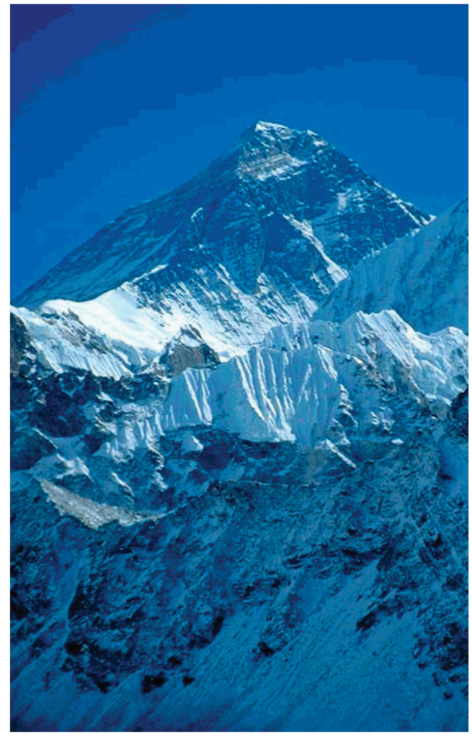
Expected Returns

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

Volume XIII, No. 10
October 2005

Peak Interest in Quality Leaders

Now that we have a few hundred subscribers and several hundred dashboards created, we thought we'd begin tracking the most widely-followed stocks. In this issue, we introduce the MANIFEST 40, consisting of the stocks which appear most frequently on your collective dashboards. We'll continuously monitor the stocks of obvious interest to you and deliver features and discussions consistent with your curiosity and studies.



There are very few surprises among the MANIFEST 40 as the list of companies averages a quality rating of 75.6 and a projected annual return of 16.1%. The leaders include some traditional long-term investing favorites like Bed Bath & Beyond, Pfizer, Home Depot, Lowe's with significant attention to the healthcare sector represented by Biomet, Stryker and Johnson & Johnson.

Bed Bath & Beyond

Tin Cup holding BBBY leads the list by a fairly wide margin. This is understandable considering the high relative quality and the frequency of purchase opportunities in recent years.

In this issue, we also want to illustrate how the chronicles can be used to evaluate buying and selling decisions over time. In the accompanying chart, the two most significant purchases of BBBY for the Tin Cup portfolio are denoted. Note that the purchases were made close to relative peaks in the PAR characteristics.

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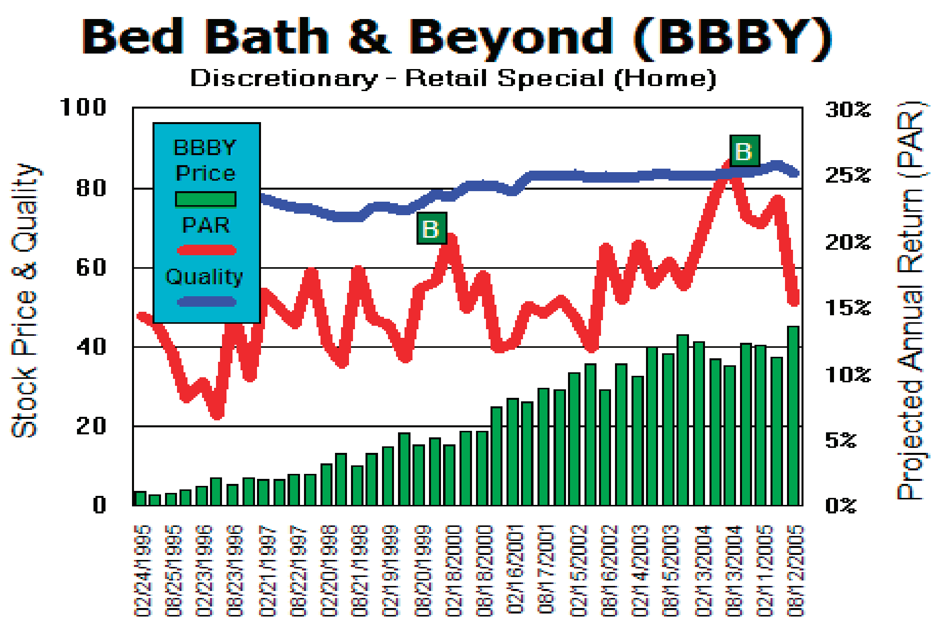


MANIFEST 40 Leader Bed Bath & Beyond. *This chronicle illustrates the long-term price trend as well as the historical PAR and quality rating for Tin Cup holding BBBY. Major purchases (denoted by "B") were made on 8/31/99 and 12/31/2004 for an average cost of $19.02 and an average purchase date of 2/16/2002. The annualized return has been 22.8%.*

Sources: Manifest Investing, Value Line Investment Survey

In This Issue...

www.manifestinvesting.com

MANIFEST 40 9/30/2005	Ticker	# Dashboards	PAR	Quality Rating
Bed Bath & Beyond	BBBY	253	18.1%	91.8
Pfizer	PFE	199	19.2%	76.7
Home Depot	HD	189	20.9%	74.4
Lowe's	LOW	171	14.6%	76.2
Fiserv	FISV	160	18.6%	70.8
Biomet	BMET	151	17.3%	72.8
Johnson & Johnson	JNJ	136	12.7%	84.7
Styker	SYK	116	18.0%	69.6
Affiliated Computer	ACS	107	20.6%	69.4
Microsoft	MSFT	102	17.3%	80.4
Cardinal Health	CAH	99	13.6%	72.4
General Electric	GE	93	15.4%	76.3
Cisco Systems	CSCO	89	21.9%	68.8
Intel Corp	INTC	89	15.2%	65.7
Commerce Bank	CBH	86	16.8%	77.5
Wal-Mart	WMT	86	16.1%	85.0
FactSet Research	FDS	85	14.1%	74.0
Lincare Holdings	LNCR	84	14.1%	82.7
Sysco Corp	SYY	84	15.6%	83.3
Amgen	AMGN	83	12.4%	78.2
Walgreen	WAG	77	16.2%	86.4
Medtronic	MDT	75	11.5%	82.9
AFLAC	AFL	74	11.4%	79.1
Teva Pharmaceutical	TEVA	74	14.3%	64.5
Danaher	DHR	72	12.9%	71.1
Oreilly Auto	ORLY	72	10.3%	79.3
Education Management	EDMC	71	15.9%	66.8
L-3 Communications	LLL	68	13.7%	62.0
Paychex	PAYX	67	17.6%	84.8
Linear Technology	LLTC	66	20.0%	67.6
Dell Inc	DELL	64	17.0%	66.7
Harley-Davidson	HDI	63	9.4%	79.1
Fifth Third Bank	FITB	58	22.2%	74.6
Synovus Financial	SNV	57	15.6%	70.1
Jack Henry	JKHY	56	22.9%	63.1
PepsiCo	PEP	53	11.3%	91.3
Masco Corp	MAS	48	20.9%	74.7
Oracle Corp	ORCL	46	25.8%	78.2
Strayer Education	STRA	45	13.9%	81.4
UnitedHealth Group	UNH	44	8.6%	71.0
Averages			16.1%	75.6

MANIFEST 40 -- September 30, 2005. *This listing of stocks represents the most widely-followed stocks present on dashboards at www.manifestinvesting.com at this time. Articles and discussions at Manifest Investing will be influenced by this list and more importantly, any trends or changes, as the list is presented quarterly.*

If you or your investment club have purchased (or sold) shares of BBBY, marking your decision points while noting the PAR forecasts at the time of the decisions can be informative.

BBBY is one of the highest quality companies among the 2300 followed by Manifest Investing, so it's no surprise that it ranks prominently in interest level among MANIFEST subscribers.

Pfizer Prognostications

#2 is held down by Pfizer, although Pfizer has shown signs of slipping from many portfolios -- most probably due to the declining and uncertain growth forecast. Pfizer's pipeline is one of the more robust in the industry and the legal challenges seem to be less oppressive than some of Pfizer's peers. Note the absence of Merck from this list.

Tool Time?

Coca-Cola fails to make the top 40 also -- leaving the current-day version of the Pepsi Challenge to the showdown between Home Depot and Lowe's -- as these two companies hold down the #3 and #4 positions. The debates continue to rage regarding which of the two home improvement retailers is more promising. While the debates continue, both companies seem to become more prominent in more and more portfolios all the time. Both companies have excellent quality ratings and projected returns in the high teens.

Health Matters

The sector distribution of the MANIFEST 40 includes approximately 20% in consumer discretionary, technology and healthcare. Financials, consumer staples and industrials account for the balance at approximately 10% each.

Positions #6, #7 and #8 are dedicated to healthcare with Biomet, Johnson & Johnson and Stryker. Some of these companies are failing to attract the attention of the Wall Street lemmings, but that doesn't stop our subscribers from recognizing long-term opportunity and accumulating ownership of these quality companies when the outlook and prices are right.

The 2005 stock market has not been kind to the higher-quality companies in general, as lower-grade issues continue to account for the rare price advances in a stubborn market.

Take a closer look at the list. Note the general high-quality levels for virtually all 40 companies. Also note the relatively high projected returns, suggesting many candidates for study and accumulation to benefit from the unwavering long-term perspective.

Abercrombie & Fitch (ANF)

Abercrombie & Fitch (ANF) was founded in 1892 as a supplier of rugged outdoor gear. Part of the company heritage includes equipping future President Teddy Roosevelt for his expeditions and campaigns and the company has counted President John Kennedy among their clients.

This selection won't be for everybody. It's retail, strike one. It's youth apparel, strike two. ANF is very controversial, strike three. The Motley Fool's Rick Munarriz recently covered "sin stocks" in an editorial. He observed that "... nearly every company will eventually dip into the cesspool of what someone somewhere will consider a morally bankrupt entity." If ANF is not for you, that's OK, it's not for you.

I'm very certain that Abercrombie's catalogs of the 1920s did NOT include pictures of Teddy Roosevelt in his underwear. Their marketing approach, targeted at college students, enrages many and probably drives away scores of investors. The stock price has been, and will be, volatile. ANF has recently dropped in price from $74.10 to $45, the decline most probably aggravated by rising prices at the fuel pump, hurricanes, and the typical overreaction of the lemmings of Wall Street.

Growth

The sales growth ***forecast*** for ANF has slowed from 20-25% in 2001 to 10-12% in the last year or so -- but the trend is very much in line with the balance of the youth apparel retailers. Value Line projects the long-term sales growth forecast at 11.7%. Morningstar believes that "ANF will finish 2005 on a strong note and continue to post growth in the mid-teens over the next few years." We've used a sales growth forecast of approximately 11.5%.

Profitability

Abercrombie has no debt and this bodes well and probably serves as a buffer while energy costs increase. ANF has maintained a relatively high profitability (12.4% net margin) while projected margins at Aeropostale, Urban Outfitters and Pacific Sunwear have been increasing. ANF's average actual net margin for the trailing 5-year period is 12.2%.

Valuation

The industry average projected P/E is 16.7x and ANF has a projected annual P/E ratio of 18.0x. The youth apparel PELT is 1.74. ANF probably merits a higher projected long-term average P/E perhaps as high as 20x, but ANF has a trailing 5-year average P/E of 14.3x.

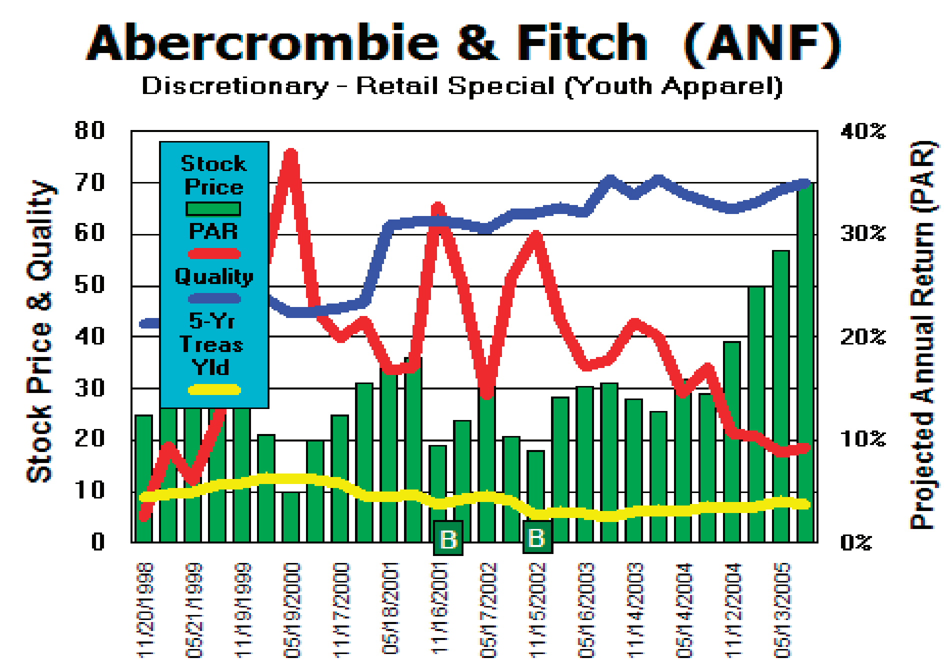
Expected Returns

Based on a price at the time of the study of $46.93, the projected annual return was 19.7%.

Quality & Conclusions

With a financial strength rating of A+, EPS predictability of 80 and strong growth and profit characteristics, ANF earns a quality rating of 82.7 (Excellent.)

Expect volatility and be willing to sell if the PAR sinks below 10%. The recent (8/31/05) departure of ANF's president and COO adds even more fuel to the turbulence.



Abercrombie & Fitch -- A study in stock price turbulence. *The chronicle illustrates the historical turbulence in stock price and projected returns, as well as the steady increase in quality rating over the past several years. Note the strong price increase during 2004-2005. (The price drop during Aug-Sept 2005 will be visible with the next chart update.) The two "B" markers illustrate two previous purchase study recommendations during the year-end Sweet 16 groups for 2001 and 2002. Note the PARs at the time of selection. The annualized price appreciation (AFTER the price drop) for those two selections has been 17.1% (from $26.53 on 12/31/2001) and 36.2% (from $20.46 on 12/31/2002.)*

Mutual Fund Manifest

Vanguard Growth Equity (VGEQX)

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. This column will be a regular feature for Expected Returns and the mutual fund manifest on page 5 will be a standing feature. This list is ranked by projected annual return to enable us to identify mutual funds that are well-positioned. 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 (11.4%), a quality rating greater than 65 and a financial strength rating of 80 or better. The result is Vanguard Growth Equity (VGEQX).

A Glance in the Rearview Mirror

The annualized total return for VGEQX for the 10 years ended 8/31/2005 was 8.2%, lagging the total stock market result of 9.6%. This earns a 2-star rating from Morningstar.

Expected Returns

The 13.2% projected annual return is superior to the projected return for the general stock market (11.4%.)

Knowing What You Own

The holdings of VGEQX are profiled below. The portfolio quality rating is 69.6, or excellent. *(See accompanying portfolio dashboard for VGEQX)* The average sales growth of the VGEQX holdings is 11.7%, ranking among the highest overall portfolio growth rates for all funds currently covered. The overall average projected P/E is 23.0x, a little elevated but indicative of the general blue chip quality of many of the largest holdings.

The financial strength (82.5%) and EPS predictability (67.0) of the VGEQX holdings are both fairly strong. With the median PAR for all stocks covered by Manifest Investing at 11.4%, higher financial strength ratings greater than 80% are still a pretty good idea.

Recent Decisions

Action. No fear. This fund is managed by a team from Turner Investment Partners. Lead manager Robert Turner has run Vanguard Growth Equity since 1992.

Name		Industry	Qlty	PAR	Sales Grth	Yield	P/E	Finl Str	EPS Pred
Johnson & Johnson	JNJ	Drug (Diversified)	**84.7**	12.7%	6.5%	1.9%	20.0	100	100
Pfizer	PFE	Drug (Major)	**76.7**	**19.3%**	3.1%	2.0%	18.0	100	100
Microsoft	MSFT	Computer Software (Systems)	**80.4**	**17.4%**	9.4%	1.5%	25.0	100	85
Intel Corp.	INTC	Semiconductor	**65.7**	15.8%	6.9%	0.9%	20.0	100	50
Pepsi	PEP	Beverage (Soft Drink)	**91.3**	12.0%	8.0%	1.8%	22.0	100	95
Google	GOOG	Internet	59.1	16.0%	39.6%	0.0%	35.0	50	0
Procter & Gamble	PG	Household Products	**79.7**	11.8%	5.5%	1.9%	22.0	100	100
Gilead Sciences	GILD	Drug	49.9	6.4%	14.3%	0.0%	28.0	30	30
Texas Instruments	TXN	Semiconductor	51.6	7.5%	9.9%	0.4%	25.0	90	30
Yahoo!	YHOO	Internet	56.7	10.9%	19.0%	0.0%	35.0	50	40
Paychex	PAYX	Computer Software (Data Processing)	**84.8**	**17.5%**	14.1%	1.3%	40.0	80	85
Caremark RX	CMX	Pharmacy Services	55.9	8.5%	10.3%	0.0%	21.5	80	35
Amgen	AMGN	Biotechnology	**78.2**	12.4%	13.3%	0.0%	24.0	100	95
Goldman Sachs	GS	Securities Brokerage	58.0	9.9%	10.6%	0.8%	17.0	90	60
Dell Inc.	DELL	Computer Systems	**66.7**	**17.1%**	9.1%	0.0%	28.0	100	75
Wal-Mart	WMT	Retail Store	**85.0**	**16.5%**	10.5%	1.1%	19.0	100	100
Apple Computer	AAPL	Computer Systems	58.6	3.9%	15.5%	0.0%	25.0	80	25
QUALCOMM	QCOM	Telecomm Equip	**74.2**	11.4%	17.8%	0.8%	33.5	80	55
American Express	AXP	Financial Svcs (Div)	**66.0**	6.4%	8.2%	1.1%	15.0	90	70
Xilinx Semi	XLNX	Semiconductor	58.3	**18.0%**	12.2%	0.8%	35.0	70	50
KLA Tencor	KLAC	Precision Instrument	62.1	10.7%	13.0%	0.8%	20.0	50	40
Ebay Inc.	EBAY	Internet	**86.8**	25.1%	29.1%	0.0%	40.0	90	70
Danaher	DHR	Diversified	**71.1**	13.3%	5.3%	0.1%	25.0	70	90
Price T. Rowe	TROW	Financial Svcs (Div)	**70.9**	13.1%	14.8%	1.7%	20.0	90	70
Applied Materials	AMAT	Semiconductor Equip	64.8	16.2%	13.0%	0.0%	20.0	80	35
Vanguard Growth Equity	VGEQX	Averages	**69.6**	13.2%	11.7%	0.9%	23.8	82.5	67.0

Portfolio Analysis	9/30/2005	Morningstar Rating	Quality	Proj Ann Return	Sales Growth	Yield	P/E	Finl Strength	EPS Pred
Fidelity Dividend Growth	FDGFX	★★★★	68.0	15.9%	7.8%	1.5%	19.6	84.8%	77.0
Thompson Plumb Growth	THPGX	★★★★★	65.0	14.6%	6.9%	1.4%	19.3	81.3%	71.0
American Century Ultra	TWCUX	★★★	71.8	14.5%	11.0%	0.9%	23.8	83.2%	75.0
Fidelity Adv Equity Growth	FAEGX	★★★	72.8	14.4%	10.5%	1.0%	23.3	91.5%	74.0
Fidelity Magellan	FMAGX	★★	68.0	14.3%	7.8%	1.5%	20.1	86.0%	74.0
NASDAQ-100	QQQQ		67.1	14.1%	12.9%	0.5%	27.0	79.1%	58.0
White Oak Growth	WOGSX	★★	68.0	14.1%	13.0%	0.7%	24.3	83.9%	59.0
BlackRock LargeCap Growth	PGIAX	★★	69.8	13.8%	7.9%	1.1%	21.2	88.5%	78.0
American Growth	AMRAX	★	56.5	13.4%	9.2%	0.5%	22.6	80.8%	50.0
Fidelity Blue Chip Growth	FBGRX	★★★	71.6	13.4%	8.6%	1.3%	22.2	91.2%	77.0
Vanguard 500 Index	VFINX	★★★★	68.8	13.3%	6.4%	1.9%	18.9	91.6%	76.0
Vanguard Growth Equity	VGEQX	★★	69.6	13.2%	11.7%	0.9%	23.8	82.5%	67.0
Federated Capital Appreciation	FEDEX	★★★	69.8	13.2%	7.8%	1.7%	18.7	89.2%	71.0
Federated LargeCap Growth	FLGAX	★★	67.8	13.1%	9.2%	1.1%	21.4	82.8%	66.0
T.Rowe Price Growth	PRGFX	★★★★	66.1	13.1%	9.7%	1.0%	22.1	79.4%	69.0
Janus Fund	JANSX	★★★	60.8	13.0%	8.8%	0.8%	24.6	77.4%	57.0
Jensen Fund	JENSX	★★★★	76.1	12.9%	7.5%	1.4%	21.8	89.0%	93.0
Dow 30 (Diamonds)	DIA	★★★	67.2	12.4%	6.1%	2.0%	17.6	88.9%	75.0
Fidelity Adv Growth Opp	FAGOX	★★	66.0	12.3%	9.1%	1.3%	21.5	80.9%	66.0
Legg Mason Value Trust	LMVTX	★★★★★	52.4	11.8%	10.2%	0.8%	20.6	58.8%	51.0

September 30, 2005. *Listing of equity mutual funds ranked by Projected Annual Return. Ticker symbols in red represent funds that are closed to new investors. The Morningstar star rating is influenced by long-term past performance. Quality: Average quality rating of the holdings. (0-to-100, Greater than 65 = Excellent) Projected Annual Return: Average forecast return for holdings based on growth forecast, profitability, and projected annual P/E ratio. Sales Growth: Average sales growth forecast for holdings. Yield: Average current 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.*
Sources: Manifest Investing, Value Line, Morningstar

The fund managers seek long-term capital appreciation by investing in mid-size and large companies with strong earnings prospects. Turner has shown a quick trigger finger and will dispose of a company with deteriorating fundamentals in a heartbeat.

This willingness to sell and ask questions later delivers a turnover rate greater than 150 percent and has opened the fund up to questions of hyperactivity in the past. The higher turnover combined with a lackluster performance during the recent bear market has delivered truckloads of criticism and plenty of experts will be quick to tell you that the fund is flawed and should be avoided.

Normally, we'd be in that camp, typically eschewing funds with high turnover, but this one seems fairly intriguing. We're impressed by the willingness to make large decisions with no him-hawing or paralysis. The fund has added several high-quality stocks during the last six months or so, rapidly building positions in companies like Pfizer (19.3% PAR, 76.7 QR), Microsoft (17.4%, 80.4), Intel (15.0%, 65.7) and Wal-Mart (16.5%, 85.0). Turner has also been quick to dismiss companies like American International Group and seems to be a believer in the cockroach theory. Tin Cup holding UnitedHealth was recently sold and replaced by Wellpoint.

Like Bill Miller of Legg Mason Value, Turner has also been willing to engage opportunities like Google, taking a fairly large stake in the IPO. Some shares were sold after the initial rocket launch in stock price, but Google has recently been restored to a prominent position in the portfolio.

This willingness to assume contrarian risk is probably what led to the lagging performance circa 2000 and into the ensuing bear market.

The fund isn't for everybody. You'll need a few ounces of courage and risk tolerance to own VGEQX but we've been impressed by the strong migration to quality and decent PAR stocks in recent months. But VGEQX makes decisions and pulls triggers and could be a learning experience to monitor in action.

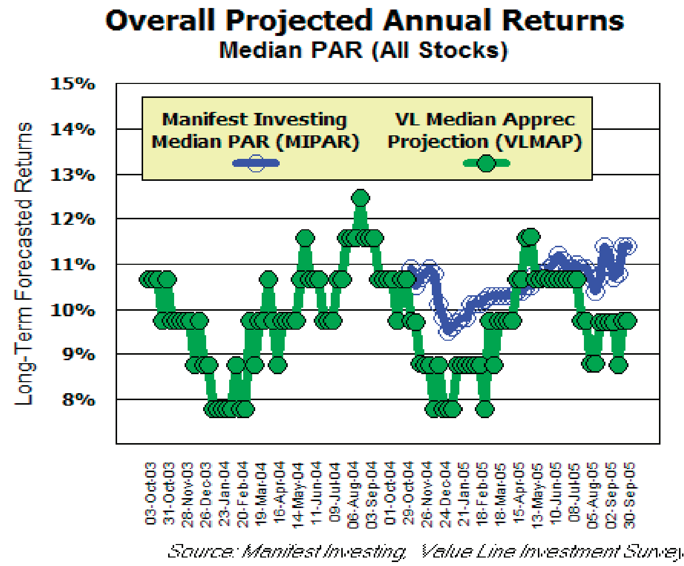
Sweet Sixteen Screen - October 2005

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 16.4-21.4% and financial strength ratings of "A" or better.

Overall Market Expectations

The median projected annual return (MIPAR) for all stocks followed by Manifest Investing (Solomon database) is approximately 11.4% (9/29/2005.) We expanded the MIPAR display and left the VLMAP results on the accompanying graphic for comparison purposes. The difference between MIPAR and VLMAP as shown is simply the amount of projected dividend yield.

The current concerns with rising interest rates, the devastation of the gulf hurricanes, rising fuel prices have resulted in a swift reduction in overall consumer confidence. The result of this is that institutions "bail" on the consumer discretionary sector en masse. Note the retail stocks in the screening results. Our task is to study and decide whether they're damaged goods or whether they now represent significant long-term buying opportunities.



Source: Manifest Investing, Value Line Investment Survey

Worth a Closer Look Now

New companies include: Delta faucet manufacturer and Tin Cup holding Masco, Affiliated Computer Services, Abercrombie & Fitch, Bed Bath & Beyond (also a Tin Cup mainstay), Kohl's, Stryker, Microsoft, Dell and Biomet. The combination of PAR and quality makes Abercrombie & Fitch this month's choice for Solomon's Select. ♚

Sweet Sixteen 9/29/2005	Symbol	Current Price	TTM Sales	Growth Forecast	Net Margin	P/E Avg	Fin Strgth	Proj Ann Ret	Quality
Masco Corp	MAS	$ 30.28	12457	10.4%	9.0%	16.5	80%	21.2%	74.7
Affiliated Computer Serv	ACS	$ 53.48	4554	14.2%	8.6%	22.0	80%	21.1%	69.4
Linear Technology	LLTC	$ 36.09	1050	16.0%	43.7%	30.0	80%	21.0%	67.6
Cisco Systems	CSCO	$ 17.92	24800	11.4%	24.3%	25.0	100%	20.0%	68.6
Abercrombie & Fitch	ANF	$ 46.93	2456	11.7%	12.4%	18.0	90%	19.8%	82.8
Pacific Sunwear	PSUN	$ 21.29	1301	12.0%	9.0%	18.0	80%	19.3%	74.7
TJX Companies	TJX	$ 20.29	15498	10.0%	4.9%	16.0	90%	19.2%	68.5
Bank of New York *	BK	$ 28.89	12.75	11.7%	16.0%	18.0	80%	19.0%	67.9
Bed Bath & Beyond	BBBY	$ 39.47	5391	14.1%	11.0%	22.5	100%	18.6%	91.8
Kohl's	KSS	$ 49.06	12454	19.2%	6.8%	20.0	80%	18.0%	89.9
Styker	SYK	$ 49.66	4761	12.0%	17.7%	28.0	80%	17.9%	69.6
Paychex	PAYX	$ 37.25	1490	14.1%	26.5%	40.0	80%	17.5%	84.8
Microsoft	MSFT	$ 25.67	40349	9.4%	32.9%	25.0	100%	17.4%	80.4
Dell Inc.	DELL	$ 33.94	52945	9.1%	7.5%	28.0	100%	17.1%	66.7
Biomet	BMET	$ 35.03	1852	12.4%	21.7%	25.0	80%	17.1%	72.8
Meredith	MDP	$ 49.75	1298	10.2%	10.6%	22.0	80%	16.8%	79.1

Sweet 16 Screening Result for October 2005. *Companies shown in bold are new since last month. Screening parameters: Projected Annual Return between 16.4-21.4%. Financial Strength "A" (80%) or better. Quality higher than 65.0. Sales Growth greater than 9%. 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 More Masco Corp (MAS)

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

Company Name	Ticker	Shares	Price	Value	% of Portfolio	Growth	P/E	Yield	Qlty	PAR
Strayer Education	STRA	562.29	$94.52	$53,147	8.8%	15.8%	29.0	0.4%	81.4	13.9%
Wendy's	WEN	1163.42	$45.15	$52,528	8.7%	8.8%	18.0	1.1%	71.8	12.4%
Bed Bath & Beyond	BBBY	1153.53	$40.18	$46,348	7.7%	14.1%	22.5	0.5%	91.8	18.1%
Linear Technology	LLTC	1220.31	$37.59	$45,871	7.6%	16.0%	30.0	0.9%	67.6	20.0%
Cardinal Health	CAH	698.01	$63.44	$44,281	7.3%	8.8%	20.0	0.1%	72.4	13.6%
United Health Group	UNH	749.71	$56.20	$42,133	7.0%	8.4%	19.0	0.0%	71.0	8.6%
Altria Group	MO	569.66	$73.71	$41,989	6.9%	8.8%	13.0	4.5%	69.9	11.7%
Health Mgmt Assoc	HMA	1763.18	$23.47	$41,381	6.8%	10.0%	22.5	0.4%	64.2	21.2%
Home Depot	HD	1066.89	$38.14	$40,691	6.7%	8.3%	24.0	0.7%	74.4	20.9%
Masco Corp.	MAS	1312.38	$30.68	$40,263	6.6%	10.4%	16.5	1.6%	74.7	20.9%
Paychex	PAYX	1007.61	$37.09	$37,372	6.2%	14.1%	40.0	1.3%	84.8	17.6%
CVS Corporation	CVS	1186.03	$29.01	$34,406	5.7%	9.0%	22.5	0.3%	70.6	16.3%
Synovus Financial	SNV	1234.63	$27.72	$34,223	5.7%	4.3%	20.0	2.4%	70.1	15.6%
Worthington Inds	WOR	1554.48	$21.03	$32,690	5.4%	7.5%	14.0	2.6%	52.8	14.6%
Pfizer	PFE	732.64	$24.97	$18,294	3.0%	3.1%	18.0	2.0%	76.7	19.2%
Totals & Averages				$605,625	100.0%	10.3%	22.2	1.2%	73.3	16.1%

Design & Performance

With a portfolio PAR of 16.1%, a quality rating of 73.3 and an overall sales growth forecast of 10.3%, all three portfolio design parameters are acceptable after the end-of-September transactions.

Total assets are $605,625 (9/30/05) and the net asset value is $167.27. August's declines were reversed and the model portfolio gained 0.4% during September 2005 and is up 19.5% over the trailing 52 weeks vs. 14.4% for the Wilshire 5000. As the benchmark graph illustrates, the model portfolio has performed at an exceptional level during the trailing ten year period.

Projected Annual Return

With MIPAR at 11.0% (10/1/05) our target range for the projected annual return is 16-21%. At 16.1%, the portfolio remains narrowly above the lower threshold.

Quality

Quality and financial strength are sufficient at the current levels of 73.3 (Excellent) and 80.0% ("A".)

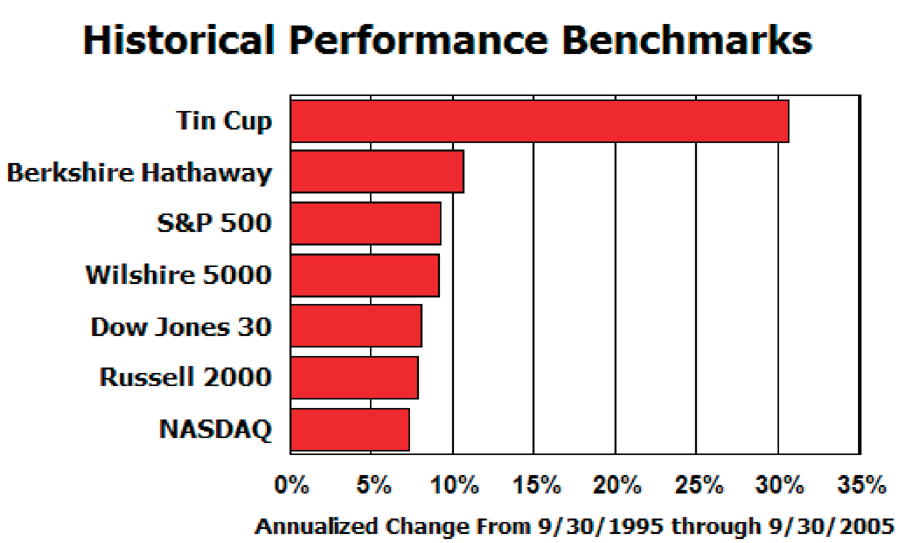
Decisions

This month's $1200 contribution (and quarterly dividends) will be invested in Masco Corp with a PAR of 20.9% and quality rating of 74.7. This transaction restores the portfolio PAR to 16.1%. This raises our stake in MAS to 6.6% of total assets. We now hold 1312 shares of MAS with a cost basis of $22.48 and an average purchase date of 10/1/2001. Our annualized actual price appreciation on the MAS stake is 7.9%.

Why was Masco Corp chosen over Home Depot? (Home Depot has an equivalent PAR and quality rating.)

In a case where two companies have a very similar impact on the overall design characteristics of the portfolio, the tiebreaker will often be the smaller position. In this case, the Masco stake was less than the Home Depot stake. We also point out that (currently) Masco has a higher projected sales growth rate and a lower projected average P/E. This leads to a favorable (albeit slight) reduction in the PELT (P/E-to-growth) ratio for the overall portfolio.

When is the challenge approach triggered? At what point does the operational portfolio management



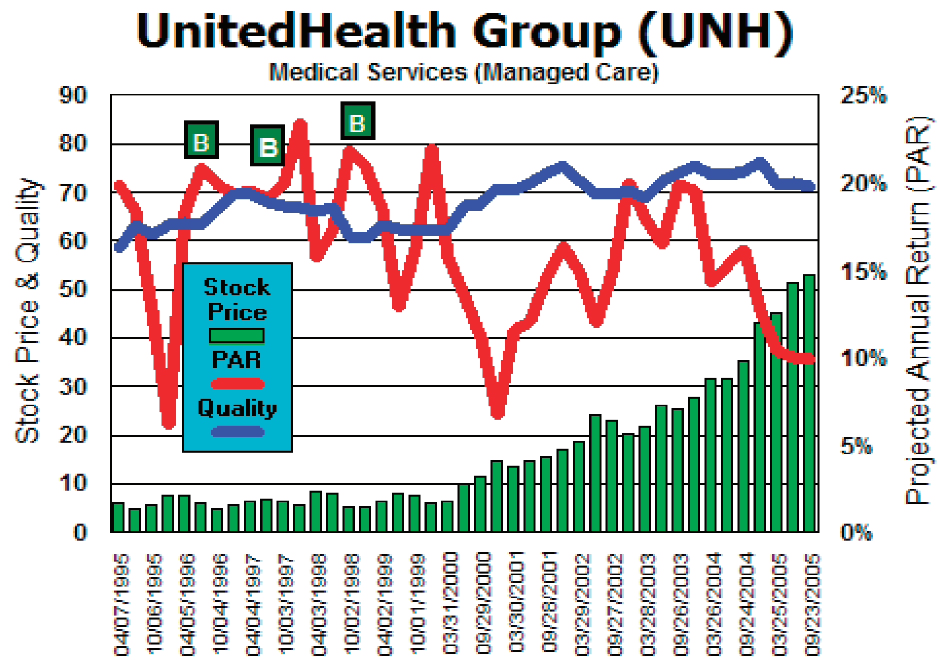
guidance based on maintaining a minimum overall PAR kick in? In other words, is it time for a sell evaluation on UnitedHealth?

Good question. The answer is when the overall PAR drops below the "advantage threshold" for your portfolio. If you've attained critical mass with your nest egg (enough total assets selected for sufficient dividend income) you'll probably have a lower "advantage threshold" than a risk-tolerant investor with a long time horizon. If investing causes some loss of sleep, you should be lowering the threshold, perhaps to 1-2 percentage points. For the Tin Cup portfolio, we've followed a 5 percentage point design threshold since inception. With MIPAR (10/1/2005) at 11%, we'll manage the holdings for a minimum portfolio PAR of 16%.

You're right. An overall portfolio PAR of 16.1% versus a MIPAR of 11.0% means that we're close to thinking about potentially selling a stock to maintain the threshold. The analysis would start with the lowest PAR stock. At this time, UnitedHealth Group (UNH) has a PAR of 8.6% and would offer the largest incremental improvement for the overall portfolio -- if a suitable replacement could be found.

Compounding the situation, Tin Cup holding Health Mgmt Assoc (HMA) is from the same sub-industry and it would be prudent to sell one or the other when the opportunity presents itself.

Is the opportunity presenting itself? The accompanying graphic provides a 10-year perspective on PAR, quality and stock price for UNH. We note that the PAR has rarely been in the single-digit range as it is now. A completed Equity Analysis Guide for UNH provides a PAR of 7.0%. This is a tough one. This PAR is not low enough to approach



Subjecting a Holding to a "Case Study." *This chronicle illustrates the long-term price trend as well as the historical PAR and quality rating for Tin Cup holding UnitedHeath. Purchases (denoted by "B") were made on 10/31/96, 8/31/97 and 9/30/98 for an average cost of $4.87 and an average purchase date of 6/17/97. The annualized return has been 34.1%.*

Sources: Manifest Investing, Value Line Investment Survey

any "automatic" threshold for selling (either money market or 5-year T-Bill rates.) However, it's possible that the overall PAR for the portfolio will dip below a 5 percentage point advantage during October. If it does, the mechanical nature of this demonstration will mandate that UNH be sold.

There will be substantial capital gains, but we know that history teaches us that time and time again, the potential for unrealized loss from an overvalued (low PAR) situation usually outweighs the cost of the taxes. Keep in mind that the tax cost is 20% of the gain, in this case -- $7600. The stock price for UNH only has to drop to $45-50 to cause an unrealized loss equivalent to the tax cost. We know that 18% price declines are a very, very common occurence for overvalued stocks.

The UNH sell decision might be coupled with selling the Pfizer position at a loss to reduce the tax cost. (And Pfizer's low growth rate is an anchor, at least for now, for the Tin Cup portfolio.)

Tune in next month to see if the selling triggers are pulled. What would you replace UNH with? Send your suggestions and we'll be glad to explore them next month.

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.