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Club Meeting Meeting

Invest with™ your friends

Why have a club meeting meeting? Because it is a fun project to select investments. It is another whole project to run a club which selects investments. We thought we might help you to take the burden of running the club off your shoulders so you can spend time on learning to invest.

I know many of you will want to know if this is being recorded and where you might find the slides. I will be going over this at the end of the presentation.

This is an Educational Demonstration

- *No investment recommendation is intended.*
- The information in this presentation is for educational purposes only and is not intended to be a recommendation to purchase or sell any of the stocks, mutual funds, or other securities that may be referenced. The securities of companies referenced or featured are for *illustrative purposes only* and are not to be considered endorsed or recommended for purchase or sale by Manifest Investing or bivio. The views expressed are those of the instructors, commentators, guests and participants. Investors should conduct their own review and analysis of any company of interest before making an investment decision.
- Securities discussed may be held by the instructors in their own personal portfolios or in those of their clients.

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Poll

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How many saw last months presentation? Either live or the recording.

Agenda Overview

- Club Business (15 min)
  - Welcome and introduction of any guests
  - Minutes
  - Treasurers Report
- Investing Discussion (45 min-1 hr)
  - Portfolio Review
  - Stock Discussion
- Educational Topic (15-20 min)
- Other (5-10 min)

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Here's a sample of an agenda you could use for your club. Note that a reasonable time length for a meeting might be 1.5-2 hours. I'd break down the percentage of time spent in each area like this. A minimal amount of time on club "business" issues perhaps 15 minutes. Most of your time on your investing discussion perhaps 45 min-1 hr. 15-20 min on your educational topic and 5-10 minutes to wrap things up. It's very important not to spend too much of your meeting on club business. The fun is in discussing your investments. If you have some club management issue that needs to be discussed, I suggest you appoint a sub committee to meet and come up with recommendations you can put to the membership for a vote, even outside of the regular meeting time.

Club Business-Minutes

- Keep for each meeting
- Brief
  - Record important decisions
    - Votes
    - Stock purchases/sales
    - Club expenditures
    - Membership matters
      - New members
      - Withdrawals
    - Action Items
  - Store minutes in bivio files area

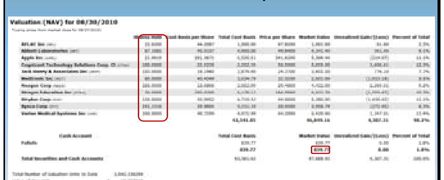
Club Business-Treasurers Report

- Club financial status
- Member financial status

3 Reports

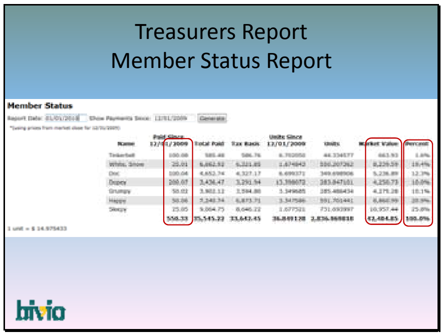
Your treasurers report should consist of the first three reports you will find on the Accounting>Reports page.

Treasurers Report Valuation Report

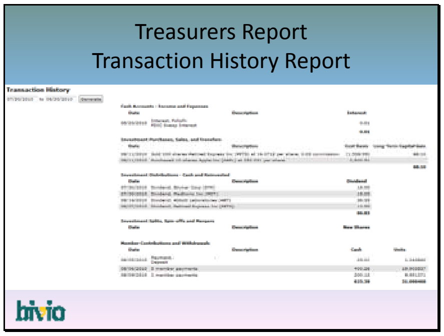


Purpose
- Current Value of Club Assets
  - Amount of Cash available
  - Proves Club Accounts agree with financial institution statements

Shows value of clubs assets
- Date of most recent financial account statement
  - Show comparison with statement
    - Proves account has been reconciled
    - Financial transactions in bivio are real
- What date to prepare the report on? Official Club Valuation Date
- Value

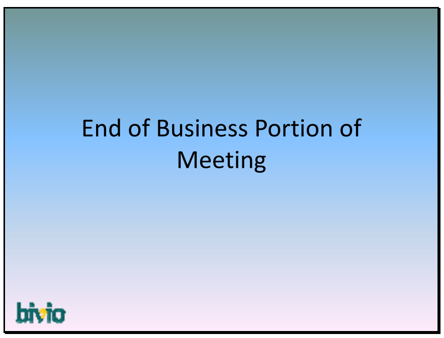


Shows contributions recorded since last meeting
Value of members accounts



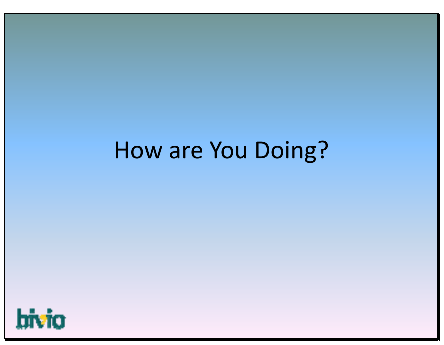
Transactions recorded since last meeting

- Dividends and Interest received
- Purchases/Sales Should agree with notes in minutes
- Expenses should have been agreed to in minutes



That should wrap up the club operations business portion of your meeting. It's very important not to spend too much of your meeting discussing club operations. The fun is in discussing investing. If you have some club management issue that needs to be discussed, I suggest you appoint a sub committee to meet and come up with recommendations you can put to the membership for a vote, perhaps even outside of the regular meeting time.

Once you get your club operations business out of the way, you can get to the fun part of your meeting.



How is your portfolio doing? You need to do a portfolio review.

Valley Ventures

- Established: 1997
- Each member invests $30/month
- Currently 5 members, two are original "founding" members
- Investment research options are based on personal interest
- Purchases are based on a 3-company comparison of like companies.
- We'd like to say portfolio reviews are done on a regular basis but it wouldn't be true - we're lucky to update portfolio evaluations annually
- We perform basic reviews (almost) every month and discuss whether or not a "buy more" or sell evaluation should be performed for review the following month

Tonights featured club is the Valley Ventures club from Colorado. They have been very gracious to offer their portfolio to use for the portfolio demonstration and to allow us to share some facts about them.

Portfolio Review-Why?

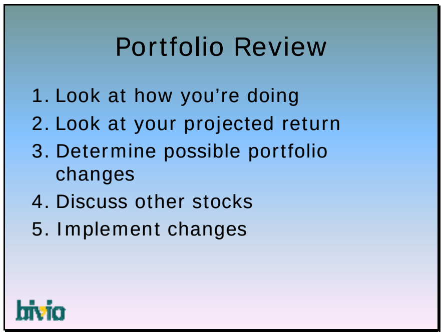
- Looking at stocks in context
- A continuous monitoring and improvement process
- Dashboard Diagnostics

It's important to start your investing discussion with a portfolio review because looking at your stocks in the context of overall portfolio return will help focus and guide your investing activities. When I asked the registration question "What would you like your club to be better at?", many of you gave responses such as Portfolio management and "deciding when to sell". We've been taught to go shopping and pick new stocks but we need to understand how to clean things up when our closets get overstuffed.

Maintaining a club portfolio is a continuous monitoring and improvement process.

I also think that focusing on your portfolio may help the problem some of you have with getting members more engaged in your club activities. While you are in a club, your meeting is not really about your club, it's about managing your portfolio. In fact, if your group really is focused on learning, perhaps you might like to think of yourselves as an investment partnership. That sounds a bit less social than an investment club. Members who are not engaged in this activity may just not want to be doing that. They may be participating more for the social aspects of the club. This is fine if that's how your club wants to operate. If it is causing frustration, maybe these are not people you really want to be in an investment partnership with. That said, people will likely have varying levels of expertise, make sure you give opportunities for everyone to participate even if it means accommodating "mistakes" as people learn. Again, it's up to your group to come to a comfortable way of operating that works for all the members.

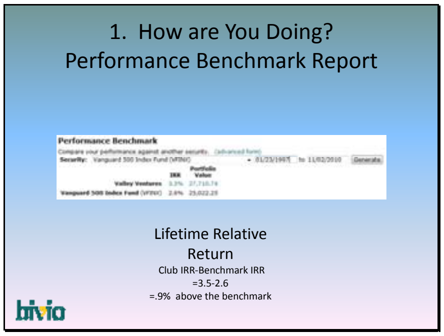
I'm going to go through an overview of the Portfolio review process. If you would like more detail and to watch the process I suggest you attend one of the ManifestInvesting Dashboard Diagnostics sessions. Mark Robertson goes through the analysis and review of a club portfolio, just like you should go through your own analysis. During the upcoming months we'll also try and demonstrate the process with additional examples.



- Look at how you're doing
- Look at how your portfolio is projected to perform
- Determine possible changes
- Study other stocks
- Implement Changes

For some reason, (perhaps fear), we don't do this often enough. What you might think about is that having a goal you'd like to achieve will help make it clear what you must try and do to get to it. The first step toward fixing things is finding out where you stand.
Even if you are not doing well now, your overall goal is to learn to do well. Nobody does well when they are first learning something. In fact, many times the best learning comes from making mistakes.
Pat yourselves on the back that you are trying to learn. Investing is not something you will learn unless you really try and do it. So get up your courage and look at your portfolio performance numbers.

The place to go in bivio to see how you're doing is called the Performance Benchmark Report. You get to it from the reports page.



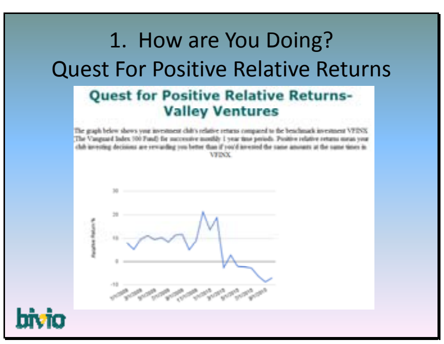
This report is called a performance benchmark report because it compares your rate of return to another investment . You select the investment you want to compare to and the time period over which you want to make the comparison

The comparison that is made is between IRR or Annualized Internal Rate Of Return for the two investments.
This gives you a birds eye view of how good you are at making investing decisions A higher number means your investments are growing faster than if you'd put the money into whatever you are comparing with.

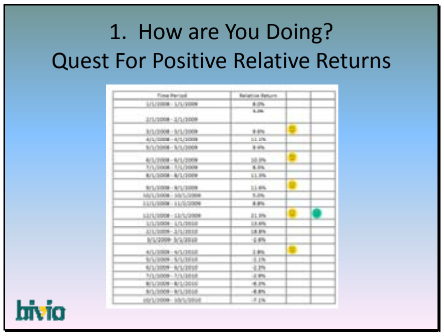
What's interesting is to track "relative Return"

this is the difference between the return you achieved by your club investment management efforts and the return you would have received if you had done a lot less work and just purchased shares of your benchmark investment.

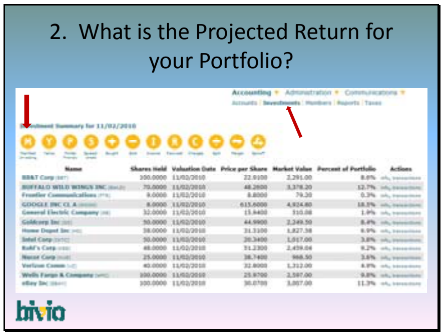
I usually have clubs regularly keep on eye on their relative return for the past year. Especially the month to month trend in this value. But, looking at your relative return for longer time periods can give you an overall indication of how good of investors you are. The relative return for the Valley Ventures for the lifetime of their club (which started in 1997) is plus .9%. Anything above 0 is very impressive and not easy to achieve over such a long time frame. Remember, most professional money managers don't beat the indexes very reliably.



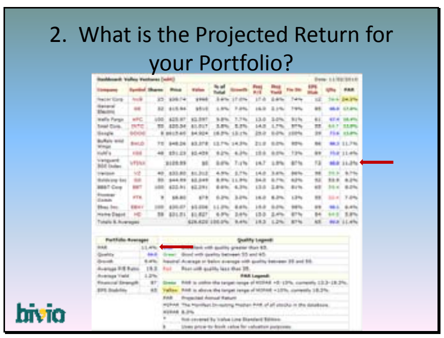
Here's a graph of the trend in their relative return since the beginning of 2008. At bivio, we are encouraging clubs to join our Quest for Positive Relative Returns. If you'd like to participate, we'll make a graph like this for your club and add a link to your club pages to see it. The graph shows your club's relative return for successive 12 month periods starting in 2008 (assuming you have enough data). The graph for this club shows something interesting that I am seeing in a lot of clubs. When the market was down, many clubs seemed to have portfolios that didn't go down nearly as much. But, when the market moved up in 2009, it became much more challenging for clubs to beat it.



In addition to the graph, we're having some fun by rewarding you bivio "friends" when ever you meet certain benchmark goals. Green friends even earn you bivio bucks toward your subscription renewal. If you'd like to participate, just email support@bivio.com



Once you know how your club has done so far, you will want to look at how your club is projected to do in the future. You can do that by looking at a list of your club holdings in a ManifestInvesting dashboard. You can access this using the Manifest button on the Accounting>Investments page.

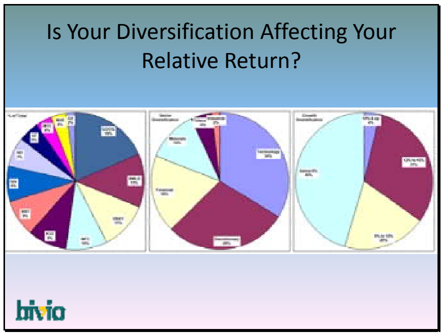


This step may begin to give you some insight if you are having difficulty beating the return of the benchmark. This is a ManifestInvesting dashboard. ManifestInvesting compiles analysts projections about company fundamentals to come up with a projected return for each of the stocks you own. When combined and weighted by the amounts you own of each,

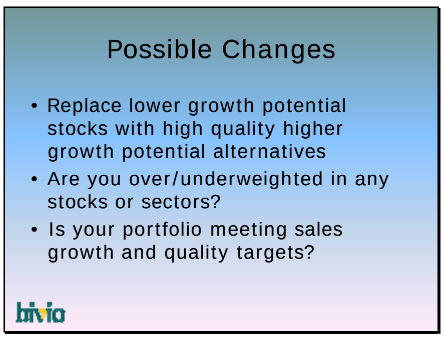
A Projected Annual Return or PAR is calculated for your entire portfolio. If you compare this with the Projected Annual return of

Your benchmark (VFINX) you get an idea whether your Relative Returns might be positive in the future.

As you can see, the projected return for the benchmark is pretty high lately. Manifest Investing is showing that several of the clubs holdings are projected to grow less than that return. This might be offering a clue to the challenges seen recently on their relative returns graph. Perhaps the stocks toward the lower end of the list are ones they might consider challenging with some stocks with higher projected potential return.



This club has a pretty nicely diversified portfolio by holding size and by sector. However, it may be a bit overweighted in slower growth stocks. The third pie chart depicts holdings classified as small, medium and large by sales growth projections. As you can see, almost 50% of their holdings are in the below 8% sales growth ranges. As we're going to discuss tonight, sales growth drives earnings growth. The portfolio mix may help explain some of the difficulty beating the more recent market activity. However, it may also explain the reasons the portfolio handily beat the market when it was generally down. These stocks may not rise as much as others when things are good but they may not fall as much as others when things aren't so good either.

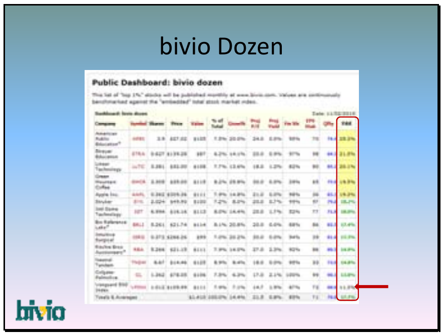


Once you've determined where your portfolio stands, you will have a better idea of your problem areas which will give you some direction to decide what stocks to study.

Do you need to increase the growth projections for your portfolio by replacing lower growth potential stocks with higher quality alternatives? What stocks might be dragging your projected return down? Possible sell candidates! What higher potential return stocks might you add to your portfolio? These are your stock study candidates.

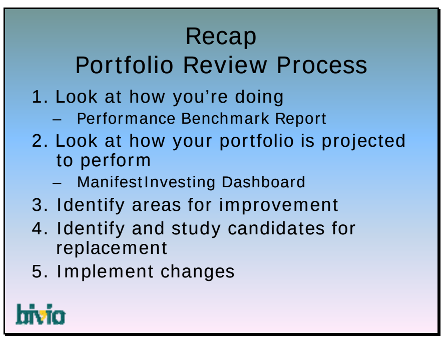
Are you over/underweighted in any stocks or sectors? This will also lead you to possible sell candidates or help guide your search efforts for new stocks.

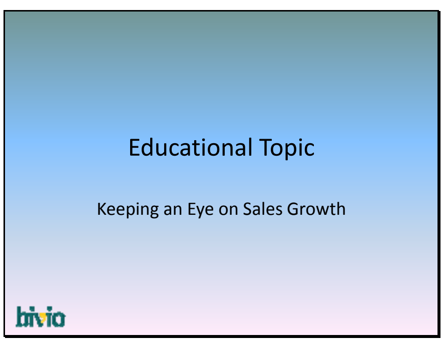
Is your portfolio meeting sales growth and quality targets?- You want to invest in high quality companies and have a portfolio where the cumulative projected sales growth is between 10 and 12 percent.



If you need a starting point to get some ideas of stocks to study, you might look at the ManifestInvesting bivio dozen. This list is published monthly and it is the stocks with the highest quality and growth projections from the Manifest universe.
You'll find a link to the current list in the Expected Returns column on our Homepage.

Here's an example of this months list. You can see how their PAR compares to VFINX. You can also see they represent a variety of industries. I would not just purchase any of these stocks blindly but, depending on what your portfolio needs, you may find some of them might be interesting for you use as a starting point for further studies.





Tonight's club educational topic is about one of the business fundamentals you should keep an eye on when you own stock in a company,

its sales growth

As we discussed last month, once we own a stock, we want to track it's

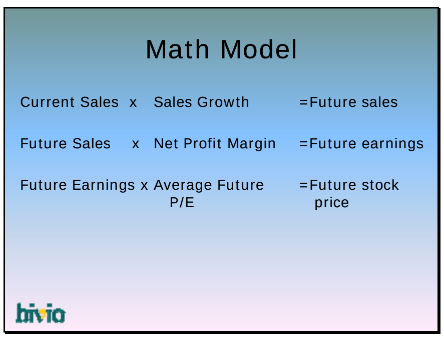
business results from quarter to quarter. If we see big changes or management starts to warn us of difficulties ahead, we need to decide whether we want to stay an owner of the company.

If you recall, tonights topic, sales growth, is one of the judgments we use to

predict future earnings. If you'll also recall,

That's important because earnings drives the

stock price.



We use a simple math model and judgments about three factors to predict a stocks price in the future. Math model is just an fancy name for three simple calculations.

First we multiply Current sales times the sales growth rate to get

future sales

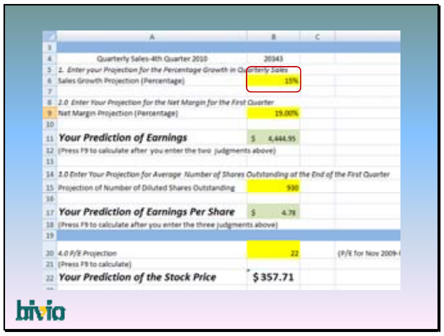
Then we multiply future sales by net profit margin to get a prediction of

future earnings

Finally, future earnings times future average P/E will equal

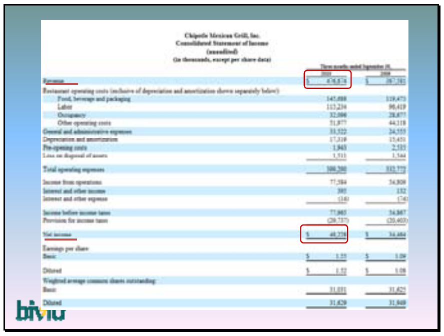
future stock price

The judgment items are Sales growth, Net profit margin in the future and Average future P/E or price to earnings ratio.



We use a spreadsheet like this to make these calculations. All we need to do is input our judgments and a little bit of historical data that is very easy to find in many places on the internet. Today, we are talking about just the first judgment we input in the spreadsheet

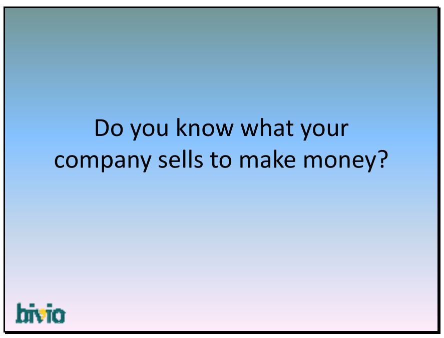
The projected annual sales growth



I'll be using the terms Sales and revenue interchangeably today.

Sales or revenue is the top line on a company income statement. If it's not increasing,

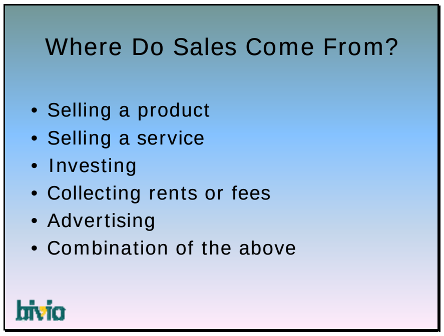
it's pretty hard to increase earnings, also referred to as the bottom line. Earnings are what's left after you subtract all the expenses from the sales. The company can keep them to reinvest in the business or distribute some of them to you as dividends.



The first thing to think about when considering sales growth in the future is this.

Do you know what your company sells to make money?

Sounds like a simple question but if you really start to pay attention to this, you will realize that you are much more comfortable assessing certain companies than others. This is why you often hear to buy what you know. If you don't understand how a company makes money, how will you be able to understand if it is doing well now and might do well in the future?



Where might sales come from?

Some companies sell products, for example Apple, or Proctor and Gamble

Others sell services, for example, Paychex or Strayer Education

Some earn their revenue by investing, These include banks and insurance companies like Aflac

Some collect a regular stream of payments for something they rent or something you subscribe to, for example Netflix or ATT

Companies like Google and the Washington post earn much of their revenue from selling advertising.

Of course some companies receive revenue from a combination of the sources mentioned. For example Microsoft sells products such as Xbox, Windows 7 and Office 2010 but it also makes money by providing service contracts to businesses. The larger the company, the more types of business activities it may be involved in and the more you may need to understand to follow the company.

If you look at the stocks in your portfolio, part of the reason you purchased them and part of the reason you continue to hold them is an expectation that their sales will continue to grow. In order to be able to project earnings and possible return for your investment you need to quantify by how much.

Usually it is quantified by an expected growth rate for an expected period of time.

For example, you might say, “We expect this company to grow its sales by 20% each year”

Ownership

Are we meeting sales growth expectations?

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Once you own a stock, you want to watch each quarters financial results and make sure it keeps meeting your expectations.

How do we do that?

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What Causes Sales to Increase?

- Selling more product-
  - more popular, same store sales increasing, larger sales per customer
- Selling in more places-
  - more stores, more restaurants, more countries
- Increase in product pricing
- Purchase of other companies
- New sales initiatives
- Economy

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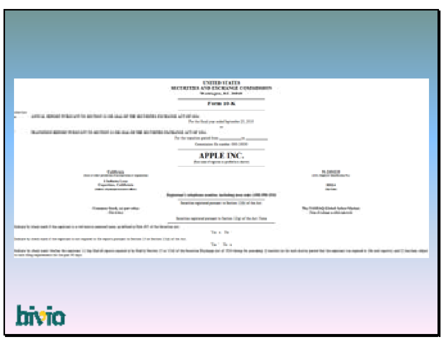
First of all, it helps to know what you are looking for.

What causes sales to increase? It will be different things for different types of businesses. The things we like to see are things like these.

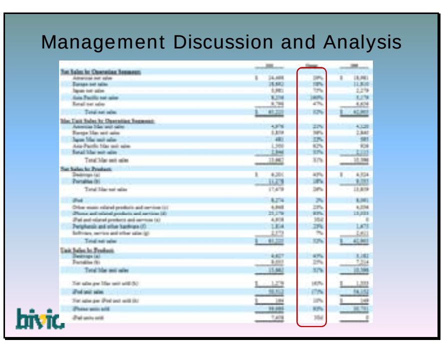
One the best places to get information about these things is the Management discussion and Analysis section of quarterly financial reports. This is a section that is required in all quarterly reports. In it, management actually presents their view on the factors which are critical to their business and to increasing their sales. They are required to discuss anything that they know of that might have a material impact on their future results. You can find quarterly reports at the companys' website or at the SEC (securities and exchange commission) website.
They have to be honest in their comments. Between auditors and litigators, there are lots of people keeping an eye on what they say and whether it is misleading or not.
These are much easier to read than you probably think. I'd really recommend you try opening one up.
For example, I own Apple stock and I found lots of good stuff in the 10-K annual report they just filed.

I found it by going to this link

And typing in the ticker I was looking for



Here is there most recent annual report. It is called a 10-K report. It looks scary at first but contains lots of great information. Such as….



Interesting tables like this one. It shows you what categories of products make up Apples sales, where it is making its sales and the percentage of change in each category from last year.

You can easily see that Apple has increased its sales by double digit percentages around the world and across most of its product lines since 2009. If you familiarize yourself with company reports such as this one and check them out each quarter, you will start to see comforting or uncomfortable trends in sales that might make you want to revise the sales growth judgment you are using for Apple.

Management Discussion and Analysis

- Net sales during 2010 increased $22.3 billion or 52% compared to 2009. Several factors contributed positively to these increases, including the following:

• Net sales of iPhone and related products and services were $25.2 billion in 2010 representing an increase of $12.1 billion or 93% compared to 2009.

•Net sales of iPhone and related products and services accounted for 39% of the Company's total net sales for the year

•As of September 25, 2010, the Company distributed iPhone in 89 countries through 166 carriers.

Underneath the table I just showed you is managements written description of the results shown. It's not hard to read and includes information like:

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- Net sales of iPhone and related products and services were $25.2 billion in 2010 representing an increase of $12.1 billion or 93% compared to 2009.

Net sales of iPhone and related products and services accounted for 39% of the Company's total net sales for the year………

As of September 25, 2010, the Company distributed iPhone in 89 countries through 166 carriers.

Some very specific values for sales growth that you can compare to what your projections were.

Management Discussion and Analysis

iPhone year-over-year growth was attributable primarily to continued growth from existing carriers, expanded distribution with new international carriers and resellers, and strong demand for iPhone 4, which was released in the U.S. in June 2010 and in many other countries over the remainder of 2010

They go on to give reasons for the great growth.

There is a similar description of the revenue and reasons for it for each product that they sell.

Management Discussion and Analysis

Historically the Company has opened between 25 and 50 new retail stores per year. During 2011, the Company expects to open 40 to 50 new stores, over half of which are expected to be located outside of the U.S.

You will also find reference to future plans which will affect their sales. In this note, Apple tells you they are increasing their revenue by opening new stores and they intend to open at least as many this year as they have historically. This is also something that might encourage you that future sales growth might be similar to that achieved in the past.

A second excellent source of information about sales growth and projected sales growth are the

quarterly earnings conference calls.

You can listen to these live when they happen or listen to recordings posted on company websites.

Seeking Alpha also seems to be regularly transcribing them.

You can search for transcripts here.

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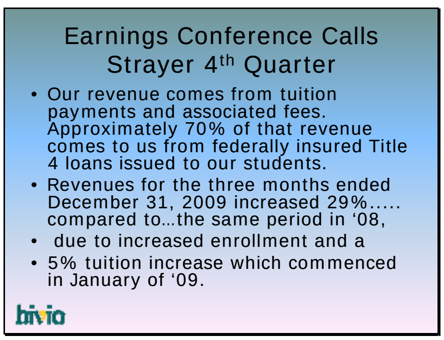
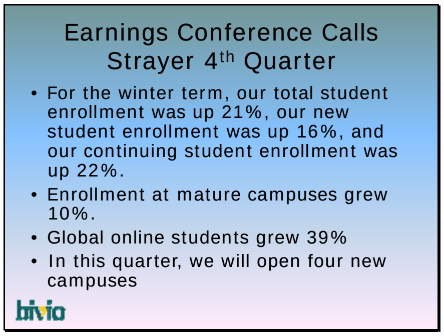


For example, here are some excerpts from the recent 4th quarter earnings conference call for another stock many of you may be interested in, Strayer Education.
If you own this stock, you know they are on the hot seat due to proposed changes in government student loan requirements. Much of the tuition they collect (their sales) is paid for by government loans.

Here is a statement that will help to quantify for you what type of exposure their revenues might have if they do not have the same access to the funds in the future as they've had in the past.

Next, they talk about the increase in their revenues and the reasons for it. They've had increased enrollment and have

instituted a 5 percent tuition increase. These are both positive reasons their historical sales growth levels might stay the same or improve. However, a potential restriction on their access to students that are using government loans means that it is probably prudent to lower growth expectations until the effect is clear.



More comments that discuss sales growth include changes in their total , new and continuing student enrollment.

They discuss, increases at existing campuses.

Increases in online enrollment

Increases in numbers of campuses.

All positive drivers for increasing sales. If you own this stock, you would keep tabs on these types of factors from quarter to quarter to see if they change. Does their total enrollment continue to increase? Is their enrollment of new students increasing? Are they increasing the number of students at their existing campuses? Are new government regulations putting restrictions on their recruiting which means enrollment is declining. Are they opening new campuses at the rate they were projecting when you purchased the stock?

Types of Things that might affect future sales growth rate

- Product obsolescence/new products
- New/expanding markets/locations
- Increased sales to current customers
- Purchase of other companies
- Sale of divisions
- New sales initiatives
- Economy

Again, what types of things do we look for when we're reading the company information or listening to the conference calls? Don't forget we are trying to determine the rate that sales will be increasing not just whether or not they will increase.

Will they be phasing out old product lines or adding new ones? There was a frenzy right before the most recent Apple earnings release as everyone guessed how many Ipads they were going to report they had sold.

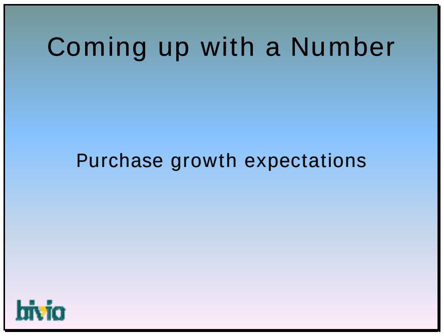
Are they expanding into new markets or new locations? Chipotle is opening new restaurants at a fast pace. Strayer is increasing the number of campuses they have. Yum brands is being very successful with KFC restaurants in China.

Are they increasing the sales they make to existing customers? Retailers frequently discuss "same store sales" changes. Restaurants also talk about same store increases or Average bill increases. In the most recent quarter Chipotle reported that their same store sales increased by 11%. Since last quarter they reported an 8% increase and everyone was happy, it appears as though they are continuing to execute as well or better than expected. I also know that their business is seasonal and that this may traditionally be one of their better quarters.

Purchases of other companies- sometimes companies purchase other companies to add revenue which compliments their existing business. Oracle is a prime example of a company that is growing it's sales this way. One main thing to be aware of when companies are purchasing or selling divisions, is to understand the effect that has on comparable sales numbers. If the year ago quarter did not include the new division, make sure you understand whether the original business is still growing, even without the addition of sales from the new company.

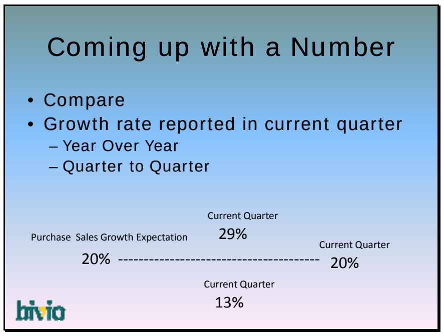
Sale of divisions – companies that have diversified business activities may decide to get out of certain businesses. Proctor and Gamble recently sold it's pharmaceutical business to Warner Chilcott. They apparently felt that it would help their sales growth to limit the core businesses they were going to focus on. What do you think? How has their sales growth changed since the sale?

New sales initiatives- During the most recent Paychex earnings conference call, they discussed a new marketing initiative they are implementing across the company. Obviously the reason for doing that is to increase sales. How might that affect your sales growth projection? Do you think they will be successful? How important is it to your projected return that they are successful? I'm pretty conservative when new initiatives like this are announced, especially if it is supposed to save a bad situation. Show me the money seems to be an appropriate response before being too quick to take action.



How do we turn all this information into a change in sales growth projection?

First, start with the sales growth you expected when you purchased the company. What did you think was going to drive its sales to increase? Does the information in the financial reports and earnings conference calls confirm your expectations or has something changed?



Compare the current growth rate with your purchase judgment. What percentage change is being reported?

Year over year and

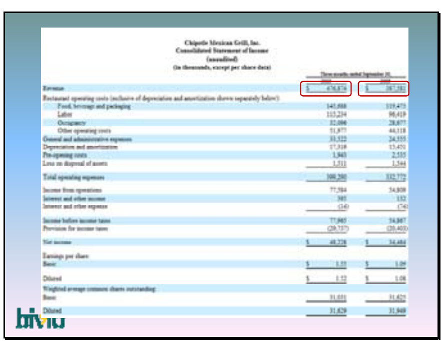
quarter to quarter.

Compared to the expectation you had when you purchased the stock

Is it higher,

lower or the

same as what you expected?


Chipotle Mexican Grill, Inc.
Consolidated Statement of Income
(unaudited)
(in thousands, except per share data)

	Three months ended September 30,	
	[illegible]	[illegible]
Revenue	$ 478,874	$ 387,282
Restaurant operating costs (inclusive of depreciation and amortization shown separately below):		
Food, beverage and packaging	141,888	119,473
Labor	115,234	98,419
Occupancy	32,096	28,877
Other operating costs	51,977	44,118
General and administrative expenses	31,522	24,555
Depreciation and amortization	17,318	13,431
Pre-opening costs	1,945	2,535
Loss on disposal of assets	1,311	1,344
Total operating expenses	399,290	332,772
Income from operations	77,584	54,808
Interest and other income	395	132
Interest and other expense	(14)	(74)
Income before income taxes	77,965	54,867
Provision for income taxes	(29,737)	(20,403)
Net income	$ 48,228	$ 34,464
Earnings per share:		
Basic	$ 1.55	$ 1.09
Diluted	$ 1.52	$ 1.08
Weighted average common shares outstanding:		
Basic	31,031	31,625
Diluted	31,629	31,949

The company will sometimes provide you with a growth rate but you can also easily calculate it. In their financial reports, companies present not only information from the current period but also information from another period for you to compare to. For example, in quarterly reports you will usually find the

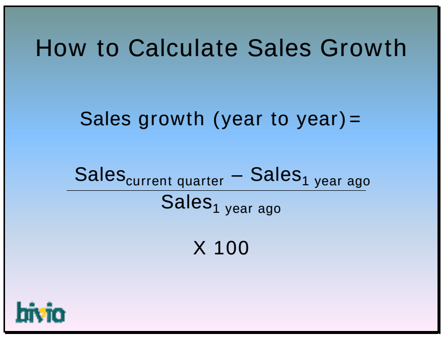
current quarters sales and the

sales for the same quarter 1 year ago. In annual reports, you will usually find at least the previous years data if not data from further back.

You can also find comparison data from various data sources such as www.morningstar.com

This is a sample of data from the past 5 quarters from Chipotle's income statements. You can also find annual data from the past 5 years. You can easily download both types of data into spreadsheets to analyze.

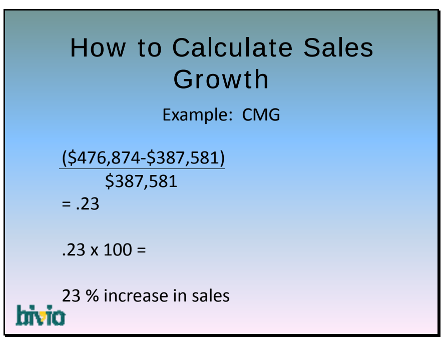
Just make sure that if you use data from a service that you understand whether they have "massaged" it at all.



You use the numbers from the different periods to calculate sales growth from quarter to quarter and from year to year. It is a very simple calculation.

For example, to get the year to year sales growth, you just subtract the sales from a year ago from the current sales number and divide by the sales from a year ago.

Then multiply by 100 to make it a percentage

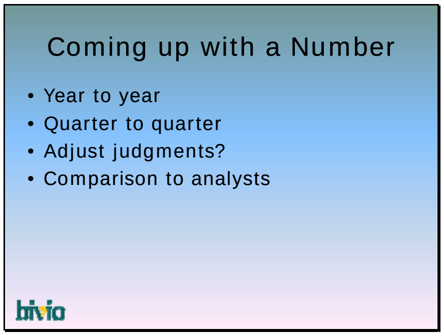


For example, we would calculate the sales growth using the income numbers from the Chipotle income statement that I just showed you.

First, subtract the sales in the first quarter of 2009 from the sales in the first quarter of 2010. Then, divide by the sales in the first quarter of 2009.

Multiply the result by 100

You'll see they had a 23% Year to Year increase in sales this quarter.



You can make several different comparisons to decide what you'd like to use as your judgment.

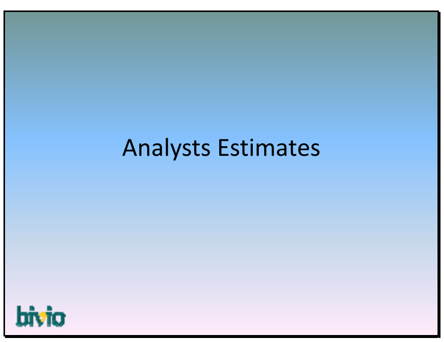
For example, you can compare year to year like we just did and you can also look at

quarter to quarter changes. What changes do you see year to year or quarter to quarter? Don't forget to take seasonal effects in to account when you are comparing quarters. Make sure you understand why you are seeing the changes you are and whether you think they will continue. For example, if you see big year to year changes, and you have a good understanding of why they have happened, you can decide whether you think the growth will continue at that rate or not.

How does your purchase growth rate judgment compare to what you are seeing? Are the company sales growing faster, slower or the same as what you expected when you purchased the stock?

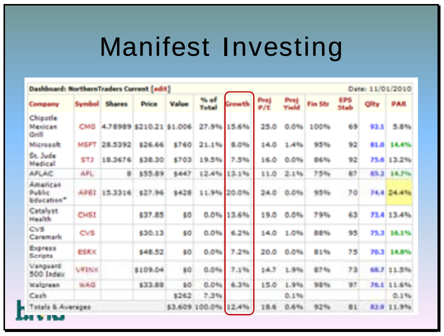
Based on your calculations and the information the information from the quarterly report, do you feel you may need to adjust the judgments you are using to make your earnings projections?

Finally, how do your judgments compare to the analysts expectations? If you are trying to learn how to be a better investor, I would suggest that you do this last. You won't learn unless you try doing it yourself first and you'll learn even more if your results are dramatically different from theirs.



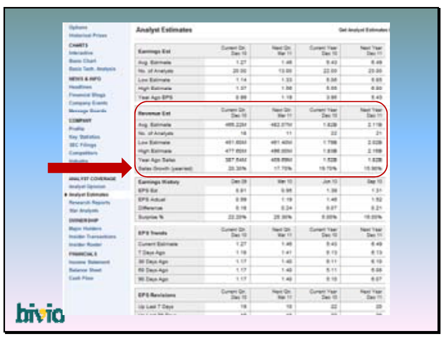
Don't forget, when you make a sales growth projection, you are doing the same thing analysts do. They are making judgments just like you. If you are a beginner, you may want to rely heavily on their numbers, but as you do it more frequently and watch a company quarter after quarter, you may find that you'd prefer to use your own.

You can find analysts estimates for sales growth in many places. Here are some examples.



The column labeled growth on a Manifest Dashboard is the 5 year sales growth estimate Manifest is using to project Annual Return. It is a compilation of analysts estimates from a variety of sources.

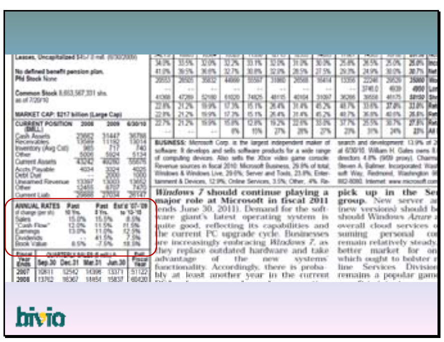
If you go to finance.yahoo.com and select Analysts Estimates from the links on the left side of the page,



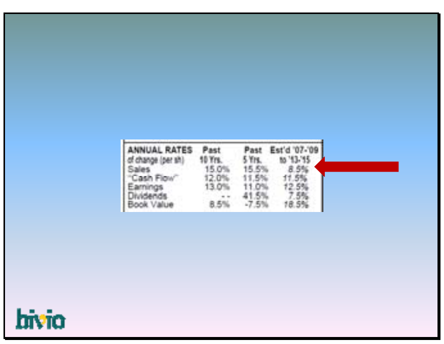
You will see this page.

In this section are their estimates for revenue growth for the

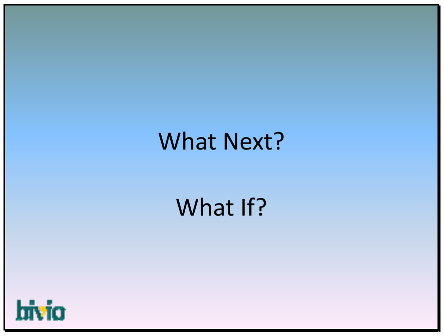
current quarter, the next quarter, the current year and the next year.



If you have access to Valueline information, you can find a Valueline projection for sales growth in a box on the left hand side of the Valueline page.

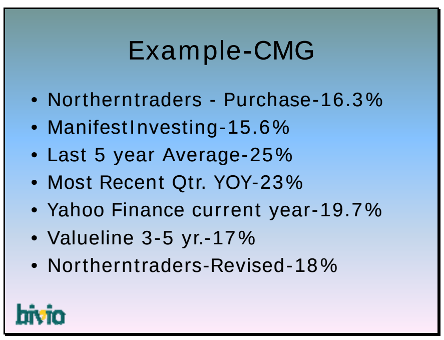


Here you'll find average sales growth rates for the past 5 and 10 years and their projection for sales growth 3 to 5 years into the future.



Once you've decided on a growth rate that you are comfortable with, it's time to determine what that will mean to your projection of return in the future.

We are lucky to have tools readily available on the computer that allow us to do "what if" studies that will help us decide whether this is an investment we want to keep or we might need to look at replacing.
Plug your updated sales growth numbers back into the worksheet you used to project earnings when you purchased the stock and determine whether you think this company will still provide the return you need to keep your portfolio return where you want it to be.
Here's an example of how that might work.



So what do you do with all this information?

Here are a variety of Sales growth projections for a stock my club owns, Chipotle grill. When we purchased the stock, we based our purchase decision on a projected sales growth of 16.31%

Currently,

Manifest Investing is using 15.6% to project return out over the next 5 years, the

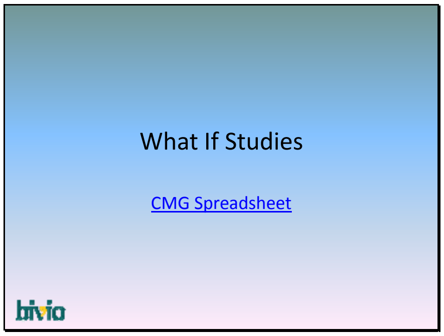
average growth rate for the past 5 years is 25%, the

YOY result for the most recent quarter is 23%

Yahoo Finance is projecting 19.7% for the current year and

Valueline is projecting a 17% growth rate out 3 to 5 years.

It looks like things are going better than we anticipated for Chipotle so we decided to revise our sales growth judgment to 18%



Our next step is to plug the updated information back into our projected return calculations and see what it means.
Here’s our original sales projection.
At today’s closing price, using this projection, we are expecting a total projected return from this stock of 4.8%
If we update our sales growth projection to our new judgment, of 18% our projected return increases to 6.31%
Once we have this number, we can look at it in the context of our portfolio to decide whether we want to keep this stock or we want to replace it with one of at least this quality but perhaps a higher projected return.
Our review of the changes in sales at Chipotle has led us to a way to quantify whether we want to continue to hold this stock or not.

Remember, following a stock doesn’t mean just following it’s price.

It means following how it’s business is doing.

If you owned a candy store on main street in your town one of the main things you would follow about its business is the growth in its sales. It’s no different if you own stock in a company. You need to understand where its sales are coming from and how they are growing.

The more you pay attention to this, the better you’ll get at “seeing things coming”

and moving in and out of investments at appropriate times.

Club Activity
Predicting First Quarter 2011 Earnings
AAPL

www.bivio.com/clubmm

bivio

Since many of you talk about problems getting your club members engaged, I have tried to provide an activity this month that might help you do that. We're going to have a contest. Sometimes you become engaged in things if you have a goal. When you were in school, you did homework so you could achieve a certain grade. Investing is even better, if you do well at it, you earn money! But, you need to motivate yourself to put in the time to learn to do it if you want to do well. The prize for our contest will be 1 year free bivio subscription for your club.

This month we discussed the sales growth projection you will need to enter in the spreadsheet, next month we'll talk about the net margin judgment and the month after that we'll discuss projecting number of shares and P/E. You can enter now or wait to enter later but you can only make one entry per club.

Materials to Do Activity

- Worksheet
- Spreadsheet
- Contest Entry Form

- The contest will run until the close of the market on the day before the earnings are released. Other contest rules shown on online entry form.

- Prize is a 1 year bivio subscription for your club

- One entry per club

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Worksheet to determine sales growth judgment
Spreadsheet to make calculations
Contest Entry Form

Next Meeting
First Thursday of Each Month

Thursday, December 2
8:30PM EDT
Register at www.bivio.com/club_cafe

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Other Upcoming Events

Dashboard Diagnostics-November 11
Challenge Club-November 16
Getting Ready for Tax Season Webinar-November 14
Register at www.bivio.com/club_cafe

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