

# Expected Returns

Editor: Mark Robertson, Manifest Investing LLC  
Results, Remarks and References Regarding Investment Initiatives

Volume XIV, No. 4  
April 2006



## Stacking the Odds: Forecasting Growth

*If you invest in stocks, you know the feeling. You've done your homework, covered all the bases in your studies and the time comes to click that [Place Order] button. For many of us, a paralysis sets in that usually passes in a few moments. Those with deeper afflictions can point to opportunities lost. If you're facing an investment club decision or presentation, the group often does its best imitation of a statue while everybody present is hammered by some form of stage fright. There is no such thing as the perfect crystal ball. Uncertainty and fear are part of life. We hope that Manifest Investing helps you to know that we're all in this together, providing some enabling support to suppress the fear and remove the mystery.*

Every journey starts with the first step. Take a deep breath and let the marching begin.

No matter how you feel, please know that you're not alone. It might feel that way but virtually everybody who has ever done this has experienced feelings similar to (if not identical) to what you're going through now.

As we said, you've done your homework and completed a careful evaluation of the merits of a particular investing opportunity. You should also know that despite doing more research than is humanly possible, there is always a chance that the unexpected, unrelated and literally inconceivable will jump up and bite you.

It comes with the territory. Patient and disciplined long-term investors take a deep breath and exercise some faith that we've done all we can to stack the outcomes in our favor.

Feel better yet?

Uncertainty ranks right up there with gravity. It's reliable and sometimes uncomfortable. We think you should relax and accept the fact that forecasting is rarely easy as evidenced by these fearless forecasters that have trail-blazed before us. How many of these timeless predictions have you seen before?

### Fearless Forecast Hall of Fame

*"Heavier-than-air flying machines are impossible." -- Lord Kelvin, President, Royal Society, 1895.*

*"Who in the world would ever want to hear actors talk?" -- H.W. Warner (1881-1958) Founder of Warner Brothers, 1927.*

*"The stock market has reached what is certainly a PERMANENTLY high plateau." -- Jerome Fischer, Yale University of Finance, Autumn 1929.*

*"I think that there is a world market for maybe five computers." -- Thomas Watson (1874-1951) Chairman, IBM, 1943.*

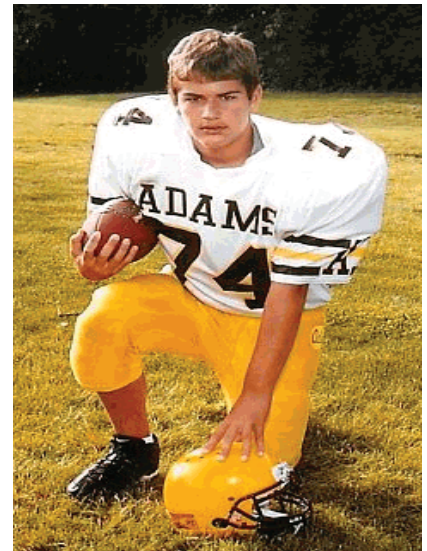
*"There is no real reason that anybody would ever want a computer in their home." -- Ken Olson, President, Chairman & Founder, Digital, 1977.*

*"640K ought to be enough for anybody." -- Bill Gates, Microsoft, circa 1981.*

### "Grading" Your Work

The next time you make some harsh assessments of a research report, consider the report card given here:

*"Interesting ideas... well-formed, but I must give you a failing grade. In order to pass my class... idea must be feasible."*



**What can we learn from the growth trends and characteristics of teenagers that we can apply to investment analysis?**

... continued on page 2

### In This Issue...

Wrigley, Wm. (WWY).... 3

American Century Select ... 4

Mutual Fund Manifest ... 5

Sweet Sixteen Screen ... 6

Tin Cup Model Portfolio ... 7

Continuous Classroom .... 8

Those timeless words were spoken by a Yale University professor to Fred Smith, about his thesis conceptualizing overnight delivery.

Fred left college and founded Federal Express.

## Investors: Natural Prognosticators

At a 2001 meeting of the National Association of Investors Corp, CNBC chief economist Marci Rossell talked about characterizing economic (and company) growth using something fairly easy for all of us to recognize. She suggested that growth be explored and understood by thinking of the growth of our children.

The "long-term growth rate trend" changes depending on the age of a child. Inherent growth is predetermined by genetic code, which given proper nutrition delivers some semblance of predictable growth.

To demonstrate, let us try to predict how tall my teenage son Alex will be. (Yes, that's Alex on the first page.) What questions come to mind? At a recent investment education conference, the audience and I explored the question as we tried to build a height forecast for Alex.

*How old is Alex now?* He just turned 16 years old.

*How tall is he now?* Good question and a powerful piece of information. He's approaching 6-1.

*Does he eat well?* Those of you with teenage sons will be able to relate to this one. Yes, he makes a difference on the Kellogg's income statement whenever he sits down to breakfast. Pizza is a staple but his overall nutritional choices are above average.

*How big are his feet?* Great question! His toes are getting pinched in his size "13" shoes right now.

*How tall is his father?* On a good day, I approach 6-1 too. *Any other tall relatives?* Another really good question. He bears a strong resemblance to his maternal grandfather who is 6-5 or so. A great uncle on his father's side was 6-4. He ate cereal like Alex. His mother is 5-10 or so but her growth was slightly stunted (on purpose) by a medical condition as a teenager.

*Have you ever received an estimate from a medical expert as to how tall Alex might become?* Wow. We've done this a few times and I've gotten this question only once. The answer is no, but it's a really good question.

Based on the information collected, the average forecast from the audience will typically be 6-5 with a range of 2 inches in either direction. The audiences who ask about shoe size generally estimate higher.

It's actually a fairly short jump from understanding growth of our teenagers to asking the right questions about the companies that we study. How has the growth been achieved? What will the company do to continue to grow and maintain profitability?

## Stacking the Odds

Several years ago at a reunion of college friends, the subject of investing came up. This was before the go-go years of the late 1990s. One of my friends observed that stock market investing is not very different from riverboat gambling.

I'm generally reluctant to use gambling examples when explaining the merits of strategic long-term investing, but in this case, the shoe fits. When we develop expectations by studying companies and growing our own assessment of the quality and projected returns, we're effectively stacking the odds in our favor. We know that we don't have to play every hand and we can wait for the opportunities that seem more probable to work out in our favor.

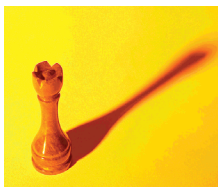
I'd compare it to a game of Texas Hold 'Em. In this poker game, you receive two cards and build the best hand with your two "pocket cards" and five community cards from the center of the table. A player that is dealt "pocket aces" has the highest probability of winning -- because this is the strongest starting hand. Mathematically, the probability that pocket aces will defeat another hand is 93%. But it's not a "sure thing."

We can compare our quest and study of relevant information to being extremely selective about which "hands" to play. Our studies mean that the pocket cards (for every hand at the table) are visible to us. The average investor chooses their seat at the table without seeing the cards. The choices are made by dartboard or index fund -- a really big dart board. Those who chase hot stock tips are playing in a game where the best hands have already been taken.

## The Power of Information

We build our forecasts and make comparisons that define our quality rating for the companies we study. Forecasting is usually uncomfortable for most people. Do not be afraid. Your instincts will lead you to the right questions and answers. What are the influences on quality and projected returns? Together, we learn where to dig and which seats at the table have the highest probabilities for success. We also know that pocket aces will not always win -- but will succeed more often than fail. Patience and discipline add up to a powerful advantage over the long run.





## Wrigley, Wm. (WWY)

**The Boston Red Sox ended the longest drought without a championship in 2004. The Chicago White Sox won the 2005 World Series to end another long dry spell. Could it be time for the Chicago Cubs to end nearly 100 years (98) of frustration?**

**Probably not. "Next year" arrives in Chicago every Spring as Chicago's lovable losers take the field at Wrigley Field. The Wrigley family sold the Cubs to the Chicago Tribune in 1981 and focused their attention on "a continuous commitment to providing the world's highest-quality chewing gum and confectionary products that are both great tasting and make life a little more fun." We all know about Juicy Fruit and Doublemint, but did you know that Wrigley is now home to Altoids and Life Savers? Wrigley brands are sold in over 180 countries and deliver a variety of benefits including breath freshening, tooth whitening and vitamin delivery.**

### Growth

The sales growth forecast for WWY has actually increased in recent years to approximately 10.5% after averaging 8.0% over the last five years. Actual sales growth for 2005 was 14%.

Value Line projects long-term sales growth at 10.4%. Morningstar expects 14% sales growth for 2006 (reflecting acquisitions) and 7% growth per annum thereafter. Annualized over five years, this is a growth forecast of 8.4%.

### Profitability

Margins are projected to reach 13.3% in 2006. Value Line projects

that long-term net margins will return to higher levels near 14%. WWY's average actual net margin for the trailing 5-year period is 14.2% with a high of 15.3% in 2000.

### Valuation

The industry average projected P/E is 17x. WWY has a projected annual P/E ratio of 28x. At Morningstar's fair value estimate of \$74 (3/31/2006) they've used an implied "fair" P/E of 29.3x for WWY. Wrigley has clearly carried (and merited) a premium P/E ratio for a very long time. The only question for investors studying the company is "How much premium?"

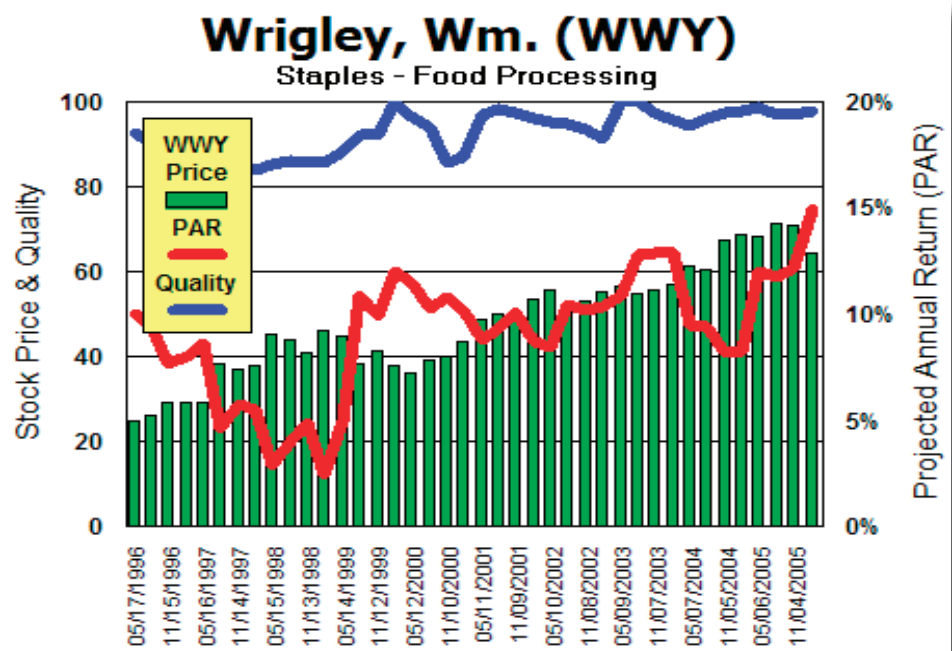
### Expected Returns

Based on a price at the time of the study of \$64.59, the projected annual return was 14.9%.

### Quality & Conclusions

Wrigley is a monument to financial strength. WWY has exhibited a A++ financial strength rating and an EPS predictability of 100 since 2/17/1995 (the oldest report that we have on WWY.) The sales and profitability expectations combine to form the only 100.0 quality rating at this time.

The accompanying chronicle for WWY suggests that the projected return outlook has rarely been more favorable during the last ten years. The acquisition of Life Savers and Altoids are a promising step into complementary candy markets, as the legacy of chewing gum represents a mere 13% of global confectionary sales. This seems like room for growth and efficiency, using established distribution channels. With overall market projected returns under 10%, we're clinging to high quality. 🍷



**Wrigley (Wm.) -- Sticking to High-Quality?** The chronicle illustrates the historical high quality rating and high relative current PAR for Wrigley. The PAR trend also suggested a period of significant overvaluation during 1998 and late 2004. Wrigley is a great example of a high-quality company that was available at a decent PAR back in March 2000 -- and has done fairly well since then for shareholders. The recent pullback in stock price (from \$74.40 to \$64.59) may represent a buying opportunity as Wrigley begins to reap the promise of some new and "curiously strong products."





## American Century Select (TWCIX)

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 of mutual funds covered by MANIFEST were culled for those with the following characteristics: Projected Annual Return (PAR) greater than the total stock market (9.7%), a quality rating (QR) greater than 60 and a financial strength rating of 70 or better. The result is American Century Select—Investor Class (TWCIX).

TWCIX is closed to new investors but is still available in many retirement plans. Additionally, shares in Classes A (5.75% load) and B (up to 5% deferred sales charge) of American Century Select can be purchased through many stock-brokers although they have higher annual expenses than the Investor Class. Moreover we can glean stock investment ideas and learn portfolio management concepts by reviewing portfolios of even closed funds.

### A Glance in the Rearview Mirror

The annualized total return for TWCIX from 2/28/96 through 2/28/06 was 6.8%, lagging the broad stock indices. Morningstar gives the fund a 3-star rating.

### Expected Returns

TWCIX's 13.4% portfolio PAR is superior to the projected return for

the general stock market (9.7%). The expense ratio of 1.0% for the Investor Class shares is below average for domestic stock funds. Annual expenses for other share classes range up to 2% which is above average. Even so, all classes of American Century Select have expense adjusted PARs higher than most managed funds covered by MANIFEST.

### Knowing What You Own

TWCIX's holdings are profiled in its portfolio dashboard below. The portfolio QR of 73.4 is excellent, sixth highest out of all funds covered by MANIFEST. Average forecast sales growth of the fund holdings is 10.5%. Average projected P/E is 21.7x. Average financial strength is strong at 83.0. Average EPS predictability (86.0) is very high.

TWCIX has a relatively higher P/E ratio, reflecting its growth orientation, but its very high EPS predictability rating lends stability to the portfolio. As a result, I would expect TWCIX to be more volatile than the general stock market, but not extremely so. That's proved true over the last ten years.

TWCIX holds 70 stocks, relatively fewer than most diversified mutual funds. It has significantly higher portions of its portfolio in the healthcare and consumer-related sectors than the broad market and growth funds generally. The fund holds virtually no energy or utility stocks, low even for a growth mutual fund. TWCIX also has a lesser percentage of technology stocks than the typical growth fund, partially accounting for its high EPS predictability and contributing to its relatively lower volatility compared to other growth funds.

The largest three holdings, Wal-Mart, United Health Group and Johnson & Johnson make up 12% of the portfolio. The top 25 holdings (20 of which have projected returns

Name		Industry	Qty	PAR	Sales Grth	Yield	P/E	Finl Str	EPS Pred
Wal-Mart	WMT	Retail Store	81.6	13.5%	10.2%	1.2%	18.0	100.0	100
United Health Group	UNH	Medical Services (Managed Care)	74.1	13.8%	9.8%	0.0%	19.0	90.0	100
Johnson & Johnson	JNJ	Drug (Diversified)	78.6	12.3%	5.1%	2.0%	19.0	100.0	100
Teva Pharma	TEVA	Drug (Generic)	69.8	11.0%	11.7%	0.7%	22.0	80.0	65
Microsoft	MSFT	Computer Software (Systems)	83.7	18.3%	9.9%	1.4%	25.0	100.0	90
Weight Watchers	WTW	Retail Special	66.9	10.8%	9.8%	0.0%	25.0	30.0	95
Amgen	AMGN	Biotechnology	78.1	12.5%	13.6%	0.0%	20.0	100.0	95
Procter & Gamble	PG	Household Products	85.3	11.8%	7.9%	1.7%	22.0	100.0	100
American Intl Group	AIG	Financial Svcs (Div)	68.0	25.0%	12.8%	0.5%	23.0	80.0	85
SLM Corp.	SLM	Financial Svcs (Div)	87.2	13.4%	22.5%	1.7%	20.0	90.0	90
Medtronic	MDT	Medical Supplies (Devices)	87.7	15.7%	12.2%	0.7%	24.0	100.0	100
Ebay Inc.	EBAY	Internet	79.5	14.4%	24.7%	0.0%	40.0	90.0	70
First Data Corp	FDC	Computer Software (Data Processing)	77.0	13.8%	7.7%	0.4%	21.0	90.0	95
Apollo Group	APOL	Educational Services	77.1	19.6%	12.4%	0.0%	25.0	80.0	95
ARAMARK	RMK	Industrial Services	46.7	8.8%	7.2%	0.8%	17.0	30.0	99
General Electric	GE	Electrical Equipment	80.9	15.7%	7.5%	2.1%	21.0	100.0	95
Dell Inc.	DELL	Computer Systems	69.9	16.5%	9.6%	0.0%	25.0	100.0	80
Tyco Intl	TYC	Diversified	50.9	13.0%	3.8%	0.8%	15.0	30.0	60
3M Company	MMM	Chemical (Diversified)	80.1	8.5%	6.8%	1.7%	20.0	100.0	75
Berkshire Hathaway A	BRK.A	Insurance (Prop/Cas.)	55.4	9.5%	8.2%	0.0%	20.0	90.0	50
Citigroup	C	Financial Svcs (Div)	68.0	10.8%	7.0%	4.3%	10.5	80.0	85
Intl Game Technology	IGT	Hotel/Gaming	63.6	9.4%	8.2%	1.5%	22.0	50.0	75
Linear Technology	LLTC	Semiconductor (Analog)	68.5	18.1%	15.2%	1.0%	30.0	80.0	60
Berkshire Hathaway B	BRK.B	Insurance (Prop/Cas.)	55.4	9.5%	8.2%	0.0%	20.0	90.0	50
Carnival Corp.	CCL	Recreation	67.2	10.3%	5.0%	1.6%	17.5	50.0	80
American Century Select	TWCIX	Averages	73.4	13.4%	10.5%	1.0%	21.7	83.0	86.0

Portfolio Analysis 3/30/2006		Proj Ann Return	Quality	Sales Growth	Yield	P/E	Finl Strength	EPS Pred
<b>T. Rowe Price Science &amp; Technology (1)</b>	PRSCX	<b>14.5%</b>	<b>66.4</b>	12.5%	0.6%	25.7	79.3%	54.0
Fidelity Adv Dividend Growth (*)	FDGTX	<b>14.0%</b>	<b>69.0</b>	7.9%	1.6%	19.4	84.0%	78.0
<b>VIPERs Vanguard Technology (2)</b>	VGT	<b>13.7%</b>	<b>65.9</b>	11.8%	0.5%	24.7	81.6%	53.0
<b>VIPERs Vanguard Growth (4)</b>	VUG	<b>13.7%</b>	<b>74.6</b>	10.5%	1.0%	22.7	92.4%	75.0
<b>American Century Ultra (8)</b>	TWCUX	<b>13.6%</b>	<b>72.4</b>	11.0%	1.0%	23.0	84.3%	76.0
Fidelity Adv Equity Growth (3)	FAEGX	<b>13.5%</b>	<b>74.4</b>	10.8%	1.1%	22.9	92.9%	75.0
American Century Select (*)	TWCIX	<b>13.4%</b>	<b>73.4</b>	10.5%	1.0%	21.7	83.0%	86.0
Vanguard Growth Index (5)	VIGRX	<b>13.3%</b>	<b>73.3</b>	10.1%	1.0%	22.2	90.9%	74.0
Putnam Voyager (13)	PVOYX	<b>13.1%</b>	<b>69.5</b>	10.7%	0.8%	21.0	85.0%	74.0
Dreyfus Founders Growth (14)	FRGRX	<b>13.1%</b>	<b>71.4</b>	9.0%	1.3%	22.0	86.4%	71.0
Federated LargeCap Growth	FLGAX	<b>13.0%</b>	<b>70.0</b>	10.6%	0.9%	21.7	86.4%	69.0
<b>Fidelity Dividend Growth (9)</b>	FDGFX	<b>12.9%</b>	<b>67.0</b>	8.2%	1.6%	19.0	82.7%	71.0
Thrivent Large Cap (15)	AALGX	<b>12.9%</b>	<b>70.2</b>	7.8%	1.6%	18.7	88.6%	74.0
AIM Technology (11)	FTCHX	<b>12.9%</b>	<b>61.8</b>	14.3%	0.3%	26.9	70.5%	41.0
T.Rowe Price Growth (18)	PRGFX	<b>12.8%</b>	<b>66.9</b>	10.0%	1.1%	21.3	79.9%	70.0
<b>Thompson Plumb Growth (17)</b>	THPGX	<b>12.8%</b>	<b>65.3</b>	7.2%	1.4%	18.9	81.6%	70.0
T.Rowe Price Blue Chip Growth (*)	TRBCX	<b>12.7%</b>	<b>71.7</b>	11.2%	1.0%	21.2	85.2%	79.0
<b>NASDAQ-100 (6)</b>	QQQQ	<b>12.7%</b>	<b>66.7</b>	15.4%	0.4%	27.5	74.4%	53.0
Vanguard Total Stock Market (*)	VTSMX	<b>12.7%</b>	<b>70.7</b>	7.3%	1.9%	18.5	90.7%	76.0
Vanguard 500 Index (16)	VFINX	<b>12.7%</b>	<b>70.3</b>	7.2%	1.8%	18.6	91.6%	74.0

**March 30, 2006.** 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 for holdings. Figures in parentheses denote prior month rank. (\*) denotes new to list. Funds listed in bold have been previously featured in Expected Returns. Sources: Manifest Investing, Value Line

exceeding that of the market as a whole) constitute about 67% of the portfolio. Six have PARs falling within above our target advantage threshold range of 5-10% above MIPAR: Microsoft (18.3% PAR, 83.7 QR), Medtronic (15.7% PAR, 87.7 QR), Apollo Group (19.6% PAR, 77.1 QR), General Electric (15.7% PAR, 80.9 QR), Dell (16.5% PAR, 69.9 QR) and Linear Technology (18.1% PAR, 68.5 QR).

## Management Decisions

John R. Sykora has the longest tenure of TWCIX's three managers, having assumed that position on 9/1/02. The managers' stated focus is on established, large companies with accelerating earnings and positive returns on invested capital. Turnover is 55%, low compared to most funds, and has been declining significantly in the last 3 years.

The managers shun utility and energy stocks because such companies have historically returned less than their invested capital. Sticking to their investing methodology punished TWCIX's performance in 2005 because those two sectors accounted for 57% of the S&P 500's 2005 return. Other portfolio decisions in the quarter ending 12/31/05

were somewhat negative insofar as impact on projected return is concerned. The managers reported no new positions in the top 25 holdings, accumulated stock in 16 of those holdings (average current PAR of 13.8%) and pared holdings in 7 (average current PAR of 17.6%). AIG with a very high PAR of 25 accounted for the largest reduction in holdings. Without AIG, the reductions had an average PAR of 13.1%. While these figures don't account for conditions at the time the trades were made, future decisions merit watching to see whether they increase expected returns.

TWCIX's exceptional Quality Rating, superior financial strength and low volatility for a growth fund make it a solid consideration, particularly if you already own it or have it available through your retirement plan. 🏰



**Cy Lynch** is an Atlanta Braves fanatic, a respected and experienced long-term investor and contributor to educational efforts for the National Association of Investors Corp (NAIC.) Cy serves on the NAIC national board of advisors. He is a registered investment advisor and can be reached at: CELynch@att.net

## Sweet Sixteen Screen - April 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 14.7-19.7% and financial strength ratings of "A" or better.

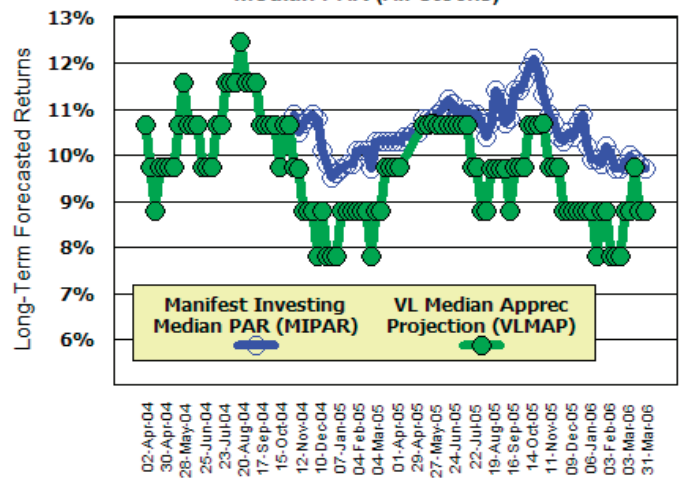
### Overall Market Expectations

The median projected annual return (MIPAR) for all 2500+ stocks followed by Manifest Investing (Solomon database) is 9.7% (3/31/2006.)

Keep in mind that this is still relatively low. At 9.7%, it's nearly the lowest we've seen since we initiated MIPAR. The multi-decade range for the Value Line Median Appreciation Projection (VLMAP) has been 8-20%.

Our experience has been that periods of low 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. The rhinos on Wall Street continue to pay little attention to the blue chips and industry leaders. Blue chip high-quality growth companies continue to lead this list and seem to be "best fits" in the current market.

Overall Projected Annual Returns  
Median PAR (All Stocks)



Source: Manifest Investing, Value Line Investment Survey

### Worth a Closer Look Now

New/Returning companies include: Abercrombie & Fitch, Apollo Group, Lincare Holdings, Medtronic, Walgreen and Wrigley.

The highest rated companies based on a combination including PAR and quality rating are Microsoft, Wrigley, Apollo Group, Dell and Linear Technology. 🏆

Sweet Sixteen 3/30/2006	Symbol	Current Price	TTM Sales	Growth Forecast	Net Margin	P/E Avg	Fin Strgth	Proj Ann Ret	Quality
<b>Apollo Group</b>	APOL	\$ 52.43	2460	12.4%	20.5%	25.0	80%	<b>19.7%</b>	<b>77.1</b>
Home Depot	HD	\$ 42.38	81000	8.0%	7.4%	24.0	100%	<b>19.6%</b>	<b>75.0</b>
Masco Corp.	MAS	\$ 32.27	12890	9.0%	8.9%	16.5	80%	<b>18.7%</b>	<b>74.0</b>
Stryker	SYK	\$ 44.86	5004	11.6%	17.1%	26.0	80%	<b>18.4%</b>	<b>68.8</b>
Linear Technology	LLTC	\$ 35.48	1067	15.2%	40.0%	30.0	80%	<b>18.4%</b>	<b>68.5</b>
Biomet	BMET	\$ 36.04	1993	11.7%	22.2%	25.0	80%	<b>18.2%</b>	<b>72.4</b>
<b>Walgreen</b>	WAG	\$ 44.65	44525	13.6%	4.4%	26.5	100%	<b>18.1%</b>	<b>86.8</b>
Microsoft	MSFT	\$ 27.23	42739	9.9%	34.4%	25.0	100%	<b>18.1%</b>	<b>83.7</b>
Pulte Homes	PHM	\$ 38.81	14850	17.7%	8.8%	8.0	80%	<b>17.9%</b>	<b>75.5</b>
Meredith	MDP	\$ 55.89	1513	10.6%	10.3%	22.0	80%	<b>17.2%</b>	<b>74.8</b>
Electronic Arts	ERTS	\$ 54.19	2843	18.6%	19.6%	30.0	90%	<b>17.0%</b>	<b>69.0</b>
<b>Lincare Holdings</b>	LNCR	\$ 39.03	1297	15.2%	20.0%	15.0	80%	<b>17.0%</b>	<b>79.7</b>
<b>Abercrombie &amp; Fitch</b>	ANF	\$ 57.97	2785	10.8%	12.7%	18.0	90%	<b>17.0%</b>	<b>81.8</b>
Dell Inc.	DELL	\$ 30.16	55500	9.6%	6.9%	25.0	100%	<b>16.7%</b>	<b>69.9</b>
<b>Medtronic</b>	MDT	\$ 51.58	11340	12.2%	25.0%	24.0	100%	<b>15.8%</b>	<b>87.7</b>
<b>Wrigley (Wm.)</b>	WWY	\$ 64.59	4170	10.4%	14.0%	28.0	100%	<b>14.9%</b>	<b>100.0</b>

**Sweet 16 Screening Result for April 2006.** Companies shown in bold are new since last month. Screening parameters: Projected Annual Return between 14.7-19.7%. 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: Sell Wendy's, Buy Wrigley & Microsoft

*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 \$652,013 (3/31/06) and the net asset value is \$178.90. The model portfolio gained 1.5% during March 2006 and generated a 13.9% rate of return over the trailing 52 weeks vs. 14.4% for the Wilshire 5000.

## Projected Annual Return

With MIPAR at 9.7% (3/1/06) our target range for the projected annual return is 14.7-19.7%. At 15.0%, the portfolio PAR ended the month greater than the lower threshold.

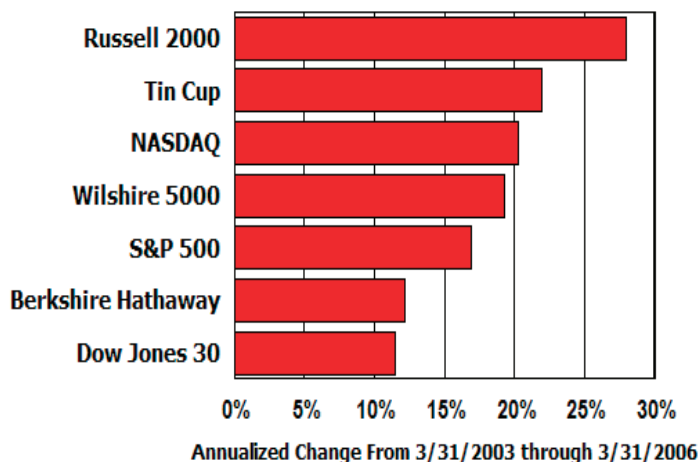
## Quality

Quality and financial strength are sufficient at the current levels of 73.8 (Excellent) and 81% ("A".) EPS Pred is 89.0 for the portfolio.

## Design & Performance

After the \$1250 cash infusion for April, the overall portfolio PAR was 15.0% with a quality rating of 73.8 and an overall sales growth forecast of 9.8%.

## 3-Year Trailing Performance



## Decisions

The 11.1% stake (\$72,201) in Wendy's was SOLD as the PAR dropped to 4.6% versus the 5-year yield on T-Bills (FVX) of 4.81%. This was a mechanical decision triggered by this condition. We're spared the emotion of parting with a holding that has delivered substantial returns. The Tim Horton's spinoff has elevated the WEN stock price and we'll probably take a closer look at the specifics on the MANIFEST Forum. For Tin Cup, the "mechanical" limit was triggered and we now have some shopping to do. Turning to the Sweet Sixteen results for April, they were ranked by the combination rating (PAR\*200+QR/2.) (See the accompanying table for the six "finalists.")

50% of the WEN proceeds were invested in Wrigley (5.6% of total assets.)

Walgreen was not selected due to the existing position in CVS Corp.

5.6% of total assets were invested in Microsoft (Solomon's Select for 11/2005.) The transactions reduce discretionary sector holdings and boost staples and technology to deliver a nice balance for Tin Cup. Wendy's -- we'll miss ya. Thanks for the lift. 🍷

Dashboard: Tin Cup <a href="#">[edit]</a>										Date: 03/31/2006
Company Name	Ticker	Shares	Price	Value	% of Portfolio	Growth	P/E	Proj Yield	Qlty	PAR
Wendy's	WEN	1163.42	\$62.06	\$72,201	11.1%	7.2%	18.0	1.1%	68.9	4.6%
Home Depot	HD	1566.62	\$42.30	\$66,268	10.2%	8.0%	24.0	0.7%	75.0	19.7%
Linear Technology	LLTC	1687.1	\$35.08	\$59,183	9.1%	15.2%	30.0	1.0%	68.5	18.6%
Strayer Education	STRA	562.29	\$102.26	\$57,499	8.8%	15.8%	29.0	0.7%	80.9	14.5%
Cardinal Health	CAH	698.01	\$74.52	\$52,015	8.0%	7.7%	20.0	0.1%	68.6	9.2%
Bed Bath & Beyond	BBBY	1183.9	\$38.40	\$45,461	7.0%	12.1%	19.0	0.6%	90.1	13.5%
Masco Corp.	MAS	1312.38	\$32.49	\$42,639	6.5%	9.0%	16.5	1.7%	74.0	18.5%
Pfizer	PFE	1709.34	\$24.92	\$42,596	6.5%	3.2%	18.0	2.4%	75.0	17.9%
Paychex	PAYX	1007.61	\$41.66	\$41,977	6.4%	14.1%	40.0	1.2%	83.9	17.2%
Altria Group	MO	569.66	\$70.86	\$40,366	6.2%	8.5%	14.0	4.1%	69.8	13.9%
Health Mgmt Assoc	HMA	1763.18	\$21.57	\$38,031	5.8%	7.8%	22.5	0.7%	61.3	22.4%
CVS Corporation	CVS	1186.03	\$29.87	\$35,426	5.4%	8.7%	22.5	0.3%	70.0	15.3%
Synovus Financial	SNV	1279.8	\$27.09	\$34,669	5.3%	9.0%	18.0	2.4%	73.3	16.0%
United Health Group	UNH	423.84	\$55.86	\$23,675	3.6%	9.8%	19.0	0.0%	74.1	13.8%
Totals & Averages				\$652,013	100.0%	9.8%	22.5	1.3%	73.8	15.0%

Sweet Sixteen 3/31/2006	Proj Ann Ret	Quality	Combo Rating
Wrigley (Wm.)	15.2%	100.0	80.4
Walgreen	18.1%	86.8	79.6
Microsoft	18.1%	83.7	78.1
Apollo Group	19.7%	77.1	78.0
Home Depot	19.6%	75.0	76.7
Medtronic	15.8%	87.7	75.5

## Continuous Classroom: Medtronic (MDT)

*During late January we launched an experiment at the MANIFEST Forum called our Continuous Classroom. Our intent is to provide an educational demonstration and opportunity for subscribers to ask questions and explore. The format will poll subscribers for topics (companies, funds, references, "book reports") and will continuously sequence from one to the next. We started with Home Depot, followed by Walgreen. The recently completed session explored Medtronic. Subscribers select the discussion topics from the most popular stocks (most frequently viewed using the Stocks feature at the site) or a handful of stocks making the most progress advancing in the MANIFEST 40. It looks like coming sessions will feature Wells Fargo, Laserscope or Knight Transportation.*

Medtronic was on the short list of stocks considered for inclusion in the Tin Cup portfolio this month. The company is also #13 on the MANIFEST 40, suggesting that we see the company listed among MANIFEST subscriber portfolios with a fairly high frequency.

### Core Considerations

If you haven't explored the wide berth of subjects covered by Brian Lewis at the MANIFEST Forum, I strongly encourage you to do so. In his words:

"I believe it's beyond 'just helpful' to have a good understanding of the company business model and what we could call the key dynamics before we go on to

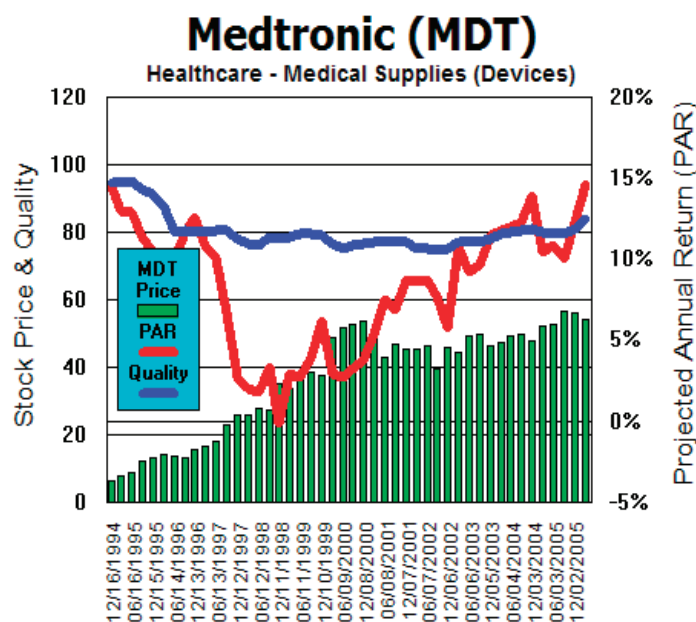


**Brian Lewis** led the recently completed Continuous Classroom on Medtronic. Brian lives in the Seattle area and has taught investing classes there since 1999 and at NAIC national conventions. He has been a member of NAIC since 1994 and currently serves as president of the Puget Sound chapter. He has also contributed more than 30 articles to NAIC publications and was a founding member of the NAIC Online Investors School. Check out his web site at: [www.nwlink.com/~brianle](http://www.nwlink.com/~brianle) for more investing-related materials.

### 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](mailto: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.

(c) Manifest Investing LLC 2005-06. All rights reserved. All efforts are made to use factual and timely sources believed to be reliable. No warranties whatsoever are implied. This publication and affiliated services represent an educational demonstration. **NO INVESTMENT RECOMMENDATION IS INTENDED.** Manifest Investing LLC has no affiliation with Value Line Publishing, Inc. nor the National Association of Investors Corp. (NAIC) The managers and members of Manifest Investing LLC may directly or indirectly hold shares in the companies or mutual funds that are reviewed in this publication. **Web site:** <http://www.manifestinvesting.com>



### Medtronic Continuous Classroom: Chronicle.

*As usual, a picture worth  $2^{10}$  (1024) words. Note the consistent quality and rare "elevation" for historical PAR.*

assess and estimate growth, profitability and company quality. It's a matter of building the context in which we think of those other (essential) things. To be clear, I don't think it means that you have to look at [a company study] in the depth that I have [for the Medtronic discussion]. I do think that you should try to get a general sense for the most important factors."

One subscriber commented that the Q&A exchange reads like a hall-of-fame of some of the finest long-term investing minds that we've come to know and respect from the NAIC community. I agree.

Brian's commentary on the blend of equity analysis (not pure growth, and not pure value) that we embrace was also very effective. At Manifest Investing, we build portfolios with an emphasis on target ranges for projected returns, quality and growth. We don't believe in the distinction made by the rhinos when it comes to growth vs. value and we don't believe size characterizations using market cap are effective. Thanks, Brian!

**Mark Robertson** 🍷