

Fund Index Veers Toward 50-Day Average

Volumetric's Gibs Aims To Limit The Volatility Of Returns

By Doug Rogers

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The IBD Mutual Fund Index has fallen to be the closest to its 50-day moving average since it broke above the line in May.

Going into yesterday, the index was 3.5% below its all-time high of 477.33 on Aug. 6.

MAKING MONEY IN MUTUALS

It's up about 13% from the point where it broke above the line on May 20. So far, the index has spent 15 weeks above the 50-day line. That's the longest since the 20 weeks between Jan. 28 and June 17, 1996. The index rose 16% then.

While the index has slipped, it's held up well against the S&P 500, as seen in its relative strength line. It's been setting higher lows since April. That reflects a broadening of investor in the kind of smaller-cap stocks in many of the fund index's portfolios and away from the large-cap stocks found in the S&P 500.

The strong bull market is making Gabriel Gibs and his **Volumetric Fund** look tired.

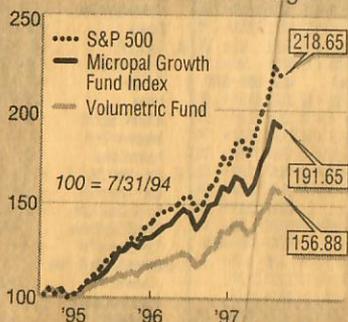
The fund has averaged a 15.52% total return for the three years ended June 30. That's more than the historical average for stocks. But it's more than 13 percentage points behind the S&P 500, according to Morningstar Inc.

Gibs two years ago introduced a new system to help protect the fund's returns on the downside. He calls it "strength and protection."

Gibs asserts he's not using his technical approach to knock the cover off the ball. Rather, he's trying to achieve

Volumetric Fund

Total return index as of Aug 8



Source: Micropal Inc.

decent returns without a lot of volatility.

"Our goal is not to be the No. 1 fund," said Gibs, 60. "But our advantage is that in down markets we don't fall as much."

For example, in April the fund was down 7.5%, while the S&P 500 fell 9.9%. And during the summer '96 sell-off, the market stumbled 11%, while Volumetric fell 8.7%. The fund's 30% cash position helped cushion the fall.

"The most we will go down is 8% to 9%," Gibs claimed. "So people who are conservative and like to sleep at night are the ones who are interested in Volumetric."

Gibs buys stocks that rise on increased volume. The volume tells him that institutional investors are piling in, driving prices higher.

Just about all the 68 stocks in the portfolio are trading within 10% of their 52-week highs.

Once a stock drops 10% below its 52-week high, it becomes a candidate for a

sale. That's where Gibs applies his "strength and protection" tool. Each stock is assigned a strength ranking based on a proprietary mix of volume analysis and four other factors.

He adds the ranking to the percentage the current price is of the 52-week high. If they add up to 90 or above, he holds on. If the sum is below 90, he sells.

He recently sold Johnson & Johnson. Its price dropped to 87% of its high, but the strength index reading of 2 put it at 89.



Gabriel Gibs

This week he's been sitting on the fence about **Warner-Lambert Co.**, his top holding at 3.1% of assets. The longtime holding had finally fallen more than 10% from its high. But Gibs waited to see whether and how it rallied before deciding on whether to sell.

Other top holdings include **Allied Signal Inc.**, **Texaco Inc.**, **Home Depot Inc.** and **Mercantile Bancorp.**

He bought **Whirlpool Corp.** a week ago as it jumped on high volume.

"We bought it because volume told us it is being accumulated," he said. "Often we'll check the news later, and this time we found that it came out with better-than-expected earnings and Lehman had upgraded it to a buy."

The fund also owns **Unisys Corp.**, **Toll Brothers Inc.** and **Pope & Talbot Inc.**

Gibs keeps the fund spread across many industries, never allowing more than 8% to 10% of assets in any one area.