$60).
- Housing, **bearish** (inventory overhang, falling prices, no liquidity).
- Investor sentiment, **neutral** (fear, but capitulation yet?).
- Federal Reserve policy, **bullish** (aggressive 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**, (very oversold, fear rampant).

That chill in the air isn't coming from Fall, but from the fall. Where's the bottom? What's it gonna take? The Treasury and the Fed have thrown billions at the problem, backstopping money markets, bank deposits, commercial paper and still things are falling.

The worldwide interest rate cut didn't help much either. Comparing the situation to the Great Depression doesn't help either. Besides we are nowhere even close to that.

The market is very oversold and is due for a mighty snapback rally on some policy initiative.

# Performance Scoreboard

INDEXES, FUND STYLES & MAAP PORTFOLIOS	% RETURNS FROM THE PAST X MONTHS THRU 9/30/08					V Vol- atility	INDEX CLOSE		PERFORMANCE IN:					
	X= 12	9	6	3	1				2007	2006	2005	2004	2003	2002
DJ Wilshire 5000	-22.80	-19.97	-11.04	-9.28	-9.63	3.5	11660.10	-	3.94	13.72	8.24	10.85	29.44	-22.08
Dow Jones Industrials	-21.91	-18.20	-11.52	-4.40	-6.00	2.9	10850.70	-	6.43	16.29	-0.61	3.15	25.32	-16.76
Standard & Pooers 500	-23.61	-20.57	-11.82	-8.88	-9.08	3.4	1166.36	-	3.53	13.62	3.00	8.99	26.38	-23.37
Russell 2000	-15.63	-11.29	-1.22	-1.46	-8.10	4.2	679.58	-	-2.75	17.00	3.32	17.00	45.37	-21.58
Dow Jones World Index	-28.18	-26.22	-18.72	-16.82	-12.72	3.9	22198	-	8.43	18.52	9.41	14.43	33.42	-20.73
Gold/Sliver Index (XAU)	-22.25	-24.30	-25.77	-32.80	-12.07	8.9	13121	-	21.84	11.11	28.87	4.65	19.89	25.57
Dow Jones Ttl Bond	-3.36	-5.55	-6.37	-5.57	-5.91	1.1	194.31	-	5.24	3.70	1.40	3.99	2.20	11.96
Small Cap	-20.31	-16.93	-6.62	-8.42	-10.38	4.3	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.	-3.52	7.20	2.63	11.74	39.43	-21.96
Mid Cap	-22.28	-21.18	-12.19	-14.67	-12.76	4.3	6.00		6.79	8.38	12.96	33.65	-21.89	
Large Cap	-21.63	-20.92	-11.38	-12.00	-11.04	3.9	5.81		6.11	5.75	13.34	27.54	-21.75	
Value	-21.51	-17.55	-9.50	-6.88	-8.59	3.6	-6.44		10.08	3.66	11.26	27.18	-15.61	
Contrary	10.48	7.77	1.08	-1.75	1.57	3.8	-1.11		-1.99	5.78	3.11	0.47	9.99	
World Growth	-28.93	-28.15	-21.09	-19.84	-13.71	4.7	x		x	13.07	17.11	34.67	-15.76	
Growth/Income	-20.77	-18.54	-10.83	-9.55	-9.11	3.5	0.47		9.82	4.23	10.24	23.46	-18.22	
Bond Long	3.30	-0.40	-2.77	-1.29	-1.77	1.7	6.19		2.75	10.32	8.43	8.64	6.73	
Bond High Yield	-9.19	-8.68	-6.04	-7.30	-6.47	1.7	x		8.84	5.76	6.63	16.24	-7.55	
Bond World	-2.24	-3.90	-6.84	-5.39	-4.36	1.5	4.74		5.65	7.40	9.07	11.56	10.56	
MAAP Aggrsv Grth	-3.99	-5.54	-3.76	-7.45	-1.93	1.5	4.30	9.95	7.20	0.57	15.03	-4.93		
MAAP Growth	-1.84	-2.92	-1.97	-4.01	-1.33	0.8	3.39	5.66	3.50	1.53	11.56	-1.22		
MAAP Balanced	-5.95	-6.29	-3.80	-6.48	-3.11	1.2	3.17	7.59	2.01	5.88	12.57	0.09		
MAAP Income	-1.11	-1.97	-3.98	-3.00	-2.48	0.6	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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