Bob Brinker's Marketimer

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"Politicians think that by stopping up the chimney they can stop its smoking. They try the experiment, they drive the smoke back, and there is more smoke than ever; but they do not see that their want of common sense has increased the evil they would have prevented." ....Borne

STOCK MARKET TIMING UPDATE **DJIA: 11543.96** **S & P 500: 1282.83**

In our view, the stock market is undergoing a protracted bottoming process in a market decline that began in the fourth quarter of last year. Although the overall decline has exceeded our expectations, we view the bottoming process that has been underway since January as a necessary precursor to an improved stock market outlook.

The stock market has registered three important benchmark lows this year. The first was the January 22 S&P 500 Index close of 1310.50 in the midst of the Societe Generale global trading scandal. The second was the March 10 S&P 500 Index close of 1273.37 as the Federal Reserve sought a buyer for Bear Stearns. The third was the July 15 S&P 500 Index close of 1214.91 as oil reached the $148 level and the credit markets reacted to the prospect of a government bailout of Fannie Mae and Freddie Mac. Although the July 15 close was 7.3% below the January 22 close, the market spent a great deal of time testing and probing the S&P 500 range between the low-1200's and the low 1300's.

Although additional testing of the area of the July 15 closing low may occur, we view the S&P 500 low-to-mid 1200's range as an attractive area for equity purchases. We expect the S&P 500 Index to challenge its previous record closing high of 1565 next year as investors move beyond the current economic malaise and look forward to improving corporate earnings prospects as the economy moves into its recovery phase.

We continue to monitor the key variables that influence our stock market outlook, and this month we are reviewing the **Marketimer®** core stock market risk factors.

Recession Risk: The historical definition of a recession is two consecutive quarters of negative real gross domestic product (GDP) growth. Although so far a recession by this definition has been avoided, we do not believe the economy is completely out of the woods yet. Our primary focus is the health of the economy in the fourth quarter of 2008 and the first quarter of 2009. Several factors will dominate consumer behavior as we move through this period.

We expect the housing recession to persist into next year as a period of price stability will be required before a recovery can occur. Tightened lending standards are making mortgage loans more difficult to acquire and this condition will continue into next year. Fuel prices remain high, and many consumers will be pinched by high heating costs this winter. Auto sales remain under pressure due to the oversupply of low mileage vehicles relative to high mileage vehicles as consumer preferences change due to high gasoline prices. The auto industry must work through a massive transition in order to correct this imbalance.

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STOCK MARKET TIMING UPDATE (continued from page 1)

In addition to domestic economic weakness, we anticipate a slowdown in foreign economic activity. Europe is suffering from its single mandate monetary policy, which targets inflation without regard to economic growth. Rates are too high in Europe and the risk of recession there is growing. Combined with renewed economic weakness in Japan and the stronger greenback, recent strength in U.S. exports is likely to moderate in 2009. U.S. export growth of 19% over the past year has been a major factor in terms of the resilience of the U.S. economy. We expect lackluster economic activity through the first quarter of 2009, and to the extent that recession risk remains, we believe it is centered in the fourth quarter of 2008 and first quarter of 2009.

Inflation Risk: Although the core inflation rate as measured by the personal consumption expenditure (PCE) index remains low at 2.4%, the headline inflation figure of 4.5% is elevated. The same is true for the consumer price index (CPI) which shows 2.5% core inflation and 5.6% headline inflation. We expect inflation pressures to ease into next year as the partial reversal of the large increases in oil and commodity prices works through the pricing system.

The critical factor for future inflation is the trend of low unit labor costs. Unit labor costs rose at an annual race of only 1.5% in the second quarter based on recent changes in hourly compensation and gains in productivity. Civilian worker compensation rose only 3.1% year-over-year through June, and second quarter productivity increased at an annual rate of 2.2%. The firming trend in the U.S. dollar also contributes to a lower inflation outlook as inflation from imported products is reduced.

Interest Rate Risk: We expect the Federal Open Market Committee (FOMC) to hold the federal funds rate steady at its current 2% level through the end of the year. Given the state of the economy, there is no justification for a rate increase. We expect the FOMC to retain the status quo at the September 16 meeting, the October 28 and 29 meeting, and probably the December 16 meeting. The Fed likes to maintain a very low profile at election time, and the probability of any rate change at the two upcoming meetings is essentially zero.

We are maintaining our projected 2008 real gross domestic product forecast of 1% to 2%, and our 2009 forecast of 2% to 3%. Based on the latest data, the U.S. economy grew at an annual rate of 2.1% during the first half of 2008. Although 2009 may get off to a slow start, we expect the economy to enter a meaningful recovery phase as the year progresses.

Valuation Risk: We view the stock market as undervalued based on our current 2009 S&P 500 Index operating earnings estimate of $94. We regard a price/earnings ratio of 16.5 to 17 times this estimate as reasonable next year, and the midpoint of this P/E range would produce new record highs for the S&P 500 Index.

Although we regard the price of oil as the wildcard in our forecast, we are encouraged by recent oil price weakness. Last month's **Marketimer®** stated that "we believe a good case can be made for oil prices to trend toward the $100 per barrel level into 2009". To date, oil prices have retreated from their mid-July peak of $148 to their Labor Day price of $115.45.

One of the key factors in the P/E ratio equation is inflation expectations. P/E levels can improve as the rate of inflation moderates, and this dynamic is likely to push P/E multiples higher into next year. Another key P/E variable is interest rates, and our outlook for low short-term rates and moderate long rates into next year should support improved P/E levels. As the market works through the current difficulty in the credit markets, the current S&P 500 Index P/E multiple based on our 2009 operating earnings estimate is 13.6.

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STOCK MARKET TIMING UPDATE (continued from page 2)

The 60-day put/call ratio remains in favorable territory with a current reading of 1.00. This gauge continues to show a high level of skepticism about the stock market. The Investors Intelligence survey of investment advisors shows a decided lack of enthusiasm for equities. The **Marketimer® Stock Market Sentiment Index©** remains in bullish territory with a current reading of 127. We regard high levels of bearish sentiment as favorable for the market, since those who are out of the market can decide to reinvest, thereby representing future demand for shares.

In summary, the stock market is in the process of establishing an important bottom in our view. This process is taking place over an extended period of time as investors await indications that a sustainable economic recovery will materialize. Historically, the stock market begins to discount future economic recovery approximately six months in advance of the economic evidence. Investors are currently preoccupied with the ongoing housing recession, tighter credit conditions and high energy prices. As we move into next year, we expect investor attention to focus on economic recovery and an improving corporate earnings outlook.

Additional testing of the area of the July 15 closing low of 1214.91 remains a possibility. We view the S&P 500 Index low-to-mid 1200's range as an attractive area for purchasing equities. Above that price range we suggest a dollar-cost-average approach for new equity money. We look for a challenge of the record S&P 500 closing high in 2009 as the economy recovers, inflation eases, and corporate earnings improve.

MARKETIMER NO-LOAD RECOMMENDED LIST ADDITION

Vanguard FTSE all-World ex U.S. Fund (VFWIX) has been added to the recommended no-load fund list on page five. This fund invests in stocks on a worldwide basis excluding the U.S. We view this fund as an excellent low cost vehicle for international investing in a highly diversified format. The expense ratio of 0.40% is well below the average for international funds. The current dividend yield is estimated at 1% and the beta coefficient is estimated at 1.10.

Vanguard FTSE All-World ex U.S. Fund is available for investment in all states. The initial minimum investment requirement is $3000, or $2000 for education savings accounts. Subsequent investments can be added in amounts of $100 or more. The fund has a 2% redemption fee on shares redeemed within two months of purchase. The fund opened on March 8, 2007 and is available for personal, I.R.A. and education savings accounts, along with Uniform Gifts to Minors accounts. Although this fund is a candidate for possible future use in our model portfolios, we are not increasing our international exposure at this time.

FEDERAL RESERVE UPDATE

We agree with the view of Federal Reserve Chairman Ben Bernanke that a trend toward lower inflation is likely to develop in response to slower global growth. The improving trend in the dollar is also helpful in reducing inflation from imported products. We expect Fed efforts aimed at money supply growth to continue. A reduction in headline inflation would serve to increase real money supply growth figures going forward.

Latest Monthly Data ($ billions)	**August 2008**	**August 2007**	**Y-O-Y Changes**	**Real Y-O-Y* Changes**
Monetary Base	**$** 874.3	**$** 861.1	+ 1.5%	- 4.1%
M—1	**$** 1,396.3	**$** 1,356.0	+ 3.0%	- 2.6%
M—2	**$** 7,728.1	**$** 7,288.9	+ 6.0%	+ 0.4%

***** Real changes adjusted for the 5.6% increase in the consumer price index for the year ended 7-31-08.

BOB BRINKER'S RECOMMENDED LIST OF NO-LOAD FUNDS

FUND	INV.* OBJ.	SIZE MIL.$	% Total Return '03	'04	'05	'06	'07	'08 (8-31)	$1000 INV. 1-1-2003=	EST.[a] YD.	TEL. SWCH	ANN.[b] EXP.	PRICE 8-31-08
Baron Partners 767 Fifth Avenue 49th Floor New York, NY 10153 800-992-2766 www.baronfunds.com	CGA BPTRX	$ 3012	---	42.3	14.4	21.5	11.3	(12.3)	---	0.0%	#	1.88%	20.84
Fairholme Fund (F) 51 JFK Parkway Short Hills, NJ 07078 866-202-2263 www.fairholmefunds.com	CGA FAIRX	$ 7136	24.0	24.9	13.7	16.7	12.3	(0.1)	$ 2305	0.8%	#	1.00%	31.83
Gabelli Asset Fund (G) One Corporate Center Rye, NY 10580 800-422-3554 www.gabelli.com	G GABAX	$ 2760	30.6	16.5	4.4	21.9	11.9	(10.4)	$ 1941	0.6%	Yes	1.38%	44.62
Meridian Growth Fund (N) 60 E. Sir Francis Drake Blvd. Wood Island; Suite 306 Larkspur, CA 94939 800-446-6662 www.meridianfund.com	G MERDX	$ 1887	47.9	14.5	0.3	15.9	5.4	(5.0)	$ 1971	0.0%	#	0.85%	35.83
TIAA/CREF Equity Index 730 Third Avenue New York, NY 10017 800-223-1200 www.tiaa-cref.org/mfs	Russell 3000 TINRX	$ 1168	30.7	11.7	5.8	15.4	5.1	(10.4)	$ 1679	1.5%	Yes	0.26%	9.75

* Investment Objective Codes: CGA = Capital Gains Aggressive; G = Growth; G&I = Growth & Income
a) Estimated annual yield represents approximate investment income for last 12-months expressed as percentage of fund assets.
b) Annual expense ratio reflects investment advisory fees and other expenses expressed as percentage of total fund assets.
\# Telephone redemption available.
F) 2% redemption fee is charged on the sale of shares held for 60 days or less.
G) Gabelli Asset Fund imposes a 2% redemption fee on sales of shares held less than 60 days.
N) not available in Nebraska

BOB BRINKER'S RECOMMENDED LIST OF NO-LOAD FUNDS

FUND	INV.* OBJ.	SIZE MIL.$	% Total Return '03	'04	'05	'06	'07	'08 (8-31)	$1000 INV. 1-1-2003=	EST.[a] YD.	TEL. SWCH	ANN.[b] EXP.	PRICE 8-31-08
Schwab 1000 (R) 101 Montgomery St. San Francisco, CA 94101 800-435-4000 www.schwab.com/funds	G SNXFX	$ 4094	28.7	10.8	6.0	15.2	5.8	(11.0)	$ 1640	1.2%	Yes	0.46%	38.24
Vanguard FTSE All-World Ex-U.S. Index Fund (F) P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739 www.vanguard.com	Non USA VFWIX	$ 325	---	---	---	---	---	(17.7)	---	0.9%	#	0.40%	18.96
Vanguard Global Equity (address/phone above) www.vanguard.com	World Stock VHGEX	$ 6488	44.5	20.1	11.8	23.6	11.4	(18.1)	$ 2188	1.3%	Yes	0.72%	19.41
Rydex Nasdaq-100 9601 Blackwell Road Suite 500 Rockville, MD 20850 800-820-0888 www.rydexfunds.com	CGA RYOCX	$ 691	46.2	9.7	1.3	6.3	18.0	(9.8)	$ 1838	0.0%	Yes	1.22%	12.45
Dodge & Cox International 555 California Street 40th Floor San Francisco, CA 94104 800-621-3979 www.dodgeandcox.com	Non USA DODFX	$ 46119	49.2	32.5	16.7	27.6	11.7	(15.9)	$ 2765	1.3%	#	0.77%	38.71

R) 0.50% redemption fee on shares held less than six months.

BOB BRINKER'S RECOMMENDED LIST OF NO-LOAD FUNDS

FUND	INV.* OBJ.	SIZE MIL.$	% Total Return '03	'04	'05	'06	'07	'08 (8-31)	$1000 INV. 1-1-2003=	EST.[a] YD.	TEL. SWCH	ANN.[b] EXP.	PRICE 8-31-08
Vanguard Index (x) Extended Market Portfolio P.O. Box 2600 Valley Forge, Pa 19482 800-662-2739 www.vanguard.com	Index VEXMX	$ 5087	43.4	18.7	10.3	14.3	4.3	(5.8)	$ 2108	1.2%	Yes	0.25%	37.56
Vanguard Index (x) Small Cap Stock Portfolio (address/phone above)	MSCI 1750 NAESX	$ 6056	45.6	19.9	7.4	15.6	1.1	(3.8)	$ 2108	1.1%	Yes	0.23%	31.34
Vanguard Index Total Stock Market Portfolio (address/phone above)	MSCI Broad VTSMX	$ 47451	31.4	12.5	6.0	15.4	5.5	(10.2)	$ 1713	1.5%	Yes	0.19%	31.47
Vanguard Index 500 (address/phone above)	S&P 500 VFINX	$ 58537	28.5	10.7	4.8	15.5	5.4	(11.4)	$ 1608	1.6%	Yes	0.18%	118.54
Vanguard Balanced Index Fund (address/phone above)	G&I VBINX	$ 3530	19.9	9.3	4.7	10.9	6.1	(5.3)	$ 1529	2.8%	Yes	0.20%	20.53
Vanguard International (z) Growth Portfolio (address/phone above)	Non USA VWIGX	$ 11906	36.2	19.0	14.9	25.8	15.5	(17.7)	$ 2227	2.0%	Yes	0.55%	20.43
Vanguard Small Cap Value Index (address/phone above)	MSCI SmallCap Value VISVX	$ 3693	37.2	23.6	6.1	19.2	(7.1)	(2.8)	$ 1937	1.8%	Yes	0.23%	15.04

x) Vanguard Index Extended and Small Cap funds charge purchase fees of 0.5% or less to defray expenses of broad diversification; annual expense ratios on these funds are extraordinarily low.
z) Vanguard International Growth Fund charges a redemption fee of 2% on sales of shares held less than two months.

INTEREST RATES/FIXED-INCOME PORTFOLIO

The **Marketimer®** fixed-income portfolio has a current weighted-average yield of 5.1%, a weighted-average duration of 3.9, and a weighted-average maturity of 5.6 years. Duration is the weighted-average of the times that interest payments and the final return of principal are received. A duration of 3.9 implies that a one-percent increase in corresponding interest rates would result in a 3.9% decline in portfolio net asset value. The latest reading of the Index of Leading Economic Indicators supports our view that economic activity will remain sluggish into the winter season. This suggests that rates will remain benign in the months to come. This portfolio is designed for subscribers with no equity holdings,

MARKETIMER FIXED-INCOME PORTFOLIO

Fund (Symbol)	Weighting	Current Yield	Duration	Average Maturity
Vanguard Ginnie Mae Fund (VFIIX)	40%	5.00%	4.4	6.6
Vanguard Short—Term Investment Grade (VFSTX)	35%	4.61%	2.0	3.0
Vanguard Inflation-Protected Securities (VIPSX)	10%	1.36%*	7.7	9.1
Vanguard High-Yield Corporate (VWEHX)	15%	8.96%	4.7	7.0

***** plus inflation adjustments reflecting the CPI paid quarterly.

Our favorite money market funds are Vanguard Prime Money Market (VMMXX), currently yielding 2.17%, and for tax-exempt income, Vanguard Tax-Exempt Money Market (VMSXX), currently yielding 1.74%. Vanguard also has tax-exempt state specific funds for residents of CA, NJ, NY, OH and PA.

ACTIVE/PASSIVE

This portfolio invests for long-term growth objectives with broad diversification, low expenses and high tax-efficiency. The portfolio currently holds a 90% weighting in Vanguard Total Stock Market Index (VTSMX), and a 10% weighting in Vanguard International Growth (VWIGX). An alternate active/passive portfolio using exchange-traded-funds consists of a 90% weighting in VIPERs (VTI), and a 10% weighting in IShare MSCE EAFE Index (EFA).

INDIVIDUAL ISSUES - These issues are currently rated hold. On any weakness into the S&P 500 Index low-to-mid 1200'a range, we rate SPY, VTI, IWV and DIA attractive for purchase.

Issue (Symbol)	Beta	Exchange	8-31 Price	Estimated EPS	
Microsoft (MSFT)	1.10	Nasdaq	27.29	2.15 (6-09)	2.40 (6-10)
Vodafone (VOD)	1.28	NYSE	25.55	2.78 (3-09)	2.96 (3-10)
S&P Depositary Receipts (SPY)	1.00	AMEX	128.79	8.10 (2008)	9.40 (2009)
Total Market VIPERs (VTI)	0.98	AMEX	64.62	n/a	
Russell 3000 IShares (IWV)	1.00	AMEX	75.20	n/a	
DJIA Diamonds (DIA)	0.93	AMEX	115.45	7.60 (2008)	9.75 (2009)
IShare DJ Select Dividend (DVY)	n/a	NYSE	53.24	n/a	
IShare MSCI EAFE Index (EFA)	n/a	NYSE	74.90	n/a	
Nasdaq 100 Index (QQQQ)	1.49	Nasdaq	46.12	*	

* The ten largest holdings in the Nasdaq 100 Index comprise close to 45% of total index capitalization. The P/E ratio based on 2009 estimated operating earnings is 20.0

MANAGED ACCOUNTS - While the **Marketimer® Investment Letter** provides monthly guidance, professional management is available from Genworth Financial Asset Management, a money management firm which invests in no-load funds with personalized programs to meet individual objectives. Minimum account size is $100,000. For details call 800-252-2044.

MARKETIMER NO-LOAD MUTUAL FUND MODEL PORTFOLIOS

The *Marketimer* no-load model portfolios are designed to provide investors seeking aggressive, growth and balanced objectives with a strategic approach to investing in no-load funds over the long-term.

Model Portfolio I is designed for investors with *aggressive growth* investment objectives. Such investors seek maximum returns and are willing and able to accept high levels of risk and volatility. Current income is not a factor in this portfolio.

Model Portfolio II is designed for investors with *long-term growth* objectives. Such investors seek to enhance the value of capital over time and assume a reasonable level of diversified market risk. Current income is not an important factor.

Model Portfolio III is designed as a *balanced* portfolio for current investment income along with capital preservation and modest growth. The portfolio is allocated evenly between equities and fixed-income securities. This portfolio is best suited to investors nearing or already enjoying a retirement lifestyle.

MARKETIMER MODEL PORTFOLIO I ($20,000 value on 1-1-88)

Current Holdings	Symbol	%	Beta	Value 8-31-08	% Change
Baron Partners Fund	BPTRX	15	1.38	$ 42,098	
Dodge & Cox International	DODFX	05	1.14	17,673	
Meridian Growth Fund	MERDX	15	1.38	35,076	
Rydex Nasdaq-100 Fund	RYOCX	15	1.75	35,681	
Vanguard International Growth	VWIGX	05	1.07	15,460	
Vanguard Total Stock Market	VTSMX	45	1.06	107,411	
		100%	1.26	**$ 253,399**	**+ 1,167 %**

MARKETIMER MODEL PORTFOLIO II ($20,000 value on 1-1-88)

Current Holdings	Symbol	%	Beta	Value 8-31-08	% Change
Dodge & Cox International	DODFX	05	1.14	$ 14,459	
Fairholme Fund	FAIRX	10	0.66	22,793	
Gabelli Asset Fund	GABAX	10	1.04	22,343	
Meridian Growth Fund	MERDX	10	1.38	19,130	
Rydex Nasdaq-100 Fund	RYOCX	10	1.75	19,461	
Vanguard International Growth	VWIGX	05	1.07	12,648	
Vanguard Total Stock Market	VTSMX	50	1.06	96,135	
		100%	1.12	**$ 206,969**	**+ 935 %**

MARKETIMER MODEL PORTFOLIO III ($40,000 value on 3-1-90)

Current Holdings	Symbol	%	Beta	Value 8-31-08	% Change
Dodge & Cox International	DODFX	02.5	1.14	$ 8,748	
Fairholme Fund	FAIRX	07.5	0.66	19,663	
Gabelli Asset Fund	GABAX	05	1.04	12,447	
Vanguard International Growth	VWIGX	02.5	1.07	7,652	
Vanguard Total Stock Market	VTSMX	32.5	1.06	75,681	
Vanguard Ginnie Mae Fund	VFIIX	20	0.00	31,043	
Vanguard Inflation Protected Securities	VIPSX	10	0.00	16,715	
Vanguard Short Term Investment Grade	VFSTX	20	0.00	30,062	
		100%	0.50	**$ 202,011**	**+ 405 %**
