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Empowering Investors Since 1951

**Basic Investing**  
**Getting Started with Funds & Stocks**  
**with Value Line Investment Survey™**

San Jose Public Library – February 23, 2022

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Directors with the  
Silicon Valley Chapter of BetterInvesting

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## Previous Presentations in This Series

**Investing Basics: Introduction to Investing**  
Saving vs. Investing  
Basic Terminology  
Stocks/Funds/Bonds  
Free Information Sources

**Investing Basics: Free Library Resources for Investors**  
San Jose Public Library System  
Santa Clara County Library System

PowerPoint copies are posted at:  
[www.betterinvesting.org/chapters/silicon-valley/news-articles](http://www.betterinvesting.org/chapters/silicon-valley/news-articles)  
BetterInvesting is a 501c3 national nonprofit organization  
dedicated to investor education.

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## Today's Agenda

### Funds and Stocks – A Closer Look

San Jose Public Library Resources

- How to Read Value Line Mutual Fund & ETF Reports
- How to Read Value Line Stock Reports

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## QUICK REMINDERS/Information

**Stocks**  
You choose which stocks to buy (sell) and construct your own portfolio.

**Funds**  
You buy (sell) shares in a “basket” (portfolio) of stocks chosen by a manager.  
Some funds include bonds or other assets, as well as stocks.

**Two kinds of funds – different trading access**

Mutual Funds – trade once a day after the market closes.

Exchange Traded Funds (ETFs) – trade continuously when the market is open.

**Two kinds of fund management (either Mutual Fund or ETF)**

Active: Manager chooses the portfolio (higher expenses).  
Passive: Manager follows an index (lower expenses).

**Large blend stock funds are often easier for beginning investors.**  
They provide instant diversification across a large part of the market.

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## Logon to Value Line Investment Survey™

**1.** San José Public Library  
Your Library Locations Events **Books & eLibrary**

**2.** eLEARNING  
○ Online Learning  
○ Learn a Language  
○ Test Prep  
○ Tutor.com  
○ **All Online Resources**  
○ Online Resources Help

**3.** Online Resources  
VIEW BY SUBJECT **A-Z LIST**

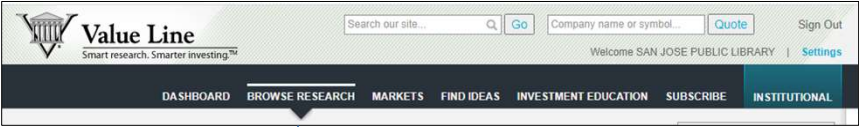
**4. Scroll to:**  
• United States Copyright Office  
• **Value Line Investment Survey**  
• VetNow & JobNow

**5.** Sign In to Value Line Inc  
Username  
Password

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## Value Line Main Menu



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Search our site...    Company name or symbol...   Sign Out

Welcome SAN JOSE PUBLIC LIBRARY | [Settings](#)

DASHBOARD BROWSE RESEARCH MARKETS FIND IDEAS INVESTMENT EDUCATION SUBSCRIBE INSTITUTIONAL

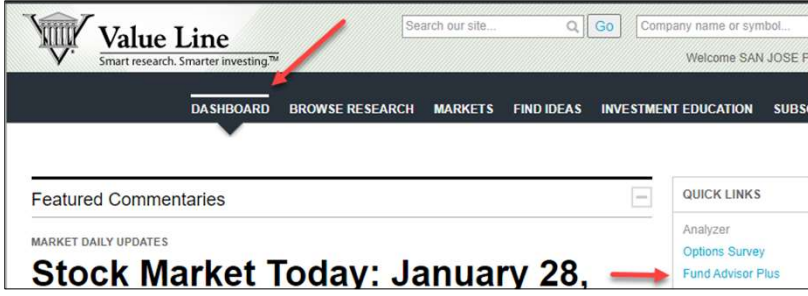
For stocks, stay here on the Browse Research tab.

For funds, move to the Dashboard tab.

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## How to Find VL Mutual Fund Reports



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Featured Commentaries

MARKET DAILY UPDATES

**Stock Market Today: January 28,**

QUICK LINKS

- [Analyzer](#)
- [Options Survey](#)
- [Fund Advisor Plus](#)

On the [Dashboard](#) tab of the Value Line main menu

Click on [Fund Advisor Plus](#).

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## VL Landing Page for Mutual Funds

Commentary Screener Survey Issues

Subscriber Guides

Survey Issues

Get Quote GO

Look up Fund GO

**User Guides on the left**

- Advisor Guide
- Planning an Investment Strategy
- Reading a Report

**Survey Issues in middle**

Monthly – with ideas and indexes

Box to enter a fund ticker on right

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## Example: VFIAX Vanguard 500 Index Admiral

Put VFIAX in the “Look Up Fund” box and click “Go.”

You will see this report header:

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## Mutual Funds – What to Check 1<sup>st</sup> on a Value Line Report

1. **Objective of Fund** – top left column  
 Is this the type of fund you're looking for?
2. **Overall Rating** – top right corner  
 Are Overall Rank and Risk Rank average or above?
3. **Chart** – upper part of report  
 Have returns been moving up fairly steadily over the past 10 years?
4. **Minimum Investment** – left column, middle of report  
 Are you comfortable making the required minimum investment?
5. **Fees** – right column, close to bottom  
 Are the Expense Ratio and Maximum Management Fees low?  
 Are there any loads or redemption fees? Avoid this fund if so.

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## Check 1<sup>st</sup> – Broad Objective, Ranks

**Value Line**  
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**VFIAX VANGUARD 500 INDEX ADMIRAL**

<b>MF Overview</b>	<b>VFIAX: Returns Analysis - Annual</b>
Ticker: VFIAX Manager: Donald Butler Manager Since: 04/2016 NAV (02/17/2022): 404.95 Objective: Index Peer: GI X5 Net Assets (\$mil): 429578.20 Inception: 11/13/2000	— S&P 500 ..... Mutual Fund Total Return % Jan 31, 2012 - Jan 31, 2022

**Objective = Index**      Is this the general category you are looking for?  
 Manager started in 2016. Fund inception = 2000.  
 For actively managed funds, 5 years is a minimum to get a sense for the manager's track record. (VFIAX is passively managed.)

**Overall Rank is 1** – Best      Avoid funds with Rankings of 4 or 5.  
**Risk Rank is 3** – Average

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## Check 1<sup>st</sup> – Chart Pattern & Returns

— S&P 500  
 ..... Mutual Fund

**Returns have grown more than 300% over the past 10 years thru 1/31/22.  
 Despite ups and downs, the overall trend it up.**

**The S&P Index is this fund's "benchmark."  
 The fund performance matches almost exactly.  
 The difference is due to the extremely low expenses (fees).**

**Avoid funds with a persistent downward chart trend.**

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## Check 1<sup>st</sup> – Minimum Investment, Fees

Middle of left-hand column

VFIAX: Purchase Choices	
Min Initial Investment	\$3000
Min Subsequent Investment	\$1

**You must have \$3K to invest initially**

Right-hand column

VFIAX: Fees	
Expense Ratio (%)	0.04
Max Load (%)	NA
Min Load (%)	NA
Deferred Load (%)	NA
Redemption (%)	NA
Max 12 B1 Fee (%)	0.00
Max Mgt Fee (%)	0.04

**Expense Ratio & Mgmt Fees both about 4/100<sup>th</sup> of 1% - very low.**

**VFIAX has no loads or redemption fees – good.**

**Avoid funds with loads or redemption fees.**

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**Continue If the Fund Passes the First 5 Checks  
 Next: Read the Brief Description**

**VFIAX: Description**

The Vanguard 500 Index was incepted in August 1976 and is managed by the Vanguard Group. The fund employs a passive management strategy designed to track the performance of the S&P 500 Index, which is dominated by the stocks of large U.S. companies. The fund provides a convenient way to match the performance of a substantial portion of the nation's largest stocks. The fund offers dividends quarterly in March, June, September and December. Capital gains (if any) are offered annually in December.

- Passive management
- Fund tracks S&P 500 Index
- Index of large US companies
- Convenient way to match performance of large US stocks
- Dividend and capital gains payment schedule

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**What Is In the Fund?  
 Sector Concentration & Top Holdings (as of 2/2022)**

**VFIAX : Stock Sector Allocation - 02/22**

Sector	Percentage
Technology	33.4%
Retail Trade	14.5%
Finance	14.26%
Non-Durable	9%
Ind. Cyclical	8.28%
Health	7.19%
Services	3.37%
Other	3.03%
Utilities	2.7%
Energy	2.44%
Cons. Durables	1.81%

Heavy weighting toward tech stocks as of Feb. 2022

**VFIAX : Top Holdings - 02/22**

Name	Weight
APPLE INC	6.06
MICROSOFT CORP	5.78
AMAZON COM INC	3.90
FACEBOOK INC	2.21
BERKSHIRE HATHAWAY INC CL B	1.38
ALPHABET INC CLASS A	2.05
TESLA INC	1.72
NVIDIA CORP	1.41
ALPHABET INC CLASS C	2.20

These 9 stocks alone make up 26.7% of the fund's portfolio as of 2/2022.

What happens to them will drive fund gains/declines the most.

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## What Is In the Fund? Style, Composition (as of 1/2022)

**VFIAX : Style Analysis - 02/22**

Large Growth	42.42%
Large Value	54.55%
Small Growth	0.00%
Small Value	0.00%
Foreign Stock	0.76%
Emerging Market	0.00%
Precious Metals	0.00%
Intermediate Bond	0.00%
High Yield Bond	0.00%
Foreign Bond	0.00%

**VFIAX : Composition - 02/22**

Stocks	99.57%
Foreign Stocks	2.13%
Cash	0.00%
Bonds	0.00%
Foreign Bonds	0.00%
Preferred	0.00%
Convertible	0.00%
Other	0.00%
Foreign Hedged	0.00%

**All the assets are stocks.**

**None are bonds, etc.**

**Stocks are almost 100% American, not foreign**

Does any information in these boxes surprise you?  
If so, do you want to look for another fund?

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## How Have the Returns Been? Year by Year Variation Each of the Past 10 Years Look for Positive, Growing Returns Over Time

**VFIAX: Returns Analysis - Annual Data View**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD
NAV (\$)	131.37	170.36	189.89	188.48	206.57	248.82	231.44	298.14	346.57	439.83	404.95
Total Return (%)	15.94	32.31	13.64	1.36	11.92	21.78	-4.42	31.45	18.36	28.66	-5.17
Annual Dividend Yield (%)	2.05	1.73	1.75	1.98	1.90	1.68	1.94	1.76	1.44	1.16	1.23

**Row 1: NAV (Price Per Share) has grown fairly steadily with dips in 2015 and 2018.**

**Row 2: Total Returns positive except for 2018 and YTD.**  
(TR = price increase + dividends)

**Row 3: Dividends have been paid each year.**  
VL shows the yield, not the \$ amount of the annual dividends, but the yield has been greater than 1.5% until 2020.  
(Yield = Div. Amount/Fund NAV or Price)

You're looking for generally good performance, not perfection.

Beware of funds whose NAV has persistently declined.

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## How Have the Returns Been?

### Trailing Returns

VFIAX: Returns Analysis - Trailing Total Return

	1 Month	3 Month	6 Month	YTD	1 Year	3 Year	5 Year	10 Year	15 Year	20 Year
Total Return (through 02/22)	-5.17%	-1.62%	3.41%	-5.18%	23.25%	20.68%	16.74%	15.39%	10.14%	9.31%
Ret. Percentile vs. Obj. (1 is best)	78	67	47	78	42	7	5	3	7	11

Row 1: Shows recent returns (in months) and longer-term returns (years).  
Like the overall market, this fund has struggled in 2022 so far.  
Pay more attention to the long-term returns.  
Compare to similar funds. Which has the best long-term record?

Row 2: Shows this fund has been in the top 3-11% of comparable funds long-term.  
Short-term performance is lower.

**Reminder: This fund tracks the S&P Index and will perform like it.**

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## More Year to Year Information

VFIAX: Returns Analysis - Annual Data View

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD
<b>Relative Performance</b>											
Rel Performance-S&P500(%)	-0.04	-0.06	0.00	-0.02	-0.01	-0.01	-0.03	-0.03	-0.03	-0.01	0.08
Rel Performance-Obj.Ret.(%)	1.94	3.35	4.75	4.58	0.60	4.37	3.13	5.81	10.15	4.32	-2.01
Ret.Quintile vs Obj(1 is best)	2	2	1	1	3	1	2	1	1	1	0

Row 1: The fund's performance tracks the S&P 500 Index almost exactly.  
It is based on the Index.  
Fees are extremely low.

**Watch out for funds that substantially underperform their benchmarks.**

Row 3: This fund is often in the top 20% (1<sup>st</sup> quintile).

**Watch out for funds that are typically in the 3<sup>rd</sup> or lower quintile.  
This would signal performance in the BOTTOM of their group.**

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## More Year to Year Information

VFIAX: Returns Analysis - Annual Data View

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD
<b>Turnover, Yields, and Gains</b>											
Fund Assets Net(\$mil)	59,749	82,357	143,043	152,740	181,513	235,232	230,375	320,000	359,553	453,239	429,578
Annual Turnover (%)	3.00	3.00	3.00	3.00	4.00	3.00	4.00	4.00	4.00	2.00	0.00
Annual Dividend Paid (\$)	2.85	3.13	3.51	3.98	4.16	4.40	4.75	5.58	5.31	5.43	0.00
Annual Capital Gains Paid(\$)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Row 1: This fund's assets have grown steadily.  
 Shrinking assets would mean investors were pulling their money out.

Row 2: Low turnover like this, means the manager isn't "churning" the fund with frequent buying/selling. High trading would lead to higher fund expenses. Compare funds in the same category.

Row 3: Dividends have been paid consistently. Watch out for large drops.

Row 4: This fund hasn't generated capital returns (gains/losses).  
 Investors have no control over when/if a fund generates taxable events.

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## Commonly Used Statistics

**VDIGX: Risk Analysis**

Beta v. S&P 500	0.71
Beta v. EAFE	0.13
Beta v. Barclays Agg Bond	0.25
Alpha 3 Yr	0.78
Alpha 5 Yr	1.16
R-Sq 3 Yr	0.86
R-Sq 5 Yr	0.88
Std Dev 3 Yr	15.53
Std Dev 5 Yr	13.84
Sharpe 3 Yr	1.47
Sharpe 5 Yr	1.21

**VDIGX: Stock Portfolio Snapshot - 01/22**

Average Price/Earnings	22.63
Average Price/Book	5.09
Average EPS Growth	12.36
Average Market Value	234,866.00

**INVESTMENT EDUCATION** SUBSCRIBE INSTITUTIONAL

Understanding Value Line Research Glossary

**DEFINITIONS**

Investment Education Tab on main menu > Glossary

**DASHBOARD**

Dashboard Tab on main menu > Reading a Value Line Fund Advisor Report

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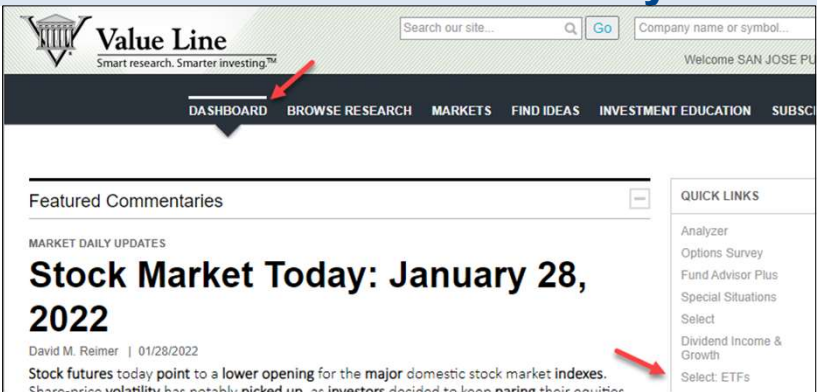
## ETFs Exchange Traded Funds

We will take a quick look at VOO, the Vanguard ETF counterpart to the VFIAX mutual fund

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## Where to Find **ETFs** Covered by VL



The screenshot shows the Value Line website interface. At the top, there is a search bar and a navigation menu with the following items: DASHBOARD, BROWSE RESEARCH, MARKETS, FIND IDEAS, INVESTMENT EDUCATION, and SUBSCRIPTIONS. A red arrow points to the 'DASHBOARD' link. Below the navigation menu, there is a 'Featured Commentaries' section with a sub-section for 'MARKET DAILY UPDATES'. The main article is titled 'Stock Market Today: January 28, 2022' by David M. Reimer, dated 01/28/2022. The article text begins with 'Stock futures today point to a lower opening for the major domestic stock market indexes.' A red arrow points to the 'Select: ETFs' link in the 'QUICK LINKS' sidebar on the right.

Click on the **Dashboard** in the Value Line main menu.

Click on **Select ETFs**.

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## Finding an ETF Report – Next Step

NEW SCREEN EDIT CRITERIA **TICKER SEARCH** HELP

Get ETF Report

Get our detailed ETF reports on some of the most popular and in focus funds in the market to conveniently stay informed regarding holdings, performance, and fund history.

VOO **Get Report**

Click on Ticker Search.

Enter the ticker symbol and click on Get Report.

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## User Friendly 2-Page Report

**Value Line** 01/17/2022

**VOO** VANGUARD S&P 500 ETF | \$46.18 USD

ETF Risk: High

ETF Risk: 4 - Highest

**ETF Overview**

Fund Type: Large Cap Blend  
Issuer: VANGUARD  
Benchmark Index: S&P 500 INDEX  
Date of Inception: 09/09/2010  
AUM (million): \$261,438.72  
Number of Holdings in the ETF: 512  
Assets in top ten holdings: 27.02%  
Expense Ratio: 0.03%  
Dividend Yield: 1.34%

**Price Fundamentals of VOO**

Current Price: \$46.18  
52 Week High: \$49.25  
52 Week Low: \$42.77  
NAV (12/31/2021): \$45.29  
1Y ETF Return (1/18/2022): 18.00%

**Risk Statistics**

Beta (against S&P 500): 1.00  
Standard Deviation: 22.35%  
R<sup>2</sup>: 99.26%

**Asset Allocation**

- US Stocks (100.00%)
- Non-US Stocks (0.00%)
- Bonds (0.00%)
- Other (0.00%)

**Key Points**

- One of the largest tracked US ETFs
- Diversified exposure to large-cap equities
- Low expense ratio and trading costs

**Reasons to Buy**

- Conservative vaccine outlook

**Reasons to Sell**

- Uncertainty surrounding the reopening US economy
- Uncertainty surrounding the coronavirus outbreak

**Holdings Breakdown**

The fund holds 512 stocks in its basket. Apple Inc. (8.0%), Microsoft Corporation (5.9%) and Amazon.com Inc. (3.9%) are the top holdings in the basket. From a sector look, the ETF has the highest exposure to Information Technology (29.2%), followed by Healthcare (15.1%) and Consumer Discretionary (12.7%).

**Performance**

The fund mostly remained on an uptrend since the beginning of 2021 (as of Jan 14, 2022). Coronavirus vaccine rollout, reopening U.S. economy and solid fiscal stimulus support might be helping the fund. It has returned 24.4% in a year.

**Holdings**

**VOO Top 10 Holdings**

Company	Weight %
Apple Inc.	6.04%
Microsoft Corp.	5.75%
Amazon.com Inc.	3.89%
Facebook Inc.	2.20%
Alphabet Inc.	2.19%
Alphabet Inc.	2.04%
Tesla Inc.	1.71%
NVIDIA Corp.	1.40%
Berkshire Hathaway Inc.	1.37%
JPMorgan Chase & Co.	1.33%

**5-Year Comparative**

VOO 18.1%, S&P 17.3%, VOO 17.0%

**Fundamentals**

	VOO	SPY	VVV
Rank	1	1	1
Price	\$46.18	\$41.98	\$44.77
AUM (million)	\$261,438.72	\$412,861.74	\$306,795.84
Expense Ratio	0.03%	0.09%	0.03%
Dividend Yield	1.34%	1.29%	1.29%
Assets in top 10	27.92%	29.08%	28.99%
Beta	1.00	1.00	0.99
YTD % Price Change	-7.51%	-7.49%	-7.52%

**Analysis**

Those seeking to invest money in an ETF with exposure to large-cap U.S. equities should consider VOO, as it offers diversification and has a significantly low expense ratio compared with the average charged by similar funds. The fund is one of the cheapest in its space, charging just 3 basis points annually. It has an asset base of \$271.28 billion and trades in average three-month volume of 5.5 million shares.

**Investment Objective**

VOO seeks to replicate the performance of the S&P 500 Index before fees and expenses. The index includes 500 leading companies in leading industries of the U.S. economy.

**Description**

Launched in September 2010, Vanguard S&P 500 ETF (VOO) is a passively managed ETF designed to track the performance of the stocks of large U.S. companies.

The data on the front page and all the charts in the report represent market data as of 01/18/2022, while the report's last is as of 01/17/2022.

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## ETF Format vs. Mutual Fund Format

They both have similar information but in different order.

ETFs have 5-year price chart; Mutual Funds have 10-year price charts.

ETFs have little detailed annual and trailing return data  
But more emphasis on key points for many investors. For Example:

**Key Points**

- One of the largest traded US ETFs
- Diversified exposure to large-cap equities
- Low expense ratio and trading costs

**Reasons to Buy**

- Coronavirus vaccine rollout, reopening US economy

**Reasons to Sell**

- Uncertainty surrounding the coronavirus outbreak

**Analysis**

Those seeking to invest money in an ETF with exposure to large-cap U.S. equities should consider VOO, as it offers diversification and has a significantly low expense ratio compared with the average charged by similar funds. The fund is one of the cheapest in its space, charging just 3 basis points annually. It has an asset base of \$275.26 billion and trades in average three-month volume of 5.5 million shares.

As of 1/17/2022

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## The ETF Report Compares Competitors (Fund reports do not show competitors)

**5-Year Comparative**

**Fundamentals**

Fundamentals	VOO	SPY	IVV
Rank	1	1	1
Price	\$406.19	\$441.88	\$443.77
AUM (million)	\$260,428.72	\$412,861.74	\$309,795.84
Expense Ratio	0.03%	0.09%	0.03%
Dividend Yield	1.34%	1.29%	1.29%
Assets in top 10	27.92%	29.08%	28.99%
Beta	1.00	1.00	0.99
YTD % Price Change	-7.51%	-7.49%	-7.52%

**Investment Objective**

VOO seeks to replicate the performance of the S&P 500 Index before fees and expenses. The index includes 500 leading companies in leading industries of the U.S. economy.

VOO, SPY and IVV all track the S&P 500 Index.  
The chart shows exactly the same performance.

Fundamentals are very similar.  
SPY expense ratio is higher.

If you already have an account with Vanguard or Invesco, and want to own this type of ETF, buy shares of VOO or IVV.

If the ETF type were something else, there might be more differences to help you pick the best one of 3.

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## Questions & Comments About Fund Reports

Next: Russell will talk about stocks  
and Value Line stock reports

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## Fundamental Analysis of Stock the BetterInvesting™ Way

Sales → Earnings → Share Price

**Stock Investment Purchase Goals**  
Quality Companies  
Reasonable Price

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## Measuring Quality

- Company sales have reasonable historic growth
- Company earnings have reasonable historic growth
- Company has potential to meet or beat past growth
- Company has a handle on expenses
- Company invests capital well

“Reasonable” growth depends on size of company  
BetterInvesting™ guidelines are  
small company > 12% growth per year  
mid-size company 7-12% growth per year  
large size companies < 7% growth per year

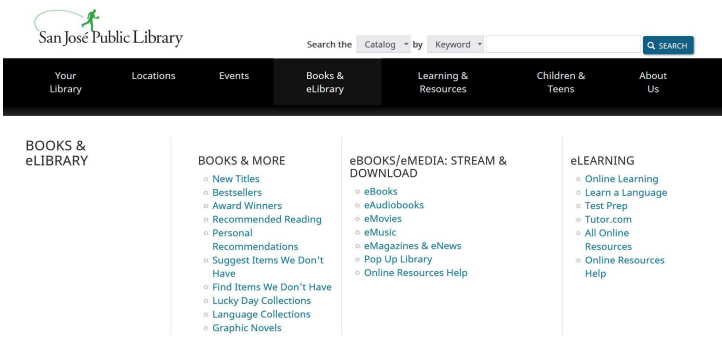
BetterInvesting™ company size definitions  
Small company has less than \$1 billion in annual sales  
Mid-sized company has between \$1 billion and \$10 billion in annual sales  
Large company has greater than \$10 billion in annual sales

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## Getting Data on Company Quality

Value Line is a common source of company information.  
Value Line is available online thru SJPL



The screenshot shows the San José Public Library website interface. At the top, there is a search bar with the text "Search the Catalog by Keyword" and a "SEARCH" button. Below the search bar is a navigation menu with tabs for "Your Library", "Locations", "Events", "Books & eLibrary", "Learning & Resources", "Children & Teens", and "About Us". The "Books & eLibrary" tab is selected. Below the navigation menu, there are four columns of links:

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- BOOKS & MORE**
  - New Titles
  - Bestsellers
  - Award Winners
  - Recommended Reading
  - Personal Recommendations
  - Suggest Items We Don't Have
  - Find Items We Don't Have
  - Lucky Day Collections
  - Language Collections
  - Graphic Novels
- eBOOKS/eMEDIA: STREAM & DOWNLOAD**
  - eBooks
  - eAudiobooks
  - eMovies
  - eMusic
  - eMagazines & eNews
  - Pop Up Library
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  - Tutor.com
  - All Online Resources
  - Online Resources Help

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- Value Line Investment Survey
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- Industry Screens

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- Dow 30

CURRENT LIST

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**Apple Inc.** NASDAQ:AAPL

Last Price: \$167.30 Day Change: -\$1.58 (-0.94%) Trailing P/E: 31.30 Relative P/E Last FY: 1.27 Dividend Yield: 0.53% 3 to 5-Year Target Price Range: \$165.00 - 200.00 18-Month Target Price Range: Low - High: \$130 - \$271 Midpoint (% to Midpoint): \$200 (20%)

Industry Rank: Computers/Peripherals - 73 (of 97)

**RANKS**

**SAFETY** **1** (Upgraded on Apr 10, 2020)

**TIMELINESS** **1** (Upgraded on Apr 2, 2021)

**FINANCIAL STRENGTH GRADE RATING** **A++** (Upgraded on Aug 18, 2007)

\$ in millions	2019	2020	2021
Total Sales	260,174.00	274,515.00	365,817.00
*Cash Flow* per share	3.82	4.03	6.24
Cash & Marketable Securities		90,943.00	62,639.00
Long-Term Debt	91,807.00	98,667.00	109,106.00
Operating Margin	29.40	28.20	32.90
% Return on Shareholders' Equity	61.10	87.90	150.10
% Return on Total Capital	31.50	36.50	55.80
All Dividends to Net Profits	26.00	25.00	15.00

3-5 YEAR PROJECTIONS

Price Projection Explain 2022 2024 2026

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**Value Line**

The **Browse Research** feature searches in all the Value Line products including:

- Value Line Investment Survey
- Value Line Investment Survey Plus
- Value Line Small & Mid-Cap Survey

The PDF reports for companies not included in the Investment Survey look a little different.

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**EVERCORE, INC.** NYSE:EV **116.17** **20.8** **0.99** **2.1%**

PERFORMANCE: 2 Yr: 100.00% 5 Yr: 100.00% 10 Yr: 100.00%

RANKS: 3rd in Value Line Investment Survey

SAFETY: 3

BETA: 1.06

Forward Strength: 95  
 Price Stability: 95  
 Price Growth Potential: 95  
 Earnings Predictability: 95

12-MONTH LONG TERM AVERAGE

Year	Price	Dividend	Yield
2010	100.00	0.00	0.00%
2011	100.00	0.00	0.00%
2012	100.00	0.00	0.00%
2013	100.00	0.00	0.00%
2014	100.00	0.00	0.00%
2015	100.00	0.00	0.00%
2016	100.00	0.00	0.00%
2017	100.00	0.00	0.00%
2018	100.00	0.00	0.00%
2019	100.00	0.00	0.00%
2020	100.00	0.00	0.00%
2021	100.00	0.00	0.00%
2022	100.00	0.00	0.00%

From the other Value Line products

**TPI COMPOSITES** NYSE:TPI **42.07** **26.9** **1.26**

PERFORMANCE: 2 Yr: 100.00% 5 Yr: 100.00% 10 Yr: 100.00%

RANKS: 4th in Value Line Investment Survey

SAFETY: 4

BETA: 1.06

Forward Strength: 95  
 Price Stability: 95  
 Price Growth Potential: 95  
 Earnings Predictability: 95

12-MONTH LONG TERM AVERAGE

Year	Price	Dividend	Yield
2010	100.00	0.00	0.00%
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2014	100.00	0.00	0.00%
2015	100.00	0.00	0.00%
2016	100.00	0.00	0.00%
2017	100.00	0.00	0.00%
2018	100.00	0.00	0.00%
2019	100.00	0.00	0.00%
2020	100.00	0.00	0.00%
2021	100.00	0.00	0.00%
2022	100.00	0.00	0.00%

From the main Value Line Investment Survey

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2014	100.00	0.00	0.00%
2015	100.00	0.00	0.00%
2016	100.00	0.00	0.00%
2017	100.00	0.00	0.00%
2018	100.00	0.00	0.00%
2019	100.00	0.00	0.00%
2020	100.00	0.00	0.00%
2021	100.00	0.00	0.00%
2022	100.00	0.00	0.00%

1

2

3

4

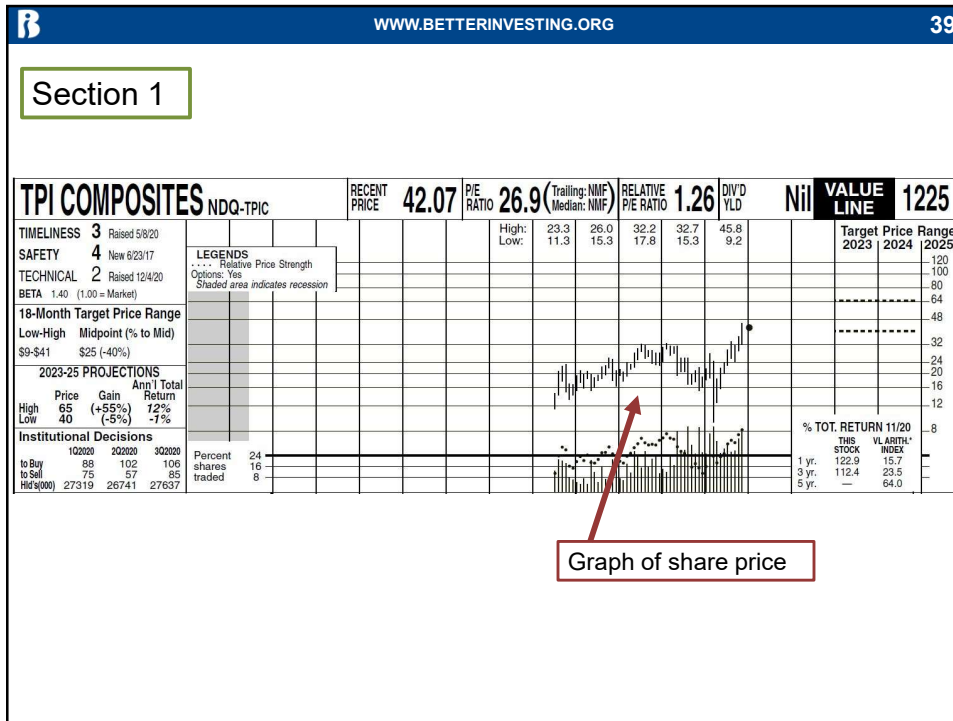
**A full Value Line Investment Survey PDF report**

Different portions will be covered shortly

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# Basic Investing: Getting Started with Funds and Stocks

## Marion Michel & Russell Malley





# Basic Investing: Getting Started with Funds and Stocks

## Marion Michel & Russell Malley

B												41	
2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
--	--	--	--	--	--	22.38	27.34	29.69	40.83	43.90	47.30	Sales per sh	68.75
--	--	--	--	--	--	84	1.90	91	65	Nil	2.95	"Cash Flow" per sh	4.40
--	--	--	--	--	--	41	1.25	.15	d.45	d.60	1.60	Earnings per sh <sup>A</sup>	2.60
--	--	--	--	--	--	--	--	--	--	Nil	Nil	Div's Decl'd per sh	Nil
--	--	--	--	--	--	.90	1.32	1.52	2.12	2.15	1.75	Cap'l Spending per sh	2.50
--	--	--	--	--	--	3.16	4.72	6.37	5.83	4.60	6.75	Book Value per sh	17.00
--	--	--	--	--	--	33.74	34.02	34.68	35.18	36.00	37.00	Common Shs Outst'g <sup>B</sup>	40.00
--	--	--	--	--	--	41.4	15.3	NMF	NMF	<i>Bold figures are Value Line estimates</i>		Avg Ann'l P/E Ratio	19.5
--	--	--	--	--	--	2.17	.77	NMF	NMF			Relative P/E Ratio	1.10
--	--	--	--	--	--	--	--	--	--			Avg Ann'l Div'd Yield	Nil
--	--	--	--	--	585.9	754.9	930.3	1029.6	1436.5	1650	1780	Sales (\$mill)	2750
--	--	--	--	--	6.9%	7.6%	10.0%	5.0%	5.9%	NMF	8.0%	Operating Margin	12.5%
--	--	--	--	--	12.7	14.6	20.9	26.4	38.6	45.0	50.0	Depreciation (\$mill)	70.0
--	--	--	--	--	7.7	13.8	43.7	5.3	d15.7	d22.0	60.0	Net Profit (\$mill)	105
--	--	--	--	--	34.1%	33.6%	23.0%	23.0%	NMF	NMF	21.0%	Income Tax Rate	23.0%
--	--	--	--	--	1.3%	1.8%	4.7%	.5%	NMF	NMF	3.4%	Net Profit Margin	3.8%
--	--	--	--	--	11.2	88.6	110.4	144.2	94.5	d75.0	d20.0	Working Cap'l (\$mill)	300
--	--	--	--	--	81.5	89.8	85.9	110.6	127.9	215	225	Long-Term Debt (\$mill)	225
--	--	--	--	--	d191.2	106.5	160.6	221.0	205.1	165	250	Shr. Equity (\$mill)	525
--	--	--	--	--	--	11.5%	19.4%	2.9%	NMF	NMF	13.5%	Return on Total Cap'l	15.0%
--	--	--	--	--	--	13.0%	27.2%	2.4%	NMF	NMF	24.0%	Return on Shr. Equity	20.0%
--	--	--	--	--	--	13.0%	27.2%	2.4%	NMF	NMF	24.0%	Retained to Com Eq	20.0%
--	--	--	--	--	--	--	--	--	--	Nil	Nil	All Div'ds to Net Prof	Nil

Earnings per share

Sales

Net profit

Return on equity

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Section 3

**BUSINESS:** TPI Composites, Inc. states that it is the largest U.S.-based independent manufacturer and supplier of composite wind blades, and related precision molding and assembly systems to original equipment manufacturers (OEMs). The company enables many of the world's leading wind turbine OEMs, who historically relied upon in-house production, to outsource a portion of the man-

**TPI Composites' third-quarter earnings were much better than expected.** The maker of large-scale wind blades posted share earnings of \$1.13, substantially above our \$0.23 estimate. Two unusual items skewed the results, however. Because the company has large production facilities in Turkey, it was hit hard by the sharp decline in that country's lira, which led to an unfavorable currency translation of \$19 million. This was more than offset, though, by \$32 million worth of tax credits. More importantly, on an operational basis, TPI had a strong quarter as the number of blade sets sold rose 20%, versus the year-ago period. Utility capacity also increased from 88% to 93%. Much of this is attributable to higher production at plants in China, Mexico, and India, (some of them were closed earlier in the year due to the coronavirus.) All told, the net benefit to the bottom line was only about \$0.36 a share, meaning adjusted share net was still a robust \$0.77.

**Quarterly earnings comparisons through the end of 2021 should be much improved.** It looks like demand for wind energy should continue to record

ufacture of some of their wind blades to its advanced production facilities located in the U.S., China, Mexico, and Turkey. Has 13,300 employees. CEO: Steve Lockard, President: William Siewek. Off. & dir. own 18.3% of the common stock (4/20 proxy). Address: 8501 N. Scottsdale Road, Gainey Center II, Suite 100, Scottsdale, AZ 85253. Tel.: (480) 305-8910. Internet: www.tpicomposites.com.

healthy gains in the years ahead. For example, places such as Texas plan to build a large number of new wind projects. Indeed, earnings per share here could well reach \$1.60 next year.

**Wind power ought to increase its presence in the green energy market.** Until now, most domestic investment in clean generating capacity has been funneled toward solar power. Many utilities are now looking to increase investment in wind farms to better diversify their portfolios. Since there aren't many companies of consequence in this segment, TPI should particularly benefit from the shift.

**Shares of neutrally ranked TPI Composites have done well since our September report.** Over the past three months, the price of the equity has soared about 47%. As a result, the stock's capital appreciation out to 2023-2025 is less than the *Value Line* median even though we have expanded our Target Price Range from \$35-\$55, to \$40-\$65. So, only those willing to speculate that Democrats win complete control of Congress should consider positions in TPIC.

*James A. Flood*      December 18, 2020

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**Company's Financial Strength** B  
**Stock's Price Stability** 15  
**Price Growth Persistence** NMF  
**Earnings Predictability** NMF

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**Business description** }

**Recent results and analysis** }

**Company rankings** }

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**B**

**Section 4**

**Company history**

On July 21, 2016, TPI Composites, Inc., had its initial public offering. The total number of shares eventually sold to the public totalled 7,187,500. (The IPO included 6.25 million shares, with a 30-day option for the underwriters to sell an additional 937,500 shares, which was exercised.) The price of the stock was \$11.00 a share. J.P. Morgan and Morgan Stanley acted as joint book-running managers for the offering.

**Capital structure**

**CAPITAL STRUCTURE as of 9/30/20**  
Total Debt \$237.8 mill. Due in 5 Yrs \$147.5 mill.  
LT Debt \$201.8 mill. LT Interest \$11.0 mill. (53% of Cap'l)  
Leases, Uncapitalized Annual rentals \$25.4 mill.  
Pfd Stock None  
Common Stock 35,740,796 shares.  
as of 10/31/20

**Balance Sheet**

CURRENT POSITION (\$MILL)	2018	2019	9/30/20
Cash Assets	85.3	71.3	151.4
Receivables	178.9	184.0	150.0
Inventory	5.7	6.7	14.6
Other	146.3	206.4	249.3
Current Assets	414.2	468.4	565.3
Accts Payable	199.1	293.1	310.3
Debt Due	27.1	13.5	35.8
Other	43.8	67.3	458.1
Current Liab.	270.0	373.9	804.2

**Growth Rates With Projection**

ANNUAL RATES of change (per st)	Past 10 Yrs	Past 5 Yrs	Est'd '17-'19 to '22-'25
Sales	--	--	13.0%
"Cash Flow"	--	--	25.0%
Earnings	--	--	42.0%
Dividends	--	--	Nil
Book Value	--	--	20.0%

**Recent quarterly results**

Cal-endar	QUARTERLY SALES (\$ mill)				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2017	191.6	248.2	243.4	247.1	930.3
2018	254.0	230.6	254.9	290.1	1029.6
2019	299.8	330.8	383.8	422.1	1436.5
2020	356.6	373.8	474.1	445	1650
2021	400	410	485	485	1780

Cal-endar	EARNINGS PER SHARE A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2017	.10	.40	.58	.17	1.25
2018	.27	d.12	.26	d.26	.15
2019	d.35	.05	d.13	d.02	d.45
2020	d.01	d1.87	1.13	.15	d.60
2021	.25	.35	.45	.55	1.60

**Footnotes**

(A) Earnings per share in 2016 are pro forma based on year-end shares outstanding. Next earnings report due mid-February.  
(B) In millions.

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Top of section 4                      Bottom of section 4

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## What Is a Reasonable Price?

**Price Earnings Ratio (PE)**  
a common measure of "value"  
current price per share divided earnings per share  
measures how much you pay for each dollar of earnings  
try to buy below the average PE during a specific time

**Value Line is a source of PE information**

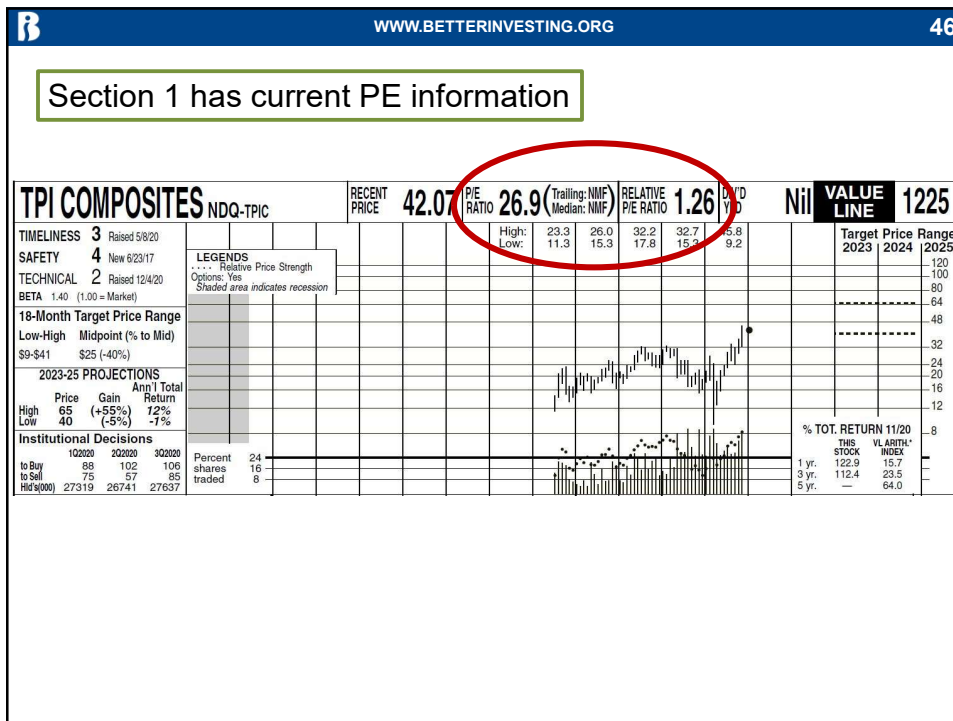
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**B**

Section 2 has historical PE data

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	© VALUE LINE PUB. LLC	23-25
--	--	--	--	--	--	22.38	27.34	29.69	40.83	43.90	47.30	Sales per sh	68.75
--	--	--	--	--	--	.84	1.90	.91	.65	Nil	2.95	"Cash Flow" per sh	4.40
--	--	--	--	--	--	.41	1.25	.15	d.45	d.60	1.60	Earnings per sh <sup>A</sup>	2.60
--	--	--	--	--	--	--	--	--	--	Nil	Nil	Div'ds Decl'd per sh	Nil
--	--	--	--	--	--	.90	1.32	1.52	2.12	2.15	1.75	Cap'l Spending per sh	2.50
--	--	--	--	--	--	3.16	4.72	6.37	5.83	4.60	6.75	Book Value per sh	17.00
--	--	--	--	--	--	33.74	34.02	34.69	35.18	36.00	37.00	Common Shs Outst'g <sup>B</sup>	40.00
--	--	--	--	--	--	41.4	15.3	NMF	NMF	<i>Bold figures are Value Line estimates</i>		Avg Ann'l P/E Ratio	19.5
--	--	--	--	--	--	2.17	.77	NMF	NMF			Relative P/E Ratio	1.10
--	--	--	--	--	--	--	--	--	--	--	--	Avg Ann'l Div'd Yield	Nil
--	--	--	--	--	585.9	754.9	930.3	1029.6	1436.5	1650	1780	Sales (\$mill)	2750
--	--	--	--	--	6.9%	7.6%	10.0%	5.0%	5.9%	NMF	8.0%	Operating Margin	12.5%
--	--	--	--	--	12.7	14.6	20.9	26.4	38.6	45.0	50.0	Depreciation (\$mill)	70.0
--	--	--	--	--	7.7	13.8	43.7	5.3	d15.7	d22.0	60.0	Net Profit (\$mill)	105
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--	--	--	--	--	81.5	89.8	85.9	110.6	127.9	215	225	Long-Term Debt (\$mill)	225
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--	--	--	--	--	--	13.0%	27.2%	2.4%	NMF	NMF	24.0%	Return on Shr. Equity	20.0%
--	--	--	--	--	--	13.0%	27.2%	2.4%	NMF	NMF	24.0%	Retained to Com Eq	20.0%
--	--	--	--	--	--	--	--	--	--	Nil	Nil	All Div'ds to Net Prof	Nil

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### Some PE Notes

**There are multiple PE ratios**  
Annual  
Trailing Twelve Months  
Projected

**What earnings are used is the main difference between the different PE ratios**  
**When comparing PEs, be sure to be comparing the same type of PE.**

**The PE ratio is not the only quick measure of “value”.**  
Price to Book  
Price to Sales

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### The Stock Selection Guide

BetterInvesting™ tool for fundamental analysis

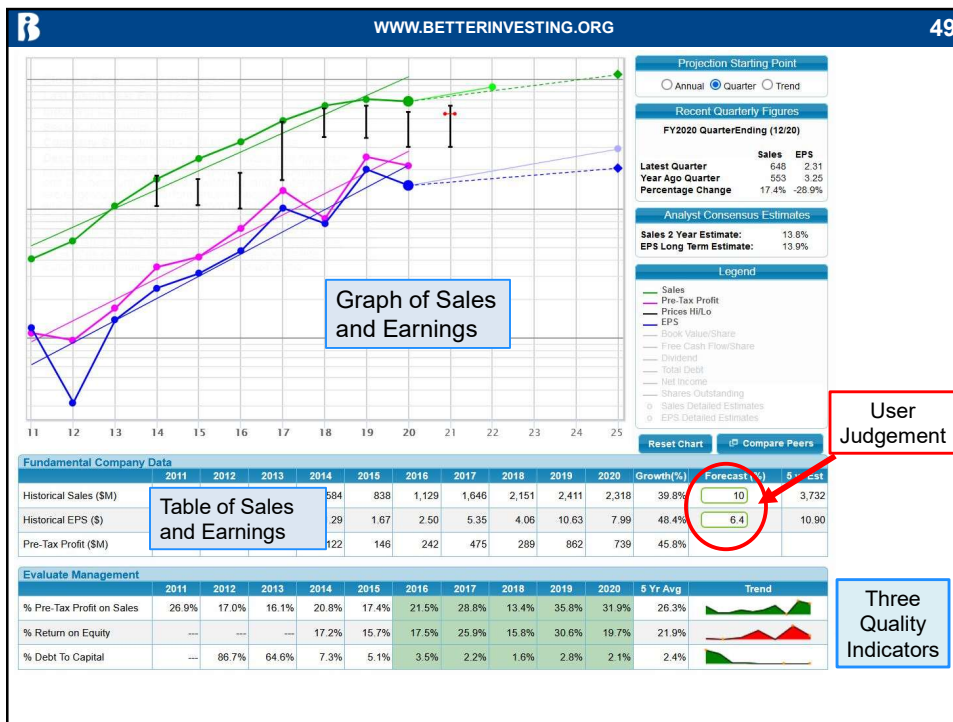
- Graph and Table of Sales and Earnings Growth
- Table of 3 Other Quality Factors
- Table of historic PE ratios
- Judgement calls from user
- Projects a possible future high price
- Projects a possible future low price

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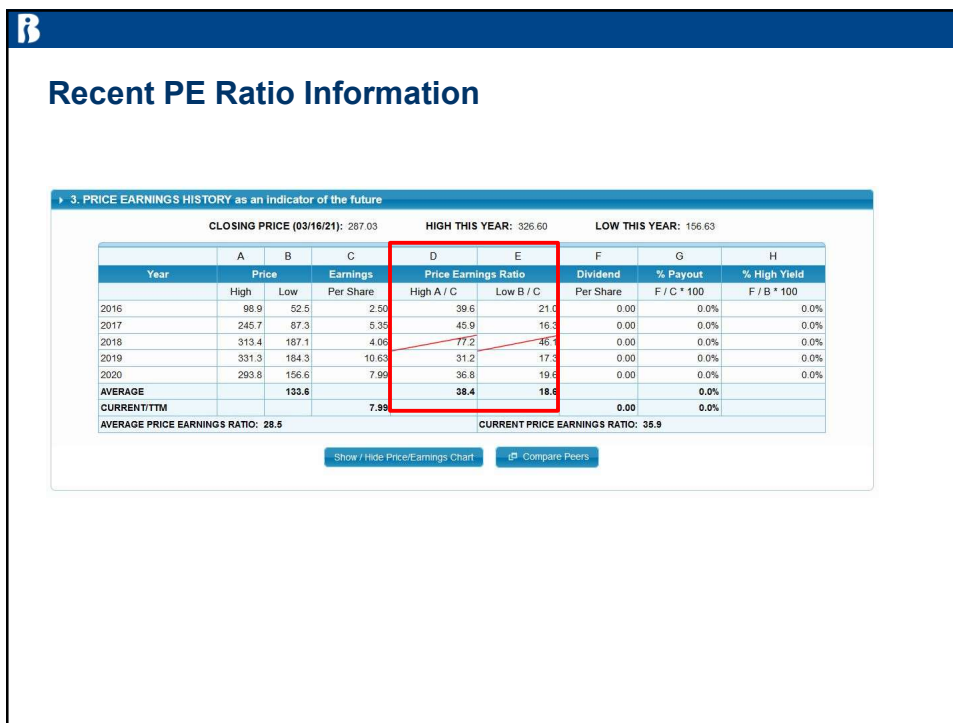


# Basic Investing: Getting Started with Funds and Stocks

## Marion Michel & Russell Malley



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## Future High and Low Price projections

4. EVALUATING RISK and REWARD over the next 5 years

**A. HIGH PRICE - NEXT 5 YEARS**  
Avg. High P/E: 30.0 X Estimate High Earnings / Share: 10.90 = Forecasted High Price: **326.9**

**B. LOW PRICE - NEXT 5 YEARS**  
(a) Avg. Low P/E: 31.9 X Estimate Low Earnings/Share: 9.49 = Forecasted Low Price: 302.7  
(b) Avg. Low Price of Last 5 Years: 133.6  
(c) Recent Market Low Price: 156.6  
2019 Low Stock Price: 184.3 52 Week Low Stock Price: 156.6  
2020 Low Stock Price: 156.6  
(d) Price Dividend Will Support: Indicated Dividend = 0.00 = ---  
High Yield ---

**Selected Forecasted Low Price:** **156.6**

**C. ZONING** using 25%-50%-25% (click to toggle)  
Forecasted High Price: 326.9 Minus Forecast Low Price: 156.6 = 170.2 Range: 25% of Range: 42.6  
Buy Zone: 156.6 to 199.2  
Hold Zone: 199.2 to 284.3  
Sell Zone: 284.3 to 326.9  
Closing Stock Price of 287.03 is in the **SELL** Zone.  
[Show / Hide Gain Vs Loss Chart](#)

**D. UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)**  
$$\frac{\text{Forecasted High Price} - \text{Closing Price}}{\text{Closing Price} - \text{Forecasted Low Price}} = \frac{(326.9 - 287.03)}{(287.03 - 156.6)} = \frac{39.84}{130.40} = 0.3 \text{ To } 1$$

**E. PRICE TARGET** (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)  
$$\frac{\text{Forecasted High Price}}{\text{Closing Price}} = \frac{326.9}{287.03} = (1.1368 \times 100) = (113.68 - 100) = 13.6\% \text{ Appreciation}$$

Evaluating Risk At A Glance

Zone: **SELL**

Forecasted High Price: 326.9

Forecasted Low Price: 156.6

Closing Price (03/16/21): 287.03

Upside Downside Ratio: 0.3 To 1

Potential Price Appreciation: 13.9%


Green boxes call for user judgement

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**B**

## Questions & Comments About Stock Reports

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## Other Sources of Information


Santa Clara County Library System

Online & 8 Locations [scclld.org](http://scclld.org)  
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Standard & Poor's NetAdvantage®

If you have a discount brokerage account,  
check their website.

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