Expected Returns

Editor: Mark Robertson, Manifest Investing LLC — Volume XXI, No. 1
Results, Remarks and References Regarding Investment Initiatives — January 2013

Enough Mayans, Back to Nostradamus

Welcome 2013. Again, a new year. It's also that time of year when we reflect in two directions. It's hard to look forward without looking backward. Our expectations are products of experience. Our predictive models are actually pretty simple, the sort of tools that would likely have made Ben Graham relatively comfortable. "If the math involves more than algebra ... it's probably not of much utility in the realm of investment analysis." As we look forward, we celebrate successful models (like Crossing Wall Street.) And multitudes of others who believe in a method with over seven time-honored decades.

"In a pyramid near the middle of the New World"
"Work will stop on a calendar in the 12th month of the 21st century."
"Celebrating the Solstice, the architect of days will fiesta."
"Agave juice turns fiestas into siestas and future generations will roil."

OK, Nostradamus didn't write that. But he could have. In fact, it could be among some long-lost and yet-to-be-discovered piles of parchment, filed under "Da Vinci Code and Related Stories."

It's a new year. The Mayans were wrong. Or we misunderstood them. Or they may have been "early?"

Pressing On

And it's time for throngs of fearless forecasters to step up and deliver their prognostications for 2013 and beyond. Don't miss "The 12 Best Stocks to Own for 2013," and "10 Scorching Funds Who Will Stay Blazing During 2013." Uh huh. At the same time, we're reminded that it makes sense to blend a little nostalgia and history as we try to come to grips with the best resources to yield some of our attention.

Some crystal balls are better than others and some practitioners are clearly more likely to be descendants of Nostradamus. As many of you know, we've recently celebrated the achievements of one Eddy Elfenbein. Why? Because he stands out. And he stands alone. How so? Not a single stock fund has beaten the S&P 500 index for the last six years. None. Nada. Zilch. But Eddy has.

At his www.crossingwallstreet.com blog, Eddy selects (20) stocks on December 31 and doesn't touch them until changing calendars. His Buy List has now outperformed the S&P 500 for 6-out-of-7 years, including the last six in a row. You can find a public dashboard of his (20) selections for 2013 at:

http://www.manifestinvesting.com/dashboards/public/crossing-wall-street-2013

Stroll down the list. Eddy obviously shops in the same aisle that we do. With annual turnover of five stocks (25%), he also shops with the same levels of frequency.

... continued on page 2 ...

Crossing Wall Street by Eddy Elfenbein.
Leading blogger Eddy Elfenbein has made his 20 stock selections for 2013 a la his superb blog at www.crossingwallstreet.com So what? Why should we care? (1) He thinks like you do. (2) Use his selections as a shopping list for study candidates. It's highly possible that you'll discover that something is in it for you. (3) If you're a shareholder or stockwatcher for any of the featured stocks, we think his regular commentaries will serve you well. Congratulations, Eddy, on six straight years of topping the S&P 500. We really believe we're in this together and we'll continue to hope for the best going forward for all of us. Happy New Year!

In This Issue...

Atwood Oceanics (ATW) 3

Fund Feature 4

iShares Dow Jones US Oil Equipment (IEZ) + ^VAY Proxy

Screening Results 6

Tin Cup Model Portfolio ... 7

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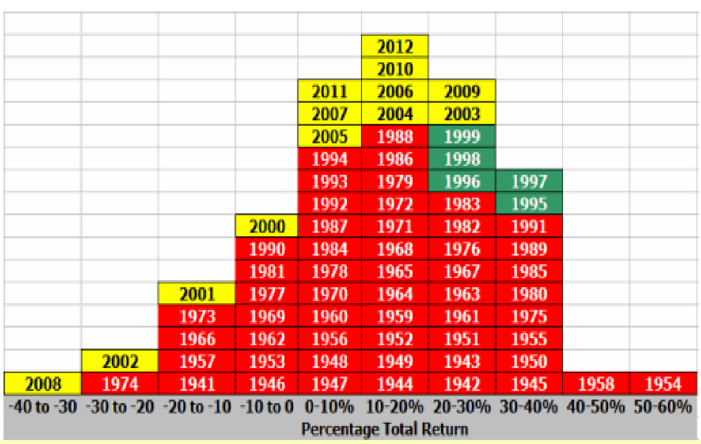
Value Line: Overall Market Perspective

For an outlook that is a little bigger picture, but still harbors Nostradamusesque qualities, we turn to one of our favorite indicators, the Value Line low total return forecast courtesy of the Value Line Investment Survey. It's something that I've tracked for a few years — but decided to take a closer look.

Looking back, this low total return forecast indicator has been correct (within range) for four of the last six years. The average forecast during that period has been 12.7% and the actual annual market return has been 10.5%. For 2012, the forecast was 10.4% and the actual result came in at 17.4% for the Value Line Arithmetic Average (^VAY) of 1700 equally-weighted stocks. Here's a closer look at how the 2012 forecast was formed. It's basically a compilation of the 4-year, 3-year, 2-year and 1-year forecasts based on the annual ending values. The projections are built by taking the low total return forecast at the time (12/31/2011, 12/31/2010, 12/31/2009 and 12/31/2008) and building an aggregate forecast from all four points in time. Here are the components of the 2012 forecast:

2012	^VAY	Return Forecast	12/31/2012	2012	Actual
12/31/2008	1404.78	17.9%	2714.34	0.7%	
12/31/2009	2259.45	8.0%	2846.26	5.6%	
12/31/2010	2865.39	8.1%	3348.38	24.2%	
12/31/2011	2695.60	11.0%	2992.12	11.0%	
Average		11.3%	2975.27	10.4%	**17.4%**

The forecast value for ^VAY was 2975.12. The actual year-end close was 3164.70, achieving slightly better results than forecast, but in range. What range? Based on the four forecasts, the low forecast ranged from 0.7% to a high of 24.2%.



Annual Stock Market Returns (1941-Present). *We start with 1941 because it is post-SEC and post-Investment Company Act, essentially the start of the modern stock market. The graphic displays the results of individual years ranging from the "special" (unique and virtually unprecedented) performance we experienced in 2008 with its -37% total return ... up to the returns witnessed in 1954 and 1958. It's helpful to remind and be reminded that the results of any given year can pretty much plop anywhere from -20% to +40%. But the middle looks pretty good to us.*

The width of the range varies from year to year, but we think it's important to underscore what is possible (and reasonably expected) — a message that we regularly send with our stack of boxes in the accompanying graphic. And in this case, the 2012 box was expected to "land" where it did.

Here's a look at the trailing 10-year Value Line low total return-based forecasts. The challenges following 2000-2002 were pretty clear and pretty disruptive. I suspect that as we go back a few more years, we'll see more green ink and less red.

Total Return (^VAY)	S&P 500	Actual	Forecast	Difference	Low	High
2003	28.7%	**48.1%**	**24.7%**	23.3%	11.1%	43.1%
2004	10.9%	**17.2%**	**-3.0%**	20.2%	-16.6%	5.2%
2005	4.9%	**6.8%**	**-6.4%**	13.2%	-21.0%	4.6%
2006	15.8%	**15.7%**	**-4.6%**	20.3%	-17.8%	6.0%
2007	5.5%	**1.3%**	**-5.7%**	7.0%	-18.0%	5.3%
2008	-37.0%	**-37.4%**	**3.3%**	-40.8%	-4.4%	9.5%
2009	26.5%	**60.8%**	**64.0%**	-3.2%	17.9%	84.2%
2010	15.1%	**26.8%**	**8.9%**	18.0%	-13.6%	20.6%
2011	2.1%	**-5.9%**	**-4.6%**	-1.3%	-19.7%	8.1%
2012	15.0%	**17.4%**	**10.4%**	7.0%	0.7%	24.2%
2013			6.3%		-2.9%	14.4%
(2003-2012)	8.8%	15.1%	8.7%	6.4%	-8.1%	21.1%

But the results for the last several years are compelling … and they get even more compelling (at least to me) when we zoom in on 2009. Yes, that's not a typo. Those 60% returns (forecast and actual) are pretty intriguing. The S&P 500 results are included merely for a frame of reference.

But two things:

1. The forecasts actually come closer to the S&P 500 actuals. Hmmm.

2. We find it intriguing that the average error for all of the 4-year forecasts is actually LOWER than the 1-year forecasts. The intuitively more challenging long-term forecasts were more accurate than the short time horizon — at least for this set of results. Double-hmmm *(and more on that in the future).*

As we noted at the time during late 2008 and 2009, this wasn't a "back up the truck" moment … this was a "how many trucks have you got?" moment. Hugh McManus and I were recently discussing these results and the sticking out like an opposable sore thumb moment that was 2009. Were we assertive enough? We counseled high-quality going into the Great Recession and that served us well. Did we nudge enough in the realm of special situations? I don't know. But I do think it's worth a look back at

2008: A Dark Night?
http://expectingalpha.com/2013/01/07/2008-a-dark-night/

for any newcomers to Manifest Investing … and revisiting that moment in time is probably a good idea for all of us.

... continued on page 8 ...

Solomon Select

Atwood Oceanics (ATW)

Energy. There's a global thirst for it and it's not abating. No matter what happens with renewable sources, global demand will continue to provide upside support for oil & gas companies. For this month's choice, we turn to two favorite sources of ideas: (1) Forbes Best Small Companies and (2) a fund manager who seems to know what he is doing.

"Our favorite energy name is Atwood Oceanics (ATW)." -- Craig Hodges (Hodges Small Cap, HDPSX, 5-year relative return = +7.3%) Atwood is into deep-water drilling. They have rigs for deep-water drilling. Atwood was #51 on this year's Forbes List.

"The deep-water drilling area of the energy business, we feel at Hodges Capital, that has the most long-term promise. They have very high barriers of entry in that deep-water business. We think there's going to be a deep-water rig shortage in 2013. So, there's some real potential for earnings to go up."

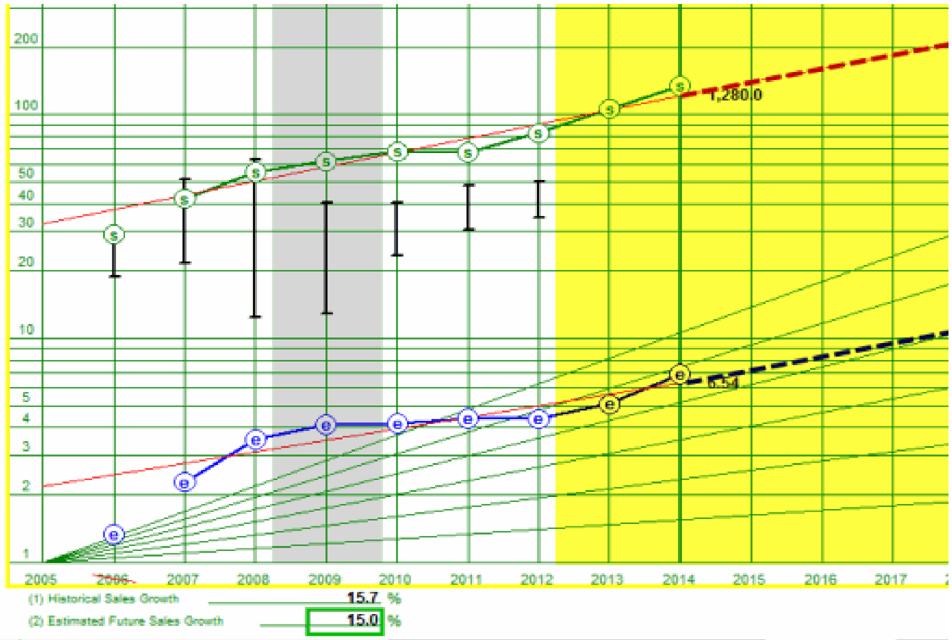
"Plus, Atwood, we think there's a high degree, a chance that it'll be acquired by somebody at some point. So, Atwood Oceanics would be another one we like quite a bit." [Source: Forbes, 4/10/2012]

Growth, Profitability, Valuation

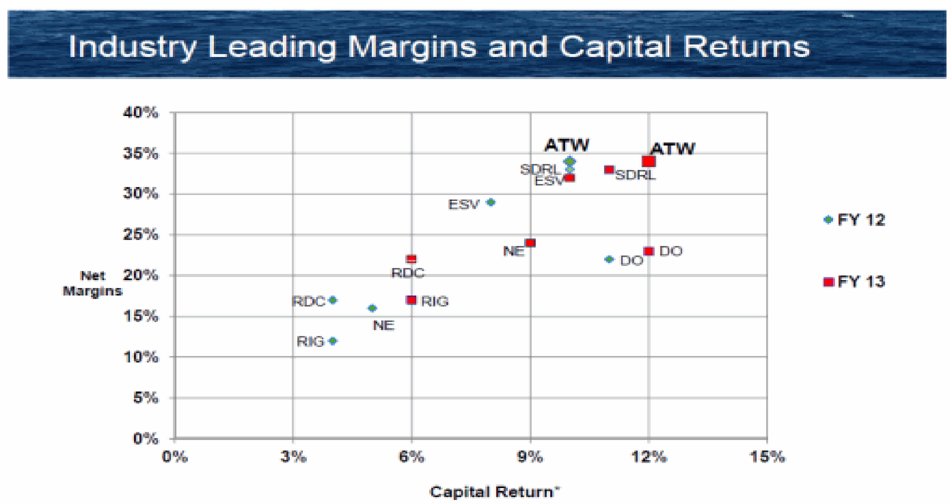
The Manifest Investing sales growth forecast for ATW is 15%. We're using 39.5% for the projected net margin. The median P/E for the period 2006-2013 is 10x. We're using 11x for the projected average P/E.

At a stock price of $44.46, the projected annual return is approximately **18%**. The quality rating is 67.4 (Excellent) and the VL financial strength rating is B+.

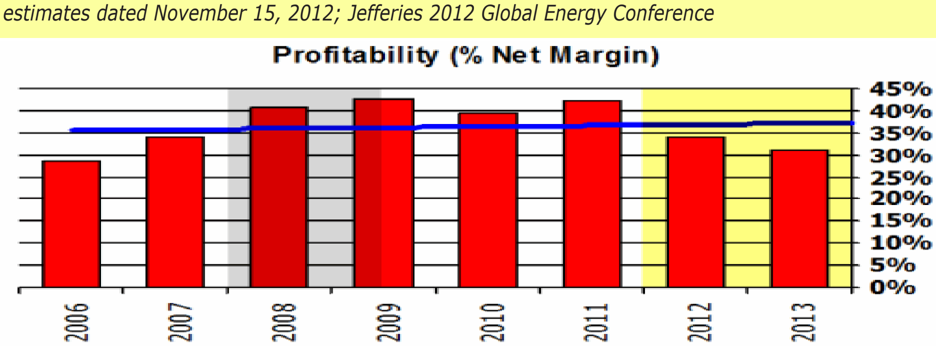
Globally diversified and serving a host of petrochemical companies ... feels like a pretty good hedge vs. geo-risk and a little like 1960s Corning, they sold the tubes to all the dueling TV makers. Placing a bet on red, black and green?



Atwood Oceanics (ATW): Business Model Analysis. *Capital-intensive and economically vulnerable, ATW will experience some swings. All things considered, the growth trend is remarkably steady and 15% seems justifiable for the sales growth forecast.*



Atwood Oceanics (ATW): Profitability Analysis. *Leadership. Solid management report card. Industry-leading margins and strong trend. DO = Diamond Offshore, ESV = Ensco, NE = Noble, RDC = Rowan, RIG = Transocean, SDRL = Seadrill • Capital Return = ROIC Source: Company; First Call estimates dated November 15, 2012; Jefferies 2012 Global Energy Conference*



Fund Analysis: Hoard vs. Herds

Add iShares Dow Jones US Oil Equipment (IEZ)

by Cy Lynch
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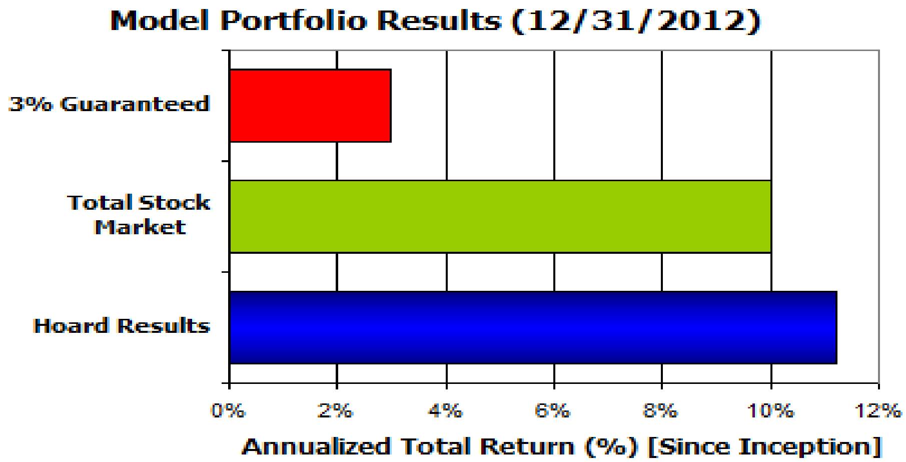
The Hoard's relative return since its inception (January 2009) continued to rebound, aided by our two emerging market ETF holdings to 1.2% which is still below our long-term goal of at least 3%. That's based on its total return of 11.2% versus 10.0% for the Herd (total stock market) during the same period. Accuracy, however, remains solid at 69.8%.



Results (December 31, 2012). *The average selection for the Hoard has outperformed the total stock market benchmark by +1.2% since inception. Accuracy, the percentage of selections outperforming the Wilshire 5000 since selection, is now 69.8%.*

Decisions

Shifting to projections, as you see from the accompanying Hoard Dashboard, all key portfolio design characteristics for the Hoard Portfolio remain acceptable. Overall PAR (12.7%) is 4.9 points above current MIPAR (7.8%), comfortably exceeding our goal of MIPAR+3 percentage points. Overall quality is excellent at 71.9 and financial strength (84%) is very strong as well. Projected sales growth (10.5%) increased slightly last month and remains in the lower end of our target range of 10-12%.

Company	Symbol	Sales Grth	Yield	P/E	Fin Str	EPS Stab	Qlty	PAR
Fidelity OTC	FOCPX	14.7%	0.5%	19.2	79.8	53.8	71.4	15.5%
Market Vectors Coal ETF	KOL	6.9%	1.5%	16.6	45.8	34.4	42.6	15.3%
iShares DJ Technology	IYW	11.2%	1.3%	16.5	93.1	62.2	78.1	15.1%
T. Rowe Price Science & Technology	PRSCX	12.7%	0.5%	18.5	75.6	40.0	61.6	14.5%
Vanguard Technology	VGT	11.1%	1.2%	16.6	94.7	65.1	78.8	14.2%
iShares Dow Jones US Oil Equipment	IEZ	10.4%	0.9%	14.7	69.7	50.8	58.4	14.2%
PowerShares QQQ (Nasdaq-100)	QQQ	11.8%	1.1%	17.3	89.3	62.2	75.6	14.2%
Fidelity NASDAQ	FNCMX	12.0%	1.1%	17.4	89.6	62.3	75.8	14.1%
Fidelity NASDAQ	ONEQ	11.8%	1.1%	17.4	89.5	62.7	75.7	14.0%
Putnam Voyager	PVOYX	10.9%	1.3%	14.8	72.8	55.1	67.3	13.0%
Schwab U.S. Large-Cap Growth	SCHG	10.8%	1.2%	16.6	90.4	66.3	74.9	12.9%
SPDRs Technology Select Sector	XLK	10.1%	1.7%	16.7	92.6	68.7	77.2	12.8%
Oberweis Emerging Growth	OBEGX	17.1%	0.1%	21.5	65.4	26.5	60.5	12.6%
Fidelity Select Electronics	FSELX	8.5%	0.9%	15.4	69.3	32.7	57.6	12.4%
Fidelity Select Computers	FDCPX	8.5%	0.9%	14.8	69.2	50.7	63.7	12.2%
Fidelity Select Technology	FSPTX	14.0%	0.7%	23.0	89.1	49.1	75.2	12.2%
GMO Quality VI (i)	GQLOX	7.0%	2.2%	15.0	92.9	84.6	75.9	12.1%
Buffalo Discovery	BUFTX	10.5%	0.5%	19.4	76.7	59.0	68.1	12.1%
Fidelity Select Comm Equip	FSDCX	9.6%	1.1%	18.7	72.4	55.7	67.1	12.1%

January 2013 Funds. *Top funds ranked by projected annual return (PAR).*

Size Matters (Still)

As Mark Robertson showed last month in December 2012's cover feature, the Value Line 1700 Arithmetic Average (^VAY) trounced the S&P 500 Average by a cumulative 200% price appreciation for the former to about 0% for the latter. Unfortunately, as I alluded to in the mutual fund feature article last month, there is no way to invest directly in ^VAY.

The accompanying graphic shows what we believe to be a pretty good proxy, however, consisting of equal shares of ETFs tracking three equal weight S&P Indices: equal weight S&P 500 (large cap, RSP), equal weight S&P 400 (mid-cap, EWMD) and equal weight S&P 600 (small-cap, EWSM). Taken together those funds would roughly track an equal-weight portfolio including companies in the S&P 1500 index and we believe may reasonably approximate the return on the Value Line 1700. One of the biggest differences is that the Value Line 1700 includes ADRs not included in the S&P indices.

Note that the expected return of the ^VAY Proxy is 8.2%, exceeding current MIPAR by .4 percentage points. I would expect PAR for the ^VAY proxy to exceed MIPAR at the current phase of the market cycle given the relative outperformance of smaller companies during the early stages of a bull market (leading to lower expectations relative to larger companies). That's because MIPAR is based on an additional 1100 or so companies than we sample with the ^VAY proxy, and most of them are smaller companies with relatively lower current PARs collectively, resulting in MIPAR being a little less PAR for the proxy. This expectation is confirmed by the fact that the large-cap component of the proxy, RSP, has the highest current PAR at 9.4%. Conversely, I would expect these relationships to be reversed in the depths of a bear market.

Company	Symbol	% of Total	Growth	Proj P/E	Proj Yield	Fin Str	EPS Stab	Qlty	PAR
Guggenheim S&P SmallCap 600 Equal Weight	EWSM	33.3%	7.4%	16.7	0.8%	50%	42	47.4	7.5%
Guggenheim S&P MidCap 400 Equal Weight	EWMD	33.3%	7.5%	16.3	1.1%	60%	69	61.5	7.6%
Guggenheim S&P 500 Equal Weight	RSP	33.3%	6.9%	15.3	1.4%	62%	65	57.7	9.4%
Averages			7.2%	16.1	1.1%	58%	59	55.5	8.2%

Our Proxy for the Value Line Arithmetic Average (Index). *Our proxy for the 1700 stock index is built from these three equally-weighted exchange traded funds. We'll compensate for the missing ADRs with ADRE.*

Reinvesting Sales Proceeds

Last month we sold the Hoard Portfolio's holdings in Vanguard FTSE All-World x-US (VEU) and Monetta (MONTX), placing the $12,787 in proceeds in Vanguard Growth (VUG) as a holding place until we found a more suitable place to invest them. A little less than $2100 in the sales proceeds came from VEU, so we will use them to accumulate $2100 more of BLDRS Emerging Markets 50 ADR (ADRE) which maintains our relative exposure to foreign-based stocks.

Given that our long-term goal is to beat the market (measured by the Wilshire 5000) by at least 3 percentage points, placing the remaining nearly $11,000 in proceeds in the ^VAY proxy isn't really suitable given its current PAR of just 8.2%. However, it is useful as a core holding for a portion of the portfolio and accumulations may be timelier under future market conditions. For that reason we will allocate $3,000 to RSP which has the highest current PAR (9.4%) among the three proxy components and $1000 each to EWMD and EWSM for tracking purposes to enable us to follow the proxy's performance going forward. The remaining proceeds will remain in VUG for now.

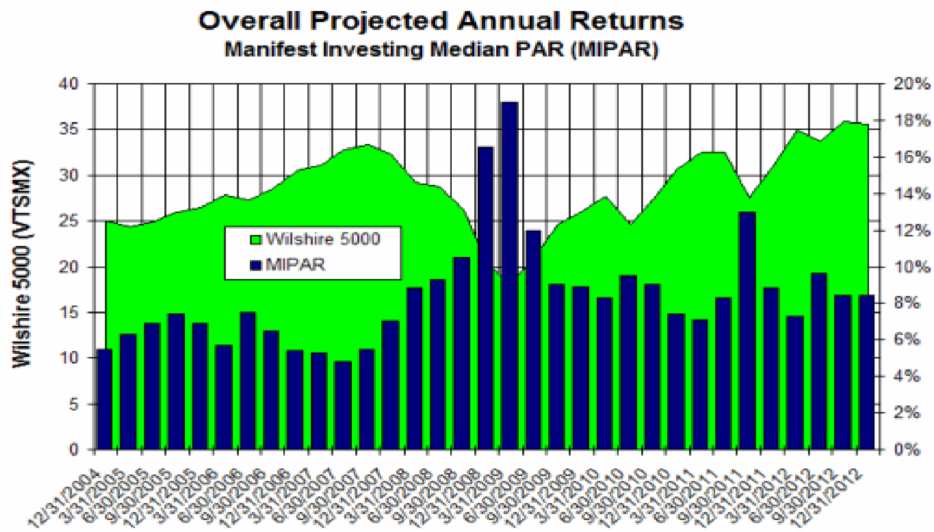
Like last month, we will use this month's new money to accumulate iShares Dow Jones US Oil Equipment (IEZ) to capitalize on its current PAR of 14.7% ranking third among all funds covered by MANIFEST.

Company	Symbol	Shares	Price	Value	% of Total	Growth	Proj P/E	Proj Yield	Fin Str	EPS Stab	Qlty	PAR
Market Vectors Coal ETF	KOL	81.77	$26.33	$2,153.03	1.8%	6.9%	16.6	1.5%	46%	34	42.6	15.3%
T. Rowe Price Science & Technology	PRSCX	380.80	$27.97	$10,650.98	9.1%	12.7%	18.5	0.5%	76%	40	61.6	14.5%
Vanguard Technology	VGT	167.04	$70.40	$11,759.62	10.0%	11.1%	16.6	1.2%	95%	65	78.8	14.2%
iShares Dow Jones US Oil Equipment	IEZ	116.96	$53.68	$6,278.41	5.3%	10.4%	14.7	0.9%	70%	51	58.4	14.2%
PowerShares QQQ (Nasdaq-100)	QQQ	257.87	$66.65	$17,187.14	14.6%	11.8%	17.3	1.1%	89%	62	75.6	14.2%
Fidelity Select Technology	FSPTX	18.62	$103.29	$1,923.47	1.6%	14.0%	23.0	0.7%	89%	49	75.2	12.2%
Vanguard Growth	VUG	629.47	$72.93	$45,907.25	39.1%	9.9%	16.3	1.6%	91%	72	76.5	11.9%
iShares Morningstar Large Growth Index	JKE	98.44	$78.27	$7,704.90	6.6%	10.2%	17.7	1.5%	90%	68	75.8	11.2%
Guggenheim S&P 500 Equal Technology	RYT	36.54	$56.96	$2,081.49	1.8%	8.6%	17.8	0.9%	72%	55	61.6	10.8%
BLDRS Emerging Mkts 50 ADR	ADRE	231.22	$40.97	$9,472.85	8.1%	8.1%	14.0	1.7%	51%	64	61.0	10.8%
First Trust ISE Chindia	FNI	105.22	$21.55	$2,267.47	1.9%	13.1%	17.2	1.3%	57%	50	62.7	10.6%
Averages				$117,386.60		10.5%	16.7	1.3%	83%	63	71.8	12.7%

Hoard Dashboard. *Our $88,500 invested so far is now worth $117,380. (1/4/2013) 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*

Creme of the Crop

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



Overall Market Expectations

The median projected annual return (MIPAR) for all 2400+ stocks followed by MANIFEST (Solomon database) is 8.4% (12/31/2012). The multi-decade range for this indicator is 0-20% and an average reading since 1999 is 8.5%.

January Effect: Study Hall

We generated this month's list of stocks by simply search for all companies with a MANIFEST Rank > 99 while limiting the field to financial strength ratings greater than 70 and EPS Stability of at least 60.

The results are shown here in the accompanying table. With MIPAR at 8.4%, we compare it versus the long-term average forecast which happens to be 8.5%. So we're literally looking at fairly average return conditions. And in times like this, it probably makes sense to tighten down the hatches -- seeking higher-quality candidates with a little more financial strength. In the event of the next recession, we want to be well represented by industry leaders with superior profitability and relatively little debt. Likewise, in order to avoid cyclical whipsaws (and since earnings are the source of dividends) ... we'd urge higher EPS stability ratings while bolstering our core holdings.

This month's screening result delivers a smorgasbord of companies that fit this bill. In fact, virtually all of the companies that we've added daily to the Core Diem portfolio since October are here in this month's results.

Company	Symbol	Industry	Growth	Proj P/E	Proj Yield	Fin Str	EPS Stab	Price	Quality	PAR
AeroVironment	AVAV	Aerospace/Defense	15.3%	19.0	0.0%	95%	87	$21.74	87.2	19.6%
Coach	COH	Retail Special	12.9%	18.0	1.7%	91%	83	$55.51	93.6	19.4%
SolarWinds*	SWI	Software (Application)	28.6%	34.0	0.0%	81%	90	$52.45	92.7	18.9%
Knight Transportation	KNX	Trucking	8.7%	21.0	1.5%	94%	83	$14.63	88.7	18.6%
Landauer	LDR	Environmental	9.4%	22.0	4.1%	83%	97	$61.21	86.7	18.0%
Gentex	GNTX	Electronics	10.6%	21.0	1.8%	97%	71	$18.85	79.1	17.9%
Masimo	MASI	Medical Supplies	10.4%	24.0	0.0%	99%	95	$21.01	82.4	17.9%
Cognizant Technology	CTSH	Software (Consulting)	19.6%	20.0	0.0%	98%	83	$73.88	90.8	17.7%
QUALCOMM	QCOM	Communications Equip	14.5%	19.0	1.3%	96%	69	$61.86	90.2	17.1%
Syntel*	SYNT	Software (Consulting)	17.0%	15.0	0.5%	78%	70	$53.63	82.8	17.0%
Wiley & Sons	JW-A	Publishing	3.7%	19.0	1.6%	83%	96	$38.93	87.5	16.6%
Cisco Systems	CSCO	Communications Equip	8.2%	15.0	1.3%	93%	89	$19.65	84.1	16.5%
FactSet Research	FDS	Information Services	11.9%	22.0	1.0%	99%	98	$88.06	87.0	15.3%
Fossil	FOSL	Retail Special	16.2%	17.0	0.0%	82%	72	$93.10	88.3	15.2%
Raven Industries*	RAVN	Diversified	13.8%	17.0	1.3%	93%	86	$26.36	94.2	14.3%

Screening Results (12/31/2012). *Top-ranked high-quality stocks with solid return forecasts. All qualifiers also have an EPS stability of at least 60 and a financial strength rating of 70 (B++) or better.*

AeroVironment (AVAV) engages in the design, development and production of unmanned aircraft systems and energy technologies for various industries and government agencies. Whatever you think of drones, they're here to stay. As I watched my 70-something grinning father-in-law open a remote operated helicopter on Christmas morning ... these things have a lot of staying power.

Coach (COH) has been a repeat Solomon Select feature (Jun-2006 & Oct-2008). Wall-to-wall standing room only at the outlet mall this holiday season. Across the way, a much larger Michael Kors (KORS) store was COMPLETELY EMPTY. Not sure how much of a competitive threat KORS can be. Bag this one.

Masimo (MASI). November 2011 Solomon Select. Non-invasive. We still like this one a lot. And when you can't invade, send in the drones.

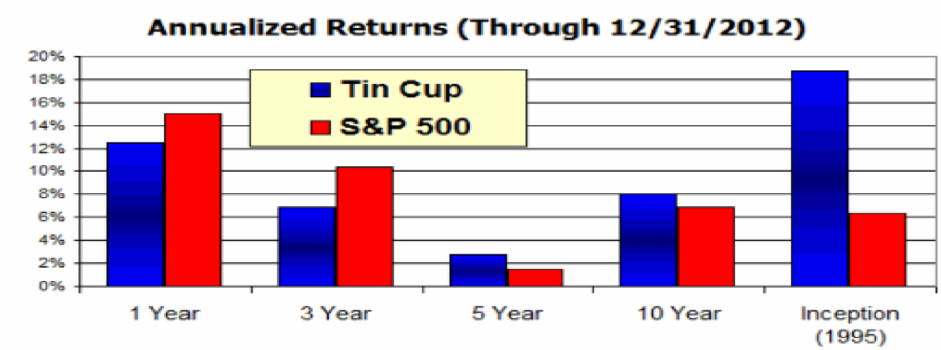
Tin Cup Model Portfolio

Accumulate Strayer Education (STRA)

By our count, we had at least eight "Million Dollar Moments" for Tin Cup during 2012. This demonstration portfolio invests the maximum allowable 401(k) in stocks situated at the upper end of the return forecast sweet spot. In the absence of choices within the portfolio, we shop outside the portfolio using the combination of return forecast and quality rating to identify candidates to be added to the portfolio. Total assets reached $1,000,000 in a little more than 17 years -- something we'd hope that a nation of retirement planners and future retirees would notice, heed and deploy.

Total assets are $978,130 (12/31/12) and the net asset value is $220.25. The model portfolio gained 1.66% during December 2012. The S&P 500 checked in at 0.90% for the month. Tin Cup has generated a 2.7% annualized total return over the trailing five years vs. 1.4% for the S&P 500 for a trailing 5-year relative return of +1.3%.

Tin Cup has outperformed the S&P 500 over the trailing ten years by +1.2% and the annualized total return since 1995 is now 18.7%.



Results. *Tin Cup has been rocked over the last few years by the likes of STRA and QSII but has held up rather well. We -- of course -- emphasize the long-term return performance and celebrate the 5-year, 10-year and performance since inception.*

Portfolio Characteristics

With MIPAR at 8.4%, our target for the minimum overall portfolio PAR is at least 13.4%. The overall portfolio PAR is 15.2% on 12/31/2012. Quality and financial strength are sufficient at the current levels of 81.3 (Excellent) and 89%. EPS Stability is 86 for the portfolio. Sales growth is acceptable at 10.6%.

Decisions

The maximum allowable contribution for a 401(k) increases to $17,500 for 2013 and the catchup contribution is $5500. Hence our monthly infusions will now be $23000/12 = $1916.67.

Our $1917 (and dividend stockpile) for January is destined and allocated to Strayer Education (STRA). Yes, Virginia, we're fully aware that Strayer has been a train wreck. But this is a mechanical process — and Strayer happens to be ***in position***. The company still ranks as a leader. The industry (and market) are still a mess with uncertain roads ahead. Before you hyperventilate, it's a relatively small stake in the portfolio at less than 3% of total assets.

Deep-value and special situation opportunities are tricky. Witness the lack of votes (1%) for Staples (SPLS) during the December Round Table session. We understand the apprehension and reality that there's hundreds of other less-challenged opportunities out there. At the same time, how many of you predicted that Bank of America (BAC) would be the top-performing stock of 2012? How many of you believed that Hugh McManus would be at the top of the Round Table leader board?

Sometimes challenges and challenged stocks deliver returns that are difficult to challenge.

After eight Million Dollar Moments during 2012, it's time to set sail for that $2,000,000 moment.

Company	Symbol	Shares	Price	Value	% of Total	Growth	Proj P/E	Proj Yield	Fin Str	EPS Stab	Qlty	PAR
Mercadolibre*	MELI	450.00	$78.55	$35,347.50	3.6%	27.1%	34.0	0.0%	84%	43	81.8	25.2%
Quality Systems	QSII	2000.00	$17.36	$34,720.00	3.5%	13.4%	20.0	1.6%	49%	75	65.0	22.8%
Microsoft	MSFT	3350.00	$26.71	$89,477.50	9.1%	9.4%	12.0	2.5%	97%	88	76.7	20.3%
Coach	COH	1140.00	$55.51	$63,281.40	6.5%	12.9%	18.0	1.7%	91%	83	93.6	19.4%
SolarWinds*	SWI	1060.00	$52.45	$55,597.00	5.7%	28.6%	34.0	0.0%	81%	90	92.7	18.9%
Strayer Education	STRA	420.00	$56.17	$23,591.40	2.4%	3.7%	14.0	3.4%	61%	77	67.3	18.3%
Cisco Systems	CSCO	4150.00	$19.65	$81,545.01	8.3%	8.2%	15.0	1.3%	93%	89	84.1	16.5%
Bio-Reference Labs*	BRLI	2300.00	$28.63	$65,848.54	6.7%	16.3%	20.0	0.0%	88%	85	81.6	16.1%
CVS Caremark	CVS	1650.00	$48.35	$79,777.50	8.2%	7.5%	15.5	1.7%	86%	94	80.6	14.8%
Urban Outfitters	URBN	2125.00	$39.36	$83,640.00	8.6%	10.9%	22.0	0.0%	96%	73	88.9	13.3%
Linear Technology	LLTC	2200.00	$34.30	$75,460.00	7.7%	7.6%	18.0	2.1%	73%	70	71.9	11.6%
Pepsi	PEP	900.00	$68.43	$61,587.00	6.3%	4.6%	18.0	2.0%	98%	96	74.7	11.4%
Abbott Labs	ABT	1400.00	$65.50	$91,700.00	9.4%	7.6%	14.0	2.6%	96%	98	79.4	11.0%
Stryker	SYK	1540.00	$54.82	$84,422.80	8.6%	6.9%	15.0	1.3%	99%	96	85.3	10.4%
Medtronic	MDT	1200.00	$41.02	$49,224.00	5.0%	3.3%	14.0	2.1%	97%	99	80.3	10.4%
Cash				$2,910.00	0.3%			0.0%				0.0%
Averages				$978,129.65		10.6%	18.1	1.5%	89%	86	81.3	15.2%

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

Cover Story (continued)

... And The 2013 Cat Is Out Of The Bag

Using this approach, the 2013 forecast is for a total return of 6.3% when 12/31/2013 arrives.

The forecasts range from a low of -4% to a high of 13%. What impact does this have on our expectations and/or behavior?

First of all, not much. Continue seeking high-quality companies and be selective — make sure that the return forecast justifies your interest. If anything, ratchet up your minimums for quality and financial strength when screening. With MIPAR at 7-8%, we're hovering near levels of "fair market value." Any surges to the upside in price or avalanche of earnings disappointments could lead to a significant correction in the stock market. If you're preserving capital and deploying a balanced strategy — heed the cash equivalent suggestions from Value Line's asset allocation and monitor our Balanced demonstration portfolio (it's currently at 40% "cash.")

Walking Main Street

We'll be playing along with Eddy and Crossing Wall Street for 2013 with our own crop of favorites from the MANIFEST 40 and our own Christmas Countdown. For more on this, see: http://expectingalpha.com/2013/01/01/walking-main-street-2013-challenge/

Move over Mayans. We'll be back next month with Punxsy Phil, our peerless prognosticator.

Company	Symbol	Growth	Proj P/E	Proj Yield	Fin Str	EPS Stab	Qlty	PAR
Quality Systems	QSII	13.4%	20.0	1.6%	49%	75	65.0	21.6%
Infosys Tech	INFY	13.8%	19.0	1.0%	100%	79	86.6	21.5%
Apple Inc.	AAPL	13.6%	16.0	1.3%	98%	40	84.4	20.8%
Coach	COH	12.9%	18.0	1.7%	91%	83	93.6	19.4%
Teva Pharma	TEVA	6.0%	11.0	2.1%	84%	88	72.0	18.8%
QUALCOMM	QCOM	14.5%	19.0	1.3%	96%	69	90.2	16.3%
AFLAC	AFL	10.7%	10.0	2.4%	59%	86	80.0	16.1%
Cisco Systems	CSCO	8.2%	15.0	1.3%	93%	89	84.1	15.7%
Intuitive Surgical	ISRG	18.8%	30.0	0.0%	96%	36	83.1	15.1%
FactSet Research	FDS	11.9%	22.0	1.0%	99%	98	87.0	15.0%
CVS Caremark	CVS	7.5%	15.5	1.7%	86%	94	80.6	14.1%
Intel Corp.	INTC	6.3%	12.0	2.3%	96%	55	74.2	12.8%
Pepsi	PEP	4.6%	18.0	2.0%	98%	96	74.7	11.1%
Exxon Mobil	XOM	7.0%	11.0	2.2%	99%	68	75.2	10.5%
Buffalo Wild Wings	BWLD	13.3%	22.0	0.0%	97%	86	85.9	10.5%
Paychex	PAYX	6.4%	21.0	2.9%	99%	94	86.8	10.1%
Stryker	SYK	6.9%	15.0	1.3%	99%	96	85.3	9.5%
Medtronic	MDT	3.3%	14.0	2.1%	97%	99	80.3	9.3%
Procter & Gamble	PG	3.2%	16.8	3.0%	98%	96	79.3	8.8%
McDonald's	MCD	5.5%	16.0	3.1%	96%	93	84.5	8.7%
Averages		9.4%	17.1	1.7%	92%	81	81.6	14.3%

Walking Main Street (2013). *This list of (20) stocks was selected from the MANIFEST 40 most widely-followed stocks. Selection was based on a combination of return forecast (PAR), quality and momentum/sentiment. We hope these 20 stocks will fare well and keep up with Eddy's Buy List at Crossing Wall Street. The public dashboard is available at: http://www.manifestinvesting.com/dashboards/public/walking-main-street*

MANIFEST 40: December 2012. *Our quarterly summary of the (40) most widely-followed stocks by Manifest Investing subscribers is available at:*
http://expectingalpha.com/2012/12/31/manifest-40-december-2012/
The average annualized relative return for the current tracking portfolio is +4.5%. The public dashboard is here:
http://www.manifestinvesting.com/dashboards/public/manifest-40

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. 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.