

# Expected Returns

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Results, Remarks and References Regarding Investment Initiatives

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## Group Groundhog



*A year ago we celebrated the achievements of the "girls" as Groundhog IV came down to the wire with some of our favorite ladies from Houston to Minnesota battling for the finish line. This year, it's all about the groups known as investment clubs. The group entries from clubs won the overall championship and locked down four of the top five positions. Our overall winner for 2011 hails from Traverse City, Michigan -- is known as the Northern Traders -- and was the subject of our Dashboards Diagnostics session last March. The individual champion for 2011 is Pittsburgh's own Nick Stratigos. It seems fitting that Nick should win because (1) he's always near the top of the standings and (2) he can see Punxsutawney, Pennsylvania from his porch.*

The challenge of long-term investing. We know that we're better together.

### Our Groundhog Creed

*"A group of investors heeding the lessons of Graham, Babson and Nicholson has at least one leg up on the crowd and a better than average opportunity to generate exceptional returns."*

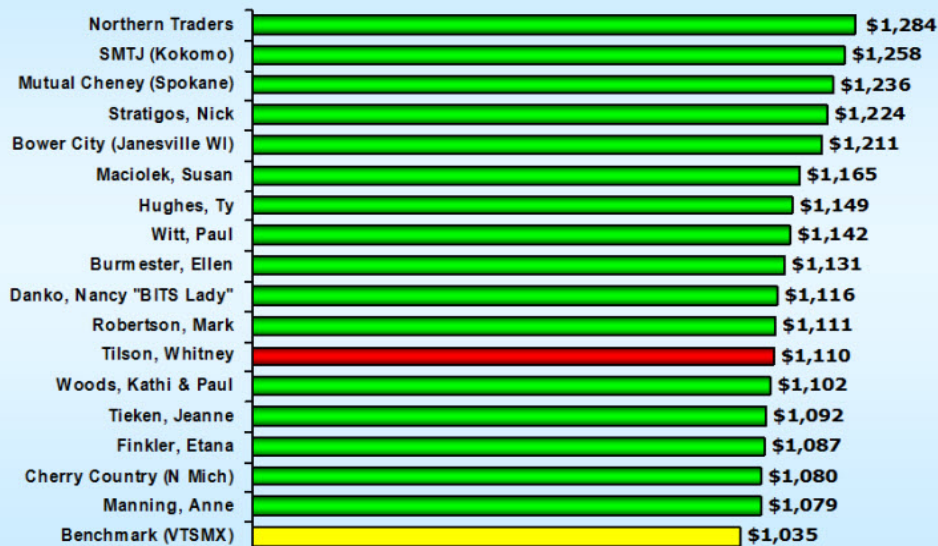
February has been regarded as investment club month by this community for a long time. Investment clubs are places where fear is confronted and mysteries solved. The result for many of the participants in the modern investment club movement has been the study and implementation of some time-honored analysis and portfolio design and management that can enable superior long-term returns. With four of the top five finalists representing investment clubs, let's just say that we're more than a little warm and fuzzy. I can think of few places I'd rather be than curled up around the fireplace and learning with the partners of our group champion Northern Traders on the banks of Grand Traverse Bay in Michigan. A few miles to the south, SMTJ (Still Makin' The Jam)



**Groundhog V (2011) Individual Champion Nick Stratigos.** Truth told, the picture should be with Woody ("You've Got A Friend In Me") from Toy Story. The real buzz is that Nick leans on his local community and Manifest Investing for ideas and support.

### Groundhog V (Top Tier)

(Value of \$1,000 Invested on 2/2/2011 on 2/2/2012)



**Groundhog V (2011) Leaderboard.** Here are the participants at the top of the standings for Groundhog V. The Northern Traders transformed \$1000 into \$1284 during the annual contest. \$1000 invested in the Wilshire 5000 was worth \$1035 on 2/2/2012.

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club from Kokomo, Indiana nearly stole the show -- advancing several positions on the last day of the contest as the stock price of Green Mountain Coffee sizzled. The Mutual Club of Cheney (Spokane) has consistently been among the leaders for five years ... and former group champion, Bower City Ladies of Janesville, Wisconsin was a threat to win it all again this year.

Investment clubs. Learning by doing -- together. Learning on each other and building the patience and discipline that can deliver long-term investing success. We've said it before but our best-performing participants clearly make their choices with a longer journey in mind. No day trading. No penny stock adventures. Carefully considered selections. Relatively low turnover.

Buy. Hold. For as long as it makes sense to do so.

## Collective Wisdom

At MANIFEST we have a common theme. It's our hope that by exploring the mysteries and challenges of long-term investing -- while traveling in packs or groups -- that we'll collectively emphasize (target) the success of positive relative returns.

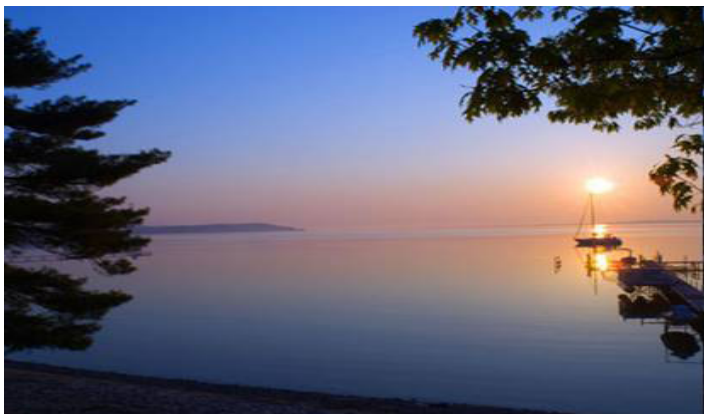
And it's here that our individual champion for 2011, Nick Stratigos, personifies the intersection of group investing and successful individual investing. How so?

Because Nick is the 2nd straight Groundhog champion to herald and pay tribute to our beloved Beardstown Ladies.

*"I got started after reading the Beardstown Ladies book."*

But the club foundation and encouragement doesn't end there.

*"Then I found the Pittsburgh Chapter Model Club. It was a great way to get exposure to BI and George Nicholson and the principles that I follow today. I ended up starting two different clubs. One is still in operation today. I miss the*



**Our 2011 Group Champions, Northern Traders** of Traverse City, Michigan went 5-for-5 in their inaugural dash in the Hog. All five of their selections outperformed the Wilshire 5000 for 2011. We see many bright sunrises and sunsets for this gathering of like-minded long term investors.

Groundhog 2007-2011 All-Time Performance	Ann. Rate of Return (Since Inception)	Relative Return
Witt, Paul [2009 Champion] (2009-2011)	59.6%	+39.5%
Robertson, Mark [2008 Champion]	27.8%	+27.2%
Seinberg, Saul (2007-2008, 2011)	6.4%	+21.4%
Manning, Anne [2010 Champion] (2009-11)	37.9%	+17.8%
Danko, Don (2009-2011)	35.4%	+15.3%
<b>Stratigos, Nick [2011 Champion]</b>	<b>15.2%</b>	<b>+14.6%</b>
Almond, Mac (2009-2011)	32.2%	+12.0%
Woods, Paul & Kathi (2010-2011)	23.1%	+11.0%
Bower City Club (2008-2011)	12.0%	+10.7%
Kowitz, Kurt (2009-2011)	27.4%	+10.5%
Dix, Larry (2008-2011)	11.1%	+9.8%
Matter, Bonnie (2008-2011)	11.0%	+9.7%
Hurst, Nick (2008-2010)	10.2%	+9.6%
Bruntlett, John	10.0%	+9.4%
Stokes, Shelly (2007-2009, 2011)	4.2%	+8.2%
Mutual Group of Cheney (Spokane)	9.2%	+7.9%
Danko, Nancy "BITS Lady" (2009-2011)	28.0%	+7.8%
Thompson, Bill (2008-2011)	9.1%	+7.8%
Hess, Dan	7.9%	+7.3%
<b>All Participating Groundhogs - Median</b>		<b>+1.1%</b>

**All-Time Relative Return Standings.** *The median relative return (performance percentage points greater than the Wilshire 5000) is +1.1% since inception of our Groundhog Challenge back in 2007. Participants qualify for this Hog Hall of Fame with participation in at least two years.*

*club routine and camaraderie but my life has made me move into the individual investor mode for now. But, Manifest Investing and the community you have created has more than filled the void! I also am involved as a volunteer/director with the Pittsburgh chapter and enjoy teaching others the advantages we have all learned."*

We don't think it's much of a stretch to think of Manifest Investing as one big investment club. We routinely explore screening results and study companies. Implementation includes our monthly Dashboard Diagnostics webcasts as well as the sharing of ideas that takes place at the online Round Table near the end of each month.

*"I've always used the resources out there like screeners or articles to identify companies to research. But, the best resource has been through the communities like our Chapter meetings, club meetings and Manifest."*

*"As far as lessons learned, patience has been the most important. Even in this year's contest, I pulled the trigger on GMCR after a significant move upward. If I had been patient, I would have held on a bit longer and made a little more profit. But, the other lesson learned is that GMCR eventually came back to earth and I was happy I moved when I did. If you rely on your research and experience, things [often] work out in the end."*

Nick's 2011 experience is a solid demonstration of patience and discernment. While holding four of his original selections (BWLD, IIVI, MELI & TNDM) from beginning to end, the starting selection of Green Mountain Coffee soared approximately

... continued on page 8 ...



## Solomon Select Walgreen (WAG)

**Do you really think this is the first commercial storm faced by Walgreen? (The company was founded in 1901.) The current brouhaha revolves around the stormy relationship and breakup with Express Scripts. No one can deny the demographic potential but it's fair to question the model and be vigilant about the competitive threats. Walgreen is a 3-time selection for this feature and the company has been selected on multiple occasions by the MANIFEST Round Table -- generally following another disruptive speed bump that delivers a swoon in stock price.**

### Heritage: A Champion of Convenience

Walgreens appears to be running more commercials focusing on the convenience aspect of their business. Most of us like shorter lines and parking spaces that are in the same zipcode as our destination.

"Walgreens provides the most convenient access to consumer goods and services, and pharmacy, health and wellness services, in America. The company has recorded 36 consecutive years of record sales."

"Walgreens is taking steps to ensure the company's continued success in the face of a weakening economy. We are transforming into a more efficient and customer-focused company, both for drugstore customers and for patients and payers seeking quality pharmacy, health and wellness services that are accessible and affordable."

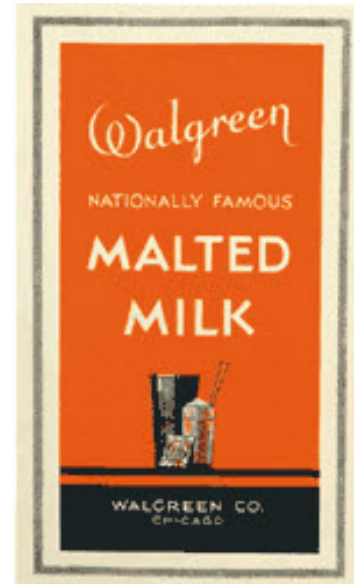
### Growth, Profitability and Valuation

Value Line has a sales growth forecast of 8.5%. We're using 6.8% based on analyst consensus forecasts and a regression from 2006-2015.

The net margin (2008-2012) checks in at 3.4%. Value Line has a 3-5 year projected net margin of 3.8%. We're using 3.6% -- a median for the span 2007-2015 that also seems consistent with the long-term characteristic of achieving 3.5% net margins -- give or take a tenth of a percentage point from time to time. Competition is formidable and the system is pretty mature but well-positioned to serve a burgeoning demographic.


The long-term VL projected average P/E is 17x. Based on consensus and industry analysis, we're assigning a projected average P/E of 15x.

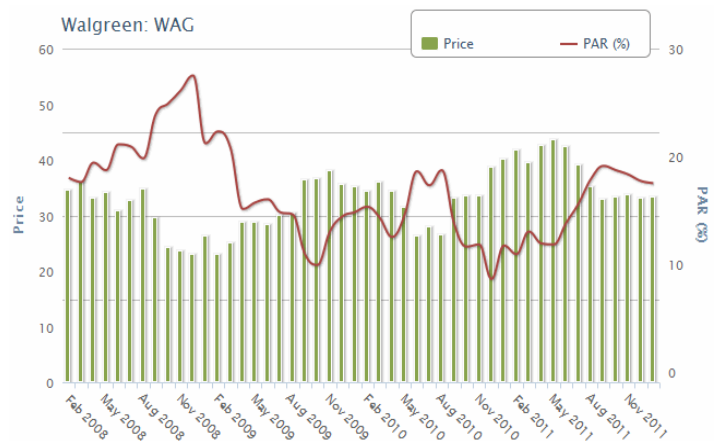
At a stock price of \$33.22, the projected annual return is approximately 18%. The quality rating is 80.4 (Excellent) and the financial strength rating is 95 (A+).



**Did you know? Walgreens invented the malted milkshake. Customers stood three and four deep around the soda fountain to buy the "double-rich chocolate malted milk."**

The loss of the Express Scripts business is not without its challenges. And the strategic initiatives already in place to offset the lost business may fall short of expectations. All of that withstanding, the company continues to execute on most of the cylinders intact. Our outlook is relatively unchanged from the previous features back in November 2006 and May 2006. The relative returns on those two selections are -4.0% and -4.4% after temporarily posting much better returns before the recent price pause.

Do you remember how Wal-Mart was going to put Walgreen out of business back in 2006? They're still working on it. Walgreen is working on proving them wrong. I trust they've got some good ideas and good customers. Convenient indeed. 



**Walgreen: Chronicle.** Current levels of PAR are approaching the two peaks experienced since 2008. Value Line expects above-average appreciation potential over the 2014-2016 horizon despite the loss of the Express Scripts accounts. The company's high quality rating, earnings stability and attractive yield make for a potentially suitable investment for patient, long term investors.





## Fund Analysis: Hoard vs. Herds

# Nasdaq-100 (QQQ)

by Cy Lynch

This month we accumulate one of our favorite international opportunities.

### The Methodology and Focus

The MANIFEST methodology is unique because of its forward-looking emphasis. The projected returns for the individual holdings of funds are analyzed and used to compile a projected return for a universe of funds. In that spirit, our emphasis in the study of funds is on where the fund seems to be headed rather than where it's been.

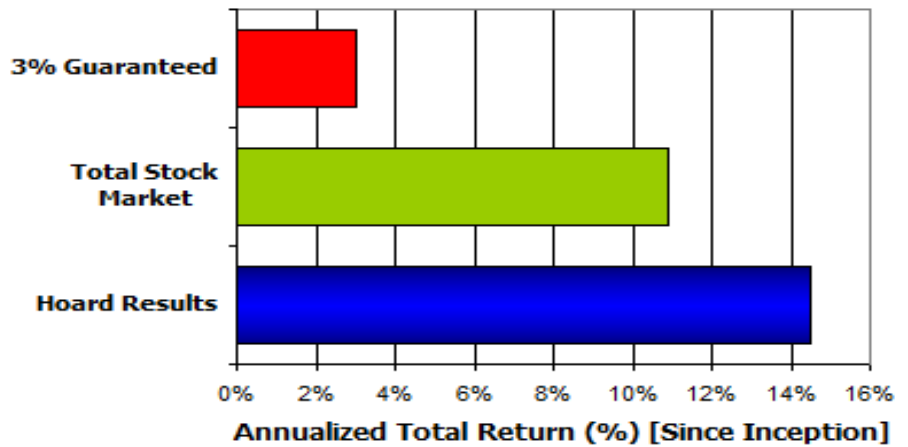
### Results

The Hoard's relative return since its inception (January 2009) reversed course last month, after slipping for the last three months of 2011. It now stands at 3.6%, comfortably above our long-range target of 3%, based on its total return of 14.2% versus 10.6% for the Herd (total stock

market) during the same period.

Accuracy (the percentage of selections outperforming the total market) increased as well, to a pretty incredible 85%.

### Model Portfolio Results (1/31/2012)



**Results (February 1, 2012).** The average selection for the Hoard has outperformed the total stock market benchmark by +3.6% since inception. Accuracy, the percentage of selections outperforming the Wilshire 5000 since selection, is now 85%.

### Decisions

Turning to key portfolio design characteristics for the Hoard Portfolio, overall PAR (13.0%) is 5.1 points above current MIPAR of 7.9% well above our goal of MIPAR+3 percentage points. Overall quality (excellent at 69.9) and financial strength (78%) remain strong as well. Projected sales growth (10.9%) also falls within our target range of 10-12%.

T. Rowe Price Health Science (PRHSX) has the lowest PAR (6.9%) of all current holdings and is the only one expected to underperform the market as measured by MIPAR. We'll certainly monitor expectations for this solidly performing actively managed fund going forward, but there is no need to look to replace it right now given the strong Hoard portfolio's "report card" on all key design return and quality characteristics.

For the third month in a row, and only the third time since MANIFEST began covering funds, all 20 funds on this month's Fund Manifest have overall PARs at least 5 percentage points greater than MIPAR. Unlike the last few months, however, funds with a technology sector bent make up most of the leaders.

Leading the pack with a 15.8% PAR is current Hoard holding and this month's

Company	Symbol	Sales Grth	Yield	P/E	Fin Str	EPS Stab	Qty	PAR
PowerShares QQQ (Nasdaq-100)	QQQ	12.9%	0.9%	17.9	88.7	62.4	76.0	15.8%
iShares DJ Technology	IYW	11.5%	0.9%	17.4	93.2	64.4	77.2	15.3%
Janus Orion	JORNX	8.2%	1.4%	13.6	55.5	51.0	51.3	15.2%
First Trust ISE Chindia	FNI	14.1%	1.4%	19.7	58.4	61.2	67.9	15.2%
Vanguard Technology	VGT	11.2%	1.0%	17.3	93.8	65.7	77.4	14.8%
BLDRS Emerging Mkts 50 ADR	ADRE	11.7%	2.1%	13.5	53.2	64.7	67.5	14.8%
Fidelity Blue Chip Growth	FBGRX	12.7%	0.9%	18.2	85.9	59.6	74.7	14.2%
SPDRs Technology Select Sector	XLK	10.2%	1.4%	16.5	92.4	69.8	76.3	14.0%
Fidelity Select Software & Comp	FSCSX	12.8%	0.7%	20.7	91.9	69.7	75.8	14.0%
White Oak Select Growth	WOGSX	11.6%	1.1%	18.9	79.0	60.5	68.8	13.8%
Fidelity Select Insurance	FSPCX	8.8%	1.5%	11.6	62.4	62.1	60.0	13.8%
iShares DJ US Broker-Dealers	IAI	7.6%	1.3%	13.9	46.3	49.4	49.4	13.8%
T. Rowe Price Science & Technology	PRSCX	12.2%	0.4%	19.0	77.6	44.8	65.0	13.8%
Putnam Voyager	PVOYX	10.6%	0.8%	15.8	72.4	58.2	68.2	13.7%
iShares Dow Jones US Oil Equipment	IEZ	10.8%	0.5%	16.3	68.7	52.4	58.7	13.7%
Adams Express	ADX	9.0%	1.9%	15.6	92.4	71.7	76.0	13.5%
Fidelity Balanced	FBALX	10.1%	1.5%	15.7	87.4	65.2	74.7	13.5%
iShares Morningstar Large Growth Index	JKE	12.1%	0.9%	18.5	89.5	64.2	77.3	13.3%
Thrivent Large Cap Stock A (L)	AALGX	9.7%	1.8%	15.2	80.5	63.3	68.4	13.3%
Monetta	MONTX	13.7%	0.5%	19.8	74.5	46.3	67.9	13.2%

**February 2012 Fund Manifest.** Top funds ranked by projected annual return (PAR).

Company	Symbol	Shares	Price	Value	% of Total	Growth	Proj P/E	Proj Yield	Fin Str	EPS Stab	Qty	PAR
PowerShares QQQ (Nasdaq-100)	QQQ	169.67	\$60.53	\$10,270.13	11.7%	12.9%	17.9	0.9%	89%	62	76.0	15.8%
First Trust ISE Chindia	FNI	101.08	\$21.30	\$2,152.96	2.5%	14.1%	19.7	1.4%	58%	61	67.9	15.2%
Vanguard Technology	VGT	112.50	\$66.23	\$7,450.88	8.5%	11.2%	17.3	1.0%	94%	66	77.4	14.8%
BLDRS Emerging Mkts 50 ADR	ADRE	225.16	\$42.41	\$9,549.04	10.9%	11.7%	13.5	2.1%	53%	65	67.5	14.8%
T. Rowe Price Science & Technology	PRSCX	238.96	\$28.71	\$6,860.46	7.8%	12.2%	19.0	0.4%	78%	45	65.0	13.8%
iShares Morningstar Large Growth Index	JKE	96.48	\$70.01	\$6,754.56	7.7%	12.1%	18.5	0.9%	89%	64	77.3	13.3%
Monetta	MONTX	737.18	\$14.83	\$10,932.33	12.5%	13.7%	19.8	0.5%	75%	46	67.9	13.2%
Fidelity Select Technology	ESPTX	18.62	\$93.65	\$1,743.95	2.0%	14.9%	24.7	0.2%	82%	45	69.3	13.1%
Vanguard FTSE All-World x-US	VEU	44.22	\$42.37	\$1,873.56	2.1%	4.8%	11.6	5.1%	64%	51	61.5	12.7%
Vanguard Growth	VUG	122.02	\$65.64	\$8,009.26	9.1%	10.3%	16.6	1.4%	91%	73	76.7	12.7%
ELEMENTS M* Wide Moat Focus	WMW	1098.22	\$13.01	\$14,290.59	16.3%	6.4%	17.7	1.7%	75%	69	62.9	10.7%
DJ US Medical Devices	IHI	74.13	\$63.78	\$4,728.01	5.4%	8.0%	18.8	0.6%	81%	81	70.5	9.6%
T. Rowe Price Health Science	PRHSX	84.76	\$35.87	\$3,040.31	3.5%	10.9%	20.1	0.5%	65%	62	62.0	6.9%
Averages				\$87,656.03		10.9%	17.8	1.2%	78%	62	69.9	13.0%

**Hoard Dashboard.** Our \$67,875 invested so far is now worth \$87,456. (2/1/2012)  
VGT has a relative return of +8.9% per annum since selection (12/2008).

#### Top Holdings: PowerShares QQQ (Nasdaq-100) (QQQ)

Company	Symbol	Industry	Growth	Proj P/E	Proj Yield	Fin Str	EPS Stab	Qty	PAR
Apple Inc.	AAPL	Computer Systems	15.7%	17.0	0.0%	98%	38	83.8	17.1%
Microsoft	MSFT	Software (Systems)	9.9%	12.0	2.5%	97%	89	77.5	15.8%
Google	GOOG	Internet	18.9%	23.0	0.0%	100%	42	80.1	23.8%
Oracle Corp.	ORCL	Software (Systems)	14.1%	16.0	0.7%	94%	94	84.6	22.7%
Intel Corp.	INTC	Semiconductor (Broad Line)	6.4%	15.0	1.9%	96%	56	71.5	13.2%
Cisco Systems	CSCO	Communications Equip	8.2%	17.0	1.4%	93%	80	80.7	15.9%
QUALCOMM	QCOM	Communications Equip	14.2%	21.0	1.3%	94%	72	87.8	15.1%
Amazon.com	AMZN	Internet	25.9%	32.0	0.0%	54%	35	51.3	10.8%
Amgen (b)	AMGN	Biotechnology	9.5%	14.0	1.2%	93%	90	72.3	15.3%
Comcast (A)	CMCSA	Cable TV	4.6%	15.0	1.3%	35%	83	52.2	6.2%
Ebay Inc.	EBAY	Specialized Consumer Services	12.9%	19.0	0.0%	96%	69	75.6	17.2%
Gilead Sciences	GILD	Drug	6.4%	16.0	0.0%	56%	59	60.9	10.7%
Costco Wholesale	COST	Retail Store	8.8%	21.0	1.1%	97%	97	74.4	9.3%
Starbucks	SBUX	Restaurant (Fast)	10.7%	22.0	1.4%	80%	87	83.6	3.8%
Baidu.com	BIDU	Internet	27.7%	40.0	0.0%	99%	58	89.2	24.5%
Celgene	CELG	Drug	12.1%	22.0	0.0%	79%	21	63.0	11.4%
DirectTV	DTV	Cable TV	12.2%	15.0	0.0%	28%	29	52.2	20.5%
Teva Pharma	TEVA	Drug (Generic)	8.6%	12.0	1.2%	58%	88	69.9	16.7%
Dell Inc.	DELL	Computer Systems	5.4%	13.0	0.0%	84%	67	55.4	11.5%
Biogen IDEC	BIIB	Drug	8.6%	20.0	0.0%	80%	27	54.5	4.3%
Auto Data Proc	ADP	Software (Data Processing)	6.5%	20.0	2.1%	99%	96	76.4	9.1%
Priceline.com	PCLN	Internet	23.9%	22.0	0.0%	87%	40	81.7	15.7%
Express Scripts	ESRX	Pharmacy Services	7.7%	18.0	0.0%	84%	77	73.0	9.4%
Vodafone	VOD	Telecomm Services	3.3%	11.0	6.3%	67%	49	61.6	12.7%

**Nasdaq-100 (QQQ) Holdings (February 1, 2012).** This fund has achieved a +6.5% relative return (vs. Wilshire 5000) over the trailing five years.

selection, PowerShares QQQ (NASDAQ 100, QQQ). Last selected in May 2011, QQQ seeks to track the performance of the 100 largest non-financial stocks traded on the NASDAQ measured by market capitalization.

QQQ's overall quality rating is excellent at 76.0 with a very strong Financial Strength of 88.7%. QQQ's 12.9% projected growth rate will bolster that of the Hoard portfolio slightly, which is a plus.

QQQ is widely known, correctly so, for its large technology sector orientation, currently standing at about 65% of holdings, over three times the technology share of the total stock market. Indeed, QQQ's eight largest holdings (collectively about 50% of total holdings) are technology stocks. QQQ's consumer discretionary holdings also exceed the weighting of the total market; by about 2 percentage points in this instance (12% compared to 10%). Most surprising to me is that foreign based companies make up nearly 5% of QQQ's holdings, compared to less than one-half of one percent of the total market.

At the other end of the spectrum is QQQ's lack of exposure to financial stocks (by definition) and the energy and utility sectors. Additionally, less than 1% of holdings fall in the material sector.

About 11% of QQQ holdings are healthcare stocks, substantially the same weighting as that of the total market. Similarly, telecommunication sector stocks make up between four and five percent of both QQQ and the total market.

With MIPAR drifting below 8%, into the lower end of its historical range, we find it prudent to focus our shopping efforts on stocks and funds having especially strong quality characteristics, like those of QQQ. Along with very solid overall Quality and Financial Strength, the ETF has an above average 62.4% EPS Stability rating. Getting all those strengths with the best available expected return of all funds makes QQQ a hard-to-resist option for addition to, or accumulation in, most portfolios.



# Quest for Quality & Promising Prognostications

**This month features the top percentile of all stocks covered at MANIFEST on the basis of projected return and quality rating.**

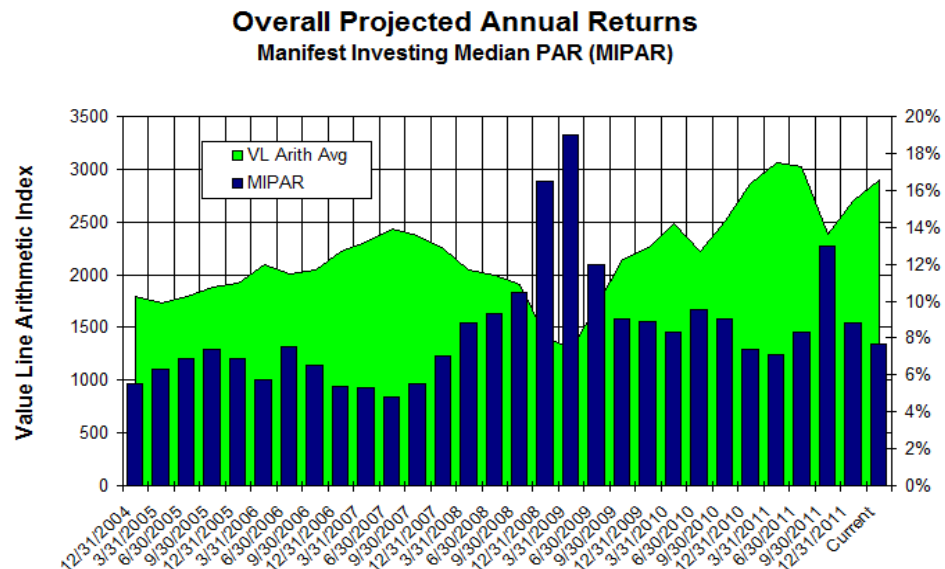
## Overall Market Expectations

The median projected annual return (MIPAR) for all 2400+ stocks followed by MANIFEST (Solomon database) is 7.0% (2/3/2012.) The multi-decade range for this indicator is estimated at 2-20%.

## February Study Opportunities

We generated this month's listing by simply hunting down companies with MANIFEST Ranks greater than 99.4.

The screening results continue to include a number of stocks that have been featured in our Solomon's Select column: Infosys Tech (INFY), Cognizant Technology (CTSH), Bio-Reference Labs (BRLI), Urban Outfitters (URBN), Quality Systems (QSII), Masimo (MASI), Walgreen (WAG), Apple



**Market Expectations (1/31/2012).** The median projected annual return (MIPAR) for all 2500+ stocks followed by MANIFEST (Solomon database) is 7.0%. The multi-decade range for this indicator is estimated at 2-20%.

(AAPL) and SolarWinds (SWI).

They're all still in the Solomon Select tracking portfolio and most of them doing fairly well.

Carbo Ceramics (CRR) is an example of a current Groundhog favorite selection and we'll publish the most-frequently selected stocks by our groundhogs next month. No shadows here -- spring imminent?



Company	Symbol	Industry	Growth	Proj P/E	Proj Yield	Fin Str	EPS Stab	Price	Quality	PAR
Infosys Tech	INFY	Software (Consulting)	15.4%	22.0	1.0%	100%	83	\$54.99	95.7	21.0%
Mindray Medical*	MR	Medical Supplies (Devices)	16.2%	22.0	0.5%	81%	80	\$29.76	87.1	19.9%
Cognizant Technology	CTSH	Software (Consulting)	21.0%	23.0	0.0%	98%	85	\$71.75	94.0	19.1%
Bio-Reference Labs*	BRLI	Medical Services	17.4%	17.0	0.0%	92%	88	\$19.35	83.7	18.4%
Syntel*	SYNT	Software (Consulting)	16.9%	16.0	0.5%	79%	68	\$46.92	86.8	18.3%
Urban Outfitters	URBN	Retail Special	10.7%	20.0	0.0%	96%	71	\$26.50	88.1	18.2%
Vera Bradley	VRA	Apparel	20.2%	23.0	0.0%	62%	65	\$35.81	81.2	18.0%
Focus Media*	FMCN	Advertising	13.8%	16.0	0.0%	74%	43	\$20.00	79.3	18.0%
Quality Systems	QSII	Healthcare Information	19.7%	27.0	1.1%	88%	79	\$40.56	81.8	17.8%
AeroVironment	AVAV	Aerospace/Defense	17.6%	22.0	0.0%	95%	85	\$27.87	86.8	17.6%
Masimo	MASI	Medical Supplies	11.8%	25.0	0.0%	99%	96	\$21.37	83.8	17.6%
Walgreen	WAG	Pharmacy Services	6.8%	15.0	2.1%	95%	97	\$33.36	80.4	17.5%
Apple Inc.	AAPL	Computer Systems	15.7%	17.0	0.0%	98%	38	\$456.48	83.8	17.1%
Fossil	FOSL	Retail Special	16.5%	20.0	0.0%	56%	74	\$95.05	82.4	16.7%
CARBO Ceramics	CRR	Oil & Gas (Equip/Serv)	17.6%	22.0	0.5%	98%	75	\$97.25	85.3	16.6%
SolarWinds*	SWI	Software (Application)	23.9%	29.0	0.0%	97%	86	\$31.61	94.0	14.9%

**Sweet 16 Screening Result for February 2012.** **Growth:** Sales growth forecast. **Financial Strength:** Consensus financial strength based on survey. **P/E Avg:** Projected average annual price-to-earnings ratio in 3-5 years. **EPS Stability:** Annual EPS growth variations, including forecast years. \* - Expanded Coverage. Note: Financial firms use Book Value and Return-on-Equity (ROE) instead of sales and net margin.





## Tin Cup Model Portfolio

# Accumulate Quality Systems (QSII)

Total assets are \$928,397 (1/31/12) and the net asset value is \$213.16. The model portfolio gained +8.83% during January 2012 (*Wilshire 5000 checked in at +5.08% for the month.*) Tin Cup has generated a +2.6% total return over the trailing five years vs. 0.8% for the total stock market.

## Portfolio Characteristics


With MIPAR at 7.9%, our target for the minimum overall portfolio PAR is at least 12.9%. The overall portfolio PAR is 15.1% on 1/31/2012. Quality and financial strength are sufficient at the current levels of 81.1 (Excellent) and 91%. EPS Stability is 86 for the portfolio. Sales growth is acceptable at 11.2%.

## Decisions

Our \$1875 for February is targeted at Quality Systems (QSII) and we accumulate shares based on the sweet spot PAR (17.8%) and suitable quality rating. At 8.2% of total assets, there's room for a little more accumulation.

Speaking of accumulation, the Tin Cup model portfolio is approaching a significant milestone. Of course there's no way to tell and certainly no guarantees -- but the balance in this retirement account simulation and demonstration that dates back to January 1995 is approaching \$1,000,000.

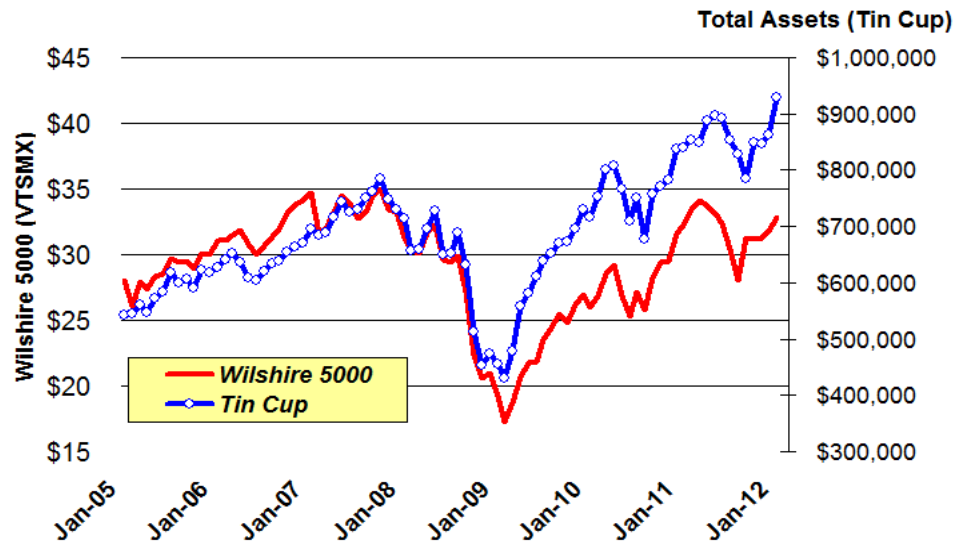
As a reminder, this balance represents the results of the maximum pre-tax allowed contribution into a 401(k) plan since 1994. The decisions have been and are mechanical and relatively emotion-free. All of the decisions have been chronicled and published since we announced the demonstration portfolio back in February 2005. As the accompanying graphic shows, the portfolio has nudged ahead of the Wilshire 5000 to relatively better performance over the last three years or so.

We'll be watching this more closely in days ahead and hoping to see a 7-digit balance soon. 

Company	Symbol	Shares	Price	Value	% of Total	Growth	Proj P/E	Proj Yield	Fin Str	EPS Stab	Qlty	PAR
Mercadolibre*	MELI	450.00	\$87.40	\$39,330.00	4.2%	31.2%	39.0	0.0%	88%	44	83.1	21.0%
Bio-Reference Labs*	BRLI	2300.00	\$19.35	\$44,505.00	4.8%	17.4%	17.0	0.0%	92%	88	83.7	18.4%
Urban Outfitters	URBN	1750.00	\$26.50	\$46,375.00	5.0%	10.7%	20.0	0.0%	96%	71	88.1	18.2%
Quality Systems	QSII	1880.00	\$40.56	\$76,252.80	8.2%	19.7%	27.0	1.1%	88%	79	81.8	17.8%
Cisco Systems	CSCO	3420.00	\$19.65	\$67,185.90	7.2%	8.2%	17.0	1.4%	93%	80	80.7	15.9%
Microsoft	MSFT	3350.00	\$29.53	\$98,925.50	10.7%	9.9%	12.0	2.5%	97%	89	77.5	15.8%
Abbott Labs	ABT	1400.00	\$54.15	\$75,810.00	8.2%	8.4%	14.0	2.3%	96%	99	77.6	15.4%
SolarWinds*	SWI	990.00	\$31.61	\$31,293.90	3.4%	23.9%	29.0	0.0%	97%	86	94.0	14.9%
Pepsi	PEP	900.00	\$65.67	\$59,103.00	6.4%	6.2%	18.0	2.0%	98%	98	77.0	14.8%
Coach	COH	1000.00	\$70.05	\$70,050.00	7.5%	12.5%	20.0	1.6%	91%	79	92.2	14.1%
Stryker	SYK	1540.00	\$55.43	\$85,362.20	9.2%	9.6%	17.0	0.8%	99%	97	89.8	13.8%
Linear Technology	LLTC	2200.00	\$33.33	\$73,326.00	7.9%	7.9%	18.0	2.1%	74%	73	71.7	13.3%
CVS Caremark	CVS	1650.00	\$41.75	\$68,887.50	7.4%	6.7%	15.5	1.5%	86%	96	79.1	12.5%
Strayer Education	STRA	420.00	\$108.80	\$45,696.00	4.9%	4.9%	17.0	2.3%	66%	86	66.9	12.3%
Medtronic	MDT	1200.00	\$38.57	\$46,284.00	5.0%	4.4%	13.0	2.0%	94%	99	79.1	10.3%
Cash				\$10.00	0.0%			0.1%				0.1%
Averages				\$928,396.80		11.2%	18.6	1.5%	91%	86	81.1	15.1%

**Tin Cup Dashboard: January 31, 2012.** The holdings are ranked by PAR (last column on the right.) We accumulate Quality Systems (QSII) based on PAR, quality and %-of-total assets.

## Benchmarking Tin Cup (2005-2012) Total Assets vs. Market



**Tin Cup: The Countdown.** As the years pass and the sand flows through the hour glass, detection of high-quality companies on sale is a potential path to formidable results. As shown here, total assets for the Tin Cup demonstration portfolio are now approaching \$1,000,000. This total represents the maximum allowable pre-tax contribution (with no matching!) to a 401(k) since 1995. All portfolio management decisions since 2005 have been chronicled in this monthly column. For purposes of context and environment, the Wilshire 5000 -- in the form of a total stock market index fund (VTSMX) -- is profiled in the background to help depict challenging times, etc. Stay tuned as we hope for seven digits soon.

## Perspectives

# Groundhog V: Results (cont.)

87.2% in less than two months. Nick replaced GMCR with Dolby Labs (DLB) before ultimately settling on Teva Pharma (TEVA) to finish the 2011 contest. Again, not a lot of turnover, but a decision that cemented victory.

## Not Just A "Longest Drive" Contest


Without question, we're here for the returns.

That said, we also focus on discovering opportunities that are positioned to outperform the general stock market after we pull the trigger. Therefore, we track the number of selections that perform better than the Wilshire 5000 as a percentage of the total decisions made. This ratio is deemed the "accuracy." The all-time leader, with 17 outperforming selections out of 23 total decisions (73.9%) is Larry Dix of Cleveland. Shelly Stokes of Minnesota (73.1%) has consistently ranked at the top of this list since the inception of the Groundhog Challenge. Neither Larry or Shelly can be considered one-hit wonders either. Both of them have been prominent on the leader boards during the duration of the Groundhog contests.

If you're new to this or the Motley Fools CAPS stock picking contest and format, some context is provided by realizing that the "average investor" appears to achieve an accuracy rating of approximately 40%. Despite taking quite a hit during 2011 (*there was some evidence of swinging for the fences ... and the Chinese small companies were unkind -- and that's being diplomatic/kind*) the overall accuracy rating for Groundhog Nation is still 52.5% since inception.

For 2011, fewer participants outperformed the Wilshire 5000 (42.5%) compared to the levels we witnessed during 2007-2009.

## Our Invitation

Our traditional contest now has five years in the books. The challenge is simple. Select five stocks and send the tickers to [markr@manifestinvesting.com](mailto:markr@manifestinvesting.com) or post the decision on the MANIFEST Forum in the Groundhog Challenge folder. We'll take entries until March 21 and you're encouraged to enter as an individual and we'd love to see more entries from clubs. Hogs unite! Go wild. 

## Contact Us

You may 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.

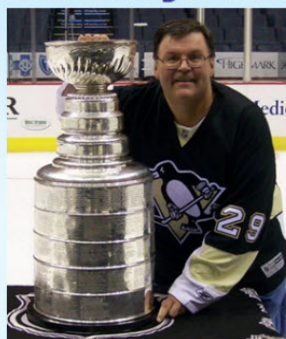
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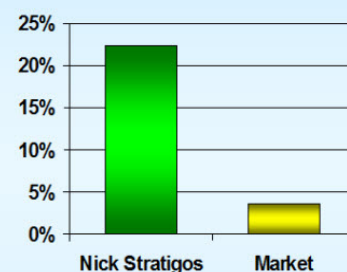
Groundhog All-Time 2007-2011	Wins-Losses	Accuracy
Dix, Larry	17-6	73.9%
Stokes, Shelly	19-7	73.1%
Seinberg, Saul "Stockinator"	13-5	72.2%
Brunell, Charles	17-7	70.8%
Cardner, Richard	19-8	70.4%
Woods, Kathi & Paul	7-3	70.0%
Manning, Anne	12-6	66.7%
Almond, Mac	10-5	66.7%
Danko, Nancy "BITS Lady" & Don	10-5	66.7%
Bruntlett, John	17-9	65.4%
Stratigos, Nick	24-13	64.9%
Mutual Group of Cheney (Spokane)	11-6	64.7%
Johnson, Christopher	20-11	64.5%
Robertson, Mark	28-16	63.6%
Bower City (Janesville, WI)	17-10	63.0%
Hurst, Nick	14-9	60.9%
Charpentier, Belinda	21-14	60.0%
Witt, Paul	9-6	60.0%
Hall, Ellen	22-15	59.5%
Maciolek, Susan	16-11	59.3%
<b>Average Accuracy</b>		<b>52.5%</b>

**Groundhog All-Time Accuracy.** Larry Dix of Cleveland and Shelly Stokes of Minnesota lead the pack with the highest frequency of outperforming selections over the five years of the Groundhog Challenge. Mutual Group of Cheney (Spokane) continues to lead the group entries.

## 2011 Individual Champion Nick Stratigos of Pittsburgh, Pennsylvania



Total Return (2011)



**Nick Stratigos** is another investor inspired by the Beardstown Ladies. Nick also serves as a volunteer for investment education programs in the Pittsburgh area. His selections for 2011 achieved an annual total return of 22.4%. His favorite sources of ideas are his like-minded neighbors and the StockSearch at [www.manifestinvesting.com](http://www.manifestinvesting.com). March of the Penguins.