

Portfolio Management Workshop

Presented by Ty Hughes

Adopted from BINC 2005 Class CP-9

Just what is a portfolio?

Simply stated, it's a collection of Stocks and/or Bonds that you treat as investments for some future purpose

Why do we need to manage it?

- Time and Change
- The passing of time has an effect on our assets. Today's stock or bond may not be of the same quality or potential growth as when we purchased it.

BetterInvesting's Guidelines

- Regularly invest a small amount of money
- Reinvest all dividends, interest and capital gains into the portfolio
- Purchase Growth Stocks at favorable prices
- Diversify the portfolio by size of company and industry groups
- Hold for long-term gains in value

Our Focus Today

- The management of a portfolio of common stocks
 - Review what we own
 - Determine if any of our holdings need to be replaced with “better” companies
- Our goal is to maintain and manage a portfolio of “Quality Growth Stocks” for the long term

A Picture of your Portfolio

- Manifest Investing
- BetterInvesting's Portfolio Record Keeper
 - (PRK) Appraisal Report
 - PRK's Diversification Report
 - PRK's Performance Reports
- These reports will show how well we have done with this portfolio compared to our goal of obtaining an approximate 15% annual return on our investment
- Home grown Excel spreadsheet

What Really Matters?

- Return (however you measure it)
 - Projected average return
 - Total return
 - It doesn't matter which – just be consistent
- Quality (however you measure it)
 - Mark Robertson's RQR
 - Value Line financial strength and earnings quality
 - S&P 500 Dividends & Earnings Rank
- Doing all of your SSGs the same way

Dashboard: Portfolio Mgmt Class [edit] Date: 01/20/2006

Company Name	Ticker	Shares	Price	Value	% of Portfolio	Growth	P/E	Proj Yield	Qty	PAR
American Intl Group	AIG	51	\$66.71	\$3,402	5.6%	13.3%	23.0	0.3%	68.0	23.9%
Capital One Financial	COF	52	\$85.17	\$4,428	7.2%	10.7%	11.0	0.2%	71.4	8.6%
Chico's FAS	CHS	185	\$42.41	\$7,845	12.8%	15.0%	20.0	0.0%	79.4	0.5%
Commerce Bancorp NJ	CBH	65	\$32.21	\$2,093	3.4%	11.5%	18.0	1.1%	75.7	16.5%
Hibbett Sporting Goods	HIBB	145	\$28.82	\$4,178	6.8%	12.5%	20.0	0.0%	74.6	9.6%
Investors Financial	IFIN	157	\$38.00	\$5,976	9.7%	12.5%	20.0	0.2%	63.8	12.6%
Jack Henry	JH	100	\$78.00	\$7,800	12.5%	12.5%	28.0	0.5%	64.8	18.6%
L-3 Communications	L3	100	\$74.00	\$7,400	8.5%	11.0%	22.0	1.2%	62.0	17.0%
Lowe's	L	200	\$25.13	\$5,000	9.5%	11.8%	21.0	0.2%	76.4	16.0%
Marsh & McLennan	MCC	80	\$30.65	\$2,452	4.0%	11.0%	18.0	2.0%	51.5	20.0%
OReilly Auto	ORLY	110	\$31.13	\$3,424	5.5%	11.0%	16.0	0.0%	79.3	9.1%
Pfizer	PFE	100	\$25.00	\$2,500	4.0%	12.0%	18.0	2.4%	75.0	18.0%
ScanSource	SCSC	100	\$47.50	\$4,750	5.0%	11.0%	16.7	0.0%	47.5	10.7%
Wal-Mart	WMT	100	\$27.45	\$2,745	4.5%	10.4%	18.5	1.1%	82.3	16.4%
Washington Mutual	WM	83	\$42.58	\$3,534	5.8%	7.4%	10.0	4.2%	60.6	12.2%
Totals & Averages				\$61,201	100.0%	12.8%	19.2	0.8%	69.5	12.8%

How is the Portfolio
Doing as whole?

Portfolio Averages	
PAR	12.8%
Quality	69.5
Growth	12.8%
Average P/E Ratio	19.2
Average Yield	0.8%
Financial Strength	69
EPS Predictability	88

Quality Legend:	
Blue	Excellent with quality score of 85-100
Green	Good with quality score of 65-84
Neutral	Average or below quality score of 45-64
Red	Poor with quality score of 25-44
Green	PAR is within the target range of MIPAR +5-10%, currently 15.4-20.4%.
Yellow	PAR is above the target range of MIPAR +10%, currently 20.4%.
PAR	Projected Annual Return
MIPAR	The Manifest Investing Median PAR of all stocks in the database.
MIPAR	10.4%

PAR of 12.8% is low
Quality of 69 is good

First, Compare Return (PAR)

Dashboard: Portfolio Mgmt Class [edit] Date: 01/20/2006

Company Name	Ticker	Shares	Price	Value	% of Portfolio	Growth	P/E	Proj Yield	Qty	PAR
American Intl Group	AIG	51	\$66.71	\$3,402	5.6%	13.3%	23.0	0.3%	68.0	23.9%
Marsh & McLennan	MMC	80	\$30.65	\$2,452	4.0%	18.0%	18.0	2.0%	51.5	20.0%
Jack Henry	JKHY	210	\$20.82	\$4,372	7.1%	12.5%	28.0	0.5%	64.8	18.6%
Pfizer	PFE	109	\$24.71	\$2,693	4.4%	3.2%	18.0	2.4%	75.0	18.0%
L-3 Communications	LLL	70	\$74.41	\$5,208	8.5%	11.0%	22.0	1.2%	62.0	17.0%
Commerce Bancorp NJ	CBH	65	\$32.21	\$2,093	3.4%	13.5%	18.0	1.1%	75.7	16.5%
Wal-Mart	WMT	61	\$45.00	\$2,745	4.5%	10.4%	18.5	1.1%	82.3	16.4%
Lowe's	LOW	92	\$63.13	\$5,807	9.5%	11.8%	21.0	0.2%	76.4	16.0%
Investors Financial	IFIN	157	\$38.02	\$5,969	9.8%	15.0%	18.8	0.2%	63.8	12.6%
Washington Mutual	WM	83	\$42.58	\$3,534	5.8%	7.4%	10.0	4.2%	60.6	12.2%
ScanSource	SCSC	52	\$42.58	\$2,215	3.6%	11.0%	18.0	0.0%	47.5	10.7%
Hibbett Sporting Goods	HIBB	145	\$42.58	\$6,174	10.1%	13.0%	18.0	0.0%	74.6	9.6%
OReilly Auto	ORLY	110	\$42.58	\$4,684	7.7%	13.0%	20.0	0.0%	71.3	9.1%
Capital One Financial	COF	52	\$42.58	\$2,215	3.6%	13.0%	20.0	0.2%	71.4	8.6%
Chico's FAS	CHS	185	\$42.58	\$7,877	12.6%	13.0%	20.0	0.0%	79.4	0.5%
Totals & Averages				\$61,201	100.0%	12.8%	19.2	0.8%	69.5	12.8%

**These companies
need consideration**



Candidates for Replacement

Based on PAR:

- SCSC (10.7%)
- HIBB (9.6%)
- ORLY (9.1%)
- COF (8.6%)
- CHS (0.5%)

Second, Compare Quality

Dashboard: Portfolio Mgmt Class [edit] Date: 01/20/2006

Company Name	Ticker	Shares	Price	Value	% of Portfolio	Growth	P/E	Proj Yield	Qlty	PAR
Wal-Mart	WMT	61	\$45.00	\$2,745	4.5%	10.4%	18.5	1.1%	82.3	16.4%
Chico's FAS	CHS	185	\$42.41	\$7,845	12.8%	15.0%	20.0	0.0%	79.4	0.5%
OReilly Auto	ORLY	110	\$31.13	\$3,424	5.6%	14.5%	16.0	0.0%	79.3	9.1%
Lowe's	LOW	92	\$63.13	\$5,807	9.5%	11.8%	21.0	0.2%	76.4	16.0%
Commerce Bancorp NJ	CBH	65	\$32.21	\$2,093	3.4%	13.5%	18.0	1.1%	75.7	16.5%
Pfizer	PFE	109	\$24.71	\$2,693	4.4%	3.2%	18.0	2.4%	75.0	18.0%
Hibbett Sporting Goods	HIBB	145	\$28.82	\$4,178	6.8%	20.0%	23.4	0.0%	74.6	9.6%
Capital One Financial	COF	52	\$85.17	\$4,428	7.2%	10.7%	11.0	0.2%	71.4	8.6%
American Intl Group	AIG	51	\$66.71	\$3,402	5.6%	13.3%	23.0	0.3%	68.0	23.9%
Jack Henry	JKHY	210	\$20.82	\$4,372	7.1%	12.5%	28.0	0.5%	64.8	18.6%
Investors Financial	IFIN	157	\$38.02	\$5,969	9.8%	15.0%	18.8	0.2%	63.8	12.6%
L-3 Communications	LLL	70	\$74.41	\$5,208	8.5%	11.0%	22.0	1.2%	62.0	17.0%
Washington Mutual	WM						10.0	4.2%	60.6	12.2%
Marsh & McLennan	MMC						18.0	2.0%	51.5	20.0%
ScanSource	SCSC						16.7	0.0%	47.5	10.7%
Totals & Averages							19.2	0.8%	69.5	12.8%

These companies need consideration

Candidates for Replacement

Based on PAR:

- SCSC (10.7%)
- HIBB (9.6%)
- ORLY (9.1%)
- COF (8.6%)
- CHS (0.5%)

Based on Quality

- MMC (51.5)
- SCSC (47.7)

Third, Compare % of Portfolio

Dashboard: Portfolio Mgmt Class [edit] Date: 01/20/2006

Company	Price	Value	% of Portfolio	Growth	P/E	Proj Yield	Qty	PAR
Chico's F	\$7.15	\$7,150	12.8%	15.0%	20.0	0.0%	79.4	0.5%
Investor	\$38.02	\$5,969	9.8%	15.0%	18.8	0.2%	63.8	12.6%
Lowe's	\$63.13	\$5,807	9.5%	11.8%	21.0	0.2%	76.4	16.0%
L-3 Communications	\$74.41	\$5,208	8.5%	11.0%	22.0	1.2%	62.0	17.0%
Capital One Financial	\$85.17	\$4,428	7.2%	10.7%	11.0	0.2%	71.4	8.6%
Jack Henry	\$20.82	\$4,372	7.1%	12.5%	28.0	0.5%	64.8	18.6%
Hibbett Sporting Goods	\$28.82	\$4,178	6.8%	20.0%	23.4	0.0%	74.6	9.6%
Washington Mutual	\$42.58	\$3,534	5.8%	7.4%	10.0	4.2%	60.6	12.2%
OReilly Auto	\$31.13	\$3,424	5.6%	14.5%	16.0	0.0%	79.3	9.1%
American Intl Group	\$66.71	\$3,402	5.6%	13.3%	23.0	0.3%	68.0	23.9%
ScanSource	\$58.57	\$3,045	5.0%	11.0%	16.7	0.0%	47.5	10.7%
Wal-Mart	\$45.00	\$2,745	4.5%	10.4%	18.5	1.1%	82.3	16.4%
Pfizer	\$24.71	\$2,693	4.4%	3.2%	18.0	2.4%	75.0	18.0%
Marsh & McLennan	\$30.65	\$2,452	4.0%	18.0%	18.0	2.0%	51.5	20.0%
Commerce Bancorp NJ	\$32.21	\$2,093	3.4%	13.5%	18.0	1.1%	75.7	16.5%
Totals & Averages		\$61,201	100.0%	12.8%	19.2	0.8%	69.5	12.8%

Consider this company

Candidates for Replacement

Based on PAR:

- SCSC (10.7%)
- HIBB (9.6%)
- ORLY (9.1%)
- COF (8.6%)
- CHS (0.5%)

Based on Quality

- MMC (51.5)
- SCSC (47.7)

Based on Size

- CHS (12.8%)

**Which stocks
are candidates
for replacement?**

Candidates for Replacement

Based on PAR:

- SCSC (10.7%)
- HIBB (9.6%)
- ORLY (9.1%)
- COF (8.6%)
- CHS (0.5%)

Based on Quality

- MMC (51.5)
- SCSC (47.7)

Based on Size

- CHS (12.8%)

CHS has a very low PAR and takes up too much of the portfolio

Candidates for Replacement

Based on PAR:

- SCSC (10.7%)
- HIBB (9.6%)
- ORLY (9.1%)
- COF (8.6%)
- CHS (0.5%)

Based on Quality

- MMC (51.5)
- SCSC (47.7)

Based on Size

- CHS (12.8%)

SCSC has mediocre prospects and poor quality

**Replacement
Candidate #1**

**PAR = 18.1%
Quality = 83.2**

Company	Ticker	Industry	Price	Quality	PAR
Microsoft	MSFT	Computer Software (Systems)	\$26.41	83.2	18.1%

Company Outlook	
Current Price (01/20)	\$26.41
Estimated Sales Growth	
Sales Growth Forecast	9.9%
Expected Income Statement	
Current Sales	41,522.0
Net Profit Margin	34.4%
Projected Shares Outstanding	9,985.0
EPS - Five Year Forecast	\$2.29
Average P/E Ratio	25.0
Projected Average Price	\$57.28
Price Appreciation (Annualized)	16.7%
Annual Dividend Yield	1.4%
Projected Annual Return	18.1%
Quality	
Financial Strength	100 25.0
EPS Predictability	90 22.5
Industry Sales Growth Rate	10.2% 12.1
Industry Net Profit Margin	18.2% 23.6
Calculated Quality Rating	83.2
Fundamental Data Updated: 11/25/2005	

**Replacement
Candidate #2**

**PAR = 20.2%
Quality = 91.2**

Company	Ticker	Industry	Price	Quality	PAR
Kohl's	KSS	Retail Store	\$43.62	91.2	20.2%

Company Outlook	
Current Price (01/20)	\$43.62
Estimated Sales Growth	
Sales Growth Forecast	15.9%
Expected Income Statement	
Current Sales	13,450.0
Net Profit Margin	6.9%
Projected Shares Outstanding	354.7
EPS - Five Year Forecast	\$5.47
Average P/E Ratio	20.0
Projected Average Price	\$109.32
Price Appreciation (Annualized)	20.2%
Annual Dividend Yield	0.0%
Projected Annual Return	20.2%
Quality	
Financial Strength	80 20.0
EPS Predictability	85 21.2
Industry Sales Growth Rate	7.5% 25.0
Industry Net Profit Margin	3.1% 25.0
Calculated Quality Rating	91.2
Fundamental Data Updated: 11/11/2005	

Portfolio Transactions

Sales:

CHS \$7,845

SCSC \$3,045

Total = \$10,890

Purchases:

New stocks

MSFT \$3,500

KSS \$3,500

Add to existing stocks

PFE \$1,500

WMT \$1,500

Dashboard: Portfolio Mgmt Class [edit] Date: 01/20/2006

Company Name	Ticker	Shares	Price	Value	% of Portfolio	Growth	P/E	Proj Yield	Qty	PAR
American Intl Group	AIG	51	\$66.71	\$3,402	5.6%	13.3%	23.0	0.3%	68.0	23.9%
Kohl's	KSS	80.2384	\$43.62	\$3,499	5.8%	15.9%	18.0	0.0%	91.2	20.2%
Marsh & McLennan	MMC	80	\$30.65	\$2,452	4.1%	10.0%	18.0	0.0%	51.5	20.0%
Jack Henry	JKHY	210	\$20.32	\$4,267	7.1%	5.0%	18.0	0.5%	64.8	18.6%
Microsoft	MSFT	257	\$26.85	\$6,900	11.5%	19.9%	25.0	1.4%	83.2	18.1%
Pfizer	PFE	24	\$24.17	\$580	0.9%	3.2%	18.0	2.4%	75.0	18.0%
L-3 Communications	LLL	74	\$70.11	\$5,208	8.6%	11.0%	22.0	1.2%	62.0	17.0%
Commerce Bancorp NJ	CBH	65	\$32.21	\$2,093	3.4%	7.0%	18.0	1.1%	75.7	16.5%
Wal-Mart	WMT	94.333	\$45.00	\$4,245	7.0%	11.0%	18.5	1.1%	82.3	16.4%
Lowe's	LOW	92	\$27.71	\$2,550	4.2%	11.0%	21.0	0.2%	76.4	16.0%
Investors Financial	IFIN	157	\$24.84	\$3,900	6.4%	15.0%	18.8	0.2%	63.8	12.6%
Washington Mutual	WM	83	\$55.34	\$4,593	7.7%	7.4%	10.0	4.2%	60.6	12.2%
Hibbett Sporting Goods	HIBB	145	\$28.82	\$4,178	6.9%	20.0%	23.4	0.0%	74.6	9.6%
OReilly Auto	ORLY	110	\$31.13	\$3,424	5.7%	14.5%	16.0	0.0%	79.3	9.1%
Capital One Financial	COF	52	\$85.17	\$4,428	7.3%	10.7%	11.0	0.2%	71.4	8.6%
Totals & Averages				\$60,310	100.0%	12.3%	19.6	1.0%	71.9	15.5%

How is the Portfolio
Doing Now?

Portfolio Averages	
PAR	15.5%
Quality	71.9
Growth	12.3%
Average P/E Ratio	19.6
Average Yield	1.0%
Financial Strength	74
EPS Predictability	87

PAR of 15.5% (was 12.8%)
 Quality of 71.9 (was 69)
 Weighting 9.9% to 3.3%
Definite Improvement!

Blue	Excellent v
Green	Good with
Neutral	Average o
Red	Poor with
Green	PAR is wit
Yellow	PAR is abo
PAR	Projected
MIPAR	The Manifest Investing Median PAR of all stocks in the database.
MIPAR	10.4%

Appraisal Report

Port Wrkshop 21 Jan 2005

01/20/06

Type/Security	Quantity	Unit Cost	Total Cost	Market Price	Market Value	% of Portfolio	Unrealized Gain/Loss	% G/L	Estimated Income	Yield	P/E	Beta
Common Stocks												
American Internatio	51.00000	68.098	3,473.00	66.710	3,402.21	5.10	-70.79	-2.0	30.60	0.9	14.8	0.84
Capital One Financi	52.00000	67.096	3,489.00	85.170	4,428.84	6.64	939.84	26.9	5.56	0.1	12.4	1.67
Chicos Fas Inc	185.00000	18.917	3,499.65	42.410	7,845.85	11.76	4,346.20	124.2	0.00	0.0	41.6	1.90
Com merce Bancorp In	130.00000	26.863	3,492.25	32.210	4,187.30	6.28	695.05	19.9	62.40	1.5	17.9	0.59
Hibbett Sporting Go	145.00000	24.000	3,480.00	28.820	4,178.90	6.26	698.90	20.1	0.00	0.0	31.3	1.22
Investors Financial	157.00000	22.222	3,488.83	38.020	5,969.14	8.95	2,480.31	71.1	12.56	0.2	17.4	1.33
Jack Henry & Assoc.	210.00000	16.614	3,488.90	20.820	4,372.20	6.55	883.30	25.3	37.80	0.9	24.8	1.08
L-3 Communications	70.00000	49.871	3,491.00	74.410	5,208.70	7.81	1,717.70	49.2	35.00	0.7	18.6	0.10
Lowe's Companies In	92.00000	38.054	3,501.00	63.130	5,807.96	8.70	2,306.96	65.9	22.08	0.4	19.5	0.95
Marsh & McLennan Co	80.00000	43.483	3,478.60	30.650	2,452.00	3.68	-1,026.60	-29.5	54.40	2.2	28.9	0.79
O'Reilly Automotive	220.00000	15.813	3,478.80	31.130	6,848.60	10.26	3,369.80	96.9	0.00	0.0	24.1	0.83
Pfizer Inc.	109.00000	31.896	3,476.65	24.710	2,693.39	4.04	-783.26	-22.5	82.84	3.1	14.0	0.50
Scansource, Inc.	52.00000	67.096	3,489.00	58.570	3,045.64	4.56	-443.36	-12.7	0.00	0.0	21.1	1.42
Wal-m art Stores	61.00000	57.402	3,501.52	45.000	2,745.00	4.11	-756.52	-21.6	36.60	1.3	17.5	0.65
Washington Mutual I	83.00000	42.060	3,491.00	42.580	3,534.14	5.30	43.14	1.2	162.68	4.6	11.7	0.27
			<u>52,319.20</u>		<u>66,719.87</u>	<u>100.00</u>	<u>14,400.67</u>	<u>27.5</u>	<u>542.52</u>	<u>0.8</u>	<u>22.3</u>	<u>1.01</u>
Totals:			<u><u>52,319.20</u></u>		<u><u>66,719.87</u></u>		<u><u>14,400.67</u></u>	<u><u>27.5</u></u>	<u><u>542.52</u></u>	<u><u>0.8</u></u>	<u><u>22.3</u></u>	<u><u>1.01</u></u>

Look at “% of Portfolio”

Performance Report
 Port Wrkshop 21 Jan 2005
 IRR Period - 01/01/2005 Thru 01/20/2006

01/20/06

Type/Security	Beginning Market Value	Additions/ Withdrawals	Unrealized Gain/Loss for the period	Realized Gain/Loss for the period	Ending Market Value	Income Received	IRR For Period	Annualized IRR
Common Stocks								
American Internatio	3,349.17	0.00	53.04	0.00	3,402.21	0.00	1.58	1.50
Capital One Financi	4,378.92	0.00	49.92	0.00	4,428.84	0.00	1.14	1.08
Chicos Fas Inc	8,423.05	0.00	-577.20	0.00	7,845.85	0.00	-6.85	-6.51
Com merce Bancorp In	4,186.00	0.00	1.30	0.00	4,187.30	0.00	0.03	0.03
Hibbett Sporting Go	3,858.45	0.00	320.45	0.00	4,178.90	0.00	8.31	7.86
Investors Financial	7,846.86	0.00	1,877.72	0.00	9,724.58	0.00	23.93	-22.84
Jack Henry & Assoc.	4,181.10							4.33
L-3 Communications	5,126.80							1.51
Lowe's Companies In	5,298.28							9.10
Marsh & McLennan Co	2,632.00							-6.50
O'Reilly Automotive	4,955.50							35.90
Pfizer Inc.	2,931.01	0.00	-237.62	0.00	2,693.39	0.00	-8.11	-7.70
Scansource, Inc.	3,232.32	0.00	-186.68	0.00	3,045.64	0.00	-5.78	-5.48
Wal-m art Stores	3,222.02	0.00	-477.02	0.00	2,745.00	0.00	-14.81	-14.09
Washington Mutual I	3,509.24	0.00	24.90	0.00	3,534.14	0.00	0.71	0.67
Subtotal for Common Stocks	67,130.72	0.00	-410.85	0.00	66,719.87	0.00		
Dow Jones Ind. Ave	10,783.01		-115.62		10,667.39		-1.07	-1.02
NASDAQ	2,175.44		72.26		2,247.70		3.32	3.15
S&P 500	1,211.92		49.57		1,261.49		4.09	3.87
Total for Portfolio(s)	67,130.72	0.00	-410.85	0.00	66,719.87	0.00	-0.61	-0.58

**Compare portfolio return to
indices (S&P 500 and DJIA)**

-1.07 -1.02
 3.32 3.15
 4.09 3.87

Past Performance vs. Projected Future Return

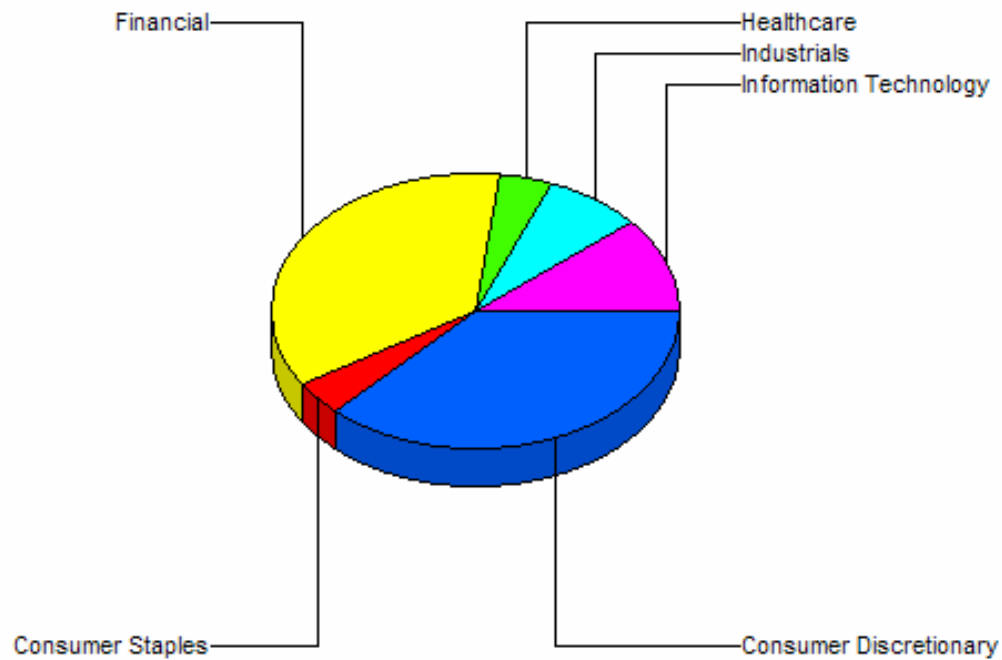
- Past performance is *interesting* – but it should **not** be the basis for a buy or sell decision
- Losses or gains are *interesting* – but should **not** be the basis for a buy or sell decision
- Projected future return and portfolio quality (however you measure it) should drive your portfolio decisions
- Also consider diversification (by industry and by company size as measured by revenue)

Common Stock Diversification by Industry Sector

Port Wrkshop 21 Jan 2005

Industry / Qty	Security	Unit Cost	Total Cost	Market Price	Market Value	Unrealized Gain/Loss	% G/L	Est. Income	Percent of Industry	Percent of Stocks	Percent of Portfolio
Consumer Discretionary											
185.00000	Chicos Fas Inc	18.917	3,499.65	42.410	7,845.85	4,346.20	124.19	0.00	31.79	11.76	11.76
145.00000	Hibbett Sporting Go	24.000	3,480.00	28.820	4,178.90	698.90	20.08	0.00	16.93	6.26	6.26
92.00000	Lowe's Companies In	38.054	3,501.00	63.130	5,807.96	2,306.96	65.89	22.08	23.53	8.70	8.70
220.00000	O'Reilly Automotive	15.813	3,478.80	31.130	6,848.60	3,369.80	96.87	0.00	27.75	10.26	10.26
			13,959.45		24,681.31	10,721.86	76.81	22.08		36.99	36.99
Consumer Staples											
61.00000	Wal-m art Stores	57.402	3,501.52	45.000	2,745.00	-756.52	-21.61	36.60	100.00	4.11	4.11
			3,501.52		2,745.00	-756.52	-21.61	36.60		4.11	4.11
Financial											
51.00000	American Internatio	68.098	3,473.00	66.710	3,402.21	-70.79	-2.04	30.60	14.19	5.10	5.10
52.00000	Capital One Financi	67.096	3,489.00	85.170	4,428.84	939.84	26.94	5.56	18.47	6.64	6.64
130.00000	Com merce Bancorp In	26.863	3,492.25	32.210	4,187.30	695.05	19.90	62.40	17.47	6.28	6.28
157.00000	Investors Financial	22.222	3,488.83	38.020	5,969.14	2,480.31	71.09	12.56	24.90	8.95	8.95
80.00000	Marsh & McLennan Co	43.483	3,478.60	30.650	2,452.00	-1,026.60	-29.51	54.40	10.23	3.68	3.68
83.00000	Washington Mutual I	42.060	3,491.00	42.580	3,534.14	43.14	1.24	162.68	14.74	5.30	5.30
			20,912.68		23,973.63	3,060.95	14.64	328.20		35.93	35.93
Healthcare											
109.00000	Pfizer Inc.	31.896	3,476.65	24.710	2,693.39	-783.26	-22.53	82.84	100.00	4.04	4.04
			3,476.65		2,693.39	-783.26	-22.53	82.84		4.04	4.04
Industrials											
70.00000	L-3 Communications	49.871	3,491.00	74.410	5,208.70	1,717.70	49.20	35.00	100.00	7.81	7.81
			3,491.00		5,208.70	1,717.70	49.20	35.00		7.81	7.81
Information Technology											
210.00000	Jack Henry & Assoc.	16.614	3,488.90	20.820	4,372.20	883.30	25.32	37.80	58.94	6.55	6.55
52.00000	Scansource, Inc.	67.096	3,489.00	58.570	3,045.64	-443.36	-12.71	0.00	41.06	4.56	4.56
			6,977.90		7,417.84	439.94	6.30	37.80		11.12	11.12
	Totals:		52,319.20		66,719.87	14,400.67	27.52	542.62			100.00

Percent of Common Stocks



Consumer Discretionary	37.0%
Consumer Staples	4.1%
Financial	35.9%
Healthcare	4.0%
Industrials	7.8%
Information Technology	11.1%
Total:	100.0%

PAR is only 0.5%



Consumer Discretionary

185.00000 Chicofas Inc

145.00000 Hibbett Sporting Go

92.00000 Lowe's Companies In

220.00000 O Reilly Automotive

	-----	Percent of	-----
	Industry	Stocks	Portfolio
	-----	-----	-----
	31.79	11.76	11.76
	16.93	6.26	6.26
	23.53	8.70	8.70
	27.75	10.26	10.26
		-----	-----
		36.99	36.99

PAR is 8.6%

Financial

		-----	Percent of	-----
		Industry	Stocks	Portfolio
51.00000	American Internatio	14.19	5.10	5.10
52.00000	Capital One Financi	18.47	6.64	6.64
130.00000	Com merce Bancorp In	17.47	6.28	6.28
157.00000	Investors Financial	24.90	8.95	8.95
80.00000	Marsh & McLennan Co	10.23	3.68	3.68
83.00000	Washington Mutual I	14.74	5.30	5.30
			-----	-----
			35.93	35.93

Quality was 51.5

[Home](#)
Moose Pond Investors Portfolio Summary on 30 December 2005
[Excel file](#)

SSG	Company	Industry	PAR	Rev Gr	Cur PE	Qual	% Port	Rec
ACS	Affiliated Computer Services	Computer Software/Svcs.	11.2%	13.0%	19.3	70.7	5.2%	Hold
AMGN	Amgen, Inc.	Biotechnology	15.0%	17.0%	27.6	78.2	3.7%	Hold
BBBY	Bed Bath & Beyond Inc.	Retail (Special Lines)	14.6%	11.0%	19.6	92.6	4.2%	Hold
BRO	Brown & Brown Inc.	Financial Svcs. (Div.)	8.8%	15.0%	29.4	78.0	3.8%	Hold
CCO								
CA								
CV								
CE								
FDS	FactSet Research Systems	Information Services	11.8%	15.0%	29.2	75.3	3.7%	Hold
FITB	Fifth Third Bancorp	Bank (Midwest)	19.8%	8.0%	13.6	69.2	4.4%	Buy
HDI	Harley-Davidson, Inc.	Recreation	10.7%	9.5%	15.7	78.0	3.0%	Hold
INTC	Intel Corporation	Semiconductor	14.9%	10.5%	18.4	68.0	3.3%	Hold
IFIN	Investors Financial Services Corp.	Financial Svcs. (Div.)	14.1%	12.0%	16.8	63.8	3.9%	Hold
JKHY	Jack Henry & Associates	Computer Software/Svcs.	15.2%	13.5%	22.7	64.8	4.8%	Buy
JNJ	Johnson & Johnson	Medical Supplies	10.9%	9.0%	17.6	85.3	3.0%	Hold
LOW	Lowe's Companies, Inc.	Retail Building Supply	13.4%	14.0%	20.6	76.1	4.0%	Hold
MMC	Marsh & McLennan Co's	Financial Svcs. (Div.)	15.5%	7.0%	30.0	51.5	3.1%	Buy
MXIM	Maxim Integrated Products	Semiconductor	17.3%	16.0%	24.7	68.1	3.7%	Buy
OXY	Occidental Petroleum	Petroleum (Integrated)	14.4%	15.0%	9.2	80.0	4.6%	Buy
PDCO	Patterson Companies, Inc.	Medical Supplies	10.0%	12.5%	24.7	74.3	2.3%	Hold
PFE	Pfizer Inc.	Drug	17.1%	6.5%	13.2	76.2	5.0%	Buy
SNV	Synovus Financial Corp	Bank	19.0%	13.0%	17.0	73.3	4.1%	Buy
UTSI	UTStarcom, Inc.	Telecom. Equipment	43.0%	12.0%	NMF	37.2	1.2%	Hold
WMT	Wal-Mart	Retail Store	15.4%	11.0%	18.2	82.3	5.3%	Buy
	Cash						6.3%	
Portfolio Weighted Averages			14.3%	12.1%	18.9	73.1	100.0%	

<http://tyhughes.net/moosepond>

Why We Diversify

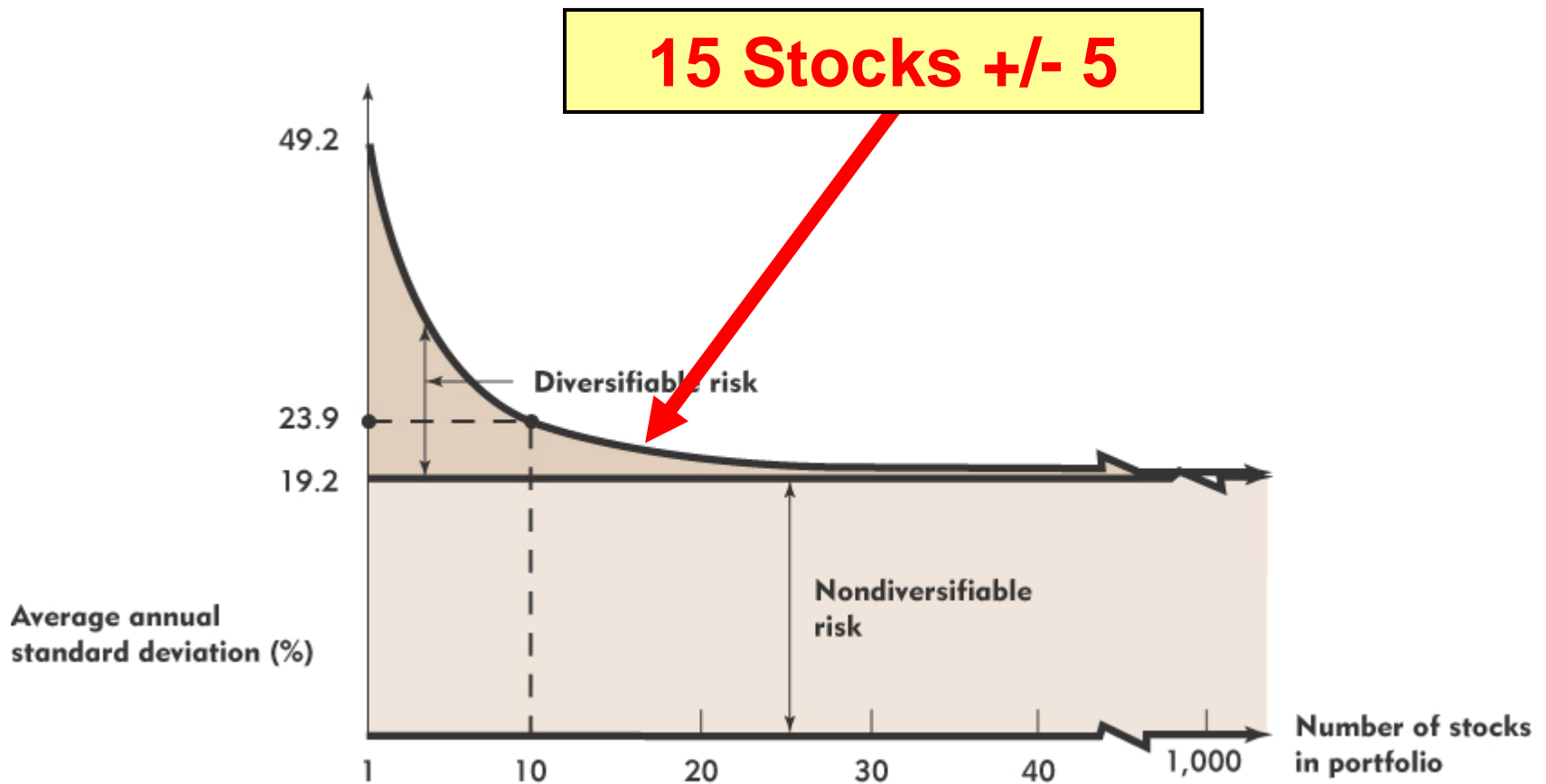
- Volatility (ups and downs) = Risk
 - We strive for 15% return but we can't predict a stock's price from day-to-day
- Types of Market Risk
 - Nondiversifiable or system risk
 - Diversifiable or nonsystemic risk
- Higher risk investments should yield a higher return ***over the long run***

TABLE 11.7
Portfolio Standard Deviations

(1) Number of Stocks in Portfolio	(2) Average Standard Deviation of Annual Portfolio Returns	(3) Ratio of Portfolio Standard Deviation to Standard Deviation of a Single Stock
1	49.24%	1.00
2	37.36	.76
4	29.69	.60
6	26.64	.54
8	24.98	.51
10	23.93	.49
20	21.68	.44
30	20.87	.42
40	20.46	.42
50	20.20	.41
100	19.69	.40
200	19.42	.39
300	19.34	.39
400	19.29	.39
500	19.27	.39
1,000	19.21	.39

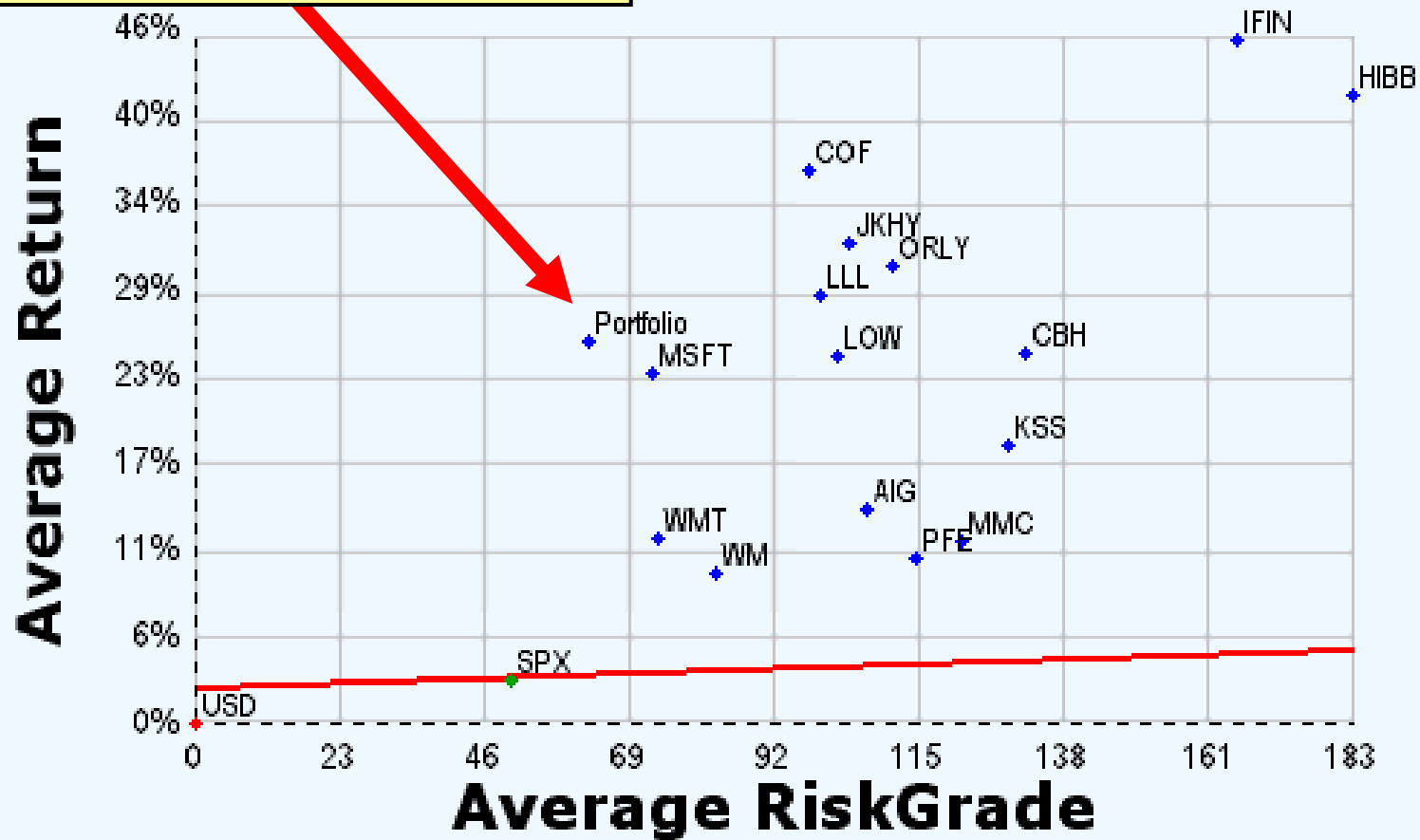
Source: These figures are from Table 1 in Meir Statman, "How Many Stocks Make a Diversified Portfolio?" *Journal of Financial and Quantitative Analysis* 22 (September 1987), pp. 353–64. They were derived from E. J. Elton and M. J. Gruber, "Risk Reduction and Portfolio Size: An Analytic Solution," *Journal of Business* 50 (October 1977), pp. 415–37.

Diversifying and Risk



riskgrades.com

Risk Grade = 46



To manage your portfolio

- Do an SSG on each of your stocks and do it the same way for each
- Find the stocks with the lowest return
- Find the stocks with the lowest quality
- Find the weight of each stock
- Keep an eye on diversification
- Exchange low return and low quality for stocks with high return and high quality

Lessons learned (the hard way)

- When a stock exceeds 15% of your portfolio, sell some of it
- Don't sell just because the stock price hasn't moved – be patient
- Don't consider past gains or losses in deciding whether to buy or sell
- Make your decision as though you had new money to invest

Questions?