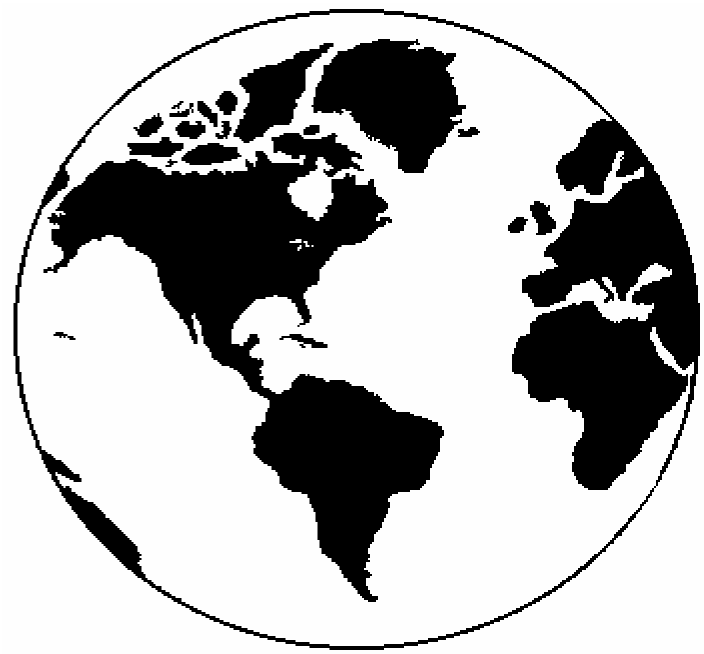
HOW TO USE THE



No-Load Mutual Fund Selections & Timing Newsletter

P.O. Box 830396
Richardson, TX 75083

972-680-2366

InvestmentST.com

INTRODUCTION

This is a reference Guide to getting the most benefit out of your Newsletter subscription. If you have any questions or comments about the Newsletter, the markets, economy or recommendations, please do not hesitate to call, write, or email us.

This Guide is divided into Three Sections. Section Number One is a page by page discussion of the features, definitions and benefits of the Newsletter. Section Number Two talks about <u>Evolving</u>, which is using our proven, reliable fund selecting process. We use the risk-adjusted relative strength strategy to continuously remain invested with the leading funds. We don't want to tend dinosaurs and we don't want to chase concepts. Instead, we want to evolve with the funds making money today. When they lag, we evolve into the new leaders. Section Number Three reviews using market timing or asset allocation to adjust your portfolio to perceived changes in potential risks and rewards.

The reason I mention both market timing and asset allocation together is that the way this Company practices market timing, it is basically the same as asset allocation. While a pure market timer may recommend either a fully invested or a fully out position, we move in smaller increments, more like a strategic asset allocator. Additionally, we follow and make recommendations from out of at least six investment styles or categories, like small cap stocks and international bonds. A pure market timer usually follows only the domestic, large capitalization stock market (normally, the S&P 500). So, if we are expecting the market to move up, we may recommend funds in different investment styles, like small cap and value and large cap funds. The different styles should reduce your overall risk. A timer, though, may only recommend buying 100% into a single investment style, such as into a large cap. fund. The one they recommend, however, may not be the best for the current environment.

The combination of our no-load/ETF fund selecting model and market timing model is a verified way to invest successfully over time.

* Throughout this guide you will find some asterisk (*) marks. They highlight certain paragraphs that contain specific investment advice you can take today to help put you ahead of the investment game. Additionally, on page seven of this Guide is a What To Do Now section of advice to get your portfolio program tuned now, to get it evolving with the best funds for today's markets.

SECTION NUMBER ONE

PAGE ONE

The left side of page one shows our top 5% of the equity, hybrid (stock and bond), and bond fund selections from all the funds we monitor. It is based on our proprietary fund rank system called **C**, short for Comet, which is **CS** (a fund's relative performance) divided by its **V** (volatility). In other words, the funds listed on page one are the funds that have been providing the most return for the least risk against the market and peers and are projected to continue to earn the most return for the least risk. These front-page funds are updated and may change monthly. To make the column easier to read, the funds are grouped by fives.

Four comets is the next 15%. Three comets is the middle 60%. Two comets is the lower 15%. One comet is the bottom 5%. Basically, our strategy is to buy funds from the top 5% and hold them as long as they remain in the top 20% (top 5% and next 15%). When they fall from there, sell and reinvest. Sometimes we give a fund the benefit of the doubt and will hold it longer. We may do this to avoid short-term redemption charges.

CS is Comet Strength, which is a fund's relative performance versus the market over selected time periods. For stock and hybrid (stocks and bonds) funds, the market is the Wilshire 5000, which is an index made up of domestic small, intermediate and large cap stocks. For bond funds, the Vanguard Total Return Bond Index Fund is the market.

V is Volatility, which is a fund's absolute (always positive) average monthly percentage change over a certain amount of time. The stockmarket's V over long periods is about 3. So, on average, the market has moved up or down 3% monthly. The bond market's V is 1, which is less than the stockmarket's. This is as you might expect because bonds usually have less volatility than stocks over time. Small cap funds generally have V's of 4 or more. Gold's V is about 6. The average V for different investment styles can be found on the back page of our Newsletter.

In addition, page one offers general commentary and a table of contents. There's also the lighthearted Around The Campfire

PAGES TWO, THREE and FOUR

These pages show the monthly no-load and ETF fund data for some of the top-ranked (C, risk-adjusted return, like the front page) funds in various investment styles. The equity styles range in volatility from very high (Small Company Growth) to low (Growth/ Income). Generally, in a bull market, the top funds in the more volatile styles should outperform the top funds in the other styles, although the poor performers in the most volatile style may do worse than the better funds in the lower volatility styles. In a bear market, funds with less volatility should outperform the others, perhaps falling less than funds with greater volatility. The contrary funds should also do well in bear markets.

* Each month, check to confirm that the fund you own is still ranked with either 5 or 4 comets. These are the top 20% (5% have five C's, 15% have four C's) of the funds we track. If they are not and considering short-term redemption fees, sell it and move the proceeds into the currently top-rated funds. Make sure to diversify by style. Do not buy funds from the same style. As well, there may be short periods when a volatile style dominates the list. Be patient or buy even from the next 15%. The exception to this rule is a recommendation based on market timing, instead of fund selecting. For example, we may recommend a contrary fund because we anticipate the market moving lower, even though the fund may only have 2 comets at the time.

The following is a column by column description of what you will find on pages two, three and four. We have tried to make all of this simple and intuitive. After looking closely at it, we think you will agree.

The first column, Fund Style, is a description of the type of securities the fund is most likely to own.

The second column, Legend, shows the funds that are available from Fidelity, Charles Schwab & Co., and Waterhouse. with and without transactions fees, as well as showing loads, redemption charges and availability. These change frequently and are not complete, so check with your broker before acting.

The third column is the fund's name and the fourth column is its symbol.

The fifth and sixth columns show the fund's Style and Asset Class designation. S is Style. A is Asset Class. All funds are divided into one of three asset classes, either E-Equity, B-Bond or H-Hybrid (Hybrid funds own various combinations of stocks and bonds). The first letter in the Style column is the Asset, being either E-Equity, B-Bond or H-Hybrid. The next letter or letters is the actual Style, A-Asset allocation (when Hybrid is Asset, first letter, HA), A-Aggressive (when Equity is Asset, first letter, EA), B-Balanced (stocks and bonds, HB), GI-Growth/Income (when Hybrid is Asset, some combination of stocks and bonds, when Equity is Asset, mostly stocks with dividends, HGI or EGI), RE-Real Estate (ERE), W-World (US and non US) (EW), WR-World Regional, SC-Small Cap (ESC), MC-Mid Cap (EMC), LC-Large Cap (ELC), V-Value (EV), and C-Contrary (EC). And for bonds, S-Short-term (BS), I-Intermediate-term (BI), L-Long-term (BL), F-Flexible (BF), U-US Government and Agencies (BU), H-High Yield (BH). For gold, G-Gold (EG). For example, if an S is ELC, it means Equity Large Cap. The A will be an E. If the S is BI, it means B Intermediate-term maturity. The first letter of the S (Style) column is always an E or B or H.

The "Total Return" columns measure the fund's percentage change for the 12, 9, 6, 3 and 1 month time frames. The total return includes all income (dividends) received plus or minus any capital changes.

Total return is more important than yield alone (as junk bond holders learned in 1990). Additionally, there is no guarantee that the dividends or interest a fund paid last year will be the same as this year. Usually, it will not be the same. For these reasons, we do not list a fund's yield. Total return is the most important concept on which to focus.

V, as mentioned earlier, is a fund's Volatility. It is the average, absolute monthly change over a period of time. This rolls forward monthly with new price changes, so that if volatility increases or decreases, it is reflected immediately.

NAV is the fund's Net Asset Value.

CS is the fund's Comet Strength, a measure of relative performance over time.

Rank shows the Comet (C) ranking by group. The top 5% get 5 Comets, the next 15% get 4 Comets, the middle 60% get 3 Comets, the lower 15% get 2 Comets, and the bottom 5% get 1 Comet. You want to keep your money invested with the top 20% of the funds we track.

C is the fund's risk-adjusted CS. The CS is divided by the V to allow you to see the funds that are outperforming the market with the least risk. The Newsletter ranks the funds by their C. The higher the C, the better the fund has been performing and is expected to act. These are the ones to which you Evolve, the top 20%.

PAGE FIVE

Page five is concerned with two things: The economy and its impact on interest rates and the stockmarket and, secondly, it shows our MAAP Income Portfolio. There is also Portfolio commentary here.

For interest rate timing, we use a combination of fundamental and technical indicators to generate signals lasting months to years. We will either be bullish, expecting interest rates to fall and prices to rise, or bearish, expecting rates to rise and prices to fall, or neutral, expecting little change.

Generally, when the economy and inflation are slackening, it is time to own longer term bonds (bond funds). When the economy is expanding or inflation is rising, it is time to return to and stay in safer money market funds or shorter-term bonds (bond funds).

There may be times when our bond timing model says one thing and the bond rank says another. Generally, we will move with the timing model as it reflects current actions. This is also true for stock funds.

PAGE SIX

This page shows our other three MAAP (Managed Asset Allocation Program) model portfolios. The boxes on the left show the preceding month's activity. The boxes on the right show the portfolio's month ending valuations. On page eight, you will find each portfolio's performance as compared to other indexes, fund styles and each other. Each portfolio follows certain investment guidelines as noted at the bottom of each portfolio. Generally, the portfolios will be diversified by investment style, fund family and manager. It should be weighted toward the style that is outperforming the other styles, which you can decipher from the top 5% funds' Style listed on page one.

All four MAAP portfolio results (the three on page six and the one on page five) include an assumed annual 2% management fee charge and assume that dividends are reinvested. Obviously, if you manage your own portfolio, you will not incur this assumed management charge and the results shown should be adjusted upwards accordingly.

PAGE SEVEN

This page covers our general market timing for both the long-term and intermediate-term for various markets and indexes. We may rotate the information we present to give you various views of where the different markets may be heading.

We may also show various ratios between different funds and indexes from time to time to give you a feel for how a market is performing relative other markets. For example, we may show the cost of borrowing from a broker versus receiving the yield from a BBB bond.

PAGE EIGHT

This is the Scoreboard and Statement of Strategy for our Managed Asset Allocation Program (MAAP) page. The Scoreboard will tell you at a glance what style is strong and what is weak. This information is more readily clear from the top 5% funds listed on page one. You should weight your portfolio accordingly. It also shows the performance of the five MAAP portfolios and the average return of the funds in each style.

At the bottom, this page has the Company Newsletter disclosure statements, which you should carefully read.

SECTION NUMBER TWO

YOU ALREADY OWN MUTUAL FUNDS

This Section discusses the first of two primary market strategies known as **buy and hold**. The other strategy, **market timing/asset allocation**, is discussed in the next Section. For those following this buy and hold strategy, you would be holding your mutual funds or securities through both bull (up) and bear (down) markets. You do not attempt any sort of market timing for whatever reason. You may remain invested with the same fund or security for years. You essentially buy, hold, and wait.

* This investment strategy is fine, except for one **TACTIC,** as it applies primarily to no-load and ETF funds. As you can see from the fund data in the Newsletter on pages 2-4, there is a wide performance difference between the top funds and the bottom funds in the same style with practically the same objectives and risk. The difference is even more striking if you compare the performance of the single top fund with the one worst fund. Depending on your assets, you will be thousands of dollars ahead by changing only one part of this "buy and hold" strategy. Each month make sure that the fund you own is still among the leading, top-ranked no-load funds in the style that fits your objectives. When (not if) it lags its peers, it is time for you to Evolve. Sell it and reinvest the proceeds into the currently top-ranked fund. Remember to diversify into at least three styles.

If you own load funds through your broker, determine the current performance ranking of the fund(s) you now own compared with its peers in the same investment style. If it is currently lagging its no-load fund peers with the same objectives, sell it. Reinvest the proceeds into the currently ranked number one or two no-load fund in the same investment class (assuming your objectives do not change and considering your taxes).

Regardless of a fund's past record, all you should be concerned about now is how it is performing in today's market relative to its peers and the market, Evolving to the better performers.

For instance, you may want to own a fund or already own a fund whose manager is superb at finding growth stocks. That's great! Out of the numerous no-load funds that specialize in that area, you obviously want to invest with the current leader and not with the one that may have a "name", but whose performance is lagging.

To take this a step further, you may also compare performance not only between funds within an investment class, but also between funds in different styles, as long as you do not stray too far from your risk parameters. For example, there are periods when value funds may perform better than large cap growth funds. At other times, balanced funds may be better than small company funds, or vice-versa. You want to invest or weight or Evolve your overall portfolio to the class with the best current performance.

By constantly monitoring, rotating and Evolving your investments between different no-load funds through both bull and bear markets, you should outperform the markets and most money managers over time with less risk. Of course, the key to this overall Buy and Hold strategy is you must have the fortitude to stick to it even when the markets are dropping. If you sell out at the bottom, or buy in around the top, this strategy blows apart. But, if you can remain invested even though the prices of your funds are dropping 20 to 40% during a normal bear market, you will "be there" when the markets eventually surge into a new bull market.

WHAT TO DO NOW

* Subscribers may use either or both of the following strategies. Either pick a MAAP portfolio and follow it, or compare the funds you own with the funds listed each month and sell the ones not listed or ranked below 5 or 4 Comets and buy the top funds in the category that best suits your personal goals. Evolve.

For example, if you were going to follow one of the MAAP portfolios you would do this:

1. Determine which of the four MAAP portfolios most closely resembles your objectives.
2. Begin to invest your money according to how that portfolio is divided. If a fund is in our portfolio, but unavailable to you, go to its style and pick the one that is available to you and is closest in performance to the one we use.
3. Monitor the email Hotline and Newsletter regularly on an ongoing basis, keeping your portfolio Evolving.

For example, let's say your goal is growth with normal volatility. You want to outperform the Wilshire 5000 over a four-year cycle. You may want to invest like our growth portfolio. Begin to invest your money according to the percentages and funds that we are invested in. If a fund is not available, then substitute the nearest fund in the same style. As the funds change in performance, we will Evolve, selling them and moving the proceeds into newly top-performing funds. You should too. As the different investment styles outperform and underperform the other styles, or if the risk changes significantly in the markets, we will alter our style allocations accordingly. You should too. The only difference between what we do and what you may do under this strategy is that we may raise cash levels from time to time depending on our timing models. You may not want to. If you do not agree with asset allocating or market timing, then you will want to remain fully invested in the top funds. In a down market, this will normally mean that you’re using the growth and income funds or the contrary funds or the hybrid funds or the funds that themselves raised cash.

SECTION NUMBER THREE

USING MARKET TIMING/ASSET ALLOCATING

This Section introduces the second of the two primary investment strategies: **Market Timing**. The same tactic described in Section Two of Evolving, or relative strength rotation into the currently top-ranked funds, is also used with this strategy.

We provide market timing for the gold, domestic stock, and bond markets. We provide both intermediate-term timing (1-12 months) and long-term timing (1 - 5 years). All models stress investing only with the current, strongest performing funds with the least risk. Those who are concerned with too many transactions or taxes should use our long-term timing signals or a tax deferred account. Others will use the intermediate-term. Some may want to use both, if their portfolios are large enough to take advantage of the timing diversification.

During a bull market, you will continue to use the Evolve strategy outlined in Section Two. On a monthly basis, keep your investment dollars in the top-ranked mutual fund that fits your objectives. We define a bull market as one that is making higher highs and higher lows. A bear market is one that makes lower lows and lower highs.

During a bear market, instead of remaining invested in the top-ranked mutual funds, we will move to the safety of money market funds, collecting interest. Roughly 90% of all equities and mutual funds lose value in a bear market, except for those in the Contrary category. It is the same in the bond market. When interest rates increase, all bond prices will fall. It is more prudent to move to money market funds, rather than attempt to pick the fund needle in the investment haystack that's going to move inversely to the primary trend. The only exceptions would be the no-load funds in the Contrary Style. Contrary because these funds usually move opposite to the main trend. For example, if the market's trend is down, these funds should move up.

When the trend reverses or the risk of loss appears lower and we again recommend buying equity funds, we will begin to reinvest with the top-performing funds. However, at major bear market lows, the funds which will have performed the best during the bear market are those which also have gone heavily into cash or become very defensive. They fell the least. So, the funds we initially buy may not be the among the current best. In other words, at the lows, we want to own a fund that is nearly 100% invested, even though the recent relative performance over the previous year was terrible. A fund's cash position must be taken into account at certain times.

SUMMARY

We hope that this brochure will help you become more informed and help make your subscription very profitable. Our goal is to help you Evolve, to make the most return with the least risk. And, remember, if you have any questions or comments, please do not hesitate to call, email or write.