

Stock Selections & Timing

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Good Trade

There is such a thing as a good trade that fails to either make you money or prevent a loss. The trade out of MCGC is a small example of this.

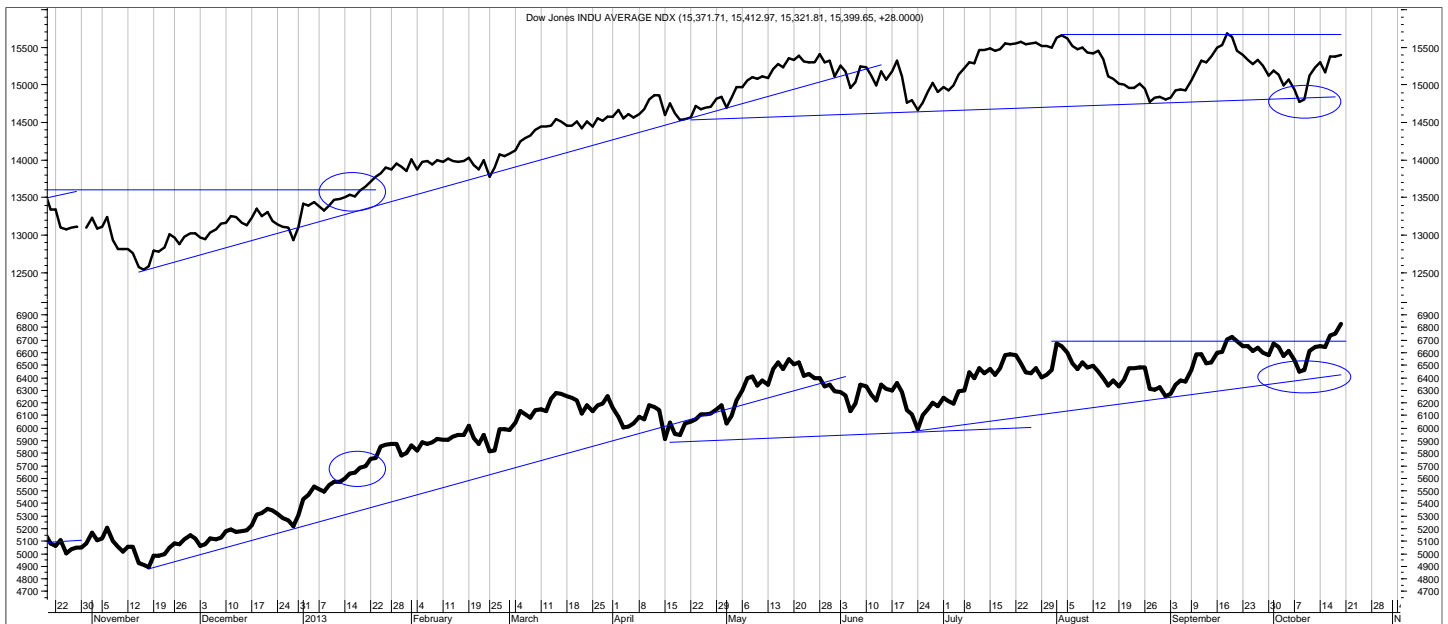
Odds were that the politicians would solve the debt ceil-

ing and budget issues, but if they didn't come to an agreement, the downside risk of loss would be severe and impossible to avoid. I was expecting a large gap down in stock prices of about 25% if they couldn't come to an agreement.

So, raising a bit of cash seemed like the thing to do.

The elected officials came to an agreement, a loss was averted, and the market rallied. It was a good trade that didn't pan out.

(Continued on bottom left on page 4)



This is the daily chart of the Dow Industrials (upper) and Dow Transports (lower).

SCOREBOARD

| Model | YTD | 52-week | 26-week | 13-week | 4-week | 1-week |
|-----------------|-------|---------|---------|---------|--------|--------|
| Stock Portfolio | 17.1% | 16.5% | 9.9% | 7.4% | 1.9% | 0.5% |
| Dow30 Portfolio | 5.8% | 4.6% | -0.1% | 0.0% | 0.0% | 0.0% |
| Index | | | | | | |
| S&P 500 TR | 25.0% | 22.9% | 12.1% | 3.0% | 2.1% | 2.3% |
| Dow Industrials | 19.0% | 15.4% | 5.8% | -0.9% | -0.3% | 1.1% |

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Stock Portfolio

| ACTION FOR | | | PORTFOLIO DETAILS | | | | | | Value as of date: 10/18/2013 | | | | | | |
|------------------|---|--------------------|-------------------|-------------|--------------|--------|------------------------|--------------|------------------------------|-------------|-----------|-------------|---------------|------------------|-------|
| Action Dates | Action | Symbol | Action Price | # of Shares | Action Value | Symbol | Closing stop as of 6/9 | Yield at buy | Buy Limit | Start Price | End Price | # of Shares | Current Value | Percent of Total | |
| 17-Jun | buy | MCC | 13.25 | 1,000 | 13,260 | GENC | | | 8.00 | 7.56 | 8.95 | 2,278 | 20,388.10 | 12.2% | |
| 18-Jun | sell | TAXI | 14.41 | 600 | 8,636 | WTT | | | 1.00 | 0.87 | 1.75 | 4,500 | 7,875.00 | 4.7% | |
| 20-Jun | buy | SILU | 1.35 | 10,000 | 13,510 | OPLK | | | 13.00 | 12.84 | 19.47 | 600 | 11,682.00 | 7.0% | |
| 16-Aug | sell | SILU | 2.47 | 5,000 | 12,358 | | | | | | | | | | |
| | | exchange finalized | 0.15 | 10,000 | 1,500 | | | | | | | | | | |
| 9-Sep | buy | IRET | 8.35 | 950 | 7,943 | NGPC | | 8.7% | 7.15 | 7.04 | 7.63 | 2,000 | 15,260.00 | 9.1% | |
| 9-Sep | buy | O | 39.96 | 200 | 8,002 | MVC | | 3.8% | 14.50 | 12.71 | 13.88 | 1,200 | 16,656.00 | 9.9% | |
| | | | | | | GAIN | | 8.0% | 7.55 | 7.48 | 7.28 | 1,000 | 7,280.00 | 4.3% | |
| | | | | | | IRET | 7.85 | 6.3% | 8.50 | 8.35 | 9.01 | 950 | 8,559.50 | 5.1% | |
| 23-Sep | sell | WTT | 1.89 | 2,000 | 3,770 | O | 38.00 | 5.5% | 41.00 | 39.96 | 41.86 | 200 | 8,372.00 | 5.0% | |
| 23-Sep | sell | MCC | 13.48 | 1,000 | 13,470 | | | | | | | | | | |
| 30-Sep | sell | WTT | 2.01 | 1,000 | 2,000 | | | | | | | | | | |
| 14-Oct | raise buy limit on MVC (NAV is \$17.56) | | | | | | | | | | | | | | |
| 14-Oct | sell | MCGC | 5.16 | 1,500 | 7,730 | | | | | | | | | | |
| Dividends | | | | | | | | | | | | 7,481.90 | 4.5% | | |
| Money Market | | | | | | | | | | | | 1.00 | 64,031 | 64,031.00 | 38.2% |
| Total Valuation= | | | | | | | | | | | | 167,585.50 | 100.0% | | |

Above in green shows end price still below buy limit.
 Show n below is watch list for potential purchase at or below buy limit.

REVIEW since last issue

10/21 No changes.

10/14 I've raised the buy limit on MVC in reaction to its positive news. GAIN raised its monthly dividend from 0.05 to 0.06. I'll take some gains on MCGC in reaction to the first page article.

10/7 MVC announced it is selling its largest portfolio holding. The dividend may "materially" change, the company said. As of 7/31/13, it's NAV was \$17.36. Stock is still priced at nearly a 25% discount.

9/30 WTT rallied back and we will take further profits.

9/23 MCC is trading above its NAV (net asset value). It pays an excellent dividend, but time to look for an exit. WTT rallied back up and time to take more profits there.

9/16 After its nice rally, GENC is consolidating its gains. It is still undervalued. NGPC is looking for ways to narrow its stock price from its value and so its price jumped to the upside out of its previous trading range also.

| | 2010 | 2011 | 2012 | ytd 2013 | Incptn |
|-----------------|-------|------|------|----------|--------|
| Stock Portfolio | 12.3% | 21.4 | 5.0 | 17.1 | 67.6 |
| S&P 500 TR | 15.0% | 1.9 | 14.1 | 25.0 | 67.1 |

This shows the returns of previous years, year to date (ytd), and from inception (incptn). It also shows standard deviation (SD).

Dow 30 Portfolio

| ACTION FOR | | PORTFOLIO DETAILS | | | | | Value as of date: 10/18/2013 | | | | | | |
|---------------------------------|--------|-------------------|--------------|-------------|--------------|--------|------------------------------|-------------|------------------|--------------|-------------|---------------|------------------|
| Action Date | Action | Symbol | Action Price | # of Shares | Action Value | Symbol | Closing Stop as of 6/9 | Description | Start Price | Ending Price | # of Shares | Current Value | Percent of Total |
| 3-Jun | sell | AA | 8.52 | 1,422 | 12,105 | | | | | | | | 0.0% |
| 10-Jun | buy | T | 35.99 | 345 | 12,427 | | | | | | | | 0.0% |
| 10-Jun | buy | BAC | 13.30 | 900 | 11,980 | | | | | | | | 0.0% |
| 12-Jun | buy | AA | 8.18 | 1,500 | 12,280 | | | | | | | | 0.0% |
| 17-Jun | buy | TRV | 83.23 | 145 | 12,078 | | | | | | | | 0.0% |
| 17-Jun | buy | IBM | 203.04 | 60 | 12,192 | | | | | | | | 0.0% |
| TO BE ADDED, IF ABOVE SELL STOP | | | | | | | | | | | | | |
| 20-Jun | sell | TRV | 79.78 | 145 | 11,558 | | | | | | | | 0.0% |
| 20-Jun | sell | IBM | 197.35 | 60 | 11,831 | | | | | | | | 0.0% |
| 20-Jun | sell | MSFT | 33.49 | 370 | 12,381 | | | | | | | | 0.0% |
| 20-Jun | sell | T | 34.35 | 345 | 11,841 | | | | | | | | 0.0% |
| TO BE ADDED, IF BELOW BUY LIMIT | | | | | | | | | | | | | |
| 24-Jun | sell | AA | 7.79 | 1,500 | 11,675 | | | | | | | | 0.0% |
| 24-Jun | sell | BAC | 12.30 | 900 | 11,060 | | | | | | | | 0.0% |
| 24-Jun | sell | INTC | 23.58 | 519 | 12,228 | | | | | | | | 0.0% |
| 25-Jun | sell | MRK | 46.23 | 265 | 12,241 | | | | | | | | 0.0% |
| Money Market | | | | | | | | | 1.00 | 108,999 | 108,998.88 | 100.0% | |
| | | | | | | | | | Total Valuation= | 108,998.88 | 100.0% | | |

| Company | Symbol |
|-------------------|--------|
| Alcoa | AA |
| American Express | AXP |
| Boeing | BA |
| Bank of America | BAC |
| Catepillar | CAT |
| Cisco | CSCO |
| Chevron | CVX |
| DuPont | DD |
| Disney | DIS |
| GE | GE |
| Home Depot | HD |
| Hewlett Packard | HPQ |
| IBM | IBM |
| Intel | INTC |
| Johnson & Johnson | JNJ |

| Company | Symbol |
|---------------------|--------|
| JP Morgan | JPM |
| Kraft | KFT |
| Coca-Cola | KO |
| McDonalds | MCD |
| 3M Company | MMM |
| Merck | MRK |
| Microsoft | MSFT |
| Pfizer | PFE |
| Proctor & Gamble | PG |
| ATT | T |
| Travelers | TRV |
| United Technologies | UTX |
| Verizon | VZ |
| Wal-Mart | WMT |
| Exxon Mobil | XOM |

For this portfolio, we seek to outperform the Dow Industrials using proprietary timing and weighting formulas of the underlying thirty stocks of the Dow Industrials. We also will use the ETF that tracks the same. The symbol is DIA.

We monitor the underlying individual stocks for buys and sells in order to overweight the portfolio to what is expected to outperform and underweight the portfolio with what is expected to underperform.

REVIEW since last issue

- 10/21 No changes.
- 10/14 No changes.
- 10/7 No changes.
- 9/30 No changes.
- 9/23 Time to review this portfolio for strategy changes.

Feature Company (reiteration)

A beaten down area of the stock market is real estate.

I will buy two new positions in this area IRET and O as noted on page 2. Each position will be roughly 5% of the total portfolio. Combined, they yield an average of nearly 6%.

(Continued from page 1)

What now? Get back in more fully or monitor the situation or sell some more?

As you can see on the chart on page one, the recovery rally has now set up a negative divergence between the Industrial and Transportation Indexes. This is potentially negative, especially as investors breath a sigh of relief. A confirmation of this negative indicator would be if both indexes close below their lows that were established prior to the negative divergence. These levels are circled on the front-page chart. If this happens, we may look to raise more cash.

That aforementioned sigh of relief is measured in investor sentiment. Bullishness grows and bearishness decreases. This too is a potential negative development.

So, the combination of negative technical indexes and rising investor bullishness is very worrisome.

Please see the individual portfolio pages for any updates and changes.

Descriptions & Disclosures

PORTFOLIO DESCRIPTIONS (pages 2 and 3)

Our guiding goal is to provide the most return with the least risk.

The two portfolios were started on 1/1/10 with \$100,000. Beginning in 2012 (12/31/11), the official portfolio for measuring the newsletter performance is the Stock Portfolio only.

Portfolio changes will usually be made at the close on Monday (the day this eNewsletter is posted), or if a position is stopped out, the close that day, unless otherwise noted.

Portfolios are updated through the preceding Friday's close.

Stock dividends are paid in cash. Interest is assumed to be zero for the money market (cash) position. Commission costs to buy and sell are assumed to be \$10.00 per trade.

The S&P 500 TR (total return) includes dividend reinvestment.

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