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Lessons Learned: Listen to your SSG Reported by Tasia Mabry

In this article, I'd like to tell you a little story about The Incredible Investors Club. On December 1, 2014, the Incredible Investors Club purchased \$1000 worth of General Electric (GE). After reviewing the SSG one of the members did of the stock, the group felt that the \$23.40/share would be a good time to buy in. The group accepted that GE was a well-known enough company and the price target of \$31/share for a sell was worth the investment.

Around the same time in 2014, the same member who did an SSG of GE also did an SSG on a company called ResMed (RMD). Although not as well known, the company was currently within the buy zone at \$56.06/share. The group chose to buy but to keep an eye on it to track it because it was at the higher end of their agreed share price range.

Nineteen (19) months later, on July 11, 2016, the GE price reaches the \$31.62/share mark, but the group chose to continue holding the stock. They felt that the company was on track to shake off the parts of the GE business that were not profitable and had opportunity to grow even further. At this point the groups \$1000 investment into GE now had a value of approximately \$1352. The same amount invested in ResMed was only worth \$1156

with the price per share only increasing to \$64.80.

Contrary to the belief of the Incredible Investors Club the GE stock did not increase at all through the remainder of the year. By December 1, 2016, the price for GE was \$30.38/share. This would have been an ideal time to sell since the company hadn't grown further into the sell range for the SSG the group originally did for the company.

But the group continued to hold GE. August 2017 is when the GE stock price returned to the original buying price the Incredible Investment Club purchased it for. No one wanted to sell at this point because they were waiting to regain the money that was missed out on due to holding the company further.

Fast forward to August 2019. When the group finally decided to sell GE, the price had dropped to \$9.15/share. The company has experienced a tremendous amount of scrutiny for how it's handling the sell off of its finance business. The management changes and business model changes have proven to be a much steeper hill than the Incredible Investment Club believed. Had they sold GE at the expected sell price from the SSG, they would have made \$352 on their investment. Instead
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they ended up losing \$609. At this time the group chose to buy \$1000 worth of ResMed @ 131.40/share due to such good SSG outlook and it being a dividend paying stock.

In the ideal situation, the group would have started with \$1000 in GE stock and kept an eye out for ResMed to start creeping up into its SSG-predicted buy range. They would have sold GE when that SSG suggested and bought ResMed with the initial investment plus proceeds

of \$352. In this case, the initial \$1000 investment could be worth about \$3260 now (pricing as of December 16th @ 2:24pm). Instead, the group has only recovered \$191 of the \$609 loss on the GE investment. None of these numbers include the reinvestment of dividend. But the returns missed out on grows even higher should they be included. Both GE and ResMed pay a modest dividend at this time.

The End

Accounting Change

Operating Leases to be Counted as Debt

Reported by Dan Perlman, Chapter Director

The Financial Accounting Standards Board (FASB) has set a new accounting standard for when companies lease rather than own things. There are two types of leases: Capital and operating. Capital leases (e.g., a house mortgage) are leases in which the lessee has the use of the asset while they are paying for it. Capital leases have been and will continue to be treated as debt on balance sheets. Operating leases are agreements to use an asset with no implied right to ownership at the end of the lease (e.g., renting space for a store or a factory). Previously operating leases were not treated as debt. The FASB now requires companies to recognize operating lease assets and liabilities on the balance sheet. Having operating leases is common for such entities as retail stores, construction companies, airlines, etc.

The graph on the next page shows the impact of this change on four companies:

Chipotle, Dollar General, Five, and Ulta. In 2018, prior to the change, Chipotle, Five, and Ulta showed no debt, DG had debt in the 30s. In 2019, after the accounting change, Chipotle, Dollar General had debt to equity ratios above 60%, while Ulta and Five had debt of approximately 50% or above.

Advocates of the change argue it makes finding information on leasing obligations easier, reduces companies' use of lease arrangements to achieve particular accounting outcomes, and improves the understanding and comparability of lessees' financial commitments regardless of the manner they choose to finance their assets. Mathematically such lease obligations reduce return on equity.

Effective in 2019 this changes is required.

This analysis is based on Cliff Trent's December 2019 Ticker Talk presentation.

Examples of Impact to SSG



Chapter Volunteers Wanted

The North Carolina Chapter of BetterInvesting would welcome new Chapter Volunteers. Three needs at this time are (a) Chapter Secretary to take brief, action minute style minutes of meetings, (b) a new editor for the Newsletter to take over for the current editor who will be moving out of state soon, and (c) BI representatives for communities such as Charlotte, Asheville, or Fayetteville, or the north east coastal area. Volunteers receive benefits (e.g., complimentary access to the SSG Plus and eternal thanks!).

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.

[BI Video Learning Library](#)

As part of the revamped BetterInvesting (BI) web site, BI has created a Video Learning Library with over 70 educational webinars. The landing page (see p. 6) has three main sections: The first features videos for using the Stock Selection Guide (SSG). The second features Regularly Scheduled Programs. These include Stockup, TickerTalk, Online Tools, Investment Clubs, Membership, and Guest Speakers. The third section features several miscellaneous topics.

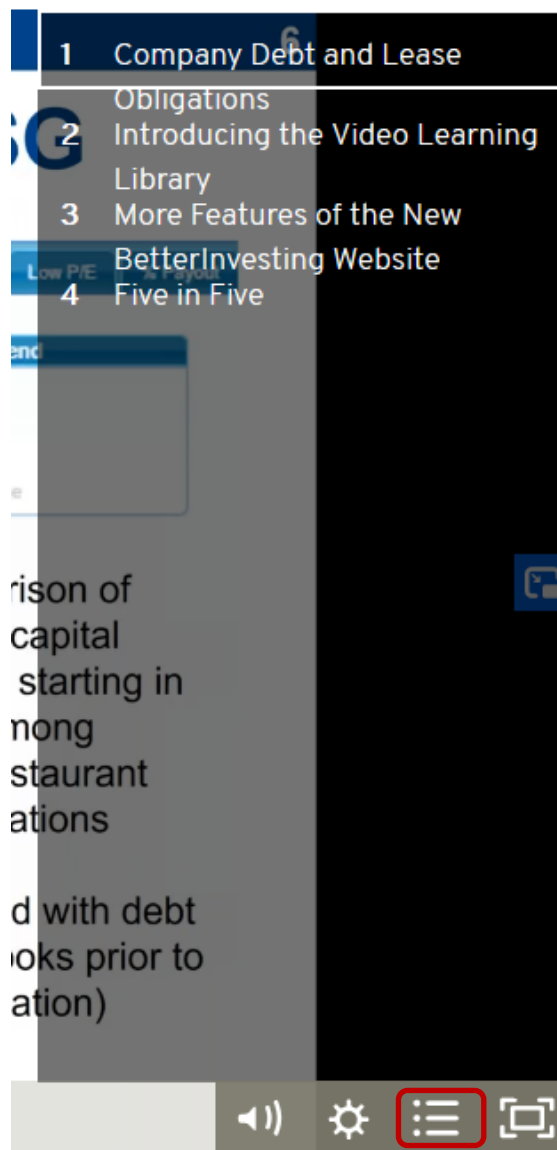
I resonated to two nice features of the Learning Library:

The system for finding videos is strong: As described above, the three sections of the landing page can lead you to videos on different topics. You can also search by any keyword(s) you want to use. Want more? If you click on “See all videos” you get to a page with five different ways of categorizing videos: 1) title, date or series; 2) regularly scheduled programs; 3) access level (e.g., all members, just SSG Plus members); 4) skill level; and 5) topic.

BI is making navigating through the videos themselves easier. Many videos have two such features: first, small dots in the bottom tray that mark various parts of a presentation. If you hover over a dot it brings up text indicating the topic, and you can quickly cursor between topics. Second, on the bottom right side of the screen there is often a three dot and line symbol (See red circle area in image on the right). Click on it and you get an index of the video’s

contents. Clicking on a topic of special interest will take you to it.

Enjoy and learn!



Top of Video Learning Library Landing Page


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Stock Selection Programs

Video series that explore all aspects of stock selection and the Stock Selection Guide (SSG).


[Intro to the SSG](#)

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National BetterInvesting Web site: [betterinvesting.org](https://www.betterinvesting.org)