



No-Load Mutual Fund Selections & Timing Newsletter

Striving to provide you with the most return and the least risk.

Date: November, 2008 (pricing data through 10/31/08)

Publisher: Watercourse Way Holdings, LLC

Volume: 26 Number: 11

InvestmentST.com

Editor: Stephen L. McKee

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	42.7
Rydex URSA (short S&P 500)	RYURX	EC	35.9
Profunds Ultra Bear	URPIX	EC	34.1
Prudent Bear	BEARX	EC	25.8
Rydex Arktos	RYAIX	EC	23.5
Profunds Shrt SmCap	SHPIX	EC	22.3
Profunds UltraShrt OTC	USPIX	EC	21.0
Potomac US Short	PSPSX	EC	20.0
x	x	x	x
James Market Neutral	JAMNX	EC	6.7
Rydex Juno (short 30year TBond)	RYJUX	EC	4.1
Gabelli Mathers Fund	MATRX	HGI	13
Caldwell & Oakin Mkt Opprtnty	COAGX	EA	12
Reynolds Blue Chip Growth	RBCGX	ELC	11
FBR SmCap Fincl	FBRSX	EA	-4.9
Merger Fund	MERFX	EC	-5.5
The Arbitrage	ARBFX	EC	-6.1
Hussman Strtg Grth	HSGFX	EMC	-6.5
Neuberger & Ber Fasciano	NBFSX	ESC	-9.9
Laudus Rosen Value L/S	BRMIX	EC	-11.5
Profunds Rising Rates	RRPIX	EC	-11.7
PS Agrcltr	DBA	EC	-14.1
SPDR Gold	GLD	EG	-14.4
PS Oil	DBO	EA	-14.6
Hussman Strtg Ttl Rtrn	HSTRX	HB	-14.8
PS Energy	DBE	EA	-16.3
PS Gold	DGL	EG	-16.4
Van Wagoner Emrg Grth	VWEGX	ESC	-16.7
x	x	x	x
Heartland Value	HRVIX	EV	-17.0
PS Commodity	DBC	EC	-17.5
Royce Special Eq	RYSEX	ESC	-17.5
Van Wagoner SmlCap Grth	VWMCX	ESC	-18.1
Permanent Portfolio T-Bill	PRTBX	BS	454.6
Neubrgr & Brmn Lmted Bond	NLMBX	BS	249.2
Permanent Port Versatile Bond	PRVBX	BF	191.7
Janus Short term Bond	JASBX	BS	173.2
iShares 1-3 yr Trsry	SHY	BS	161.3
Dreyfus Short-Intmtd Govt	DSIGX	BI	165.6
Wells Fargo Short Govt Bond	MNSGX	BS	165.5
Amrcn Bcn Intm Bond	AAPAX	BI	147.6

Complacency No More

The only place to hide over the last month, indeed over the past year, as stock markets worldwide collapsed some 40%, was cash equivalents. Even that, however, quickly became questionable as money markets, bank deposits, and commercial paper markets seized up. A money market fund broke the buck. Runs out of cash equivalent markets became commonplace. Is nothing safe?

Too silver, gold, and diamonds did not do it either for investors, though they are considered hedges for troubled times. They are down some 50% over six months. Real estate the last great bubble has also collapsed, sending REIT funds down 35%. Maybe we should just put it under the mattress or bury it.

The only way to have made money was by being net short the markets or 100% in cash. Shorting is where you sell first what you do not own and later buy it back at a (hopefully) lower price, replacing what you borrowed. There are many short oriented funds available to investors. The top 5% list is dominated by them. Certainly the MAAP portfolios in this Newsletter benefited the last

year by having short positions. They profited as the market declined. That and having some hybrid (growth and income) funds helped the portfolios decline only about 7% over the last six months, still that is not making money.

So, one has to ask the question, with so many investment alternatives (cash, bonds, metals, REITS, stocks) and the ability to go either long or short those markets, what the heck just happened to so many billions, if not trillions? Was the selection process off? Was the timing process off? Or has it been simple complacency that ruled everyone? Do we really think that today is like yesterday and tomorrow will be like today? It is not, so we get slammed like a surfer losing her board as the wave crests crashing.

I ask also, as the markets try to find their footing, will we be back to business as usual, complacently running with the herds up and down the mountains of loss and gain?

Think about it please and look for an email in which I address this question.

TABLE OF CONTENTS	
Top 5% of NLMFST	Page 1
Fund Data	Page 2-4
MAAP Income	Page 5
MAAP Growth	Page 6
Timing & Allocation	Page 7
Scoreboard	Page 8



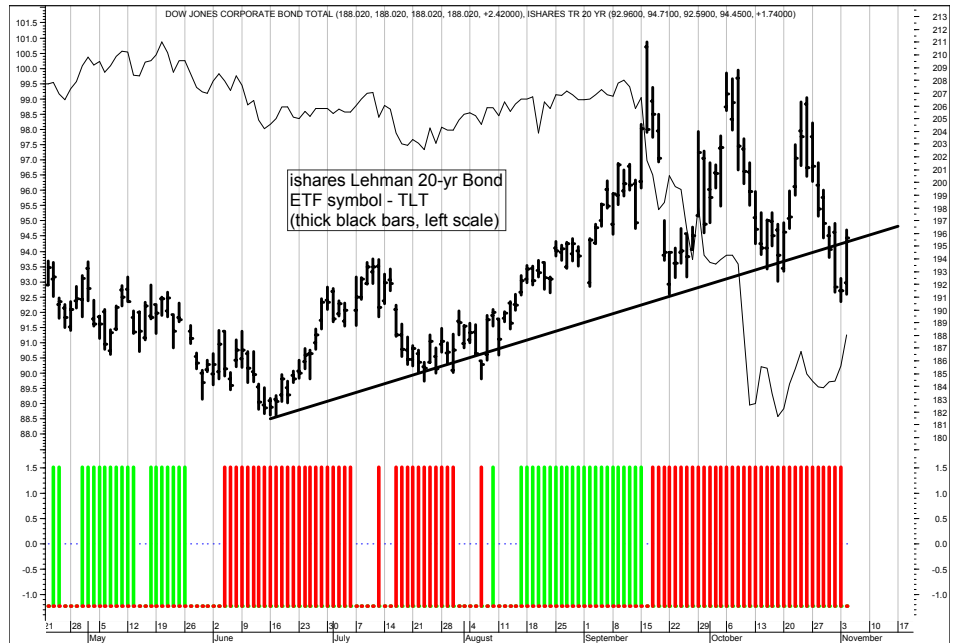
AROUND THE CAMPFIRE

Why is it there can be such a chasm between what we know and what we do? Or am I the only one feeling that we walked with our eyes wide open into this financial mess, but did nothing about it beforehand? Where are its roots? Did it begin a year ago, or during the Greenspan years, or when the Federal Reserve itself was created?

Interest Rates and Bond Prices

The bond market remains a treacherous, bifurcated investment place mainly because of credit conditions. In normal times, things would be different, but these are not normal times. Only the safest bonds, read US Treasuries, have benefited from the slowing US and world economies. Other bonds, including municipals, have plunged in price, even those that are supposedly guaranteed and AAA rated. It's a dangerous world.

I did right by taking profits out of the international bond funds, but I should also have sold the high-yield fund. It is getting hammered because of the slowdown. Still, I'll hang on for now.



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. Short term oriented funds are dominating the top bond slots, followed by US Government funds. Bringing up the rear are the world, international, and long-term funds.

MONTHLY ACTIVITY

MONTH ENDING: 10/31/2008

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	6.12	3,314.9171	20,287	10% 0%
						MM	Money Market		100	188,873.0000	188,873	90%
						MM	Margin Loan		-100	-	-	0%
Total Valuation=											209,160	100%

MAAP Growth and Balanced Portfolios

MONTHLY ACTIVITY			MONTH ENDING: 10/31/2008			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	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	20.26	2,203.5103	44,643	12%
24-Sep	buy	PRBLX	24.29	823.3841	20,000	WPFRX	Eqty MidCap	Westport Grth	15.76	1,592.3567	25,096	7%
24-Sep	buy	RYSEX	17.83	1,121.7050	20,000	JORNX	Eqty MidCap	Janus Orion	7.13	3,348.7833	23,877	7%
						HRVIX	Eqty Value	Heartland Value	20.24	1,584.1584	32,063	9%
13-Oct	sell (cover)	RYURX (inverse S&P 500)	49.47	1,410.9659	69,800	BERIX	Hybrid G/I	Berwyn Incm	10.37	1,710.8640	17,742	5%
14-Oct	sell (cover)	RYURX (inverse S&P 500)	50.14	1,410.9659	70,746	RYSEX	Eqty SmlCap	Royce Spcl Eqty	15.14	1,121.7050	16,983	5%
7-Nov	buy	HrtInd Val HRVIX			17,000							
7-Nov	buy	Royce SEqty RYSEX			17,000							
7-Nov	buy	Emrg Mrkt EEM			17,000							
												0%
						MM		Money Market	100	205,801.0000	205,801	56%
Total Valuation=											\$366,204	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	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	PRBLX	Equity G/I	Parnassus Bal	20.26	2,203.5103	44,643	7%
24-Sep	buy	BERIX	11.69	1,710.8640	20,000	WPFRX	Eqty MidCap	Westport Grth	15.76	1,592.3567	25,096	4%
24-Sep	buy	PRBLX	24.29	823.3841	20,000	JORNX	Eqty MidCap	Janus Orion	7.13	3,348.7833	23,877	4%
24-Sep	buy	RYSEX	17.83	1,121.7050	20,000	HRVIX	Eqty Value	Heartland Value	20.24	1,584.1584	32,063	9%
						BERIX	Hybrid G/I	Berwyn Incm	10.37	1,710.8640	17,742	5%
13-Oct	sell (cover)	RYURX (inverse S&P 500)	49.47	1,133.8020	56,089	RYSEX	Eqty SmlCap	Royce Spcl Eqty	15.14	1,121.7050	16,983	5%
14-Oct	sell (cover)	RYURX (inverse S&P 500)	50.14	1,133.8020	56,849							
7-Nov	buy	HrtInd Val HRVIX			33,000							
7-Nov	buy	Royce SEqty RYSEX			50,000							
7-Nov	buy	Emrg Mrkt EEM			17,000							
						MM		Money Market	100	466,929.0000	466,929	74%
Total Valuation=											\$627,332	108%

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	PRBLX	Equity G/I	Parnassus Bal	20.26	2,203.5103	44,643	9%
24-Sep	buy	BERIX	11.69	1,710.8640	20,000	WPFRX	Eqty MidCap	Westport Grth	15.76	1,592.3567	25,096	5%
24-Sep	buy	PRBLX	24.29	823.3841	20,000	JORNX	Eqty MidCap	Janus Orion	7.13	3,348.7833	23,877	5%
24-Sep	buy	RYSEX	17.83	1,121.7050	20,000	HRVIX	Eqty Value	Heartland Value	20.24	1,584.1584	32,063	6%
						BERIX	Hybrid G/I	Berwyn Incm	10.37	1,710.8640	17,742	5%
13-Oct	sell (cover)	RYURX (inverse S&P 500)	49.47	524.6590	25,955	RYSEX	Eqty SmlCap	Royce Spcl Eqty	15.14	1,121.7050	16,983	5%
14-Oct	sell (cover)	RYURX (inverse S&P 500)	50.14	524.6590	26,306	FAGIX	Bond HiYld	Fidelity Cap/Incm	6.12	6,629.8343	40,575	8%
7-Nov	buy	HrtInd Val HRVIX			33,000							
7-Nov	buy	Royce SEqty RYSEX			50,000							
7-Nov	buy	Emrg Mrkt EEM			17,000							
						MM		Money Market	100	308,675.0000	308,675	61%
Total Valuation=											\$509,653	103%

Please note the buys as of today. HRVIX and RYSBX are both from the comet selection model. As long-term subscribers know, I also use timing models occasionally to make selections, such as the case with RYURX (inverse to the S&P 500), I was early with it, but now it's in the top 5%, but took profits, so start to accumulate EEM (very oversold, 2nd lowest valuation -price to book- ever).

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 (thicker line) and number of new NYSE lows

You can see the bear market unfold over the last year to the collapse in October. The number of new NYSE lows spiked to nearly 2,600 on the first drop on 10/10. On the next sell off to new lows two weeks later, however, the number only jumped to 853. This

means that internally, the market is stronger than it was, that investors are accumulating bargains, holding the price up, that sellers are drying up.

So if the index makes a new low, watch to see if the number of new lows decreases again.



TIMING POSITIONS

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

STOCK MARKET COMMENTS

- US Gov. fiscal policy, **bullish** (bailouts, more stimulus checks).
- Corporate activity (buy backs, mergers), **bearish** (credit dried up).
- Economy, **bearish** (recession).
- Inflation, **neutral** (deflation more likely).
- Oil prices, **bullish** (cheaper to fill up cars, trains, ships, planes).
- Housing, **bearish** (inventory overhang, falling prices, no liquidity).
- Investor sentiment, **neutral** (lots of bears, but too quick to turn).
- Federal Reserve policy, **bullish** (aggressive easing).
- Market valuation (PE, yield, book), **bearish** (earnings down).
- (5000 projected on the Industrials to fair value vs. bond yield).
- Terrorism/war risk, **neutral**.
- Hedge fund/leverage risk, **bearish** (leverage coming down).
- Technical, **bullish**, (very oversold, fear rampant, test successful).

So, just how long have we been in a recession? Some say one or three months, but most indicators, like spending, income, unemployment, began showing signs of weakness about a year ago. If that is the case, that we have been in a recession for nearly a year, it makes the case for a market bottom even stronger. Stocks tend to bottom about half way through a recession, while things still look bad, but fiscal and monetary policy have begun to address the problems. Solutions show up after a lag of 3-9 months. By then, stocks have jumped.

Performance Scoreboard

INDEXES, FUND STYLES & MAAP PORTFOLIOS	% RETURNS FROM THE PAST X MONTHS THRU 10/31/08					V Vol- atility	INDEX CLOSE		PERFORMANCE IN:					
	X= 12	9	6	3	1				2007	2006	2005	2004	2003	2002
DJ Wilshire 5000	-37.67	-29.70	-30.18	-24.55	-17.63	4.5	9768.64	-	3.94	13.72	8.24	10.85	29.44	-22.08
Dow Jones Industrials	-33.06	-26.29	-27.26	-18.04	-14.06	3.7	9325.01	-	6.43	16.29	-0.61	3.15	25.32	-16.76
Standard & Pooors 500	-37.47	-29.73	-30.08	-23.56	-16.94	4.3	968.75	-	3.53	13.62	3.00	8.99	26.38	-23.37
Russell 2000	-35.08	-24.64	-24.95	-24.77	-20.90	5.2	537.52	-	-2.75	17.00	3.32	17.00	45.37	-21.58
Dow Jones World Index	-44.54	-35.85	-38.04	-31.62	-19.96	5.1	177.67	-	8.43	18.52	9.41	14.43	33.42	-20.73
Gold/Sliver Index (XAU)	-56.91	-56.49	-52.66	-51.98	-38.22	10.8	81.06	-	21.84	11.11	28.87	4.65	19.89	25.57
Dow Jones Ttl Bond	-9.39	-11.86	-11.85	-10.01	-5.11	1.4	184.39	-	5.24	3.70	1.40	3.99	2.20	11.96
Small Cap	-38.62	-28.82	-28.81	-27.07	-20.76	5.4	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	-39.56	-31.67	-33.68	-29.63	-19.91	5.5			6.00	6.79	8.38	12.96	33.65	-21.89
Large Cap	-37.63	-29.41	-30.83	-26.10	-17.62	5.0			5.81	6.11	5.75	13.34	27.54	-21.75
Value	-36.59	-28.98	-28.99	-23.17	-17.69	4.5			-6.44	10.08	3.66	11.26	27.18	-15.61
Contrary	16.29	7.34	6.82	3.29	2.22	4.4			-1.11	-1.99	5.78	3.11	0.47	9.99
World Growth	-47.63	-39.12	-41.91	-35.43	-22.41	6.2			x	x	13.07	17.11	34.67	-15.76
Growth/Income	-34.69	-27.41	-28.35	-23.07	-16.21	4.3	For more information about these model portfolios, please see pages five and six.		0.47	9.82	4.23	10.24	23.46	-18.22
Bond Long	-1.99	-5.59	-5.48	-4.59	-4.75	1.9			6.19	2.75	10.32	8.43	8.64	6.73
Bond High Yield	-22.58	-20.04	-21.54	-19.35	-14.13	2.5			x	8.84	5.76	6.63	16.24	-7.55
Bond World	-11.37	-12.68	-13.69	-12.93	-8.10	2.0			4.74	5.65	7.40	9.07	11.56	10.56
MAAP Aggrsv Grth	-9.55	-7.95	-9.05	-7.60	-3.78	1.8	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	-5.46	-4.79	-5.89	-4.74	-2.68	1.0			3.39	5.66	3.50	1.53	11.56	-1.22
MAAP Balanced	-12.62	-10.34	-11.71	-9.76	-6.03	1.6			3.17	7.59	2.01	5.88	12.57	0.09
MAAP Income	-3.68	-4.44	-5.44	-4.52	-1.74	0.7			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 four portfolios shown on pages 5 and 6. See Scoreboard above for comparative performances.

Watercourse Way Holdings, LLC publishes and owns *No-Load Mutual Fund Selections & Timing Newsletter*. It is normally posted to InvestmentST.com and mailed by the fifth business day of the month. Fund data is as of the previous month's end. This Newsletter is intended solely for the use by individuals and not by institutional investors. Information is presented without regard to your personal situation. For additional information on this Newsletter, please call 1-800-800-6563.

Email SMcKee@InvestmentST.com with any questions or comments.

To subscribe, please call 1-800-800-6563 or write to 100 N. Central Expressway, Suite 1112, Richardson, TX 75080-5328. Subscriptions are \$180.00 per 12 issues (12 months) or \$350.00 per 24 issues (two years). Subscriptions also include an emailed hotline update and special bonus reports. Subscriptions may be tax deductible. Subscribers who reside outside of the United States must add \$36.00 for postage and special handling per each 12 issues.

Nothing in this Newsletter should be construed as an offer to buy or sell any securities. It does not consider your personal situation. The information herein is assembled from sources who are believed reliable, but the accuracy of data or advice cannot be guaranteed. Past performance does not guarantee future performance. No chart, strategy or tactic guarantees gains or losses. No assurances can be given that objectives will be met. The company, its officers, staff and clients may or may not invest in the funds and/or in the proportions shown in this Newsletter. All investments involve risk of loss. Read a fund's prospectus carefully before investing.

To reprint selected material, provide full credit, including name, address, phone number, and web site InvestmentST.com.

Copyright, ©, 1984-2008, Watercourse Way Holdings, LLC. All rights reserved.