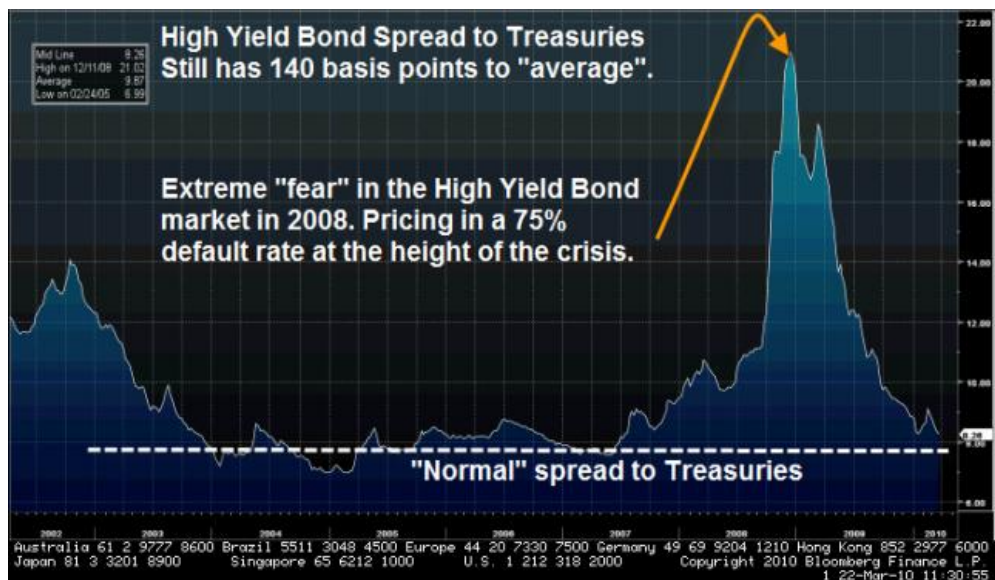


March 30, 2010 – Junk Bond Investment System

"One man's junk is another man's treasure." Junk or High Yield bonds are issued by companies who have less than stellar financial situations. These companies, like GM before bankruptcy, have to pay a higher interest rate (yield) to borrow money or investors will not loan them money. Junk bonds are risky to buy and hold, as we discovered all too well when GM went bankrupt and the bond holders lost just about their entire investment, but they are a wonderful trading vehicle if one has a good system for timing the entry and exit of the bonds. This helps protect investors from serious losses.

Junk bonds trade in a similar direction to stocks but they do not trade everyday so they tend to trend. The day-to-day volatility is low so it is easy to see trend changes. I have developed a



system for trading junk bonds that limits losses by 90%+ and improves return over buy & hold. The chart shows the junk bond spread to interest rates of U.S. government bonds from 2002 to today. The higher the spread, the more companies have to pay to borrow money.

Generally, the spread is about 5% over the ten year Treasury bond. It was *over* 20% during the economic meltdown! In fact, the junk bond market was pricing in a 75% default rate on junk bonds; meaning the bond market was looking for $\frac{3}{4}$ of these companies to file for bankruptcy!

This incredible move in the yield spread created a wonderful opportunity for my High Yield Bond Trading System. The system follows the trends and *exits to cash* when the trend goes turns down. Junk bond funds fell 25%-60% during the crash and have since rebounded 50%+. The powerful part of the system is losses are small & gains beat equities over most timeframes. So investors may experience stock market type returns with about 90% *less* risk than the stock market when invested in this system. The current spread over treasuries still presents a wonderful opportunity for double digit type returns in 2010 with very low risk.

This system is ideal for investors who cannot tolerate losses in their portfolios or for those who have a high net worth who would still like their money to work for them but with very limited downside potential. It is a world-class money management system.

All information, data and contents are obtained from sources believed to be correct but reliability cannot be guaranteed. Past performance is not indicative of or a guarantee of future performance. Readers of these comments should not take action based on information contained. Comments could pertain to time periods or to trends which are not expected to persist, or could refer to actions not commensurate with other individual's level of acceptable risk.

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