

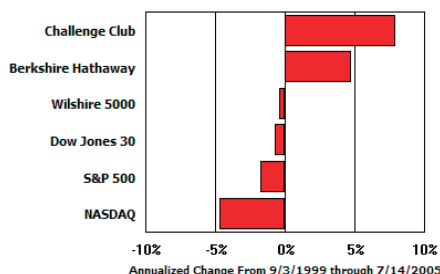


# Challenge Club Update

The Challenge Club has reached a new all-time high in mid-July 2005 as the Unit Value reaches \$17.22 with total assets of \$189,282.

Cash equivalents total \$14,874 or 7.9% of total assets. The portfolio projected annual return (PAR) is 15.5% including the cash. The long-term performance results versus our traditional benchmarks is shown in the accompanying chart.

### Benchmarking Regular Investing



The primary design characteristics for the Challenge Club are projected returns, quality and overall sales growth. Our objective is to outperform the total stock market by 5-10 percentage points over the long term.

### Projected Annual Returns

The overall PAR for the portfolio is 15.5%. The median PAR for stocks covered by Manifest Investing is 10.7%. With the investment of the cash on hand into suitable candidates will raise the overall portfolio PAR back to 16-17% and within the target range.

### Quality

The overall quality rating for the Challenge Club holdings is 74.6, well within the target range. We'd like to maintain overall quality in the 70-75 range, particularly with overall projected market returns lower.

Dashboard: Challenge Club <a href="#">[edit]</a>								
Company Name	Ticker	Shares	Price	Value	Growth	P/E	Qty	PAR
Affiliated Computer Serv.	ACS	235.75	\$51.59	\$12,162	14.0%	22.0	71.1	19.2%
Bed Bath & Beyond	BBBY	356.94	\$44.62	\$15,926	16.4%	22.5	95.5	18.3%
Cardinal Health	CAH	221.72	\$58.24	\$12,912	8.9%	20.0	72.8	18.1%
Education Mgmt	EDMC	322.23	\$34.49	\$11,113	17.4%	25.0	64.7	17.3%
FactSet Research	FDS	300	\$36.35	\$10,905	12.7%	22.5	72.9	11.2%
Forrester Research	FORR	300	\$19.05	\$5,715	14.7%	28.0	53.3	17.7%
Home Depot	HD	370.32	\$41.03	\$15,194	8.3%	24.0	74.4	19.2%
II-VI Inc.	IIVI	500	\$18.03	\$9,015	14.8%	25.0	59.2	16.9%
Jack Henry	JKHY	400	\$19.26	\$7,704	13.0%	30.0	61.6	22.7%
Johnson & Johnson	JNJ	130.21	\$64.66	\$8,419	6.6%	20.0	82.7	11.5%
Lincare Holdings	LNCR	381.79	\$41.50	\$15,844	14.5%	15.0	84.0	13.7%
Microsoft	MSFT	205.3	\$25.97	\$5,331	9.5%	25.0	80.2	16.6%
Maxim Integrated Products	MXIM	220	\$42.45	\$9,339	18.5%	30.0	63.7	21.1%
Pfizer	PFE	311.67	\$27.57	\$8,592	3.1%	18.0	75.3	16.9%
Synovus Financial	SNV	400	\$29.65	\$11,860	4.3%	20.0	67.1	13.5%
Walgreen	WAG	314.7	\$46.96	\$14,778	13.4%	26.5	85.5	13.4%
Average				\$174,814	12.0%	22.8	74.6	16.6%

Challenge Club Holdings (7/14/2005). This screen capture from www.manifestinvesting.com provides a dashboard display of the Challenge Club portfolio. Growth: Forecasted Sales Growth. P/E: Projected Average P/E. Quality: MANIFEST Quality Rating (ranges from 0-to-100, 55-65 = Good, >65 = Excellent. PAR = Projected annual return.

Sources: www.manifestinvesting.com, Value Line.

### Growth

The average forecasted sales growth for the Challenge Club is 12.0% despite the diminished expectations from companies like Pfizer. 12.0% is sufficiently high but should probably be bolstered by any new additions. II-VI was added in recent months with a sales growth forecast of 14.8% and the club would do well to keep adding faster growing companies.

### Valuation

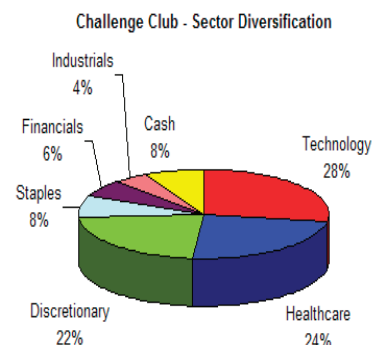
The current overall projected average P/E is 22.8x. This is within acceptable ranges.

### Challenge Candidates

The companies with the lowest PARs are FactSet Research (11.2%), Johnson & Johnson (11.5%) and Walgreen (13.4%).

Does FactSet merit replacement at this time?

What sectors are lacking in the



accompanying distribution? Can we identify any suitable candidates that have sufficient projected returns, suitable quality, relatively higher sales growth expectations? Ideally, the selection candidates would come from Staples, Financials or the missing sectors (Energy, Materials, Utilities or Telecommunications.)

There may some candidates for accumulation in the existing portfolio, too. Bring out your best ideas for the next meeting.

Best regards,

Mark Robertson