Expected Returns

Editor: Mark Robertson, Manifest Investing LLC **Volume XIV, No. 1**
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Beyond the Closet and Off The Couch

Can investing really be this easy? We recently received a letter from a charter subscriber sharing powerful pangs of guilt over her experience with Manifest Investing over the past year. Her results have been good -- and the letter came following some portfolio pruning which led to a well-positioned portfolio for her future. So what's the problem? After years of conditioning that mountains of homework are part of investing, combined with blood, sweat and tears, she's struggling with the seemingly easy and effective approach discovered here. I think it's a common affliction. I hope so. I have it. Known by some as Occam's Razor, the theory is that the best solution is often the simplest.

Dear MANIFEST,

...thanks to you and my subscription... I'm cleaning out my investments closet! Call it spring cleaning or taking care of the garden, but my collections of investments are beginning to look fresh and organized. I wipe my white gloved finger around the outside of my dashboard and smile.

The words are at once daunting and haunting, "Can investing really be this easy?" If this answer is "Yes!" then why the feelings of guilt on my part?

Join the crowd and take a number. It's something I've wondered about for a long time.

We're conditioned by talking heads and lemmings that investing is too difficult for "average people" to understand. We're battered to accept the myth that you and I can't do this on our own.

But I think it runs deeper than that. It stems from a loss of innocence and a tempering of the joys of discovery as we become more and more "mature."

It also serves to explain the box office success of movies like The Chronicles of Narnia. Narnia is a land of wonder and enchantment that exists beyond the back of a closet (or wardrobe.) We enlist the aid of four children to experience the adventure. There are villains and heroes and a world to be saved. Impossible things become reality because we allow ourselves to become "childish" again for two hours and 10 minutes.

It's admittedly early, but my results were pretty strong during 2005. While discussing this with my spouse, explaining the idea behind MANIFEST quality and projected returns for the market, the response was, "Sounds like you're speculating!"

I'm not sure if that makes your spouse the first "villain" in our story? (Grin) I suppose that tag could be applied to a lot of things in investing. The definition of speculating includes: meditation or reflection on a subject; engaging in a course of reasoning based on inconclusive evidence.

Let's explore the foundation first. We know that success is possible in long-term investing. We know

In Chronicles of Narnia: The Lion, The Witch and The Wardrobe, 10-year-old and wide-eyed Lucy Pevensie discovers a magical world of adventure.

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In This Issue...

In Narnia: The Lion, The Witch and The Wardrobe, *the Pevensie children discover a magical world when they leave the couch, filled with talking animals and an opportunity to fulfill a promising prophecy.*

that understanding companies and owning them for extended (and profitable) periods is possible. We believe that quality matters as it relates to the probability of earnings growth. We also believe that earnings growth drive stock prices over the long term. "Sales drive earnings. Earnings drive stock prices." Rinse. Repeat as necessary.

We have some short-term evidence. The Tin Cup model portfolio outperformed many stock market benchmarks during 2005. The monthly MANIFEST stock selections, taken as a portfolio, exceeded the Wilshire 5000 during 2005. The blue chip growth portfolio at www.stockfundas.com beat the market indices by a wide margin. The Challenge Club continued to outperform the stock market as a 7-year case study of club-style portfolio management. The mutual fund selections also outperformed the 2005 stock market.

The Tin Cup model portfolio has now outperformed the stock market in four of the last five years, implementing the MANIFEST methods. Very few things are absolute but this is starting to feel a lot less like speculation to me.

...so I watch the monthly stock screening results. I count on MANIFEST to help me become aware of some of the best opportunities to explore using Value Line. I trust that our goals and philosophies are similar. I perform cursory checks, including NAIC's Stock Selection Guide, finance.yahoo.com, S&P company reports and the like...

So do I. You've described precisely how we manage our family investment account and my personal IRA. We've done it MANIFEST-style for over 10 years. The StockSearch feature saves a whole lot of time and our dashboards keep us all more aware.

I feel like advanced income statement analysis ought to be important -- but it's confusing -- so I avoid that. I check inventory vs. receivables. I read comments from people that I trust. I check my portfolio for diversfication. Then... I pull the trigger.

I do feel like I'm speculating. It makes me feel guilty. I'm not analyzing things as thoroughly as other people seem to. I don't call investor relations and quiz them. I'm not calculating R-squared. IS IT REALLY THIS EASY??? WHY DO I FEEL LIKE I'M NOT DOING MY HOMEWORK? I'll be lying on my couch with a cold compress on my forehead awaiting your words of wisdom.

Couched Investor

First, leave the couch behind. You're OK. Second, fundamental income statement analysis is important. That's why we've included the Fundamental Forecasts feature for stock analysis. Third, although I've performed literally thousands of stock studies, I can count on one or two hands the number of times I've really had to explore balance sheets in great detail (including any inventory analysis) and I have never called investor relations or calculated an R-squared.

Despite what some lemming or well-meaning investing enthusiast may believe, few of these things are of primary or first-order importance. What is important?

(1) Growth matters. Top-line growth is where any investment analysis probably needs to begin. What does the company do or make? How will they capture the next customer? How well does the company recognize and seize opportunities for growth?

(2) Profit matters. How profitable is the company? How profitable do you think the company will be in the future?

(3) Value matters. How do these characteristics of growth and profitability compare amongst their competitors? Based on that, what price levels seem reasonable to expect in the future? At that price, what will the return-on-investment be?

Based on the Tin Cup experience, another mystery that keeps investors couch-ridden seems to crystallize: the decision-making of selling and guiding a portfolio. Only 38 stocks have been sold during the 11-year Tin Cup case study and the conditions triggering the sales are as clear and clarion as a Narnian lamp post. In its simplest form, Occam's Razor is a logical principle that the simplest solution is the best one. Use no more assumptions than the minimum that is needed. Why are the simplest solutions so challenging to accept? Why do we convince ourselves that suffering is deep-rooted in the investing experience?

I blame maturity and humility. Childish curiosity enables discovery and for many, faith delivers answers to powerful and healthy skepticism. I think the answer lies in greeting the investment challenge with eyes wide open and a willingness to accept that sometimes the simplest answers are the best. Go ahead, boldly escape the couch and be childish.

Solomon's Select

Kohl's Corporation (KSS)

Expect Great Things...

Following on the heels of our holiday rendition of "Great Expectations" the corporate motto for Kohl's is naturally appealing. Kohl's mission is to be the leading family-focused, value-oriented specialty department store offering quality exclusive and national brand merchandise to the customer in an environment that is convenient, friendly and exciting. Kohl's recently joined the MANIFEST 40 at the #37 position. (12/31/05)

Growth

The sales growth ***forecast*** for KSS has slowed from greater than 20% in recent years to 15% or lower in the last year or so.

Store growth is forecasted at 12% compared with a historical rate of 17-18% for 2001-2005. If a total of 835 stores are opened by year end 2006, store growth for 2006 will be 14% for the year. In retailing, monitoring projected growth in the total number of stores is an important component of projected growth. For Kohl's, geographic expansion will continue and top line growth potential will continue, but at slightly reduced levels from recent years.

Value Line projects long-term sales growth at 15.9%. Morningstar hails growth "dramatically greater" than other traditional department stores and expects Kohl's to "continue to take market share." S&P looks for sales to advance "13% or more in 2006" and cites continuing efforts to "inject newness" into product offerings, providing effective support for same-store sales results. Morningstar projects that sales growth will slow to an average of 12% over the next five years.

Profitability

Margins achieved have widened in recent years and the company seems to be in full recovery from some stumbles seen in 2003. Net margin for 2005 is projected at 6.4% and Value Line projects that long-term net margins will reach 6.9%, close to the record level (7.1%) achieved in 2002. KSS's average actual net margin for the trailing 5-year period is 6.4%.

Valuation

The industry average projected P/E is 15.0x and KSS has a projected annual P/E ratio of 20.0x. The PELT for retail stores is currently 2.00. KSS has a trailing 5-year average P/E of 30.0x. A growth rate of 12% delivers a suggested average P/E potential of 24x.

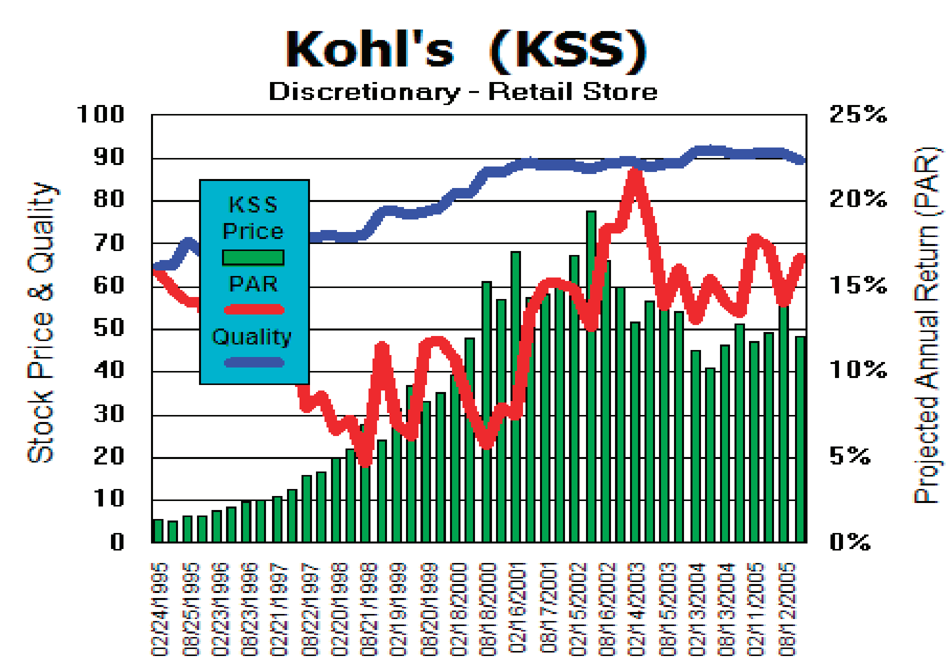
Expected Returns

Based on a price at the time of the study of $48.60, the projected annual return was 17.6%.

Quality & Conclusions

With a financial strength rating of A, EPS predictability of 85 and growth and profitability characteristics that rank among the leading retail companies, Kohl's earns a quality rating of 91.2 (Excellent.)

The PAR expectations aren't as high as they were in late 2003, but the underlying forecasts (growth, P/E) are quite a bit lower and great things more achievable.



Kohl's Corporation -- Expect Great Things? *The chronicle illustrates the historical high quality rating for Kohl's. The company uses an off-mall operating model and other low-cost strategies to enable attractive pricing to consumers. Operating profitability and sales growth has been consistently high relative to other retail stores. Although the PAR is not at all-time highs, the sales growth forecast and average projected P/E are lower and could be perceived as more easily achievable. The stock price drop during 2003 was the result of some bad decisions (leading to lower profit results) with product lines and inventories. Admitting mistake, Kohl's management has revived and restored its strategy.*

VIPERs Vanguard Technology (VGT)

by Cy Lynch, Contributing Analyst

The MANIFEST methodology is unique because of its forward-looking emphasis. The projected returns for the individual holdings of mutual funds are analyzed and used to compile a projected return for a universe of mutual funds. Our emphasis in the study of mutual funds is not on where the fund has been, but where it seems to be going.

This Month's Fund Finding

The list was culled for mutual funds with the following characteristics: Projected Annual Return (PAR) greater than the total stock market (10.9%), a quality rating (QR) greater than 65 and a financial strength rating of 70 or better. The result is Vipers Vanguard Technology (VGT), the second exchange traded fund (ETF) featured in this column (QQQQ was featured in July 2005).

A Glance in the Rearview Mirror

The annualized total return for VGT from inception on 1/26/04 through 12/30/05 was -1.91%, lagging the total stock market. Morningstar does not give star ratings to ETFs.

Expected Returns

The 14.2% projected annual return is superior to the projected return for the general stock market (10.9%.) VGT's expense ratio (.26%) is among the lowest of any mutual fund and about half that of iShares, another widely held series of ETFs. After deducting the expense ratio, VGT's potential return is 13.9% which is still significantly above the projected return for the general stock market.

Management Decisions

VGT is passively managed to track the Morgan Stanley Capital International US Investable Market Information Technology Index. Thus, there are no "decisions" as such. Turnover (7.0%) is very low reflecting very few changes made in the index.

Knowing What You Own

The holdings of VGT are profiled below. The portfolio quality rating is 66.3, excellent. The average sales growth of the fund holdings is 11.4%. The overall average projected P/E is 24.8x, reflective of the higher growth and higher expectations for the holdings. The financial strength (83.6) is strong. EPS predictability (55.0) is lower than most other ETFs covered reflecting the more aggressive characteristic of technology and growth stocks.

Name		Industry	Qlty	PAR	Sales Grth	Yield	P/E	Finl Str	EPS Pred
Microsoft	MSFT	Computer Software (Systems)	83.2	18.4%	9.9%	1.4%	25.0	100	90
Intel Corp.	INTC	Semiconductor	67.9	13.6%	6.5%	0.9%	20.0	100	50
Intl Business Machines	IBM	Computer Systems	70.8	13.7%	4.3%	0.9%	19.0	100	90
Cisco Systems	CSCO	Telecomm Equip	71.7	17.1%	11.0%	0.0%	25.0	100	35
Hewlett-Packard	HPQ	Computer Systems	57.1	13.3%	6.7%	1.1%	18.0	90	60
Google	GOOG	Internet	61.8	12.0%	39.5%	0.0%	35.0	50	10
QUALCOMM	QCOM	Telecomm Equip	79.3	17.6%	17.5%	0.8%	33.5	80	55
Dell Inc.	DELL	Computer Systems	69.5	19.3%	9.2%	0.0%	28.0	100	80
Apple Computer	AAPL	Computer Systems	64.8	2.1%	15.8%	0.0%	25.0	80	25
Motorola	MOT	Semiconductor	35.4	13.2%	6.4%	0.4%	25.0	70	11
Texas Instruments	TXN	Semiconductor	57.4	8.6%	9.7%	0.3%	25.0	90	30
Yahoo!	YHOO	Internet	61.7	8.3%	19.0%	0.0%	35.0	70	40
Oracle Corp.	ORCL	Computer Software (Systems)	77.9	27.2%	11.9%	0.0%	25.0	90	75
First Data Corp	FDC	Computer Software (Data Processing)	75.7	15.2%	7.5%	0.4%	21.0	90	95
EMC Corp.	EMC	Computer Storage	53.3	13.3%	12.6%	0.0%	26.0	80	25
Applied Materials	AMAT	Semiconductor Equip	64.2	14.5%	13.4%	0.0%	20.0	80	35
Corning	GLW	Electrical Equipment	49.6	6.3%	11.5%	0.0%	20.0	30	15
Auto Data Proc	ADP	Computer Software (Data Processing)	72.0	9.7%	6.4%	1.3%	23.0	100	90
Symantec	SYMC	Computer Software (Security)	61.4	7.5%	13.1%	0.0%	30.0	70	80
Adobe Systems	ADBE	Computer Software (Systems)	77.0	7.0%	13.5%	0.1%	24.0	90	70
Agilent Technologies	A	Precision Instrument	46.0	19.7%	7.5%	0.0%	27.0	70	5
Sun Microsystems	SUNW	Computer Systems	38.4	10.9%	9.6%	0.0%	25.0	30	35
Xerox	XRX	Office Equip & Supplies	40.2	9.2%	4.4%	1.0%	14.0	30	15
Accenture Ltd.	ACN	Computer Software (Consulting)	54.2	16.3%	9.7%	1.2%	22.5	50	97
Computer Assoc.	CA	Computer Software (Systems)	36.5	5.0%	11.4%	1.0%	17.0	30	10
Vipers Vanguard Technology	VGT	Averages	66.3	14.2%	11.4%	0.6%	24.8	83.6	55.0

Portfolio Analysis 12/31/2005		Proj Ann Return	Quality	Sales Growth	Yield	P/E	Finl Strength	EPS Pred
T. Rowe Price Science & Technology (1)	PRSCX	**16.3%**	**67.0**	13.6%	0.6%	27.2	78.4%	58.0
Fidelity Dividend Growth (2)	FDGFX	**15.6%**	**69.0**	8.4%	1.3%	19.6	84.1%	77.0
VIPERs Vanguard Discretionary (3)	VCR	**14.6%**	**62.0**	8.9%	0.7%	23.2	72.5%	64.0
iShares DJ Consumer Services (4)	IYC	**14.5%**	**65.7**	9.2%	0.7%	23.0	76.6%	71.0
White Oak Growth (10)	WOGSX	**14.5%**	**69.9**	13.2%	0.7%	24.8	84.7%	60.0
Thompson Plumb Growth (5)	THPGX	**14.4%**	**66.6**	7.4%	1.4%	19.1	80.4%	72.0
VIPERs Vanguard Technology (6)	VGT	**14.2%**	**66.3**	11.4%	0.6%	24.8	83.6%	55.0
American Century Ultra (11)	TWCUX	**14.0%**	**72.9**	11.2%	0.9%	23.6	83.1%	77.0
Fidelity Adv Equity Growth (7)	FAEGX	**14.0%**	**74.4**	11.1%	1.0%	23.3	91.6%	74.0
Fidelity Magellan (9)	FMAGX	**14.0%**	**69.5**	8.2%	1.5%	19.7	86.3%	75.0
NASDAQ-100 (8)	QQQQ	**13.9%**	**68.4**	12.6%	0.5%	26.7	79.7%	58.0
VIPERs Vanguard Growth (12)	VUG	**13.7%**	**74.2**	10.2%	1.0%	22.9	90.8%	75.0
VIPERs Vanguard Telecomm (*)	VOX	**13.6%**	**58.4**	10.8%	1.5%	25.1	53.6%	44.0
BlackRock LargeCap Growth (14)	PGIAX	**13.4%**	**70.7**	8.0%	1.1%	21.0	89.2%	78.0
Fidelity Blue Chip Growth (15)	FBGRX	**13.4%**	**73.3**	9.1%	1.3%	21.8	91.9%	78.0
Federated Capital Appreciation (*)	FEDEX	**13.3%**	**71.1**	8.3%	1.7%	18.0	89.4%	71.0
Putnam Voyager (16)	PVOYX	**13.3%**	**69.7**	10.6%	0.8%	21.5	85.0%	73.0
AIM Technology (13)	FTCHX	**13.2%**	**61.9**	13.2%	0.4%	26.2	73.1%	45.0
Dreyfus Founders Growth (19)	FRGRX	**13.2%**	**71.5**	8.8%	1.2%	22.0	85.8%	71.0
Thrivent Large Cap (17)	AALGX	**13.2%**	**70.6**	7.9%	1.6%	19.0	87.9%	74.0

December 31, 2005. *Listing of equity funds ranked by Projected Annual Return.* ***Projected Annual Return:*** *Average forecast return for holdings based on growth forecast, profitability, and projected annual P/E ratio.* ***Quality:*** *Average quality rating of the holdings. (0-to-100, Greater than 65 = Excellent)* ***Sales Growth:*** *Average sales growth forecast for holdings.* ***Yield:*** *Average projected annual dividend yield for holdings.* ***P/E:*** *Average projected annual P/E.* ***Financial Strength:*** *Value Line rating (A++=100%)* ***EPS Pred:*** *Average EPS predictability fo holdings. Figures in parentheses denote prior month rank. (*) denotes new to list.*

Sources: Manifest Investing, Value Line

The higher P/E ratio and relatively lower predictability rating indicate that VGT's price can be expected to be more volatile than the general stock market and funds holding less aggressive stocks. That has proved true over the nearly two years VGT has been in existence.

The largest two holdings, Microsoft (18.4% PAR, 83.2 QR) (November's Solomon's Select) and Intel (13.6% PAR, 67.9 QR) make up nearly 20% of the portfolio. The top 10 holdings make up about 50% of the portfolio. Of the top 10 holdings, all but Apple (2.1% PAR, 64.8 QR) have a projected return above that of the market as a whole. Four of the top 10 have PARs meeting our suggested advantage threshold of 5% above the market as a whole. Oracle (27.2% PAR, 77.9 QR), June's Solomon's Select, is the 13th largest holding.

Top holdings are not limited to more "mature" technology stalwarts. Google (12.0% PAR, 61.8 QR) is the 6th largest holding. Additionally, overall projected sales growth of 11.4% is relatively high, reflecting the expected growth nature of the portfolio. VGT has no cash holdings, an attribute that traditional open-end funds cannot duplicate. ETFs, like VGT, don't have to hold cash reserves to meet redemption requests from shareholders. This can give a small performance advantage over traditional index funds to ETFs in times like now when the return in cash is in the low single digits. Even relatively small cash holdings of 5-10% can trim a half to one-percentage point off of a portfolio's potential return. VGT's very low portfolio turnover ratio of 7% also aids its total return by reducing costs on both a before and after-tax basis. It also shows that this fund doesn't try to chase high-fliers.

These attributes, combined with the relatively high price volatility, make this fund an excellent candidate for regularly adding on a selective basis to a portfolio able to take on some additional risk for potentially greater return. Times when the PAR for the fund has a high advantage threshold of 4-5% over the market could present good buying opportunities.

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Sweet Sixteen Screen - January 2006

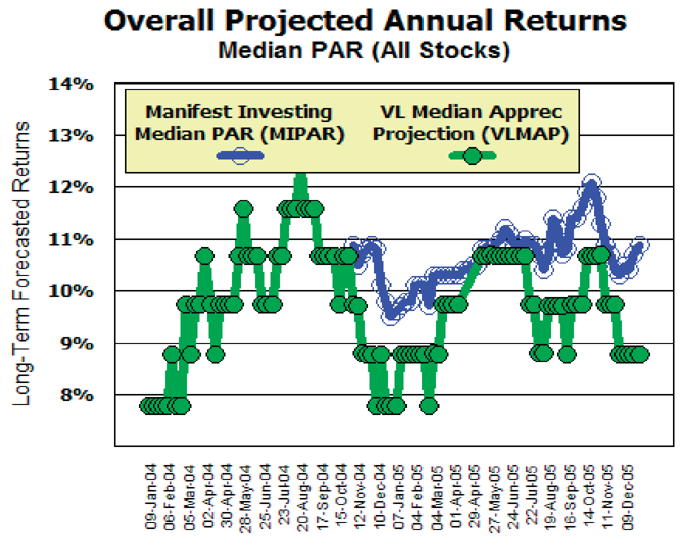
The screening results shown here deliver a group of high quality companies with fairly high return expectations. The list is ranked by projected annual return (descending) and includes companies with projected annual returns between 16-21% and financial strength ratings of "A" or better.

Overall Market Expectations

The median projected annual return (MIPAR) for all 2500+ stocks followed by Manifest Investing (Solomon database) is 10.9% (12/31/2005.)

Keep in mind that this is still relatively low. Projected returns have been low following the 2003 market advance. The multi-decade range for the Value Line Median Appreciation Projection (VLMAP) has been 8-20%.

Our experience has been that periods of low VLMAP/ MIPAR (less than 12%) are no time to relax quality and financial strength standards. Therefore, the Sweet 16 screening criteria limits the field to companies with financial strength ratings of "A" (80%) or better. Yes, Wall Street seems to be paying little attention to the blue chips and industry leaders. That makes the quest for quality more important than ever. Be diligent, patient and maintain that resolve.



Source: Manifest Investing, Value Line Investment Survey

Worth a Closer Look Now

New/Returning companies include: Home Depot, Stryker (Solomon's Select 12/1/2005), Affiliated Computer, Apollo Group and QUALCOMM.

The highest rated companies based on a combination of PAR and quality rating are Kohl's, Microsoft, Paychex and Home Depot.

Sweet Sixteen 12/31/2005	Symbol	Current Price	TTM Sales	Growth Forecast	Net Margin	P/E Avg	Fin Strgth	Proj Ann Ret	Quality
Home Depot	HD	$ 40.48	78990	8.1%	7.5%	24.0	100%	20.2%	74.2
Linear Technology	LLTC	$ 36.07	1057	15.2%	43.7%	30.0	80%	19.5%	70.3
Dell Inc.	DELL	$ 29.95	54571	9.2%	6.9%	28.0	100%	19.3%	69.5
Stryker	SYK	$ 44.43	4890	11.9%	17.3%	27.0	80%	19.2%	69.2
Affiliated Computer	ACS	$ 59.18	4907	14.2%	8.6%	22.0	80%	18.9%	70.7
Morgan Stanley *	MWD	$ 56.74	26.96	12.4%	17.0%	15.5	90%	18.9%	67.6
Paychex	PAYX	$ 38.12	1567	14.1%	28.6%	40.0	80%	18.5%	84.8
Microsoft	MSFT	$ 26.15	41522	9.9%	34.4%	25.0	100%	18.4%	83.2
Apollo Group	APOL	$ 60.46	2265	11.0%	20.2%	32.0	80%	18.3%	77.9
Fred's	FRED	$ 16.27	1600	14.5%	2.4%	20.0	80%	18.3%	72.6
CVS Corp	CVS	$ 26.42	36945	8.7%	3.9%	22.5	90%	18.2%	70.0
Meredith	MDP	$ 52.34	1413	10.6%	10.3%	22.0	80%	18.2%	74.8
Fifth Third Bank *	FITB	$ 37.72	17.1	8.4%	16.5%	18.0	90%	17.7%	69.2
Kohl's	KSS	$ 48.60	13450	15.9%	6.9%	20.0	80%	17.6%	91.2
QUALCOMM	QCOM	$ 43.08	5993	17.5%	36.2%	33.5	80%	17.6%	79.3
Yankee Candle	YCC	$ 25.60	582	9.1%	14.7%	17.0	80%	17.2%	79.2

Sweet 16 Screening Result for January 2006. *Companies shown in bold are new since last month. Screening parameters: Projected Annual Return between 16-21%. Financial Strength "A" (80%) or better. Quality higher than 65.0. Sales Growth greater than 8%.* ***Definitions: TTM Sales:*** *Revenues for trailing 12 months.* ***Net Margin:*** *Projected net margin (profitability) forecast in 3-5 years.* ***P/E Avg:*** *Projected average annual price-to-earnings ratio in 3-5 years. * - Financial firms use Book Value and Return-on-Equity (ROE) instead of sales and net margin.*

Sources: Manifest Investing, Value Line Investment Survey.

Model Portfolio

Tin Cup: Accumulate Home Depot

Our "Tin Cup" model portfolio is a standing feature intended to demonstrate the MANIFEST portfolio design and management approach. Our mission is to maintain the portfolio within the portfolio design characteristics and deliver superior long-term returns. All buying and selling decisions will be detailed here.

Total assets are $617,481 (12/31/05) and the net asset value is $170.44. The model portfolio lost 1.0% during December 2005 but ended 2005 with a 9.5% rate of return over the trailing 52 weeks vs. 4.3% for the Wilshire 5000. This marks the 4th time in the last 5 years that Tin Cup has achieved a higher rate of return than the "total stock market."

Projected Annual Return

With MIPAR at 10.9% (12/31/05) our target range for the projected annual return is 15.9-20.9%. At 16.0%, the portfolio ended the month narrowly below the lower threshold.

Quality

Quality and financial strength are sufficient at the current levels of 73.9 (Excellent) and 80.0% ("A".) EPS Pred is 87.0 for the portfolio.

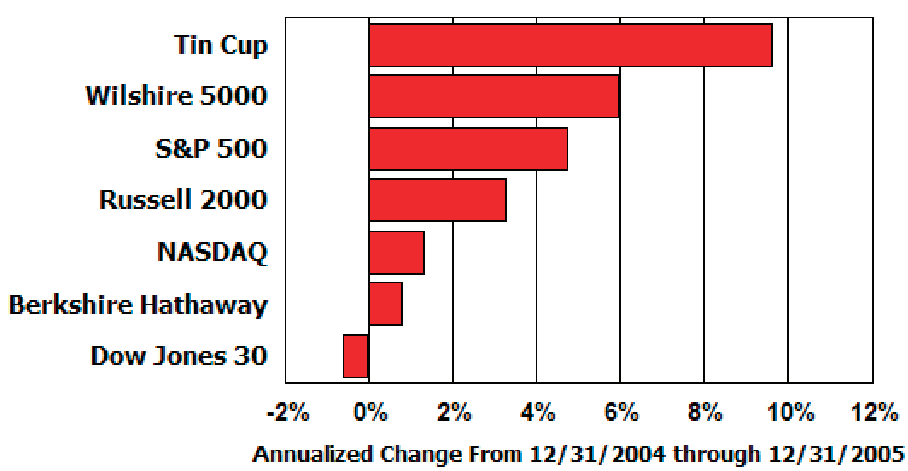
Company Name	Ticker	Shares	Price	Value	% of Portfolio	Growth	P/E	Yield	Qlty	PAR
Wendy's	WEN	1163.42	$55.26	$64,290	10.4%	9.3%	18.0	1.1%	71.3	7.6%
Strayer Education	STRA	562.29	$93.70	$52,686	8.5%	15.8%	29.0	0.4%	81.4	14.1%
Cardinal Health	CAH	698.01	$68.75	$47,988	7.8%	8.8%	20.0	0.1%	71.2	12.2%
Home Depot	HD	1158.42	$40.48	$46,892	7.6%	8.1%	24.0	0.7%	74.2	20.2%
Linear Technology	LLTC	1220.31	$36.07	$44,016	7.1%	15.2%	30.0	1.0%	70.3	19.5%
Bed Bath & Beyond	BBBY	1183.9	$36.15	$42,797	6.9%	14.1%	19.0	0.6%	92.6	15.8%
Altria Group	MO	569.66	$74.72	$42,564	6.9%	8.8%	13.0	4.5%	69.9	11.4%
Pfizer	PFE	1709.34	$23.32	$39,861	6.4%	2.9%	18.0	2.0%	76.2	20.1%
Masco Corp.	MAS	1312.38	$30.19	$39,620	6.4%	10.1%	16.5	1.6%	75.6	21.2%
Health Mgmt Assoc	HMA	1763.18	$21.96	$38,719	6.3%	10.0%	22.5	0.7%	64.2	24.2%
Paychex	PAYX	1007.61	$38.12	$38,410	6.2%	14.1%	40.0	1.3%	84.8	18.5%
Synovus Financial	SNV	1234.63	$27.01	$33,347	5.4%	9.0%	20.0	2.4%	73.3	17.8%
CVS Corporation	CVS	1186.03	$26.42	$31,334	5.1%	8.7%	22.5	0.3%	70.0	18.2%
Worthington Inds	WOR	1554.48	$19.21	$29,861	4.8%	5.4%	14.0	2.6%	49.9	15.4%
United Health Group	UNH	423.84	$62.14	$26,337	4.3%	9.6%	19.0	0.0%	75.8	8.7%
Totals & Averages				$618,731	100.0%	10.2%	21.9	1.4%	73.9	16.0%

Design & Performance

The annual limits on 401(k) contributions are increased to $15,000 for 2006. This means that Tin Cup will receive a monthly cash infusion of $1250 this year.

After the $1250 cash infusion for January, the overall portfolio PAR was 15.9% with a quality rating of 73.9 and an overall sales growth forecast of 10.2%. It's not "urgent" but we'd like any decisions made to increase the overall portfolio PAR.

52-Week Trailing Performance



Decisions

While the stock market sagged during December, the stock price of Wendy's gained 7.8% for the month driving its PAR down to 7.6%. Is Wendy's a sell candidate?

The yield on the 5-Year Treasury (FVX) is 4.4%, so WEN is not an "automatic" sale. We also note that the portfolio PAR is 5.0% greater than MIPAR, so no "special attention" is required. The accumulation of an existing holding with a sufficiently high PAR should be enough to provide some boost to the overall portfolio PAR.

Starting with the highest PAR, Health Management Assoc (24.2%) is disqualified from accumulation due to its financial strength rating of B+. Masco Corp (21.2%) has a PAR that is slightly out of the target range.

The next highest PAR holding is Home Depot at 20.2%. HD is "in range" and fits all requirements. We'll invest our cash-on-hand in HD, raising its stake to 7.6% of total assets and restoring the overall portfolio PAR to 16.0%.

What's On Your Mind?

Which Flavor of Yield?

The yield shown for Pfizer (PFE) at Manifest Investing is 2.0% and the yield shown for Wells Fargo (WFC) is 2.2%. Unless I'm suffering from some type of New Year delusion, I believe the current yields for both of these stocks is well above 3%. How is the yield calculated at MANIFEST? -- Steve P.

You're not delusional. It is, however, close enough to New Year's Eve that the cold compress mentioned earlier could come in handy for us.

We use projected yields at MANIFEST. The projected yield is used for the projected annual return calculation.

Although some people buy stocks based on current yield, we believe that a longer-term perspective of projected yield -- as part of an overall portfolio approach -- is probably a prudent approach to evaluating yield as a component of investment strategy.

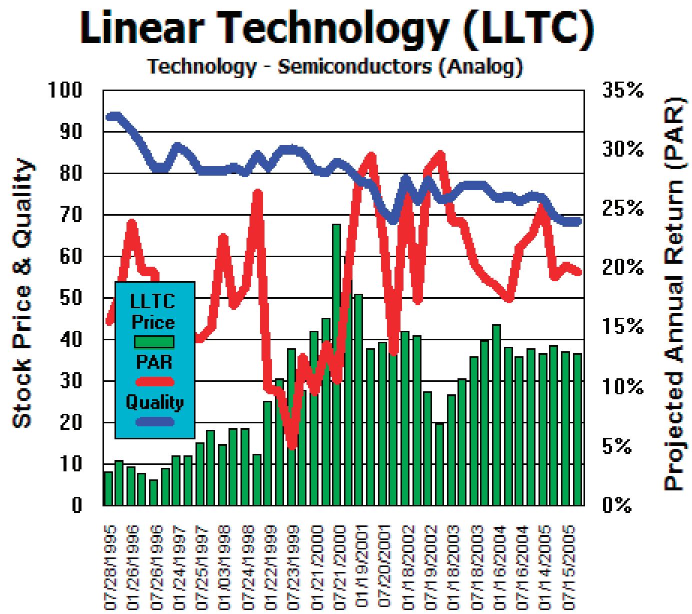
Steve P: "That makes sense now that you say it. With just the heading 'Yield' on the dashboard, I assumed current yield."

We'll add 'Proj' to the yield column on the dashboards. Thanks, Steve.

Equity Analysis Guide to Long-term Expectations (EAGLEs)

Can the EAGLE spreadsheet be downloaded from somewhere at www.manifestinvesting.com? I was able to construct most of it and going through that process is helpful in better understanding the Quality Rating. I am struggling with the PAR part. I am most interested in the spreadsheet because I think it would be an excellent way for my to help my investment club members understand quality and PAR better. -- Mike V.

Thanks for the question. We'll probably provide a "home" for EAGLEs fairly soon but there's no nest yet. We have included the spreadsheet with a few of the online features. At some point in the future, I'd expect that we'll add fields to the Fundamental Forecast features that will enable subscribers to enter their own judgments for sales growth, projected net margins and average P/E ratios. We appreciate your patience and indulgence as we build the resources. For now, the online version of this article provides links to a recent EAGLE for one of the MANIFEST 40 leaders, Home Depot. We'll also include a powerpoint presentation (tutorial) to guide data entry and display EAGLE concepts.



Linear Technology (LLTC) - Chronicle. *Quality remains at excellent levels but the trend merits attention. The PAR continues to range in the high teens.*

Linear Technology (LLTC)

Do you have any thoughts on Linear Technology, your Solomon's Select for 5/1/2005? Some advisory newsletter have suggested selling LLTC. Any signs of cold feet? -- Faith F.

Nope. No signs of frost bite here in Michigan. Linear Technology is prominently featured in this month's Sweet Sixteen and the outlook is unchanged. We will, however, admit that we'd sure like to see that downward trend in quality (see accompanying LLTC Chronicle) to abate and hopefully switch direction in the near future.

Other newsletters may have different time horizons or different expectations for the fundamentals. A quick comparison would spot the differences. Value Line (10/14/2005) said, "Linear Technology stock has good long-term growth prospects. As products grow increasingly complex, demand for Linear's high-performance designs continues to grow." Morningstar has LLTC as a "hold" and a fair value of $40. S&P calls LLTC a "hold" but comments further that "[S&P] thinks LLTC is a solid investment for the longer term..." So do we, warm feet and all.

Contact Us

You can write us at Manifest Investing LLC, P.O. Box 81120, Rochester MI 48308. If you prefer e-mail, contact us at manifest@manifestinvesting.com. Every effort will be made to answer your questions individually. Your inquiries, comments and recommendations tell us what you want to see and we'll do our best to provide it.