



THE LONDON LETTER

Remington York Ltd's

monthly update

Remington's FTSE Index Funds

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nulli secundus

It was a much more powerful month than I expected. On both sides of the Pond investors concentrated on the better-than expected earnings period and ignored the macro-economic indicators of tiring economies. The

US Fed signaled what will probably be many

also weighed, as all ten US economic sectors closed lower on Friday.

A report showed the economy grew more than 3.0% for the ninth straight quarter, coming in at just below expectations of 3.5%. However, once bond traders looked deeper into the data and discovered that, if not for a temporary swing in inventories, Q2 GDP would have checked in at an incredible 5.8%, the Treasury market plunged, moving the 10-year note to an impressive 4.28% yield.

Lastly, investors also got a final read on Michigan consumer sentiment, which rose 0.5% from June, but was unchanged from the preliminary 96.5 read. However, the report was largely ignored in favor of the GDP and Chicago PMI reports, which all pointed to continued economic growth, albeit at a more subdued pace. The broad-based NY Composite Index reached a new all-time high. This high however was not confirmed by either the percentage of stocks above their 10-day moving average or the Short Term Index, both of which remain below their mid-June and early-July highs. This non-confirmation indicates that the rally remains narrowly based, which is usually a warning sign of potential market weakness. These divergences, plus the continued overbought stochastic reading, are reasons for continued near-term caution. (See OUTLOOK below)

more small interest rate increases, oil seems to have settled in at what just months ago was considered an economy-busting \$60/bbl (amazing what we can get used to, huh?), some major companies came up with excellent current earnings

but lowered guidance, a new Federal Reserve survey found economic activity expanding, supported by gains in manufacturing and retail sales and housing continues to defy gravity...all these factors supporting continued interest rate hikes. Despite the weak

ending, July saw US and UK markets rally to new recovery highs but concerns that recent gains may already be factoring in prospects for the economy and corporate profit growth



FTSE Fund 25
Annual (APR) Returns**

10 Years	+14.9%*
5 Year	+13.0%*
1 Year	+10.1%*

FTSE Fund 50
Annual (APR) Returns**

10 Years	+22.1%*
5 Year	+18.7%*
1 Year	+18.7%*

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the FTSE 100 closing within a range selected at the entry of our positions each expiry date, (third Friday of the month). This is one of the reasons the Funds have done so well over the years regardless of whether the markets, and/or economies are growing or declining.



Very infrequently I see trading patterns that make me lean towards closing out our positions before the scheduled option expiry date. In other words, in my opinion the risk of maintaining the positions are greater than the expected profits. This last option period was such a time. Ironically, it was just two days before the London bombings that I closed out our long (or upside) positions. When the market bounced back strongly after the initial sell-off due to the bombings, I knew that this was a prudent move. Indeed, the FTSE 100 closed above our call positions and had the positions been in place a loss would have resulted. This was not the case; in fact we were able to maintain a profitable month. Closing out positions prior to expiry is not common. Indeed, I've only done it 4 times over the past 5 years. In 3 of the 4 actions it saved the Funds from what would have been a loss for the month. This is why our 10 and 5-year averages are so consistent. The fact is, all investors should judge any fund on no less than a 5-year history. Anybody can have a good year or two but it's rare indeed to see the year's hot fund on the list for a second year. One needs to see the results of at least one full market cycle, with both up and down periods to fully understand the quality of a long-term investment.



(See chart next page for a comparison of the Remington FTSE Funds vs: major indices since the markets' highs

in March 2000).

The FTSE showed incredible strength this past month. Even something as devastating as the London bombings proved to be no more than a hiccup in the FTSE's relentless ascent. The climb was so dramatic that most of the FTSE trading programs closed in-the-money and were assigned at a loss to investors.

This was not the case for the Remington FTSE Funds however (see Remington FTSE Funds above). What was the reason for such optimism? What drove investors to push the FTSE 100 to new highs in spite of the terrorist bombings? Britain's economy, although slowing down, is still the shining light for Europe. In comparison, the economic numbers are dazzling and it's this euphoria that drives buyers. As I oft said, no matter what the economic underpinnings, if enough investors think things are going well...then the market will indeed keep rising. On the other hand...

The British economy is definitely slowing. GDP, although superior to Britain's friends across the Channel, has been revised downwards; consumer spending is finally starting to show the burden of debt levels rivaled only by the US consumer and slowing, manufacturers' index is dropping and the housing market while still holding on to massive gains, is definitely slowing. Can an interest rate cut be far behind? Britain's phenomenal growth record over the past 5 or 6 years is mostly due to 4 reasons: low unemployment (happy voters), massive growth in housing (happy consumers AND voters), low interest rates (everyone is happy) and a substantial increase in government spending. This simply can't continue without a breather. In my opinion, a breather is what's on the horizon and whereas it will mean a decline in the FTSE 100 it will, in the long run, mean a more stable economy for the future.

Bits & Pieces

Finally, something bad is good. Chocolate! Seems it has oodles of protective flavonoids, an antioxidant chemical that inhibits the cell-dam-

Bonum vinum laetificat cor hominis

"Only the mediocre are always at their best"
Jean Giraudoux

"EGOTISM IS THE ANESTHETIC THAT DULLS THE PAIN OF STUPIDITY"
Frank Leahy

The difference between genius and stupidity is that genius has its limits

aging effects of free radicals. These flavonoids improve circulation, suppress coughs (a chemical in chocolate, theobromine, actually suppresses coughs better than codeine!), clean arteries and reduce blood pressure. Dark chocolate is nearly 4 times more effective than the lighter milk chocolate. So, get yourselves some hot cocoa made with skim milk and enjoy.

Do what you want, just don't do it to excess...always made sense to me. Considering the ratcheting up of the obesity levels, one would think that super-low calorie diets would be just great...nope. Seems that too much of a good thing is bad also. Turns out it's much harder to lose weight on these draconian diets, especially fasts: your body simply tries harder to bring you back to the old you. Find your approximate caloric need (roughly your weight times 10) and reduce intake to that number but not lower.

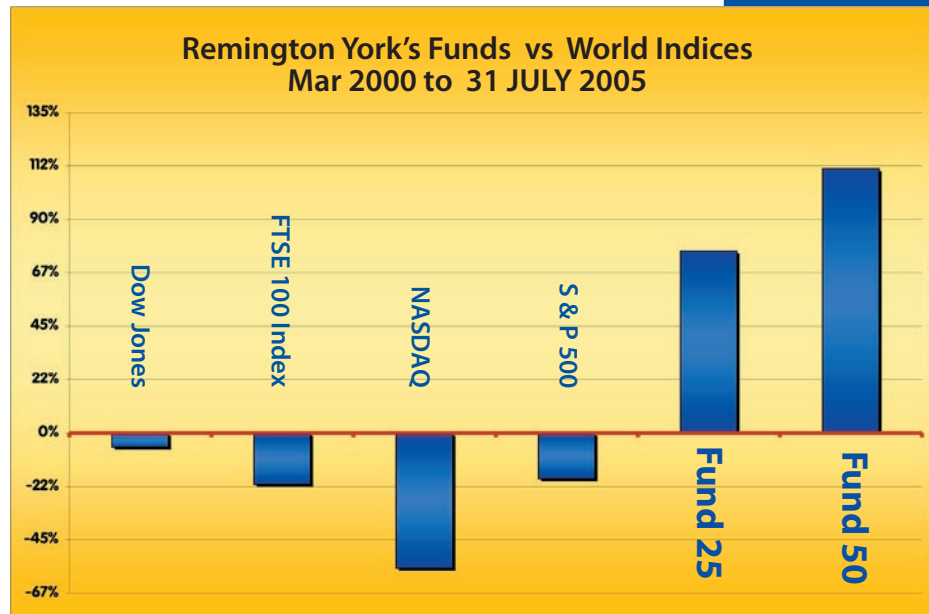
Use a firewall or spam blocker. Never open unwanted email and never click on the 'unsubscribe' function. This just tells the spammer that your email is active.

Must be a result of the turbulent times we live in. Despite the rather 'cowboy' mentality most European's think Americans have...most states subscribe to the notion that an individual does not have the right to stand his ground and use lethal force when an alternative, like running away is possible. Well, this isn't the case in Florida anymore. The state recently passed what I call the Dirty Harry law. Essentially, it decrees that a person under attack "has no duty to retreat and has the right to stand his or her ground and meet force with force...including deadly force". Despite laws to the contrary in many states, a person protecting life and limb has normally been found to be justified. THIS law however goes a big step beyond by including the right to deadly force even to prevent the "commission of a forcible felony". Considering that Florida's median age is somewhere north of 90 it boggles the mind to envisage these old-timers packing pistols on their walkers. Someone once said a well-armed society is a polite society...we'll see.

Great site for all you travelers, head to www.seat-guru.com.

It provides seat layouts for nearly all planes flown by the major airlines. The site gives suggestions for the seats with the most/least legroom as well as exit seats and seats with power outlets for your laptops...and, with cold season in the not-to-distant future, one of the best-known cold preventative/treatments, Echinacea, has been proven to be well...useless. I'd say worthless however, this is far from the reality of it all as the Echinacea industry sells 300 MILLION dollars worth of

The two hardest things to handle in life are failure and success.



the stuff. This industry will certainly scream otherwise and point to trumped up studies done by their paid-for labs. The federally-funded study reported in the New England journal of Medicine used blind, placebo procedures that essentially found no difference between those that took the herb and those that took the placebo. There should be more such studies involving the massive 'natural' herbal treatment industry. The study leader, Dr. Ronald Turner stated, "Our study...adds to the accumulating evidence that suggests that the burden of proof should lie with those who advocate this treatment"...yea, right!

Pretty much a repeat of last month...I was surprised at the willingness of investors to continue diving into a market that was

Outlook

by most indications, overbought. I still think the short-term is looking dicey. Short-term reservations aside, the 14 month-old bull market shows very little of the normal signs that a major market top is in the offing and

*"On the whole, human beings want to be good, but not too good, and not quite all the time."
-- George Orwell*

despite technical indications to the contrary, investors don't seem to care about over-sold readings. This past month saw most market indicators rise to new all-time highs. Lowry's Selling Pressure Index and Buying Power Index reflect continued strength and point towards what will probably be an intermediate-term final leg up on this now very old bull market. The percentage of stocks above their 11-day moving averages has been weakening, indicating a selectivity of market movers...a typical sign of an up-coming correction.

The August-September-October period has proven to be a more challenging period for the investor. It will be important to watch whether or not the market closes out August with strength or weakness, as this is usually an indicator of market conditions for the rest of the fall. In my opinion, any correction will probably be short-lived and should be used to take final positions for what may be a 3-5 month final leg to the bull market. The current earnings period will soon end, and along with it the enthusiasm we've seen these past weeks. Earnings for the most part have been good; projections on the other hand have been less so, leading me to think that the market needs a breather. The 14-day stochastic indicator dropped below its 3-day moving average this past Friday, pointing towards a short-term correction...a good time to review portfolios and cull out non-performing holdings and wait until the short-term indicators drop to oversold conditions to take new positions or add to stronger holdings, such as our own Funds of course. More than likely, the place to put your money will be in same industry groups that have led

the market thus far; utilities (gas more than oil), oil and gas production, as well as refining, and insurance. Stay away from publishing, airlines and entertainment.

Have a great summer!

And that's the financial world in a nutshell...an appropriate receptacle.

Ross Pascall

Remington's London letter is the result of our head trader's rather fertile mind. It represents his opinion exclusively. Our legal people tell us



we have to say this to stay out of trouble. So, if you disagree with anything in the "Letter", don't blame Remington, or me! You can email Ross at any time and yell at him. Or, give him a pat on the

back. His email is: ross@remingtonyork.com and please put FTSE in the subject line or our software will trash your email as spam, and we don't want that!

Andrew Linn,  Director

For the Month
Of
July '05

Fund 25
+1.10%

Fund 50
+2.00%

Fund 75
(Restricted)
+3.10%

The trouble with doing something right the first time is that nobody appreciates how difficult it was!

It's always easy to see both sides of an issue we are not particularly concerned about.

Prospective investors should not construe the contents of Remington York's London Letter as legal, tax or other advice and represents the opinion of the writer exclusively..

1 The Remington York London Index Funds are specialized hedge funds employing a proprietary, formula-based series of monthly covered option spreads commonly referred to as 'Condors' structured to profit from the future movement of the FTSE 100 Index which tracks the London Stock Exchange. All positions are structured to allow investors to select the maximum risk tolerance appropriate for their purpose.

2 Prior to 1997 all Remington FTSE Funds provided risk protection via stop-loss instructions at no additional cost or commission. In order to provide absolute protection, in subsequent years put and call options were purchased at additional cost. Data contained herein reflect this additional cost.

THE SUBSCRIPTION TO THE FTSE FUNDS CAN BE MADE TO QUALIFIED INVESTORS BY PROSPECTUS ONLY. TO RECEIVE A PROSPECTUS OR MORE DETAILED INFORMATION, PLEASE EMAIL THE FUND MANAGER DIRECTLY AT: INFO@REMINGTONYORK.COM.

* Gross return

** Simple Interest assuming no reinvestment.

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