

Investor's Business Daily

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Volumetric Uses Up/Down Volume In Picks Price Rise On Heavy Volume Is Indication Of Strong Demand

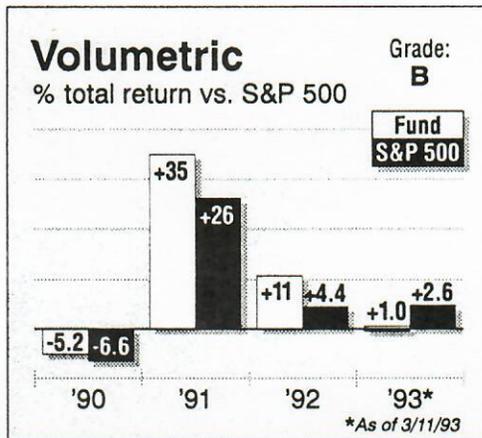
By Doug Rogers

Investor's Business Daily

As its name suggests, **Volumetric Fund** pays close attention to volume when buying and selling stocks.

A sharp increase in volume accompanying a price rise is a sign that substantial new demand for a stock is developing and that it may be in early stages of an upward move, says portfolio manager Gabriel Gibs.

Gibs, who developed his method of investing while studying for his MBA in the 1970s, begins by making a list of all



mathematical formula that rates each stock from a plus three to a minus three. "If we have several stocks to choose from, we buy the one that has the highest" reading, he said.

When Gibs added Bear Stearns Cos. to his portfolio March 8, it had exhibited "good volume characteristics for the past week," he said. On March 5, Bear Stearns rose $\frac{1}{4}$ on volume that was 253% higher than the average for the past 50 days. (It didn't make the *Investor's Business Daily* list because it wasn't up the requisite $\frac{1}{2}$ or more.

Once a stock is in the portfolio, it's watched like a hawk. "We will sell it if volume turns negative," he said. If the mathematical program assigns a stock a minus two or three, out it goes. "The low grade indicates that distribution is under way," he said.

Another tenet of Gibs' investment philosophy is to limit declines during a down market. "We don't want to lose money," he said.

Gibs may take the fund above 30% cash if deemed appropriate by market analysis. In the fall of 1990, the fund, which ordinarily keeps 15% cash on hand, had 45% in liquid assets.

As of Monday, Volumetric had 7% cash on hand.

On individual stocks, he'll usually sell

if one declines 10%.

The fund's largest holdings, each of which accounts for 2.9% of assets or less include: **Analog Devices Inc.**, **Scientific-Atlanta Inc.**, **Apache Corp.** and **Compaq Computer Corp.**

Among recent purchases were **H.F. Ahmanson & Co.**, **Cincinnati Gas & Electric Co.**, **Paramount Communications Inc.** and **Phillips Petroleum Co.**

Gibs has used his method to beat the New York Stock Exchange composite index for 11 out of the past 14 years, generating an average annual 16% return during the span. Since Volumetric became public in 1987, the fund has returned an average annual 15%.

The \$10 million no-load fund runs an annual expense of 1.95% of assets.

The minimum initial investment is \$500, \$200 for subsequent purchases.

Currently, most of growth in assets comes from existing shareholders pumping in additional



Gabriel Gibs

money rather than new shareholders. Volumetric doesn't have a big advertising budget.

But in the past two years assets in the Pearl River, N.Y.-based fund have doubled. For more information, call (800) 541-3863.

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Making Money In Mutuals

stocks that are rising on substantially increasing volume. The *Investor's Business Daily* "NYSE Stocks With Greatest % Rise In Volume" screen topping the daily Big Board tables, highlights many of the stocks that Gibs turns up each day. Gibs is willing to look at stocks that are trading as low as 5, whereas *Investor's Business Daily* makes the cutoff at 15.

Then Gibs and co-manager Irene Zawitkowski, scratch off the list any stock that already has doubled. "We like to catch them before they take off," he said. "Thirty percent or 40% above their recent low is still OK."

The next step is to kick out overvalued and debt-laden stocks. These have a greater chance of crashing hard on any bad news.

From this shortened list, Gibs does more detailed volume analysis. "We go back a minimum of five days when the stock went down and back five days for when stock went up," he said. Using several days of data helps eliminate any fluke signals, Gibs says.

The information is applied to a