

# Expected Returns

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

Volume XX, No. 9  
September 2012

## Rhino Games?

*"I'm sorry, but this was never what was really intended." -- Mr. Buttonwood*

*Mr. Buttonwood is our incarnation of Ken Fisher's Great Humiliator, or the stock market, in general. We've recently harkened for a version of Benjamin Button and the curious case in the movie of the same name. In the face of high-frequency trading, dark pools, derivatives that would make Frankenstein proud, and a glut-tony of greed and irresponsibility (and absent ethics) perhaps it's time for a little reverse aging and a return to the ways things used to be.*



The Hunger Games is a 2008 young adult novel by American writer Suzanne Collins. It is written in the voice of 16-year-old Katniss Everdeen, who lives in the post-apocalyptic nation of Panem, where the countries of North America once existed. The Capitol, a highly advanced metropolis, exercises political control over the rest of the nation. The Hunger Games are an annual event in which one boy and one girl aged 12-18 from each of the twelve districts surrounding the Capitol are selected by lottery to compete in a televised battle to the death.

I'm not really all that surprised that the Nintendo Generation would combine forces with hackers and computer scientists to foment a morasse that is no match for things like Dodd-Frank.

Complete the following quiz. The average holding period for a stock on the New York Stock Exchange is now \_\_\_\_\_.

Take your time. I'm willing to wait longer for the answer than the answer.

That's right. The answer was 18 seconds. The operative word there is "was" because that information is a few years old.

18 seconds ain't easy. When you consider the reality that many people in the long-term investing community rightfully hold (for the Nintendo critters reading this ... that's a reference to prudent ownership and stewardship) for decades. Our family still has stocks purchased back in 1992 and laziness or ostrich emulation has nothing to do with it. Warren Buffett and Berkshire Hathaway own shares of Coca-Cola accumulated back in 1989. One of my investment clubs owned shares of AFLAC acquired back in the late 1960s. In any event, to get to 18 seconds on average, it takes a lot of frenzied rhino behavior to offset those holding periods measured in decades.

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

Instead we're treated to a daily dose of frenetic algorithms in a quest for chasing a huge pile of transactions all aimed at extracting a penny or two in a shameless series of self-propagating and self-fulfilling prophecies. At least that's the way the Rhino Games stack up on closer examination. What could possibly go wrong with a bunch of super-cooled computers hidden away in dark rooms and dark pools? There's evidence that flash crashes happen virtually every day.

It's enough to make an INVESTOR yearn for pricing in pieces of eight. (Again)



*Our pet name of endearment for the institutional analysts and portfolio managers on Wall Street is rhino based on the estimated 30-40 foot field of vision. Groups of rhinos are called crashes (no, you can't make this stuff up) and have been clocked by National Geographic with land speeds approaching MPH. Our community of investors realizes that -- first and foremost -- "Stock prices fluctuate." But we also admit that (1) there are days when we wish the rhinos wouldn't boost the fluctuation quite so much and (2) there are some good rhinos who don't get as many hugs as they should.*

### In This Issue...

Teva Pharma (TEVA) ..... 3

Fund Feature ..... 4

Vanguard Technology (VGT)

Screening Results ..... 6

Tin Cup Model Portfolio ... 7

[www.manifestinvesting.com](http://www.manifestinvesting.com)

## Pieces of Eight?

Talk about things that ought to make you go "HmMMMM."

I'd like to sit in on NYSE/Euronext morning meeting where the person in charge tenders that notion. Of course, he or she would do well to have a fresh, and actively deployed, resume before doing so.

All of the major league baseball and NFL teams have throwback days where they don uniforms of days long ago. What if the stock exchange were to hold a day or week of pricing in 1/8ths just to see what it felt like?

I have no doubt that Mr. Buttonwood would approve and that the high-frequency crowd would howl, well ... in the highest frequency possible.

Speaking of morning meetings and Mr. Buttonwood, I'd like to have been a fly on the wall of a certain series of meetings at JPMorgan Chase that went something like this:

"Hey, fellow Nintendo enthusiasts. I have an idea!"

"Can we make a bunch of money?"

"Absolutely! What if I told you of a scheme where we could do a whole bunch of things like Enron did about ten years ago?"

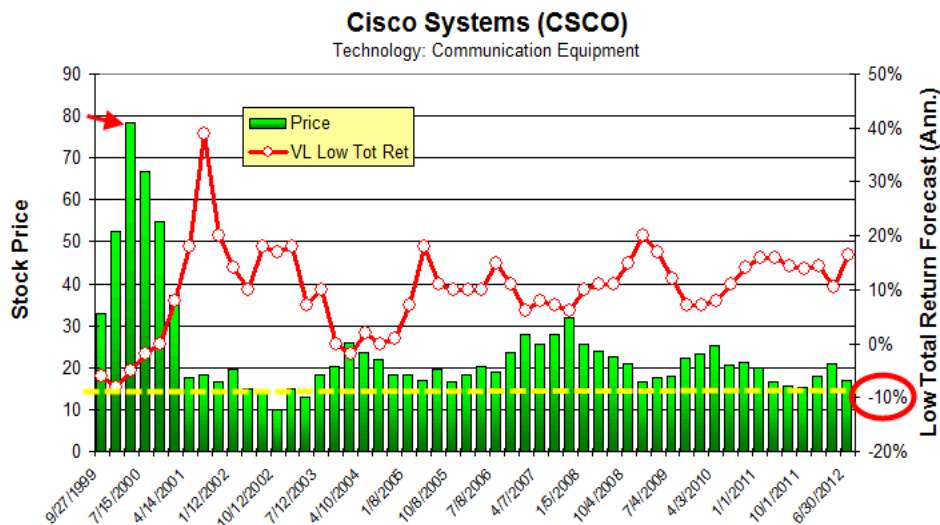
"Well, first I'd wonder if you skipped your meds this morning ..."

"No, seriously. We can do a bunch of Enron stuff. Nobody will notice, that is until they're handing out Christmas bonuses. Jamie [Dimon] will love it."

"We're interested. Go on."

"We'll have a WHALE of a good time. What could possibly go wrong? I think I'll call my buddies over at the LIBOR desk and see what they're up to this morning."

This just in. **JPMorgan Chase offset a \$4.4 billion (\$0.69/share) trading loss in the June interim with reductions in loan loss re-**



**When Rhinos Stampede.** During March 2000, Cisco Systems (CSCO) approached \$80/share. On the pages of *Better Investing* magazine, we documented that CSCO not only had a ghastly negative PAR but that CSCO had the strongest "Strong Buy" signal on Wall Street. I can recall Value Line -- the source of these low total return forecasts -- ratcheting up projected average P/E ratios at the time because we were in an unprecedented period when lack of EPS (to justify rocketing stock prices) didn't matter. Yeah, right. Despite the ratcheting, return forecasts were still stark. Some rhinos play nicer than others and Value Line ranks as a favorite and trusted resource. CSCO has been stuck in the mud for a decade or so. Rhinos have long memories. The price vs. forecast has actually been pretty reliable (forecast peaks = buying opportunities) over the last several years.

**serves, securities gains and other items.** The loss was the result of a trading strategy that went awry at its Chief Investment Office (conveniently located in London) charged with investing excess funds.

As it turns out, Jamie didn't love it.

That said, his first estimates of the carnage were "on the order of a billion or so." The question is whether he is willing to discover and discontinue all instances of this sort of thing. Mr. Buttonwood thinks Jamie should stick to banking.

Is Jamie willing to take away the Nintendo game controls?



Probably not. "C'mon, Buttonwood. We can't make as much money if we have to return to boring old banking stuff. Have a heart."

Curious case, indeed. Because we have a really hard time reconciling historical return-on-equity from banks in general at levels of 15-20% with the 6-8% levels that they've attained now. It seems to us that 15% was pretty rewarding for being boring.

"But that's like playing Madden13 without using the fancy controller options! Pretty boring, old man."

Long-term investing is not a zero sum game and the Nintendo rhinos would do well to understand that survival doesn't depend on killing counterparties. Because no matter how hungry they are, it simply doesn't.

In the song, *Incomudro*, by Kansas, the rock band chronicles that in some cases "growing old is merely going back to where you're from." Mr. Buttonwood can only smile and hope that BOTH presidential candidates have Brooksley Born on speed dial. 🐘



## Solomon Select Teva Pharma (TEVA)

**Repeat selection (5/2011) Teva Pharma (TEVA) is a global pharmaceutical that delivers both generic and proprietary drugs. Recent FDA rulings in the realm of cancer drug development and multiple sclerosis are examples of what-they're-up-to.**

TEVA recently scored a victory in a patent infringement case covering their multiple sclerosis drug, Copaxone. That combines with a favorable FDA ruling on filgrastim -- a drug for bone marrow cancer treatment. Filgrastim is already marketed in Europe.

The company is something of a serial acquirer as demonstrated by IVAX (2005) and Barr Labs (2008). Cephalon is a recent example. TEVA is a global presence and works with the likes of Sanofi-Aventis, Amgen, Novartis and is developing a marketing campaign with Procter & Gamble.

### Growth, Profitability, Valuation

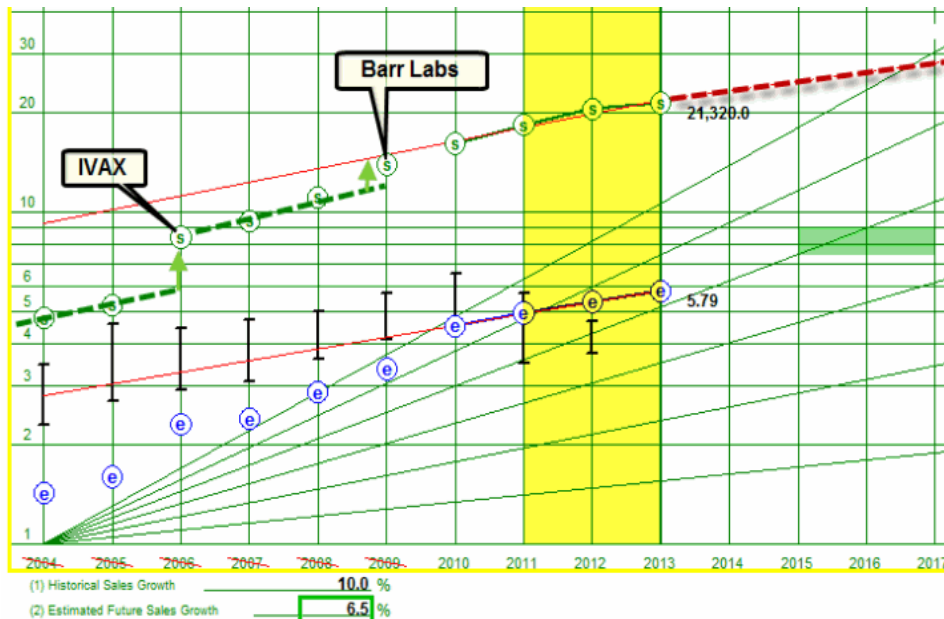
Our sales growth forecast for TEVA is 6.5%. This is based on analyst consensus forecasts and a regression from 2010-2017.

We're using 23.5% for the projected net margin -- a median for the span 2010-2016.

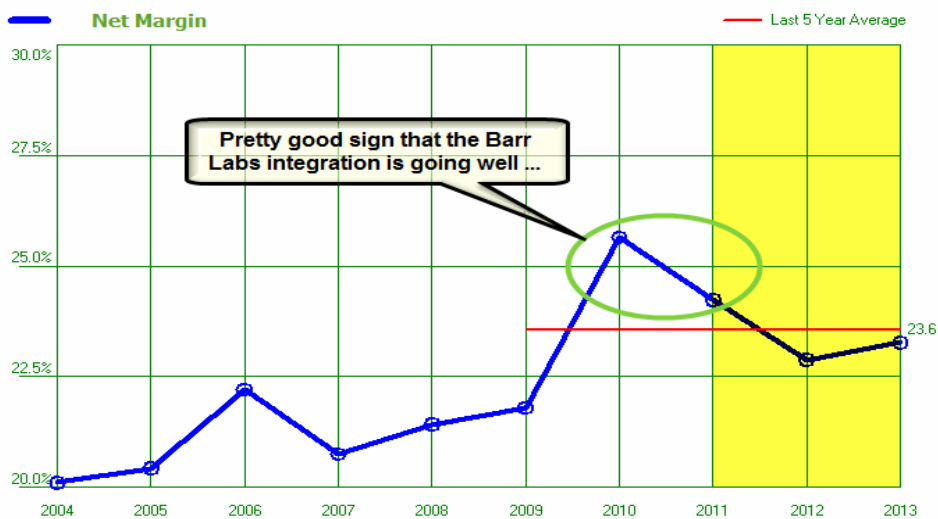
The median P/E for the period 2008-2016 is 13.2x. Value Line has a long-term projected average P/E of 12.0x. Based on consensus and industry analysis, we're assigning a projected average P/E of 12x.

At a stock price of \$39.51, the projected annual return is approximately 20%. The quality rating is 66.6 (excellent) and the financial strength rating is 58 (B+).

Cy Lynch provided an overview of TEVA during a Round Table selection back in April 2011. To revisit that (very little has changed other than the price is more attractive now: <http://www.youtube.com/watch?v=PhqdnZTmnhY>



**Teva Pharma (TEVA): Business Model Analysis.** The analysis of top-line versus bottom-line gives a reminder that we have to give special considerations to serial acquirers like TEVA. In this case, the mergers & acquisitions of companies like IVAX and Barr Labs produce "step changes" in the historical profile -- distorting trend analysis using historical data. In this case, the growth expectations from now and for our 5-year time horizon reflect the potential of the new company formed by the integration of IVAX, Barr Labs and most recently -- Cephalon. If you're studying TEVA and getting growth rates of 14-19%, chances are you need to rethink your perspective. Stock price follows earnings. And in this case, the green-shaded price target range (2015-2017) doesn't seem like science fiction.



**Teva Pharma (TEVA): Profitability Analysis.** Some of the same considerations for merger & acquisition active companies apply here. But in the case of profitability, you can break down all the "synergy analysis" performed by white-shoe investment bankers into expectations of what happens when the net margin forecasts are blended for the companies involved. It truly is a case where companies hope that 1+1=3, or more. (It doesn't happen nearly as often as the white shoe rhinos hope or predict.) In the case of TEVA's integration of Barr Labs, so far ... so good. Profitability has actually been boosted despite a relatively adverse economic environment. Any study of TEVA must include a well-considered estimate of net margins over the long-term horizon. When you do, remember that TEVA has branded drugs with exclusive marketing periods that expire, too.



# Buy Vanguard Technology (VGT)

by Cy Lynch

The Hoard's relative return since its inception (January 2009) is 1.4%, which remains below our long-term goal of at least 3%. That's based on its total return of 15.1% versus 13.7% for the Herd (total stock market) during the same period. Accuracy remains solid at 68.8%.

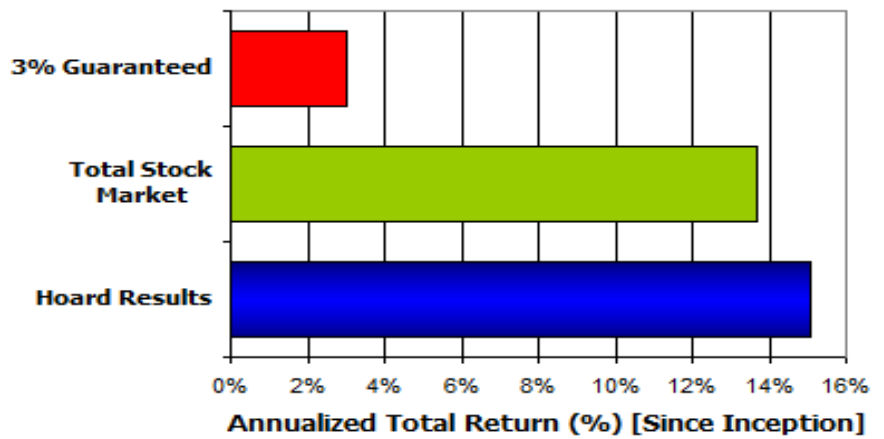
The all-time best relative performance continues to be held by the very first pick for the Hoard portfolio back in January 2009, Vanguard Technology (VGT) at 43.6%. At the other end of the spectrum is the first international fund selected, Vanguard FTSE All World ex-US (VEU), with a relative return of -31.9%.

The relative performance of those two picks exemplify the relative performance of a significant portion of existing holdings, international funds have underperformed while large technology funds (like VGT and Powershares QQQ (QQQ)) have outperformed. We continue to believe that

the sentiment pendulum has swung too far negative with respect to emerging markets especially and that funds like BLDRS Emerging Markets ADR 50 (ADRE) and First Trust ISI Chindia (FNI) should realize their potential when that trend is reversed.

While we continue to shoot for our long-term relative performance goal of 3%, the current 1.4% result should not be minimized. Remember that the majority of funds underperform the market over extended periods. Consequently, the Hoard's relative performance is quite favorable given the alternatives. However, we continue to believe 3% is realistic as demonstrated before this rough stretch over the past several months.

Model Portfolio Results (8/31/2012)



**Results (August 31, 2012).** The average selection for the Hoard has outperformed the total stock market benchmark by +1.4% since inception. Accuracy, the percentage of selections outperforming the Wilshire 5000 since selection, is now 68.8%.

Company	Symbol	Sales Grth	Qty	PAR
T. Rowe Price Science & Technology	<a href="#">PRSCX</a>	13.8%	64.7	16.4%
T. Rowe Price Emerging Mkts Stock	<a href="#">PRMSX</a>	10.3%	62.0	15.7%
Putnam Voyager	<a href="#">PVOYX</a>	11.9%	69.3	15.6%
iShares DJ Technology	<a href="#">IYW</a>	12.7%	78.7	15.4%
Vanguard Technology	<a href="#">VGT</a>	12.6%	79.4	15.1%
PowerShares QQQ (Nasdaq-100)	<a href="#">QQQ</a>	13.4%	76.6	14.9%
Fidelity NASDAQ	<a href="#">ONEQ</a>	13.4%	76.6	14.8%
Market Vectors Coal ETF	<a href="#">KOL</a>	6.8%	59.6	14.6%
BLDRS Emerging Mkts 50 ADR	<a href="#">ADRE</a>	9.1%	63.3	14.2%
BLDRS Asia 50 ADR Index	<a href="#">ADRA</a>	7.7%	57.2	14.2%
iShares Dow Jones US Oil Equipment	<a href="#">IEZ</a>	10.5%	58.7	14.2%
Fidelity Select Technology	<a href="#">FSPTX</a>	15.1%	77.9	13.6%
Monetta	<a href="#">MONTX</a>	12.7%	67.7	13.5%
SPDRs Technology Select Sector	<a href="#">XLK</a>	11.2%	77.5	13.4%
AIM Constellation A (L)	<a href="#">CSTGX</a>	12.7%	72.6	12.9%
Vanguard International Growth	<a href="#">VWIGX</a>	10.6%	66.3	12.8%
Fidelity Select Software & Comp	<a href="#">FSCSX</a>	12.7%	74.8	12.8%
SPDR S&P Oil & Gas Equipment & Services	<a href="#">XES</a>	9.7%	54.7	12.8%
TIAA-CREF Inst Large-Cap Grth	<a href="#">TILIX</a>	10.8%	77.3	12.7%
Third Avenue Real Estate Value	<a href="#">TAREX</a>	11.9%	74.9	12.7%

## Decisions

Shifting to projections, all key portfolio design characteristics for the Hoard Portfolio remain acceptable. Overall PAR (13.0%) is 3.3 points above current MIPAR (8.7%), exceeding our goal of MIPAR+3 percentage points. Overall quality is excellent at 69.5 and financial strength (79%) is solid as well. Projected sales growth (11.1%) continues to increase slowly and falls around the middle of our target range of 10-12%.

With the exception of T. Rowe Price Emerging Markets (PRMSX), the funds ranking in the top 5 by PAR all have a technology bent. Given that PRMSX's sample is a tad smaller than we'd really like it to be and to avoid over diversifying with similar technology-focused funds, we elect to accumulate an existing holding, rather than add a new one this month.

**September 2012 Funds.** Top funds ranked by projected annual return (PAR).


## Not Ignoring the Past

Among current Hoard holdings, VGT's current PAR (15.1%) trails only that of T. Rowe Price Science & Technology's (PRSCX) (16.4%). VGT's projected growth rate of 12.6% isn't that far behind PRSCX's 13.8% either.

We elect to accumulate VGT over PRSCX this month for a number of reasons. First are VGT's higher overall Quality (79.4 vs. 64.7) and significantly stronger financial strength (95% vs. 77%). Secondly, VGT's EPS stability (64%) is stronger and VGT constitutes a lower overall share of the portfolio than does PRSCX.

While MANIFEST fund analysis focuses on funds' future prospects, we don't ignore past performance completely either. As Mark noted in the June 2012 fund feature column when we last accumulated PRSCX, this managed fund's performance has been quite volatile and somewhat inconsistent.

We have featured PRSCX three times since last September and each of those three selections has underperformed the market. Interestingly, Monetta (MONTX), the Hoard's other large holding of an actively managed fund has underperformed as well. We will continue to monitor both holdings to determine whether this is a pattern or aberration.

Clearly, PRSCX is in one of its cold streaks. VGT, by its nature as an index fund, is more consistent as reflected on its track record over the past 3-5 years. Given that PRSCX is nearly 10% of Hoard holdings, we favor the consistency of VGT, especially in light of PRSCX's underperformance. 

Company	Symbol	Industry	Growth	Qlty	PAR
Apple Inc.	AAPL	Computer Systems	18.0%	84.5	20.4%
Microsoft	MSFT	Software (Systems)	9.4%	76.7	18.5%
Intl Business Machines	IBM	Computer Systems	4.3%	84.0	5.5%
Google	GOOG	Internet	18.9%	77.9	14.8%
Oracle Corp.	ORCL	Software (Systems)	13.4%	84.3	18.0%
Intel Corp.	INTC	Semiconductor (Broad Line)	6.7%	73.6	13.5%
QUALCOMM	QCOM	Communications Equip	14.6%	88.2	16.3%
Cisco Systems	CSCO	Communications Equip	8.3%	82.8	16.5%
Visa Inc.	V	Credit Services (R)	10.4%	76.5	3.8%
Ebay Inc.	EBAY	Specialized Consumer Services	13.2%	71.0	11.4%
EMC Corp.	EMC	Computer Storage	11.5%	58.6	8.3%
Mastercard Inc	MA	Credit Services (R)	11.9%	81.9	9.2%
Accenture Ltd.	ACN	Software (Consulting)	7.1%	67.6	6.7%
Hewlett-Packard	HPQ	Computer Systems	5.2%	68.4	29.4%
Texas Instruments	TXN	Semiconductor (Broad Line)	3.9%	62.3	10.2%
Auto Data Proc	ADP	Software (Data Processing)	6.6%	77.6	10.1%
Cognizant Technology	CTSH	Software (Consulting)	19.6%	90.9	19.6%
Salesforce.com	CRM	E-Commerce	21.2%	52.5	4.5%
Corning	GLW	Electrical Equipment	8.7%	66.2	21.4%
Broadcom	BRCM	Communications Equip	12.3%	70.0	7.4%
Yahoo!	YHOO	Internet	8.4%	64.5	7.1%
Intuit	INTU	Software (Accounting)	11.2%	87.6	13.8%
Dell Inc.	DELL	Computer Systems	4.8%	56.6	22.1%
Adobe Systems	ADBE	Software (Systems)	13.0%	67.0	14.8%
Citrix Systems	CTXS	Software (Application)	13.3%	73.8	8.5%
Vanguard Technology	VGT		12.6%	79.4	15.1%

**Vanguard Technology (VGT) Mini-Dashboard.** VGT holds mostly large, high-quality stalwarts hailing exclusively from the technology sector. The (10) largest holdings account for 59% of total assets. VGT has a +3.8% relative return over the last five years vs. the S&P 500.

Company	Symbol	Shares	Price	Value	% of Total	Growth	Prcl P/E	Prcl Yield	Fin Str	EPS Stab	Qlty	PAR
T. Rowe Price Science & Technology	PRSCX	380.80	\$26.89	\$10,239.71	9.8%	13.8%	18.1	0.5%	77%	42	64.7	16.4%
Vanguard Technology	VGT	114.84	\$72.67	\$8,345.42	7.9%	12.6%	16.7	1.3%	95%	64	79.4	15.1%
PowerShares QQQ (Nasdaq-100)	QQQ	255.12	\$68.09	\$17,371.12	16.5%	13.4%	17.5	1.2%	90%	62	76.6	14.9%
Market Vectors Coal ETF	KOL	80.40	\$21.91	\$1,761.63	1.7%	6.8%	13.5	1.7%	70%	63	59.6	14.6%
BLDRS Emerging Mkts 50 ADR	ADRE	227.49	\$37.31	\$8,487.65	8.1%	9.1%	13.6	1.8%	52%	66	63.3	14.2%
iShares Dow Jones US Oil Equipment	IEZ	76.10	\$51.13	\$3,890.99	3.7%	10.5%	15.3	0.5%	68%	54	58.7	14.2%
Fidelity Select Technology	FSPTX	18.62	\$103.59	\$1,929.05	1.8%	15.1%	21.4	0.9%	94%	53	77.9	13.6%
Monetta	MONTX	737.18	\$14.44	\$10,644.84	10.1%	12.7%	17.0	0.9%	76%	46	67.7	13.5%
Vanguard Growth	VUG	123.55	\$71.13	\$8,788.11	8.4%	11.1%	16.2	1.6%	91%	70	76.2	12.5%
First Trust ISE Chindia	FNI	101.08	\$18.78	\$1,898.24	1.8%	13.1%	18.2	1.2%	60%	48	64.8	12.2%
iShares Morningstar Large Growth Index	JKE	97.36	\$77.87	\$7,581.42	7.2%	11.6%	17.5	1.5%	90%	66	76.0	11.8%
Vanguard FTSE All-World x-US	VEU	45.77	\$42.07	\$1,925.33	1.8%	4.1%	11.2	4.8%	62%	51	59.7	10.2%
Fidelity Select Insurance	FSPCX	39.42	\$50.30	\$1,983.03	1.9%	8.1%	11.5	1.5%	65%	59	58.0	9.8%
ELEMENTS M* Wide Moat Focus	WMW	1098.22	\$13.89	\$15,258.67	14.5%	8.3%	17.7	1.8%	74%	64	62.6	9.3%
DJ US Medical Devices	IHI	74.35	\$66.13	\$4,916.77	4.7%	6.7%	18.0	0.7%	81%	77	69.8	8.3%
Averages				\$105,021.99		11.1%	16.8	1.3%	79%	60	69.5	13.0%

**Hoard Dashboard.** Our \$81,000 invested so far is now worth \$105,018. (9/4/2012) Vanguard Technology (VGT) and Nasdaq-100 (QQQ) continue as the best-performing active selections to date. <http://www.manifestinvesting.com/dashboards/public/hoard-vs-herd>

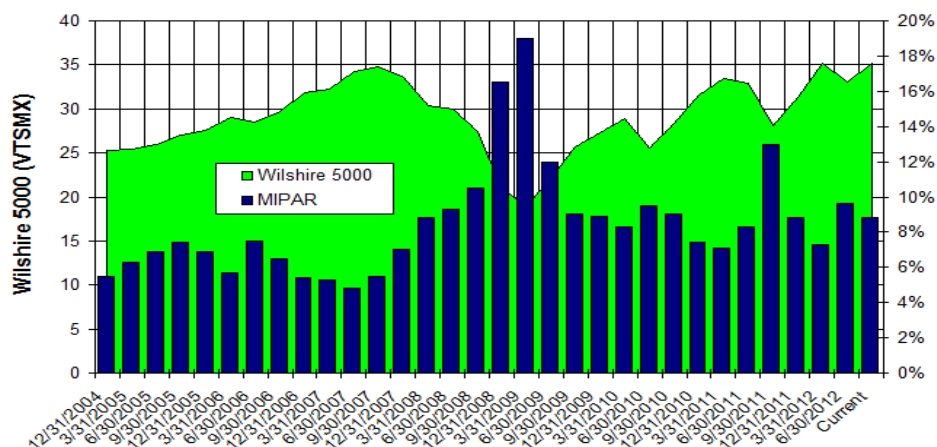
# Panorama for September

This month's screening results continue to explore some of the concepts we're evaluating when it comes to blending elements of momentum, sentiment and trend as we search for opportunities.

## Fundamentals First


Remaining true to the fundamentals and our time-honored process over the decades, we first concentrate on the core fundamentals of projected annual return (PAR) and quality. We use the MANIFEST Rank, an equally-weighted combination of the return forecast and quality rating to focus on the top companies seeking the best combination of both key characteristics while starting our shopping. We also limit financial strength to greater than 70 (equivalent to a B++ rating from Value Line.) The result is the (21) companies displayed.

Overall Projected Annual Returns  
Manifest Investing Median PAR (MIPAR)



## Technical Triggers

We've added a sentiment component and a trend indicator that is suggested by the Point-and-Figure (PnF) charts at [www.stockcharts.com](http://www.stockcharts.com). As we wonder if shopping amongst the bullish candidates (GREEN) could prove

more rewarding in the short term vs. the bearish (RED) candidates. Those shaded in yellow are neutral or teetering between bullish and bearish. Make no mistake, all of these have attractive business model analyses -- join us as we explore sentiment-based entry. 

Company	Symbol	Industry	Growth	Proj P/E	Proj Yield	Fin Str	EPS Stab	Price	Quality	PAR
Infosys Tech	INFY	Software (Consulting)	13.8%	19.0	1.0%	100%	78	\$42.53	86.4	21.7%
Bio-Reference Labs*	BRLI	Medical Services	18.6%	21.0	0.0%	88%	86	\$26.12	81.9	20.8%
Apple Inc.	AAPL	Computer Systems	18.0%	17.0	1.3%	98%	40	\$665.24	84.5	20.7%
Landauer	LDR	Environmental	10.9%	22.0	4.8%	83%	96	\$58.64	87.3	20.4%
Knight Transportation	KNX	Trucking	9.2%	21.0	1.4%	94%	81	\$14.30	79.9	19.8%
Ritchie Bros Auctioneers*	RBA	Industrial Services	13.0%	24.0	2.3%	74%	84	\$18.66	87.1	19.8%
Staples	SPLS	Office Supplies	3.3%	14.0	1.6%	83%	94	\$10.92	86.4	19.6%
Cognizant Technology	CTSH	Software (Consulting)	19.6%	20.0	0.0%	98%	83	\$64.28	90.9	19.5%
Gentex	GNTX	Electronics	10.6%	21.0	1.8%	97%	71	\$17.52	77.8	19.3%
DTS Inc.	DTSI	Entertainment Tech	11.4%	24.0	0.0%	97%	76	\$22.45	84.8	19.2%
Priceline.com	PCLN	Internet	20.1%	23.0	0.0%	87%	43	\$604.57	76.8	19.0%
Echo Global Logistic*	ECHO	Air Transport (Freight)	22.8%	24.0	0.0%	95%	99	\$17.71	78.9	18.8%
Coach	COH	Retail Special	12.5%	19.0	1.8%	91%	82	\$58.13	93.2	18.5%
Microsoft	MSFT	Software (Systems)	9.4%	13.0	2.5%	97%	88	\$30.82	76.7	18.2%
Oracle Corp.	ORCL	Software (Systems)	13.4%	15.0	0.8%	94%	93	\$31.65	84.3	18.0%
Synchronoss Tech	SNCR	Communications Equip	20.1%	24.0	0.0%	79%	60	\$23.01	82.8	17.7%
AeroVironment	AVAV	Aerospace/Defense	15.3%	20.0	0.0%	95%	83	\$23.86	85.7	17.6%
F5 Networks	FFIV	Communications Equip	18.4%	25.0	0.0%	77%	51	\$97.49	81.9	17.3%
Fossil	FOSL	Retail Special	16.4%	17.0	0.0%	82%	72	\$84.95	88.4	16.7%
Hillenbrand	HI	Funeral Services	7.9%	12.0	2.5%	83%	91	\$18.12	85.7	16.2%
QUALCOMM	QCOM	Communications Equip	14.6%	19.0	1.3%	96%	69	\$61.46	88.2	16.0%

**Sweet 16 Screening Result for September 2012.** A focus on fundamentals first, then sentiment. **PAR:** Return forecast (annualized) **Quality Rating:** Proprietary factor including financial strength, earnings stability and relative growth and profitability characteristics. **Green:** Bullish **Red:** Bearish **Yellow:** Neutral (Source: [www.stockcharts.com](http://www.stockcharts.com))



## Tin Cup Model Portfolio Accumulate Coach (COH)

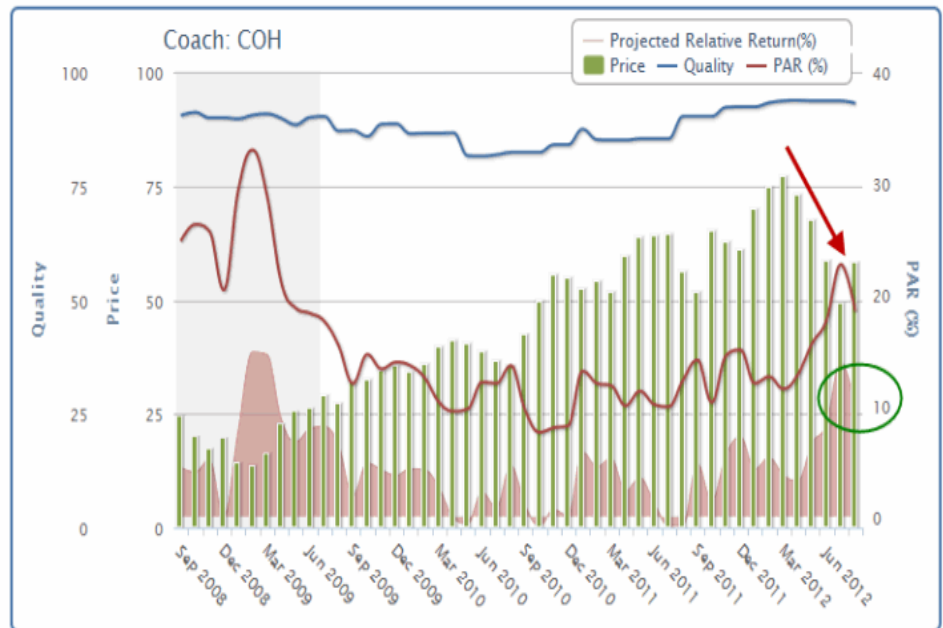
Total assets are \$967,643 (8/31/12) and the net asset value is \$219.58. The model portfolio gained 6.19% during August 2012 (Wilshire 5000 checked in at +2.48% for the month.) Tin Cup has generated a +2.0% annualized total return over the trailing five years vs. +1.7% for the total stock market for a trailing 5-year relative return of +0.3%.

### Portfolio Characteristics

With MIPAR at 8.8%, our target for the minimum overall portfolio PAR is at least 13.8%. The overall portfolio PAR is 15.0% on 8/31/2012. Quality and financial strength are sufficient at the current levels of 81.5 (Excellent) and 91%. EPS Stability is 86 for the portfolio. Sales growth is acceptable at 10.6%.

### Decisions

Our \$1875 for September is destined and allocated to Coach (COH) situated at the upper edge of the sweet spot. COH has a PAR of 18.5% based on a sales growth forecast of 12.5%, net margin of 20.4% and a projected average P/E of 19.0x.



**Chronicle: Coach (COH).** Yes, Virginia, the global recession could continue to place some downward price pressure on Coach (COH) for the foreseeable. But we're in this for the long term, and the price trend is among our favorite images. We like it when that happens. Our cost basis in Coach is \$28 and the price chart is up and to the right. We also note that the current price swoon (with continued relatively strong fundamentals) means that the PAR for Coach is as good as it has been over the last several years. From the chart, the PAR peak suggests one of the 2-3 best buying opportunities since September 2008. The "Quality EKG" continues to be formidable. We also note that the relative return has been hovering around +10%. For high quality companies, this can be an exceptional buying opportunity. (See the peak in relative return back in 1Q2009. For lesser quality companies, a relative return greater than +10% (above the sweet spot) can be an indicator of additional risk.

Company	Symbol	Shares	Price	Value	% of Total	Growth	Proj P/E	Proj Yield	Fin Str	EPS Stab	Qlty	PAR
Quality Systems	QSII	2000.00	\$17.67	\$35,340.00	3.7%	12.7%	23.0	1.1%	74%	76	68.6	25.8%
Mercadolibre*	MELI	450.00	\$79.58	\$35,811.00	3.7%	27.4%	34.0	0.0%	84%	43	81.8	23.8%
Strayer Education	STRA	420.00	\$64.78	\$27,207.60	2.8%	5.0%	16.0	2.6%	66%	82	68.8	22.2%
Bio-Reference Labs*	BRLI	2300.00	\$26.12	\$60,076.00	6.2%	18.6%	21.0	0.0%	88%	86	81.9	20.8%
Coach	COH	1000.00	\$58.13	\$58,130.00	6.0%	12.5%	19.0	1.8%	91%	82	93.2	18.5%
Microsoft	MSFT	3350.00	\$30.82	\$103,247.00	10.7%	9.4%	13.0	2.5%	97%	88	76.7	18.2%
Cisco Systems	CSCO	3950.00	\$19.08	\$75,366.00	7.8%	8.3%	15.0	1.4%	93%	88	82.8	16.4%
CVS Caremark	CVS	1650.00	\$45.55	\$75,157.50	7.8%	7.5%	14.8	1.7%	86%	95	82.2	14.5%
SolarWinds*	SWI	990.00	\$54.88	\$54,331.20	5.6%	26.3%	32.0	0.0%	97%	86	95.7	12.7%
Linear Technology	LLTC	2200.00	\$33.03	\$72,655.00	7.5%	7.8%	17.0	2.1%	73%	71	70.4	11.8%
Abbott Labs	ABT	1400.00	\$65.54	\$91,756.00	9.5%	8.3%	14.0	2.6%	96%	98	81.2	11.6%
Stryker	SYK	1540.00	\$53.26	\$82,020.40	8.5%	7.5%	15.0	0.8%	99%	97	86.7	11.2%
Urban Outfitters	URBN	2125.00	\$37.54	\$79,772.50	8.2%	10.9%	21.0	0.0%	96%	74	88.9	11.0%
Pepsi	PEP	900.00	\$72.43	\$65,187.00	6.7%	4.6%	18.0	2.0%	98%	96	74.8	10.6%
Medtronic	MDT	1200.00	\$40.66	\$48,792.00	5.0%	3.2%	14.0	2.0%	96%	99	80.2	10.3%
Cash				\$2,794.00	0.3%			0.1%				0.1%
Averages				\$967,643.20		10.6%	18.1	1.4%	91%	86	81.5	15.0%

**Tin Cup Dashboard: August 31, 2012.** The holdings are ranked by PAR (last column on the right.) We accumulate Coach (COH) based on PAR, quality and %-of-total assets. <http://www.manifestinvesting.com/dashboards/public/tin-cup>

# Celebrate Community



Investing.

Better.

The Motley Fools have announced that September 25 is "Invest Better" day and frankly, we can't wait to see what they have in mind and what they'll do.


*"Unplug the experts. Plug in to a Community that has demonstrated long-term investing success for more than seven decades."*

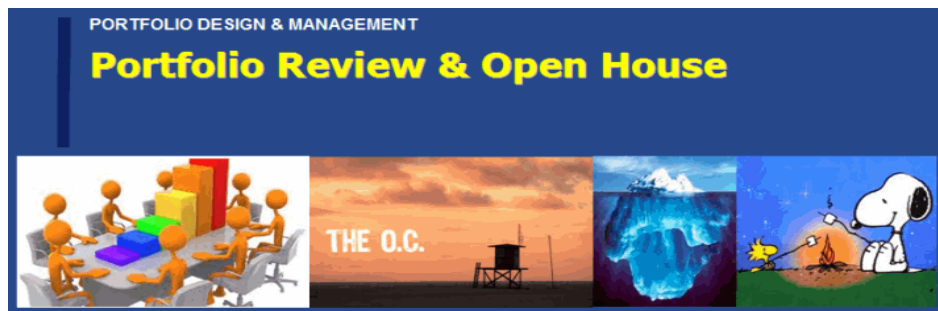
-- Ken Kavula & Diane Butler

We think that "investing better" is an everyday way of life around Manifest Investing. We recognize that club affiliations are aimed at what really matters -- results in the form of superior returns.

Everything we do ... and the design core of Manifest Investing ... is continuous analysis of stocks in order to better build and manage portfolios.

If you're in a club, great. Consider attending one of our webcasts to talk about "common ground" and the finer elements of stock watching and portfolio optimization. If not, we believe that Manifest Investing can serve as a club for a community of individual investors. It's all about better portfolios.

Benjamin Graham was right. It is possible to achieve significantly better results and the world can be an uncertain and insecure place. And we invest, better, around the campfire with a bunch of friends. 



## SECURITIES IN AN INSECURE WORLD

A LECTURE by  
**BENJAMIN GRAHAM**

delivered at  
**TOWN HALL**  
St. Francis Hotel

November 15-1963

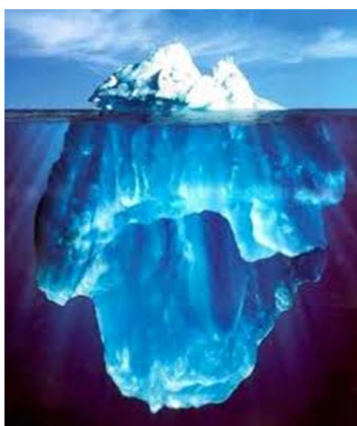
50¢ per copy

"I do believe it is possible for a minority of investors to get significantly better results than average.

1. Sound principles of stock selection ... related to the value of the securities and not their market price action.
2. ... their method of operation must be different than the herd."

[This includes "Invest regularly."]

## Group Rates: Clubs (Investment Partnerships Qualify)



**\$400/year. All club partners receive individual accounts at [www.manifestinvesting.com](http://www.manifestinvesting.com)**

**Send a \$400 check and club roster (name/email/zip code) to:**

**Manifest Investing  
Box 81120  
Rochester, Michigan 48308-1120**

**Call 312-224-1698  
or 248-731-0047 for credit card orders or questions.**

**[manifest@manifestinvesting.com](mailto:manifest@manifestinvesting.com)**

### 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.

(c) Manifest Investing LLC 2005-2012. All rights reserved. All efforts are made to use factual and timely sources believed to be reliable. No warranties whatsoever are implied. This publication and affiliated services represent an educational demonstration. **NO INVESTMENT RECOMMENDATION IS INTENDED.** Manifest Investing LLC has no affiliation with Value Line Publishing, Inc. but is a business partner with bivio.com and supports the educational efforts of volunteers and chapters of NAIC nationwide. Manifest Investing LLC staff may directly or indirectly hold shares in the companies or funds that are reviewed in this publication.

**Web site: <http://www.manifestinvesting.com> ... Follow (Like) us at [facebook.com/manifestinvesting](https://www.facebook.com/manifestinvesting)**