WEBB ASSET MANAGEMENT

September, 2009

Monthly Commentary

SYSTEMATIC, PROVEN & RELIABLE

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Many times investors question why I don't follow my quantitative models blindly. I am often asked, 'If the models have worked well historically why do you override them?' My response is that the models are 'instruments' like a map or a compass. I still want to use common sense when appropriate.

If you are an airline pilot, instruments fly the plane 98% of the time. However, airlines still require pilots for those events when instruments are ineffective. When the geese flew into the engines of the aircraft in NYC last winter, "Captain Sully" had to grab hold of the controls and use common sense and skill to land the aircraft on the Hudson River.

The CPMS models which closely mimic our models show the following returns YTD (September 30th):

Momentum long Canada:	+20.7%
Momentum long USA:	+7.6%
Average:	+14.2%
Dangerous short Canada:	-77.1%
Dangerous short USA:	-65.1%
Average:	-71.1%

It is interesting that the longs have vastly underperformed the market and of course shorting this year has been a disaster. The Webb funds have all done substantially better than these returns with the fund performance YTD (September 30th) as follows: Webb Enhanced Growth Fund +56.5%, Webb Enhanced Income Fund +30.2%, Webb Canadian Performance Fund +29.5%.

Though we did worse than our models last year, we have done substantially better than the models this year. Nothing has been normal the past 12 months. We've had 12 months of 'geese in the engines'.

The good news is that though these events occur, they occur with low frequency. We now expect more normal conditions. In those conditions we can/will let our models do most of the flying, and we know that our models produce spectacular returns over time.

– Derek Webb

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