

Class number – Title
Instructor

4 Steps to a Great Portfolio

66th Annual
BetterInvesting
National Convention

May 18 - 21, 2017
Cincinnati, Ohio



NATIONAL ASSOCIATION OF INVESTORS CORPORATION
BETTERINVESTING™
Empowering Investors Since 1951

Allen Holdsworth
Portland Chapter Annual Meeting

Sept 11, 2021

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- MAD Investment Club- 25 yrs.
- Illowa Buy-States Chapter Director-22 yrs.
- Current Heart of Il. Director
- BIVA Board-11 years
- Taught at 12 BINC's

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NYSE Dec. 29, 2006



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4 Keys to a Great Portfolio!

- Based on 90+ portfolio reviews over the last 8 years



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Four Keys to a Great Portfolio

- Keys to improve every portfolio
- Club and personal

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Step #1



- Do **NOT** Fall in Love With Your Stocks!!!
- They do not love you back!!

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Step #2



- Use your Stock selection Guide (SSG)

8

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Step #3



- Buy and Hold
- As long as it makes sense!

9

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Step #4



- Don't be afraid to sell!!

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Portfolio Management

- Clubs usually buy companies that are OK- but not always
- Clubs hang on too long when things change

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Step #1



- Member crying
- Past doesn't matter
- Wait till rises?
- Better off elsewhere?

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You are just dating!!!!



YES!!



NO!!!

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- The real key as to whether to keep a stock is how you think it will perform in the **future!!!**
- It may have been great in the past but what comes next?

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Step #2



- Use your stock selection guide (SSG)

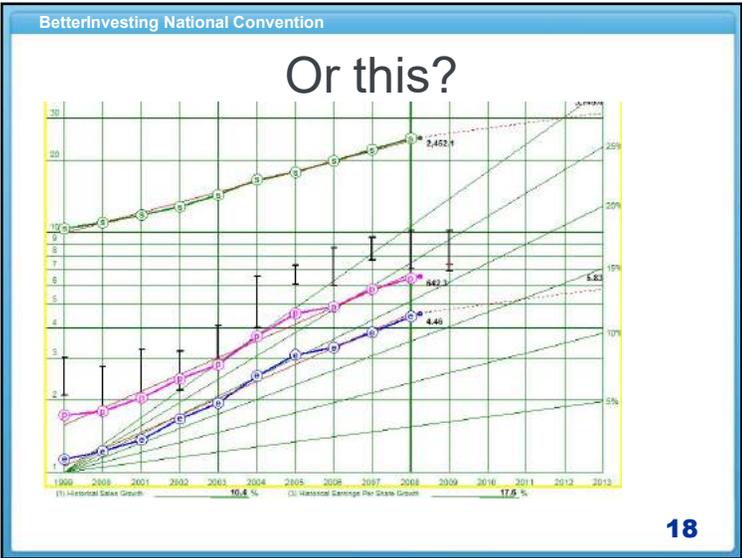
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Step #2

- Find good quality growth companies
- Front page
- Section 2A and 2B

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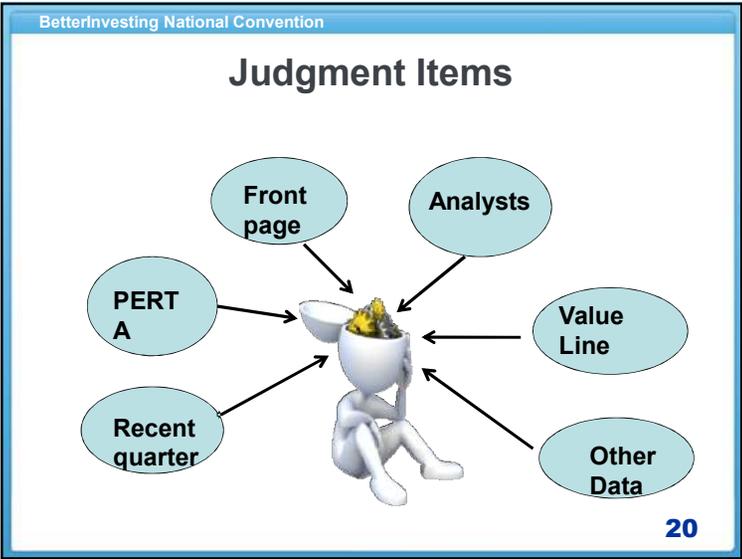


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Front Page

- The second company shows years of consistent, steady growth
- We should have **much** more confidence in the estimate we make

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\$12

Year	PRICE		Dividend Per Share	Price Earnings Ratio		Dividend Per Share	P/E Ratio	
	HIGH	LOW		High	Low		F = D x 100	H = P x 100
1 2004	4.0	2.0	0.19	20.0	20.0	0.000	0.0	0.0
2 2005	6.0	3.0	0.20	30.0	15.0	0.000	0.0	0.0
3 2006	8.0	4.0	0.30	26.7	15.0	0.000	0.0	0.0
4 2007	10.0	5.0	0.50	20.0	15.0	0.000	0.0	0.0
5 2008	12.0	6.0	0.80	15.0	15.0	0.000	0.0	0.0
6 TOTAL		20.0		15.0	7.5			
7 AVERAGE		4.0		15.0	7.5			

8 AVERAGE PRICE EARNINGS RATIO = 11.3 9 CURRENT PRICE EARNINGS RATIO = 15.0

10 Eval. P/E [LOW] Based on Next 4 qtr. EPS [HIGH] Current P/E Based on Last 4 qtr. EPS [LOW]

11 EVALUATING RISK and REWARD over the next 5 years

12 HIGH PRICE – BEST YEARS

13 Avg. High P/E = 15.0 14 Estimate High Earnings/Share = 1.18 15 Forecast High Price = \$18

16 LOW PRICE – BEST YEARS

17 (a) Avg. Low P/E = 7.5 18 Estimate Low Earnings/Share = 0.60 19 Forecast Low Price = \$6

20 (b) Avg. Low P/E of Last 5 Years = 4.0

21 (c) Recent Sectors Market Low Price = 4.0

22 (d) Price Dividend (Div. Support) = 4.0

23 (e) Price Dividend (Div. Support) = 4.0

24 Substituted Estimate Low Price = 6.0

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1/1 U/D

\$6

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Be Reasonable

- Avoid over-paying
- Good surprise better than bad
- Big difference on P/E ratios

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Questions?



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Step #3



- Buy and Hold
- Not Buy and Forget

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Step #3

- Buy and Hold - as long as it makes sense
- Update each quarter
- Check analysts expectations
- Watch U/D ratio
- Remember Key #1

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Watch the SSG

- Check for problem areas
 - Most recent quarter results
 - Visual analysis of front page
 - PERT-A form
 - Check management
 - Analyst's forward projections

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Check most recent quarter

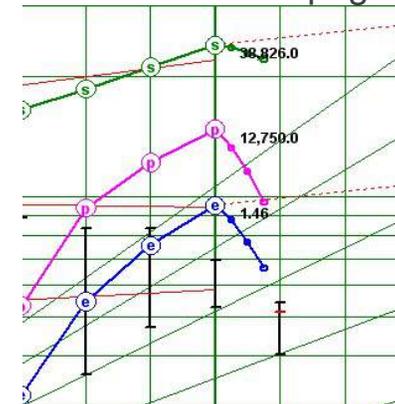
FY 2006 Q3 (Ended 9/30/2006)
RECENT QUARTERLY FIGURES

	EARNINGS	
	(\$M)	(¢)
Latest Quarter	8,739.0	0.22
Year Ago Quarter	9,960.0	0.38
Percentage Change	-12.3%	-42.1%

See Chapters 8, 9, and 10 of the BetterInvesting Official Guide for complete instructions.
Use this Guide as working section of BetterInvesting Stock Selection Guide & Report.

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Look at the front page



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Watch your P/E Ratios

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 **21.310** HIGH THIS YEAR **22.00**

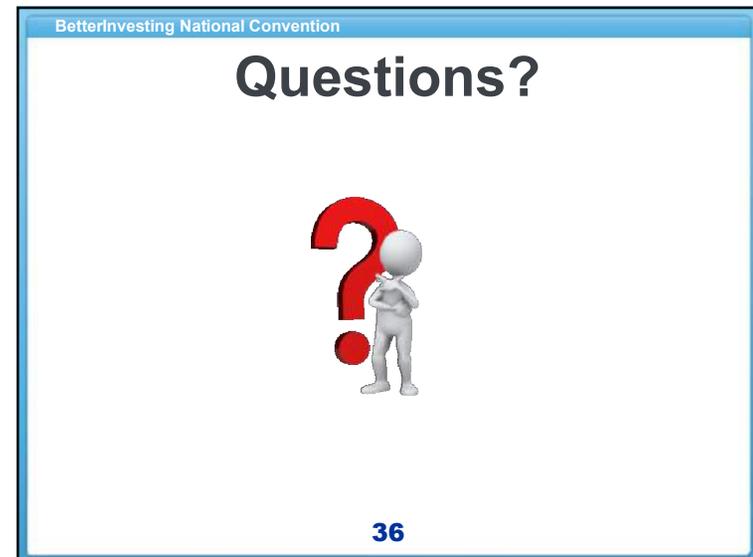
Year	A PRICE B		C Earnings Per Share	D Price Earnings Ratio E	
	HIGH	LOW		HIGH A+C	LOW B+C
1 2001	38.6	19.0	0.23	167.8	82.6
2 2002	36.8	13.0	0.49	75.1	26.5
3 2003	34.5	14.9	0.84	41.1	17.7
4 2004	34.6	19.6	1.16	29.8	16.9
5 2005	28.8	21.9	1.46	19.7	15.0
6 TOTAL		88.4		19.7	15.0
7 AVERAGE		17.7		19.7	15.0
8 AVERAGE PRICE EARNINGS RATIO	17.4		9 CURRENT PRICE EARNINGS R		

4 Proj. P/E [20.09] Based on Next 4 qtr. EPS [1.06] Current P/E
EVALUATING RISK and REWARD over the next 5 years

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- BetterInvesting National Convention
- ### Section 3 of the SSG
- Declining P/Es - use most recent
 - Rising P/Es - use average
 - Don't be afraid to throw out the odd P/Es
- 34

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- ### Stock Selection Guide
- Easy way to check on companies
- 35



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Step #4



- Don't be afraid to sell
- Set guidelines for selling

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Always remember
Rule #1



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When to Sell

- Selling is the hardest part of investing
- **Remember Key #1**
- Sell 20% of your stocks every year?
 - 1 in 5 underperforms

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Reasons to sell

- Need cash
- Fundamentals worsening
- Stock is fully priced - Diebold example
- Better value elsewhere!!!!

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Reasons to sell

Stock has become overweighted

Company is going to be acquired

Want to take a capital loss

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Do a new SSG before selling

- Be more optimistic
- Is bad news temporary?
- Wait for next quarter results
- Do you have a replacement in mind?
- Price follows fundamentals - eventually

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Sell signals NOT on the SSG

- Management changes
- Company cuts its dividends
- Competition growing
- Product pipeline deteriorating

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Sell signals NOT on the SSG

- R&D budget decreasing
- Problems on financial statements
- Value Line safety 4 or 5
- VL financial strength below average

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When NOT to Sell

- Price has not moved
- Because of a paper loss
- Because of a paper gain
- Temporary bad news
- Just to do something

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See how selling and adding can improve your portfolio

- Keep a watch list of stocks
- Do a challenge of an existing stock
- Portfolio tools on Toolkit and the online SSG let you see how it can change
- Consider challenging the lowest U/D stocks



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What if?

- You buy a stock today
- In 6 months it doubles in price

- Hold?
- Sell?
- Sell half?

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The 4 Steps Keys to a **GREAT** Portfolio



1. Don't fall in love with your stocks
2. Use your SSG
3. Buy and Hold as long as it makes sense
4. Don't be afraid to sell

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Questions?



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Make A Difference In Someone's Life

If you have benefited from
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please pick up some
BETTERINVESTING
materials
and introduce others to this dynamic
investment education opportunity!



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