



August 2020 Newsletter

Hear Yea, Hear Yea

North Carolina Chapter Annual Business Meeting and Educational Event

Date: Saturday August 22, 2020

Business Meeting Start Time: 10:00 am

Speaker (11:00 am): Kathleen Richards

Online Only: <https://global.gotomeeting.com/join/665064485>

U.S. Phone Access: +1 (571) 317-3122

Access Code: 665-064-485



Kathleen developed her teaching skills by first being a high school science teacher and then becoming a presenter for IBM during the rest of her career. For 17 years Kathleen has been a volunteer Director for Northeast Ohio BetterInvesting. She says: “Everything I have ever learned about investing, I have learned from BetterInvesting!” She has become a popular BI speaker and is currently President of the Cleveland Model Investment Club.

Kathleen’s Talk

Quality Matters: Acids Test to Determine Quality Stocks

Learn the SSG “acid tests” to determine a quality stock.

Are your SSG graph lines up, straight & parallel? Is the stock doing better this year than last? Is the company producing profit and turning it into more profit? Is debt reasonable?

See how legally “cooking the books” with share buy backs will prop up EPS, as EPS drives the price.

Learn how to quickly find quality growth stocks to buy! See how to use Value Line’s “Timely Stocks in Timely Industries” to enrich your stock portfolio.

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Why Attend the Annual Business Meeting?

A great reason to attend parts of the annual meeting is to hear Kathleen Richards' talk. On top of that I want to share reasons for attending the Chapter's Annual Business meeting. Our chapter is approaching the September 30th end of the BetterInvesting year and transiting to 2020-2021. Our Chapter has begun reviewing how well the current year's plans were executed and planning activities for the next year. All the planning is focused on how best to support the investing education and training needs of about 800 BI Chapter members of whom roughly two-thirds are in investment clubs.

So, why attend? Because this is an important meeting. The Chapter is capable of providing a range of investing education and training but is always constrained by the resources at hand: number and talent of the volunteer pool, budget and time. We want to focus all resources on servicing the highest priority needs of all **BetterInvesting** members in the Chapter. That means we want to know YOUR PRIORITIES!!

At the Annual Meeting the current Board of Directors will present their proposed goals for the upcoming year and will seek guidance and concurrence from the general membership that (1) this plan of action will meet the membership's needs and (2) that the membership is prepared to support goal execution through their volunteer activities. Also at the meeting members will elect next year's Directors.

Here are some FAQ's

- **Who can attend the Annual Meeting?** We welcome any BetterInvesting members (including those living outside our region) and other interested individuals to both the business meeting and/or the educational presentation. On voting matters, only Chapter members can vote.
- **Who can be a Director?** Any North Carolina Chapter member may be elected to be a Director. There are prerequisites to being a Director. A prospective Director must first have satisfactorily served as either a Volunteer or an Associate Director.
- **What is a "Volunteer"?** A **BetterInvesting** member who wishes to contribute to the chapter but does not want to regularly attend Chapter Board meetings and has no current interest in becoming a full board member.
- **What is an "Associate Director" (AD)?** A volunteer who does want to be involved in the leadership and management of the Chapter. It is a prerequisite to being nominated for election as a full Director. It can be considered to be a learning period prior to election to full Director. Also it allows both the AD and the Board to determine if there is a good fit.
- **Who are the Officers of the Board and how are they selected?** The officers of the Online Chapter are, at minimum, a president, a vice president, a secretary and a treasurer. Following this Annual Meeting and preceding the beginning of the next fiscal year, the current President convenes a special

Chapter Board meeting for the purpose of electing officers for the new fiscal year from the newly elected Board.

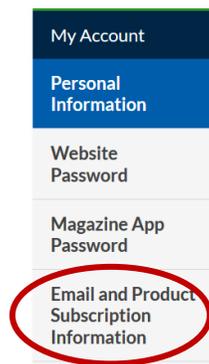
- **How can I volunteer to serve?** Any Chapter member wishing to volunteer their services should email us at contact@northcarolina.betterinvesting.net to express their willingness to serve. We will be glad to explain to you the benefits, rights, responsibilities and expectations of being a volunteer.
- **What if I have more questions?** Again, feel free contact us at <https://www.betterinvesting.org/chapters/north-carolina/contacts>

Thanks to Bob Houle, Online Chapter Director, for allowing us to abridge and adapt his materials.



BetterInvesting has instituted a concise, weekly Newsletter. The July 30th issue included first cut stocks, upcoming events, tips, a spotlight on a club, and a link to an article on things to consider when doing a stock selection. Some material was password protected.

To subscribe to the weekly newsletter, signon to the BI website ([click here](#)), click on My Account, and then click on Email and Product subscription.



Polio Contest Results: The Winner is...

Congratulations to the Tickuntie Investments Club, winner, and the Piedmont Investment Club (runner up) for their fine performances in the 2019-20 BetterInvesting North Carolina Chapter Portfolio Contest. Their portfolios grew, respectively, from \$10,000 on September 1, 2019 to \$17,885.34 and \$13,221.40 on July 31, 2020. In 11 months that is roughly 78.8 and 32.2 percent. Great going!

In addition to the success of these two clubs, the combined gain of all entrants was fractionally

above the gain of the S & P 500 Index (11.5% on average for entrants vs. 11.2% for the S & P or a relative advantage of 0.3 per cent). Five of nine entrants (also including the Model, Legacy, and Triangle clubs) outperformed the S & P 500. This is a testament to the efficacy of North Carolina investors following BI principles.

During the period of the contest, the two fastest appreciating stocks were Dexcom and Nvidia, each growing in value app. 2.5 time. The Tickuntie Investments Club held both these equities throughout the 11 month period.

The Tickuntie Investments Club will receive a \$100 award, the Piedmont Investment Club will receive \$75.

At the end of July the final standings of the Portfolio Contest Clubs were as follows:

Club	Value
Tickuntie Investments	\$17,885.34
Piedmont Investment Club	\$13,221.40
NC Model Club	\$11,972.71
Legacy Investment Team	\$11,322.61
Triangle Investment Club	\$11,229.27
Hickory investment Club	\$11,067.73
Big Bucks	\$10,532.20
Paupers Investment Club	\$8,607.67
PPP Investment Club	\$7,848.56

Bias in Analysts' Estimates

In doing Stock Selection Guides (SSGs), BetterInvesting's system for analyzing stocks, a key decision is projecting expected annual growth. Often BI members check analysts' estimates and then apply their own judgment. A key question becomes: How accurate are analysts' estimates?

Research reported in 2008 by Patrick Cusatis and J. Randall Woolridge of Pennsylvania State University addressed this question. They studied over 20 years' worth of published earnings estimates (1984 – 2006) made by Wall Street industry analysts. They compared average forecasted annual EPS growth against the actual results over the time horizon of the forecast. Table 1 shows what they found.

Time Frame of Estimate	Estimated Growth	Actual Growth	Overestimated By
1 Year	13.8%	9.8%	4%
5 Years	14.9%	9.1%	5.8%

The Table is showing expected versus actual growth. Stated differently, what percentage of the expected growth was actually achieved? For one year, the actual growth was only 71% of what analysts' estimated; for five years it was only 61% of what the analysts' estimated.

At the time of this writing, BetterInvesting's most active stock is Microsoft. On Yahoo Finance, the average 5-year analysts' estimate is 15% annual growth. Based on Cusatis and Woolridge's data, it is more likely to be around 9.1%. This is only one study and specific results may be historically bound, yet they do suggest considerable exuberance in such projections.

Sources:

Edwards, A, (2008, March 21). Study Suggests Bias in Analysts' Rosy Forecasts. *Wall Street Journal*, p. c6.

Magyer, J. (2008, May 1, Updated 2016, November 11). The Wall Street Myth That Could Destroy Your Portfolio: Don't let overzealous analysts undermine your returns. Motley Fool. <https://www.fool.com/investing/dividends-income/2008/05/01/the-wall-street-myth-that-could-destroy-your-portf.aspx>

Original source:

Cusatis, P., & Woolridge, J. R. (2008). The Accuracy of Analysts' Long-Term Earnings per Share Growth Rate Forecasts. *Pennsylvania State University, January, 24*. (The current author was not able to retrieve this document).

Model Club

Our chapter also sponsors a [model investment club](#). Its purpose is to demonstrate the best practices for BetterInvesting investment clubs and the educational benefits of being a member of an investment club. Recordings of Meetings are now being made available for viewing.

The NC Model Club typically meets the first Tuesday of each month in Triad area libraries. Via Go2Meeting you can also participate from anywhere you have an internet connection. If you would like to be reminded of our meetings, please contact contact@northcarolina.betterinvesting.net. We will be happy to add you to our "Model Club Interested Parties" email distribution list and provide you with the details of our model club's next meeting.

Volunteering Opportunities

The North Carolina Chapter of BetterInvesting thrives because of the energies volunteers contribute to it. The Chapter welcomes additional BI members becoming involved in Chapter activities. Given the chapters use of Go2Meeting and internet mediated communication, members throughout our membership area can help. At present volunteers are especially sought for:

A secretary to take minutes of the Chapter's monthly meeting of the Directors.

A new Newsletter Editor to replace the current Editor who is leaving North Carolina.

A Portfolio Contest coordinator.

Volunteers to represent the NC BetterInvesting chapter in geographical areas such as Charlotte, Hickory, and Fayetteville.

2019-20 North Carolina BI Chapter Directors and Volunteers

Terry Gilbert —President

Tanya Robinson-Caldwell —Vice
President

Ronald Cox—Assistant Secretary &
Chapter Data Manager

Warren Leggett—Treasurer

David DeBruhl

Jane Chatterjee

Kathy Dougherty

Jacqueline Jahn, Volunteer

Susan Jordan, Associate Director

Brenda Jones, Associate Director

Daniel Perlman

Saundra Scales

Tasia Mabry, Associate Director

Louise Sechler—Director Emeritus

Contact Information and Web Addresses:

Contact: contact@northcarolina.betterinvesting.net

North Carolina Web site: <https://www.betterinvesting.org/ncarolina>

National BetterInvesting Web site: www.betterinvesting.org