




B


Stock Investing Made Easy 'Finding Hidden Gems' Continued

Mary Enright Abraham (Avi) Horwitz Tim Janneck

Present


- The Space Between the Lines
- Help! I Married the Stock
- Why Did I Do That?



B 2

Disclaimer

- 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 in the seminar materials are for illustrative purposes only and are not to be considered endorsed or recommended for purchase or sale by BetterInvesting™ / National Association of Investors Corporation™. The views expressed are those of the instructors, commentators, guests and participants, as the case may be, and do not necessarily represent those of BetterInvesting™. 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. BetterInvesting™ presenters and volunteers are held to a strict code of conduct that precludes benefitting financially from educational presentations or public activities via any BetterInvesting™ programs, events and/or educational sessions in which they participate. Any violation is strictly prohibited and should be reported to the CEO of BetterInvesting™ or the Director of Chapter Relations.
- This presentation may contain images of websites and products or services not endorsed by BetterInvesting™. The presenter is not endorsing or promoting the use of these websites, products or services.
- **This session may be recorded for our future use.**



B 3

The Space Between the Lines



Mary Enright
Heartland Chapter



November 30, 2022

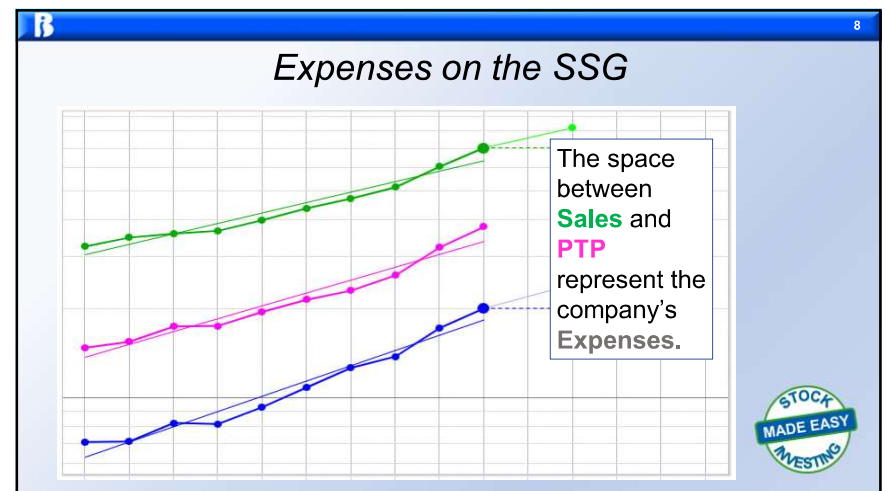
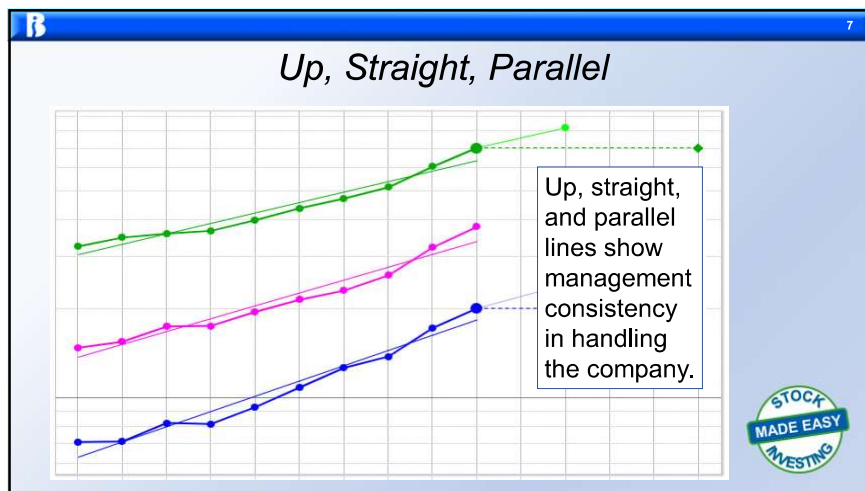
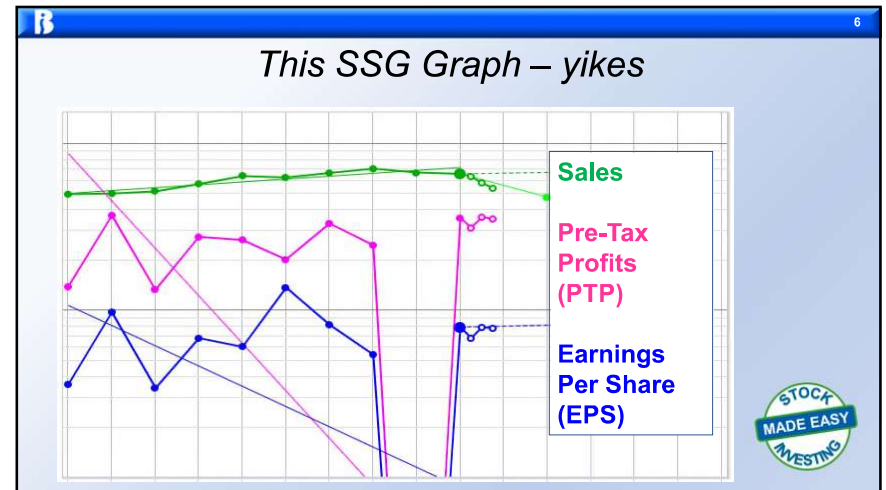
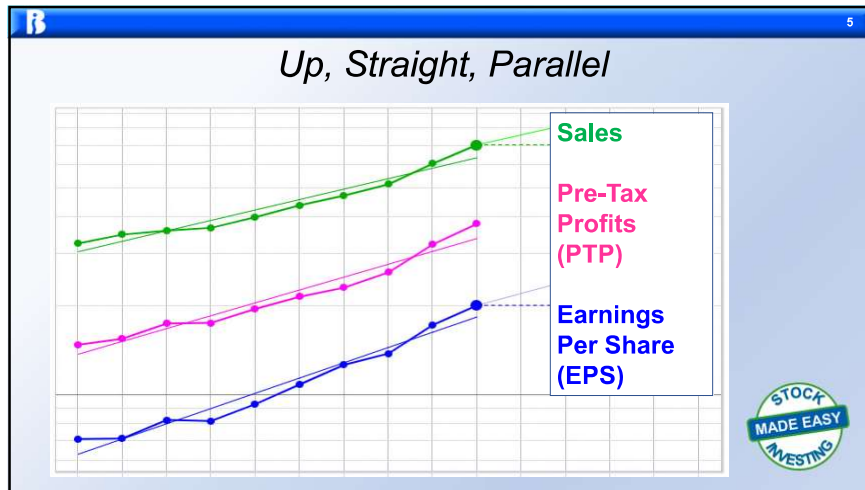


B 4

Objectives

- Learn to visualize expenses, taxes, and outstanding shares on the SSG
- Review Net Income/Net Profits on the SSG
- Understand the formula for a Simplified Income Statement







B 9

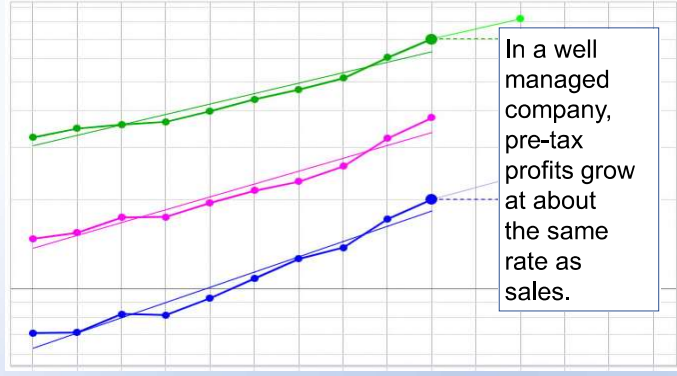
Simplified Income Statement - Part 1

Sales
minus
Expenses
equal
Pre-tax Profit




B 10

Expenses on the SSG

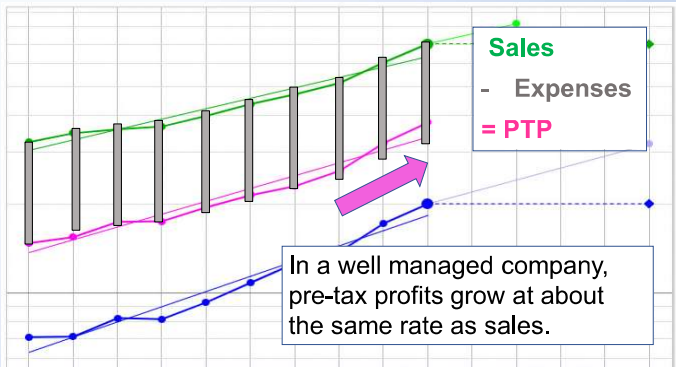


In a well managed company, pre-tax profits grow at about the same rate as sales.




B 11

Expenses on the SSG



Sales
- Expenses
= PTP

In a well managed company, pre-tax profits grow at about the same rate as sales.




B 12

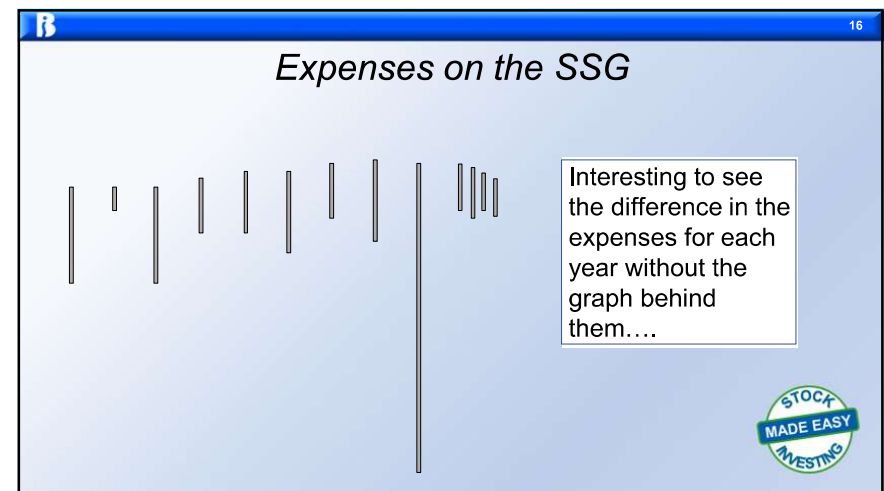
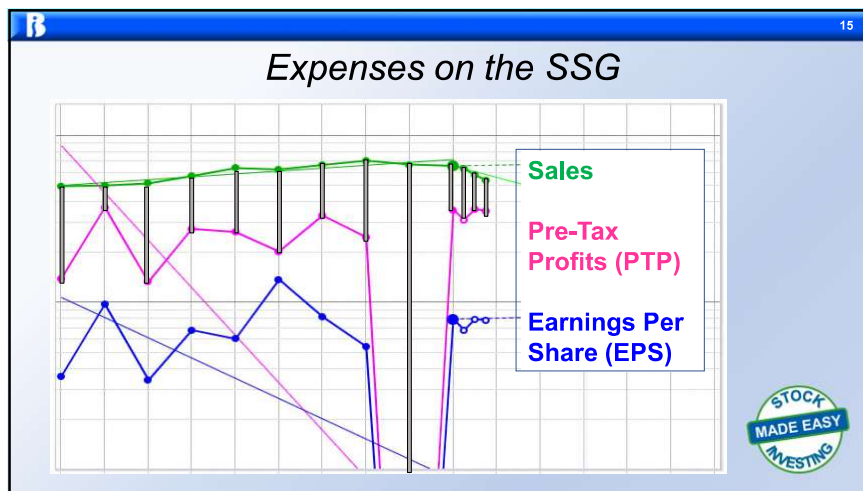
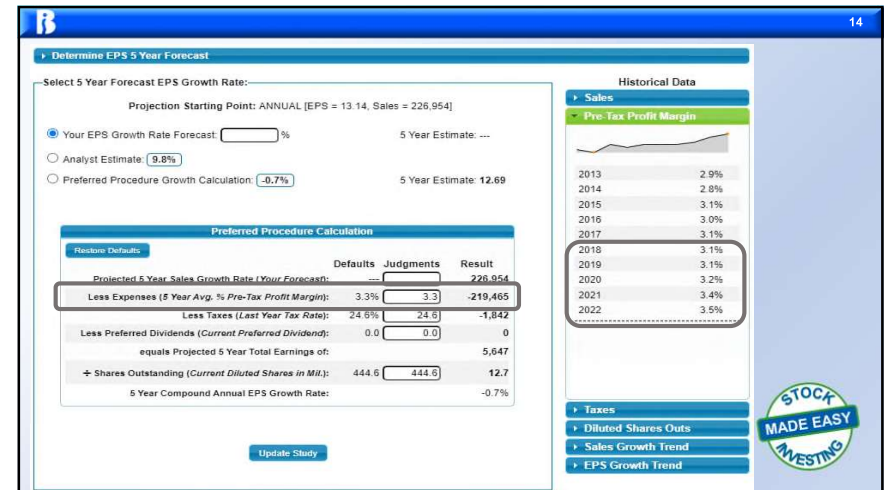
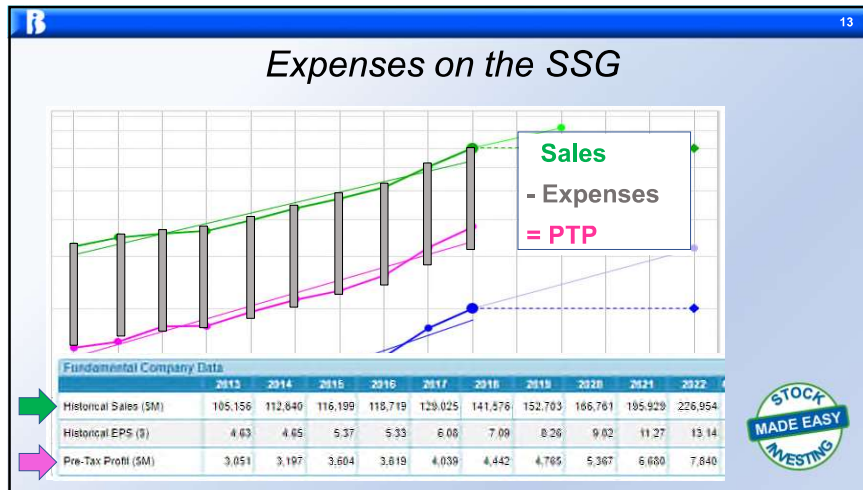
Expenses on the SSG

In a well managed company, the **pre-tax profits** grow at the same rate or faster than **sales**.

We could also say:


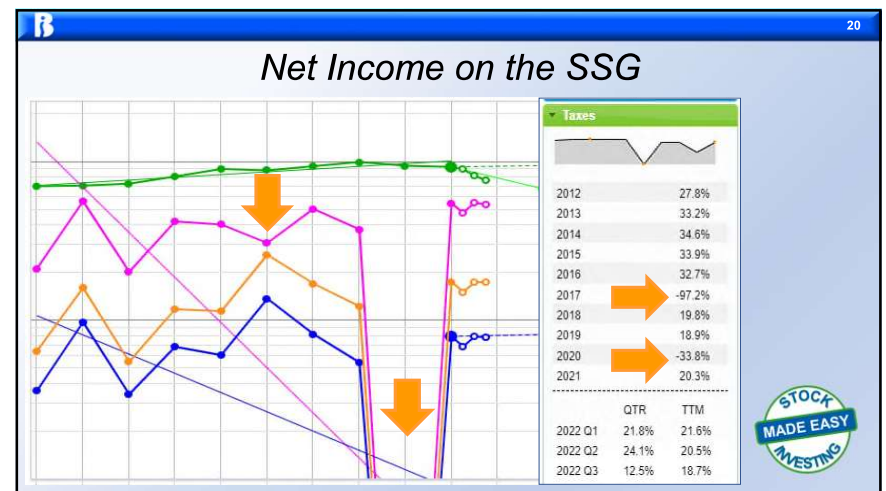
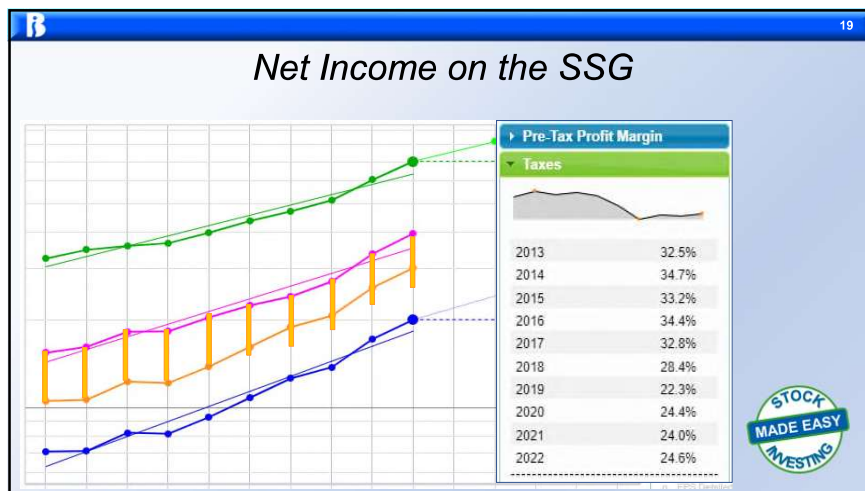
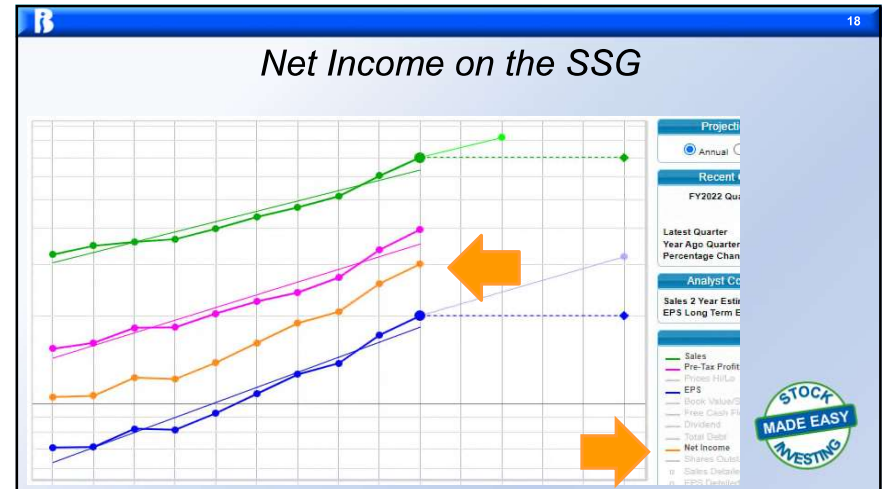
In a well managed company, the **expenses** grow at the same rate or slower than **sales**.

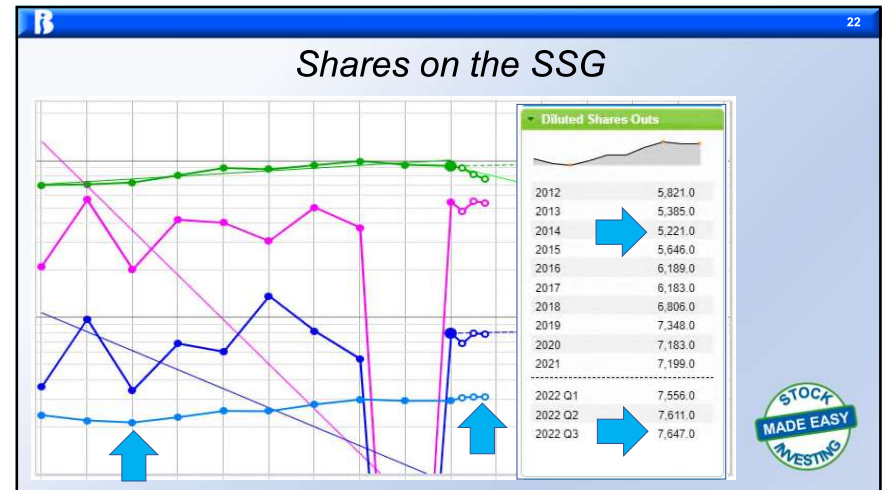
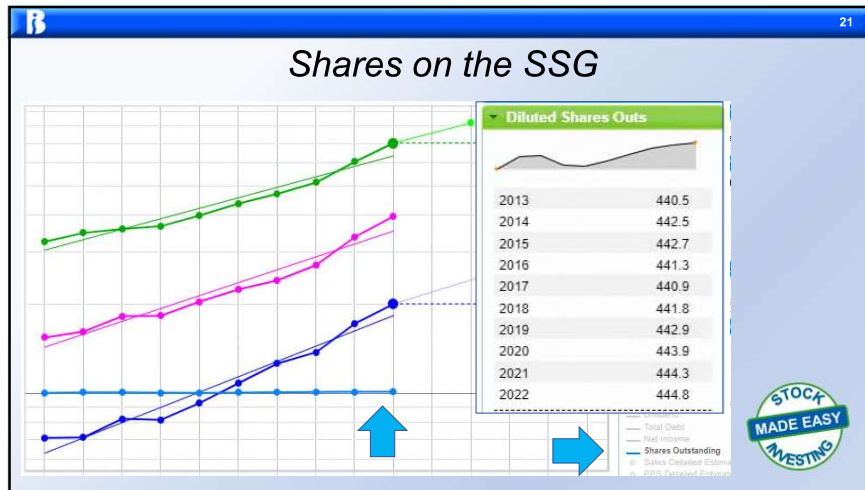




Simplified Income Statement - Part 2

Pre-tax Profit
minus
Taxes
equals
Net Income or Net Earnings
divided by
Shares Outstanding
equals
Earnings Per Share

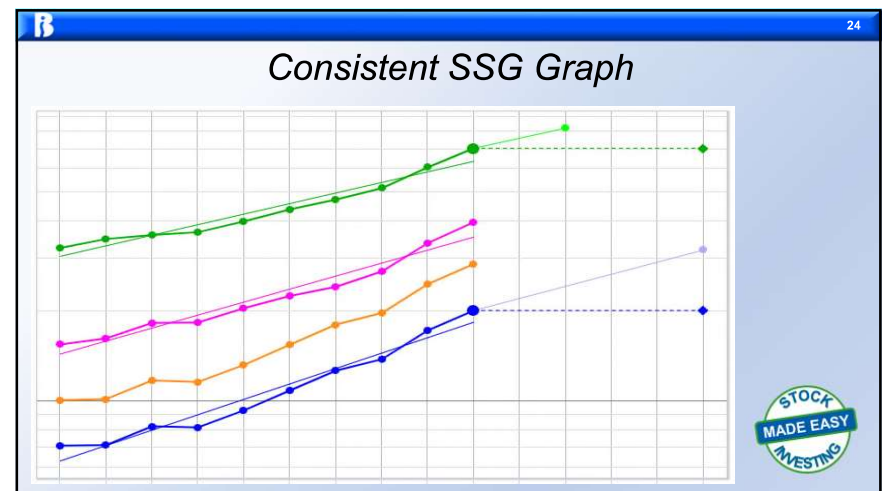





Simplified Income Statement - Part 2

Pre-tax Profit
 minus
Taxes
 equals
Net Income or Net Earnings
 divided by
Shares Outstanding
 equals
Earnings Per Share

STOCK MADE EASY INVESTING



B 25

Simplified Income Statement

- Sales**
- Expenses
- = **Pre-tax Profit**
- Taxes
- = **Net Income/Net Earnings**
- ÷ **Shares Outstanding**
- = **Earnings Per Share**





B 26

Summary

In this session we:

- Discussed how to visualize **expenses**, **taxes**, and **outstanding shares** on the SSG graph
- Reviewed **Net Income/Net Earnings** on the SSG graph
- Understand the formula for a Simplified Income Statement




B 27

Another Learning Opportunity

Simplified Income Statement

January 2023

Avi Horwitz





B 28

Questions

Contact Info:


Mary Enright
contact@heartland.betterinvesting.net

Please include the title of this class session in the subject line of your email.



B 29

Help! I Married the Stock



Avi Horwitz


November 30, 2022



B 30

Objectives



- Learn why a decrease in price is so damaging
- Understand the logic of stock price on the SSG
- Discuss some lessons we might want learn
- Review a real-world example



B 31

The Cost of Not Selling

- How much do you have to earn to get back to where you started??
 - In order to recoup a loss, the percentage gain must be greater than the percentage loss!



B 32

Offsetting Losses



Offsetting Losses

100% GAIN

\$50 → \$100

STOCK MADE EASY INVESTING

I Started Wondering Why

Company: Aflac (AFL)

High Price

Low Price

STOCK MADE EASY INVESTING

Lesson #1

Many of us stink at selling

- We don't know how
- We become attached

Don't be afraid to sell !!

STOCK MADE EASY INVESTING

Lesson #1

Buy @ \$70.30 Projected High @ \$131.70

C. COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Price Appreciation	13.4%	15% For 5 years
Average Yield	1.6%	
Annualized Rate of Return	15.0%	

1 year later @ \$123.03 Projected High @ \$131.70

C. COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Price Appreciation	1.7%	3.3% Next 4 years
Average Yield	1.6%	
Annualized Rate of Return	3.3%	

STOCK MADE EASY INVESTING

B 37

**WE BUY TO HOLD...
NOT TO FORGET**

**Don't be afraid
to sell !!**





B 38

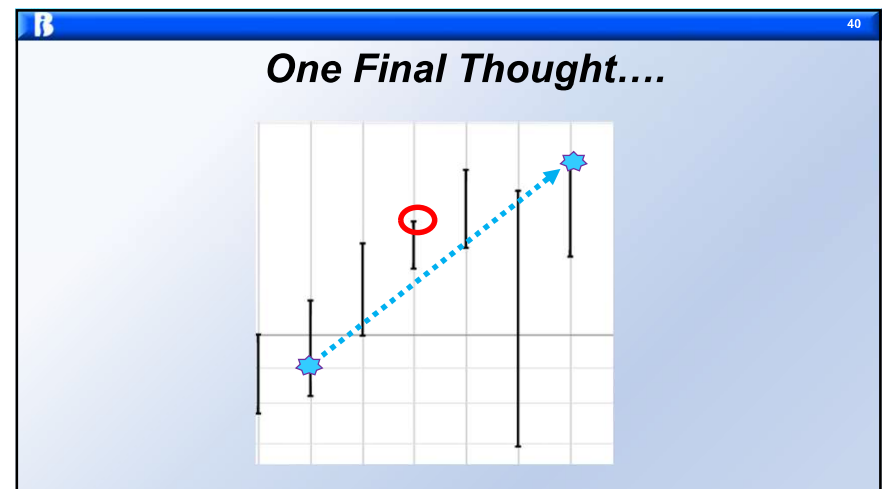

Lesson #2

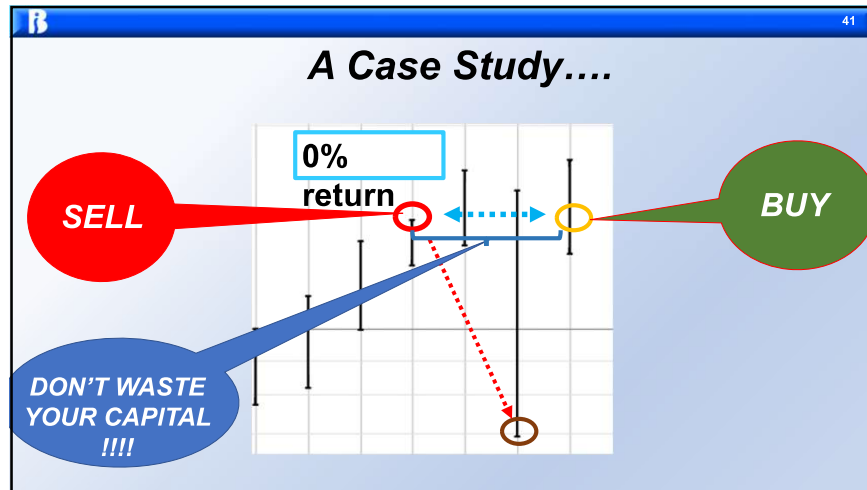
Don't be greedy!

- I've gotten greedy
 - Held on to TMP at end of March 2021 over 50¢ at \$92 [Now \$79.38]



It might be better to hold cash than to ride P/E down !!!





Let's Go to the Numbers - AFL

	Date	High	Low
2019 High Price	2019-07-15	\$57.18	\$56.52
Lowest Price after 2019 High	2020-03-18	\$28.59	\$23.07
My Purchase	2020-07-20	\$36.15	\$35.54
Next Time Reached 2019 High	2021-05-10	\$57.35	\$56.03
My Sale	2022-01-11	\$63.24	\$62.41

Let's Go to the Numbers - AFL

- 2019 High Price – July 15, 2019 – \$57.18
- Reached Again – May 10, 2021 – \$57.35

How much did AFLAC's price appreciate in a little less than 2 years?

.3%

Let's Go to the Numbers - AFL

- 2019 High Price – July 15, 2019 – \$57.18
- Subsequent Low – Mar. 18, 2020 – \$23.07

How much did AFLAC's value decrease if you held it about 8 months through March 18, 2020?


-60%

Let's Go to the Numbers - AFL

- My purchase – Jul. 10, 2020 – \$36.15
- My sale – Jan. 22, 2022 – \$63.24

Do you still think I overpaid for AFLAC?

75%



Let's Go to the Numbers - AFL


- High: April 21, 2017 – \$37.35 **↑ 80%**
- High: April 21, 2022 – \$67.20
- Approximately 2.5% Dividend Yield **12.5%**
 - 5 Years **12.5%** **↑ 93%**



Let's Go to the Numbers - AFL

- Sold July 15, 2019 – \$57.18
- Repurchase May 10, 2021 – \$57.35
- Missed 2 Years Dividends – **7.5%**
 - $12.5\% - 5\% = 7.5\%$ Dividends
- Price Appreciation **↑ 80%**


↑ 88%



Let's Go to the Numbers - AFL

- AFLAC – Holding **93%**
- AFLAC – Sell and Repurchase **88%**
- Return on AFLAC Dollars from Sell to Repurchase **15%**

↑ 103%



49



THERE IS A TIME TO SELL





50

Summary

In this session we touched on:

- Why it is so important to learn to sell
- How not selling can hurt our portfolio's performance



51

Questions or Comments




Avi Horwitz
AH @ CPABE.COM




52

Why did I do that?



Tim Janneck
Alaska Chapter


November 30, 2022



B 53

Objectives



- Introduce behavioral finance.
- Discuss some effects and biases that might hurt our investment efforts.
- Provide examples of how the effects might manifest themselves.
- How we might avoid the pitfalls of these biases and effects.



B 54



References

- “Going Broke” targets the issue of debt and money management.
 - By Connecticut College professor psychologist Stuart Vyse.
- “Stumbling on Happiness” more general treatment of peoples’ difficulty predicting what makes them happy.
 - By Harvard psychologist Daniel Gilbert.
- “The Psychology of Investing” 5th Edition.
 - By UAA professor John Nofsinger.

B 55

How we see ourselves ...

https://www.flickr.com/photos/x-ray_delta_one/23650415969/in/photostream/

B 56

How we might appear at times ...




B 57


Behavioral finance

Traditional finance was based on two assumptions:

- People make rational decisions.
- People are unbiased in their predictions about the future.

Oops.


This presentation introduces some examples of how our behavior makes these assumptions look bad.



B 58

Presentation content

- Overconfidence.
- Overconfidence and risk.
- Illusion of knowledge.
- Prospect theory.
- Endowment effect.
- Disposition effect.





B 59

Overconfidence

We overestimate our knowledge, underestimate risks, and we exaggerate our ability to control events.

Two aspects:


- Miscalibration.
- Better-than-average effect. Compared to other drivers on the road, are you better-than average, average, or below average?

B 60

Overconfidence and risk

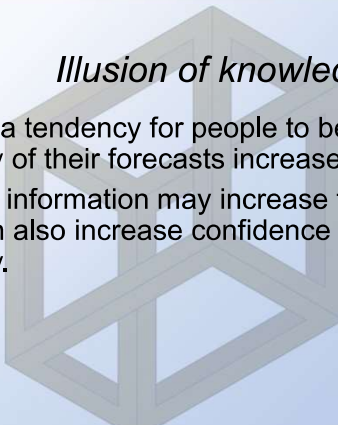

- Rational investors try to maximize return while minimizing risk.
- Overconfident investors misinterpret the level of risk they take.
- They purchase higher risk stocks.
- They also tend to under-diversify their portfolios.



B 61

Illusion of knowledge


- There is a tendency for people to believe that the accuracy of their forecasts increases with knowledge.
- Valuable information may increase forecast accuracy, but it can also increase confidence faster than accuracy.

B 62

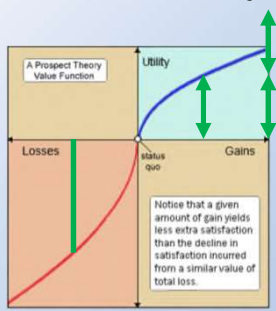
Prospect theory

- When faced with choices, we compare to present circumstances.
- Will we gain or lose relative to status quo?
- We value loss and gain differently.




B 63

Prospect theory




Graph from http://www.unc.edu/depts/econ/byrms_web/Economicae/Figures/Prospect.htm



B 64

Endowment effect


- Similar to “Status quo bias”.
- Objects gain value once you own them.
- You might demand more in payment for these items than you paid for them.
- Not necessarily the case once they are no longer in your possession.



B 65


Disposition effect

- “Seeking pride” – looking for opportunities to be or appear successful.
- “Fearing regret” – not wanting to accept or acknowledge a failure (loss).
- Investors suffering from this effect often sell winners too soon,
- and hold on to losers way too long.




B 66

Beating the biases!




- Understand the biases.
- Know why you are investing. Avoid vague goals where possible (be specific), avoid negative goals (“I don’t want to be poor”).
- Establish quantitative investment criteria – and stick to it.
- Diversify.
- Control your investing environment (when you monitor stocks, when you make trades, an annual review).




B 67

Summary

In this session we:





- Introduced behavioral finance.
- Discussed some effects and biases that might hurt our investment efforts.
- Provided examples of how the effects might manifest themselves.
- Made suggestions as to how we might avoid the pitfalls of these biases and effects.



B 68

Questions

Contact Info:
Tim Janneck
contact@alaska.betterinvesting.net



B 69

Make A Difference In Someone's Life

BETTERINVESTING weekly
timely news, events and analysis for long-term investors

If you have benefited from **BETTERINVESTING**TM

Please share some BetterInvesting materials and introduce others to this dynamic investment education opportunity!

Pay it forward!



B 70



Stock Investing Made Easy Webinar Series

Don't miss the next webinar in the series

Next webinar: **Preferred Procedure Simplified**
Jan. 30, 2023 - 8:30 pm Eastern Time

Preferred Procedure is used to determine future EPS growth using a simplified income statement to project what EPS will be in the future. This session will touch on what we look for, how it relates to our SSG, and how it ties into to the company's Income Statement.

To quote one attendee, "I have been doing this for 30 years and now I finally understand Preferred Procedure."



B 71

THANK YOU

For attending

