

Expected Returns

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

Volume XIV, No. 11
November 2006



A Foolish Grand Experiment?

At Manifest Investing, we believe that results matter. Keeping score is more than a good idea and we make an effort to gauge the effectiveness of our investing efforts. We believe that by leaning on the teaching of Benjamin Graham, David L. Babson and George Nicholson, our investment results can be superior. Benchmarking is a subject that conjures demons in the investing world ... even amongst members of our community. In this issue, we take a look at the rates of return achieved by our Solomon Select tracking portfolio and our featured funds since inception and explore an experiment at the Motley Fool known as CAPS.

While serving as senior contributing editor for *Better Investing* magazine, I'd participate in debates on measuring investment club and individual investor performance. These investors could be construed as disciples, students and practitioners of principles advocated by George Nicholson. The debates were often with the magazine's editor, Don Danko. Don carefully and professionally explained that he felt it was more important to inspire people to discover the potential of long-term investing and to invest regularly. The subject (and math behind) keeping score was often seen as a potential inhibitor. And he was right about that. When it's done wrong, keeping score can be quite harmful. My bathroom scale has wrecked more than one diet by being "so dreadfully accurate."

My counterargument was usually a whole lot less lucid than Don's and most often probably resembled: "I'll tell you what. Here are two tickets to the next Detroit Lions football game. When we get there, we'll discover that they've turned off the scoreboard. It's up to each spectator to decide how he or she feels about the worthiness of the effort on the field." Needless to say, Don won most of the debates. *(Incidentally, this scenario would be an act of compassion for my beloved Detroit Lions, but that's a story for another day and audience.)* But we were both right.

As administrator of an annual club performance "contest," I was exposed to thousands of club portfolios and accounting ledgers. Without getting too trapped in the numbers, when calculating the annualized rate of returns for these clubs, we noted that the long-term achievement ranged from approximately 8% to greater than 20%. (Yes, there were a few decades-old clubs exceeding Buffettesque performance levels.) Some of these were celebrated on the covers of national publications and treated to versions of ticker tape parades. But for every one of these, I'd also encounter a new, pioneering club with fewer years spent exploring investing. "Mark, We're grieving. Our return is only 3.6%. We give up." Despite efforts to put their achievements in accurate perspective, the discouragement often orphaned them, probably never to return to an effort to experience successful long-term investing. The fact was that their "meager 3.6%" was achieved during a period when the market was DOWN 4% per year. But it often didn't matter. They became fugitives from their own success.

In this regard, Don was right. Just because you can calculate something, it doesn't necessarily mean that you should. That is, unless the process includes appropriate lessons on the art/science of comparison. Benjamin Graham encouraged perspective and comparison when judging results: "A *satisfactory* return allows for capital appreciation and dividend yield. Satisfactory is subjective because it covers any rate or amount of return, however low, which an investor is willing to accept, provided he acts with reasonable intelligence."



The Motley Fool's CAPS. Another "grand experiment" of seminal value?

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The Pursuit of Performance -- An Eden Apple?

David L. Babson became concerned about "gunslingers" and made the following remarks to the first Institutional Investor Conference in 1968. We do our best to maintain a PG rating with this newsletter, but his remarks directed at a bunch of churning, high-fiving money managers during a market peak speak for themselves:

"What I am going to say won't sound very much like what the last three advocates on this performance investing panel have said ... but I am willing to make my position clear at the outset. I firmly believe that those of you who have joined in this performance cult, first, are responsible indirectly, if you aren't responsible directly, for the speculative orgy which is sweeping the country... the program describes me as 'one of the outspoken critics of the techniques that characterize investment performance.' I am glad that it doesn't describe me as a critic of good investment performance. ...my firm is not a newcomer to the principle of seeking good investment results. We have advocated 100 percent stock ownership as a sound policy for most people -- not just during the past 5-10 [hyperactive] years, but all of the past 20 years. We agree that investors should strive for excellent results. [Chasing] performance contains the seeds of its own destruction ... everybody is jumping on the bandwagon ... buying highly speculative issues ... buying at [P/E ratios] of 50-100x and portfolio turnover has reached 40%."

If Mr. Babson was livid about 40%, we must assume that he's spinning in his grave over the average 100% turnover rate for mutual funds these days.

"When we seek spectacular short-term profits ... we run the risk of having disastrous long-term results. And I think this is ridiculous when we can have excellent long-term results taking hardly any risk at all."

Babson was talking about investing in the spirit of Nicholson's disciples. That is, form long-term expectations with careful and considered analysis. Recognize the difference between investing and speculation -- an attempt to capitalize on emotion and investor psychology with short-term gymnastics.

Bogle ... On Performance

Vanguard's John Bogle is another outspoken leader who might stretch our PG rating from time to time. In his book, *Bogle on Mutual Funds*, he shares some thoughts on gauging results. He seems to agree with Graham and Don Danko.

"Exactly how a given investor defines good performance is not entirely clear. ... it has generally come to mean 'earning superior total returns' although the definition of superior is usually obscure. I would define superior [as the achievement] of total returns that are, with reasonable consistency, superior to those achieved by others with similar objectives."

It comes down to comparative performance. Compare apples and apples. Bogle emphatically emphasizes that it's

Ticker	CAPS Rating	Call	Time Frame	Start Price	Today (Change)	Stock Gain	S&P Gain	Score
VLCM	★★★★★		5Y	\$20.29	\$31.51 (+0.10%)	+54.61%	+5.60%	+49.00
HD	★★★★★		5Y	\$33.09	\$37.23 (-0.32%)	+12.39%	+5.60%	+6.79
LLTC	★★★★★		5Y	\$32.28	\$30.87 (+0.36%)	-3.50%	+5.64%	-9.14
EBAY	★★★★★		5Y	\$25.81	\$31.69 (+0.83%)	+23.36%	+5.64%	+17.72
MSFT	★★★★★		5Y	\$25.53	\$28.76 (-0.17%)	+12.73%	+5.55%	+7.18
MDT	★★★★★		5Y	\$46.00	\$48.55 (-0.23%)	+5.59%	+5.54%	+0.05
WSM	★★★★★		5Y	\$29.41	\$32.45 (-1.53%)	+10.30%	+4.67%	+5.64

The Motley Fool CAPS "experiment" is an effort to capture the consensus of a very broad collective, or investing community. In a sense, it's a combination of fantasy football and investment clubs. Participants attempt to identify stocks destined to outperform (or underperform) the S&P 500 and the results are logged. As shown here, my first seven picks from August have fared well, going 6-for-7 for an "Accuracy" of 85.7%. <http://caps.fool.com>

annualized returns that matter and that it's important to compare apples-to-apples over identical time periods. We don't have time or space here to discuss different flavors of apples, and for purposes of discussing the subject we'll assume that our efforts to pick stocks and equity-based funds means that comparisons to the S&P 500 (admittedly biased to large companies) are sufficient.

Investing Foolishly ... Harnessing Excellence?

If you need a crash course on Foolish investing, it's Foolish with a capital "F" and refers to the courageous medieval sorts who were unafraid to tell the King that he looked pretty ugly when standing naked in front of his kingdom. On the other hand, foolish investing (missing the capital "F") refers to the herd behavior we attribute to our beloved rhinos. Fools are about more than fearlessness. Speaking honestly to the King often meant spending time with the royal executioner.

Into this performance benchmarking fray, enter one Motley Fool -- actually a whole bunch of them (*12,000 at last count ... and rising*). Foolish co-founder David Gardner and his team are building what I've come to see as yet another "noble experiment." If Nicholson's investment club dream was on the mark -- and it was -- Gardner is dabbling at the edges of nudging investment club aspirations into warp drive.

Think about it. If you believe that what-we-do (building/maintaining long-term intelligent expectations for our investments) is good -- and it is -- how will we collectively fare? CAPS will have it's share of Babson's gunslingers, chartists and momentum hounds, but I eagerly await the day when we can screen for stocks to study from the subset of investors with 5Y time horizons, 5-Stars and All-Star results. Many Manifest subscribers are already participating. I believe our results will be superior. Stay tuned. We'll be watching and gauging the results because results matter. 🏰



Solomon's Select: Walgreen (WAG)

by Mark Robertson

Another month, another repeat selection? We'll try to avoid making a habit of this -- but the goal for this feature is to identify stocks positioned to outperform the S&P 500 market benchmark over the long term. And when opportunity comes knocking, we feel that we have to answer the door. In this case, the recent price disruption for Walgreen, largely caused by concerns about profitability going forward, has caused a price dip for Walgreen. We feel that the Wal-Mart's generic campaign has caused undue concern and hence -- an over-reaction in the WAG stock price.

As our 16-year-old headed out the door to go trick or treating last night (in the guise of a combination U.S. Marine, Jedi knight and medieval warrior with a light saber) he looked over my shoulder at the accompanying Walgreen graphics and said, "Hmmm ... looks like a disturbance in the force to me, Dad."

I can't capture it much better than that. The disturbance is from the 800-lb gorilla in retail known as Wal-Mart. As a shareholder of both Albertson's and Safeway, I can give personal testimony to the carnage that came with Wal-Mart's decision to sell groceries.

Is it different this time? I don't know. I do know that the impacted prescriptions represent a small portion of total pharmacy sales -- and that CVS and Walgreen have both commented the affected products are low volume. They've also questioned the Wal-Mart strategy because some of them already are provided at less than \$4 and the dosage/frequency of the Wal-Mart plan is questionable as to whether it's sufficient.

Growth

The sales growth forecast is relatively unchanged at 13.4%.

Profitability

This is where any "potential pain" will materialize. Forecasted margins for WAG are still 4.3%. If you're studying or owning Walgreen, watch this carefully.

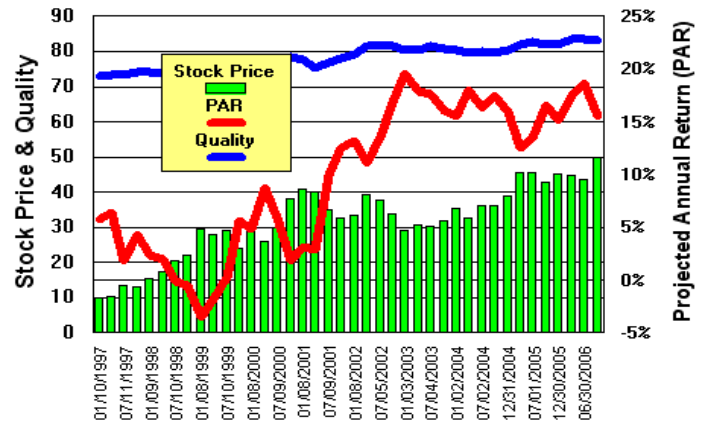
Valuation & Expected Returns

The projected P/E is still 26.5x. If margins fall under "attack", this will trend lower. Based on a price at the time of this update of \$42.85, the projected annual return was 19.1%. My instinct is that the Wal-Mart plan will not be a sufficient incentive to change habits of American consumers. They're a stubborn bunch.

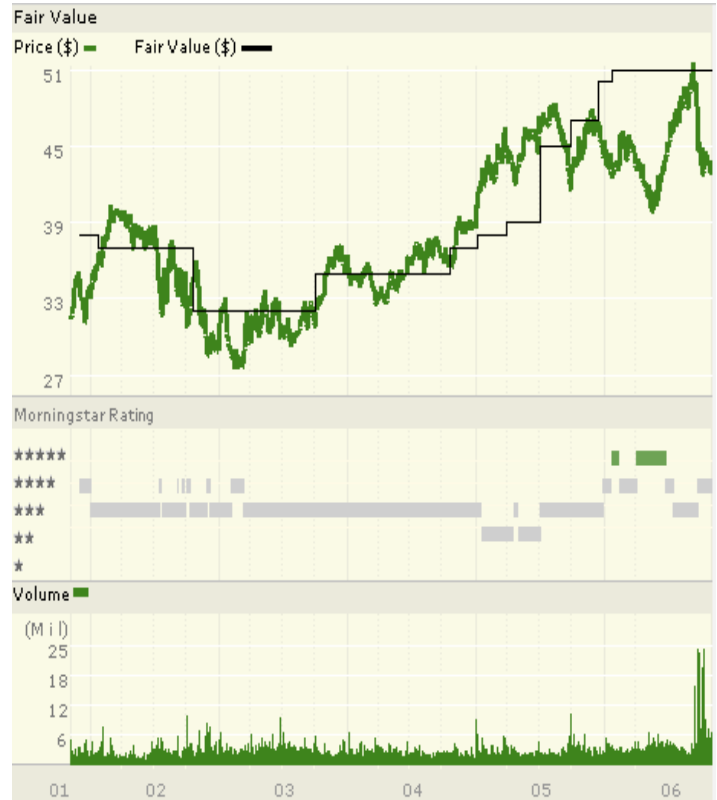


Walgreen Co. (WAG)

Staples - Pharmacy Services



Walgreen (WAG) -- Disturbance in the Force? The stock price of Walgreen advanced from \$41.93 to \$51.60 after our selection on May 1, 2006. Then things got "ugly" and the stock price has retreated to \$42-45. Quality is as strong as ever and there are no signs of deterioration in projected relative profitability, yet.



Walgreen (WAG) -- Morningstar View. Premium subscribers at www.morningstar.com have access to this historical perspective for covered stocks. The "disturbance" here is clear on the price and volume charts. Note the trend for the Fair Value versus the current price. Morningstar's Fair Value approach is comparable to our approach at MANIFEST, just coming at the result from a "different direction."



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. In a departure from our usual routine, this month we provide the Fund Scorecard to track returns on funds featured since inception of our newsletter.

Our emphasis in the study of mutual funds is not on where a fund has been, but where it seems to be going.

This Month's Fund Finding

I limited candidates this month to those funds previously featured. The result is Vipers Vanguard Technology

(VGT) which has the fourth highest overall PAR (third on an expense adjusted basis) out of all featured funds. I will briefly highlight changes since it was last featured in January 2006 and then discuss using MANIFEST tools to manage a fund portfolio using the Featured Fund dashboard as an example.

A Glance in the Rearview Mirror

VGT's annualized total return since selection (12/31/05) is 5.5%, lagging VTSMX by 5.4 percentage points.

Expected Returns

VGT's portfolio PAR of 14.1% exceeds the projected return for the general stock market (9.8%) by 4.3 percentage points. Its very low expense ratio remains unchanged at 0.26%, giving VGT a potential return of 13.84% after deducting expenses.

Knowing What You Own

VGT's holdings are profiled below. Portfolio average QR remains excellent at 66.3 and average financial strength strengthened to 83.6. Projected sales growth remained the same at 11.4%. Average projected P/E remains relatively high, increasing slightly to 24.8x since January. Average EPS Stability is 55, reflecting potential volatility relative to the broader market which is consistent with VGT's history.

Though VGT is an index fund and holds 400 stocks, it is actually quite concentrated because the index is weighted by market cap and holdings are limited to a single sector. MSFT (18.4% PAR, 82.7 QR) makes up over 10% of portfolio holdings, nearly double that of Cisco (15.1% PAR, 80.7 QR), the second largest holding. The largest 10 holdings constitute nearly 50% of the portfolio.

Top Holdings: Vipers Vanguard Technology (VGT)

Name		Industry	Qty	PAR	Sales Grth	Yield	P/E	Finl Str	EPS Pred
Microsoft	MSFT	Software (Systems)	82.7	18.4%	10.1%	1.3%	25.0	100.0	82.2
Cisco Systems	CSCO	Communications Equip	80.7	15.1%	12.4%	0.0%	25.0	100.0	66.3
Intl Business Machines	IBM	Computer Systems	75.4	11.7%	5.1%	1.4%	17.0	100.0	92.4
Intel Corp.	INTC	Semiconductor (Broad Line)	63.5	13.6%	8.7%	1.4%	20.0	100.0	55.2
Hewlett-Packard	HPQ	Computer Systems	61.8	8.6%	5.2%	1.0%	17.0	90.0	71.6
Google	GOOG	Internet	72.5	13.6%	32.0%	0.0%	35.0	80.0	23.6
Oracle Corp.	ORCL	Software (Systems)	76.5	15.4%	10.2%	0.0%	22.0	80.0	74.7
Apple Computer	AAPL	Computer Systems	68.2	8.2%	19.6%	0.0%	25.0	90.0	15.5
QUALCOMM	QCOM	Communications Equip	73.6	22.2%	14.7%	0.8%	33.5	80.0	47.7
Motorola	MOT	Semiconductor	38.2	12.7%	7.7%	0.4%	25.0	70.0	21.5
Dell Inc.	DELL	Computer Systems	63.2	12.6%	8.1%	0.0%	22.0	90.0	72
Texas Instruments	TXN	Semiconductor (Broad Line)	55.1	14.1%	8.0%	0.4%	23.0	90.0	43.6
Ebay Inc.	EBAY	Internet	70.3	19.5%	21.1%	0.0%	40.0	90.0	41.1
Yahoo!	YHOO	Internet	53.9	16.9%	17.8%	0.0%	35.0	50.0	37
Corning	GLW	Electrical Equipment	55.7	13.3%	12.2%	0.0%	20.0	30.0	20.9
EMC Corp.	EMC	Computer Storage	59.6	18.0%	11.8%	0.0%	26.0	80.0	24.8
Auto Data Proc	ADP	Software (Data Processing)	69.3	8.9%	6.8%	1.3%	23.0	100.0	91.3
Applied Materials	AMAT	Semiconductor Equip	59.9	17.0%	9.0%	0.0%	20.0	80.0	25.6
Adobe Systems	ADBE	Software (Systems)	83.3	8.1%	15.9%	0.0%	24.0	90.0	66.7
Symantec	SYMC	Software (Security)	53.2	8.5%	8.1%	0.0%	27.0	70.0	66.6
Accenture Ltd.	ACN	Software (Consulting)	66.6	15.2%	8.2%	1.2%	22.5	70.0	98.9
Sun Microsystems	SUNW	Computer Systems	28.6	4.3%	5.2%	0.0%	25.0	30.0	9.7
First Data Corp	FDC	Software (Data Processing)	70.9	12.4%	7.3%	0.5%	19.0	90.0	95.2
Electronic Arts	ERTS	Entertainment Tech	58.0	10.5%	14.6%	0.0%	30.0	90.0	11
Xerox	XXR	Office Equip & Supplies	44.4	9.0%	3.2%	1.0%	14.0	50.0	32.9
Vipers Vanguard Technology	VGT	Averages	66.3	14.1%	11.4%	0.6%	24.2	82.3	56.8

Start Date	End Date	Fund	Ticker	MStar Rating	Start Price	Price 10/30/2006	Total Return	VTSMX Return	Score
2/28/05		American Century Ultra	TWCUX	****	\$ 28.69	\$ 28.56	-0.5%	16.4%	-16.90
3/30/05		White Oak Growth	WOGSX	*	\$ 29.90	\$ 31.94	6.8%	19.0%	-12.17
4/30/05		Fidelity Blue Chip Growth	FBGRX	****	\$ 38.38	\$ 43.76	14.0%	21.1%	-7.12
5/31/05		Fidelity Dividend Growth	FDGFX	****	\$ 26.54	\$ 31.44	18.5%	17.3%	1.11
6/30/05		Nasdaq-100	QQQQ	****	\$ 36.64	\$ 42.48	15.9%	16.8%	-0.83
7/31/05		Thompson Plumb Growth	THPGX	****	\$ 46.06	\$ 49.48	7.4%	12.0%	-4.55
8/31/05		Federated Capital Apprec	FEDEX	****	\$ 24.92	\$ 27.88	11.9%	13.2%	-1.29
9/30/05		Vanguard Growth Equity	VGEQX	****	\$ 10.06	\$ 10.75	6.9%	12.8%	-5.91
10/31/05	1/17/06	Fidelity Magellan	FMAGX	**	\$ 100.94	\$ 110.13	9.1%	3.7%	5.40
11/30/05		Price Science & Technology	PRSCX	****	\$ 19.73	\$ 20.11	1.9%	10.5%	-8.60
12/31/05		Vanguard Technology	VGT		\$ 48.64	\$ 51.33	5.5%	10.9%	-5.39
1/31/06		Vanguard Discretionary	VCR		\$ 53.50	\$ 59.03	10.3%	7.2%	3.16
2/28/06		Vanguard Growth	VUG		\$ 54.53	\$ 56.65	3.9%	7.2%	-3.28
3/31/06		American Century Select	TWCIX	**	\$ 38.05	\$ 36.19	-4.9%	5.7%	-10.57
4/30/06		Vanguard Growth Index	VIGRX	****	\$ 28.26	\$ 29.15	3.1%	4.5%	-1.37
5/31/06		American Century Ultra	TWCUX	****	\$ 28.42	\$ 28.56	0.5%	8.0%	-7.50
6/30/06		Oberweis Micro-Cap	OBMCX	****	\$ 16.35	\$ 16.38	0.2%	8.3%	-8.07
7/31/06		Price Science & Technology	PRSCX	****	\$ 17.32	\$ 20.11	16.1%	8.4%	7.74
8/31/06		Muhlenkamp Fund	MUHLX	****	\$ 80.26	\$ 83.70	4.3%	5.4%	-1.12
9/30/06		Legg Mason Growth	LMGTX	****	\$ 27.72	\$ 29.39	6.0%	4.0%	1.99
10/30/06		Vanguard Technology	VGT		\$ 50.92	\$ 51.33	0.8%	0.0%	0.81
10/30/06		Rate of Return (vs. VTSMX)					8.2%	13.0%	-4.7%
							SCORE		-74.45
							ACCURACY		28.6%

Featured Fund Scorecard -- October 31, 2006. **Start Date:** Date of fund selection for this feature. **End Date:** Date when position was closed. **Start Price:** NAV at time of selection, adjusted for distributions. **Total Return:** Total Return since time of selection. **VTSMX Return:** Total return for an identical investment made into the Vanguard Total Stock Market index fund at time of selection and corrected for distributions. **Score:** Percentage gains (or losses) multiplied by 100. This score is furnished for comparisons to Motley Fool CAPS rankings. Highlighted rows indicate closed positions.

Sources: Manifest Investing, www.morningstar.com

Management Decisions

VGT is passively managed. Most changes in portfolio holdings and weightings occur due to changes in market prices. Nine of the top 10 holdings remain the same as in January, though their order changed a little. Dell fell to 11th overall, being replaced by Oracle moving up from 12th. Agilent Technologies and CA, Inc. fell out of the top 25 holdings. Ebay, Inc. (19.5% PAR, 70.3 QR) and Electronic Arts (10.5% PAR, 58.0 QR) replaced them.

Managing a Fund Portfolio with Dashboards

I approach managing a fund portfolio nearly the same as managing a portfolio of individual stocks, that is I seek to maximize overall PAR while maintaining sufficient overall quality. In both instances, I want to keep excellent overall quality (QR of at least 65.0) which is appropriate for most investors, particularly with MIPAR nearing historical lows.

The difference comes in my goal for overall portfolio PAR. With a portfolio of individual stocks, we suggest a PAR of at least MIPAR + 5 percentage points. That isn't realistic for a portfolio of funds due to diversification and other legal constraints imposed on fund managers. I suggest a minimum overall PAR of MIPAR + 3 percentage points for funds. After taking into account fund expenses, that should assure potential returns of about two percentage

points above that expected for the market as a whole, still a very good return by historical standards.

Among funds on the Featured Fund dashboard, overall PAR is sufficient at 13.6% as is QR at 65.4. Portfolio growth is adequate at 10.9% and financial strength is good at 77. Oberweis Micro-Cap and T. Rowe Price Science & Technology both have higher expense-adjusted PARs than VGT, but accumulating them would reduce overall quality, potentially below my goal of 65. Thus, VGT is my choice this month.

Funds concentrated in the technology sector currently have the best potential for market-beating returns over the long haul as reflected in both the Featured Fund and ETF Sector Radar dashboards. VGT's excellent quality and low costs make it a solid candidate for investors able to tolerate volatility whose portfolios aren't already too heavily weighted in technology. 🏰



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 served on the NAIC national board of advisors. He can be reached at: CELynch@att.net

Sweet Sixteen Screen - November 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 14.8-19.8% and financial strength ratings of "A" or better.

Overall Market Expectations

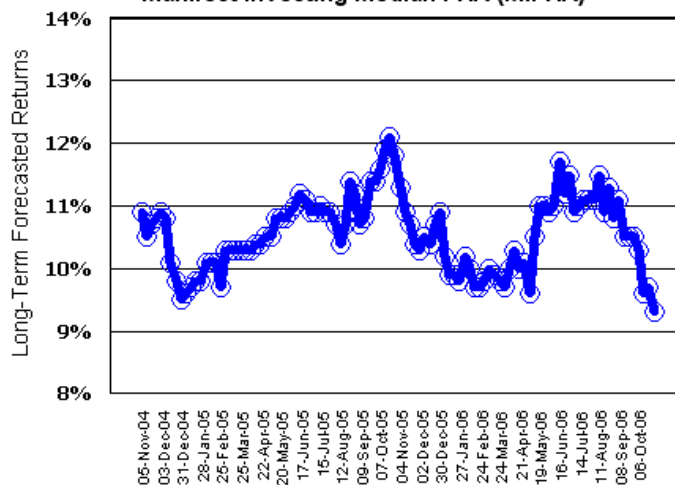
The median projected annual return (MIPAR) for all 2700+ stocks followed by MANIFEST (Solomon database) is 9.8% (10/30/2006.) The multi-decade range for the Value Line Median Appreciation Projection (VLMAP) has been 8-20%. The difference between MIPAR and VLMAP is that MIPAR includes all companies covered by MANIFEST and the MIPAR calculation includes projected dividend yield.

Worth a Closer Look Now

New/Returning companies include: Bank of Ireland, Canon, EBay, Maxim Integrated Products and Tractor Supply Company.

The highest rated companies based on a combination including PAR and quality rating are Maxim Integrated Products, Medtronic, Stryker and Walgreen.

Overall Projected Annual Returns
Manifest Investing Median PAR (MIPAR)



Source: Manifest Investing

As the accompanying graphic shows, the median projected return for all stocks followed by MANIFEST is as low as it's been in quite some time. Any portfolio considerations should seek to maintain or increase overall quality levels under these conditions. We're not calling for a correction in the market, we're suggesting that stock prices are vulnerable and that we wouldn't be surprised to see a correction. Accumulate quality. 🍀

Sweet Sixteen 10/30/2006	Symbol	Current Price	TTM Sales	Growth Forecast	Net Margin	P/E Avg	Fin Strgth	Proj Ann Ret	Quality
Cheesecake Factory	CAKE	\$ 28.10	1305	18.7%	7.5%	25.0	80%	19.7%	75.8
Ebay Inc.	EBAY	\$ 32.07	5560	21.1%	19.7%	40.0	90%	19.6%	70.3
Walgreen	WAG	\$ 42.84	47390	13.4%	4.3%	26.5	100%	19.1%	86.2
Maxim Integ Prod	MXIM	\$ 29.43	1935	11.2%	22.4%	25.0	90%	18.9%	65.3
Paychex	PAYX	\$ 39.45	1731	12.7%	27.8%	40.0	80%	18.8%	81.7
Microsoft	MSFT	\$ 28.34	45241	10.1%	29.5%	25.0	100%	18.7%	82.7
Bank of Ireland*	IRE	\$ 79.20	6825	7.2%	24.1%	15.4	90%	18.3%	70.3
Lowe's	LOW	\$ 30.34	47918	9.6%	6.2%	21.0	90%	17.2%	73.5
MB Financial*	MBFI	\$ 37.95	515	12.3%	11.9%	19.8	80%	16.2%	66.9
Tractor Supply Co	TSCO	\$ 48.59	2333	14.7%	4.8%	20.0	90%	16.1%	72.4
Stryker	SYK	\$ 52.65	5237	12.0%	17.1%	26.0	80%	16.1%	67.8
Morgan Stanley	MS	\$ 76.44	32250	14.8%	16.0%	15.0	90%	16.0%	67.3
Oracle	ORCL	\$ 18.10	15340	10.2%	32.0%	22.0	80%	15.8%	76.5
Williams-Sonoma	WSM	\$ 34.26	3666	11.0%	6.4%	20.0	80%	15.8%	73.7
Canon	CAJ	\$ 54.56	34666	8.6%	10.7%	17.0	80%	15.8%	83.1
Medtronic	MDT	\$ 48.67	11724	12.3%	22.8%	22.0	100%	15.6%	81.2

Sweet 16 Screening Result for November 2006. Companies shown in bold are new since last month. Screening parameters: Projected Annual Return between 14.8-19.8%. Financial Strength "A" (80%) or better. Quality higher than 65.0. Sales Growth greater than 7%. **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. * - Expanded Coverage. Note: Financial firms use Shareholder Equity and Return-on-Equity (ROE) instead of sales and net margin.

Sources: Manifest Investing, Value Line Investment Survey.



Tin Cup Model Portfolio

Accumulate More Microsoft (MSFT)

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 design characteristics within defined ranges and deliver superior long-term returns. All buying and selling decisions will be detailed here.

Total assets are \$654,524 (10/31/06) and the net asset value is \$177.38. The model portfolio gained 2.6% during October 2006 and has generated a 8.5% rate of return over the trailing year vs. 16.3% for the Wilshire 5000.

The total portfolio value reached an all-time high (\$652,044) as Halloween got underway.

PAR & Quality

With MIPAR at 9.8%, our target range for the projected annual return is 14.8-19.8%. At 17.0%, the portfolio PAR is sufficiently greater than 14.8% and no portfolio selling decisions are necessary. Quality and financial strength are sufficient at the current levels of 75.7 (Excellent) and 83% ("A"). EPS Stability is 88.0 for the portfolio.

Decisions

The 5-year T-bill yield is 4.52% on 10/31/2006. There are no holdings near our auto-sell condition at this time. For the November purchase decision, Home Depot, Linear Technology, Masco and Paychex once again had higher combination ratings but were passed over because of their returns being "beyond the sweet spot." The 40x projected P/E for Paychex continues to be "vetoed."

The \$1250 monthly contribution was used to accumulate more shares of last month's Solomon Selection, MSFT (PAR=18.4%, quality rating of 82.7.) Since we took a look at Altria recently, we'll take a peak at 4-year holding, Synovus Financial, in this month's Tin Cup Chronicle. 🏰

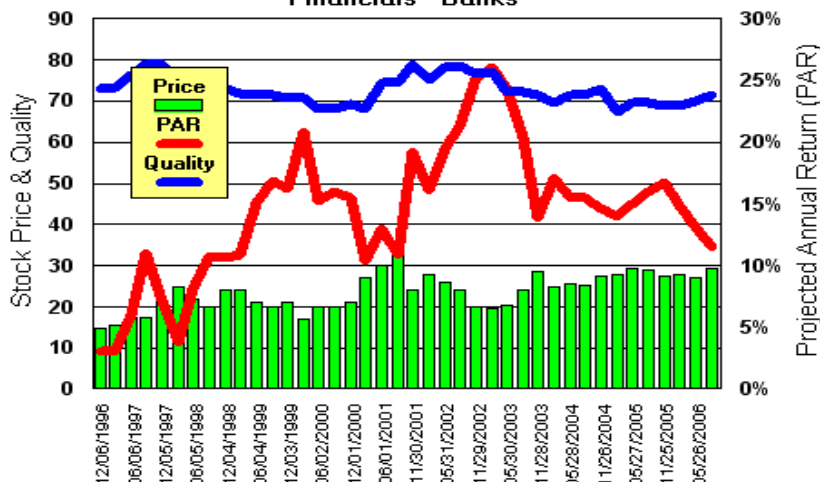
Company Name	Ticker	Shares	Price	Value	% of Portfolio	Growth	Proj P/E	Proj Yield	Qlty	PAR
Strayer Education	STRA	562.29	\$113.12	\$63,606	9.7%	15.4%	29.0	0.7%	79.4	13.5%
Home Depot	HD	1566.62	\$37.33	\$58,481	8.9%	9.2%	23.0	1.0%	78.1	26.5%
Bed Bath & Beyond	BBBY	1335.88	\$40.29	\$53,822	8.2%	12.0%	19.0	0.6%	88.6	13.8%
Linear Technology	LLTC	1687.1	\$31.12	\$52,502	8.0%	15.2%	30.0	1.0%	75.4	25.3%
Altria Group	MO	569.66	\$81.33	\$46,330	7.1%	8.3%	12.0	4.7%	72.4	9.5%
Microsoft	MSFT	1596.82	\$28.71	\$45,844	7.0%	10.1%	25.0	1.3%	82.7	18.4%
Cardinal Health	CAH	698.01	\$65.45	\$45,684	7.0%	7.4%	20.0	0.3%	67.9	13.0%
Paychex	PAYX	1007.61	\$39.48	\$39,780	6.1%	12.7%	40.0	1.2%	81.7	18.7%
Wrigley (Wm.)	WWY	743.72	\$51.95	\$38,636	5.9%	6.5%	28.0	1.5%	80.8	11.5%
Synovus Financial	SNV	1279.8	\$29.38	\$37,600	5.7%	10.8%	17.0	2.4%	71.5	11.4%
CVS Corporation	CVS	1186.03	\$31.38	\$37,217	5.7%	8.7%	22.5	0.3%	69.1	14.4%
Masco Corp.	MAS	1312.38	\$27.65	\$36,287	5.5%	8.2%	16.5	1.8%	70.1	22.8%
Health Mgmt Assoc	HMA	1763.18	\$19.70	\$34,734	5.3%	8.7%	22.5	0.8%	59.0	24.3%
Medtronic	MDT	488.79	\$48.68	\$23,794	3.6%	12.3%	22.0	0.9%	81.2	15.6%
UnitedHealth Group	UNH	423.84	\$48.78	\$20,674	3.2%	8.0%	16.5	0.0%	67.6	14.2%
Pfizer	PFE	732.64	\$26.65	\$19,524	3.0%	2.6%	17.0	2.9%	70.7	14.5%
Totals & Averages				\$654,524	100.0%	10.3%	23.1	1.3%	75.7	17.0%

Tin Cup Dashboard - October 31, 2006. The total portfolio value reached a new all-time high (\$654,524) as the autumnal recovery continues. The challenge stock is Altria Group (lowest PAR @ 9.5%) and would be the first stock nominated for selling if the portfolio overall PAR were too low. (It isn't at this time at 17.0% vs. 9.8% for the total stock market.)

Source: Manifest Investing

Synovus Financial (SNV)

Financials - Banks



Chronicle for Synovus Financial (SNV). The Tin Cup cost basis in SNV is \$19.74 and was purchased on 10/26/2002, near the peak in PAR as shown here. The 49% price appreciation since then combines with a 2.5% yield to deliver an actual annualized total return of approximately 12.9%. Quality has been strong and relatively steady throughout, bolstered by high expectations for ROE. Those expectations have recently tumbled from 22.5% (8/2006) to current forecasts of 15%. The projected average P/E has been reduced from 20x to 17x over the same time frame. The shift merits further study.

Darn Yankees? No, but "Sell"

Once again, we have a repeat condition replicating something that we did last month. Fear not, we'll not be closing a position per month in the Solomon Select tracking portfolio. That said, with a soaring market, the frequency of closures will be higher. As we saw with Tin Cup, we'd go years without "selling" a stock and then the selling decisions would come in bunches.

Our Yankee Candle (YCC) position in the Solomon Select tracking portfolio was closed (sold) on 10/27/2006 as the PAR reached the point where it was less than MIPAR. (7.8% vs. 9.5% at the time) This is the second position closed in this tracking portfolio since inception (2/28/2005).

Yankee Candle had gained 24.3% since being featured in Expected Returns on 9/1/2005. The S&P 500 gained 12.9% over the same time frame.

The accompanying chart here provides a play-by-play of the Solomon Select monthly features since inception, presented Motley Fool CAPS style. 12 of the 21 selections have outperformed the S&P 500 (the CAPS benchmark) for an accuracy of 12/21 or 57.1%.

The score (106.07) and accuracy (for the Solomon Select tracking portfolio) would actually rank pretty high in Foolish CAPS if CAPS existed back then. (If you visit the site at <http://caps.fool.com>, my CAPS id is Manifest -- if you want to see some stocks that I'm "playing" with. If you find the pitches helpful, bookmark the page as a favorite. Feel free to recommend useful pitches, too -- it helps us to get the word out about www.manifestinvesting.com)

As we suggested last month, the score that really matters for the Solomon tracking portfolio is the annualized rate of return of since inception versus matching investments in a total stock market index fund (VTSMX.) Dividends and distributions are accounted for. The rate of return for the Solomon Select stocks is 18.2% versus 12.3% for the total stock market. We hope to maintain or improve this level of performance and the flight to quality, blue chips and hopefully -- technology stocks -- will help.

Mark Robertson

Contact Us

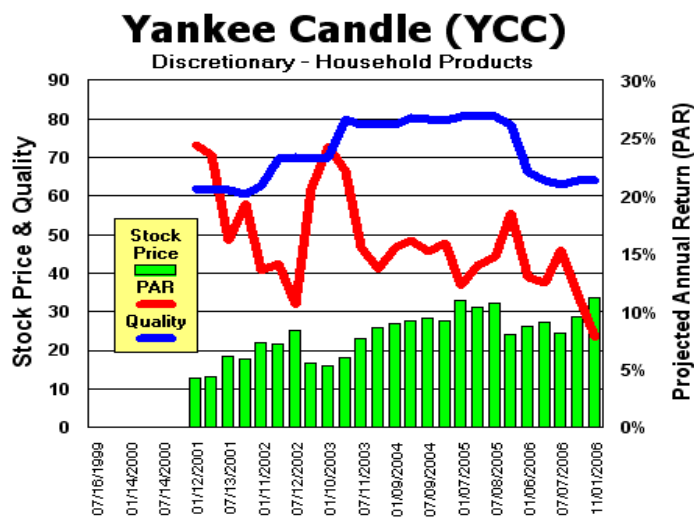
You can write us at Manifest Investing LLC, P.O. Box 81120, Rochester MI 48308. If you prefer e-mail, contact us at manifest@manifestinvesting.com. Every effort will be made to answer your questions individually. Your inquiries, comments and recommendations tell us what you want to see and we'll do our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

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Start Date	End Date	Ticker	CAPS Rating	Start Price	Today	Gain	S&P Gain	Score
2/28/05		RI	*	\$ 23.76	\$ 27.75	16.8%	14.7%	2.08
3/30/05		FITB	*	\$ 40.42	\$ 39.85	-1.4%	17.2%	-18.58
4/30/05		LLTC	****	\$ 35.05	\$ 31.12	-11.2%	19.0%	-30.21
5/31/05		ORCL	***	\$ 12.85	\$ 18.47	43.7%	15.9%	27.88
6/30/05		BBBY	***	\$ 42.14	\$ 40.29	-4.4%	16.2%	-20.55
7/31/05		STRA	***	\$ 84.10	\$ 113.12	34.5%	12.0%	22.50
8/31/05	10/27/06	YCC	*	\$ 27.23	\$ 33.85	24.3%	12.9%	11.35
9/30/05		ANF	**	\$ 46.47	\$ 76.65	65.0%	12.7%	52.28
10/31/05		MSFT	**	\$ 25.15	\$ 28.71	14.2%	14.6%	-0.45
11/30/05		SYK	*****	\$ 42.96	\$ 52.29	21.7%	10.4%	11.29
12/31/05	9/22/06	KSS	*	\$ 48.60	\$ 66.14	36.1%	5.4%	30.73
1/31/06		HD	**	\$ 39.75	\$ 37.33	-6.1%	8.1%	-14.21
2/28/06		DELL	*	\$ 29.00	\$ 24.33	-16.1%	7.9%	-23.96
3/31/06		WWY	****	\$ 50.81	\$ 51.95	2.2%	7.0%	-4.73
4/30/06		WAG	***	\$ 41.56	\$ 42.85	3.1%	6.0%	-2.90
5/31/06		COH	****	\$ 29.08	\$ 39.64	36.3%	8.7%	27.61
6/30/06		MDT	***	\$ 46.82	\$ 48.68	4.0%	9.0%	-5.04
7/31/06		CSCO	***	\$ 17.48	\$ 24.13	38.0%	8.4%	29.68
8/31/06		WSM	****	\$ 29.36	\$ 34.01	15.8%	5.9%	9.97
9/30/06		MSFT	**	\$ 27.35	\$ 28.71	5.0%	3.6%	1.37
10/30/06		WAG	**	\$ 42.85	\$ 42.85	0.0%	0.0%	-0.03
Rate of Return (vs. VTSMX)							18.2%	12.3%
SCORE								106.07
ACCURACY								57.1%

Solomon's Select Scorecard: CAPS Style Measurement.

This list of monthly stock selections provides a closer look at performance since selection in the style of Foolish CAPS. The key result is the 5.9 percentage point advantage for the "tracking portfolio" rate of return versus the total stock market.



Yankee Candle (YCC) Chronicle. This chronicle shows the result of Dearborn Partners buyout offer of \$34.75 per share. YCC is up 57% since July. At \$34+, the PAR is less than 10% (less than MIPAR) and the position has been closed.