

CHAPTER NEWS

LAMS Chapter Newsletter July 2024

In this issue:

- [President's Message](#)
- [Roundup 2024--Doug Gerlach Day](#)
- [Support for Clubs](#)
- [LAMS Model Club](#)
- [Stock Picker Contest Update](#)
- [Watch Outs! from CFRA](#)
- [Useful Links](#)
- [Chapter Volunteers](#)



President's Message

It's June on the Gulf Coast. All of us who live here know that hurricane season has kicked off for the year. In fact, this week we have our first named storm of the season – Tropical Storm Alberto. That means we already have the dreaded 'cone of uncertainty'.

We're all familiar with the cone. It gives us a general idea of where the storm is most likely to go. The further out we are in time, the broader the cone. Even though, we all hate seeing our town in the cone. The cone is incredibly helpful in planning. The cone lets us know our general risk level in a very simple, easy to understand picture. It tells us where the storm has been and generally where it is going. It's not a guarantee and the meteorologists bend over backwards to make sure we know that it is only a prediction and things can change.

I've been thinking about the Stock Selection Guide (SSG) as the investors 'cone of uncertainty'. It's a very simple graph that gives us both the history of a company and a 'cone of uncertainty' as to where that company may be going in the future.

A quick glance at the first page of the SSG tells us where the company has been over the last few years. Is it making money? Profitable? Consistent? Up, straight and parallel? A quick glance is all it takes to determine whether we are interested or not. The SSG tells us whether we need to pay more attention or go on about our lives.

Once we plug in a couple of variables about sales growth, earnings growth, and future P/E's we can determine where the company is possibly going. Those factors give us a potential high and low price. And those prices form our investing 'cone of uncertainty'. Obviously, the SSG is not a guarantee of future performance. All kinds of winds and atmospheric pressures can change the direction of the stock, just as it can change the direction of a storm.

BUT, the SSG gives us a pretty good idea what we can expect. It gives us a general idea of the high and low prices we can expect. It paints a picture whether the stock is potentially profitable or not. Of course, the one thing the SSG does not tell us is specific timeframe. Like a storm it could speed up or slow down. It could strengthen or weaken. No matter how much we study or learn, storms and companies are still unpredictable and full of surprises. But they are surprises within a 'cone of uncertainty'.

You would never make hurricane plans without paying attention to the 'cone of uncertainty'. So, I'm always shocked when I run across individuals and clubs that never look at an SSG. It's flying blind. It's throwing darts and hoping for the best. It's picking a stock with no clear idea where it has been or where it is going. It's not a 'cone of uncertainty'. It's complete uncertainty. I want to encourage you to refocus your time and energy into creating SSG's of every company that interests you.

Happy investing
Dennis Malcolm

LAMS Chapter Stock Roundup 2024—Doug Gerlach Day

Saturday, Nov. 2, 9:00 AM to 3:00 PM
Monroe Hall, Ochsner Medical Center New Orleans
1514 Jefferson Hwy, New Orleans, LA



Popular BetterInvesting educator Doug Gerlach will be our featured presenter.

Doug's topics will include:

- Stock Market Tactics in a Destabilized World
- Approach to Dividends for Long-Term Stock Investors
- Is Your Portfolio Haunted by Uncertainty?
- Doug's Favorite Small Cap Stocks for 2025

Doug will provide handouts.

Registration is at Eventbrite:

<https://www.eventbrite.com/e/stock-roundup-2024-doug-gerlach-day-tickets-892484032767?aff=oddtcreator>

The price of admission will include a light lunch.

Early Bird Admission until July 14, 2024:	\$30.00
General Admission July 15 until Sept. 14:	\$35.00
General Admission-last minute starting Sept. 15:	\$40.00

For out of town attendees we've again secured a special group rate for the BetterInvesting LAMS Chapter at **Country Inns & Suites in Metairie**, 2713 N. Causeway Blvd., Metairie, LA 70002.

The special rate is \$109 for Friday night. **Country Inns & Suites in Metairie** is only a few minutes from Ochsner Medical Center. Rooms can be booked using this link:

<https://www.choicehotels.com/reservations/groups/HM22H2>

Here are a few quotes by Doug Gerlach, taken from an August 2013 article that Doug wrote for *BetterInvesting* magazine, “50 Things I’ve Learned About Investing, Clubs and Life”.

14. **“Selling” is not** a dirty word.
15. **The Stock Selection Guide** is easy enough for grade schoolers to learn, so why some investment club members resist is one of the world’s great mysteries.
20. **Experience gives you** license to break the rules.
22. **It isn’t called** “BetterInvesting” without extremely good reason.
23. **Investment clubs** are social entities made up of people who know how to buckle down and work.
27. **Markets** go up.
28. **Markets** go down.
29. **Markets are unpredictable.** That’s the only predictable thing about them.
41. **You have** to be right only 80 percent of the time with BetterInvesting’s methodology to be successful.
46. **Giving people** investment advice never works out. If you’re right, they take credit for being smart enough to listen to you; if you’re wrong, they blame you.
50. **Never forget** – fundamental analysis has the word “fun” in it for a reason.

Support for Clubs

Directors in the LAMS Chapter can use GoToMeeting to allow participants to discuss various investment topics. Email us at conact@lams.betterinvesting.net to schedule a visit from one or more of our directors. Topics could range from club operations to issues related to stock studies. Club members decide.



LAMS Model Club

Meetings are normally held on the first Monday of the month at 7:30 PM (second Monday if there is a holiday conflict). All meetings are open to guests and are held online using GoToWebinar. Visitors can just watch and listen or can ask questions and make comments.

A model club's primary role is to be a "learning lab" for attendees to study both BetterInvesting principles of fundamental stock investing using the Stock Selection Guide® (SSG®), and investment club operations management. You're invited to sit in on our meetings.

To attend please register ahead of time at:

<https://register.gotowebinar.com/register/8064740103851396448>

The next meetings are scheduled for July 1, August 5, and September 2.



Stock Picker Contest Update

Here's the status of the Stock Picking Contest. Each portfolio began at \$100,000. Two to ten securities could be chosen. You could enter a security if Yahoo could price it, no cryptocurrencies.

Black names are individuals.

Blue names are investment clubs.

Green names are benchmarks.

Red names are other information.

\$100 to winning club.

\$50 to winning individual.

LaMs Chapter Stock Pickers Contest

November 2023 until Next Round-Up

Portfolio Name	5/31/24 Mkt Value	5/3/24 Mkt Value	3/30/24 Mkt Value
Karen Peavy (DSIC)	195,733.63	195,581.25	235,114.55
Winner 2022 Portfolio	135,266.98	122,634.53	125,402.51
Dennis Malcolm (LMMIC)	133,149.42	131,947.17	135,517.22
Dollar A Day IC (Jackson)	130,488.68	122,981.51	122,027.28
Favorites - Top 10 Choices	125,824.97	128,652.22	136,695.22
Jane Owens (LLIC)	118,127.66	114,897.91	115,952.82
Benchmark EFT	115,549.95	112,259.51	114,607.80
Benchmark Index	115,537.23	112,634.53	115,030.21
Dollars & Sense IC (DeRidder)	115,348.69	112,838.82	111,177.37
Kaye Clingan (LMMIC)(EIC)(DAD)	111,178.81	110,943.70	118,722.45
Jo Watkins	109,462.88	110,160.65	116,026.76
SW Investors	108,769.69	107,629.19	109,901.59
Janice Prejean	108,545.21	106,303.91	109,408.41
Gretchen Blondeau (LMMIC)(LLIC)	103,875.96	105,909.18	105,377.78
Janice Caamano (LLIC)	97,844.66	100,801.72	103,802.05
Everyday IC (Jackson)	95,392.51	93,440.62	106,246.25
Deborah McKean	94,400.47	87,768.47	93,452.44
Ladies Lagniappe IC	93,913.59	92,801.32	98,883.05
Eric Resweber (LMMIC)	93,669.23	95,060.61	107,534.41
Joe Farrell (Not in contest) 4 bank stocks	103,584.17	109,180.56	108,726.28



Watch Outs! from CFRA (Center for Financial Research and Analysis, formerly S&P)

Certain CFRA reports include “**Watch Outs!**”. These are **red flags** to be on the lookout for when researching a company. Some of them can be difficult to recognize and may involve more research than most of us care to do, but it’s well worth being aware of some of these practices.



One of these questionable practices is called **reverse factoring**, also known as **supplier financing arrangements** or **supply chain finance**. It is basically a loan from a bank to pay a supplier but the arrangement allows the company to sort of hide accounts payable.

Here is an explanation of this practice from Google Gemini.

Reverse factoring is a financial arrangement that improves the cash flow of both buyers and sellers in a business transaction by involving a third-party financier.

Here's how it works:

- * A buyer (customer) initiates the process by contacting a financial institution, such as a bank.
- * The buyer requests the bank to act as an intermediary between them and their supplier.
- * If the bank agrees, they will negotiate payment terms with both parties.
- * The bank agrees to pay the supplier early for approved invoices at a discounted rate.
- * The supplier receives their payment much faster than the original invoice due date.
- * The buyer gets an extension on their payment terms to the bank. They pay the invoice amount to the bank at a later date.

There are several benefits to **reverse factoring**:

- * **Suppliers:** They get paid much faster, which can improve their cash flow and financial health. This can be especially helpful for small businesses that may struggle to wait for payments from larger customers.
- * **Buyers:** They can extend their payment terms without damaging their relationship with suppliers. This can improve their own cash flow and working capital.
- * **Financial institutions:** They earn fees from both the buyer and the supplier for facilitating the transaction.

Reverse factoring is not without its drawbacks. For example, the fees charged by the financial institution can be significant. Additionally, it may not be suitable for all businesses, especially those with poor creditworthiness.

CFRA warns that **reverse factoring** effectively lengthens the supplier payment terms and thus improves working capital, which can result in overstated cash flows and understated leverage ratios.



Another “Watch Out!” that CFRA warns about is the questionable practice when a company **accelerates revenue into the current period**, “stealing” revenue from future periods. It is sometimes called different names like “**aggressive revenue recognition**” or “**revenue recognition manipulation**”. Companies do have some flexibility in choosing accounting methods, which can impact the timing of revenue recognition. For example, a company might choose the percentage-of-completion method for long term projects, which recognizes revenue as the project progresses, compared to the completed contract method which waits for the entire contract to be finished. But if a company does report future revenue in the current period then the revenue growth that is implied will likely be unsustainable.



Another “Watch Out!” is something that BetterInvesting members are more familiar with. That’s the practice of **recording special charges for unusual or infrequent items**, like restructuring charges. These are often left out of **non-GAAP (or adjusted)** earnings, and can provide dishonest management with a chance to enhance analysts’ perception of its profitability through aggressive use of these special charges. Over-use of special charges can be a **red flag** that the company is enhancing its non-GAAP results. CFRA cautions that companies may boost non-GAAP earnings in the current period by bundling normal, recurring costs into special charges.



Useful Links

If you’re **not currently a member** of BetterInvesting you can visit the BetterInvesting website to learn more about the organization here.

<https://www.betterinvesting.org/>

If this newsletter was forwarded to you and you **would like to subscribe to the newsletter**, just fill out the form at the bottom of this page.

LAMS Chapter web page

<https://www.betterinvesting.org/chapters/lams>

Register to **attend LAMS Model Club meetings** as a guest.

<https://register.gotowebinar.com/register/8064740103851396448>

Video Learning Library—BetterInvesting members can access the very many archived webinar recordings here:

<https://lists.betterinvesting.org/link.php?M=3389991&N=25554&L=12063&F=H>

Guests and non-members can also access a **sampling of BetterInvesting webinars** to learn more about BetterInvesting, investing the BI way, investment clubs, and more:

<https://www.betterinvesting.org/learn-about-investing/free-videos>

These are your Volunteer Louisiana/Mississippi Chapter directors

Angela Lannen, DeRidder, LA
Kaye Clingan, Jackson, MS
Eric Resweber, Zachary, LA
Joe Farrell, Jackson, MS
Dennis Malcolm, Lafayette, LA
David Arnold, Hattiesburg, MS
Jimmy Stewart, Jackson, MS
Ghanashyam Patel, New Orleans, LA

If you have a question about BetterInvesting, investment clubs, or investing in general, contact a director near you at

contact@lams.betterinvesting.net. We're here to help.

**Please make sure all your club members get a copy of the Newsletter.
If anyone needs help subscribing just email us at**

contact@lams.betterinvesting.net

We'll be glad to help.