

CHAPTER NEWS

Spring 2025 Chapter Newsletter



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Please make sure all your club members get a copy of the Newsletter.



President's Message

Spring is finally here so it's time for me to get started on this year's veggie garden. I need to pull all the weeds that have grown over the winter. Add some additional soil and nutrients. Then the fun starts. I get to go to L & S Greenhouse. They are a local greenhouse that has the best seedlings in the area. I'll pick out most of the usual suspects – tomatoes, cucumbers, peppers, squash and a couple of unique items. I almost always over buy and have more seedlings than I have room. All the seedlings look great and need a good home. Over the next week or so I'll get them in the ground. Plus, I'll plant a few seeds for green beans and such.

With regular watering and sun shine they will start to grow. On some days it seems like nothing is happening. But over time they will grow from 3"-4" seedlings into 3' to 6' tall bushes. They will turn blossoms into fruit.

But in between is the hard part. I have to wait for 2-3 months before I can harvest anything. Over the summer we will be overflowing with vegetables that we will eat and can into salsa and pickles and marinara sauce and a few other fun things that we will enjoy over the next year.

My friend, Tim and I usually talk about our investments in terms of a vegetable garden. We plant our investments in one season but have to wait to another season before they grow enough for us to enjoy them. Just like my garden our investments are an act of faith. We have to trust that the companies we have selected will grow and reward us with profits. We have to pay attention to them to make sure everything is healthy and growing as it should.

We buy a stock and usually have to wait a few years for it to grow into the harvest that we hope it will yield. There are days that it looks like nothing is happening. The stock is flat or maybe even backing up. But, if we have selected a good company and we are patient, our one little seedling of a stock will grow and produce a harvest with 5 or 10 times growth.

We have to be patient. We have to endure the slow growth. We have to wait and watch and maybe add some nutrients like additional shares.

Eventually, the stocks, like the vegetables will bear fruit of increased stock price. And we will use those profits to take trips and pay for college and buy new cars and provide for health care costs.

Gardening can teach us much about investing. But most of all it teaches patience. And that we plant in one season so we can enjoy the results in another season.

Happy planting and investing.
Dennis Malcolm
LA/MS Chapter President

Support for Clubs

Directors in the LAMS Chapter can use GoToMeeting to allow participants to discuss various investing topics. Email us at contact@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.

From the Value Line January 31, 2025 Internet Industry report:

"Some stocks found in the Internet Industry tend to trade at valuations that are quite high, which can be fairly common with companies that are growing at a fast pace. However, this limits future appreciation potential and increases investment risk, as the stock is particularly vulnerable to unfavorable developments. We think that the most suitable companies for investment are those that appear to be well positioned in the markets that they serve and have established a track record for growth in revenues and earnings. We also like to see a business that earns attractive returns on capital, and a stock that does not trade at an excessive valuation in relation to earnings growth."





Using AI for Our Investing

By Eric Resweber (and ChatGPT)

Share Buybacks

I've been playing around with some of the free artificial intelligence sources that are available for anyone to use. Three that are readily available are ChatGPT, Google's Gemini, and Copilot from Microsoft. I'll sometimes ask one of them something about investing that I'd like to understand better. I've found this practice to be really useful...sometimes.

For example, I asked all three sources this question: ***Can you explain how share buybacks affect a company's performance, especially its earnings per share?***

The answers I got from all three were pretty impressive. They all did a pretty good job explaining share buybacks. I think the most comprehensive of the three was ChatGPT. Here's what it said.

Share buybacks, also known as stock repurchases, occur when a company purchases its own shares from the open market. This action has several potential impacts on a company's performance, especially its earnings per share (EPS) growth. Here's how:

1. Earnings Per Share (EPS) Growth:

- **EPS Formula:** *EPS is calculated by dividing the company's net earnings by its number of outstanding shares. When a company buys back shares, the number of outstanding shares decreases. This means that even if the company's earnings remain constant, the EPS will increase because there are fewer shares dividing the earnings.*

- **Impact on EPS Growth:** *By reducing the number of shares, a buyback can make the company's EPS grow faster than its actual earnings growth. For example, if a company earns \$100 million in profit but reduces its shares outstanding by 10%, its EPS will be higher than if it hadn't done the buyback, even though the profit didn't change.*

2. Investor Perception and Stock Price:

- **Market Signaling:** *Share buybacks can signal to the market that the company believes its stock is undervalued. When companies repurchase their own shares, it can be seen as a sign that the company has confidence in its future prospects. This often boosts investor sentiment and, consequently, the stock price.*

- **Stock Price Impact:** *A well-executed buyback can lead to an increase in the stock price, benefiting shareholders. The buyback reduces supply (number of shares in the market), potentially increasing demand and thus pushing the price higher.*

3. Return on Equity (ROE) Improvement:

- When a company buys back shares, the reduction in equity (since it uses cash or debt to repurchase shares) can **boost Return on Equity (ROE)**, which is calculated as net income divided by shareholders' equity. If the company's earnings remain steady or grow slightly, the reduction in equity can cause a higher ROE.

4. Cash Allocation:

- **Impact on Cash Reserves:** A buyback uses the company's cash or borrows funds to purchase shares. If the company uses cash for buybacks, this could reduce its reserves, potentially limiting its ability to invest in future projects, research and development, or acquisitions.

- **Debt-Funded Buybacks:** Some companies use debt to finance buybacks, which can increase leverage. While this can enhance EPS in the short term, it may increase the company's risk, especially if the company's ability to generate cash flow decreases in the future.

5. Long-Term Value:

- **Sustainable Growth:** While buybacks can provide short-term boosts to EPS, they don't necessarily contribute to long-term value creation unless the company is using the repurchased shares as part of a broader strategy that adds value. If buybacks are done merely to inflate EPS without improving the company's fundamentals or growth prospects, the positive effects may be short-lived.

- **Potential Opportunity Costs:** If the company buys back shares instead of investing in growth opportunities (such as expansion, innovation, or capital expenditures), this could hurt its long-term performance. Investing in projects that generate returns higher than the company's cost of capital typically provides more sustainable value than buying back shares.

6. Tax Considerations:

- In some jurisdictions, buybacks are more tax-efficient than dividends, as the capital gains tax rate on the sale of shares might be lower than the income tax rate on dividends. This can make buybacks attractive for shareholders, which might indirectly improve the company's stock price.

Conclusion:

Share buybacks can be a powerful tool to boost EPS, improve financial ratios like ROE, and enhance shareholder value in the short term. However, they should be considered in the context of the company's overall strategy. If buybacks are used to inflate financial metrics without strong underlying business performance, it may not lead to sustained growth. Moreover, overuse of buybacks can deplete the company's cash reserves or increase debt, introducing risks. The key is balancing buybacks with long-term investment strategies and growth plans.

Using AI in our investing (continued)

I've also tried asking questions specific to companies that I'm interested in. But here I get more varied answers.

Here are a couple of samples of what I've found.

- I asked the AI sources for 5-year analyst consensus estimates for a certain company. Two of them only offered one and two year estimates and said that 5-year estimates are more uncertain. Copilot answered ***“Certainly! Here are the 5-year analyst consensus estimates”*** for revenue growth and EPS growth, but they were only 1-year estimates. They all offered 12 month price targets.

- I was researching Monster Beverage and was curious what its market share was for energy drinks compared its main rival, Red Bull. I already had an idea about this but was hoping to zero in a little more. I asked Copilot about this and was given an answer that just didn't sound right. So I asked ***“Are you sure? I read that Monster has about 30% market share while Red Bull has about 40% market share.”*** Copilot answered ***“Oops. You're right.”*** Then it repeated what I just told it.

So these AI sources might not be able to give us answers about specific companies but can still be useful. Their answers contain links to different places on the web where they get their information. Clicking some of these links brought me to websites I didn't know existed. Some of them had lots of information about the company I was asking about. And some of those sites look like they might warrant further investigation.

But at the same time I noticed that some of the sources included information from 2 or 3 years ago, so not exactly current. I also got a blank page on one of the links, looking like the website was discontinued. So, while these examples are by no means any kind of organized or scientific study, I think it's safe to conclude that we maybe shouldn't rely exclusively on answers from these sources for all our investing decisions.

TickerTalk has scheduled for **Thursday, April 10 at 7:30 PM CDT** an AI Insights segment that will delve *“into the evolving landscape of AI chatbots, specifically focusing on their application in stock research. We'll explore commonly used AI platforms and provide practical, actionable prompts that investors can leverage to gain valuable insights and enhance their Stock Selection Guide (SSG) analysis.”* The recording of the webinar should be available on the BI website shortly after the live webinar.

I also asked all three sites ***“Is BetterInvesting a good place to learn about stock investing?”*** They all answered positively and mentioned how BI can be especially helpful to beginners, how BI focuses on long-term fundamental investing, and how learning with others in an investment club is a good way to learn.





Happy Anniversary

Congratulations to these three LAMS Chapter clubs. BetterInvesting awards certificates to clubs when they reach increments of five years as BI clubs. So, all these clubs have been around awhile. Certificates go to:

Years	Club	City
5	Datus Ladies 2020	New Orleans, LA
30	Common Cents Investment Group	Shreveport/Bossier City, LA
40	Calcasieu Investment Club	Lake Charles, LA



St. Martinville Club Marks 30 Years



Teche Valley Investment Club. Left to right: Mike Formeller, David Sonnier, Brian Friend (on the phone), Mark Berard, Reece Frederick, Cal Guirard, Dallas Sonnier

Congratulations to the Teche Valley Investment Club. 2024 marked 30 years of consistent investments. I had a great time attending their meeting to present them with their 30-year certificate. The meeting was filled with lots of laughter and ribbing. Comradery and friendship is one of the great benefits of an investment club.

The club is still going strong. It has weathered multiple hurricanes over the years but has stayed the course. Even though the founders of the club have stepped back, the club continues to thrive. They have added new and younger members to the club that says they are still looking to the future.

They meet once a month and discuss investment opportunities. It was fun to hear them process the energy landscape of today to see if there were any stocks they wanted to put money in.

Carry on
Dennis Malcolm



LAMS Model Club

At a recent LAMS Directors meeting one of our directors who is in the LAMS Model Investment Club and also in two other clubs was bragging about the returns his other clubs got on some of the stocks that were presented at LAMS Club meetings. Our members take turns presenting stock ideas to the Club, complete with SSGs.

We try to present one or two companies at each meeting. Any one of these might be a good fit for your or your club's portfolio. Guests are welcome to all our Club meetings to watch and learn, and also to ask questions. Guests do not have to be BI members, which allow opportunities for anyone interested to see how a BetterInvesting club operates. We try to use BI practices to demonstrate a BI club's operations.

All monthly meetings are held online using GoToWebinar. **Visitors have the opportunity to gain limited access to the Club's myI CLUB website where they can look more closely into the Club's portfolio and returns.** Existing clubs and club members might go away with an idea or two to use in their own clubs. We strive to invest in good quality growth companies bought at the right price.

Meetings are held on the first Monday of the month (second Monday if there is a holiday conflict) at 7:30 PM. Our next meeting dates are April 7, May 5 and June 2.

You're also invited to forward the contact information to your club members and friends who might be interested in learning about investment clubs or investing the BI way. BetterInvesting members and non-members are welcome.

We use GoToWebinar for meetings. To attend please register ahead of time at:

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

You can also dial in using your phone: **1 (646) 749-3131**.

Enter Access Code: **944-996-925**.

If you'd like more information about the Model Club or about attending a meeting you can contact Eric Resweber at

contact@lams.betterinvesting.net



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 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.