

Good Fortune™

July 3, 2009

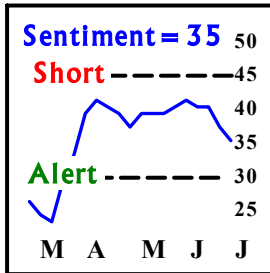
Assuring Prosperity To Fidelity Investors

Vol. 21, No. 27

Friday
3:40 PM
Happy Birthday
USA

SUMMARY: We have no exchanges in any plan.

The Good Fortune web-site is now up and running at <http://goodfortune.info>. Over time I'll be adding key editorials from Good Fortune to motivate your investment and retirement prosperity. Please refer your friends to visit to sample Good Fortune. You now may easily renew your membership here.



An equity buy is our most likely near event if Sentiment bottoms below 30 or else Trend surpasses zero. Note: we are still awaiting our first indicator buy/sell signal since their revision in March. A sell of Rydex Inverse LT Bond is imminent.

MAXIMUM COMPOUNDING PLAN: No action this week. Year-to-date gain is 0.6%. Continue to hold Select Money Market.

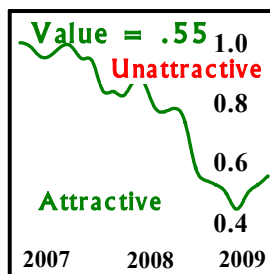
DIVERSIFIED PLAN: No action this week. Continue to hold Sel. Money Market, Strategic Income and iShares Preferred Stock PFF. Year-to-date plan gain is 0.9%.



INCOME PLAN: No action this week. Continue to hold Rydex Inverse Government Long Bond Fund. The year-to-date gain is 15.5%.

INDICATOR STATUS: See *Mastering The Market's Mind* for applications of our three market timing strategies.

The Trend Indicator (at -1.68) moved a bit toward 'buy equities' signal. The summer-time markets have historically been erratic with zero average return from May to October and this one appears to fit that pattern.



Indicator & Strategy	Status	Last Signal	Next Action	Time To Signal
1: Trend - TLI L/C	Cash	11/23/07	Long When TLI > 0	Weeks
2: Sentiment- SI L/C	Long	03/26/09	Cash When SI ↑45↓	Weeks
3: Sentiment-SI L/C/S	Long	03/26/09	Short When SI ↑45↓	Weeks

ASSET ALLOCATION: Large portfolios should allocate ¼ of total value to the Maximum Compounding Plan, ½ to the Diversified Plan and ¼ to the Income Plan. For the allocation details see our How To Begin guide.

FUND RANKING: That 11 funds are rated 'Flat' trending and 13 are 'Down' trending verifies the stock market is softening. For buy or sell guidance see our specific plans. Our current holdings appear in bold and red. As of 6/25/09:

vt 2007-Now
VLI ↓ & TLI < 0
Cash, then:
SI ↓30↑ = Long
SI ↑45↓ = Short
4 Week Loss=Cash

Fund	Symbol	FAST	NAV	Strength	Rank	Trend
iShares Preferred	PFF		31.81	1.121	1	Up
Fid. Pac. Basin	FPBFX	302	16.98	1.111	2	Up
Sel. Technology	FSPTX	064	55.20	1.098	3	Up
Sel. Brokerage	FSLBX	068	38.85	1.093	4	Flat
Sel. Electronics	FSELX	008	30.41	1.085	5	Up
Sel. Computers	FDCPX	007	32.54	1.073	6	Flat
Fid. OTC	FOCPX	093	35.26	1.068	7	Dn
Rydex Inv. S&P	RYURX		46.94	1.063	8	Up
Fid. Strategic Income	FSICX	368	9.86	1.054	13	Up
S&P 500 Index	^GSPC		896.42	1.027	28	Dn
Rydex Inv. G.L. Bond	RYJUX		14.92	1.023	30	Up
Sel. Money Market	FSLXX	085	1.00	1.001	36	Up

S&P 500 YTD Gain
0.74%.

Money Fund
Year Gain 0.56%.

FUNDS TO AVOID: None.

MC Plan year-to-date gain is
0.6%.

New capital may be placed in any
plan.

We have no exchanges this week.

Maximum Compounding Plan - 7/3/09								
Status	Fund	Rank	Strength	Bought	Shares	NAV	Value	G/L
Hold/B	Sel. Money Mkt	36	1.001	09/15/08	25140.10 ^d	1.00	\$25,140	0.56%
(Original value 1/1/09 \$25,000)							Year 2009 Gain	0.56%
Action: We have no action this week. Continue to hold Select Money Market.								
Diversified Plan								
Status	Fund	Rank	Strength	Bought	Shares	NAV	Value	G/L
Hold/B	Sel. Money Mkt	36	1.001	10/22/07	23,767.10 ^d	1.00	\$23,767	0.56%
Hold/B	iShares Preferred	1	1.121	01/12/09	439.30 ^d	31.81	\$ 13,974	11.05%
Hold/B	Fid. Strategic Inc.	13	1.054	05/18/09	1288.81 ^d	9.86	\$12,712	5.53%
(Original value 1/1/09 \$50,000)							Year 2009	\$50,453 0.91%
Action: No action this week. Continue to hold Select Money Market, Strategic Income and iShares Preferred.								
Income Plan								
Status	Fund	Rank	Strength	Bought	Shares	NAV	Value	G/L
Hold/B	Rydex Inv. LTGB	30	1.023	01/12/09	1934.77	14.92	\$28,967	15.39%
(Original value 1/1/08 \$25,000)							Year 2009 Gain	15.47 %
Action: No action this week. Continue to hold Rydex Inverse Government Long Bond Strategy.								

We've Been Here Before

The most fateful works in investing, "This time its different." Well this time it's not different. We've been here before.

In my *Mastering The Market's Mind* I present the implications of the 14-20 year secular bull and bear market periods as revealed by our Value Long-term Indicator.

In 1997 using Anglo-American history, in *The Fourth Turning* William Strauss & Neil Howe documented the four stages (Turnings) in economic and social development ending in a 'Crisis.' Their Turnings line-up quite closely to the secular bull and bear markets as shown in the table at the right. This tends to verify the soundness of the need to adjust investment strategy over very extended time periods following societal shifts.

I quote from Strauss & Howe. Remember, this was written in 1997 by professional historians. "Turnings come in cycles of four, each of about 20 years with the full span of a long human life. The first three Turnings represent growth and maturing. The last Turning is destructive, leading toward a new societal rebirth. We have documented the Turnings from 1435 (in England) to the present.

"History is seasonal. Like nature's winter the [societal] winter can come early or late. A Fourth Turning, the Crisis, must come in its turn.

"The next Fourth Turning is due to begin shortly after the new millennium, midway through

From:	Bull	Bear	Bull	Bear
<i>MTMM</i>	1950	1966	1983	1999
	1965	1982	1999	now
From:	1946	1964	1984	2005?
<i>The</i>	1964	1984	2005?	2024
<i>Fourth</i>	American	Consc-	Culture	Millennial
<i>Turning</i>	High	iousness	Wars	Crisis
		Revolution		

the '00' decade. Around year 2005, a sudden spark will catalyze a Crisis Mood. Political and economic trust will implode. Real hardship will beset the land. Yet this time of trouble will bring seeds of social rebirth. Sometime before 2025, America will pass through a great gate in history, commensurate with the American Revolution, Civil War, Great Depression and World War II.

"If there is war it will likely be one of maximum risk and effort. Every Fourth Turning has registered an upward ratchet in the technology of destruction. Yet Americans will also enter the Fourth Turning with a unique opportunity to achieve a new greatness as a people. We cannot stop the seasons of history, but we can prepare for them."

Substantiation of Strauss & Howe's outlook is spreading, I've read several CEOs quoted as saying their firms are being positioned for the recovery from the present decline to consume at least five to ten years.

Bill Tragsdale

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Fund Total Return For Six Months Of 2009

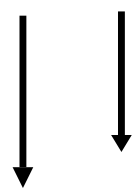
This table presents the total investment percentage return during the first half of 2009 for each mutual fund and investment plan followed by Good Fortune. The time period covers December 31, 2008, through June 30, 2009. The total return includes reinvestment of dividends and capital gains as paid. Good Fortune plans include allowances for Fidelity's early redemption charge, if any. Investment objectives are: S = Industry Sector, D = Diversified, I = Income. The Wilshire 5000 Index is based on the stocks of about 6,500 US companies. The S&P 500 Index is based on the stocks of the 500 largest US companies.

Rank	Investment Objective	Fund or Plan	6 Months 2009 Total Return
1	S	Select Technology	40.72%
2	S	Select Electronics	34.14
4	S	Select Computers	32.86
3	S	Select Energy Services	29.59
6	S	Select Telecommunications	29.57
5	S	Select Materials	29.48
7	D	Fidelity Pacific Basin	28.99
9	D	Fidelity OTC	28.64
8	S	Select Brokerage	26.97
13	I	Rydex Inverse LTG Bond	25.94
10	S	Select Chemical	23.53
11	S	Select Retailing	23.12
12	S	Select Software	22.96
15	D I	iShares Preferred	18.39
18	I	Fidelity Strategic Income	16.77
Income Plan			16.47
14	S	Select Energy	15.63
20	S	Select Medical Delivery	14.23
17	D	Fidelity Trend	14.04
16	S	Select Gold	13.58
19	D	Fidelity Growth Companies	12.95
21	D	Fidelity Blue Chip Companies	10.83
23	S	Select Health Care	9.88
22	D	Fidelity Value	8.63
27	I	Fidelity Investment Grade	8.02
24	S	Select Financial Services	6.69
25	D	Fidelity Overseas	5.74
26	S	Select Leisure	5.72
Wilshire 5000 Index			4.45
29	I	Fidelity Mortgage Security	4.26
S&P 500 Index			3.23
28	S	Select Consumer Staples	2.67
30	S	Select Biotechnology	2.23
Diversified Plan			0.81
Maximum Compounding Plan			0.55
32	I	Select Money Market	0.55
33	I	Fidelity Government Income	-0.58
31	S	Select Utilities Growth	-1.12
34	S	Select Transportation	-8.72
35	D	Rydex Inverse S&P 500	-9.68%

The Income Plan dramatically out-paced the return of the Money Fund by 15.92%.



The Diversified Plan lagged the S&P 500 Index by 2.42%.



The MC Plan lagged the return of the S&P 500 Index by 2.68%.

Investment Plans Performance For 2009

Historically the stock market has had 8 to 18 year extended bull markets followed by 5 to 20 year flat to down markets. The eighteen year bull market from 1982 to 2000 ended with a total gain of 1,081%, 16.61% annualized and a PE (price to earnings ratio) of 34.

Thus, it should not be a shock we are in one of the flat to down periods. The S&P Index price is now -40% below that of March, 2000 which works out to -5.5% per year or about -3.65% including dividends.

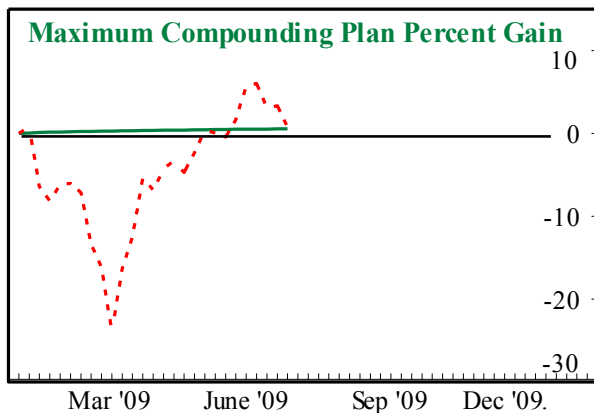
I began to point out his sad truth in January of 2001 writing "We have transitioned from a bull market to a 'not-a-bull-market.' My conclusion is a long-term flat market lies ahead."

At the worst we could see bear market valuations in the PE 7 to 10 range (as in 1974), implying a 50% price drop from here. I'm not at all that dour but we must be attentive to the protection of capital rather than the soaring returns of the late 1990s.

Over the long term the Good Fortune strategy keeps us in the better choices available and gets us out of risky situations in a few weeks. Your and my job is to implement precisely, week by week.

Maximum Compounding Plan

Our Maximum Compounding Plan, shown as the solid line, showed a gain of 0.55% trailed its S&P 500 benchmark (-3.23%) as the dotted line.



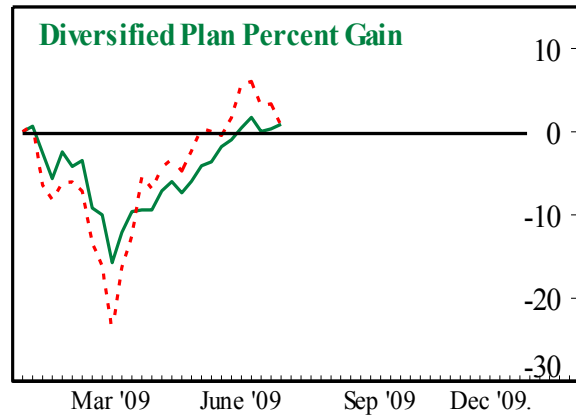
This plan held cash going to the 25% market decline of March. As the new trading rules introduced in late March have yet to give a buy or sell signal this plan continues in cash. My outlook is for a decline of a few more weeks, in increase toward the end of summer and then a major decline thereafter.

The MC Plan return for the last nineteen and one-half years now stands at an annualized 17.0% down from its annualized 30% returns through year 2001. During the bull market run of the late 1990s a 30% annual target was realistic. Over the

decade 2000-2009 20% annually will be much more realistic.

Diversified Plan

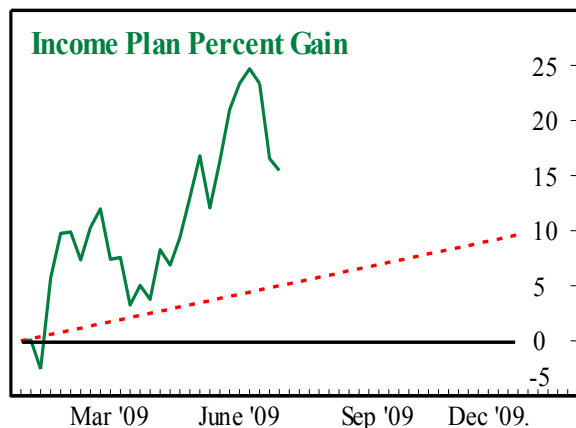
The Diversified Plan, shown as a solid line, gained 0.8% to date, trailing its benchmark S&P 500 Index with a gain of 3.23%, the dotted line.



Over the last eighteen and one-half years the Diversified Plan has gained an annualized 8.9% against the S&P gain of 7.4% annualized, so besting buy and hold but slightly.

Income Plan

The Income Plan, shown as the solid line, gained 16.5% against its money fund benchmark of 0.6% shown as the dotted line. This plan prospered from its holding inverse to the Government 30 Year Bond.



The Income Plan's return for the last eighteen and one-half years was an annualized gain of 8.2%. This is a significantly better return than the money fund gain of 4.2% over the same period, and was achieved with only modestly greater risk.

The Income Plan serves as a stabilizer to balance a large portfolio. It is not intended as a short term holding. For that purpose, use a money market fund.

Real-time Record For Six Months Of 2009

Here is the trade by trade record for this year, starting with the positions as they were on December 31, 2008. All exchanges were made as of the market close on the Monday after publication in Good Fortune or as noted. Note: percentage gains aren't added for the totals; they are multiplied to allow for compounding.

Dividend adjustments are marked at 'd'. No expense is charged for normal exchanges as Fidelity waives their exchange fee if made by Touch-Tone phone or their web-site. A short term redemption fee is applied on holdings of under 30 days noted as 'r.'

Maximum Compounding Plan

The MC Plan holds the top ranked fund, based on relative strength. That holding will be sold upon a downward ranking change after at least thirty days. Within the first thirty days, the holding will be sold if down-ranked and its strength breaks downward, a very rare occurrence. Fund purchases will be deferred during periods our market indicators are negative or we may use an inverse fund.

This plan initially held a money fund as a defensive position in the face of the major market decline in early 2009. It continued with that holding awaiting a new trading signal from the revised trading rules introduced in March and did miss the recovery gain from March to June.

	<u>Purchase</u>		<u>Sold</u>		<u>G/L</u>
Select Money Market (S&P Index 500 3.23%)	Dec. 31, 2008	1.00	Jun. 30, 2009	1.00d	0.55%
	Year To Date Gain				0.55%

Diversified Plan

This plan holds the top four funds from the highest eight funds, ranked by relative strength. A fund is sold if down ranked below position eight or if its strength-trend breaks downward. This plan attempts to beat the return of a diversified stock portfolio (the S&P 500 Index), by holding just the top industries.

Note that the returns below won't simply add up to the total return. First, the dollar value of the plan was allocated to several holdings and, secondly, the individual gains compound. Thus, the returns must be adjusted for their individual dollar allocations and multiplied to form the final value. As in the MC Plan, activity was low with only two exchanges.

This plan was defensively positioned with one-half in a money fund. After a significant loss in Medical Delivery the income oriented holdings of iShares Preferred and Strategic Income regained the prior loss.

	<u>Purchase</u>		<u>Sold</u>		<u>G/L</u>
Select Money Market	Dec. 31, 2008	1.00	June 30, 2009	1.00d	0.55%
Select Medical Delivery	Dec. 31, 2008	28.89	Mar. 2, 2009	23.54	-18.52%
iShares Preferred	Jan. 12, 2009	30.80	Jun. 30, 2009	32.14d	11.12%
Fidelity Strategic Income (S&P Index 500 3.23%)	May 18, 2009	9.43	Jun. 30, 2009	9.82d	5.07%
			Year To Date Gain		0.81%

Income Plan

The Income Plan holds the top ranked income fund (bond or money market), based on relative strength to its peers. During periods of declining interest rates, returns can exceed 10% annually. During periods of increasing interest rates we aim for a gain at the money market income rate. On occasion we will use Rydex Inverse Government Long Bond Strategy Fund which increases with increasing bond rates.

The last six months have been particularly rewarding as we were positioned to take advantage of rising long-term interest rates.

	<u>Purchase</u>		<u>Sold</u>		<u>G/L</u>
Select Money Market	Dec. 31, 2008	1.00	Jan. 12, 2009	1.00d	0.07%
Rydex Inv LT Gov't Bond (Money Fund Year To Date Gain 0.55%)	Jan. 12, 2009	12.93	Jun. 30, 2009	15.05d	16.40%
			Year To Date Gain		16.47%

Good Fortune Results By Semi-annual Period

My investment goals are simple: i) don't lose money, ii) beat the S&P 500 Index by 5% a year (2.47%/6 months), and iii) make a gain of at least 20% per year in the MC Plan. We accomplished i) in 32 of 40 semiannual periods and ii) in 18 of 40 semiannual periods since 1990. The compounded annual return for our 19½ years of real-time investing in the MC Plan is 17% per year. Not the stellar 31% we enjoyed until 2000 but still quite rewarding.

Even though we faced a significant challenge in the earlier down-market years, in almost twenty years the MC Plan, with an annualized 17% gain, did significantly beat the overall market represented by the S&P 500 Index's 8.9% over the same period. We still seem to be leading the way with a simple two page letter and convenient exchanges about five times a year.

Year By Year To Your Good Fortune

At the right you'll see the Maximum Compounding Plan semiannual percentage and dollar returns over the last nineteen and one-half years. Columns two and three compare the Good Fortune MC Plan to the S&P 500 Index showing each period's percentage gain/loss. The next two columns show the cumulative investment results in dollar terms, for a \$1,000 start on December 31, 1989 all as real-time results. All dividends are included.

The chart below shows our superior performance graphically. The bars noted as MC represent the Maximum Compounding plan; the line with dark circles represents the S&P 500 Index, SP, both shown on a proportional scale.

You can see we systematically beat buy and hold as the space between our bars and the markets circles continue to diverge.

	MC Plan	S&P	MC Plan	S&P
Dec 31, 1989			\$1,000	\$1,000
Jun 29, 1990	32.10%	3.05%	1,321	1,030
Dec 28, 1990	10.19	-6.45	1,456	964
Jun 29, 1991	29.88	14.81	1,890	1,107
Dec 28, 1991	31.81	11.25	2,492	1,231
Jun 26, 1992	7.42	0.75	2,677	1,240
Dec 31, 1992	-0.32	9.68	2,668	1,360
Jun 30, 1993	15.72	3.78	3,088	1,412
Dec 30, 1993	14.11	6.56	3,523	1,504
Jun 30, 1994	1.46	-3.41	3,575	1,453
Dec 30, 1994	-0.34	4.85	3,563	1,524
Jun 29, 1995	43.98	19.55	5,130	1,821
Dec 29, 1995	17.15	15.07	6,009	2,096
Jun 28, 1996	10.42	9.76	6,636	2,301
Dec 31, 1996	5.43	12.02	6,996	2,577
Jun 30, 1997	19.42	20.66	8,355	3,109
Dec 31, 1997	7.56	10.59	8,987	3,439
Jun 30, 1998	20.99	16.85	10,874	4,018
Dec 31, 1998	6.12	10.02	11,539	4,421
Jun 30, 1999	31.80	13.06	15,208	4,998
Dec 31, 1999	2.87	7.05	15,645	5,350
Jun 28, 2000	1.21	-0.42	15,834	5,328
Dec 29, 2000	23.98	-8.72	19,631	4,863
Jun 29, 2001	-9.55	-6.70	17,756	4,537
Dec 31, 2001	-4.82	-5.56	16,899	4,285
Jun 28, 2002	8.64	-11.47	18,360	3,794
Dec 31, 2002	-22.14	-12.00	14,295	3,339
Jun 30, 2003	4.00	12.53	14,866	3,757
Dec 31, 2003	5.11	14.91	15,626	4,317
Jun 30, 2004	-0.82	3.46	15,498	4,467
Dec 31, 2004	15.89	7.17	17,961	4,787
Jun 30, 2005	0.75	-0.80	18,095	4,783
Dec 31, 2005	17.87	4.98	21,329	5,021
Jun 30, 2006	9.13	2.91	23,276	5,167
Dec 31, 2006	1.50	12.44	23,626	5,810
Jun 30, 2007	3.91	6.97	24,550	6,215
Dec 29, 2007	8.77	-1.41	26,703	6,127
Jun 30, 2008	18.37	-11.89	31,608	5,399
Dec 30, 2009	-36.19	-28.43	20,169	3,864
Jun 30, 2009	0.55%	3.23%	\$20,280	\$3,989

