

## Briefing

### MARKETS LAST WEEK

Dow Ind.	▲	145.70 to 10,449.14
S&P 500	▲	17.42 to 1,211.86
Nasdaq	▲	55.51 to 2,112.88
Amex	▲	6.27 to 1,561.01
NYSE	▲	84.99 to 7,330.58

### Journal News Bloomberg Index

The index reflects the collective stock price performance of public companies in Westchester, Rockland and Putnam counties.



<b>Week's change</b>	<b>Year's change</b>
+ 2.08%	+ 10.19%
Price/Earnings Ratio: 29.09	Dividend Yield: 1.83%

Source: Bloomberg News

John Cornell/The Journal News

For a look at how local stocks performed last week. **3D**

shifted from bank debt to home-equity loans that carry a lower rate. Consumer credit, or non-mortgage loans to individuals, fell \$3 billion, or 1.7 percent at an annual rate, to \$2.127 trillion in May, the Federal Reserve said Friday. Total credit fell for the first time since November 2003 and by the most since a \$5.4 billion decline more than 14 years ago. The drop was led by non-revolving debt, such as car loans, which fell \$3.8 billion, the most in 13 years. Sales of cars and light trucks fell 4.3 percent in May. "The decline in autos really dominated," said Steven Ricchiuto, chief economist at ABN Amro Inc. in New York, who was one of two economists to forecast a decline. "Often, in months where you have a lot of mortgage-refinancing activity, you see a decline in consumer debt because of debt substitution." House prices are at historic highs and consumers are choosing home-equity loans pegged to falling mortgage rates over more expensive credit-card and consumer loans.

### Rate hike expectations boost Canada's dollar

The Canadian dollar rose to a three-month high last week after the government reported the unemployment rate dropped to a five-year low, supporting speculation the Bank of Canada will raise interest rates this year. The currency has gained against all 16 of the other most active currencies tracked by Bloomberg, buoyed by the second-best economy among the Group of Seven industrialized countries and record oil prices. Canada's dollar "is the perfect storm for what people want," said T.J. Marta, senior currency strategist at RBC Capital Markets in New York. "You've got yield and you've got commodities." The currency rose to 82.03 U.S. cents at 5 p.m. Friday in Toronto, the highest since April 5, from 81.42 cents Thursday. One U.S. dollar buys C\$1.2190. The currency has appreciated about 25 percent against the U.S. dollar in the past three years.

### Money funds increased \$7.25 billion in latest week

# VOLUMETRIC COMES UP BIG



Dyana Van Campen for The Journal News

Irene Zawitkowski, president of Volumetric Fund Inc., and Gabriel Gibbs, founder, chairman and chief executive officer, have known each other since the 1970s, when both worked for a chemical company. She joined Pearl River-based Volumetric full-time in 2001.

## Small Pearl River fund has good track record in realm of mutuals

Jay Loomis  
The Journal News

PEARL RIVER— Gabriel Gibbs was a chemist at a New Jersey manufacturer more than 25 years ago when a side interest in investing started him on a long path to a new career.

"As a chemist, I had a scientific background and I was wondering how could I come up with a scientific method to beat the stock market," recalled Gibbs, now 68. "At the beginning, it was really a hobby."

Before long, Gibbs discovered that he had a knack for picking winning stocks. His track record got the attention of 10 co-workers at the chemical company who pooled \$20,000 and turned it over to Gibbs to invest. In addition, neighbors, friends and relatives soon entrusted their savings to Gibbs, a Hungarian native who had fled the communist country during the 1950s.

By the late 1980s, the venture was successful enough for Gibbs to quit his job at the chemical company and manage the invest-

The price of a stock alone doesn't tell the whole story. If you look at the volume, however, it tells you about supply and demand. It can tell you where the smart money is going.

Gabriel Gibbs,  
Volumetric Fund Inc.

Please see VOLUMETRIC, 6D

### 10 largest common stock holdings

(as of June 30)

Name	Percentage of portfolio	Unrealized gain
Verisign	1.51%	60.8%
Health Net	1.50	48.0
First American Financial	1.49	54.3
Shopko Stores	1.49	58.2
Oakley	1.45	39.9
National Semiconductor	1.44	49.3
Omnicare	1.41	44.6
Office Depot	1.41	32.7
News Corp.	1.34	29.2
Sherwin-Williams	1.30	59.8

Source: www.volumetric.com

### Volumetric Fund Inc.

Address: 87 Violet Drive,  
Pearl River, NY 10965  
Phone: 800-541-3863  
Internet: www.volumetric.com  
Assets: \$23.2 million  
Five-year return: 5.3 percent annualized  
Year-to-date return: -3 percent  
Expense ratio: 1.9 percent  
Minimum investment: \$500

# Tiny Volumetric comes up big

VOLUMETRIC, from 1D

ments full time. The venture eventually became the Volumetric Fund in Pearl River. The 10 initial investors have since ballooned to more than 1,000.

"We'd always like to be bigger and have more shareholders," Gibs said. "But we don't market it. Most people come to us by word of mouth. The result has been nice and steady growth."

In the \$7 trillion universe of 10,000 mutual funds, Volumetric is a midget little known outside of its home market of Rockland County. Volumetric's \$23 million in assets, for example, are a tiny fraction of the \$55 billion at the Fidelity Magellan fund, one of the most widely held mutual funds.

But Volumetric and other small funds have proven that you don't have to be big to be successful.

Volumetric has averaged a gain of 11.3 percent a year since 1979. During the past five years, Volumetric's average annual gain of nearly 5.3 percent placed it in the top 8 percent of multi-cap mutual funds and far ahead of the S&P 500 (-2.3 percent a year) and giants such as Fidelity Magellan (-4.2 percent), according to Bloomberg News.

Gibs said one reason for Volumetric's good performance is a stock selection methodology that has worked well in up and down markets.

"It doesn't matter whether the market goes up or down," Gibs said. "Even in a down market, there are stocks that will go up."

As the Volumetric name implies, Gibs focuses on trading volumes as an indicator of money flowing in and out of stocks. The fund looks for stocks that went up the previous day or week on unusually heavy volume. That volume pickup can indicate positive momentum for the stock is building among investors. His investment philosophy is based on a thesis he developed as an MBA student at Pace University in 1974.

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doesn't tell the whole story," Gibs said. "If you look at the volume, however, it tells you about supply and demand. It can tell you where the smart money is going."

Each day, Volumetric's computers screen about 6,000 stocks after market closes to find roughly 40 stocks with unusually heavy trading volumes. Further analysis narrows the list to six or seven stocks. In addition to volume, Gibs looks at earnings prospects, debt levels, valuations and other factors when picking stocks.

"If stock has too much debt, we shy away from it," Gibs said. "Take airlines. We won't buy most airlines because they have too much debt."

Gibs also is not afraid to move money to the sidelines during bad times. During unfavorable markets, the fund has kept 40 percent of its assets in cash. Right now, the fund is moderately bullish with a cash position of 9 percent.

"Rising interest rates and oil prices have put pressure on the market this year," Gibs said. "I expect the second half to be better because the economy is still good. GDP growth is still good. Unemployment remains low by historical standards."

The fund, which holds stocks for nine months on average, sells a position when weakening trading volume trends suggest that demand for the shares is lagging. The fund's portfolio generally has about 80 to 85 stocks.

"There is definitely no emotion in it," said Irene Zawitkowski, president of the fund. "What you are really doing is following the numbers."

Zawitkowski got to know Gibs in the 1970s when they worked together at the chemical company. She was then an accounting manager as employees pooled their money for Gibs to invest.

"We wanted to start a little investment fund," she recalled. "Gabe picked the stocks and I did the books. ... It just grew from there."

These days, the fund still shows off its humble roots. Unlike other

funds that are based in fancy office parks, Gibs spends his day in a no-frills office that adjoins his home in Pearl River. A home office not only keeps overhead low, he said, but is convenient.

"You don't have to travel much and you are always in business whether it is snow, rain or shine," Gibs said. "We don't need a big office because it is more like a mail-and-phone business."

Zawitkowski joined the fund full-time in 2001. She said that being small is an asset.

"I think that we both like it that way," she said. "Not that we know all of our shareholders, but we certainly feel like we know many of them. When they call, you can almost recognize their voices. You know sometimes when their children are getting married."

About two-thirds of the fund's investors live in Rockland or the New York metro area. To appeal to the small investor, the fund requires a minimum investment of only \$500.

"My hair stylist is in the fund," Zawitkowski said. "Gabe's barber is in it. Friends. Relatives. A lot of it has been through word of mouth. ... Many people who have come into the fund are in the stock market for the first time. They have discovered that it is not just for rich people."

Walter Rubinstein, a retired teacher who lives in Pearl River, said the fund has been a good choice for someone like himself who doesn't follow the market closely.

"I have been investing with them for 15 years," Rubenstein said. "I always felt the fund has done better for me than I could do individually in the market."

Gibs said that he has no plans to retire.

"But if something happens to me, there is someone here who can continue managing it," he said, referring to Zawitkowski.

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