



# 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
Investec China HK	ICHKX	EWR	57.1
US Gbl Invstrs China Rgn	USCOX	EWR	54.0
Matthews China	MCHFX	EWR	52.2
Fidelity Southeast Asia	FSEAX	EA	50.9
CGM Focus	CGMFX	EA	48.9
Price New Asia	PRASX	EWR	47.6
Transamerica Grth Opp	TPSCX	EMC	45.7
SIT Dvlpng M rkts Grth	SDMGX	EWR	43.2
Legg Mason Emrg M rkt	LMEMX	EW	43.2
Janus Twenty	JAVLX	EMC	42.3
Fidelity Emrg M rkt	FEMKX	EW	42.0
Driehaus Intl Dis	DRIDX	EW	41.6
AmCent Veedot	AMVIX	ESC	41.5
AmCent Emrg M rkt	TWMIX	EW	41.4
Wells Fargo Emrg M rkt	MNEFX	EW	41.3
Price Emrg Mkt Stk	PRMSX	EW	41.3
AmCent Vista Investors	TWCVX	ESC	41.1
Wasatch Ultra Grth	WAMCX	ESC	40.7
Harbor International Growth	HAIGX	EW	40.4
Fidelity Independence	FDFFX	ELC	40.0
AmCent Hertg Investors	TWHIX	EMC	39.7
SSgA Emrg M rkt	SSEMEX	EWR	39.5
Chase Grth	CHASX	ELC	39.3
Artisan International	ARTIX	EW	38.9
Janus Orion	JORNX	EMC	38.8
Matthews Pacific Tiger	MAPTX	EWR	38.4
CGM Mutual Fund	LOMMX	HGI	38.4
Price Latin America	PRLAX	EWR	38.2
Fidelity Global Balanced	FGBLX	HGI	38.2
Wells Fargo Growth	SGROX	ELC	37.8
ABN AMRO Mntg Grth	MCGFX	ELC	37.6
William Blair International Growth	WBIGX	EW	37.5
ABN AMRO Mntg Balncd	MOBAX	HB	37.4
Prudent Gbl Incm	PSAFX	BW	14.5
x	x	x	x
AmCent Intl Bond	BEGBX	BW	8.2
Price International Bond	RPIBX	BW	7.4
Loomis Sayles Bond	LSBRX	BF	7.4
Crdt Suisse Gbl FI	CGFIX	BW	3.6
Fidelity New Markets Income	FNMIX	BW	10
Payden Emrg M rkt Bd	PYEMX	BW	0.1

## Weakness

After catching a second wind last month that took some indexes to new highs, the bull market had the wind knocked out of it by various technical and fundamental combinations of bad news punches.

From a technical point of view, the markets have formed a major negative divergence between the Dow Industrials and Transportation Indexes. The former made new highs, but the latter lagged. A confirmation of this will be when both indexes close below their October lows initially and followed by closes below their August lows. The venerable Dow Theory would then be bearish.

Additionally, this bull market has lasted longer in duration than average. It will not go up forever and a bear market is due.

From a fundamental background, the bad news, although somewhat ignored, continues to pile up. At least so far the economy has stayed out of a consumer led recession brought on by falling house prices, foreclosures, and wealth contraction. But the negatives are spreading into the financial arena where hedge funds, brokerages, and banks are

taking billion dollar write-downs.

It is remarkable that they can absorb those losses so easily, but the assumption that the market has been counting on, no longer appears valid. It assumed that the news was fully priced in because it hinged on the key assumption that the worst had been seen. Today, however, comes the news that Citigroup will write off another \$8 to \$11 billion related to the credit crunch and subprime problems. This is after their previous \$6 billion in write downs last quarter. Merrill wrote off \$7.9 billion in collateralized debt obligations, but there may be more there as well and from other financial institutions. So the negative news seems far from over. The bottom was only a ledge.

With a PE ratio of 17, the market is far from cheap, especially if the bad news is not all out. This is the message of the lagging Transports and Financials.

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### AROUND THE CAMPFIRE

Looking for the next hot commodity? It might be honey bees! They are disappearing and no one knows why. Bees pollinate about every third bite of food. Without them, we would kiss the blueberry and almond industries good-bye and welcome more soy beans that use man-made machinations. We'd also need a new tune; let me tell you 'bout ...







# Interest Rates and Bond Prices

The SLM Bond Timing Model remains bullish for now, suggesting lower interest rates and higher bond prices ahead. On the chart to the right, I've drawn the primary trend line (in blue when viewed at investmentst.com).

There are a number of factors supporting this bullish view. Housing remains weak. The economy is slowing. The sub prime debacle is easing (reducing demand). Manufacturing is contracting.

The only problem is the potential for inflation to spike higher, as indicated by \$100 oil and \$800 gold.

For now, however, consumers and jobs take precedence over the falling dollar and higher inflation.



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

I'll let the bond market pull back a bit before buying more. Odds are very good that interest rates will steadily decline into next year, barring a plunge in the dollar that the Fed attempts to halt by making it more attractive by raising rates relative to other currencies.

## MONTHLY ACTIVITY

MONTH ENDING: 10/31/2007

## 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
10-Oct	buy	Fidelity Cap/Incm	9.05	3,314.9171	30,000	PSAFX	Bond Wrld	Prudent Gbl Incm	13.62	3,878.9760	52,832	24%
15-Oct	buy	AmCent Intrntl Bond	14.43	2,079.0021	30,000	FAGIX	Bond HiYld	Fidelity Cap/Incm	9.00	3,314.9171	29,834	14%
						BEGBX	Bond Wrld	AmCent Intrn Bond	14.83	2,079.0021	30,832	14%
						MM	Money Market		100	103,655.0000	103,655	48%
						MM	Margin Loan		-100	-	-	0%
Total Valuation=											217,163	100%

# MAAP Growth and Balanced Portfolios

**MONTHLY ACTIVITY**
**MONTH ENDING: 10/31/2007**
**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
10-Oct	sell	AmCent Eqty Incm	9.12	3,775.7437	34,435							0%
10-Oct	buy	Janus Orion	13.18	2,276.1760	30,000	MIDSX	Gold	Midas	6.35	6,246.9607	39,668	10%
						SPECX	Eqty LrgCap	Spectra N	12.00	1646.0905	19,753	5%
						OAKGX	Eqty Wrld	Oakmark Global	28.43	1217.2630	34,607	9%
						JORNX	Eqty MidCap	Janus Orion	13.57	2,276.1760	30,888	8%
						RYURX	Contrary	Rydex Ursa	35.76	17012739	60,838	15%
							MM	Money Market	100	219,136.0000	219,136	54%
<b>Total Valuation=</b>											<b>\$404,889</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
10-Oct	sell	AmCent Eqty Incm	9.12	3,775.7437	34,435	MIDSX	Gold	Midas	6.35	3,759.3985	23,872	4%
10-Oct	buy	Janus Orion	13.18	2,276.1760	30,000							
						SPECX	Eqty LrgCap	Spectra N	12.00	1,234.5679	14,815	2%
						OAKGX	Eqty Wrld	Oakmark Global	28.43	1,217.2630	34,607	5%
						JORNX	Eqty MidCap	Janus Orion	13.57	2,276.1760	30,888	5%
						RYURX	EqtyContry	Rydex Ursa	35.76	1,169.2560	4,183	6%
							MM	Money Market	100	517,5410000	517,541	78%
<b>Total Valuation=</b>											<b>\$663,535</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
10-Oct	buy	Fidelity Cap/Incm	9.05	6,629.8343	60,000	MIDSX	Gold	Midas	6.35	3,759.3985	23,872	4%
10-Oct	sell	AmCent Eqty Incm	9.12	3,775.7437	34,435							
10-Oct	buy	Janus Orion	13.18	2,276.1760	30,000							
						SPECX	Eqty LrgCap	Spectra N	12.00	1,234.5679	14,815	3%
						OAKGX	Eqty Wrld	Oakmark Global	28.43	1,217.2630	34,607	6%
						JORNX	Eqty MidCap	Janus Orion	13.57	2,276.1760	30,888	5%
						FAGIX	Bond HiYld	Fidelity Cap/Incm	9.00	6,629.8343	59,669	10%
							MM	Money Market	100	419,430.0000	419,430	72%
<b>Total Valuation=</b>											<b>\$583,280</b>	<b>100%</b>

No changes for now.

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

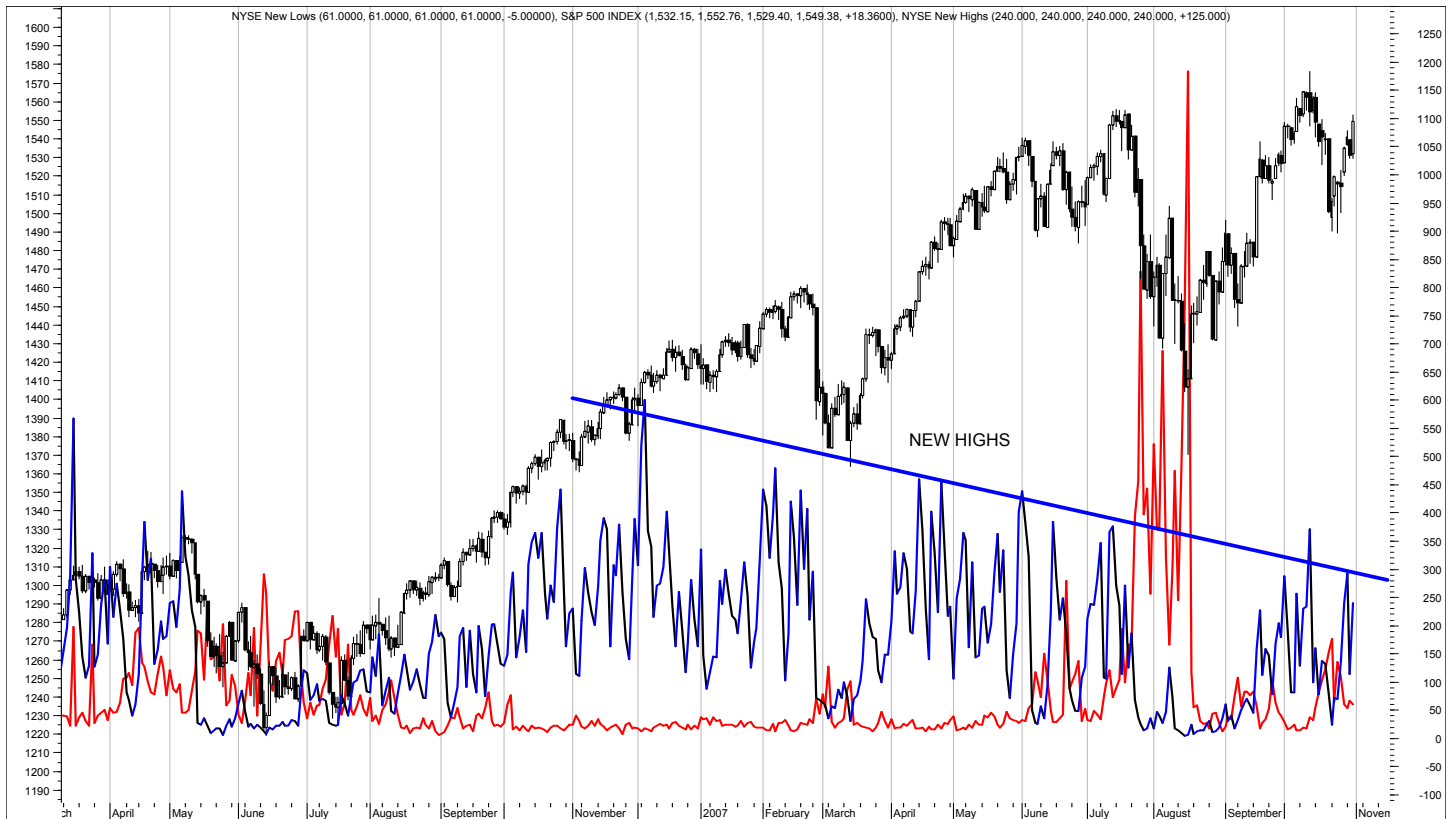
# Market Timing and Asset Allocation

## S&P 500 and New Highs (blue) and New Lows (red)

In addition to the reasons for being bearish on stocks outlined in the box below, another reason is the declining number of new highs.

While the market was making new highs, the number of NYSE stocks making new highs has been

declining. Basically this means there has been less and less participation in the rally as it grew more narrow. There's less "troops" to support the "generals". Eventually this catches up to the market index and it rolls over, as we're seeing.



### TIMING POSITIONS

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

### STOCK MARKET COMMENTS

- US Gov. fiscal policy, neutral.
- Corporate activity (buy backs, mergers), bearish (credit dried up).
- Economy, neutral.
- Inflation, neutral.
- Oil prices, bearish.
- Housing, bearish.
- Investor sentiment, bearish (too many bulls).
- Federal Reserve policy, neutral (though lowering rates).
- Market valuation (PE, yield, book), bearish (unsustainable).
- Terrorism risk, neutral.
- Hedge fund risk, bearish (leverage problem).

The stock market top still forms. Major negative divergences have formed between the Dow Industrials and Transports. This would be confirmed on a breakdown of the Industrials below 13500 and then 12850 and drop in Transports below 4800 and then 4670. Also there is far too much investor complacency and advisor bullishness, which is bearish. M&A buyout support has also vanished with credit problems.

# Performance Scoreboard

INDEXES, FUND STYLES & MAAP PORTFOLIOS	% RETURNS FROM THE PAST X MONTHS THRU 10/31/07					V Vol- atility	INDEX CLOSE		PERFORMANCE IN:					
	X= 12	9	6	3	1				2006	2005	2004	2003	2002	2001
DJ Wilshire 5000	13.34	7.86	4.82	6.75	2.03	2.3	15673.40	-	13.72	8.24	10.85	29.44	-22.08	-12.06
Dow Jones Industrials	15.31	10.37	6.64	5.43	0.25	2.3	13930.00	-	16.29	-0.61	3.15	25.32	-16.76	-7.10
Standard & Pooors 500	12.44	7.73	4.52	6.47	1.48	2.3	1549.38	-	13.62	3.00	8.99	26.38	-23.37	-13.04
Russell 2000	7.98	3.46	1.65	6.69	2.80	2.4	828.02	-	17.00	3.32	17.00	45.37	-2158	103
Dow Jones World Index	20.99	14.17	8.14	7.70	3.64	2.2	320.33	-	18.52	9.41	14.43	33.42	-20.73	-16.58
Gold/Sliver Index (XAU)	36.99	34.46	37.24	26.49	1147	6.1	188.10	-	11.11	28.87	4.65	19.89	25.57	128
Dow Jones Ttl Bond	4.97	3.89	1.45	2.89	1.20	1.0	203.49	-	3.70	1.40	3.99	2.20	11.96	6.77
Small Cap	14.96	9.55	5.60	5.88	2.51	2.5	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	22.47	15.52	10.32	8.95	3.40	2.6		6.79	8.38	12.96	33.65	-2189	-1103	
Large Cap	18.77	13.17	9.61	9.30	3.27	2.4		6.11	5.75	13.34	27.54	-2175	-13.19	
Value	11.27	5.61	1.99	3.72	0.82	2.4		10.08	3.66	11.26	27.18	-15.61	2.30	
Contrary	0.35	0.10	-0.52	-2.76	-0.98	2.1		-1.99	5.78	3.11	0.47	9.99	2.83	
World Growth	x	x	x	x	x	2.2		x	13.07	17.11	34.67	-15.76	-19.89	
Growth/Income	14.72	9.26	5.38	6.23	1.77	2.3		9.82	4.23	10.24	23.46	-18.22	-7.76	
Bond Long	3.39	3.95	1.47	2.74	1.04	1.7		2.75	10.32	8.43	8.64	6.73	2.45	
Bond High Yield	x	2.10	-0.76	3.29	0.11	2.5		8.84	5.76	6.63	16.24	-7.55	-4.73	
Bond World	7.14	6.39	3.15	4.20	1.41	1.2		5.65	7.40	9.07	11.56	10.56	1.48	
MAAP Aggrsv Grth	5.52	4.76	3.91	3.29	2.14	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	1.42	
MAAP Growth	3.98	3.17	2.35	1.41	1.05	0.3		5.66	3.50	1.53	11.56	-1.22	0.75	
MAAP Balanced	6.37	3.75	2.71	2.43	1.15	0.5		7.59	2.01	5.88	12.57	0.09	-0.56	
MAAP Income	5.35	3.90	2.90	1.95	0.89	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.

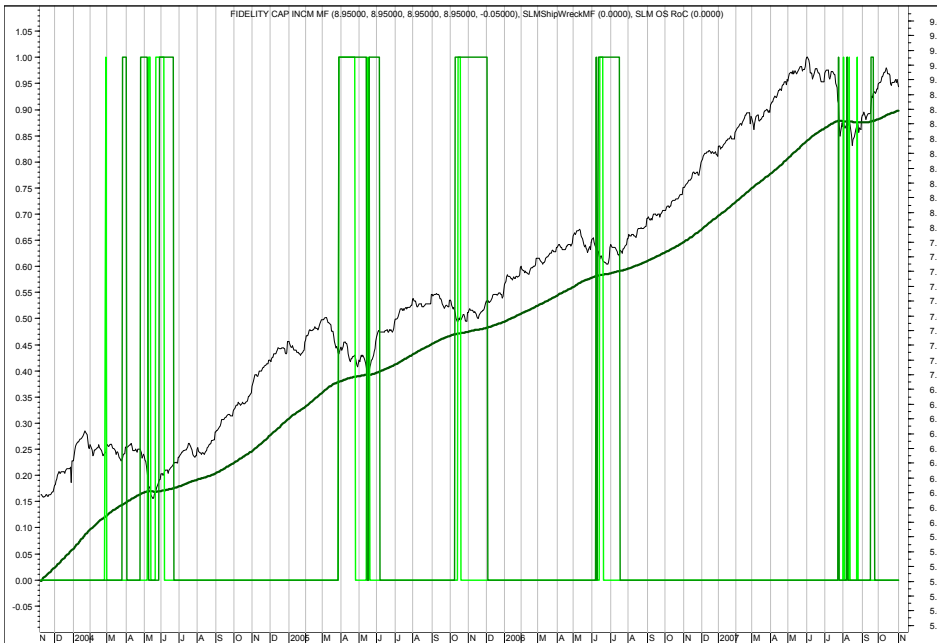
The fund dropped out of the top 20% at the end of January 2005. Even though the timing model remained bullish, the fund was sold. It would not have been rebought in July 2005 with the timing model buy because the fund was not in the top 5% at the time of the buy signal. It could have been bought in May.

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%.

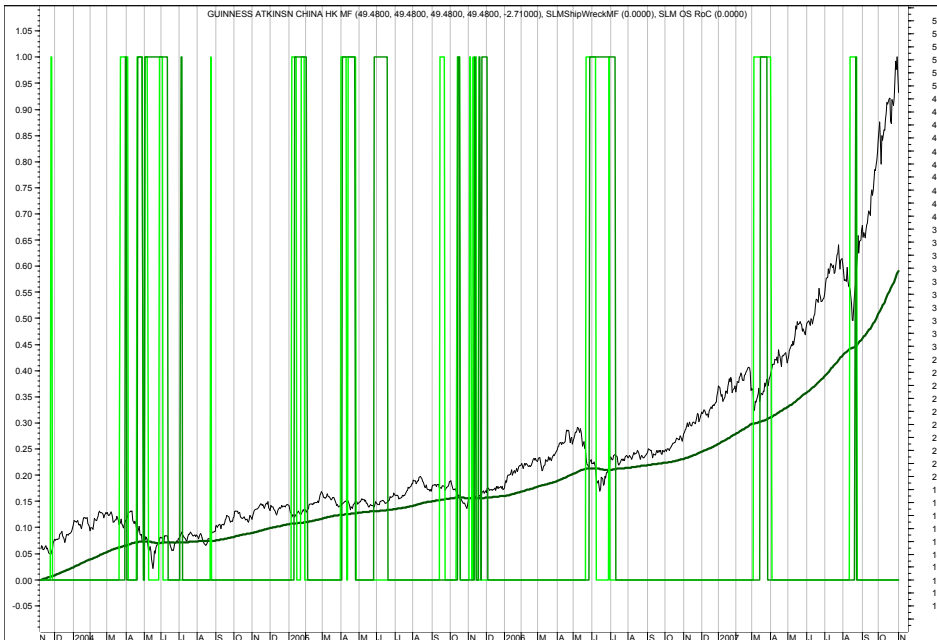
The end result is a gain of about 37% over the last 13 months. The Wilshire 5000 was up roughly 15% over the same period.





These funds are currently in the top 5%. The 200-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 FAGIX, Fidelity Capital and Income Fund.



The middle chart is ICHKX, Guinness (Investec) China Fund. This has gone parabolic, meaning the rally is unsustainable and over. It should collapse back to where the mania began in late 2006 around \$24/share. Currently the fund is about \$50/share.



The bottom chart is RYURX, Rydex Ursa (moves inversely to the S&P 500).