

FINDING WINNING STOCKS THE BETTERINVESTING WAY

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Agenda

- ▶ Why do we want to find future winners?
- ▶ Focus on growing companies and smaller companies.
- ▶ Using the BetterInvesting (BI) Online Stock Selection Guide screening tools to find future winners.
 - SSG Plus - Three different processes.
 - What's the difference with CoreSSG?
- ▶ Summary

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Winners in My Various Club Portfolios



- ▶ All of these companies were smaller and faster growing. Finding tomorrow's winners and their compounding growth is the goal.



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Before We Start, Let's Do Some Research...

Do you own any small or medium company stocks?

- Yes
- No

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Small Company vs Small Cap Companies

- BetterInvesting (BI) thinks small companies have sales of less than \$1 billion while medium companies are between \$1 to \$10 billion.
- The range of small market cap or capitalization companies range from \$1 to 15 billion.
 - Definition of Market cap is the number of shares outstanding multiplied by the current price. (\$10/share X 200 million shares = \$2 billion market cap.)
- We will use both terms to mean small/medium stocks for today's class.

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BI Recommends: Small/Medium Company Weights

- ▶ To double the portfolio value in 5 years or grow at 15% per year, a portfolio should have:
 - 25% in small companies that grow >12%.
 - 50% in medium companies that grow 7%-12%.
 - 25% in large companies that grow 5%-7%.
- ▶ 75% of portfolio is invested in faster companies.
- ▶ Thesis: Growing revenues = growing earnings = growing stock prices.

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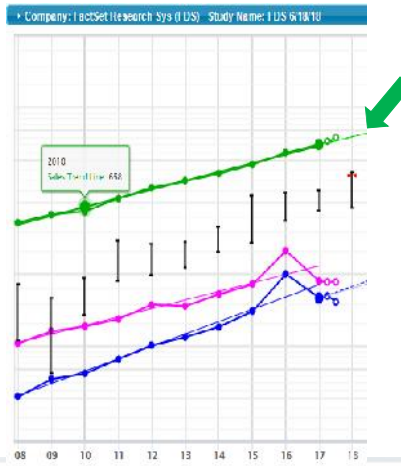
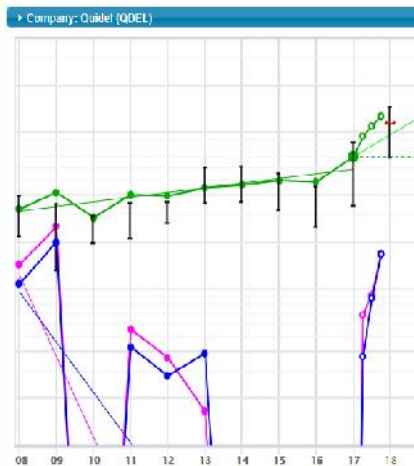
BI wants 75% in Small and Medium Companies?

- ▶ Data suggests that mid-cap stocks tend to generate a similar return to small companies, but with less price volatility.
- ▶ Medium companies are still growing quickly but more established and consistent - railroad tracks.
- ▶ Years ago, BetterInvesting figured out that growth was important and you needed smaller companies to grow quick enough.

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Small vs Medium Companies – Railroad Tracks



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Poll

- ▶ Have you used this magnifying button on the Online Screening Tool before for stock ideas?

- ▶ Yes
- ▶ No



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Go to BetterInvesting Online SSG Screening Tools

- ▶ Log into your Online SSG Plus or Core SSG Tools:



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Three Different Stock Search Techniques

SSG PLUS

Search for a Company

Search Criteria

- 0 Yr Sales Growth (%): Any
- 9 Yr Earnings Growth (%): Any
- Size: Small Medium Large
- Sector: Any
- Dividend Yield (%): Any
- Pre-Tax Profit Trend: Up Even Down
- Return on Equity Trend: Up Even Down
- Morningstar Growth Grade: Any
- Morningstar Profit Grade: Any
- Morningstar Financial Health: Any
- PI / Historical US Growth: Any
- Excluded Exchange: US Exchanges Only

Pre-Defined Screens

- Quality
- Value
- Quality + Dividend Yield
- Small Company
- Moats of Quality

Ticker Heat Map

A resource of stock ideas based on the top 100 studies created by members in the last 90 days.

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Ticker Heat Map of Ideas

Ticker Heat Map

FAST	GE	CBI		
AL	CAT	TRN	SRCL	MMM
PCP	LUV	GWR	UNP	DE
FDS	BA	PWR	DHR	CSX
		CHRW		

A resource of stock ideas based on the top 100 studies created by members in the last 90 days.

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The Heat Map

- It shows the top 100 tickers that our members have created studies for in the past 90 days.
- This method can give you lots of new ideas to research.
- The size of the boxes matters.
- The box color indicates general favorability sentiment.
 - The more green the box, the more positive favorability.
 - The more red the box, the more negative the favorability.
 - The colors should not be used as buy/hold/sell indicators.

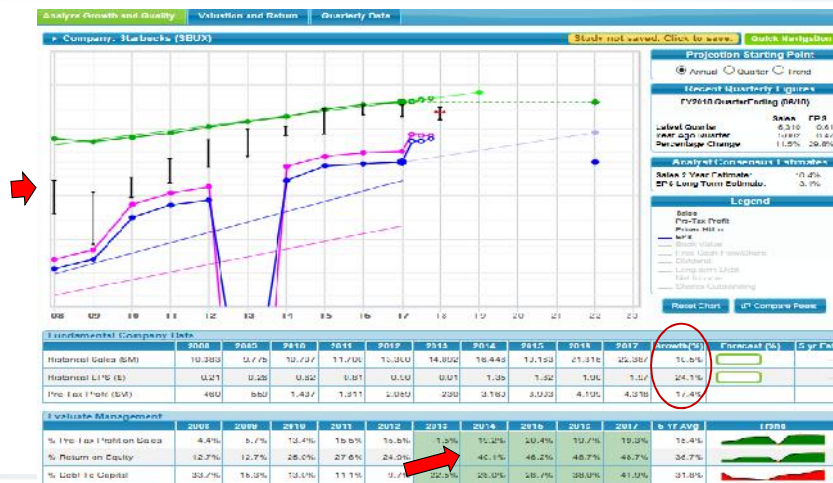


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Results of Clicking on a Heat Map Stock



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Pre-Defined Screens



Looking for more in-depth screening? Check out MyStockProspector.com

MyStockProspector

Small Company Criteria

- EPS R2 5 Year between 0.85 and 1.0
- Pre-tax Profit Trend = Up or Even
- Return on Equity Trend = Up or Even
- Debt / Capital % <= 40.0
- Sales (M\$) between 100 and 1000
- Historical 5 Year Sales Growth % > 12.0
- Last 4Q Sales Growth % > 12.0
- Historical 5 Year EPS Growth % > 12.0
- Last 4Q EPS Growth % > 12.0

This screen found 19 stocks/ideas.

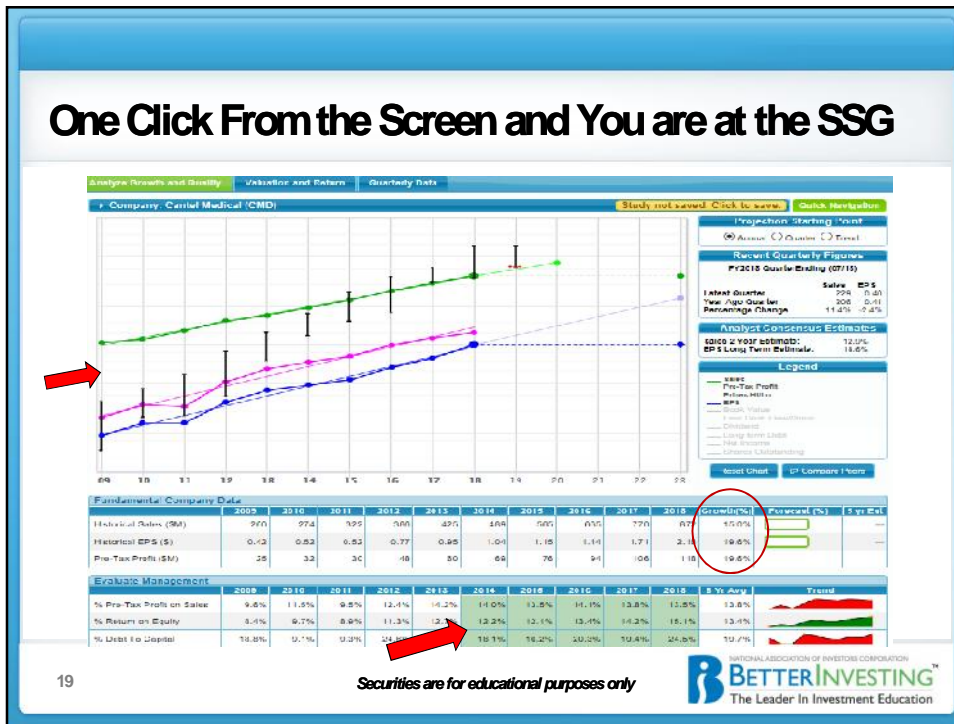
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Premade Screen – Results

Actions	Company	Ticker	Sector	Industry	Size	Sales Growth (%)	Earnings Growth (%)	Growth Grade
	Avadel Pharmaceuticals PLC	AVDL	Healthcare	Biotechnology	S	18.2	84.1	A
	Camel Medical Corp	CMD	Healthcare	Medical Instruments & Supplies	S	14	21.9	B
	Capricor Therapeutics Inc.	CAPR	Healthcare	Biotechnology	S	192.1	27.8	C
	Cardiovascular Systems Inc.	CSII	Healthcare	Medical Devices	S	17.7	23.8	C
	Cerecor Inc.	CERC	Healthcare	Biotechnology	S	1466.9	234.7	
	Cronos Group Inc.	CRCN	Healthcare	Drug Manufacturers - Specialty & Generic	S	2382.4	58.5	
	Eagle Pharmaceuticals Inc.	EGRX	Healthcare	Drug Manufacturers - Specialty & Generic	S	148.1	661.7	A

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One Click From the Screen and You are at the SSG



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If Your Club was Looking for Quality and Yield

Pre-Defined Screens

- Quality ?
- Value ?
- Quality + Dividend Yield ?
- Small Company ?
- Roster of Quality ?

Looking for more in-depth screening? Check out MyStockProspector.com



Quality + Dividend Yield Criteria

- EPS R2 5 Year greater than 0.9
- Historical 10 Year EPS Growth % >= 10.0
- Historical 10 Year Sales Growth % >= 10.0
- Pre-tax Profit Trend = Up or Even
- Return on Equity Trend = Up or Even
- Debt / Capital % <= 40.0
- Dividend Payout % <= 75.0
- Current Dividend Yield % between 1.5 and 10

This lead to 17 stock prospects.

Actions	Company	Ticker	Sector	Industry	5 Yr Avg
	Conoco Inc	COO	Consumer Cyclic	Apparel Retailers	
	D. H. Hill Inc	DHI	Consumer Cyclic	Automotive Components	L
	Gentek Corp	GNTE	Consumer Cyclic	Auto Parts	M
	Guardian Capital Group Ltd	GCGR.A.TO	Financial Services	Asset Management	S
	Guardian Capital Group Ltd	GCGR.TO	Financial Services	Asset Management	S
	Honeywell Advisors Inc	HNNV	Financial Services	Asset Management	S
	Home Depot Inc	HD	Financial Services	Debt & Corporate Finance	S
	Lam Research Corp	LRCX	Technology	Semiconductor Equipment & Materials	L
	Lincoln Financial Holdings Inc	LFIN.A.TO	Consumer Services	Insurance - Life	M

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Questions?



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Do-It-Yourself (DIY) Search Options

Search for a Company

Search Criteria

9 Yr Sales Growth (%)	Any
9 Yr Earnings Growth (%)	Any
Size:	<input type="button" value="Small"/> <input type="button" value="Medium"/> <input type="button" value="Large"/>
Sector:	Any
Dividend Yield (%)	Any
Pre-tax Profit Trend:	<input type="button" value="Up"/> <input type="button" value="Even"/> <input type="button" value="Down"/>
Return on Equity Trend:	<input type="button" value="Up"/> <input type="button" value="Even"/> <input type="button" value="Down"/>
Morningstar Growth Grade:	Any
Morningstar Profit Grade:	Any
Morningstar Financial Health:	Any
PE / Historical EPS Growth:	Any
Traded Exchange:	US Exchanges Only
<input type="button" value="Search"/> <input type="button" value="Reset Criteria"/>	

Results

Please select search criteria

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Looks Like Section 1 and 2 of the SSG

Search Criteria

- 9 Yr Sales Growth (%): > 12%
- 9 Yr Earnings Growth (%): > 12%
- Size: Small Medium Large
- Sector: Healthcare
- Dividend Yield (%): Any
- Pre-Tax Profit Trend: Up Even Down
- Return on Equity Trend: Up Even Down

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These are New Characteristics

- Morningstar Growth Grade: Any
- Morningstar Profit. Grade: Any
- Morningstar Financial Health: Any
- PE / Historical EPS Growth: Any
- Traded Exchange: US Exchanges Only

Search Reset Criteria

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Morningstar Definitions in the Search Process

- ▶ Morningstar grades – A, B, C, D and F. Equal weight between A through D and bottom 10% to F.
- ▶ Morningstar Growth Grade
 - Three components
 - Raw growth – Over five years. Faster is better.
 - Trend – Growth improving or weakening.
 - Consistency – Is it?

Morningstar Definitions in the Search Process

- ▶ Morningstar Profit Grade
 - Three components
 - Raw Profitability – Average level of return on capital over five years.
 - Trend – Looks for upward trend.
 - Consistency – Rewards consistency.
- ▶ Morningstar Financial Health Grade
 - Two components – Raw financial health and trend. Financial leverage (Assets/equity).

CoreSSG Differences

Search for a Company

Search Criteria

9 Yr Sales Growth (%): Any

9 Yr Earnings Growth (%): Any

Size: Small Medium Large

Sector: Any

Traded Exchange: US Exchanges Only

Pre-Defined Screens

Quality ?

Value ?

Looking for more in-depth screening? Check out
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MyStockProspector

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BetterInvesting Screening Process

- Delivers many new ideas to study.
- 2 or 3 different ways to generate new ideas.
- You can easily go from the screen to the security in an SSG analysis format.
- I found OLLI through a DIY screen:

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Summary

- ▶ The Online SSGPlus screening tools give you three different ways for you to find new ideas.
- ▶ If you have not used this tool, it is very easy and it is integrated into the SSG evaluation tool.
- ▶ You can use the pre-made screens, create your screens or leverage other BI studies.
- ▶ If you do, you will find plenty of new small ideas to find your next big winner.

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Upcoming Events

Sacramento Area Chapter

Breakfast with Champions – 2 presentations by Cy Lynch
Feb. 9, 8 am to noon, Sun City Roseville
Getting Risk Right
Growth and Rethinking SSG Analysis
Register: <https://bwtc2019.eventbrite.com/>

San Francisco Bay Area Chapter

Money Smart Week Presentations – 5 topics
Mar. 30, 10 am to 4 pm, SF Main Library
10:15 Guide to Reading a Value Line Research Report
11:30 Finding Quality Stocks Using Fundamental Methodology
1:00 Finding the Best Mutual Funds
2:00 Investing with ETFs
3:00 Things to Think About Regarding Investing for Retirement
Info at: <https://www.meetup.com/BetterInvestingSanFranciscoBayAreaChapter/>

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Upcoming Events

Silicon Valley Chapter

Financial Literacy Month – 3 dates

April 25, 7 pm, Santa Clara City Library, Homestead Road
Using Value Line and Morningstar Library Resources

April 29, 7 pm, Santa Clara City Library, Homestead Road
Silicon Valley Chapter Model Club Public Meeting

Info at: <https://new.betterinvesting.org/silicon-valley/local-events>

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Make A Difference In Someone's Life

If you have benefited from

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please pick up some

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materials

and introduce others to this dynamic investment education opportunity!

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