



Your Chapter News

Volume XXXII, Issue II

Helping you become a Better Investor

January 2006

Special points of interest:

- BIRC March 17th & 18th
- Stock Selection Guide (SSG) series in March & April
- BetterInvesting Seminar Series
- Treasurer's Tax Workshop, February 6th.
- Model Club rate of return is over 20%

Details inside

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BETTER INVESTING™

REGIONAL CONFERENCE

Join the eight chapters of the BetterInvesting Great Lakes Coalition for the second Better Investing Regional Conference on Friday night/Saturday March 17-18, 2006, in East Lansing, Michigan, on the campus of Michigan State University at the beautiful Kellogg Hotel & Conference Center. Here's a great way for you and your club members, or for individual investors, to participate in a program that will leave you energized and newly committed to BetterInvesting principles. Participate in five classes chosen from a

total of 30 different offerings, listen to our featured speakers, hear five corporate presentations from high-quality Great Lakes companies and, best of all, meet and share with hundreds of investors from our Great Lakes region.

Your registration fee includes:

Friday:

- One company presentation
- Choice of two classes chosen from nine scheduled

Saturday:

- Four company

presentations

- Our featured speaker, Mark Robertson, Founder Manifest Investing
- Your choice of three classes chosen from eighteen scheduled
- Additional company exhibits
- Lunch.

All of the BIRC activities are listed on pages 4 and 5. Registration information is located on page 7.

Come take Another Dance with the Bull and the Bear!

Return on Equity – It's More Complicated Than You Thought, Paul Bowles, Director

What is Return on Equity?

This seems like a silly question. Return on equity is the return on your equity. Enough said, right? Well, no, things are a little more complicated than that.

But let's start with that definition.

Notice the

$$ROE = \frac{\text{After-Tax Return}}{\text{Shareholder's Equity}}$$

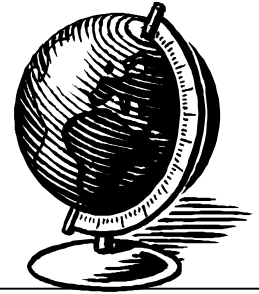
numerator of the right-

hand side of the equation. I slipped in the words 'after-tax'. We could look at pre-tax return on equity, but the SSG doesn't. It factors in the company's tax rate.

Section 2A, pre-tax profit
(Continued on page 5)

Class Locations

FCL Farmington Community Library, 32737 W. 12 Mile Road, Farmington Hills, 48334
 HQ NAIC Headquarters, 711 W. 13 Mile Rd., Madison Heights, MI 48071
 HWCC Harper Woods Community Center, 19748 Harper Ave, Harper Woods, 48225
 LCCL Livonia Civic Center Library, 32777 Five Mile at Farmington Rd., Livonia
 OU Oakland Center Bldg- Lake Michigan Room, Oakland University, Rochester Hills, 48309
 SJM McAuley Inn, Auditorium 5305 Building, St. Joseph Hospital Campus, Ann Arbor



People looking for clubs and clubs looking for new members

Something is finally happening! Your SEM Chapter has been chosen to be part of a pilot program which should begin this spring. Interested clubs meeting certain criteria can be placed on a list available to individuals looking for a club. Ultimately, it will be a web based program, but will be handled through a call center during the pilot stage. We are very excited about the prospects of this program and will keep you informed on its progress. Watch our website for more details.

BetterInvesting Seminar Series Mary Hoversten, Vice President

The Better Investing Seminar Series has been having some good discussions this year as we looked into the Quality of the Stocks we Study. A new feature "Judgment Day" was well received by both the newer members who had just completed the SSG Series and those who have been working on their judgment skills from a few, to many years. Since everyone seemed to enjoy this format we will schedule "Judgment Day II" following the next SSG Series. We broke into smaller groups with mixed skill levels and found the discussions

lively and, most thought, very useful.

Managing your Portfolio is a skill many of us are still striving to perfect so this February we will have a program on the Defensive / Offensive Approach to Portfolio Management and using Toolkit we'll take a look at the Model Club Portfolio. We can take a look at a volunteer portfolio in subsequent months (real or wishful thinking) to hone our skills. We are working on bringing you a Guest Speaker to finish our year.

Our meetings in the Ann Arbor Area will continue to be at St. Joseph Mercy Hospital Auditorium on the 3rd Thursday of the month at 6:30PM. Curt Cormier will continue to preside at the Oakland County meetings on the 1st Thursday of the month at the Farmington Community Library at 6:30 PM. Please be sure to check with the Chapter website (accessible through the main BI website) for updates on topics, stocks to study, and locations - or change of locations - of meetings. The website will have maps that you can access for all of our activities.

Registration Information

Check our website, for the latest information on classes and the registration form. Advanced registration and payment are required for all classes except the BetterInvesting Seminar Series which is 'pay at the door.' Please complete the registration form and return it with appropriate payment to:

Southeastern Michigan Chapter,
 NAIC
 c/o Gloria Luther
 PO Box 251832
 W Bloomfield, MI 48325-1832

You may pay with a check made payable to Southeastern Michigan Chapter, NAIC or with a credit card. With credit card payment, you also may fax your registration

to (248) 683-1005.

Class Confirmation: Be sure to include your email address if you want a confirmation.

Refund Policy: Refunds will be given only if we receive notification 48 hours before the start of the class, (248) 683-1005. Within 48 hours of class, credit will be issued toward another class.

Class Schedule

Details of Class Locations on page 2



January

- 09 - Chapter Board Meeting, LCCL, 6:30 p.m.
- 19 - Ann Arbor Better Investing Seminar Series, SJM, 6:30 p.m. Topic: Evaluating the Safety of Growth Companies
- 21 - Model Club, HQ, 10:00 a.m. - Noon

February

- 02 - Better Investing Seminar Series, FCL, 6:30 Topic: Evaluating the Safety of Growth Companies
- 06 - #201: Treasurer's Tax Workshop, HQ, 6:30 PM - 8:30 PM. Learn how to handle all the end of year treasurer duties, including closing the annual books and filling out all club tax forms.
- 16 - Ann Arbor Better Investing Seminar Series, SJM, 6:30 p.m. Topic: Defense/Offense Approach to Portfolio Management
- 18 - Model Club, HQ, 10:00 a.m. - Noon

March

- 02 - Better Investing Seminar Series, FCL, 6:30 Topic: Defense/Offense Approach to Portfolio Management
- 07 - #101: Introduction to Better Investing, OU, 6:30 p.m.
- 11 - #220: Advanced Judgment on the Stock Selection Guide, HQ, 1:00 p.m. 4:00 p.m.
- 11 - #221: Portfolio Management Using PERT, HQ, 9:30 a.m. - 12:30 p.m.
- 13 - Chapter Board Meeting, LCCL, 6:30 p.m.
- 16 - Ann Arbor Better Investing Seminar Series, SJM, 6:30 p.m. Topic: InSync with the Orchestra: Managing Your Portfolio
- TBD - Model Club, HQ, 10:00 a.m. - Noon
- 28 - #120: Basic Investing Concepts and Introduction to the Stock Selection Guide (class 1 of 3), OU, 6:30 p.m.

April

- 01 - #130: The Stock Selection Guide; Completing and Using BetterInvesting's Main Investing Tool (class 2 of 3), OU, 9am - 4pm
- 04 - #135: Basic Judgment on the Stock Selection Guide (class 3 of 3), OU, 6:30 p.m.
- 06 - Better Investing Seminar Series, FCL, 6:30 Topic: InSync with the Orchestra: Managing Your Portfolio
- 08 - Investment Club Presidents' Appreciation Brunch, HWCC, 9:30a.m - noon
- 10 - Chapter Board Meeting, LCCL, 6:30 p.m.
- 15 - Model Club, HQ, 10:00 a.m. - Noon
- 20 - Ann Arbor Better Investing Seminar Series, SJM, 6:30 p.m. Topic: Judgment Day II

May

- 04 - Better Investing Seminar Series, FCL, 6:30 Topic: Judgment Day II
- 08 - Annual Meeting, HQ, 6:30 p.m.
- 18 - Ann Arbor Better Investing Seminar Series, SJM, 6:30 p.m. Mark Robertson
- 20 - Model Club, HQ, 10:00 a.m. - Noon

June

- 1 - Better Investing Seminar Series, HQ, 6:30 Topic: Q&A with Matt Willms
- 17 - Model Club, HQ, 10:00 a.m. - Noon

Better Investing Regional Conference Schedule

FRIDAY, MARCH 17, 2006 5:30pm-9:30pm

5:30-6:45 am Registration

6:45-6:55 am Welcome

6:55-7:25 am Presentation by Swift Energy

7:35-8:30 am Session A Classes

1. Red Flags NOT on the SSG
2. Demystifying the SSG
3. Basics of Adding Judgment
4. International Investing
5. Identifying High Quality Stocks
6. Monitoring Your Portfolio for Better Results

8:40-9:35 am Session B Classes

1. The Art of Selling
2. Club Management Online - Not Just for Treasurers
3. Financial Ratios and the Balance Sheet
4. Analyzing the Retail Industry
5. Identifying High Quality Stocks
6. BetterInvesting Fundamentals Always Apply

9:35 - ? Cash Bar and Informal Group Software Sessions – Software and Websites

SATURDAY, MARCH 18, 2006 7:15am-4:30pm

7:15-8:00 am Registration, Breakfast, Exhibits Open

8:00-8:15 am Welcome & Introductions

8:15-8:45 am Total System Services

8:50-9:20 am Staples, Inc.

9:20-10:05 am Exhibits Open

10:05-11:00 am Session C Classes

1. Understanding Preferred Procedure
2. Using the Stock Comparison Guide
3. Earnings: The Central Element of Stock Investing
4. Small Company Discovery and Analysis
5. Benchmarking
6. Analyzing an Annual Report the Easy Way (Part I of a double session)

11:10-12:05 am Session D Classes

1. A Closer Look Using PERT Worksheet A
2. When to Buy: Understanding PE Ratio and Its Relevance to Earnings
3. Basics of Stock Screening
4. Quality Matters: Improving the Portfolio
5. Asset Allocation Demystified
6. Analyzing an Annual Report the Easy Way (Part II of a double session)

12:15-1:05 am Lunch

1:05-1:15 am Drawings & Introductions

1:15-1:45 am Baldor Electric

1:50-2:20 am Lear Corporation

2:30-3:25 am Session E Classes

(Continued on page 5)

ROE

(Continued from page 1)

on sales, takes the tax dollars out of the equation, claiming that companies often don't have complete control of their tax rate. Consequently, it makes more sense to remove this from the equation when looking at profitability trends and evaluating management's performance. That's section 2A.

We're looking at section 2B. The dollars that a company pays to Uncle Sam are important to us, as they are dollars that aren't going into our pocket (not directly, anyway). It makes sense that we want to include that in our analysis at some point, and section 2B is it. Fine, we'll look at after-tax return here. I should also point out that after-tax return is the same thing as earnings.

Let's now turn to the denominator, shareholder's equity. Simply put, the equity is the portion of a company that is owned by the company's owners, as opposed to what is owned by our creditors (people who have loaned us money). The stuff that a company owns is owned by one of these two groups of people, hence the balance sheet relationship:

Assets = Liabilities + Owner's Equity

Which Equity to Use?

What do you mean, which equity to use? Equity is equity, right? Not quite. Think about this. Suppose you are interested in calculating the ROE for company X in 2003. You go back and dig up the historical values of after-tax return (earnings) and shareholder's equity for 2003. The earnings number will be the earnings earned over the course of 2003. The shareholder's equity will be that at the end of 2003.

There really isn't any debate over which earnings to use. We are interested in what the company was able to net over the year 2003, and this is exactly what the 2003 earnings figure is.

The problem with using the equity for 2003 is that this is the equity at the end of the year. If we want to get an idea of the return that the company had on the equity at their disposal, then we certainly don't want to use the equity at the end of 2003. The reason for this is that it includes some additional equity that was accumulated during 2003, but that simply didn't have time to materially contribute to the earnings. Unfortunately, the Toolkit default is to use the ending equity.

Two Schools of Thought

If the end-of-year equity isn't the right one, what is? There are two schools of thought here. The first says that you ought to use

the equity at the start of the year in question (or at the end of the previous year). The idea is that this was the equity that was at the company's disposal when it earned the current year's earnings. If you're a Toolkit user, you can use the previous year's equity in your ROE calculation by pressing Alt-D on the backside of the SSG (doing so toggles between the default current year's equity and the previous year's equity).

The second school of thought says that you ought to use the average of the beginning and ending equity in the ROE calculation. The idea here is that the equity available to the company over the course of the year isn't the starting or ending equity, but it is somewhere in between. The average of the starting and ending equity isn't the right answer, but it is a better estimate than either the starting or ending equity by itself. The average value is what Standard and Poor uses in its calculations.

Whether you use the starting or average starting/ending equity in your ROE calculation is a matter of personal preference. I personally opt for the starting equity, as I feel it is more realistic (and with Toolkit the number crunching is done for me). In any case, either is better than using the ending equity.

Better Investing Regional Conference Schedule

(Continued from page 4)

2:30-3:25 am Session E Classes

1. Red Flags NOT on the SSG (repeat)
2. Building a More Effective Club – Club Management and Education
3. Monitoring Your Portfolio for Better Results
4. It's Not Just the Quality – Did you Build in Value?
5. There is a Time to Sell
6. OPS and the Internet: Complete Data Source

3:35-4:20 am Mark Robertson

4:20-4:30 am Final Drawing and Wrap-up

BetterInvesting Model Club

Paul Bowles, Presiding Partner

A Second Great Year

2005 has been another great year for the Model Club. We added three more members to our ranks and we have maintained our performance lead over both the S&P500 and total market indices. We doubled the number of companies in our portfolio by picking up Commerce Bancorp, Fiserv, Knight Transportation and Strayer Education. We also made our first sale, and a controversial one at that, by dropping Chico's FAS.

Who We Are

The SEM BetterInvesting Model Club is a real investment club, twenty members strong, where Club members collectively invest their money according to BetterInvesting principles. We welcome observers at our meetings, which are free and typically have around fifty attendees. Our club is always looking for new members that have a grasp of the SSG and are

motivated to work to help perpetuate the club's success.

Our Mission Statement

The mission of the SEM BetterInvesting Model Club is to provide a public environment for:

1. Learning about investing in the common stock of growth companies through the investment club approach;
2. Using NAIC tools and methodologies to succeed in this endeavor and;
3. Increasing our wealth through the application of this knowledge and these tools.

We achieve our objectives through the active participation of our club's members, and our respect for and understanding of our members' diversity of experience and thought.

Our Next Meeting

Generally speaking, our meetings are on the 3rd Saturday of every

month. Some meetings do get moved (e.g. our March meeting date is TBD), so it is always best to check the upcoming events on our chapter website. You can do this by going to <http://www.betterinvesting.org/chapter/semich>. This will send you to our chapter website, from which you can scroll down and see the details of our upcoming events.

Club Meetings take place from 10am to noon at NAIC National Headquarters, at 711 W. 13 Mile Rd., in Madison Heights (13 Mile & I-75).

I hope to see you at our next club meeting! Anyone and everyone are invited, but the meetings are popular, so be sure to arrive a few minutes early to ensure you get a good seat.

Best regards, Paul Bowles

From the President, Diane Amendt

Quality is our theme for the year. In our programming and seminars we are looking at quality in decision making and portfolio management, discovering ways to increase our investment success. But now we want to address a different type of quality – QUALITY OF SERVICE.

The Mission Statement for your Southeastern Michigan Chapter is to provide opportunities for growth and support to BetterInvesting clubs and individuals through low-cost high quality education that promotes financial literacy and empowers members to make sound investment decisions. We want to

see how well we are fulfilling this mission.

Investment clubs are the backbone of BetterInvesting. During the next few months chapter directors and volunteers are going to be calling club contacts with a brief survey. While some clubs contact the chapter when they run into problems or call us when they want to schedule one of the Classes on the Road, often there is no communication. We want to find out how well the clubs in our Chapter are doing, which of our services you are using, what services you would like to see.

Our main emphasis has been on educating new members and investors. While this is very important and will be continued, we want to see if there aren't more ways to support our more experienced members.

Our third annual Presidents' Appreciation Brunch will be held April 8. This is another way to support each other with the sharing of ideas and concerns. Then watch for our Annual Meeting on May 8 as the program will come out of what we will be learning from each of you.



FEATURING

**MARK ROBERTSON, FOUNDER, www.manifestinvesting.com
BALDOR ELECTRIC, LEAR, STAPLES, SWIFT ENERGY, TOTAL SYSTEMS SERVICES**

**FRIDAY & SATURDAY, MARCH 17- 18, 2006
KELLOGG HOTEL & CONFERENCE CENTER
Michigan State University, 55 S. Harrison, East Lansing, Michigan**

Friday: Registration 5:30-6:45 pm; Program 6:45-9:35 pm; After-hours Cash Bar and Software Demos 9:35 pm
Saturday: Registration, Breakfast and Exhibits 7:15-8:00 am; Program 8:00 am-4:30 pm, including lunch

Register for the Entire Event, Friday night only or Saturday only. Save with Early Bird Special Prices!

EARLY BIRD REGISTRATION PRICES			
For registrations postmarked by February 15, 2006	Entire Event	Friday only	Saturday only
Single member price	\$75	\$30	\$65
Single non-member price	\$100	\$40	\$80
2 members registered in one envelope (price includes <u>both</u> registrants)*	\$130	\$50	\$110
3 or more members registered in one envelope (price is for <u>each</u> registrant)*	\$60	\$20	\$50
*Spouse of member is considered a member			
<i>To meet the Early Bird Registration deadline date, your envelope must be postmarked on or before the date indicated above.</i>			
REGULAR REGISTRATION PRICES			
For registrations postmarked February 16 – March 16, 2006	Entire Event	Friday only	Saturday only
Single member price	\$90	\$35	\$75
Single non-member price	\$115	\$45	\$90
Registration at the door (member or non-member)	\$125	\$50	\$95

SPECIAL ROOM RATES OF \$89 NIGHT AVAILABLE – CALL KELLOGG HOTEL (800) 875-5090

**MENTION GREAT LAKES COALITION BETTER INVESTING REGIONAL CONFERENCE ON 3/17/06 - LIST OF OTHER NEARBY FACILITIES AVAILABLE
PLEASE INDICATE IF YOU HAVE SPECIAL DIET REQUIREMENTS OR SPECIAL HANDICAP NEEDS.**

SEND REGISTRATION FORM TO:

RUTHETTA DORNBOS, MID-MICHIGAN CHAPTER, 2805 CHIPPEWA LANE, MIDLAND, MI 48640 PDORNBOS@AOL.COM (989.631.1486)

MAKE CHECKS PAYABLE TO: NAIC GREAT LAKES COALITION

No refunds after March 1; minimum \$5 processing fee may be charged.

**BETTER INVESTING REGIONAL CONFERENCE REGISTRATION FORM
FRIDAY-SATURDAY, MARCH 17-18, 2006**

MSU Kellogg Hotel & Conference Center, East Lansing, Michigan

Please duplicate form as needed. Include form for each registrant.

Name: (First) _____ (Middle Initial): _____ (Last): _____
 Non- member BetterInvesting member Membership ID# _____
 (Located on your BetterInvesting Magazine label above name)

Street Address: _____

City: _____ State: _____ Zip: _____

Phone #: _____ E-mail for confirmation: (PRINT CLEARLY) _____

If you prefer confirmation through US Mail, please enclose a stamped, self-addressed envelope.

Optional Boxed Lunch available for \$16 if you do not have time for dinner before arriving on Friday.

Chapter: Capital Area Mid-Michigan N Michigan NW Buckeye
 NW Indiana SE Michigan W Michigan Other: _____

Registration for: Entire Event Friday only Saturday only

Check enclosed for following amount: _____ If Early Bird Special, check here and list names of all others included in this envelope. *Also, please attach a separate form for each person whose payment is included in this envelope.*

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P.O. Box 251832

Phone: (248) 683-1005
Email: SEMHelp@betterinvesting.org



Helping you become a Better Investor

We're on the web!

<http://www.betterinvesting.org/chapter/semich/>

Learn to Select Stocks the BetterInvesting Way

STOCK SELECTION GUIDE SERIES March 28 - April 4 @ Oakland University

\$75 for entire 3 class course

120 - Basic Investing Concepts and Introduction to the Stock Selection Guide (class 1 of 3), March 28, 6:30 - 8:45 p.m.

130 - The Stock Selection Guide; Completing and Using NAIC's Main Investing Tool (class 2 of 3), April 1, 9:00 a.m. - 4:00 p.m.

135 - Basic Judgment on the Stock Selection Guide (class 3 of 3), April 4, 6:30 - 8:45 p.m.

BONUS: Register for the SSG Series of classes and receive a free copy of the new NAIC Stock Selection Handbook written by Bonnie Biafore (a \$20 value).

See our Chapter website (<http://www.betterinvesting.org/chapter/semich/>) for class descriptions and pretests to check your readiness. Prior registration is required.

Beyond the Basics

220 - Advanced Judgment on the Stock Selection Guide, March 1:00 PM - 4:00 PM, HQ, \$30

This class is open to anyone with a general understanding of the Stock Selection Guide, and would like to learn more about judgment. This class goes beyond the basic judgment discussed in Class 135: Basic Judgment on the SSG. This class covers: estimating future earnings using the preferred procedure, outliers, the PEG ratio, 25/50/25 zoning (and why we like it), projecting future high and low P/Es and projecting the low price

221 - Portfolio Management Using PERT, March 11, 9:30 AM - 12:30 PM, HQ, \$30

Learn how to protect your assets, while improving the total return of your portfolio. This class teaches the strategies of defensive and offensive portfolio management using the PERT system of forms. The PERT Report, the PERT Trend Report, PERT-A worksheet, and PERT-B worksheet are used to demonstrate portfolio management techniques.