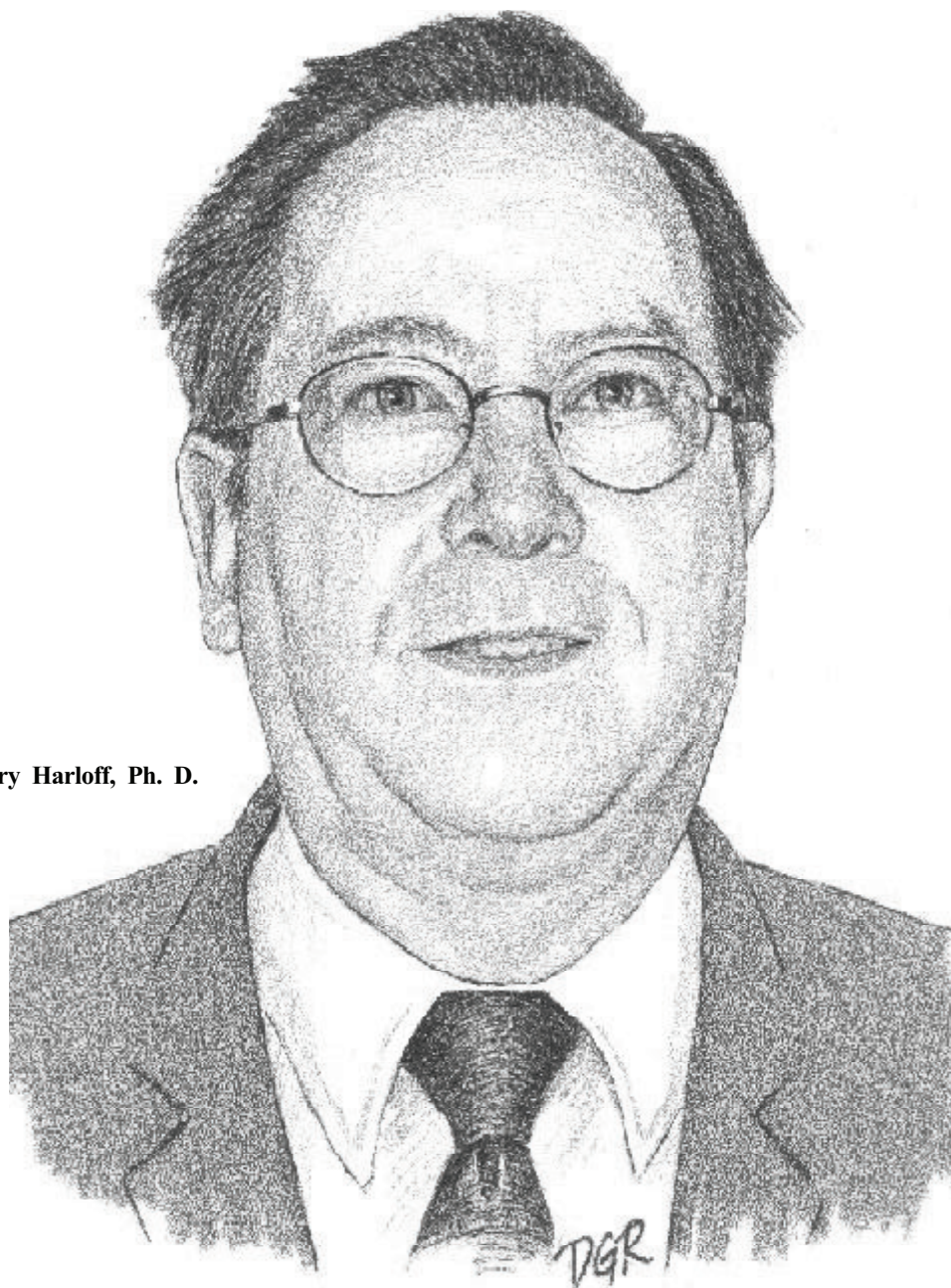


February 15, 2010

# Timer Digest

ISSUE 507



Gary Harloff, Ph. D.

## Harloff's The Intelligent Fund Investor

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**D**r. Gary J. Harloff is the editor of Harloff's The Intelligent Fund Investor. The newsletter employs his universal indicator HVI to rank mutual funds, country and region specific funds, and indexes. He has developed original market timing models for the S&P500 and the NDX. The newsletter includes: (a) market timing for S&P500, NDX, gold, bonds, and each fund analyzed, (b) an analysis of the overall market, and (c) a summary of market style-box rank, sector rank, and world market index rank. Three model portfolios for Dynamic Frontier, Profunds, and Rydex are included. A detailed comparison of funds is provided. A history of recent model portfolio transactions and performance is provided.

The letter employs his unique and proprietary indicator Harloff Value Index, HVI. This absolute strength index is universal. It is designed to work for all kinds of funds/indexes, market environments, and countries.

Dr. Harloff started his career as a rocket/missile and jet engine engineer. In 1970, while working at Pratt & Whitney Aircraft in West Palm Beach, FL, a coworker stated that no one could successfully model the stock market. He took this as a personal challenge and began his modeling work after hours. In AeroSpace Engineering, Dr. Harloff received his B.S. at the University of Texas, Austin, M.S. at the University of Florida, and Ph.D. at the University of Texas, Arlington. He worked in the engineering industry for 27 years including 10 years at NASA Lewis in Cleveland. He has two turbo machinery patents and has presented his engineering research in several U.S. cities as well as Rome, Italy and Madrid, Spain. He worked in the areas of computational fluid dynamics, propulsion, and aerodynamics research for subsonic, supersonic and hypersonic flight. He also worked in energy research and modeled radium transport, uranium solution mining, uranium enrichment, shale combustion, and underground coal gasification.

In the late 1970's he conducted original stock market research and discovered the variables and equations that accounted for about 90% of the stock market variation over the previous 17 years. He says he knows what works on Wall Street. In the early 1980's he developed an original call-put options 2.0 computer model for stocks and futures. The computer program determines optimal option positions. He founded Harloff Inc. in 1981 to develop original stock market investing technology. In the mid 1980's he developed a sophisticated numerical method to forecast any index and coded the algorithms into a computer program for early personal computers. Even though he computer had a math coprocessor, the calculation took over a week and was abandoned because of excessive computational time.

In 1993 he finished 3<sup>rd</sup> in the year-long U.S. Investing Championships-mutual fund switching division, and in 1992 he finished 5<sup>th</sup>. He registered his company in 1994 as an investment advisory firm. His company was noted in the *MoniResearch Newsletter* of Jan/Feb 2000: "Harloff Managed Account Service (Harloff Capital Management) has turned in the highest one-year performance figure we have ever recorded: 168.5% in 1999 for their Aggressive Growth Program" (past performance does not insure future performance).

He invented the Dynamic Frontier and introduced this concept in his article "Dynamic Asset Allocation: Beyond Buy and Hold" in *Technical Analysis of Stocks & Commodities* magazine, January 1998. He has further developed the Dynamic Asset Allocation theory.

Early in 2002 Dr. Harloff developed a new trading strategy to determine the style (large/small/growth/value) for investment. Data employed in the study are from 1927 to 2002. The work can be used to screen the equity market for investment.

Current stock market modeling research includes the area of nonlinear mechanics and chaos. He is also devel-

oping a mathematical model of business and investment cycles, with a system of differential equations.

After reviewing the available technical analysis methods in the 1980's and 1990's he was surprised at their simplicity and lack of physics. He employs up to four original computer programs for making investment decisions and believes in Dynamic Asset Allocation. These four programs include: (1) an absolute strength analysis, i.e. HVI, (2) a more sophisticated absolute strength analysis formulation, (3) a relative strength analysis, and (4) dynamic asset allocation.

His outlook in the short term is bearish and in the long term bullish. The US business cycle is out of the last recession and high yield bonds are no longer attractive as credit spreads have come way down. The markets are currently overbought and should represent a buying opportunity once the current correction is over. The forces at work in the equity and bond markets include: (1) slow positive growth in US gross domestic product, (2) lower money supply as the Fed withdraws stimulus, (3) China slowing their GDP growth/demand for commodities, and (4) reduced market manipulation by large bank hedge funds due to lower leverage available to them.

In addition to editing Harloff's The Intelligent Fund Investor he manages money for Harloff Capital Management and a hedge fund for accredited investors. He published a new book [Active Investing Wealth Management for High Net Worth Individuals](#), Xlibris, January 2010.

Timer Digest has been following Harloff's The Intelligent Fund Investor since April 1999 and it currently ranks 2 for the most recent 52-week period, and number 6 for six months. (see page 2). For more information please call or write:

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Published monthly at \$279. per year.  
C:\Document & settings\Gary\My  
document\Harloff\_timer\_digest\_0110.doc