

# The MoniResearch Newsletter

March / April 1999

Performance Rankings of Market Timers

Issue # 81

## NOTICE

This issue is printed on white paper, signifying it is confined to "classic market timers."

Alternate issues are printed on ivory paper, signifying they are devoted to dynamic asset allocators.

Classic market timers use only domestic equity mutual funds plus, of course, a money fund during defensive periods.

Dynamic asset allocators also practice market timing, but use multiple asset classes such as international equities, bonds, gold.

There are other differences, as well. These are more fully explained in material sent to all new subscribers. To obtain a free copy, contact us at the address below and ask for "green sheet."

*Steve Shellans, Editor*

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## Highlights

With this issue, we are now tracking timers who use the **ProFunds** family of funds and the **Potomac Funds** family of funds. Like **Rydex**, these are timer-friendly mutual funds and offer numerous advantages to market timers and their clients. *p. 4*

In this issue we have added three new market timers: **Global Investment Solutions**, **HB Capital Mgmt**, and **Index Asset Mgmt**. We have also added seven new programs for existing managers and two managers have departed. *p. 1*

One of the better market timers we have been tracking for many years is **Keith Frifeldt**, but for no particular reason we have never profiled this firm. This has now been remedied with the article on: *p. 2*

We have dropped **Turning Points Advisory Timing Service** from this newsletter. Our reasons are explained on: *p. 6*

Latest signals of the market timers: *p. 7*

Outlooks for the coming months: *p. 8*

Performance tables: *p. 10-12*

Administrative information for market timers: *p. 13-16*

## Arrivals and Departures

There are numerous changes in the roster in this issue.

### New Timers to the Newsletter

We are pleased to welcome the following timers who have never before appeared in the MoniResearch Newsletter:

**Global Investment Solutions**, headed by Roger Kliminski, uses all the Rydex stock-market-related index funds — namely Nova, Ursa, OTC, and Arktos. To generate buy and sell signals, Kliminski relies on the McClellan Oscillator (MCO), and his close relationship with Sherman McClellan, the originator of the MCO in the 1960s, and his son, Tom. The McClellans provide the interpretation of the MCO and Summation Index in the form of a daily fax service and a twice-monthly newsletter. Kliminski relies on this information to identify turning points in the market, and then buys and sells the Rydex funds accordingly for client accounts.

**HB Capital Management**. Howard Bernstein, president of HB, has been trading Rydex sector funds since April 1998, when they first became available. Although he is new to Rydex trading, Bernstein has 14 years of experience trading options, futures and commodities, nine of which have been for clients. Before that he was a geologist with the U.S. Geological Survey and the Department of Energy. Bernstein bases his trading decisions largely on trend-following techniques. Bernstein is long-term oriented; in his words: "I'm not out there looking at what's hot today. I want systems that have worked over 20, 30, 50, 100 years — I want consistency in returns."

*Continued on page 9*

## Rydex Performance / ProFunds Performance / Potomac Funds Performance

Elsewhere in this newsletter we report performance figures for market timers using a large population of mutual funds. We originated this convention in the early 1980s when we first started tracking market timers. Since that time, numerous mutual funds have withdrawn the welcome mat for market timers. In response to this trend, a handful of mutual funds came into existence, beginning with the Rydex family of funds in July 1993, for the specific purpose of serving the needs of market timers. More recently, ProFunds and Potomac Funds followed suit. These funds do not limit the number of switches they will accept from market timers and have not yet put 'caps' on the size of accounts, either individually or in aggregate.

This is important to clients of market timers because they can be assured that the managers they are using will have a stable and ongoing platform for exercising their skills without artificial limitations. These 'timer-friendly' mutual fund families provide a variety of funds correlated directly or inversely with various market indices and sectors. Note that "inversely correlated" funds provide the ability to short the market. Increasingly, many managers feel that a bear market is on the horizon and the ability to go short allows them to make money for clients in down markets. Leverage, both on the long side and the short side are available. The following table shows the performance of market timers who have programs utilizing these funds.

Period Ending : December 31, 1998

Issue : March / April 1999

Firm / Program	Fund Family Used			Style L=long, Sh=Short, Sc=Sectors, B=Bonds, G=Gold	Performance						Notes
	Rydex	ProFunds	Potomac Funds		Annualized			Actual			
					4-yr	3-yr	2-yr	1-yr	6-mo	3-mo	
<i>The Following Firms are Listed Alphabetically</i>											
Advisor's Capital / Switching Strategy	✓			L, Sh				63.5	34.5	42.9★	2
Expert Advisory / Market Minder	✓			L, Sh			31.7	28.0	23.4	28.1	3
Appel Asset Mgmt	✓			L					15.7	14.2	
Broderick Wealth Mgmt. / BIAS		✓		L				68.0	42.7★	39.9	2
Buffalo Capital Corp / MSP	✓			L, Sh	18.3	15.6	20.9	26.4	8.3	17.6	7
Buffalo Capital Corp / RPG	✓	✓		L, Sh				42.5	20.8	17.5	1
Capital Cities Asset Mgmt	✓			L, Sh, Sc		11.7	13.6	27.7	4.2	12.9	
Cooper-Linse-Hallman	✓			L, Sh, Sc, G			12.9	3.5	-7.1	-3.4	
Financial Growth Mgmt	✓			L, Sc				22.6	6.0	9.3	
Flexible Plan Investments / Classic	✓			L, Sh, B		21.1	23.4	39.8	17.9	18.1	
Flexible Plan Investments / Evolution	✓			All				49.2	34.8	14.3	
Friedman (Herb)	✓			L, Sh, Sc, G					15.2	11.6	
FTS Capital Mgmt	✓			L, SH, B			24.2	3.3	-23.1	-10.4	
Global Invest. Solutions / McClellan	✓			L, Sh					40.1	36.5	

Gnome Capital / Rydex Sectors	✓			L, Sh, Sc					9.7	5.8	
Hampton Investors	✓			L, Sh	18.7	23.2	27.2	53.9	34.8	23.4	
HB Capital Mgmt	✓			Sc					23.6	26.9	
Index Asset Mgmt	✓			L, Sh	26.2	28.0	30.6	33.3	9.3	21.3	
Jacobi InvesTax Service	✓			L, Sh				-20.2	-20.9	-11.3	
Julian's MFT / Aggressive	✓			All			11.2	23.4	20.8	16.2	
KFCM Market Research / Sector Tim.	✓			Sc, G					0.0	9.7	
Landmark Investment Co.	✓			L, Sh, B		7.7	14.5	11.5	0.1	9.6	
Merriman (Paul A) & Assoc.	✓			L, Sh			15.6	25.5	9.4	15.5	4, 5
Merriman (Paul A) & Assoc.			✓	L, Sh					3.1	10.8	
Money Market Plus			✓	L, Sh				68.2	27.7	19.9	
Mutual Fund Strat./ Mirat Nova-Ursa	✓			L, Sh		15.6	21.7	11.6	-5.8	6.3	
Newport Investment Advisory	✓			L, Sh, B	21.1	20.6	25.3	32.5	12.4	26.0	2
Nickles Investment Advisory	✓			L, Sh	11.8	9.9	6.1	18.9	12.8	12.0	6, 10
Pankin (Mark) / NDX Trading	✓			L				32.5	16.1	14.7	
Pankin (Mark) / Rydex Sectors	✓			Sc					6.0	19.9	
Paragon Capital Mgmt / Velocity	✓			L, Sh				29.6	13.4	26.7	
Performance Investment Research	✓			L, Sh		26.5	27.4	20.2	-7.5	21.8	
Potomac / Asset Allocation	✓			L, Sh, B	27.8★	31.5★	33.4	57.9	39.4	40.0	
Potomac / Market Timing	✓			L	26.7	27.7	31.8	48.2	24.8	31.1	
Schild Mgmt Co / Apollo	✓			L, Sh		10.1	9.3	8.7	29.6	27.4	4
Schreiner Capital Mgmt	✓			L, B				30.6	10.9	15.2	
Spectrum Financial / Sector	✓			Sc		21.1	21.2	33.3	18.0	20.1	
Spectrum Finan. / Short term	✓			L			39.9★	71.1★	41.5	33.9	
Stockmarket Cycles	✓			L, Sh, G	-13.0	-9.8	-15.2	-14.4	-8.0	-14.6	
Yu (Norman L.) & Co	✓			L, Sh			30.8	28.1	11.6	23.3	3

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★ Leader for this time period

Notes to above table:

1. This program has used ProFunds since 4/8/98. Rydex prior to this date.
2. Insurance against loss of principal available.
3. The figure shown in the 2-year column is actually for 1.75 years.
4. No money market fund is used; all money is switched between Nova and Ursa only.
5. Merriman also has a leveraged program available using identical signals.
6. This program has not yet used Ursa but the plans are to do so when market conditions warrant.
7. The figure shown in the 4-year column is actually for 3.5 years.
9. The figure shown in the 3-year column is actually for 2.75 years.
10. The figure shown in the 4-year column is actually for 3.75 years.

- ◆ All figures shown are net of management fees
- ◆ All accounts were audited