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TickerTalk

Thursday, March 28, 2019
8:30 PM ET • Free

Investing education in bite-size pieces is offered at every TickerTalk session to help you become a successful investor. Topics include **Five in Five** (stock ideas). This month's panelists are Ken Kavula, director, BetterInvesting Mid-Michigan Chapter, and Ann Cuneaz, senior manager of education programs, BetterInvesting.

StockUp

Wednesday, April 3, 2019
8:30 PM ET • Free
Dissecting Pretax Profit Margin

Understanding pretax profit margin (pretax profit/sales) is necessary for evaluating whether management performs in the best interests of shareholders when a company is experiencing financial difficulties. In this session, the relationship of sales and expenses to pretax profit margin is investigated in light of a company's ability to make money. Attendees will come away from the webinar being able to recognize developing problems in pretax profit margin, an important financial ratio in the Evaluate Management Section of the Stock Selection Guide. Examples of two well-known companies experiencing difficulty in controlling expenses will be presented and contrasted with a positive example of a company improving pretax profit margin. John Diercks, Central Pennsylvania Chapter director, presents this session. John has taught many classes at the local, regional and national levels. John's also member of two investment clubs.

StockUp

Wednesday, May 1, 2019
8:30 PM ET • Free
Research Starter Kit

Good research is essential to making profitable investment decisions. In this session, Marion Michel highlights some common sources of research and what to look for in the reports. Marion's a director and popular instructor with the Silicon Valley Chapter and is currently serving as chapter president.

How We Invest — Your Path to Better Investing

OnDemand • Free

Presented by Dennis Genord of the home office. Investing is fun and rewarding, but it should be done standing on a solid financial foundation. Learn how the BetterInvesting stock selection process and the BetterInvesting Stock Selection Guide will help you make informed and profitable investing decisions. The common-sense stock selection process used by BetterInvesting members for 65 years is demonstrated.

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BetterInvesting's YouTube channel includes videos of tools tutorials and other public webinar recordings where they can be easily viewed by those in the BetterInvesting community as well as by those who simply want to learn more about our Stock Selection Guide methodology and products.

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New Regulations Might Seem Like Looney Tunes, but Investors Need to Study the Consequences

Legislative Risk and Reward

When movie studio mogul Louis B. Mayer received a lump sum payment upon his retirement, he hired a lobbyist to persuade a congressman to insert a clause into the Revenue Act of 1951. The clause exempted exactly two people in the United States from paying the 91 percent rate on this type of income, which was considered deferred salary, according to the Foundation for Economic Education: Mayer and an associate who also received a lump sum.

Not all such legislation hits the target so squarely. Politicians often are unclear on the complete consequences of the legislation they write. In recent years BetterInvesting worked with state government employees to ensure investment clubs weren't hit with new taxes meant for other types of partnerships.

But companies often can anticipate at least some of the consequences of new regulations and tax policy, and they tailor their business to take full advantage of them. Tesla, for example, benefited from a federal tax credit for buyers of electric cars created by the Bush administration's 2008 Energy Improvement and Extension Act. The company's marketing often included information about the incentive; its website has information about the federal credit as well as state incentives offering their own incentives for vehicles that meet certain environmental standards.

The federal credit wasn't meant to last forever, however, and in 2018 the company said it met the threshold of 200,000 U.S. deliveries that would be eligible for the full $7,500 credit. As of Jan. 1, buyers would receive a $3,750 tax credit, with the credit expiring completely over the next year.

We can have vigorous debates on the degree to which the government should pick winners and losers in the consumer marketplace, but the combined federal and state incentives undoubtedly can have significant effects on demand. Tesla, in fact, in January cut the prices on all its models by $2,000; the company clearly believes that potential buyers are sensitive to the loss of half the tax credit and that it needed to stimulate demand.

Investors should take new government regulations and incentives into account when determining the investment potential of a company. Also keep in mind that, as the saying goes, "Things change."

New administrations can come into office with different priorities and overturn previous incentives. The need to generate revenue to sustain activities can take the government down many roads, and investors need to be vigilant about which ones are taken.

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Performance Parameter	At 1/31/2019	5-Year Change Annualized
BetterInvesting 100 Index (BIXX)	344.61	9.1%
BetterInvesting 100 Index (BIXR — Total Return)	463.60	10.8
S&P 500 Equal-Weight Index (Total Return)	7,213.27	9.8
Vanguard Total Stock Market (CRSP U.S. Total Market) (Total Return)	67.41	10.3
Dow Jones Industrial Average (DJIA) (Total Return)	24,999.67	12.4
S&P MidCap 400 Index (Total Return)	1,835.39	8.6
Russell 2000 (Small-Cap Index) (Total Return)	1,499.42	7.1
Nasdaq Composite (Total Return)	7,281.74	13.4
MSCI EAFE (Europe, Australasia, Far East) Index	1,831.10	(0.1)
MSCI Emerging Markets Index	1,049.93	2.3
Value Line Arithmetic Composite	5,947.29	7.1
Consumer Price Index (December)	251.23	1.5

Sources: Yahoo! Finance, Value Line, Bureau of Labor Statistics, Morgan Stanley Capital International, Standard & Poor's, Solactive, Marketwatch

Most Active List

Here are the companies attracting the interest of the BetterInvesting community, according to about 5,400 transactions by users of myICLUB.com club accounting for the trailing eight weeks ended Feb. 4.

Company (Ticker)	Buys-Sells
1. Apple (AAPL)	109-65
2. Amazon (AMZN)	88-31
3. Visa (V)	58-24
4. Nvidia (NVDA)	46-36
5. Disney (DIS)	16-50
6. Facebook (FB)	24-61
7. Microsoft (MSFT)	47-16
8. Skyworks Solutions (SWKS)	32-31
9. Netflix (NFLX)	27-33
10. General Electric (GE)	19-41
11. Google (GOOG/GOOGL)	30-21
12. Home Depot (HD)	35-13

This list is presented as a source of stock study ideas. No investment recommendation is intended.

Our thanks to ICLUBcentral for this information.

We maintain a Most Active List at the website's homepage. Please submit investment transactions online at:
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Most Active List: Bubbling Under

Nos. 13-40 With Buy-Sell Ratio Over 2:1
Transactions for trailing eight weeks ended Feb. 4.

Company	Ticker	Buys	Sells	Total
Canopy Growth	CGC	38	6	44
FedEx	FDX	33	11	44
Berkshire Hathaway	BRK.B	32	12	44
Air Lease	AL	29	13	42
Verizon	VZ	27	12	39
AT&T	T	27	11	38
Boeing	BA	28	8	36
UnitedHealth Group	UNH	25	11	36
Constellation Brands	STZ	27	7	34
Altria	MO	23	9	32
PayPal	PYPL	23	8	31
Intel	INTC	21	6	27
Walmart	WMT	16	8	24
Fastenal	FAST	18	4	22
Adobe	ADBE	16	4	20
Salesforce	CRM	16	4	20
JPMorgan Chase	JPM	14	5	19
Five Below	FIVE	11	3	14
Medtronic	MDT	10	4	14
Waste Management	WM	12	1	13
Chevron	CVX	9	4	13
Aurora Cannabis	ACB	10	2	12
NextEra Energy	NEE	10	2	12
IBM	IBM	8	4	12
Advanced Micro	AMD	9	2	11
BP	BP	8	3	11
Dollar General	DG	9	1	10
Veeva Systems	VEEV	9	1	10

Source: myICLUB.com

The subject of a StockUp session scheduled for March 6, Veeva Systems, just made it on this issue's Bubbling Under list, with nine buys and one sell for the eight weeks ended Feb. 4 among subscribers to myICLUB.com. Veeva, which provides cloud-based applications that help life sciences companies manage customer relationships, content and data, is a small, high-growth company — the type of company of interest to many BetterInvesting members.

Indeed, users of BetterInvesting's online tools completed 160 studies of Veeva for the 90 days ended Feb. 11. The long-term sales growth forecast averaged 19.9 percent, while the consensus earnings growth estimate was 17.4 percent. By comparison, Wall Street was expecting two-year sales growth of 22.7 percent and long-term earnings growth of 15.6 percent

The main issue for Veeva seems to be the price-earnings ratio. The five-year average is over 100, and the current P/E in February was 93.7. *(Stocks are mentioned only for educational purposes; no investment recommendations are intended.)*

Most Retirees Stay Put, but Finding a New Home May Save You Money

Retirement Relocation

by Natasha Gural

Retirement offers freedom from the daily grind. No more showing up for work at the same time, which makes where you spend your golden years that much more important in terms of quality of life. It's essential to think about what you'd like to do during your work-free years and where you can live to get the biggest bang for your nest egg buck.

Two in five (40 percent) of older workers and their spouses will be downwardly mobile in retirement,according to a recent report by the Schwartz Center for Economic Policy Analysis, an economic policy research think tank within the department of economics at the New School for Social Research in New York.

If workers aged 50 to 60 retire at age 62, 8.5 million people are forecast to sink below double the federal poverty level, with retirement incomes of less than $23,340 for singles and $31,260 for couples, SCEPA found. About 2.6 million of 8.5 downwardly mobile workers and their spouses will be left yearly with $11,670 for an individual and $15,730 for a two-person household, the center said.

Despite planning for retirement with a long-term savingsroad map, many at retirement age might find that their current location won't offer the standard of living they seek. Finding a frugal yet flourishing place to move to is an extensive project that involves deep research and careful consideration.

A mere 1.6 percent of retirees between the ages of 55 and 65 moved across state lines, based on analysis of 2010 U.S. Census Bureau data by Richard W. Johnson, director of the Urban Institute's Program on Retirement Policy, comprising nearly 500 social scientists, economists, communicators, mathematicians, demographers and data scientists. Most retirees stayed put or made in-state moves. Between 1992 and 2004, 30 percent of homeowners born between 1931 and 1941 moved at least once, based on a 2009 study for the Center for Retirement Research at Boston College. But the vast majority only relocated within some 20 miles of home.

It's unsurprising that so many don't move considering the daunting factors to weigh, especially after decades of living in the same place. Besides obvious factors such as your family situation, housing affordability, desirability of location in terms of future value for inheritance, retiree taxes and access to reliable and high-quality health care, you need to think hard about what makes you happy. Recent tax reforms further complicate the decision.

Finding the best destination for your needs involves the same level of research and scrutiny as evaluating companies' historical earnings and potential for future growth. But it isn't as simple as scouring balance sheets and public filings. The real estate market's far less efficient than the stock market.

Consider what it means to live "comfortably." Let's assume it means having enough liquidity to cover your living expenses and nonessentials, while putting away money for the future. You can adopt the basic 50/20/30 budget rule, spending 50 percent on necessities and 30 percent on luxuries, while setting aside 20 percent.

Let's also say you live in the District of Columbia, where a comfortable retirement requires a whopping $71,054 a year, according to data from GOBankingRates, a free online personal finance resource. By moving to Mississippi, which boasts the nation's lowest cost of living, you could slash your expenses nearly in half, living comfortably at $37,750 a year and saving $33,304 annually. Barring extreme circumstances, you're more likely to make less of a leap from high to low in terms of cost of living. If you relocate from Michigan, where you can retire comfortably at $49,165 a year, to Arizona, where the same lifestyle costs $43,225 a year, you'll set aside $5,940 annually.

Of course, there are wild fluctuations within states, so selecting the best city or town for your own needs requires a closer examination. Carefully pore over recent tax reform, which can have a major impact. It's a difficult task but a key metric in your relocation equation. New Hampshire and Tennessee tax only dividend and interest income and New Hampshire offers a $1,200 exemption for taxpayers 65 and older, while Tennessee exempts taxpayers over 65 with annual income of up to $33,000 for single filers and $59,000 for joint filers. Michigan, Illinois, Colorado, Indiana, Massachusetts, North Carolina, Pennsylvania and Utah offer a flat tax.

If you want to say Aloha to Hawaii, it boasts the lowest property tax rate in the nation. At a paltry 0.27 percent, it seems a tempting retirement paradise for those who enjoy sand and surf. But don't pack your scuba gear just yet. It also carries the highest property prices with the median home value of $538,400.

Although moving to a low-tax state can lead to big savings, don't overlook your lifestyle and one-time and recurring costs such as moving and buying or renting a new home. Weigh all options before making a major life change such as switching states, as retirement's a significant transition that can carry an emotional toll. Consider vacationing in places you'll consider for retirement to get a taste for a different way of life.

Due Diligence

Don't Be Ruled by Fear and Greed

Harness Your Emotions to Become a Better Investor

by Thomas D. Saler

Be afraid, be very afraid! Don't miss out, don't miss out!

Those polar opposite reactions to stock market selloffs and rallies reflect the two primal emotions that mistakenly inform many investment decisions. We know those emotions as fear and greed, and as cliched as they might be, they exist in all of us.

As it happens, both emotions are normal and necessary for physical survival; fear works to keep us out of dangerous situations, while greed motivates us to take advantage of fleeting opportunities. Regarding the latter, moviegoers might recall the Gordon Gekko character in "Wall Street" (*see Websites of Interest*), famously expounding on greed's supposed role in elevating the human condition, spoken from the point of view of a corporate raider. In reality, however, greed is "seriously bad for your wealth," according to John Authers, writing in the Financial Times.

But while fear accurately describes what most people experience during episodes of extreme downside volatility, greed's a pejorative term that affixes an unfair connotation to what ordinary investors seek to accomplish. In my experience, people who invest in stocks recognize that doing so won't make them fabulously rich. Like readers of this magazine, most investors simply want to gain the benefits of owning well-managed, fast-growing businesses, a strategy that if done prudently could reasonably be expected over time to grow a diversified portfolio at roughly double the long-term return on bonds and about triple the historical return on cash equivalents.

That isn't greed — that's just smart.

Linguistics aside, however, it's important to recognize the role that emotions play in how we're tempted to invest, if only because that awareness can help us to avoid the "sell low, buy high" dynamic that fear of loss and so-called fear of missing out might cause. Such awareness might be especially important now, given the abrupt return of volatility in October 2018 and the likelihood that it'll continue throughout 2019.

Wired for Emotions

For a deep dive into the neuroscience of emotions and their link to monetary gain and loss, check out Andrew Lo's detailed yet highly accessible research paper on the topic. "Neuroscientists have shown that monetary gain stimulates the same reward circuitry as cocaine — in both cases, dopamine is released into the nucleus accumbens," writes Lo, a professor of finance at the MIT Sloan School of Management. "Similarly, the threat of financial loss apparently activates the same fight-or-flight response as a physical attack, releasing adrenaline and cortisol into the bloodstream, resulting in elevated heart rate, blood pressure and alertness. These reactions are hardwired into human physiology." Pay particular attention to sections 23.2 through 23.4 of Lo's research, which are specific to the neurology of fear and greed.

That those "hardwired" reactions can have negative consequences for investors is made clear in a 2017 paper from Wilmington Trust. Figure 2 of the report documents how mutual fund cash flows are closely correlated to stock prices: In other words, fund investors tend to buy aggressively at market peaks and sell aggressively at market bottoms. On pages 4 through 7, you'll also find a listing of common cognitive biases, along with the "investor impact" of each.

Now That You're In Touch With Your Feelings

So, given that reacting emotionally to market volatility is natural, what to do about it? Simply understanding what you're feeling and where those feelings are originating is a powerful step in neutering their potentially negative effects. But you might also take it a step further. "Be fearful when others are greedy," advised Warren Buffet, "and greedy when others are fearful." Or as financial analyst Peter Leeds put it in the Balance, "Buy the fear, sell the greed." In other words, the best investors ignore their own emotions and exploit the emotions of others. Sounds like fun. Have at it.

Websites of Interest

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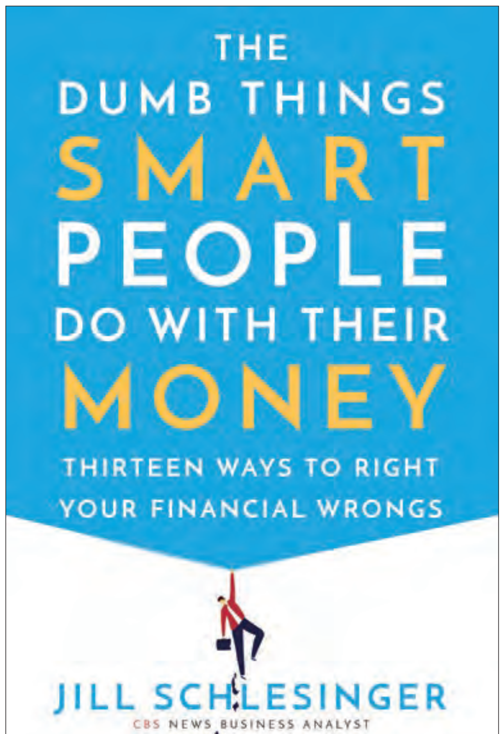
Author Offers Tips on Beating Counterproductive Emotions That Block Financial Success

Clever People, Clueless Money Choices

by Angele McQuade

Emmy-nominated CBS News business analyst and radio/podcast host Jill Schlesinger has seen us at our worst. Whether it's highly educated professionals refusing to buy disability insurance or to diversify their portfolios and then suffering horrific financial consequences when the worst unexpectedly happens, even the best and brightest of us make really stupid moves with our money. It isn't a lack of education that trips us up, Schlesinger says, but our own emotional stumbling points. Luckily for us, she's collected many of these mistakes and blindspots — as well as ways to counter both — in her new book, "The Dumb Things Smart People Do With Their Money: Thirteen Ways to Right Your Financial Wrongs."



"The Dumb Things Smart People Do With Their Money: Thirteen Ways to Right Your Financial Wrongs," *Jill Schlesinger, Ballantine Books (2019), hardcover ($25) and ebook, 256 pages*

Though you may not care to admit it, I'll bet many of these 13 "dumb things" will sound as shockingly familiar to you as they did to me. Browsing through the book feels a bit like watching a financially fraught episode of "This Is Your Life" you'd rather not claim as your own. There's a mistake here for every age, from college loans and career planning to retirement and end-of-life issues. This isn't a personal finance primer, the author warns, but a focused look at the "surprising, even counterintuitive errors that smart people make with their money," as well as guidance on how to either fix them now or avoid them in the future.

What I liked: The book's 13 "dumb things." These quick-and-dirty chapters each focus on one of the author's key mistakes, explaining what it is, how we might fall prey to it and what to do if we're already making it. Whether it's taking financial advice from the wrong people, buying a house when you should rent, failing to protect your identity or indulging too much when you first retire, Schlesinger uses humor and plenty of detailed stories from real people she's worked with to help us face our own harsh truths.

What I loved: Schlesinger's recognition that our emotions are what frequently lead us into trouble. That acknowledgment combined with her thoughts on countering these tendencies and her training and experience as a certified financial planner result in solutions she's already seen work.

What makes "The Dumb Things Smart People Do with Their Money" worth buying: The advice aimed at helping us break through whatever areas of personal resistance we might have so that we can finally make changes where they're most needed. "Two emotions in particular hamstring us when it comes to money: fear, and greed," Schlesinger explains. "We're afraid of losing what we have, and we're eager to have much more." Once you do bust through that resistance and start taking control, the appendix "Thirteen Smart Things Smart People Should Do," will give you even more ideas for where to go next and why.

Read "Dumb Things" if: You already know your financial blindspots or you're so deep in denial you're not ready to even start searching. With Schlesinger's insight and easy-to-apply tools, you'll be on your way to super-smarty-pants status long before you know it.

On the Web

Author Jill Schlesinger, Jill on Money

www.jillonmoney.com

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YouTube: www.youtube.com/c/JillSchlesinger

Angele McQuade is the author of two books, including "Investment Clubs for Dummies." She lives in Richmond, Virginia, where she also writes picture books and novels for children. Find her online at www.angelemcquade.com.

From a Fire to Hurricane, Any Home Can Be Hit by a Disaster

You Need a Financial Emergency Kit

by Gerri Walsh, President, FINRA Foundation and Senior Vice President, Investor Education

It always pays to assemble a financial emergency kit. But first, make your financial kit part of an overall disaster plan. You can get started on the planning process by going to the Department of Homeland Security's Ready.gov website. Second, while you can't guarantee that your kit will survive a disaster, you should keep it in an easily accessible — and easy to remember — location so you can access it quickly during an emergency. If you deplete items from your kit, replace them as soon as possible.

Finally, discuss with your family what you will do if you are separated, such as an agreed upon place to meet and how you will communicate with each other (phone, a shared voicemail or email box, social media, some other means).

Kit Essentials

You can decide how much you want to store in your financial emergency kit — and whether you want to make duplicates of contents and keep them in additional locations — but your kit should include these five items:

- **1. Cash and keys.** Your kit should contain enough ready money to facilitate daily life for a few days. How much is up to you, but think about what you would need to pay for food, lodging and other necessities. Cash is king in most emergencies since you may not be able to access ATMs or other electronic forms of payment. Also pack a set of essential keys (including a spare to a safe deposit box, if you have one). **Tip:** You can put a credit card in your kit for good measure, but don't depend on it.
- **2. Contacts.** Create a list with phone numbers, emails or other contact information that includes family members, as well as key medical, financial and business contacts. All of this can be stored electronically, too (with proper security precautions), but keep a paper copy in your emergency kit as well. **Tip:** Now's the time to check with your bank or credit union to see if they offer disaster assistance, which may include flexible loan payment options, forgiveness of late charges and other services.
- **3. Personal identification.** After a disaster strikes, you may have to confirm your identity to obtain disaster relief services, file insurance claims or get access to your property and financial assets. Keep essential documents that help establish who you and your family are. These include extra originals or copies of passports, driver's licenses, birth and marriage certificates, adoption decrees, Social Security cards and military records. **Tip:** Check your financial account information periodically to ensure that your financial professional will be able to contact you in case of a disaster. If you've notified your broker or adviser of any changes to your name or address, confirm that the correct change has been made to your account by examining the notification your broker will send you within 30 days of the change. Also, some firms may ask whether you would like to designate a secondary or emergency contact for the account whom the firm could contact if it cannot get in touch with you, or has concerns about your whereabouts.
- **4. Paper or electronic copies of important financial records.** A short list of financial documents to put in your kit includes mortgages, property deeds, legal documents such as a power of attorney and insurance policies. Also include recent financial statements for bank accounts, credit cards, brokerage accounts and statements related to investments that might be held outside a brokerage firm (such mutual funds or 529 college savings). If you access accounts or documents online, include a list of password hints. Also pack recent retirement account statements and your most recent tax return. A password-protected flash drive or file might be safer (and lighter) than hard copies — as long as you have a way to access the files. **Tip:** Get information about how to keep your tax records safe from the Internal Revenue Service's helpful resource Prepare for Hurricanes, Natural Disasters by Safeguarding Tax Records.
- **5. An inventory of your valuables and personal belongings.** This will help maximize the benefit from your insurance policies and will expedite the claims process. Assemble a paper, photo or video inventory, or a combination of these, and put it into your emergency kit. Save purchase receipts for major items or appraisals for valuable belongings. For your household items, write down what's in every room. For major items, record make and serial numbers. While you're at it, record the cost. Take closeup pictures of valuables, including details such as serial number tags. You can also videotape your belongings with a narrative description of the relevant information. **Tip:** Understand what your insurance covers and what will be required to make a claim in the event disaster strikes. Your policy may treat disasters differently (for example, flood damage may be handled differently than hurricane or fire damage). Do you have the right insurance to cover what you own? Do you have enough coverage? And if you have completed major modifications to your house or other property, does your present policy cover them?

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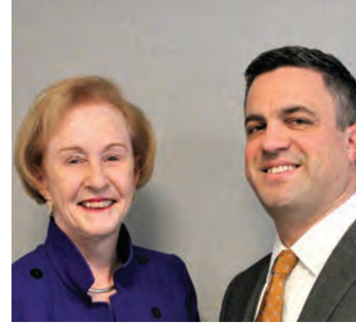
With 30 or 40 Years of Retirement to Finance, You Need to Stash a Significant Sum Away

Your 401(k) Plan and Your Future



by Alexandra Armstrong, CFP, CRPC, and Christopher Rivers, CFP, CRPC

Intellectually we know that it's important to contribute the maximum we can to retirement plans. As science and health care continue to improve, life spans continue to increase, making proper planning and saving crucial. We know that we should save as much as we can and use all the tools at our disposal to provide for what may be a 30- or 40-year retirement!

As we navigate through our careers, however, more immediate financial goals such as the purchase of a home, educating our children or starting a business get in the way. We realize with the demands of day-to-day financial needs, it can be hard to set money aside for tomorrow. In previous generations, most workers were covered by employer-sponsored pension plans. Today, according to Bureau of Labor 2018 statistics, only 13 percent of retirees are eligible to receive a pension, down from 80 percent in the mid-1980s. Even if you're eligible, few people stay long enough with a company to qualify for a pension.

Instead of pensions provided by our employer, it's up to us to contribute to an employer- sponsored retirement plan, typically a 401(k) or 403(b) plan. In this article we focus on 401(k) plans, but the concepts generally apply to both types of plan. Unfortunately, according to a recent study by Fidelity Investments, only 9 percent saved the maximum possible to their retirement plans in 2017, based on a study of 15.3 million plan participants. In this article, we review the basics of saving for retirement and try to motivate you to contribute the maximum you can!

Benefits of a Traditional 401(k) Plan

The amount you can contribute to a traditional 401(k) plan increased in 2019. You can contribute as much as 100 percent of your salary up to the limits shown below. These limits are adjusted periodically for inflation. (*See top graphic on next page.*) The amount you contribute to a traditional 401(k) plan is excluded from current federal and state taxation, which means Uncle Sam actually helps you save for retirement. The tax savings makes the traditional 401(k) option particularly attractive to those in higher tax brackets. For instance, if you contribute $100 a month for a total of $1,200 annually and are in the 22 percent federal tax bracket, your out-of-pocket cost would really be $78 a month, or $936 annually. If you were in the 32 percent tax bracket, your federal tax savings would be $384, and your out-of-pocket cost just $816. In addition to federal tax savings, if you live in a state that taxes your income, you'd save on state taxes as well. In addition to the tax savings, the dividend income and growth generated by your retirement account investments are sheltered from current taxes. This means your money grows faster than if it were taxed. When you reach retirement, the money that you withdraw from a traditional 401(k) is taxed at your ordinary income rate, similar to a paycheck. You can have taxes withheld from the distributions or you may satisfy your tax obligation through quarterly estimated tax payments to the Internal Revenue Service.

The Roth 401(k) Option

Today many 401(k) plans are now providing a Roth option as well. This option essentially reverses the tax structure of the traditional 401(k). With a Roth 401(k) you contribute money after it's been taxed at your current rate. These contributions don't reduce your current year taxes in any way but similar to a traditional 401(k), the money in the plan grows tax-free. But in retirement, any and all withdrawals from a Roth 401(k) are completely tax-free. Thus, the decision to choose a traditional or Roth 401(k) often comes down to a decision to pay taxes now or later. People early in their careers, who expect to have higher income in the future, may benefit from choosing the Roth option and paying taxes now at a relatively low rate. Having said that, one attractive feature of the Roth 401(k) is that unlike a Roth IRA, there's no income limit. Although contributing to a Roth IRA is only available to those with modified adjusted gross income less than $137,000 (or joint filers below $203,000), Roth 401(k) options have no income limits. Thus, they can be attractive for high earners otherwise prevented from making Roth contributions.

Start Early

There's a real advantage to starting contributing to your retirement plan as early as you can because of the advantage of compounding. Take the case of two investors: Lisa, who starts saving at age 25 by contributing $150 per biweekly paycheck to her plan, and Steve, who waits until age 40 but contributes twice as much — $300 per paycheck — to try to catch up. For this example we assumed a conservative return of 5 percent per year. (*See bottom graphic on next page.*)

Under this scenario, by age 65 Lisa will have contributed $144,000 to her account and the account will have grown to roughly $460,000. Steve, meanwhile, will have contributed $180,000 to his account by age 65 but would end up with a balance of $359,000. Thanks to the power of compounding, Lisa was able to contribute less than Steve and retire with a larger nest egg because her money had an additional 15 years to grow, thus proving the adage that money can't buy time.

Your Employer's Match

The majority of employers match a portion of your contributions to the plan. For instance, an employer might contribute 50 cents for every $1 you put in a retirement plan, up to 6 percent of your salary. If your employer matches, it's important to contribute at least enough to get the maximum employer match. The money your employer contributes is tracked separately and typically becomes yours to keep over a schedule, called a vesting schedule. Although some matching contributions vest immediately, it's more common for an employer to use a vesting schedule that results in matching contributions becoming fully vested over a period of two to six years. When you're fully vested, you can take all matching contributions plus their earnings with you, should you change jobs. Note that you're always 100 percent vested in your own contributions plus their earnings.

Increase Your Contributions

When you first start working, it can be difficult to contribute the maximum you're allowed to contribute, or even the maximum that the company matches. As time progresses and your compensation increases, it's crucial that you build in the habit of increasing your 401(k) contributions. When you receive a raise or a bonus, designate a portion toward increased retirement plan contributions. In the past, plans typically allowed you to change the amount you can contribute only twice per year, but modern payroll systems typically allow you to make changes throughout the year. In fact, some now allow you to set an automatic increase (say, 5 percent) each year. If that feature isn't available, set a reminder on your calendar or phone to increase you contribution at least once per year.

Maximum 401(k) Contributions by Age

	Under Age 50	Over Age 50
Maximum Contribution	$19,000	$25,000

Growth in 401(k) Contributions

	Lisa	Steve
Starts contributing at age	25	40
Biweekly contribution	$150	$300
Total contributions by age 65	$144,000	$180,000
Balance at age 65	$460,000	$359,000

Assumes annual growth rate of 5 percent. This is a hypothetical example and is for illustrative purposes only. No specific investments were used in this example. Actual results will vary. Past performance doesn't guarantee future results.

Investing Your Contributions

Your employer works with an investment adviser to design a menu of investment choices for the plan, and you choose from among them to determine how you want your money invested. Your choice should be based on your time horizon, tolerance for risk and overall financial situation. Your plan will have an online portal that will allow you to track your growth, monitor your investments and make changes to the way your money's allocated.

Your plan provider should also provide you with ongoing investment education. Typically, the financial adviser who helps the employer select investments for the plan comes in periodically to talk to the staff about the various options and answer questions. Typically, the plan's adviser is available to consult with you individually. This education component is built into the plan's costs, so don't hesitate to take advantage of this opportunity.

Conclusion

The shift away from corporate pension plans combined with ever-increasing longevity makes retirement saving in the 21st century a necessity rather than a choice. If you start now, maximize your contributions and take advantage of the tools available, you'll help make your retirement years your "golden years" — not your "nickel-dime years"!

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Health Savings Accounts Have Features Similar to IRAs and 401(k)s

Using HSAs to Help Fund Retirement

by Matt Mondoux, CFA, CFP, CMT, Blue Chip Partners

When it comes to saving for retirement, health savings accounts are not usually top of mind. HSAs are often lauded for the near-term tax benefits provided for qualified medical expenses; however, don't overlook their longer-term benefits. Given that health care-related costs are expected to continue rising, HSA features provide investors a way to plan not only for health care today, but also for retirement.

HSAs are available to individuals and their families whose health insurance is covered by a high-deductible health plan. Based on either self-only or family coverage, the IRS defines the minimum and maximum annual deductible for a health plan to be considered eligible for an HSA. Distributions taken from an HSA to pay for qualifying medical expenses are generally tax-exempt.

In 2019, the HSA contribution limits are $3,500 for self-only coverage and $7,000 for family coverage. Those over the age of 55 are entitled to a catch-up contribution of an additional $1,000. These tax-deferred contributions can be made in addition to tax-deferred retirement savings in IRAs and 401(k)s. *(The contribution limits are for employee and employer contributions combined.)*

> "In 2019, the HSA contribution limits are $3,500 for self-only coverage and $7,000 for family coverage. Individuals over 55 are entitled to an additional $1,000."

How HSAs Resemble Other Retirement Accounts

HSA accounts share three primary similarities with more traditional retirement accounts such as 401(k)s and IRAs:

- **1. HSA account contributions** are tax-deferred.
- **2. Market (appreciation)**, dividends and interest income from investments are tax-exempt.
- **3. The account balance** can be rolled over year to year. This feature distinguishes HSA accounts from flexible spending accounts.

You can invest the savings in your HSA similarly to the way you do in other retirement savings vehicles. Most HSAs, like 401(k)s, provide a menu of investment choices such as mutual funds.

Using the Funds for Health Care When You're Retired

Paying for medical expenses out of pocket (i.e., not taking qualified distributions from your HSA) is another way of maximizing the funds available for health care expenses later in retirement. But it's important to save the receipts of unreimbursed medical expenses. You can make a qualified distribution from your HSA at a future date if you meet three conditions:

- **1. You were covered** by an HSA in the year the expense was incurred.
- **2. You didn't take the expense** as an itemized deduction in that year.
- **3. The expense wasn't previously paid** or reimbursed from another source.

The real power comes from having a large source of funds for health care related-expenses when cash flow from employment has stopped and health care is a larger part of the budget. Unlike distributions from IRAs, which are taxed at ordinary income rates after age 59½, distributions from an HSA account for qualified medical expenses are tax-exempt. Funds in HSAs are even eligible to be used to make Medicare premium payments. The potential tax savings can be significant, as fewer withdrawals from IRAs are needed to fund medical expenses.

Once you turn 65, you'll have additional flexibility in distribution options, if you deem that the funds won't be needed for medical expenses. At that point you'll be eligible to take distributions without penalty. If distributions aren't for a qualified medical expense, however, you'll owe ordinary income tax.

Please refer to the IRS.gov website for Internal Revenue Service guidelines related to HSAs. The IRS updates and publishes the most recent guidelines for HSAs as they relate to HDHP deductibles, the maximum annual HSA contributions, withdrawal rules and much more that's useful.

Websites of Interest

IRS.gov on Health Savings Accounts
https://bit.ly/2BH1WY3

Close-Knit Smaller Club's an Offshoot of a Bigger One

Minnesota Ladies, Tasked With Investing

by Daniel J. Boyle, CFA

As part of writing "Repair Shop," I get the pleasure of interviewing club members. Recently I had a great discussion with Becky Alvero and Mindy Pell of the Ladies Investment Taskforce Limited of Jackson, Minnesota.

The club was founded in 2005 when 10 members of another investment club, Broads Investment Group, decided to split off. The acronym for the Ladies Investment Taskforce Limited, LITL, was a play on words to contrast with Broads Investment Group, or BIG. Membership hasn't changed since its founding, as group members are close and hard working with every member contributing, both following and nominating stocks.

The club meets monthly in the president's house. Each member contributes $25 per meeting and the agenda's typical. The portfolio usually contains 20 stocks; each member follows two stocks on a two-year cycle. LITL club members would like some advice on the timing of buying and selling stocks and where to find good quality small-stock candidates.

A Taste for Apple

On the question of buying and selling stocks, it all starts at the portfolio level with a target number of positions. Most clubs can expect members to actively follow two or three holdings each. Therefore, I think a good rule of thumb is two per member. This implies 20 stocks for the LITL portfolio, about what they have today.

Arriving at the number of positions in the portfolio also dictates a typical position size, in this case 5 percent (100 percent/20 stocks). A position-size target helps with diversification, as it brings some discipline into the buying and selling process by comparing trading actions against this target weight. For example, I've seen a lot of club portfolios with an outsized weight of **Apple (ticker: AAPL)**, and LITL is no exception: Apple is the No. 1 holding with a 10 percent weight.

This outsized weight really helped club returns in the past when Apple shares were outperforming the market. Unfortunately, the same holds true on the downside, as

Ladies Investment Taskforce Limited

Company	Ticker	No. shares	Cost	Jan. 9, 2019 Price	Jan. 9, 2019 Value	Gain/ (loss)	%Gain/ (loss)	Quality rating*	% Growth estimate**	% of portfolio	2018 P/E	2018 EPS
AbbVie	ABBV	25	$ 2,486	$ 87.81	$ 2,195	$ (291)	(11.7)	1	15	3.2	11	$ 7.95
Apple	AAPL	45	6,374	153.31	6.899	525	8.2	1	13	10.2	12	12.63
Archer Daniels Midland	ADM	50	1,062	43.07	2,154	1,092	102.8	1	9	3.2	12	3.55
Bank of America	BAC	150	2,410	25.76	3,864	1,454	60.3	2	13	5.7	10	2.56
Berkshire Hathaway (Class B)	BRK.B	25	2,624	196.37	4,909	2,286	87.1	1	6	7.2	20	9.95
CSX	CSX	50	1,118	63.98	3,199	2,081	186.0	2	14	4.7	17	3.84
eBay	EBAY	75	1,182	30.29	2,272	1,090	92.2	2	13	3.3	11	2.65
Fastenal	FAST	100	4,039	53.89	5,389	1,350	33.4	1	12	7.9	20	2.64
FedEx	FDX	10	2,325	170.59	1,706	(619)	(26.6)	1	10	2.5	10	17.12
Gilead Sciences	GILD	25	2,293	67.94	1,699	(594)	(25.9)	1	(5)	2.5	12	5.75
Home Depot	HD	20	3,966	179.73	3,595	(371)	(9.4)	1	13	5.3	18	9.80
Hormel Foods	HRL	25	846	42.65	1,066	220	26.0	1	10	1.6	24	1.78
IntriCon	IIN	50	2,548	27.45	1,373	(1,175)	(46.1)	3	25	2.0	38	0.72
LKQ	LKQ	125	2,847	25.78	3,223	376	13.2	2	12	4.7	12	2.22
PayPal Holdings	PYPL	50	868	89.55	4,478	3,609	415.8	1	20	6.6	54	1.65
Sirius XM Holdings	SIRI	600	1,944	6.06	3,636	1,692	87.0	3	24	5.4	24	0.25
Starbucks	SBUX	20	1,016	63.88	1,278	261	25.7	1	12	1.9	26	2.42
Target	TGT	35	1,678	70.29	2,460	782	46.6	1	8	3.6	13	5.39
Thermo Fisher Scientific	TMO	10	2,413	236.39	2,364	(49)	(2.0)	1	10	3.5	35	6.85
Universal Health Services	UHS	40	4,361	124.31	4,972	612	14.0	2	11	7.3	14	9.10
Cash			5,215		5,215					7.7		
Average									12		20	
TOTAL			**$53,614**		**$67,943**	**$14,329**	**26.7**			**100**		

* Based largely on rankings published by Value Line.

** As estimated by the author, with data from Thomson Reuters.

Note: Numbers in the table have been rounded.

recent weakness amplifies losses. Examining each stock's weight on an ongoing basis helps diversification by forcing members to articulate why one stock's at a higher weight or another's at a lower one. If there isn't anything particularly compelling about a stock's potential, it doesn't deserve a weight that's greater than average. This information helps guide trading decisions, either buying up to weight or selling down to weight.

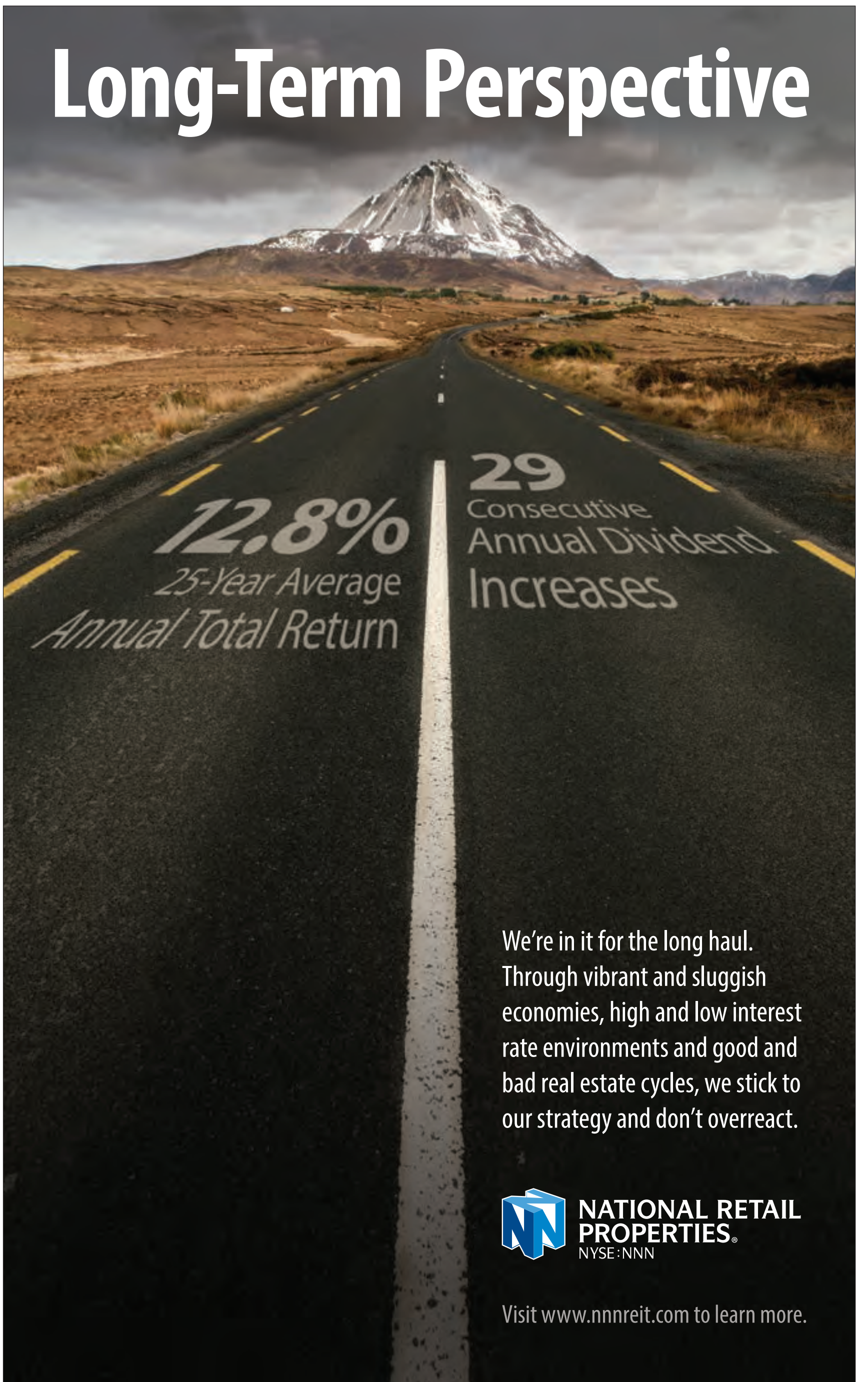
Clubs usually don't struggle to find new candidates to buy, as there's a certain excitement to unearthing a new stock idea. But clubs — and all investors! — struggle to sell because it's generally easier to let familiarity rule the day in the face of bad news. Therefore, I like to advocate that clubs maintain a separate list of new stock ideas, a watch list to challenge existing holdings. The analogy I use is from baseball, where owners want to win and field a roster of 25 of their best players for their major league team; this is a club's portfolio.

Baseball owners also maintain a farm system of younger, eager players who compete for spots with the big-league team; this is your watch list. By maintaining a watch list, the club can constantly challenge existing portfolio holdings, making them earn their keep or be replaced. Having a superior idea makes it easier to sell stagnant or underperforming holdings.

To implement a watch list, I'd recommend LITL have each member come up with one new stock idea she routinely follows. The club can schedule new stock ideas from different members for different months of the year and the club can help them decide whether they're worthy for purchase, should still be followed or dropped for new ideas.

Another technique is a summary sheet of metrics to quantitatively compare stocks with each other at the portfolio level. "Repair Shop" publishes this type of analysis with a club's portfolio, but there are software offerings from BetterInvesting and other sources that provide similar analysis. What I like about this one-page sheet is how it summarizes the stock's main attributes of BetterInvesting principles: Build your portfolio with growth companies (as summarized by the % Growth Estimate column) at a reasonable price (2018 P/E column). It highlights diversification of each holding (the % of Portfolio column).

This summary allows members to debate how attractive holdings are against each other and, if the same analysis is extended to the watch list, against new prospects. This leads to buy and sell decisions. I'd recommend the club assign a member to update this column's portfolio metric page periodically and a summary page for watch list candidates, with both available for meetings.



To find small-company candidates, there are screening tools available including ICLUBcentral's MyStockProspector.com, Yahoo! Finance's Stock Screener and Financial Visualizations (www.finviz.com), to name a few. I'd look for companies that have a market capitalization of less than $1 billion, expected earnings growth of at least 10 percent per year and a current price-earning ratio of 35 or less. Happy hunting!

Ladies Investment Taskforce Limited of Jackson, Minnesota. Front row, from left: Holly Nasby, Carol Carlson, JoAnn Asa and JoAnn Flatgard. Back row: Karen Ommen, Lynne Anderson, Becky Alvero, Mindy Pell, Peggy Edlin and Mary Voda, president.

Amazon, eBay, Home Depot, LKQ, Starbucks, Target

The portfolio's leading sector is consumer discretionary, with five stocks making up 19 percent of value.

Although not putting down the blistering sales and earnings growth of **Amazon (AMZN)**, **eBay (EBAY)** is performing well. Top-line growth is driven by mid-single-digit expansion of gross merchandise volume, a measure of the value of products sold through its fixed-price and auction formats. Revenue from ticket merchant StubHub and classified advertising is growing in the high single digits. The company's working on new payment options that should lead to profitable fee revenue.

Operating expense leverage and share repurchases should support lower-double-digit earnings growth, with analysts forecasting 13 percent annually. A 2018 P/E ratio of 11 is inexpensive. The club might want to add to the 3 percent weight.

Home Depot (HD) has been riding the strength of the housing market for several years. Per the Stock Selection Guide, the company's enjoyed 22 percent annual earnings per share growth on just a 5 percent annual sales increase over the past 10 years.

Analysts expect the good times to keep rolling, projecting annual earnings growth of 13 percent. This level of earnings growth is possible, but I question how Home Depot can keep increasing operating margins, as much of the sales gain comes from comparable-store sales growth versus new store openings.

Assuming HD can deliver analysts' expected earnings growth, the stock carries an attractive PEG ratio of 1.4 (a P/E of 18 divided by annual EPS growth estimate of 13 percent). That's within the 1.0-1.5 range I like to see for a growth stock.

Shares of **LKQ (LKQ)** have struggled over the past year as the auto replacement parts company has endured trade concerns regarding components sourced in China and higher operating costs for freight, fuel and wages. The company generates low-single-digit organic growth it supplements with acquisitions. Shares seem to price in trade risks, though: The P/E ratio is just 12 for expected annual earnings growth of 12 percent. I'd exercise some patience with the shares if the business continues to make progress.

I've reviewed **Starbucks (SBUX)** in many portfolios, as it's been a steady, consistent growth stock. The law of large numbers is getting to the chain, as same-store sales in the U.S. are stagnating from store saturation and competition from **Dunkin' Brands Group (DNKN)** and **McDonald's (MCD)**.

China represents the best opportunity for sustained growth, but local coffee chains are competing hard. I've seen Starbucks pick itself up after past slow-growth periods, so I'm not quite ready to throw in the towel. A PEG ratio of 2.2 (P/E of 26 divided by 12 percent estimated annual EPS growth) is more expensive than I like for a company with slowing growth.

Target (TGT) competes in the brutally competitive department store space against the brick-and-mortar retailer **Walmart (WMT)** and online retailer Amazon. Target has a short-term opportunity to take market share based on what happens to bankrupt **Sears Holding Corporation (SHLDQ)**. The long-run outlook for the chain is mixed given store saturation and the inability to command pricing power.

Analysts are seeing the same difficulties, as EPS is projected to grow only 8 percent a year. This isn't a fast enough growth rate for me to want to hold the stock. I'd recommend the club study **Dollar General (DG)** and **Ulta Beauty (UTLA)** as challengers.

AbbVie, Gilead Sciences, IntriCon, Thermo Fisher Scientific, Universal Health Services

Health care makes up 18 percent of the portfolio across five names. **AbbVie (ABBV)** looks cheap at a P/E of 11 for expected annual EPS growth of 15 percent. The environment for drugmakers is uncertain with trade rules in flux and the continued discussions in Washington, D.C., about the potential need to regulate drug prices. The biggest concern about the stock is the imminent patent expirations in Europe (2019) and the U.S. (2023) for AbbVie's blockbuster drug Humira, which accounted for 62 percent of sales in the third quarter of 2018. Although other drugs in the portfolio are growing, it's hard to see how the company avoids these two expected sharp contractions in sales when Humira goes off-patent. I'd recommend the club study **Supernus Pharmaceuticals (SUPN)**, as a challenger.

Speaking of falling revenues, **Gilead Sciences (GILD)** has been dealing with the precipitous decline of its hepatitis C drugs since sales reached a peak in 2015. The company's suffered both pricing and volume drops for its hepatitis C cure as it deals with competition and reduced patient populations.

The sales decline for these drugs has masked the steady, double-digit increases for the firm's HIV medications, which now make up about two-thirds of sales. 2019 should see sales stabilize, and the company has interesting candidates in its pipeline, including a treatment for rheumatoid arthritis where other drugs have failed. I don't often recommend holding stocks with negative annual EPS expectations, but in this case, I'd give Gilead some time to see a return to growth and its pipeline progression.

IntriCon (IIN) is an interesting medical devices company that focuses on glucose-monitoring equipment for diabetics and value-priced hearing aids. Its largest customer in the glucose monitoring space, **Medtronic (MDT)**, contributes to driving greater than 25 percent sales growth. The company's just now ramping up its affordable hearing aids product line and introducing innovations such as self-fitting and wireless connectivity.

I note the club's large loss on the stock, as shares hit a peak in summer 2018 before tumbling more than half. Some of this drop was caused by the optics from a secondary stock offering that diluted shareholders while allowing management to offload significant shares. Further, the stock looks like it had become way too expensive, reaching a P/E well over 100. Today earnings look set to expand by 25 percent a year and the P/E is a more reasonable 38 when measured against this growth. If shares pull back more, the club might want to add to its 2 percent position.

Over the years **Thermo Fisher Scientific (TMO)** has been consolidating through acquisition products around health care, particularly life sciences, analytical instruments and lab equipment. The largest acquisition, Fisher Scientific International, was completed in late 2016. Growth

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markets include China and India, both making substantial investments in health care.

The firm's P/E of 35 is expensive, but GAAP (generally accepted accounting principles) earnings are strongly influenced by the substantial amortization charges associated with the Fisher acquisition. Non-GAAP 2018 EPS is expected to be about $11 for a more manageable P/E of 21. The firm's so large after so many acquisitions that sales growth is expected only in the mid to upper single digits. This might be a candidate to challenge.

The opioid crisis could well turn out as a positive for **Universal Health Services (UHS)**, which operates surgical hospitals/centers and behavioral health practices. Federal and state funding's been steadily increasing over 2018 and should benefit the firm. A P/E of 14 is inexpensive compared with possible annual EPS growth of 11 percent, but I'd like to see revenue growth tick up from the mid single digits.

The stock has a 7 percent weight in the portfolio. If the firm isn't getting a boost from opioid crisis spending, I'd recommend a trim.

Apple (Revisited), PayPal Holdings

Information technology makes up 17 percent of the portfolio. Given Apple's recent iPhone volume weakness, shares look inexpensive at a P/E of only 12 for expected annual EPS growth of 13 percent. Smartphone competition and further weakness from the Chinese market are concerns. I've seen Apple pick itself up in the past, but I'd recommend the club cut back its 10 percent weight to a normal position.

PayPal Holdings (PYPL) is expanding its offering to mainstream payment platforms, including **American Express (AXP)**, and has a new arrangement for Walmart customers to use the service. Growth's been outstanding, but the stock's P/E of 54 is too expensive. The club might look at **Cognizant Technology Solutions (CTSH)** and **Alphabet (GOOG)** as challengers.

CSX, Fastenal, FedEx

Three stocks from the industrials sector make up 15 percent of the portfolio. Much of the substantial growth in earnings for **CSX (CSX)** has come from the firm's cost-cutting program and a lower corporate tax rate. I'm skeptical of the annual EPS growth expectation of 14 percent, as there isn't much growth in shipping volume. I'd recommend the club watch the progress of CSX's cost-cutting program and look at challengers such as **Gentex (GNTX)** and **KAR Auction Services (KAR)**.

Fastenal (FAST) is growing in the double digits as it expands its industrial vending machines and on-site locations, which both supply inventory as needed but keep that inventory off customers' books. Fastenal's gross margin is under some pressure as it sells more common industrial supplies that carry lower margin than its traditional fasteners.

The stock's expected to generate annual EPS growth of 12 percent for a P/E of 20. Fastenal's a solid performer, but LITL may want to think about trimming its 8 percent weight.

FedEx (FDX) shares took a beating in late 2018 on a weak outlook for the global shipping market. U.S. growth's expected to stay strong, but tariffs are making overseas businesses cautious. A P/E of 10 reflects much of the "bad news," but the expected annual EPS growth of 10 percent isn't stellar. I'd bet the company does better than expected.

Bank of America, Berkshire Hathaway

The financial segment makes up 13 percent of the club's portfolio. **Bank of America (BAC)** ended 2018 on a high note, reporting excellent loan growth coupled with tight expense management.

These efforts should carry the shares for a while, but the SSG reveals that most of the growth in earnings is from margin expansion, not the top line, as it's hard for such a large bank to grow in a fiercely competitive environment. I think the club should keep a bank or two in reserve as a challenger, perhaps researching **Signature Bank (SBNY)**.

Warren Buffett's firm, **Berkshire Hathaway (BRK.B)**, is a popular holding among investment clubs. Shares have turned around this year as its largest holding, insurance, has swung from a loss to a significant profit.

But the company's so large it's hard to see how it'll outperform the market. Analysts seem to agree — expected annual EPS growth is only 6 percent. I think the club should look for better growth.

Archer Daniels Midland, Hormel Foods, Sirius XM Holdings

The last segment, consumer staples, is 10 percent of the portfolio among three names. **Archer Daniels Midland (ADM)** has spent much of the decade shrinking before getting a trade-induced burst in 2018 from additional purchases from China ahead of tariffs. Future expected EPS growth of 9 percent seems on the high side if sales growth again turns negative.

Hormel Foods (HRL) isn't growing its top line much, either, and the food business is highly competitive. Analysts expect annual EPS growth of 10 percent, too low when the P/E for the stock is 24.

Sirius XM (SIRI) has done a nice job diversifying its product offering and cost-cutting. But the purchase of money-losing Pandora will hurt reported results and introduces an element of speculation. The club should research the merger's implications for cost synergies and potential additional sales growth.

Dan Boyle, CFA, is vice president of Provident Investment Management (www.investprovident.com), Novi, Michigan. He's also a member of the magazine's Editorial Advisory and Securities Review Committee and co-author of the Investor Advisory Service newsletter. The author and/or clients of his firm may have positions in some of the stocks mentioned in this article. No investment recommendations are intended.

Club Accounting

REITs, LLCs, MLPs, Commodities Among Holdings That May Give Treasurers a Headache

These Securities Will Cause Tax Problems for Clubs

by Russell Malley, Club Accounting Adviser, ICLUBcentral

Tax season brings an unwelcome reminder that some securities include challenges in ownership for investment clubs. This tax season was no different. I haven't covered these problem securities in a few years so now seems a good time while the pain's fresh in the minds of many treasurers. The problem with the securities I cover isn't that they cannot be good additions to a portfolio. It's the extra accounting work and possible delay in filing a club tax return that gives clubs problems.

Real estate investment trusts or REITs cause problems for clubs due to the extra work for a treasurer. REITs make distributions during the year that are usually called dividends when distributed. In fact these distributions are composed of multiple types of distributions and each type may have different tax consequences.

The composition of the distributions is usually not known until a Form 1099 is received that itemizes each type of distribution. To make matters a bit worse, tax year 2018 saw the introduction of a new type of distribution for REITs, the Section 199A dividend. If your club owns REITs your treasurer needs to edit all dividend distributions after receiving the club's 1099 to get the component parts properly categorized for taxes.

The next type of security that gives clubs problems is the publicly traded partnership (PTP). These can be limited liability companies (LLCs), limited partnerships (LPs) and master limited partnerships (MLPs). The biggest issue for these securities is the Schedule K-1.

As a partner, the club receives a K-1 to report the club's share of the business income. These K-1s must be sent by March 15. While most PTPs will send K-1s much earlier it's possible a club would need to file an extension to file their own tax return because a needed K-1 wasn't received by the deadline to file. These securities also have different rules for assigning cost basis to the investment and determining gains from sales that aren't currently directly supported by the accounting software. Accurate workarounds have been devised but these add work for the treasurer.

Any security that directly holds a commodity as its sole asset is also a problem for clubs. This would include exchange-traded fund shares that hold gold, silver or other metal. Such investments are considered collectibles rather than securities for tax purposes. The capital gains rate for such investments is different than for securities. The biggest issue though may be accounting for expenses. Every time the company sells some of its commodity to cover expenses each shareholder is deemed to have sold a prorated share of the commodity. These expense-covering sales can occur frequently, again giving a treasurer added work.

Royalty trusts are the final problem security to be mentioned. These are pass-through entities with more complex cost-basis rules. A club treasurer should expect more work dealing with these in a club portfolio.

Unless you desire to give your treasurer extra work, complicate your club tax returns and possibly delay filing each year, seriously consider keeping REITs, publicly traded partnerships, commodity ETFs and royalty trusts out of your club portfolio.

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Club Confidential

BetterInvesting's Resources Simplify Investment Education

Cutting Through the Clutter

by Cindy Kelley, Production Coordinator, BetterInvesting

In January my club, WARP, met for the first time since before the winter holidays. January's meeting always feels like coming back to school after a long break. We have only 10 meetings a year and our last meeting of each year is in early December, so there's quite a few weeks between the last meeting of the old year and the first meeting of the new year.

At this first meeting of the year it always feels like we get back down to business in a serious way. We put all our hopes for a successful year out for discussion and get excited about the year ahead. During this meeting we make plans for the coming year, and each year there are certain themes that come back again and again. You know what they are — the usual topics most clubs struggle with: finding new members, rebalancing the portfolio, adding new stocks to the watch list, topics for investing education and so on.

The one issue that plagues us more than ever is understanding the best way to learn and conquer the basics of fundamental investing. As I prepared for WARP's first meeting of the year, I did a quick Google search on "learning to invest." I know what BetterInvesting has to offer, but I was wondering what else is out there for a new investor to discover. What I discovered was, in my opinion, junk.

Thousands upon thousands of internet links can take you to a variety of sites dedicated to helping people understand how to invest, what to invest in, how to look at fundamentals and how to get the data and arrange the numbers, not to mention discussions about qualitative analysis and quantitative analysis. The amount of information is overwhelming. Going through this exercise reinforced the value of a BetterInvesting membership.

BI offers everything you need to analyze stocks and learn about investing all in one place. If you're a beginner to investing or new to our way of looking at stocks, the online CoreSSG tool lets you learn as you go. It's a step-by-step product that teaches you how to look at a company's results and what the historical numbers can tell you about a company's quality and prospects.

If you're a more advanced investor, the SSGPlus is available. This tool provides a way to look at a company more thoroughly, with a wider range of analytics at your disposal.

Other features of the online tools include the Stock Comparison Guide, Member Sentiment, quick links to company research, research notes created by others in the BetterInvesting community, portfolio tools and more.

> **"BetterInvesting also means being part of a community of like-minded investors. Volunteers are ready to provide guidance."**

BetterInvesting also offers a variety of online learning opportunities. The organization's webinars are first-rate with top-notch instructors. Classes, designed so that members can explore topics that explain and expand on BI's proven stock study methodology, are universally praised for being easy to follow and understand; your access to these classes depend on your membership type. In free live monthly webinars open to all members, session leaders are ready to answer questions.

BI membership also means being a part of a community of like-minded investors. There are so many ways to find the help you need. Local volunteers are ready to answer questions and provide guidance; many chapters even offer club visits. It's also easy to find other folks to share ideas with whether it's at model club meetings or other in-person events held by a local chapter or at the annual national convention (*see pp. 44-45*). The community is an invaluable resource where you can put names to faces when discussing investment education, as opposed to the typical websites and blogs operated by folks you don't know and who might not share your investing style.

BetterInvesting may be in the middle of a website redesign, which I'm sure most of you are aware of, but the current site already has lots of useful information. You can find links to First Cut studies, past magazine issues and TickerTalk and StockUp recordings, for example. Other ways to connect include subscribing to our weekly email newsletter (**www.betterinvesting.org/weekly**), following us on Facebook and reading our BetterInvesting Voice blog. So many different ways to connect.

BetterInvesting clearly offers a full set of member benefits and resources for all level of investors. No matter your experience, no matter your style, BI is a fun and friendly place for learning about investing and gaining valuable experience in fundamental stock analysis. Tell everyone you know that if they're looking to make a difference in their financial future, see what BetterInvesting has to offer.

Stock Loses Fizz as Company's Shaken by Legal Controversies

National Beverage Corp.

Shares of National Beverage Corp. (ticker: FIZZ) have gone a bit flat over the past few months. Analysts attributed at least some of the pullback in share price to a string of headline-grabbing regulatory, legal and public relations challenges. They included a string of shareholder lawsuits over the company's claims it makes one of its chief brands with only natural ingredients.

National Beverage distributes a variety of nonalcoholic bottled beverages. LaCroix, one of its strongest brands, is a leading line of sparkling and flavored water products.

Last year's legal pile on raised questions about company advertising claims that only natural flavor essences are used in LaCroix products. Management has defended the brand vigorously, however. In January, for example, it noted that an accredited laboratory had independently tested the products and detected no artificial or synthetic additives.

Sales of the product line aren't believed to have been affected by the controversy. Analysts noted that costs of additional advertising to shore up the brand's image may have caused a short-term dip in profit margins.

In another dispute last June, the U.S. Securities and Exchange Commission pressed the company to publish more detailed information about certain sales measurements National Beverage had mentioned in fiscal 2017 press releases. Management declined the SEC request, arguing the press releases were referring to proprietary information.

Red Pop. In 1987, National Beverage acquired Faygo, a Detroit soft drinks company dating to 1907. Faygo's known for red soda.

Headlines about the various controversies left their mark on the stock. At a recent $83.06, the stock was 34.8 percent below the 52-week high of $127.32 reported on Sept. 6, 2018 (*see table*). Near press time the stock was even lower, closing at $73.60 on Feb. 14.

Members of the Editorial Advisory and Securities Review Committee remarked on the growth prospects of National Beverage, a leader in the market for natural-ingredient drinks. The overall beverage market is growing; Standard & Poor's has cited reports that sales in the U.S. liquid refreshment beverage market stood at about $180.1 billion in 2017. That's up 3.1 percent year over year.

Value-added water was among the strongest categories, with 2017 growth of 11.7 percent. National Beverage's recent experience with its LaCroix brand has paralleled that industry trend.

Committee members noted that competition in the market for sparkling and flavored water is particularly intense. The brand appears to be holding its own, though. They cited reports that LaCroix sales are exceeding those of Pepsi's entries in the market space. Committee members also liked the stock's valuation in the wake of the recent pullback.

National Beverage's trailing-12-month price-earnings ratio recently stood at 23.3 (*see table*). The recent P/E for the S&P 500 index was 21.1. CSIMarket, a financial data service, set the TTM P/E average for the nonalcoholic beverages industry at 70.3. The average P/E was 31 for National Beverage and three competitors, based on figures Yahoo! Finance reported in mid-February.

For its ratio of P/E to projected growth, or PEG, Yahoo! Finance reported a figure of 0.9, based on an average five-year expected earnings growth rate.

Corporate Mixture

The company's range of bottled beverages encompasses sparkling and flavored waters, carbonated soft drinks, juices and energy drinks. It markets primarily to active and health-conscious consumers.

Company founder Nick A. Caporella, 82, remains at the helm, serving as chairman and CEO. He launched National Beverage in 1985. The company first issued publicly traded stock in 1991.

Caporella reportedly started the business as a way to ward off the campaign of famed corporate raider Victor Posner to take over Burnup & Sims; Caporella served as chairman, CEO and president of the cable and telecommunications systems installation company at the time. The trading of shares between Burnup & Sims and National Beverage diluted Posner's ownership stake, thwarting his takeover attempt.

Insiders recently owned 75.2 percent of shares outstanding, according to the August proxy statement. Caporella held a 73.4 percent stake.

National Beverage initially acquired two product lines: Shasta Beverages, acquired from Sara Lee; and Faygo, a regional soft drink producer with historical

National Beverage Corp.	2017 (ended 4/28/18)	2016 (ended 4/29/17)	% change	FY 2018 Q2	FY 2017 Q2	% change	FY 2018 year to date	FY 2017 year to date	% change
Net sales	$975.7 million	$826.9 million	18.0%	$260.7 million	$244.1 million	6.8%	$553.3 million	$504.0 million	9.8%
Net income*	$149.8 million	$107.1 million	39.9%	$41.1 million	$34.0 million	20.9.%	$89.9 million	$72.3 million	24.4%
Diluted EPS*	$3.19	$2.29	39.3%	$0.88	$0.72	22.2%	$1.92	$1.54	24.7%
Declared dividends	****	****	—	—	—	—	—	—	—

Stock exchange	Nasdaq	Value Line long-term earnings growth estimate	14.0%
Ticker symbol	FIZZ	Consensus long-term earnings growth estimate	N.A.
Price at time of selection	$83.84	Consensus EPS growth rate for FY ended April 2019	11.9%
Past year's price range	$70.57 – $127.32	Consensus EPS growth rate for FY ended April 2020	15.1%
Recent market price	$83.06	Recent price-earnings ratio**	23.3x
Market capitalization	$3.9 billion		

* Excluding nonrecurring and special items. **** Special cash dividends of $1.50 were paid in 2017 and 2016.

** The P/E ratio is based on diluted EPS of $3.57 for the four quarters ended Oct. 27, 2018.

Sources: Morningstar, Reuters, Yahoo! Finance, Value Line and company reports

ties to Detroit. National Beverage acquired the LaCroix brand in 1996.

Although Caporella built National Beverage on a base of acquisitions, the company's more recent growth has been strictly organic. Management doesn't break out results by product category, but the Power+ Brands segment clearly is generating the strongest results.

Its product lines comprise LaCroix, LaCroix Curate, LaCroix NiCola and Shasta Sparkling Water; Rip It energy drinks and shots; and Everfresh, Everfresh Premier Varietals and Mr. Pure 100 percent juice and juice-based drinks. In fiscal 2017 (ended April 28, 2018), shipping volumes were up 38.9 percent year over year.

LaCroix is the company's dominant brand. The product line is believed to be the segment's chief growth driver; management doesn't break out results for the brand.

The company's bottled water products deliver higher margins, given that they don't require ingredients such as sugar or corn syrup used in heavily sweetened beverages. Other commodities have produced headwinds for many National Beverage products, however. Higher aluminum prices raised production costs in 2017, for example.

"Industrywide, sales of soft drinks appear to be in secular decline, especially among millennials."

Popping Off?

In contrast to Power+ Brands, Carbonated Soft Drinks has struggled, with shipping volumes in 2017 down 6.2 percent from a year ago.

The segment comprises the company's legacy Faygo and Shasta soft drinks. Contributing to the weak results was management's discontinuation of the company's low-margin private label soda business in third-quarter 2017.

Industrywide, sales of soft drinks appear to be in secular decline. That appears especially so among millennial consumers; they reportedly are displaying a stronger thirst for the health-oriented beverages that are National Beverage mainstays.

Competitors include Coca-Cola (KO), PepsiCo (PEP) and Keurig Dr Pepper (KDP), Morningstar reports.

International Flavor?

National Beverage remains a chiefly domestic business, with additional sales in Canada. The company has a limited presence in international markets. That may be changing soon.

National Beverage distributes products on a limited basis in Mexico and in the countries of Latin America, Europe, the Middle East, Asia and the Pacific Rim. International markets therefore may present long-term growth opportunities. Management has indicated it's considering options to expand overseas distribution.

Management has reported that the company's vertical integration grants it some competitive advantages. For example, it produces practically all the concentrates and other ingredients going into its drinks. Unlike many competitors, the company runs its own production facilities rather than depending on independent third-party bottlers. National Beverage operates 12 bottling plants located near major metropolitan markets.

Committee members reported that the nonalcoholic beverages industry's been undergoing consolidation. They cited speculation that given its solid financial results, National Beverage could become an acquisition target. It's noteworthy that the company carries no debt, they said.

Final Notes

Readers are urged to conduct their own studies of National Beverage using the BetterInvesting methodology. The Stock to Study goal is a doubling in investment value (appreciation plus dividends) within five years. No investment recommendation is intended.

Note that the partially completed Stock Selection Guide available at the BetterInvesting website uses Morningstar data, which employs fiscal-year pricing. Other sources, such as Value Line, offer calendar-year pricing information. The following are Value Line's rounded calendar-year price ranges for the past five years:

- **$13.20 to $21.50 (2013)**
- **$15.40 to $27.30 (2014)**
- **$20.00 to $48.00 (2015)**
- **$32.30 to $64.70 (2016)**
- **$45.40 to $129.80 (2017)**

The company's share count has increased annually throughout the century so far, according to Value Line. The research service projected further increases for 2018 and 2019.

National Beverage has current approval to repurchase up to 1.6 million shares. Of that, the company recently had remaining authorization to buy back 1.1 million shares. The company hasn't repurchased any stock over the past three fiscal years, however.

BetterInvesting hasn't featured National Beverage previously. The company didn't appear in the Top 100 Survey of investor holdings for 2018 (*see p. 39*).

Shares underwent 2-for-1 stock splits in 2004 and 1996. A 4-for-1 split occurred in 1994. A direct-stock purchase plan isn't available.

National Beverage declared a special cash dividend of $2.90 last November. Special dividends of $1.50 were declared in each of the previous two years. The company's issued special dividends in nine of the past 14 years.

More background on National Beverage and its industry, including the Morningstar data sheet, Value Line analyst report and Value Line industry report, can be accessed through the Additional Resources menu in the magazine's section of the website. For more information, contact Investor Relations, National Beverage Corp., 810 SW 10th St., Suite 4000, Fort Lauderdale, FL 33324.

Websites of Interest

National Beverage Corp.
www.nationalbeverage.com

— Reporting by contributing editor Kevin J. Lamiman

The Editorial Advisory and Securities Review Committee met on March 1. The Stock to Study and Undervalued Stock that its members selected were announced shortly afterward. Look for the Stocks to Study box on the right-hand side of the homepage. The link will take you to the announcement at the BetterInvesting Newsroom:
www.betterinvesting.org/Public/MediaCenter/MediaCenter/News+Releases/default.htm

SSG Study Notes

During your analysis of National Beverage, you might consider the following comments and questions for further study:

- **Capitalization section:** National Beverage has no debt, and Value Line has assigned a Financial Strength rating of B++ to the company, above average for the Value Line coverage universe. Moody's Daily Credit Risk Score for the company is 4 out of 10, with 1 being the lowest level of credit risk over the next year. The company's share count historically has been steady but is projected by Value Line to increase by 5 percent over the next three to five years.

- **Section 1 (Visual Analysis of Sales, Earnings and Price):** National Beverage's historical revenue growth is 4.9 percent. Earnings have grown at 17.3 percent a year. FIZZ's annual sales growth has been increasing, however, with the five-year rate at 8.3 percent and the trailing-12-month rate at 12.6 percent. The company's earnings growth tells a similar story, with five-year growth reaching 28.2 percent. What is responsible for this high growth in recent years, and how much weight would you give recent growth in your expectations of future growth?

- **Section 2 (Evaluating Management):** Pretax profit on sales was 21.1 percent in fiscal 2017, compared with an average of 15.1 percent over the past five years. By comparison, Keurig Dr Pepper's PTP was 17.5 percent in 2017, and the five-year annual average is 16.5 percent. FIZZ's return on equity was 68.7 percent in 2017, versus a five-year average of 57.9 percent.

- **Section 3 (Price-Earnings History):** The average high P/E for the past five years was 33.6 and the average low was 17.7. How do these values compare with those of peers such as Keurig Dr Pepper, PepsiCo and Coca-Cola, and why is National Beverage's current P/E of 20.5 well below the five-year average P/E of 25.7?

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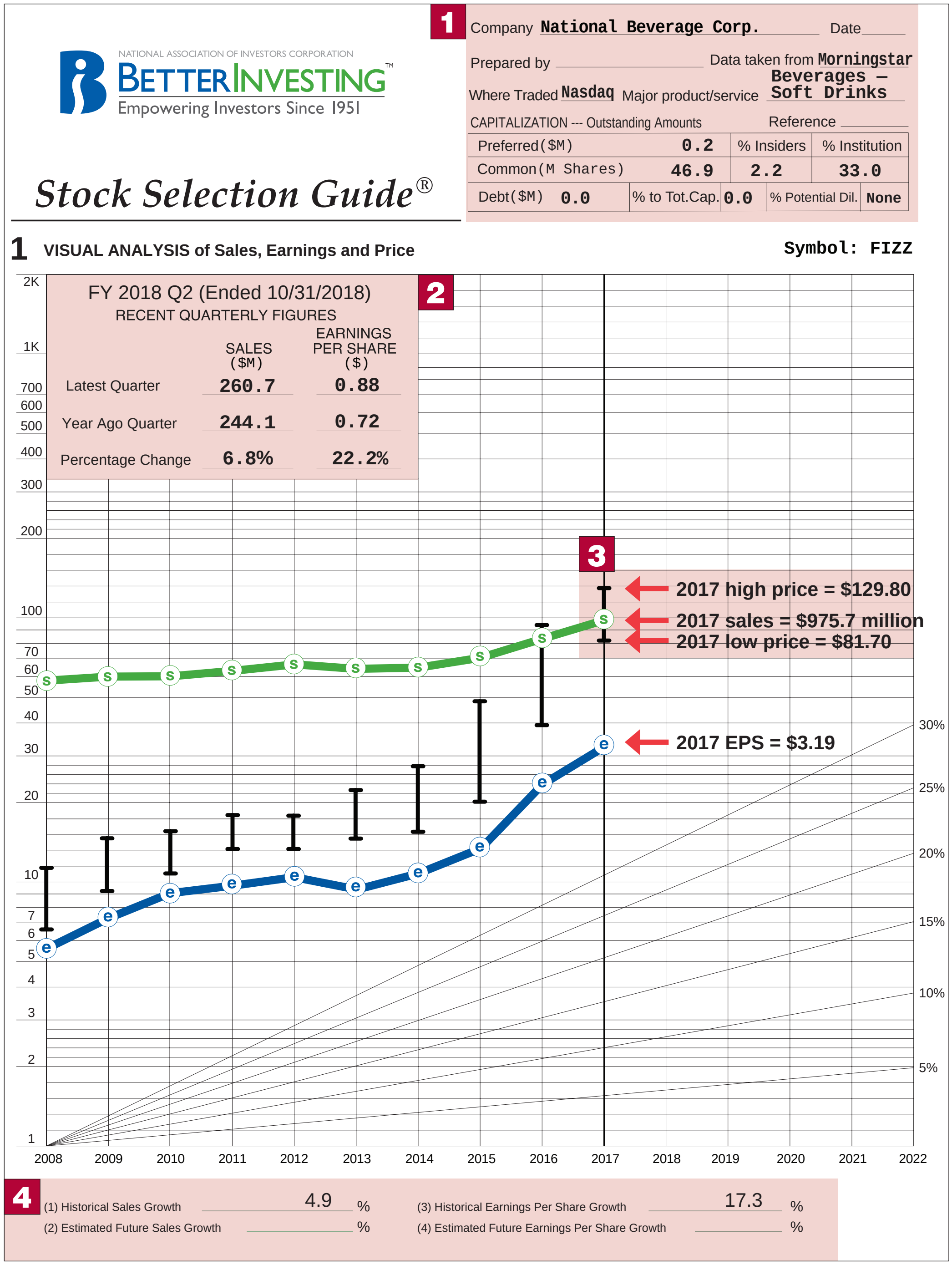

Figure 1

Capitalization information. Besides background about the company, including the data source used for the study, this section provides information about the number of common and preferred shares and the percentages held by insiders and institutional investors. The company's total debt and the percentage of debt to total capital also are detailed.

Figure 2

Recent sales and earnings results. This section contains the company's most recent quarterly results along with a comparison of results from the same quarter a year ago.

Figure 3

Visual analysis of sales, earnings and price. The graph provides a quick view of the company's financial results. A long-term history of consistent sales and earnings growth at relatively high rates indicates the company is well-managed and worth the time to study further.

The company's historical sales growth is plotted on the green line and historical earnings growth is represented by the blue line. The black bars provide information about the stock price. For each year, the top of the bar is the annual high price, while the bottom is the low price.

Figure 4

Forecasting future sales and earnings growth rates. This is the section in which you provide the first two primary judgments. The core of the BetterInvesting methodology is this: Sales growth drives earnings growth, and earnings growth drives stock price. Using the Stock Selection Guide, you'll forecast growth rates and determine the stock's potential high and low prices over the next five years.

The first step is to forecast sales growth. The company's historical performance is useful information, but you'll need to research the company and decide whether its revenue growth will continue at the historical level, slow down or possibly speed up.

After estimating sales growth, the next step is to forecast growth in earnings per share. In many cases you can estimate EPS growth that's similar to the rate you used for sales. EPS growth can differ from sales because of rising or falling expenses, an increasing or decreasing number of outstanding common shares and changing tax rates.

Remember, however, that even though a company can grow earnings faster than sales by cutting costs or buying back shares, this can't last forever. EPS growth eventually will drop to the same rate as sales.

You'll use the estimated growth rate for earnings to forecast the earnings per share five years from now. On the second page of the SSG, you'll use the future EPS to determine the stock's potential high price.

A key question to ask yourself is whether the company is growing at a sufficient rate relative to its size. Look for higher growth rates for small companies compared with medium-size and large companies.

Editor's note: The Value Line and Morningstar company and industry reports are available in the Additional Resources section of the BetterInvesting website for your use in conducting stock studies. You'll need Adobe Acrobat software to read the Portable Document Format files.

2 EVALUATING MANAGEMENT

Company National Beverage Corp. (FIZZ)

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	LAST 5 YEAR AVG.	TREND UP	TREND DOWN
A	% Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	6.6	8.7	10.4	10.7	10.7	9.8	11.6	13.2	19.7	21.1			
B	% Earned on Equity (E/S ÷ Book Value)		19.2	28.7	64.9	38.5	73.2	48.0	44.2	55.2	68.7			

5

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

PRESENT PRICE ______ HIGH THIS YEAR ______ LOW THIS YEAR ______

	Year	A PRICE HIGH	B PRICE LOW	C Earnings Per Share	D Price Earnings Ratio HIGH A ÷ C	E Price Earnings Ratio LOW B ÷ C	F Dividend Per Share	G % Payout F ÷ C X 100	H % High Yield F ÷ B X 100
1	2013	22.3	14.5	0.92	24.2	15.8	0.000	0.0	0.0
2	2014	27.3	15.4	1.05	26.0	14.7	0.000	0.0	0.0
3	2015	48.0	20.0	1.31	36.6	15.3	0.000	0.0	0.0
4	2016	92.9	39.1	2.29	40.6	17.1	0.000	0.0	0.0
5	2017	129.8	81.7	3.19	40.7	25.6	0.000	0.0	0.0
6	TOTAL								
7	AVERAGE								
8	AVERAGE PRICE EARNINGS RATIO				9 CURRENT PRICE EARNINGS RATIO				

6

4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE — NEXT 5 YEARS
Avg. High P/E ______ (3D7 as adj.) X Estimate High Earnings/Share ______ = Forecast High Price $ ______ (4A1) 7

B LOW PRICE — NEXT 5 YEARS
(a) Avg. Low P/E ______ (3E7 as adj.) X Estimated Low Earnings/Share ______ = $ ______
(b) Avg. Low Price of Last 5 Years = ______ (3B7)
(c) Recent Severe Market Low Price = ______
(d) Price Dividend Will Support Present Divd. / High Yield (H) = ______ = ______
Selected Estimate Low Price ______ = $ ______ (4B1) 8

C ZONING
______ (4A1) High Forecast Price Minus ______ (4B1) Low Forecast Price Equals ______ (C) Range. 1/3 of Range = ______ (4CD)
(4C2) Lower 1/3 = (4B1) ______ to ______ (Buy) 9
(4C3) Middle 1/3 = ______ to ______ (Maybe)
(4C4) Upper 1/3 = ______ to ______ (4A1) (Sell)
Present Market Price of ______ is in the ______ (4C5) Range

D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)
High Price (4A1) ______ Minus Present Price ______
Present Price ______ Minus Low Price (4B1) ______ = ______ = ______ To 1 (4D) 10

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)
High Price (4A1) ______ / Present Market Price ______ = (______) X 100 = (______) - 100 = ______ % Appreciation (4E)

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.
Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.

A Present Full Year's Dividend $ ______ / Present Price of Stock $ ______ = ______ X 100 = ______ (5A) Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS
Avg. Earnings Per Share Next 5 Years ______ X Avg. % Payout (3G7) ______ = ______ / Present Price $ ______ = ______ % (5B)

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS 11
5 Year Appreciation Potential (4E) ______ / 5 ______ %
Average Yield (5B) ______ %
Average Total Annual Return Over the Next 5 Years (5C) ______ %

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Figure 5

Evaluating management. The key to successful investing is finding well-managed companies whose stocks are reasonably priced. The company's historical growth rates provide evidence of good management, as do the numbers in this section.

Pre-tax profit margins represent how much of each sales dollar a company keeps before taxes. We look at pre-tax margins because companies have limited control over their tax rates. Look for stable or growing margins.

Return on equity indicates how well the company manages the money share-holders have invested in the company. Again, look for stable or growing returns.

Figure 6

Price-earnings ratio history. Section 3 includes information you'll use in Sections 4 and 5. Columns D and E detail the high and low P/Es for each of the past five years. You can also see the average P/E for the last five years as well as the current P/E. Information about the dividend yield also is offered.

Figures 7 & 8

Forecasting the high and low prices. The stock's P/E history will inform your judgments about the potential high and low prices. Multiply your predicted high P/E by the high EPS you calculated on the first page to determine the potential high price. Multiplying the expected low P/E by the low EPS (for a growth company, this often is the most recent year's earnings) is one way to predict the future low price.

Figures 9 & 10

Buy-Hold-Sell zones and upside-downside ratio. After calculating the potential high and low prices, you can use the SSG to determine whether the stock is reasonably priced. The upside-downside ratio compares the potential price increase to the potential price drop. Look for stocks that are both in the Buy zone and have an upside-downside ratio of at least 3 to 1; beware of abnormally large or small ratios.

Figure 11

Estimated average annual return over the next five years. In this final section, you'll learn about the stock's potential return over the next five years. This figure includes both the expected return from increases in the stock's price and predicted dividends.

Editor's note: Those who want to learn more about estimating future growth rates, predicting a stock's potential return and other issues regarding the SSG are urged to contact their local chapter for a schedule of classes. See the Regional Notices section in this issue for a list of chapters and contact information. A number of resources also are available at the BetterInvesting website. Among them is the Introduction to the SSG Series, a webinar series available free to members. The sessions explain how to select the best companies, determine a fair price, estimate future growth and project future P/Es. Go to the My Classes page in the Education menu at the website to access these classes.

Shifting Away From Sedans

Ford Motor Company

With the passage of time, consumer tastes and technologies can change — sometimes radically. Fundamental shifts of those kinds are forcing adaptations among auto manufacturers, including Ford Motor Company (ticker: F).

Matching moves by domestic competitors, management has announced it'll discontinue most of its remaining lineup of sedans in favor of more profitable SUVs and heavy-duty pickups. The transformation will result in worker relocations and reduced shifts at some domestic plants producing small cars. The adjustments will mean Ford can market vehicles that are in high demand rather than cars that move chiefly because they carry hefty sales incentives.

The shift to larger, pricier vehicles means some other plants are expanding. In February, management announced it would sink approximately $1 billion into Ford's Chicago production facilities, adding about 500 jobs. Chicago employees will build the new 2020 Ford Explorer as well as the Lincoln Aviator and Police Interceptor Utility.

Ford Explorer. Bigger, pricier vehicles represent the future of Ford Motor Company.

Like other automakers, Ford is shifting research and development efforts toward electric and autonomous vehicles. Management hopes for a payoff in the future when experts say such products will dominate the industry.

Ford's turnaround initiatives include a $7 billion restructuring over the next few years. Although the adjustments mean wrenching changes for some workers, including many of the approximately 100,000 employees in North America, they could be good news for investors.

Management's efforts to create a more favorable product mix caught the attention of members of the Editorial Advisory and Securities Review Committee. Higher prices on the domestic SUVs and pickups that are coming to dominate the product lineup will shore up revenues, helping to offset recent sales weakness in Europe and Asia. Management's reported that by 2020, nearly 90 percent of the machines Ford produces in North America will be pickups, utility vehicles and commercial vehicles.

More than 20 new North American models are slated to be introduced in 2019 and 2020. Of those, just two are expected to be new 2019 models of light vehicles — the Mustang and the Focus Active crossover. The shift away from passenger cars reflects the industry's new reality. Some industry sources have estimated that domestic car sales dropped about 13 percent in 2018. Light truck volume climbed 8 percent, however.

Standard & Poor's recently projected that U.S. light vehicle sales will drop 3.6 percent this year to 16.6 million units. In each of the past four years, volume exceeded 17 million units. Worldwide, production of all vehicle categories may drop 3 percent, the data service predicted.

Committee members highlighted Ford's substantial dividend yield, recently exceeding 7 percent. That high yield could help the stock reach the Undervalued Stock goal of a 20 percent total return within two years, members noted.

At a recent $8.72, the stock was 28.2 percent below the 52-week high of $12.15 reported on June 7, 2018 (*see table*). The recent share price approached a six-year low. Near press time the stock was even lower, closing at $8.42 on Feb. 14.

Regarding valuation, Ford's trailing-12-month price-earnings ratio stood at 9.5 *(see table*). The ratio for the S&P 500 index recently was 21.1. CSIMarket, a financial data service, set the TTM P/E average for the auto and truck manufacturers industry at 11.3. The average was 7.0 for Ford and three publicly traded competitors, based on figures Yahoo! Finance reported in February.

For the ratio of P/E to projected growth, or PEG, Yahoo! Finance reported a ratio at 1.9, based on an average five-year expected earnings growth rate.

Corporate Road Map

Ford is the nation's second largest car and truck producer behind General Motors. Leading product lines are Lincoln luxury autos and Ford cars, trucks, SUVs and electrified vehicles. In 2017 the company reportedly held 14.7 percent of the domestic vehicle market. In addition to manufacturing vehicles and their replacement parts, the company has automotive insurance operations, plus vehicle financing and leasing.

Automotive generated $148.3 billion in fiscal 2018 (ended Dec. 31, 2018). That was 92.5 percent of total revenues. The Ford Credit segment produced $12 billion — 7.5 percent of the total. Smart Mobility is the company's new unit responsible for developing auton-

Ford Motor Company									
	2018 (ended 12/31/18)	2017 (ended 12/31/17)	% change	FY 2018 Q4	FY 2017 Q4	% change	FY 2019 year to date	FY 2018 year to date	% change
Net revenues	$160.3 billion	$156.8 billion	2.3%	$41.8 billion	$41.3 billion	1.1%	—	—	—
Net income*	$3.7 billion	$7.6 billion	(51.6%)	($0.1 billion)	$2.4 billion	—	—	—	—
Diluted EPS*	$0.92	$1.90	(51.6%)	($0.03)	$0.60	—	—	—	—
Dividends	$0.60****	$0.60****	—	$0.15	$0.15	—	—	—	—

Stock exchange	NYSE	Value Line long-term earnings growth estimate	1.0%
Ticker symbol	F	Consensus long-term earnings growth estimate (2 analysts)	3.8%
Price at time of selection	$8.80	FY ended December 2019 consensus EPS growth estimate	(6.9%)
Past year's price range	$7.41 – $12.51	FY ended December 2020 consensus EPS growth estimate	13.2%
Recent market price	$8.72	Recent price-earnings ratio**	9.5x
Market capitalization	$34.7 billion		

* Excluding nonrecurring and special items. **** Special cash dividends of $0.05 and $0.13 were issued in 2017 and 2018, respectively.

** The P/E ratio is based on diluted EPS of $0.92 for the four quarters ended Dec. 31.

Sources: Morningstar, Reuters, Yahoo! Finance, Value Line and company reports

omous vehicle and other new mobility technology. It accounted for revenues of just $26 million.

Vehicle sales in North America generated $96.6 billion — 65.1 percent of revenues for the Automotive segment. Automotive revenue results for other regions were:

- **Europe, $31.3B, 21.1 percent**
- **Asia Pacific, $12.4B, 8.4 percent**
- **South America, $5.3B, 3.6 percent**
- **Mideast and Africa, $2.7B, 2 percent**

Ford maintains a dual stock structure. Class A shares carry one vote. Class B shares grant 16 votes. With their holdings of Class B stock, Ford family members reportedly control 40 percent of the voting power.

Competitors include General Motors (GM), Honda Motor (HMC) and Toyota Motor (TM), Morningstar reports.

More Shifting of Gears

Ford's turnaround initiatives will involve about $11 billion in charges against earnings before interest and taxes. That will include a $7 billion restructuring over the next three to five years.

Ford's generous dividend adds appeal to the stock, but Argus has raised a red flag. The financial data service has argued that with near-term revenue expected to slip following several years of peak vehicle production, the current dividend may be unsustainable. Argus speculated that a dividend cut therefore might occur this year.

Morningstar took the other side of the argument, suggesting the dividend will remain safe in any near-term downturn. Still, the service cautioned that management might at some point need to choose between paying the current dividend and maintaining its strong investment-grade credit rating.

A previous dividend dislocation has occurred. The company restored its dividend in 2012 after a discontinuation in 2007.

One long-term issue for Ford and other domestic vehicle manufacturers is affordability. Larger vehicles may promise higher profits, but consumers may balk at the heftier price tags. On the other hand, the average age of a U.S. vehicle rose to 11.7 years in 2017, an industry record. The wearing out of aged vehicles will lend support to vehicle sales.

Final Notes

Readers are urged to conduct their own studies of Ford using the BetterInvesting methodology. The goal for an Undervalued Stock is a 20 percent increase in investment value (appreciation plus dividends) within 18 months.

BetterInvesting featured Ford as the Undervalued Stock in January 2002. The company ranked No. 40 in the Top 100 Survey of investor holdings for 2018 (*see p. 39*). An estimated 224 clubs held shares.

Ford's share count has fluctuated since the turn of the century. Value Line projected increases in 2018 and 2019. The company's repurchased only modest amounts of stock over the past few years.

Shares underwent 2-for-1 splits in 1994, 1988 and 1962; 3-for-2 in 1986 and 1983; and 5-for-4 in 1977. Two splits stemming from a spin-off occurred in 2000: 1,748,175-for-1,000,000; and 10,000-for-9,607. A similar split occurred in 1998: 10,000-for-6,641. The company sponsors a dividend reinvestment and direct-stock purchase plan.

More background on Ford and its industry, including the Morningstar and Value Line analyst reports and Value Line industry report, can be accessed through the Additional Resources menu in the magazine's section of the website. For more information, contact Investor Relations, Ford Motor Company, 1 American Road, Dearborn, MI 48126-2701.

— Reporting by contributing editor Kevin J. Lamiman

Recent Financial Reports From 4 Companies in the Lineup Were Positive

Simulations Plus: Drug Discovery Software for the Portfolio

by Cy Lynch

Portfolio Overview
Reviewing Historical Stock and Portfolio Returns

My model portfolio's relative performance since inception is 3.7 percent, below our goal of 5 percent. This is based on its annualized total return of 11.3 percent compared with 7.6 percent for the stock market, represented by the Vanguard Total Stock Market exchange-traded fund (ticker: VTI). The percentage of selections outperforming the stock market slipped since our last column to 45.8 percent, also below our goal of 55-60 percent.

Reviewing Fundamental Projections in Light of Latest Financial Reports

Just four companies in the portfolio issued new financial reports since my last column. All four performed as well or better than expected. Sales growth for Stantec (STN) turned positive for the second of three quarters, although earnings per share continued to fall. The company just sold its underperforming construction services division to return to its core competency in consulting. Costs related to the divestiture reduced third-quarter earnings. I chose to reduce sales growth based on Value Line's projection of 6.6 percent from 12 percent. We'll wait to see what impact the divestiture has on financial results.

The portfolio's overall projected sales growth is 9.3 percent (*see table*), below our 10-12 percent target range. Value Line's median price appreciation potential over the next three-five years for its Standard Edition stocks is a nominal 60 percent (12.5 percent annualized). Thus, our minimum target return for my model portfolio is 17.5 percent, 5 percentage points over the expected market return. Current overall total return for the model portfolio is 16.5 percent, a full percentage point below our target.

We'd usually look to replace one or more of our holdings to boost total return. Since most of our holdings will report full fiscal-year 2018 financials before our next column, we'll defer the sell decision to two months from now. The fact that we're closely monitoring several of holdings that haven't yet reported new financials reinforces this decision.

Computers Helping Develop and Test Drugs

This month's feature, Simulations Plus (SLP), develops and produces drug discovery and development software, including software for machine-learning-based prediction of properties of molecules solely from their structure. SLP licenses its software to major pharmaceutical, biotechnology, agrochemical, cosmetics and food industry companies and to regulatory agencies worldwide for use in industry-based research. The company also provides consulting services ranging from early drug discovery through preclinical and clinical trial data analysis and for submissions to regulatory agencies. According to management, SLP is one of just two global companies providing the wide range of software and consulting services to the pharmaceutical industry.

(*Companies are mentioned for educational purposes only. No investment recommendations are intended*.)

A Small Company That Still Pays a Dividend

SLP has been operating since 1996 but is a very small company relative to others in the model portfolio, with sales of just under $30 million for its 2018 fiscal year ending Aug. 31, 2018. As a result, neither Value Line nor Morningstar issue full analysis reports on the company, and only one other analyst regularly follows SLP.

Despite the company's small size, the stock price isn't significantly more volatile than that of larger companies. This is likely a result of its business history and the fact that it pays a dividend, unlike many other small, fast-growing companies.

Historical sales growth has been relatively consistent over the past 10 years with a dip in 2012 and accelerating significantly over the last four years. The overall 10-year average growth rate is 13.6 percent. EPS has followed a similar pattern, increasing faster than sales and being a bit more consistent over the last 10 years, averaging a 16.3 annual increase.

Pretax profit margins have been volatile over the 10-year period we review on the Stock Selection Guide but have been relatively consistent for the last three years. During this period, pretax margins ranged from a high of 36.2 percent in 2016 and a low of 34.1 percent in 2018, averaging 11.1 percent. Return on equity has been rapidly increasing since 2013, reaching 34.2 percent in fiscal 2018.

Projecting the Future

Management expects sales growth of 10-15 percent for all of fiscal 2019, after growth of 6.6 percent in the first quarter (ending Nov. 30, 2018). I project sales to grow at 14 percent over the next five years, well below recent growth rates but consistent with the 10-year average rate and in the upper end of management's range for this year.

I use 34.0 percent as my projected pretax profit margin. This is just below the five-year average margin of

> **"I project sales to grow at 14 percent over the next five years, well below recent growth rates."**

35 percent and right at the margin for FY 2017 and 2018. Tax rate projections are speculative owing to the tax law changes. I choose to use the 19.9 percent income tax rate for the most recent quarter as my projection five years from now.

Diluted shares haven't changed much over the last 10 years, vacillating between about 16 million and 18 million. I use 17.5 million as my projected diluted shares outstanding in 2023. This is just below the 18 million diluted shares currently outstanding.

These projections lead to EPS of $0.90 in 2023. I select the five-year median high price-earnings ratio of 41 as my projected high P/E. This is just above the current P/E ratio but well below the high during 2017 and 2018.

These projections lead to a forecast high price of $36.90 and potential price appreciation of 13.6 percent. Adding a projected yield of 1.2 percent results in a potential total return of 14.8 percent over the next five years.

Investing our regular $1,000 in SLP decreases portfolio potential total return slightly to 16.4 percent and leaves projected sales growth unchanged at 9.1 percent.

Simulations Plus: 19 of the Top 20 Pharma Companies Use Its Technology

Stock	1/25/19 value	% of portfolio before SLP	% of portfolio after SLP	Proj. sales growth	Proj. total return	Hist. return relative to market
Alliance Data Systems	$720.20	0.7%	0.7%	10.0%	29.8%	(28.0)%
LKQ	2,573.00	2.5	2.4	9.0	26.5	(28.0)
Mednax	543.34	0.5	0.5	9.0	25.9	(62.7)
CVS Health (purchased 7/27/16)	3,997.31	3.8	3.8	8.0	24.5	(53.2)
CVS Health (purchased 2/7/18)	3,597.84	3.4	3.4	8.0	24.5	(12.0)
II-VI	955.84	0.9	0.9	14.0	24.5	4.6
Booking Holdings	923.47	0.9	0.9	14.0	24.1	0.8
IPG Photonics	3,144.92	3.0	3.0	15.0	21.5	36.0
MSC Industrial Direct	1,046.83	1.0	1.0	7.0	21.3	(54.8)
United Therapeutics (purchased 2/7/18)	1,026.20	1.0	1.0	5.0	20.8	(29.6)
United Therapeutics (purchased 4/7/16)	7,165.45	6.8	6.8	5.0	20.8	(12.4)
T. Rowe Price	1,189.16	1.1	1.1	9.0	20.2	(14.2)
Biogen (purchased 2/9/16)	1,460.29	1.4	1.4	10.0	20.2	(0.7)
Biogen (purchased 7/27/16)	5,904.51	5.6	5.6	10.0	20.2	2.9
Starbucks	4,943.22	4.7	4.7	9.0	18.5	1.6
Celgene	967.75	0.9	0.9	12.0	18.5	(3.0)
NetEase.com	4,972.13	4.8	4.7	15.0	18.2	292.9
C.H. Robinson (purchased 5/31/13)	1,583.88	1.5	1.5	8.0	16.7	(8.5)
C.H. Robinson (purchased 6/30/14)	2,434.18	2.3	2.3	8.0	16.7	1.5
C.H. Robinson (purchased 7/6/15)	4,240.02	4.1	4.0	8.0	16.7	21.5
Cognizant (purchased 6/3/08)	4,017.21	3.8	3.8	9.0	16.2	175.8
Cognizant (purchased 8/6/10)	3,007.15	2.9	2.8	9.0	16.2	17.1
Fastenal	2,895.87	2.8	2.7	9.0	15.8	16.5
Alphabet (Google)	2,522.87	2.4	2.4	16.0	15.7	94.3
ResMed	3,426.09	3.3	3.2	11.0	14.5	122.3
Gentex (purchased 9/5/14)	2,614.46	2.5	2.5	10.0	14.1	24.6
Gentex (purchased 7/6/15)	4,186.98	4.0	4.0	10.0	14.1	19.6
eBay (purchased 3/7/14)	1,356.40	1.3	1.3	7.0	11.1	(5.2)
eBay (purchased 6/30/14)	2,854.69	2.7	2.7	7.0	11.1	25.0
Anthem	3,725.14	3.6	3.5	7.0	10.1	144.7
Stantec	2,566.50	2.5	2.4	5.0	9.7	(9.7)
TJX Companies	4,881.79	4.7	4.6	9.0	9.6	33.3
Mastercard	4,717.18	4.5	4.5	13.0	9.3	129.4
Aflac (purchased 8/31/11)	3,505.53	3.3	3.3	5.0	8.5	100.7
Aflac (purchased 7/6/15)	4,998.20	4.8	4.7	5.0	8.5	48.3
Totals before SLP	104,665.59			9.1	16.5	
Simulations Plus	1,000.00		0.9	**14.0**	**14.8**	
Portfolio Totals	105,665.59		100.0	9.1	16.4	

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Capital-Intensive Industries Often Borrow More Money

How Companies Use and Misuse Debt

by Sam Levine, CFA, CMT, Contributing Editor

Archimedes said, "Give me a lever long enough and a fulcrum on which to put it, and I shall move the world." Companies often use borrowed money as a lever to increase profitability. Just as you might take out a mortgage to buy a home or a loan to pay for college, companies borrow money to expand their current operations, replace needed equipment or take advantage of timely opportunities. Occasionally firms borrow money for less compelling reasons, such as paying a dividend to the founder of a closely held company or to prop up a declining share price by buying back its own shares on the market.

There's a catch. The lever must be rented (by making interest payments) and eventually paid back in full (by paying back the loan). If a firm has too much debt, interest and principal payments will choke the firm's profitability.

Further, if sales dry up or expenses unexpectedly increase, the firm may be unable to meet its debt obligations. When a firm goes bankrupt, usually the debt holders get first claim on the assets and the shareholders get whatever's left after all obligations are settled. More times than not, that amounts to nothing. If any value was left for shareholders, the company would put itself up for sale or management would continue trying to save the company.

On the flip side, if a firm can borrow money cheaply and invest it for a higher rate of return with little insolvency risk, management could be criticized for being too conservative and may even tempt competitors to attempt to buy the company on the cheap. Once the company's acquired, the new owners could do what the previous owners didn't by borrowing money to expand profitable operations.

Generally speaking, the more a company finances its operations with debt, the riskier the company. Luckily, ratings agencies publish opinions on the riskiness of many bonds and these can often be useful for stock investors.

For example, only Microsoft and Johnson & Johnson have the highest credit rating by Standard & Poor's. That's a substantial change from the approximately 60 companies that held that rating in 1980.

Many firms and government entities borrow money by issuing bonds that can be bought and sold by private investors. A bond's simply a promise the company makes to pay a set level of interest and principal on certain dates. Bonds mature when the principal's repaid in full. Loans can be for as little as a day or as long as a hundred years.

Watch for These Indicators

The more capital-intensive the industry, the more it'll depend on debt. Airplanes and power plants are difficult to finance out of ongoing earnings. Software companies should be able to pay for research and development from their profits, but they may occasionally use debt to buy a competitor or partner. Compare your stock's debt-to-equity ratio to determine how much of your stock's operations are funded with debt. Generally speaking, the higher the debt-to-equity ratio, the higher the risk.

Companies need to generate enough cash to make interest payments on time. One measure of that is "times interest earned," or the TIE ratio. Divide the earnings before interest and taxes by the most recent interest charges to see whether the company's having difficulty making those payments. Better than that, look for a positive or negative trend that shows the company's financial strength is either improving or deteriorating.

Lenders — and bondholders are lenders, too — appreciate their principal being returned to them just as much, if not more, than timely interest payments. Companies in strong financial positions are able to either repay the loan balance or bond principal that comes due or "roll over" existing debt into another batch of long-term bonds. If your stock has deteriorating cash flow and a large debt coming due, the firm may be compelled to pay an even higher interest rate on any new bonds. That will make the firm's cash flow even worse.

Occasionally a firm will use debt to re-engineer its financial position. Interest on corporate debt's often tax-deductible, and the after-tax cost of debt might be less than the cost of issuing new equity and diluting its stock. Firms that use the proceeds from a bond sale to buy back stock will look brilliant if the stock price goes dramatically up afterward. If a firm buys back stock only to see the stock sink further, it will have nothing to show for its new debt except higher interest payments.

Debt can play an important part in a firm's ability to grow, but excessive debt can pressure earnings or worse. If a company's debt is increasing at a slower rate than its profitability and the future looks rosy, that's a positive. But always be on the lookout for numbers or news articles that imply one of your stocks is too dependent on debt or is facing a large debt coming due at an unfortunate time. That's as good a reason as most to move on from a stock and find something more appealing.

Sam Levine, CFA, CMT, is a contributing editor for *BetterInvesting* who teaches at Wayne State University.

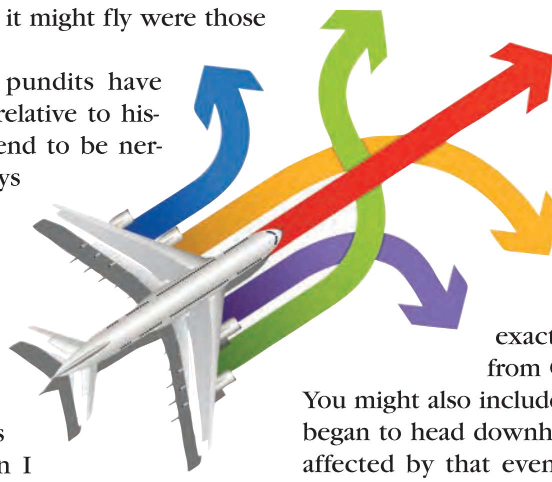
Some Investors May Tolerate a Bit of Turbulence, While Others Prefer a Smooth Ride

Want to Catch a Flight? Keep an Eye on Time Periods

by Danielle Schultz, CFP, CDFA, Contributing Editor

Warren Buffett's favorite holding time for an investment may be "forever," but for most of us, our voyage may be a little shorter. Depending on our goals for an investment, we may want to look at annualized returns over different periods to help us analyze flight patterns of funds.

If you read the fine print on any investment pitch, you've seen the warning that past returns are no guarantee of future performance. But what else do we have? Examining total returns for a mutual fund over several different periods can help us understand how the investment has performed in specific conditions and give us a way to anticipate how it might fly were those conditions to reoccur.



Recently, most investment pundits have been projecting lower returns relative to historical levels. If you agree, or tend to be nervous or optimistic, you can always reroute your estimates: That's where individual judgment enters into investing success.

Let's look at what various periods can tell us. I'm going to use the Vanguard Wellington Fund (ticker: VWELX) as my example, because the fund's been around since 1929. When I do studies to determine the potential return of a proposed asset allocation portfolio, it can be difficult to obtain a long track record for some types of investments. After all, most mutual funds are fairly recent: In 1929 there were 19 open-ended funds; by 1970, 360 funds. Today, we can choose among 14,000 funds.

Since Inception — the Whole Flight Path

If a fund has a long history, it's fun to know it. If you'd invested $10,000 in the Vanguard Wellington in 1929 — and had the fortitude and longevity to ride out all the market gyrations since then — your investment would be worth $11,413,591.97, an annualized return of 9.17 percent.

Unless we inherited the investment, this is a fantasy for most of us. But if the inception's a shorter period, dating to the '70s, for example, we can compare the annualized return to shorter periods to try to determine whether the fund's a consistent performer or whether returns are skewed by a few periods. If a fund shows similar results across several periods, it might increase your confidence that it'll be a reliable (but perhaps unexciting) performer for you. It's our old friend, the risk/reward tradeoff: Less risk can equal less return.

For comparison, the Vanguard 500 (VFINX) tracking the S&P 500 has been around since Aug. 31, 1976. Your $10,000 invested on that day would be worth $784,799.60, an annualized return of 14.69 percent but with far more turbulence over that period.

15 Years — Many Changes in Altitude

Recently, this has become one of my favorite measures, because I want to scrutinize how a fund performed during a really terrible market: 2007-2009. I want to know what my worst-case scenario might be. As time marches on, we've tended to forget how bad it was for many investors in those years. If the fund existed 15 years ago, you can see the performance on Morningstar's performance tab. You can also input a custom date if you'd like to look at exactly what happened to your fund from Oct. 9/10, 2007, to March 9, 2009. You might also include 2006, when the housing market began to head downhill, to see whether your fund was affected by that event. Vanguard Wellington returned 7.47 percent annualized over this period.

Keep in mind that even if the type of fund existed 15 — or more — years ago, your specific fund may not have existed. Mutual fund companies might have been slow to roll out their own version or may have packaged it slightly differently — e.g., a large-company fund versus an S&P 500 product.

If all else fails, try to find a comparable index to determine how the type of fund fared during this period. If you're evaluating an index fund, we hope it'd have hewn to the same performance.

10 Years — Enough Runway?

Although 10 years may represent the entire investing life of a younger investor, or the remaining runway before retirement to an older one, annualized results for this period may be skewed for exactly the same reason the 15-year measure is valuable: the Great Recession. Right now, the 10-year period would mean that your hypothetical $10,000 was invested in the market crater, so a fund's annualized results will probably look better because they'll encompass a significant (but slow) market upturn thereafter.

It's been a long takeoff, and may be on the descent as I write this, which could be expected during so long a flight. Wellington had an annualized return of 9.87 percent during this period, obviously benefiting by the climb the market began at the beginning of the period.

When scrutinizing a 10-year period for a fund, be sure to look for manager changes. Morningstar sometimes discusses this in analyst reports and it's usually indicated in the PDF summary sheet.

With an index fund, manager changes are less important, because the fund should be adhering to a predetermined flight plan. But for actively managed funds, managers are free to chart their own course and a manager change can mean radically different performance. BetterInvesting principles prefer a manager to be in place for 10 years, but increasingly "manager" means a team with a significant backup crew, not just a single pilot.

5 Years — Winds of Change

Not too big, not too small, five years is useful for gaining perspective on the effects of political events on the fund. Because this period will always include a U.S. election, we can see the impact of any change of national administration and policy, or neglect thereof. VWELX returned 6.21 percent annualized.

Major policy changes do affect the market as a whole, and therefore broad index funds, but the impact's even more obvious for funds focused on specific sectors: for example, energy policy on natural resources funds; tariffs on emerging markets; and relations with Western democracies on international funds. During shorter periods (*see below*), the impact of temporary rhetoric may have little relationship to underlying company worth. But beginning with this longer time frame, we can see either a longer-term impact or the change between before and after whatever policy's been promulgated.

3 Years — Stormy Weather

Use this as a warning system before you take off. A three-year view can help you see a common flight pattern for an investment. Year 1: The fund does unexpectedly well and makes headlines. Year 2: The share price has taken off and investors jump on board. Year 3: Everyone who piled on at the last minute has done far less well.

The same pattern can work in reverse: The fund suddenly tanks and investors bail. Rather than only examining three-year annualized returns, it's helpful to look at share prices and any change in yield to determine whether you're looking at a crash of fundamentals or simply brief, turbulent weather. VWELX returned 7.14 percent annualized.

1 Year — Puddle Jumper

What have you done for me lately? The one-year return may be the least useful of all in determining the long-term performance of a fund, but it's probably the most frequently used. When I ask clients how they chose funds for their 401(k), too many sheepishly admit they looked down the column of one-year returns and picked the ones with the highest numbers.

The one--year performance can tell you what the current market climate is for that type of fund, but it gives you little indication whether underlying management is good. If the fund's outperforming others of the same type, this period doesn't tell you whether the managers are wise but rather whether they're lucky. And you're probably too late to benefit from getting on board. VWELX lost 3.2 percent.

On the other hand, if there's a crash in a specific fund, you should try to understand why. If it's similar to the market performance for other funds of the same type, you probably can dismiss it as a temporary blip. If, however, it's operating differently from other funds of the same type, you need to try to understand what's on the market's radar: Has the manager suddenly changed? Is there talk that the fund will be merged with another? Any scandal? Did it fly a different route than its index or benchmark? You should try to remain calm, but you should also be aware of any early warnings you can glean from the one-year returns.

Trailing Returns Versus Rolling Returns

I'm using monthly trailing returns for my figures above. Choosing daily trailing returns will put somewhat more emphasis on the current market, whereas the other two tend to smooth out the pattern.

Most investors will never achieve the exact trailing return. It's quite unlikely you'll have purchased the fund on exactly the start date of the trailing return. Morningstar does allow you to select a specific period, however, and as long as your share price matches the site's, and you reinvested all payouts of the fund and made no withdrawals, your return should be what it shows.

Rolling returns are useful for tracking the investment's actual path. Annualized returns can show you a total, but rolling returns allow you to examine smaller periods within the time frames. It's a good way to understand a fund's volatility over shorter periods. We all like flights that arrive as expected and land smoothly. Examining periods can help you either realize a fund's too turbulent for your peace of mind or help you be calmer when the market's on a bumpy ride.

Funds are mentioned for educational purposes only; no investment recommendations are intended. The author and some of her clients may have positions in some of the funds mentioned in this article.

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Learning How to Read the Economy's Direction Will Help a Serious Stock Picker

What Investors Need to Know About GDP

by Sam Levine, CFA, CMT, Contributing Editor

Economists and Wall Street analysts often tirelessly debate which statistics or ratios have the most predictive power, but one statistic keeps almost all experts on the edge of their chair: Gross domestic product is the tide that lifts or sinks all boats. A growing economy encourages consumers to spend, and increased demand will drive companies to hire more workers, pay higher wages to keep them and build more factories.

Unfettered GDP growth would be a perpetual fun machine if it weren't for the fact that eventually demand for labor, capital and raw materials will exhaust supply and drive up prices. When the economy starts to overheat, the Federal Reserve will increase interest rates to make borrowing expensive, which eventually slows the economy.

GDP is the value of all the finished goods and end services produced within a country's borders. The reason finished goods and services are used is to avoid double counting transactions that led to a saleable product. Instead, it's assumed the final price also includes all the raw material, processes and labor needed to produce the good or service. It also excludes production outside the country's borders, even if it was by a citizen of that country or company domiciled there. It does include production of foreign companies within the country's geographic borders.

Investors who want to know the value of goods and services produced by the citizens and businesses of a country, regardless of where the goods are actually produced, would look at gross national product, otherwise known as gross national income. If you want to measure the U.S. economy and want to include Toyotas manufactured in the United States, use GDP. If you want to include the value of Apple iPhones manufactured in China, use GNI instead.

The gross domestic product, along with many other macroeconomic indicators, is reported by the Bureau of Economic Analysis, an agency of the Department of Commerce. Typically, governments are the only entities able to assemble the reams of data necessary to provide remotely useful figures. Later we'll discuss some issues that may arise when comparing GDP figures reported by different countries.

There are several ways to arrive at a GDP number. We can total all economic activity — do you have a pen and paper ready? — and deduct the value of the intermediate steps needed to produce end goods and services. That is the "production approach" and measures the gross value added. Another approach is to total the incomes received along with tax receipts and add back depreciation. This "income approach" allows economists and policymakers to determine who's receiving the benefits of the nation's production. The last approach we'll cover here is to look at total expenditures, and we'll go into a little more depth to get some perspective on the current state of the U.S. economy.

The expenditures formula for GDP is **C+I+G+NX**:

Personal Consumption (C)
+ Business Investment (I)
+ Government Expenditures (G)
+ Net Exports [Exports Minus Imports] (NX)

= Gross Domestic Product

The U.S. economy runs on consumer spending. During third-quarter 2018, personal consumption expenditures accounted for 68 percent of GDP, about where it's been for the past 10 years. Roughly two-thirds of PCE went to services — real estate and health care were the big winners — and one-third was spent on goods, which are categorized into durable and nondurable goods.

For all the hubbub about government spending, this represented only 17 percent of GDP. Most of that was state and local; federal expenditures were only 6.4 percent of GDP, with the majority going toward defense. Private domestic investment, both tangible property and intellectual property, accounted for 18 percent of GDP.

Net exports have, like government expenditures, remained a focus in the political arena lately. In the third quarter of 2018, we were running a $653 billion trade deficit, though we did enjoy a surplus in services. But $653 billion is only 3 percent of our $20.5 trillion seasonally adjusted and annualized GDP.

Though it might appear the United States is "losing" business to other countries, the takeaway here might be to keep the trade deficit in perspective. The Federal Reserve should focus efforts on maintaining consumer confidence, else wallets could lock up and the economy would grind to a halt.

That fear led to the Fed taking extraordinary steps during the Great Recession to avoid deflation. When prices fall, consumers delay purchases. That decreases demand and drives prices down further, leading to a negative cycle that's difficult to break.

Comparing GDP Over Time and Across Borders

If you compare today's GDP with GDP 20 years ago, you might have an unrealistically optimistic view of growth, because the dollar's purchasing power declines as a result of inflation. The Fed targets 2 percent inflation per year, though as we know from the '70s and '80s, inflation might run far higher or even suffer negative inflation.

You would need $1.54 today to have the same purchasing power as a dollar 20 years ago. For that reason, GDP is reported in both nominal dollars — the actual number — and in "real" GDP, which adjusts for inflation. The longer the period you're comparing, the more desirable it'll be to use real GDP. In the U.S., GDP is also seasonally adjusted to allow each quarter to be comparable to the prior quarter.

If comparing GDP between two countries, you should learn how the foreign country's GDP is being reported. Countries have different reporting conventions and may differ in their accuracy and timeliness.

Additionally, you'll want to know how the foreign figures are converted to U.S. dollars. You'll want to know which exchange rate is being applied or if the reporting entity is using purchasing power parity, which reports the dollars needed to buy the foreign production.

Theoretically, the exchange rate should be driven by PPP so that the same goods in two countries cost approximately the same, give or take transportation costs and taxes. But foreign exchange markets veer away from purchasing power parity just as stock markets trade above or below intrinsic value.

Don't React to GDP — Anticipate It

The market usually has a good sense which way the economy is headed thanks to leading economic indicators. These numbers have a solid — though not perfect — track record of anticipating changes in GDP.

The Conference Board publishes the Leading Economic Index. The LEI uses 10 indicators. As you look through this list (*below*), consider why each of them might foretell changes in GDP. One indicator's rise may foretell a rise in GDP, while the rise in another may be negative for the economy. They are:

- **Average weekly** manufacturing hours
- **Average weekly** initial claims for unemployment insurance
- **Manufacturers' new orders** of consumer goods and materials
- **ISM Index** of new orders
- **Manufacturer's new orders** of non-defense goods, excluding aircraft
- **Building permits**, new private housing units
- **Stock prices,** 500 common stocks
- **Leading Credit Index**
- **Interest rate spread,** 10-year Treasury bonds less federal funds
- **Average consumer expectations** for business conditions

It isn't smart to react strongly to one indicator. Instead, wait for confirmation from others. Economists regularly publish their expectations for these indicators. The more a reported number varies from the average forecast, called the consensus, the more the stock market will swing to adjust to reality exceeding or missing expectations.

Put GDP to Work

Some business sectors outperform in a rising economy while others tend to outperform in a falling one. Cyclical stocks tend to turn upward well in advance of an economic rebound. Likewise, defensive stocks will do well when the market is looking ahead to a slowing economy. Growth stocks might initially be insulated from economic cycles, but as the company matures, you may find the company's turned into a cyclical stock once the economy peaks. Intel, I'm thinking of you in the early 2000s.

Investors who tilt their portfolios selectively according to their perceptions of the economy are doing what's called "top-down analysis." BetterInvesting's methodology focuses on the individual company more than on the state of the economy. Once

"You would need $1.54 today to have the same purchasing power as a dollar 20 years ago."

you've done enough diligent research on the stock and are ready to buy it, you should also be mentally prepared for the booms and busts over several economic cycles. But there can be a middle ground, too. If you can be mostly right on the direction of the economy, you'll have the stock picker's equivalent of the wind at your back.

Sam Levine, CFA, CMT, is a contributing editor for *BetterInvesting* and also teaches portfolio management at Wayne State University.

General Electric, Apple Illustrate Reasons Corporate Quarterly Earnings Fluctuate

Beats and Misses, Seen and Unseen

by Vitaliy N. Katsenelson, CFA, CIO of Investment Management Associates

This article from Vitaliy Katsenelson published in January includes discussion of stocks and assets mentioned only for educational purposes; no investment recommendations are intended. Go to Vitaliy's Contrarian Edge website (www.contrarianedge.com) for more articles. You can sign up at the site to receive articles by email.

Wall Street glorifies companies that beat quarterly estimates by arguing that the long term comprises a lot of short terms. But beating earnings estimates for a few consecutive quarters doesn't necessarily lead to long-term greatness. It assumes that significant changes to the business are visible in the reported numbers.

This is likely what General Electric executives rationalized as they destroyed the company's protective shareholder "moat" and its respected corporate culture. Their short-term thinking focused on "beating earnings" on a quarterly basis, thereby ensuring seemingly endless analyst upgrades. Except GE's short-term success seen by the market came at the expense of unseen damage to its moat, balance sheet and corporate culture. Conversely, consider Apple reporting what analysts considered "disappointing" numbers for eight sequential quarters (three lifetimes on Wall Street) leading up to 2007. During that time, Apple is pouring every ounce of its resources into R&D and coming up with the iPhone.

It cannot hire the right engineers fast enough and thus must pull in engineers who had been working on the Macintosh (then Apple's bread and butter), which results in delaying the introduction of new computers by a few quarters (this did happen). Did those negative short-term results subtract from the value of the company, or were they instrumental in adding trillions of dollars of revenue to Apple?

Quarterly misses and beats show only what's seen, but true investors are able to see the unseen. With the luxury of hindsight, I picked two examples, GE and Apple, that seem to prove that earnings misses are great and beats are bad — but they're neither. They're part of the vocabulary of the semi-staged reality game show on business TV, which I choose not to participate in. Facebook, for example, was recently accused of using casino gaming psychology to get their users to keep coming back to see if their posts or family pictures were "liked." Quarterly "beats" and "misses" aren't much different; they add casino excitement to investing and turn investors into gamblers.

This doesn't mean that an investor should completely ignore what happens in the short run, but quarterly earnings should be always looked in the right context, the context of the long run. Long-term thinking should be deeply embedded in your stock analysis. A discounted cash flow (DCF) analysis model forces you to value a company the way you'd value a private business, bringing cash flows that lie decades in the future into the present.

But DCF analysis, though grounding, is a crude model that's most useful at the extremes of a company's valuation, when a company's wildly overvalued or undervalued. This is why it makes sense to estimate a company's value based on earnings multiples. In my process, I look at a company's expected earnings three- to five years out and then discount it back (convert to today's dollars). This is the key: By looking at a company's earnings this far out, you muffle the noise of quarterly earnings — the "what have you done for me lately?" hysteria — and focus on the future.

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TOP 100 COMPANIES HELD BY OUR MEMBERS

The average portfolio value of clubs subscribing to the myICLUB.com club accounting portal at year-end 2018 was up about 1.2 percent from the year before, totaling $223,200. The typical portfolio held slightly less in stocks (88.4 percent) compared with the year before (89.9 percent) and a bit more in cash — 9.7 percent versus 8.2 percent. Clubs' taste for speculation isn't new — in the mid-2000s, for example, Sirius was a popular holding even though it was still losing money — but at year-end 2018 the three biggest movers on the list have "nontraditional" Stock Selection Guide fundamentals. Medical marijuana firm Canopy Growth debuted on the list at No. 64. Square, a payment technology company, the No. 2 mover, advanced 55 spots. Neither company has recorded positive annual earnings yet. Salesforce, the third biggest mover, eked out profits over the past two years.

Our annual Top 100 Survey of Investment Clubs is presented on the following pages. The Top 100 Companies are listed on pages 40 and 41, while the Second 100 listing is on page 42. An alphabetical index of the Top 200 Companies is on page 43.

Big Movers on the Top 200 List

Places Moved (UP)	Company	Movement From 2017 to 2018
New	Canopy Growth	Unlisted to 64
55	Square	121 to 66
52	Salesforce	125 to 73
46	Micron Technology	138 to 92
34	Adobe Systems	132 to 98
27	Constellation Brands	94 to 67
26	Ulta Beauty	65 to 39
22	FedEx	70 to 48
16	Waste Management	92 to 76
14	Honeywell	114 to 100

Some of the companies making the most significant upward movements in the *BetterInvesting* Top 200 from 2017 to 2018. Club holding information is from myICLUB.com.

TOP 100 COMPANIES

Companies	Ticker	Rank by # of Clubs Holding	Number of Clubs Holding Stock	Rank by Total Shares Held	Number of Shares Held by Members	Rank by Total Value of Shares Held	Total Value of Shares Held by Members on 12-31-18
Apple Inc.	AAPL	1	1,761	1	817,508	1	$128,953,681
Amazon.com, Inc.	AMZN	2	932	73	47,943	2	72,008,808
Alphabet Inc.	GOOGL	3	883	69	50,145	3	52,222,228
Disney (Walt) Company, The	DIS	4	662	18	196,133	11	21,506,017
Visa Inc.	V	5	656	7	325,600	5	42,959,670
Johnson & Johnson	JNJ	6	639	15	220,133	9	28,408,181
Facebook, Inc.	FB	7	619	27	161,450	12	21,164,522
Microsoft Corporation	MSFT	8	599	8	322,496	7	32,755,891
Home Depot, Inc., The	HD	9	556	26	168,958	8	29,030,363
Starbucks Corporation	SBUX	10	527	11	273,703	14	17,626,444
Berkshire Hathaway Inc.	BRK.B	11	514	14	248,048	4	50,646,455
Costco Wholesale Corporation	COST	12	508	39	107,808	10	21,961,595
PepsiCo, Inc.	PEP	13	419	28	154,010	16	17,014,983
AT&T Inc.	T	14	400	6	346,689	30	9,894,515
* CVS Health Corporation	CVS	15	390	32	138,579	33	9,079,726
Intel Corporation	INTC	16	383	4	351,077	18	16,476,043
Procter & Gamble Company, The	PG	17	374	33	136,751	24	12,570,148
Cognizant Technology Solutions Corp.	CTSH	18	366	16	217,678	22	13,818,178
Verizon Communications Inc.	VZ	19	360	9	307,254	15	17,273,802
* Netflix Inc.	NFLX	20	342	55	62,251	17	16,662,119
Exxon Mobil Corporation	XOM	21	342	24	180,335	27	12,297,012
General Electric Company	GE	22	341	13	253,118	94	1,916,101
AbbVie Inc.	ABBV	23	331	30	152,044	21	14,016,923
Boeing Company, The	BA	24	322	37	116,135	6	37,453,634
* Walmart Inc.	WMT	25	315	41	101,404	32	9,445,821
* Cisco Systems, Inc.	CSCO	26	312	17	207,707	34	8,999,954
* Nvidia Corporation	NVDA	27	308	56	62,083	39	8,288,095
Southwest Airlines Co.	LUV	28	298	12	268,066	25	12,459,721
* PayPal Holdings, Inc.	PYPL	29	294	40	104,312	36	8,771,591
McDonald's Corporation	MCD	30	290	38	114,112	13	20,262,784
Pfizer Inc	PFE	31	290	19	189,035	40	8,251,363
Skyworks Solutions, Inc.	SWKS	32	284	22	185,317	26	12,419,959
Stryker Corporation	SYK	33	279	42	98,568	20	15,450,483
Air Lease Corporation	AL	34	264	3	405,579	28	12,252,539
Aflac Incorporated	AFL	35	251	5	348,488	19	15,877,110
* Alibaba Group Holding Ltd.	BABA	36	245	74	47,886	47	6,563,670
Walgreens Boots Alliance, Inc.	WBA	37	240	45	89,170	50	6,092,985
Lowe's Companies, Inc.	LOW	38	239	43	93,052	37	8,594,283
* Ulta Beauty, Inc.	ULTA	39	238	75	47,095	29	11,530,619
Ford Motor Company	F	40	224	10	303,017	90	2,318,078
Caterpillar Inc.	CAT	41	223	59	58,439	42	7,425,886
* Fastenal Company	FAST	42	214	25	169,114	35	8,842,949
LKQ Corporation	LKQ	43	209	20	188,902	67	4,482,637
* Bank of America Corporation	BAC	44	208	21	187,289	65	4,614,797
Gilead Sciences, Inc.	GILD	45	195	46	79,295	63	4,959,910
* 3M Company	MMM	46	194	82	38,711	43	7,375,908
Abbott Laboratories	ABT	47	190	44	92,041	46	6,657,322
* FedEx Corporation	FDX	48	189	89	31,598	60	5,097,709
Amgen Inc.	AMGN	49	186	83	38,476	41	7,490,047
* UnitedHealth Group Incorporated	UNH	50	185	67	51,225	23	12,761,113

* Advanced five positions or more in rank since last year. ** New to the Top 100.

Shown on these two pages are the most popular and widely held stocks among investment clubs and their members nationwide as of late 2018.

Companies	Ticker	Rank by # of Clubs Holding	Number of Clubs Holding Stock	Rank by Total Shares Held	Number of Shares Held by Members	Rank by Total Value of Shares Held	Total Value of Shares Held by Members on 12-31-18
* TJX Companies Inc.	TJX	51	184	31	143,955	48	6,440,526
Tesla Motors, Inc.	TSLA	52	184	100	11,038	75	3,673,440
Gentex Corporation	GNTX	53	182	2	418,477	38	8,457,424
* JPMorgan Chase & Co.	JPM	54	179	57	61,965	51	6,049,032
Oracle Corporation	ORCL	55	176	36	116,506	58	5,260,230
Coca-Cola Company, The	KO	56	175	29	153,588	45	7,272,386
Wells Fargo & Company	WFC	57	174	34	122,187	55	5,630,399
Chevron Corporation	CVX	58	169	58	58,669	49	6,382,586
Nike Inc.	NKE	59	167	49	70,212	59	5,205,527
Medtronic, Inc.	MDT	60	164	71	49,146	68	4,470,344
* Dollar General Corporation	DG	61	163	70	49,860	57	5,388,844
United Parcel Service, Inc.	UPS	62	163	85	35,416	79	3,454,148
Celgene Corporation	CELG	63	155	52	67,755	70	4,342,416
** Canopy Growth Corporation	CGC	64	152	72	48,873	100	1,313,211
Altria Group	MO	65	149	35	118,316	52	5,843,635
** Square, Inc.	SQ	66	145	64	53,879	83	3,022,076
* Constellation Brands, Inc.	STZ	67	144	93	29,358	64	4,721,297
DowDuPont Inc.	DWDP	68	143	23	180,789	31	9,668,577
United Technologies Corporation	UTX	69	141	79	41,969	69	4,468,857
Merck & Co., Inc.	MRK	70	140	53	66,328	61	5,068,116
Yum! Brands, Inc.	YUM	71	137	62	54,682	62	5,026,389
Kraft Heinz Company, The	KHC	72	135	84	38,164	97	1,642,558
** Salesforce.com, Inc.	CRM	73	131	92	29,695	72	4,067,333
Target Corporation	TGT	74	130	90	31,242	93	2,064,778
* Union Pacific Corporation	UNP	75	126	65	52,777	44	7,295,396
* Waste Management, Inc.	WM	76	126	77	42,252	73	3,760,013
* Comcast Corporation	CMCSA	77	124	47	78,723	87	2,680,522
FactSet Research Systems Inc.	FDS	78	123	94	28,721	53	5,747,863
* Raytheon Company	RTN	79	123	95	24,511	74	3,758,713
Mondelez International, Inc.	MDLZ	80	122	54	63,953	89	2,560,034
CSX Corporation	CSX	81	120	60	58,262	77	3,619,832
Dollar Tree Stores, Inc.	DLTR	82	120	86	34,469	82	3,113,263
* Mastercard Incorporated	MA	83	117	91	30,271	54	5,710,655
* Lockheed Martin Corp.	LMT	84	116	99	12,985	80	3,400,075
Danaher Corporation	DHR	85	113	63	54,517	56	5,621,806
Qualcomm Incorporated	QCOM	86	110	68	50,788	85	2,890,368
Philip Morris International, Inc.	PM	87	109	51	68,507	66	4,573,495
Tractor Supply Company	TSCO	88	109	78	42,218	78	3,522,651
Applied Materials Inc.	AMAT	89	109	66	52,514	96	1,719,302
* BP p.l.c.	BP	90	106	48	72,639	86	2,754,475
Corning Incorporated	GLW	91	104	50	68,839	92	2,079,617
** Micron Technology, Inc.	MU	92	104	61	55,088	95	1,747,931
ConocoPhillips	COP	93	102	81	41,207	88	2,569,270
Yum China Holdings, Inc.	YUMC	94	102	76	45,747	99	1,533,912
ResMed Inc.	RMD	95	100	88	32,240	76	3,671,148
** Activision Blizzard, Inc.	ATVI	96	99	87	34,218	98	1,593,527
Cerner Corporation	CERN	97	94	80	41,840	91	2,194,088
** Adobe Systems Incorporated	ADBE	98	92	98	17,985	71	4,068,947
** Deere & Company	DE	99	92	96	22,388	81	3,339,630
** Honeywell International Inc.	HON	100	92	97	21,915	84	2,895,473

* Advanced five positions or more in rank since last year. ** New to the Top 100.

BetterInvesting's 2nd 100 Companies for 2018

SECOND 100 COMPANIES

BetterInvesting Magazine continues its expanded coverage of the most widely held stocks among investment club members nationwide by presenting the Second 100, companies that are among the 200 most popular holdings by active club investors in today's equity market.

Rank by No. of Clubs Holding	Company	Ticker	Number of Clubs Holding Stock	Total Value of Shares Held by Members
101	International Business Machines Corp.	IBM	92	$2,837,485
102	Phillips 66	PSX	92	2,341,219
103	Sysco Corporation	SYY	91	9,233,614
104	Duke Energy Corporation	DUK	91	2,375,024
105	Paychex, Inc.	PAYX	88	2,961,409
106	Citigroup Inc.	C	87	1,440,680
107	Price (T. Rowe) Group, Inc.	TROW	86	3,605,242
* 108	Five Below, Inc.	FIVE	86	3,200,267
* 109	Cummins Inc.	CMI	86	6,754,429
* 110	O'Reilly Automotive, Inc.	ORLY	85	8,132,989
* 111	Booking Holdings Inc. ★	BKNG	85	4,796,486
112	IPG Photonics Corporation	IPGP	85	2,755,088
113	Under Armour, Inc.	UAA	82	684,036
114	American Tower Corporation	AMT	80	3,019,692
115	Bank of the Ozarks, Inc.	OZK	79	840,890
* 116	NextEra Energy Inc.	NEE	78	3,461,617
117	Schlumberger Limited	SLB	77	1,033,037
* 118	General Mills, Inc.	GIS	77	1,104,239
* 119	Fiserv, Inc.	FISV	76	7,093,570
* 120	Nucor Corporation	NUE	76	2,262,359
121	Kroger Co., The	KR	76	1,290,540
122	General Motors Company	GM	74	4,751,960
123	American Water Works Company, Inc.	AWK	73	2,106,981
124	Fortive Corporation	FTV	73	1,587,309
125	Illinois Tool Works Inc.	ITW	71	2,763,677
126	Canadian National Railway	CNI	71	2,295,447
127	Kinder Morgan Inc.	KMI	70	1,926,038
* 128	International Paper Company	IP	69	1,209,009
129	Sirius XM Holdings Inc	SIRI	69	692,372
* 130	Becton, Dickinson and Company	BDX	67	3,743,734
131	Biogen Inc.	BIIB	67	2,741,029
132	Harley Davidson, Inc.	HOG	67	804,999
133	Colgate-Palmolive Company	CL	66	2,694,775
134	Bristol-Myers Squibb Co.	BMY	66	1,570,651
* 135	Illumina, Inc.	ILMN	65	2,399,715
136	Resideo Technologies, Inc. ✔	REZI	65	73,661
137	Clorox Company, The	CLX	64	2,110,041
* 138	Shopify Inc.	SHOP	64	1,502,212
139	Valero Energy Corporation	VLO	63	6,013,209
140	Thermo Fisher Scientific Inc.	TMO	63	4,247,029
141	Diageo plc	DEO	63	1,931,698
** 142	Aurora Cannabis Inc.	ACB	63	415,745
* 143	Intuitive Surgical, Inc.	ISRG	62	4,816,530
144	Emerson Electric Co.	EMR	62	1,985,966
* 145	Enbridge Inc.	ENB	62	1,022,205
** 146	Tencent Holdings Limited	TCEHY	62	994,113
* 147	Baidu.com, Inc.	BIDU	61	1,452,797
* 148	Heico Corporation	HEI	60	2,206,651
149	Smucker (J.M.) Company, The	SJM	60	1,719,250
150	RPM International Inc.	RPM	59	2,798,768
151	Garrett Motion Inc. ✔	GTX	59	$36,045
152	Automatic Data Processing, Inc.	ADP	59	3,090,916
153	Edwards Lifesciences Corporation	EW	57	2,860,128
154	Hormel Foods Corporation	HRL	57	2,352,884
155	Johnson Controls, Inc.	JCI	57	738,815
* 156	Lam Research Corporation	LRCX	55	1,699,265
157	Axos Financial, Inc. ➤	AX	55	1,403,730
* 158	Delta Air Lines Inc.	DAL	53	1,415,589
159	Marriott International, Inc.	MAR	52	1,033,509
160	Dunkin' Brands Group, Inc.	DNKN	52	784,156
* 161	Axon Enterprise, Inc.	AAXN	50	605,151
** 162	Advanced Micro Devices, Inc.	AMD	50	566,423
163	Alaska Air Group, Inc.	ALK	50	4,823,302
* 164	Dominion Energy, Inc.	D	50	3,331,724
** 165	Align Technology, Inc.	ALGN	50	1,172,714
166	Novo Nordisk A/S	NVO	50	1,140,099
* 167	Church & Dwight Co., Inc.	CHD	49	2,276,936
168	Norfolk Southern Corporation	NSC	49	2,170,375
* 169	Thor Industries, Inc.	THO	49	2,042,356
* 170	Southern Company, The	SO	49	1,341,083
171	Royal Dutch Shell plc	RDS.A	49	772,745
172	General Dynamics Corporation	GD	48	1,620,143
173	C.H. Robinson Worldwide, Inc.	CHRW	48	1,219,957
174	U.S. Bancorp	USB	48	1,101,933
* 175	LCI Industries	LCII	47	992,046
176	Hershey Corp.	HSY	46	1,662,195
* 177	Ecolab Inc.	ECL	46	1,470,518
** 178	BlackRock, Inc.	BLK	46	1,408,384
** 179	Marathon Petroleum Corporation	MPC	45	1,539,284
180	Kimberly-Clark Corp.	KMB	45	1,322,313
181	Aqua America Inc.	WTR	45	948,879
182	Blackstone Group L.P., The	BX	44	744,382
183	Arconic Inc.	ARNC	44	351,053
** 184	Invesco QQQ Trust Series 1	QQQ	43	5,681,087
185	D.R. Horton, Inc.	DHI	42	6,524,687
186	Novartis AG	NVS	42	956,871
** 187	Scotts Miracle-Gro Company, The	SMG	42	449,613
188	SPDR S&P 500 ETF	SPY	41	4,979,658
** 189	Sherwin-Williams Company, The	SHW	41	2,024,417
** 190	McCormick & Company, Inc.	MKC	41	1,707,218
191	Check Point Software Tech. Ltd.	CHKP	41	1,461,452
** 192	Zoetis Inc.	ZTS	41	863,580
** 193	Ross Stores, Inc.	ROST	40	4,102,817
194	Eli Lilly and Company	LLY	40	1,544,342
195	eBay Inc.	EBAY	40	298,216
196	Eaton Corporation plc	ETN	39	910,688
197	Teva Pharmaceutical Industries Ltd.	TEVA	39	550,361
** 198	GW Pharmaceuticals plc	GWPH	39	461,853
199	CenturyLink, Inc.	CTL	39	437,919
200	Twitter, Inc.	TWTR	38	228,456

* Advanced 5 positions or more in rank since last year.
** New to the Top 200.

★ Formerly Priceline.
➤ Formerly BofI Holding.

✔ Spun off from Honeywell.

Alphabetical Listing of the Top 200 Companies

Company	Rank
3M Company	46
Abbott Laboratories	47
AbbVie Inc.	23
Activision Blizzard, Inc.	96
Adobe Systems Incorporated	98
Advanced Micro Devices, Inc.	162
Aflac Incorporated	35
Air Lease Corporation	34
Alaska Air Group, Inc.	163
Alibaba Group Holding Ltd	36
Align Technology, Inc.	165
Alphabet Inc.	3
Altria Group	65
Amazon.com, Inc.	2
American Tower Corporation	114
American Water Works Company, Inc.	123
Amgen Inc.	49
Apple Inc.	1
Applied Materials Inc.	89
Aqua America Inc.	181
Arconic Inc.	183
AT&T Inc.	14
Aurora Cannabis Inc.	142
Automatic Data Processing, Inc.	152
Axon Enterprise, Inc.	161
Axos Financial, Inc.	157
Baidu.com, Inc.	147
Bank of America Corporation	44
Bank of the Ozarks, Inc.	115
Becton, Dickinson and Company	130
Berkshire Hathaway Inc.	11
Biogen Inc.	131
BlackRock, Inc.	178
Blackstone Group L.P., The	182
Boeing Company, The	24
Booking Holdings Inc.	111
BP p.l.c.	90
Bristol-Myers Squibb Co.	134
C.H. Robinson Worldwide, Inc.	173
Canadian National Railway	126
Canopy Growth Corporation	64
Caterpillar Inc.	41
Celgene Corporation	63
CenturyLink, Inc.	199
Cerner Corporation	97
Check Point Software Technologies Ltd.	191
Chevron Corporation	58
Church & Dwight Co., Inc.	167
Cisco Systems, Inc.	26
Citigroup Inc.	106
Clorox Company, The	137
Coca-Cola Company, The	56
Cognizant Technology Solutions Corp.	18
Colgate-Palmolive Company	133
Comcast Corporation	77
ConocoPhillips	93
Constellation Brands, Inc.	67
Corning Incorporated	91
Costco Wholesale Corporation	12
CSX Corporation	81
Cummins Inc.	109
CVS Health Corporation	15
D.R. Horton, Inc.	185
Danaher Corporation	85
Deere & Company	99
Delta Air Lines Inc.	158
Diageo plc	141
Disney (Walt) Company, The	4
Dollar General Corporation	61
Dollar Tree Stores, Inc.	82
Dominion Energy, Inc.	164
DowDuPont Inc.	68
Duke Energy Corporation	104
Dunkin' Brands Group, Inc.	160
Eaton Corporation plc	196
eBay Inc.	195
Ecolab Inc.	177
Edwards Lifesciences Corporation	153
Eli Lilly and Company	194
Emerson Electric Co.	144
Enbridge Inc.	145
Exxon Mobil Corporation	21
Facebook, Inc.	7
FactSet Research Systems Inc.	78
Fastenal Company	42
FedEx Corporation	48
Fiserv, Inc.	119
Five Below, Inc.	108
Ford Motor Company	40
Fortive Corporation	124
Garrett Motion Inc.	151
General Dynamics Corporation	172
General Electric Company	22
General Mills, Inc.	118
General Motors Company	122
Gentex Corporation	53
Gilead Sciences, Inc.	45
GW Pharmaceuticals plc	198
Harley Davidson, Inc.	132
Heico Corporation	148
Hershey Corp.	176
Home Depot, Inc., The	9
Honeywell International Inc.	100
Hormel Foods Corporation	154
Illinois Tool Works Inc.	125
Illumina, Inc.	135
Intel Corporation	16
International Business Machines Corporation	101
International Paper Company	128
Intuitive Surgical, Inc.	143
Invesco QQQ Trust Series 1	184
IPG Photonics Corporation	112
Johnson & Johnson	6
Johnson Controls, Inc.	155
JPMorgan Chase & Co.	54
Kimberly-Clark Corp.	180
Kinder Morgan Inc.	127
Kraft Heinz Company, The	72
Kroger Co., The	121
Lam Research Corporation	156
LCI Industries	175
LKQ Corporation	43
Lockheed Martin Corp.	84
Lowe's Companies, Inc.	38
Marathon Petroleum Corporation	179
Marriott International, Inc.	159
Mastercard Incorporated	83
McCormick & Company, Incorporated	190
McDonald's Corporation	30
Medtronic, Inc.	60
Merck & Co., Inc.	70
Micron Technology, Inc.	92
Microsoft Corporation	8
Mondelez International, Inc.	80
Netflix Inc.	20
NextEra Energy Inc.	116
Nike Inc.	59
Norfolk Southern Corporation	168
Novartis AG	186
Novo Nordisk A/S	166
Nucor Corporation	120
Nvidia Corporation	27
O'Reilly Automotive, Inc.	110
Oracle Corporation	55
Paychex, Inc.	105
PayPal Holdings, Inc.	29
PepsiCo, Inc.	13
Pfizer Inc	31
Philip Morris International, Inc.	87
Phillips 66	102
Price (T. Rowe) Group, Inc.	107
Procter & Gamble Company, The	17
Qualcomm Incorporated	86
Raytheon Company	79
Resideo Technologies, Inc.	136
ResMed Inc.	95
Ross Stores, Inc.	193
Royal Dutch Shell plc	171
RPM International Inc.	150
Salesforce.com, Inc.	73
Schlumberger Limited	117
Scotts Miracle-Gro Company, The	187
Sherwin-Williams Company, The	189
Shopify Inc.	138
Sirius XM Holdings Inc.	129
Skyworks Solutions, Inc.	32
Smucker (J.M.) Company, The	149
Southern Company, The	170
Southwest Airlines Co.	28
SPDR S&P 500 ETF	188
Square, Inc.	66
Starbucks Corporation	10
Stryker Corporation	33
Sysco Corporation	103
Target Corporation	74
Tencent Holdings Limited	146
Tesla Motors, Inc.	52
Teva Pharmaceutical Industries Ltd.	197
Thermo Fisher Scientific Inc.	140
Thor Industries, Inc.	169
TJX Companies Inc.	51
Tractor Supply Company	88
Twitter, Inc.	200
Ulta Beauty, Inc.	39
Under Armour, Inc.	113
Union Pacific Corporation	75
United Parcel Service, Inc.	62
United Technologies Corporation	69
UnitedHealth Group Incorporated	50
US Bancorp	174
Valero Energy Corporation	139
Verizon Communications Inc.	19
Visa Inc.	5
Walgreens Boots Alliance, Inc.	37
Walmart Inc.	25
Waste Management, Inc.	76
Wells Fargo & Company	57
Yum China Holdings, Inc.	94
Yum! Brands, Inc.	71
Zoetis Inc.	192

We Can Help Novice Investors Meet Their Financial Goals

BINC's the Place to Serve the Underserved

by Claire Struthers, BetterInvesting Heartland Chapter Volunteer

For a BetterInvesting volunteer, it's all about serving the underserved, reaching out and teaching individuals who may not even know they want to learn about investing, telling them about the benefits of our annual BetterInvesting National Convention, May 16-19 at the Chicago O'Hare Marriott. It's all about approaching those who may not yet be aware that they want to be approached and handling the conversation about why investing is such an important life skill for everyone to learn, at any age.

Investing will significantly impact their way of living. It will touch the way they see themselves in the future. Novice investors are laying a foundation for their success. They know that they need to invest at some time, but it seems daunting.

How do we make the education simpler? How do we take looking at the Stock Selection Guide and break it into such easy terms that even a fifth-grader can understand it? We do it by reaching out and teaching, pulling newcomers in as we learn along with them.

We truly learn by teaching. Those of us with the learning bug tend to also teach ourselves along the way. We're picking up vital information here by looking at how publicly traded companies are being run.

Own a Company

Public companies make the products we use. Isn't it fun, a thrill really, to watch as you make money along with the owners of the company when you invest in that company? You've truly become an owner of the company. And watch this as well: Your money is now making money for you. For example, if you invest in Berkshire Hathaway, as I do, you can buy the Brooks-brand shoes. By doing this, you're helping Berkshire Hathaway grow and expand as a company. This not only gives you a good new pair of workout shoes, but also helps your stock increase in value.

This Year in Chicago

We want to make this opportunity and knowledge available in classrooms, conference rooms, church halls and homes all across the country. For this year, let's focus on the Chicago area. We can do this as a grassroots campaign by reaching out to our own family and friends, especially our own children and grandchildren. Take a lesson from BetterInvesting board member Jackie Koski. She wrote a book for her daughter about investing, "Money Letters 2 My Daughter." What a smart way to serve others! This is a great example for us to follow. Reach out to daughters, sons, nieces, nephews — everyone who's still young enough to take advantage of the growth opportunity that awaits them as they take their first step into the world of investing.

Time Off for Fun Behavior. Visitors to Chicago may enjoy strolling along Navy Pier, a historic landmark more than 100 years old and known as the city's No. 1 tourist attraction. Navy Pier includes more than 50 acres of shops, restaurants, parks, museums and exhibitions.

Become an Investing Tour Leader

View yourself as their investing tour guide. Show them all the sites. We need to get out there on our social media accounts and write about the opportunity to visit with our community at BINC. Keep the interest going by building your own following on social media. Create a following of investors who can enjoy the good life. Let all of us serve the underserved from an investing aspect. That will keep us all reaching and growing. The more we teach, the more we learn. Isn't that worth the trip?

You always need to be the salesperson for BetterInvesting, the salesperson for future financial freedom. Teach newcomers how to be part of an investment club. If there isn't an investment club for them to join, help them start one. Be a mentor. Be a friend. Let them see your passion for making money. Be like Kevin O'Leary from "Shark Tank." Tell them that your money is like little soldiers. The only job your money soldiers have is to go out and make more money for you. Learn the fundamentals. Teach them the fundamentals. Be the Warren Buffett of your hometown. Make money work for you.

To learn more, visit
www.betterinvesting.org/biconvention

BINC 2019: Chicago, May 16-19

Instructors and Seminars

Here are just some of the educators who'll be at BINC and the classes they'll be offering.

RALPH ACAMPORA	*KEYNOTE ADDRESS: Technical Stock Analysis in Today's Market*
Allen Holdsworth	**Understanding and Using P/E Ratios**
Ann Cuneaz	**Quarterly Reports**
Carol Theine	**Beginners Series**
Christi Powell	**Building a Retirement Paycheck 101 and 102**
Craig Braemer	**Looking for Tomorrow's Winners**
Cy Lynch	**Stock Portfolio Management**
Dan Boyle	**Ideas From *Investment Advisory Service***
Dave Swierenga	**Do ETFs Belong in a BI Portfolio?**
Dennis Genord	**Mutual Funds**
Doug Gerlach	**Analyzing Quality Using Profit Margins**
Ed Modula	**Options I, II and III**
Hugh McManus	**BINC Roundtable**
Jim Crabill	**A Guide on When to Sell**
Jim Hurt	**Beginners Series**
Joe Farrell	**Investing in Banks**
Kamie Zaracki	**Building a Stronger Financial Future**
Kathleen Richards	**Quality Matters**
Ken Kavula	**Building Selling Discipline**
Kim Butcher	**What's ROE/ROIC?**
Mark Robertson	**Small-Stock Investing**
Mary Enright	**BI Gals Talk Stocks**
Nick Stratigos	**Interpreting the Stock Selection Guide**
Ray Giese	**Asset Allocation Salsa**
Scott Horsburgh	**Live Repair Shop**
Suzi Artzberger	**Technology Sector Stocks**

Group Presentations

National Instructors	**Let's Talk Stocks, Roundtable at BINC, BI Gals Talk Stocks, TickerTalk**

For more information, go to www.betterinvesting.org/biconvention

Investing's Been a Three-Generation Pursuit for California Member's Relatives

Former Kiplinger's Cover Girl Manages Family Portfolios

As told to Angele McQuade by Joan Pringle of San Diego and the San Diego Chapter.

I'm a native of San Diego, where I still live now in retirement. I love to read all kinds of things. I also enjoy taking cooking classes and then trying to duplicate my favorite recipes at home. I love to travel, both on road trips and more extensive international excursions. My favorite place I've visited so far is Bruges, Belgium, but cruising the Rhine Valley (among other destinations) was also great. I hope to get to Ireland one day in the future.

Patience Pays Off. Joan Pringle of San Diego says she never sells a stock on a whim but sleeps on a decision first.

I became a BetterInvesting member 30 years ago after my mother-in-law recommended joining. I became very interested in investing and started investing every dollar I could. After I was taken ill in 1989 and was unable to work, I had more time to devote to reading everything I could find to learn more about investing. I went to many BetterInvesting classes and began volunteering for my local chapter in San Diego.

I learned so much from the people on the chapter board and even attended the BetterInvesting National Convention many times. In addition to my own personal portfolio, I now manage my daughter and son-in-law's portfolios, and I'm trying to help them learn more about investing.

Now that I'm retired, I'm using my investment profits to live on but I'm also continuing to invest. I try to buy good companies when they're out of favor but still paying good dividends and then I patiently hold them as they start growing again. I never sell on a whim; I always sleep on the decision.

At the same time I helped form an investment club, I also quit smoking. As an added incentive to not go backward on that commitment, I put all the money I'd been spending on cigarettes per month (about $100) into the investment club. I finally cashed that out about 10 years later and as a bonus, I've never gone back to smoking.

In 1996, I participated in an interview with Kiplinger's Magazine along with several other investors and we were featured on the November cover along with our condensed interviews. I'm really interested in sharing my enthusiasm for investing with others, as it's meant so much to me personally. Not surprisingly, I'm a BetterInvesting Lifetime Member.

The feature I appreciate most about BI is the teaching. Whether online, in *BetterInvesting* or through in-person classes and conventions, BI volunteers always strive to help people learn more about the basic principles of investing.

These wonderful teachers can help someone (like me!) go from knowing nothing about the subject to gaining confidence to start managing her own portfolio. I've found that most newer investors — including myself at one time — are too quick to take profits. Most of us eventually learn that true investing is more like the story of the tortoise and the hare. It takes time and patience to build a good portfolio.

Angele McQuade is the author of two books, including "Investment Clubs for Dummies." She lives in Richmond, Virginia, where she also writes novels for children and teens.

"The Shortest Distance Between Two People Is a Story"

Share Your BetterInvesting Story at
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Check Online Tools Notes for Tax Cut Effects

Not Finished With 2017 Just Yet

by Adam Ritt, Editor-in-Chief

Many fourth-quarter 2018 results are in the books, which should prompt you to update your Stock Selection Guides. And when doing so you might be momentarily astonished by the difference in earnings from the year-ago fourth quarter. When researching results for this month's "Performance Review," for example, I was surprised to see that International Paper's earnings per share fell to $0.78 from $3.41 a year ago ***(see p. 52)*****.**

> "When a member of the community or BetterInvesting staff adds comments, you'll see a numeral in the Notes tab of the SSG."

But there was a benign explanation. International Paper (ticker: IP) was one of many companies affected by the corporate tax cuts enacted in 2017. In its fourth-quarter 2017 results news release, the company attributed $2.93 of its quarterly EPS to a one-time gain resulting from the tax legislation. Since our online tools use GAAP (generally accepted accounting principles) data, this one-time charge wasn't reflected in the data.

New features in BetterInvesting's online tools help you account for this special event in corporate earnings. You not only can modify your quarterly and annual data accessed via the Data tab but also can make a note and even share it with the BetterInvesting community.

These features came into play recently when a group at the home office created a stock study for Martin Marietta Materials (MLM). We adjusted the fourth-quarter and full-year 2017 earnings, then created a Staff Note that detailed adjustments you might want to consider when conducting a stock study. When a member of the community or BetterInvesting staff adds comments, you'll see a numeral in the Notes tab (indicating how many comments are in this section).

In Martin Marietta's case, reading the staff note helped one club understand why its SSG looked so different from ours. Both SSGs used the same judgments, but the graphs and projected EPS figures were quite different. By considering the adjustment, club members were better able to understand MLM's historical performance.

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Reviewing Stock to Study, Undervalued Selections

Fossil Group, International Paper

by Adam Ritt, Editor in Chief

STOCK TO STUDY

Fossil Group
Ticker: FOSL

Company description: Designs and sells watches and other fashion accessories, including jewelry, handbags and small leather goods. Watches make up most of company revenue. Fossil primarily sells its products through third-party retailers but has company-owned stores in the United States.
Price at time of selection: $115.25
High price during past five years: $121.47 (2/12/2014)
Closing price 5 years later: $17.33
Total return at 5-year price (including dividends): 84.7 percent
S&P 500 5-year total return: 65.6 percent
Value Line long-term earnings growth estimate when featured: 14.5 percent
Consensus long-term earnings growth estimate when featured: 14.2 percent
Five-year sales growth rate: (4.5 percent)
Five-year EPS growth rate: (85.1 percent)
Five-year pretax profit on sales: 9.6 percent
Five-year return on equity: 26.5 percent
Comment: In selecting Fossil as the Stock to Study for April 2014, members of the magazine's Editorial Advisory and Securities Review Committee recognized the company's strong watch licensing business and potential for growth in accessories. But Fossil's traditional watch business struggled, causing the stock to drop like a rock. Despite recovering somewhat in 2018, the stock lost almost 85 percent over the past five years. The company has been restructuring, focusing more on online sales and on smartwatches to better meet current consumer preferences.

UNDERVALUED

International Paper
Ticker: IP

Company description: Manufactures packaging products and printing papers. It accounts for roughly one-third of the North American corrugated packaging market and about 25 percent of the uncoated free-sheet paper market. Though it has operations in Brazil, Russia, India and China, more than three-fourths of its sales come from North America.
Price at time of selection: $53.88
High price during past 18 months: $65.08 (1/29/2018)
Closing price 18 months later: $46.19
Total return at 18-month price (including dividends): (9.5 percent)
S&P 500 18-month total return: 9.8 percent
Value Line long-term earnings growth estimate when featured: 17.5 percent
Consensus long-term earnings growth estimate when featured: 8.9 percent
Most recent quarter sales growth: 30.9 percent
Most recent quarter EPS growth: (77.1 percent)
Comment: International Paper was selected as the Undervalued Stock for August 2017 mainly on the basis of expected improvement in fundamentals after restructuring. The stock price did improve through 2017 into early 2018 and at the high point returned 16.4 percent from the selection price. But a double whammy of higher costs and expected increases in global capacity have hurt the price in recent months.
Companies in this article are mentioned only for educational purposes. No investment recommendations are intended.

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Ralph Acampora is director of technical studies at the New York Institute of Finance, also known as the "School of Wall Street." Prior to this, Mr. Acampora headed up technical departments at Knight Capital, Prudential Securities, and Kidder, Peabody & Co., for over 47 years. He is a co-founder of the Market Technicians Association (MTA) and the founder and first chairperson of the International Federation of Technical Analysts (IFTA).

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- Thursday evening Welcome Reception, Friday evening Exhibitor Reception.
- Keynote speech by Ralph Acampora, the "Godfather of Technical Analysis."
- Well-known guest speakers, industry experts and popular BINC instructors.
- Corporate presentations — by companies that actively support BetterInvesting's mission.
- Exhibit Hall — filled with investor relations representatives to answer your questions.

Learn more and register for BINC 2019 at www.betterinvesting.org/biconvention

Companies Presenting at BINC 2019:

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