

TIME FOR QUESTIONS

Fielding questions over the mic

Craig Braemer, Director, San Francisco

Russell Malley, Director, Silicon Valley

Marion Michel, Director, Silicon Valley

With directors from all NORCAL chapters providing back room support

NORCAL WEBINAR

with

BetterInvesting Chapters

San Francisco Bay Area

Sacramento Area

Silicon Valley

Golden West

March 27, 2020

WWW.BETTERINVESTING.ORG

Disclaimer

- The information in this presentation is for educational purposes only and is not intended to be a recommendation to purchase or sell any of the stocks, mutual funds, or other securities that may be referenced. The securities of companies referenced or featured in the seminar materials are for illustrative purposes only and are not to be considered endorsed or recommended for purchase or sale by BetterInvesting™ National Association of Investors Corporation (“BI”). The views expressed are those of the instructors, commentators, guests and participants, as the case may be, and do not necessarily represent those of BetterInvesting. Investors should conduct their own review and analysis of any company of interest before making an investment decision.
- Securities discussed may be held by the instructors in their own personal portfolios or in those of their clients. BI presenters and volunteers are held to a strict code of conduct that precludes benefiting financially from educational presentations or public activities via any BetterInvesting programs, events and/or educational sessions in which they participate. Any violation is strictly prohibited and should be reported to the CEO of BetterInvesting or the Director of Chapter Relations.
- This presentation may contain images of websites and products or services not endorsed by BetterInvesting. The presenter is not endorsing or promoting the use of these websites, products or services.

This session is being recorded for future use.

Thank you for your registration Questions/Comments

Here's our agenda

1. How does this coronavirus crisis compare to/differ from previous market crashes?
2. How can we tell if a recovery is starting?
3. Is cash/are bonds attractive now?
4. Should you sell/buy now? Beware wash sales
5. Yikes! What's going on with my SSG?
6. Clubs – some suggestions for managing fear
7. Summary

We'll try to keep our opening comments short. We will stop between topics for your additional questions.

Note: We'll be using SSGPlus in this webinar. It has features that the Core SSG does not.

1. Comparisons/Differences

Market Reactions During Virus Emergencies

S&P 500 performance over the course of each outbreak

Virus	Date Range	Trading Days	S&P 500 % Change
SARS	Jan. 2003 - March 2003	38	-12.8%
Avian Influenza	Jan. 2004 - Aug. 2004	141	-6.9%
MERS	Sept. 2012 - Nov. 2012	43	-7.3%
Ebola	Dec. 2013 - Feb. 2014	23	-5.8%
Zika	Nov. 2015 - Feb. 2016	66	-12.9%
Coronavirus	Jan. 2020 - Present	23	-2.2%

- Source: Citi Research, FactSet Coronavirus data as of 10 a.m. on 2/24/20, CNBC

1. Comparisons/Differences



Performance data quoted represents past performance and does not indicate future results. Current performance may be lower or higher. See the Performance tab for updated monthly returns. Investment value will fluctuate, and shares, when redeemed, may be worth more or less than original cost. Unlike mutual funds, shares of ETFs are not individually redeemable directly with the ETF. Shares are bought and sold at market price, which may be higher or lower than the net asset value (NAV). Investors should consider carefully information contained in the prospectus, or if available, in the summary prospectus including investment objectives, risks, charges and expenses. You can request a prospectus by calling your Schwab Advisor Services service representative. You may also view, download and print a prospectus by clicking on the Mutual Funds or ETFs tab and entering a valid fund symbol. Please read the prospectus carefully before investing. Investors in Closed-End Funds please note that since these securities are not continuously offered, there may be no prospectus available. Data is based on SPY as of March 29, 2020.

1. Comparisons/Differences – Bull versus Bear Markets



Bear markets
may be
brutal...

VS.



But bulls
have a tendency
to charge back

BEAR MARKETS SINCE 1960¹

Time Period	Length (Months)	Market Decline
January 1960–October 1960	10	-17.4%
December 1961–June 1962	6	-27.1%
February 1966–October 1966	8	-25.2%
December 1968–May 1970	18	-35.9%
April 1971–November 1971	7	-16.1%
January 1973–December 1974	23	-45.1%
September 1976–February 1978	17	-26.9%
September 1978–April 1980	19	-16.4%
April 1981–August 1982	16	-24.1%
November 1983–July 1984	8	-15.6%
August 1987–October 1987	2	-36.1%
July 1990–October 1990	3	-21.2%
July 1998–August 1998	1	-19.3%
January 2000–September 2001	20	-29.7%
March 2002–October 2002	7	-31.5%
October 2007–March 2009	17	-53.8%
April 2011–October 2011	5	-16.8%
May 2015–February 2016	9	-14.5%

Bear Facts

Number of Bear Markets Since 1960	18
Average Frequency	1 every 3.1 years
Last Ended	February 2016
Average Duration	11 Months
Average Market Decline	-26.3%

SUBSEQUENT BULL MARKETS¹

Time Period	Length (Months)	Market Increase
October 1960–December 1961	14	29.8%
June 1962–February 1966	44	85.7%
October 1966–December 1968	26	32.4%
May 1970–April 1971	11	50.6%
November 1971–January 1973	14	31.8%
December 1974–September 1976	22	75.7%
February 1978–September 1978	6	22.3%
April 1980–April 1981	12	34.9%
August 1982–November 1983	16	65.7%
July 1984–August 1987	37	150.6%
October 1987–July 1990	33	72.5%
October 1990–July 1998	93	294.8%
August 1998–January 2000	16	55.5%
September 2001–March 2002	6	29.1%
October 2002–October 2007	60	94.4%
March 2009–April 2011	26	95.7%
October 2011–May 2015	44	71.9%
February 2016–?	—	—

Bull Facts

Number of Bull Markets Since 1960	18
Average Frequency	1 every 3.3 years
Last Started	February 2016
Average Duration	28 Months
Average Market Increase	76.1%

All investments involve risks, including possible loss of principal. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions.

Past performance does not guarantee future results. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial advisor, call us at (800) DIAL BEN/342-5236, or visit franklintempleton.com. Please carefully read the prospectus before you invest or send money.

1. In this illustration the market is represented by the Dow Jones Industrial Average. Sources: © 2019 Ned Davis Research, Inc., Dow Jones & Company, Inc. Ned Davis Research defines a bear market as a 30% drop in the Dow Jones Industrial Average after 50 calendar days or a 13% decline after 145 calendar days. A bull market requires a 30% rise in the Dow Jones Industrial Average after 50 calendar days or a 13% rise after 155 calendar days. Average frequency, duration and market increase data do not reflect the current bull market that started on 2/1/16. Indexes are unmanaged and one cannot invest directly in an index. Index returns do not reflect any fees, expenses or sales charges.

1. Comparisons/Differences

A History of Market Ups and Downs

S&P 500 Index total returns in USD, January 1926–December 2019
Using a 20% threshold for downturns

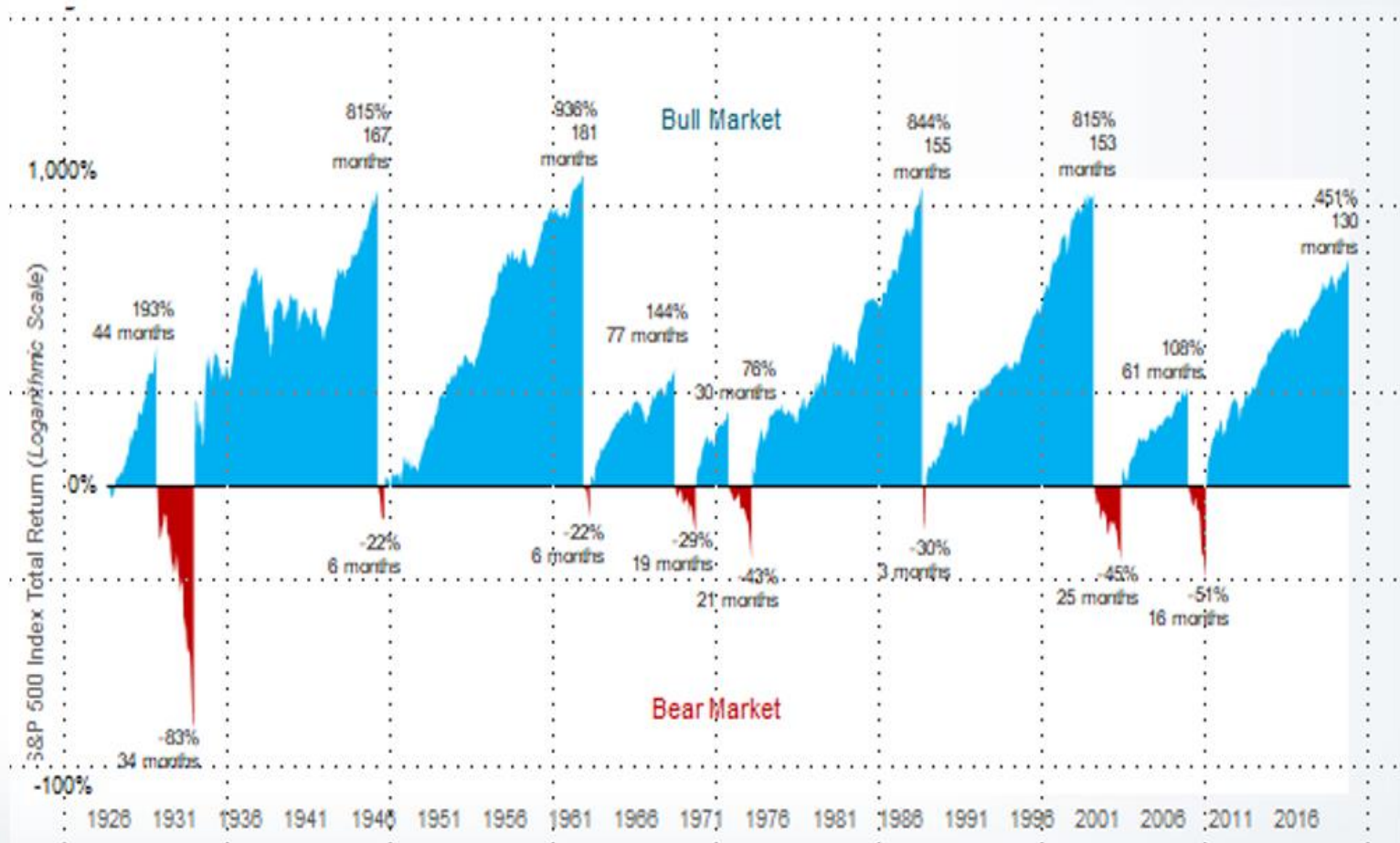


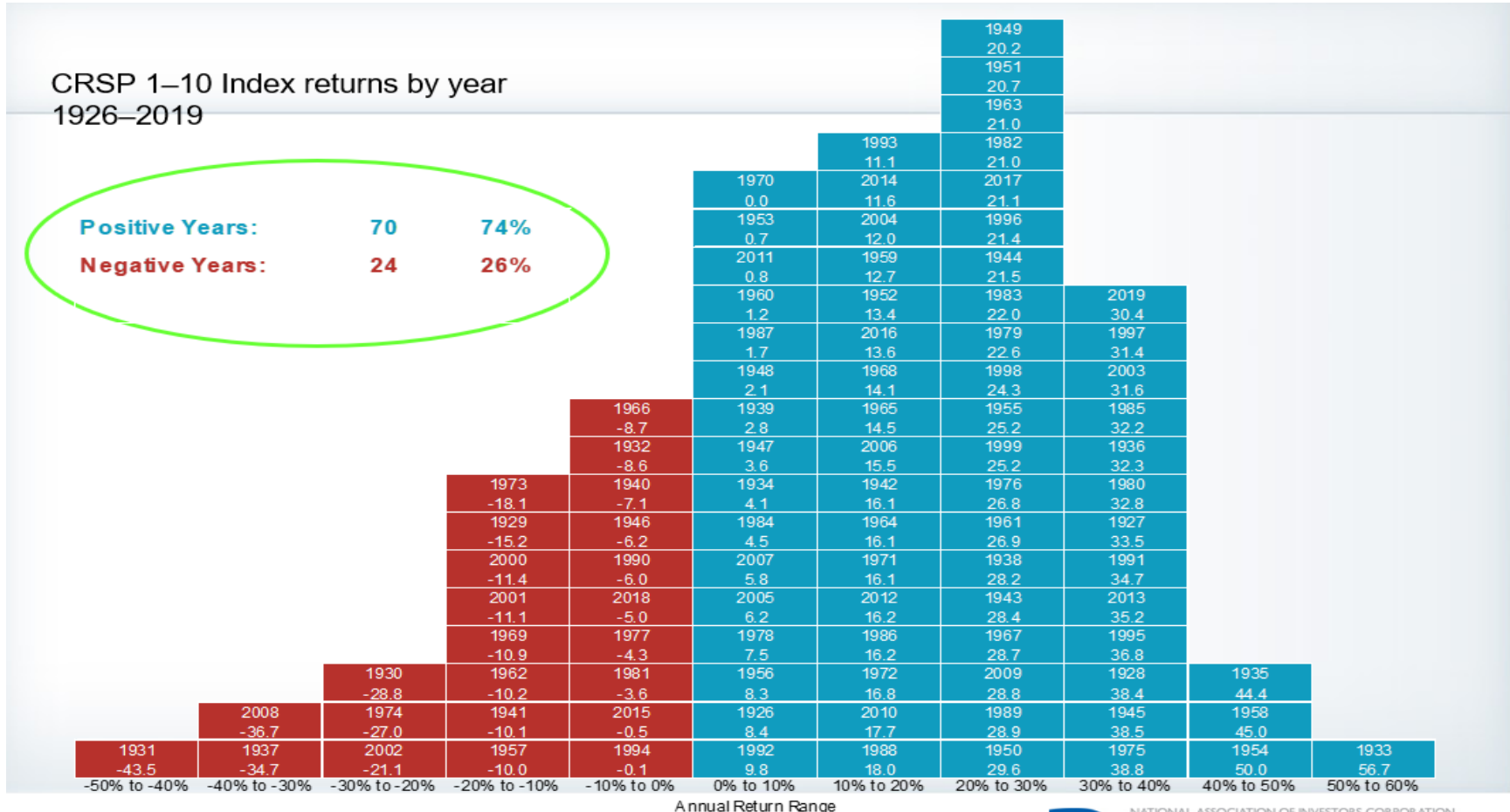
Chart end date is 12/31/2019, the last trough to peak return of 451% represents the return through December 2019.

Bear markets are defined as downturns of 20% of greater from new index highs. Bull markets are subsequent rises following the bear market trough through the next new market high. The chart shows bear markets and bull markets, the number of months they lasted and the associated cumulative performance for each market period. Results for different time periods could differ from the results shown.

Past performance is no guarantee of future results. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.

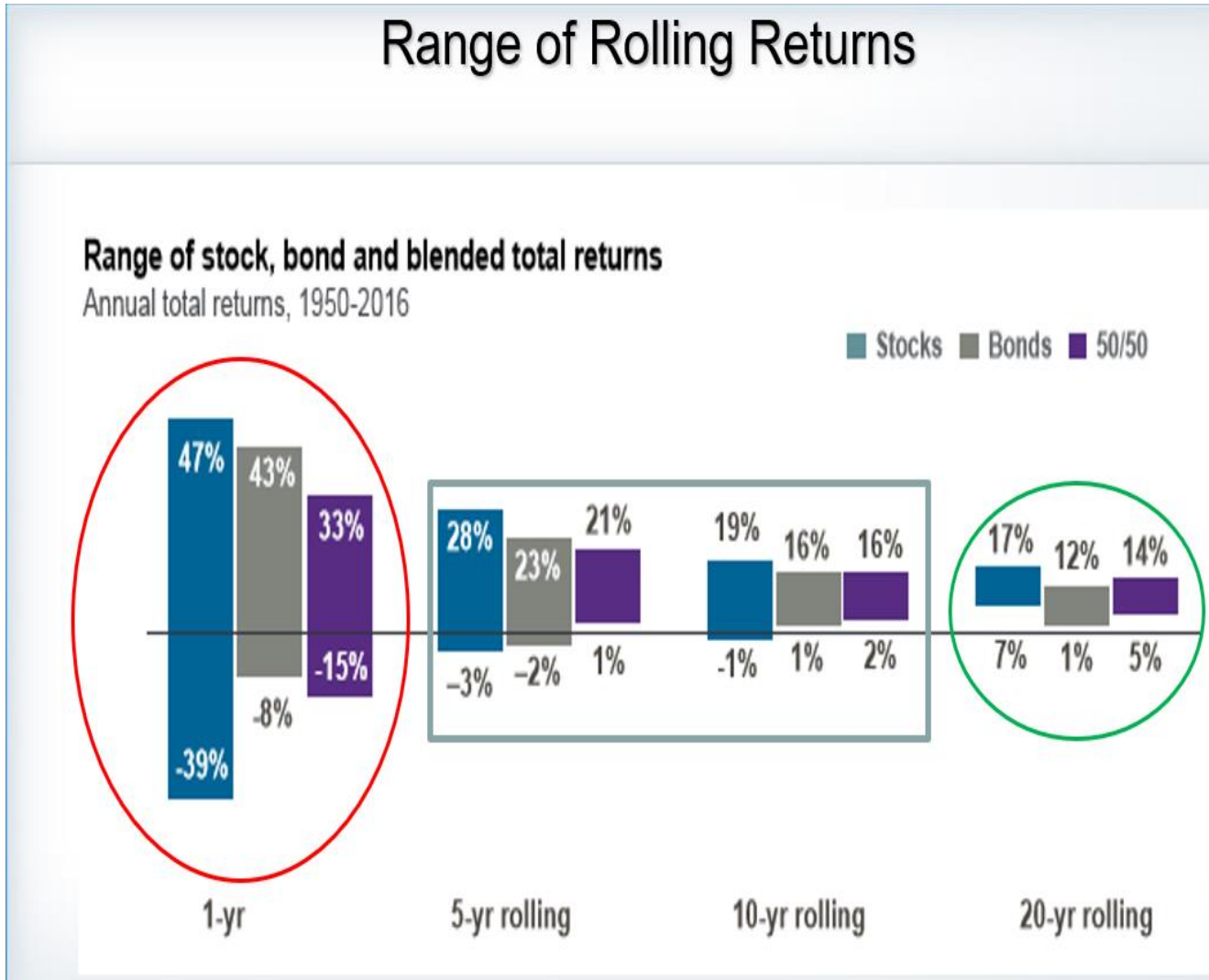
Source: S&P data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

1. Comparisons/Differences – A Market History of Ups and Downs



In US dollars. CRSP data provided by the Center for Research in Security Prices, University of Chicago. The CRSP 1–10 Index measures the performance of the total US stock market, which it defines as the aggregate capitalization of all securities listed on the NYSE, AMEX, and NASDAQ exchanges. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

1. Comparisons/Differences

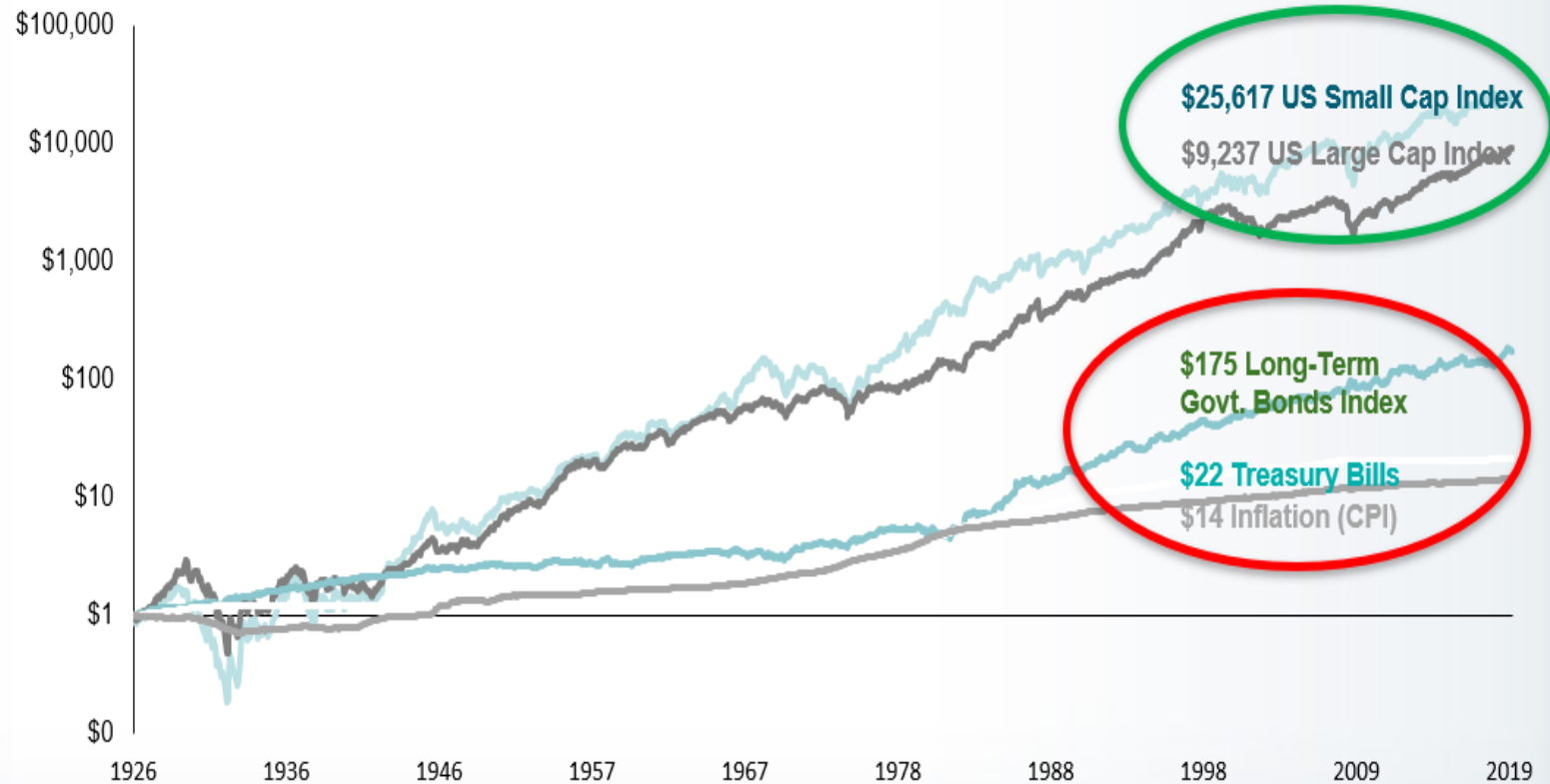


Source: Barclays Capital, FactSet, Federal Reserve, Robert Shiller, Stategas/Ibbotson, J.P. Morgan Asset Management.

1. Comparisons/Differences

The Capital Markets Have Rewarded Long-Term Investors

Monthly growth of wealth (\$1), 1926–2019



In US dollars. US Small Cap Index is the CRSP 6–10 Index; US Large Cap Index is the S&P 500 Index; Long-Term Government Bonds Index is 20-year US government bonds; Treasury Bills are One-Month US Treasury bills; 1-Month Treasury Bills Index is the IA SBBI US 30 Day TBill TR USD. Treasury Index data sourced from Ibbotson Associates, via Morningstar. Direct Inflation is the Consumer Price Index. CRSP data provided by the Center for Research in Security Prices, S&P data © 2020 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Bonds, T-bills, and inflation data provided by Morningstar.

Past performance is no guarantee of future results. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

1. Comparisons/Differences

Market Statistics – Value Line 3/6/2020 and 3/27/2020

The Median of Estimated **PRICE-EARNINGS RATIOS** of all stocks with earnings

16.9

26 Weeks Ago	Market Low 3-9-09	Market High 2-19-20
15.9	10.3	18.0

The Median of Estimated **DIVIDEND YIELDS** (next 12 months) of all dividend paying stocks

2.4%

26 Weeks Ago	Market Low 3-9-09	Market High 2-19-20
2.4%	4.0%	2.2%

The Median Estimated **THREE-TO-FIVE YEAR PRICE APPRECIATION POTENTIAL** of all 1700 stocks in the VL Universe

55%

26 Weeks Ago	Market Low 3-9-09	Market High 2-19-20
60%	185%	45%

The Median Estimated **APPRECIATION POTENTIAL TO 18-MONTH TARGET PRICE RANGE** of all 1700 stocks in the VL Universe

13%

26 Weeks Ago	Market Low 3-9-09	Market High 2-19-20
11%	N/A	6%



The Median of Estimated **PRICE-EARNINGS RATIOS** of all stocks with earnings

12.5

26 Weeks Ago	Market Low 3-9-09	Market High 2-19-20
17.3	10.3	18.0

The Median of Estimated **DIVIDEND YIELDS** (next 12 months) of all dividend paying stocks

3.2%

26 Weeks Ago	Market Low 3-9-09	Market High 2-19-20
2.2%	4.0%	2.2%

The Median Estimated **THREE-TO-FIVE YEAR PRICE APPRECIATION POTENTIAL** of all 1700 stocks in the VL Universe

120%

26 Weeks Ago	Market Low 3-9-09	Market High 2-19-20
50%	185%	45%

The Median Estimated **APPRECIATION POTENTIAL TO 18-MONTH TARGET PRICE RANGE** of all 1700 stocks in the VL Universe

52%

26 Weeks Ago	Market Low 3-9-09	Market High 2-19-20
6%	N/A	6%



• Source: Value Line 3/27/2020 and 3/6/2020.

QUESTIONS?

2. Will we recognize recovery when it starts?

As we all know:

Nobody has ever consistently called a market top or bottom
Nobody has ever called the start or end of market uncertainty
However, we can try to apply common sense observations

Health and economic uncertainty are both causing current market gyrations

Pay attention to the virus:

- Are infection rates still rising or have they begun to decline?
- In the United States? Worldwide?
- Are state/local “stay-in” orders spreading or winding down?
- Is there an effective treatment or vaccine?

Pay attention to the general economy

- Is the unemployment rate rising or shrinking?
- Are businesses re-opening?

The stock market is likely to continue gyrating
while uncertainty about the virus and the economy prevail

QUESTIONS?

3. What about cash/bonds?

We are talking about your investment portfolio

- **When stocks are on sale, it is NOT a good time to increase the cash/bond portion of your portfolio**
- **Bonds are NOT a good new buy now**
 - Risk of capital loss on bonds is higher now
 - Price of a bond is inversely proportional to interest rates

Keep the “Rule of 72” in mind

$72/\text{interest rate} = \text{number of years for an investment to double}$

$72/\text{rate of return} = \text{number of years for an investment to double}$

If you bought a \$1000 bond paying 1% now, it would take 72 years to collect \$1000 in interest and get your original \$1000 back.

If/when a \$1000 bond paying 2% interest were issued, it would compete with your bond paying 1%. Your bond would be worth less than \$1000 if you needed/wanted to sell it sooner than 36 years from now ($72/2 = 36$).

Meanwhile, inflation is...

QUESTIONS?

4. Should you sell / buy/ keep now?

Sell when:

- Company long-term fundamentals are declining (not just the last quarter)
- Your portfolio needs re-balancing
- You need the cash, in which case, sell your duds first

Buy if:

- Company fundamentals are good (a BI “quality” company)
- The value is good at the current price even if it goes down more
- The stock would add good balance to your portfolio
- Go back in slowly in this strange time and use dollar cost averaging

Keep if: Company fundamentals were good before the virus

Clunkers?? We all have them and agonize in times like these. Sell if you feel you can do better with the money and can “handle” the loss.

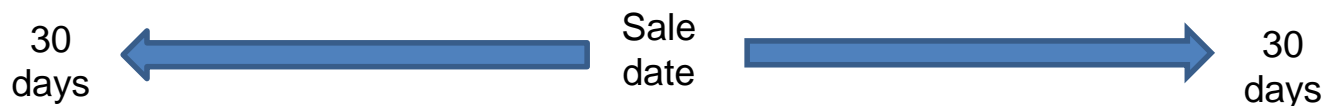
4. Should you sell / buy/ keep now? – Wash Sales

You trigger a wash sale if:

- You sell shares for a loss, and
- Buy shares of the same or similar company within the period starting 30 days before the sale to 30 days after the sale.

Consequences of a wash sale

- Loss on the sale is disallowed.
- Holding period and cost basis of new shares are adjusted

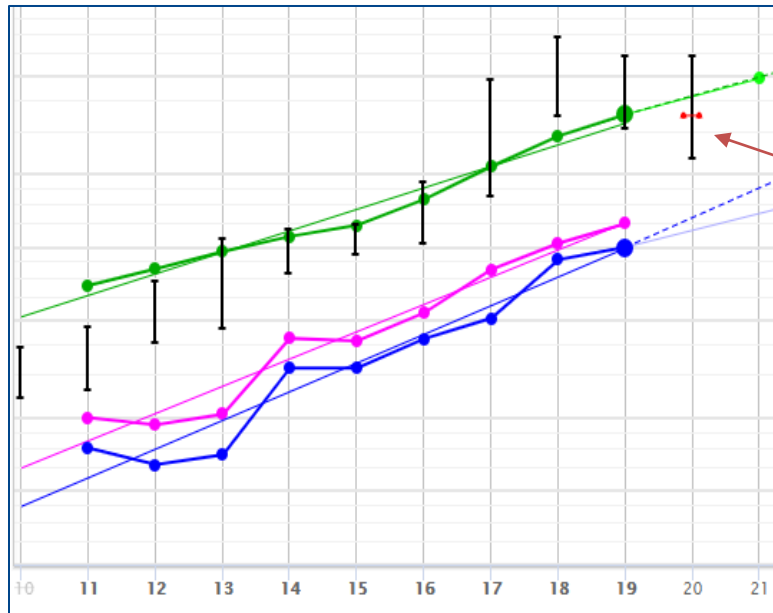


See BI Magazine, April issue, page 21 for more information

QUESTIONS?

5. Your SSG – The Quality Section

Let's start with the quality section. It still gives an accurate picture of past fundamentals.



This stock was in good shape going into the crash

The price drop might be a buying opportunity

Evaluate Management												
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	5 Yr Avg	Trend
% Pre-Tax Profit on Sales	26.3%	18.7%	15.1%	14.1%	25.0%	22.0%	22.5%	24.8%	23.7%	23.4%	23.3%	EVEN
% Return on Equity	19.2%	14.3%	9.8%	10.9%	19.7%	17.6%	19.1%	19.2%	32.9%	33.4%	24.4%	UP
% Debt To Capital	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.2%	0.8%	UP

5. Your SSG

If it was a fundamentally good stock in December, has anything changed in the stock's competitive landscape that would prevent it from getting back on its feet when the crisis ends?

- Quarterly reports will be coming in April for many (not all) stocks. They will provide a company's first report on the crisis impact. Read them. Read the earnings call transcripts: SSG > Research tab > Filings > Seeking Alpha Transcripts
- Use your broker account or library card to read online Morningstar, Value Line and/or S&P Reports
- Has Morningstar lowered a moat rating?
- Keep up with news. SSG > Research > Company Summaries
- Has something changed about the industry

5. Your SSG - Your Sales/EPS forecast projection starting point

Services like Mstar, VL, S&P will be lowering many of their short-term forecasts if they haven't already



Projection Starting Point

Annual Quarter Trend

- Check/maybe reset your Sales/EPS forecast projection starting point
- Many companies will have to make up lost ground before they can grow again
- Remember to keep your data current

5. Your SSG – Price and EPS

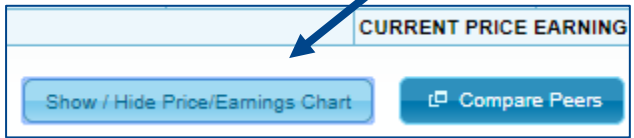
Do 5-year prices and EPS seem high now?

Year	A		B	
	Price			
	High	Low		
2015	68.5	51.6		
2016	102.1	57.3		
2017	266.4	88.6		
2018	398.9	188.6		
2019	334.6	169.8		
AVERAGE		111.2		

	D		E	
	Price Earnings Ratio			
	High A / C	Low B / C		
	38.7	29.2		
	43.8	24.6		
	94.1	31.3		
	81.1	38.3		
	60.5	30.7		
	63.6	30.8		

The 10-year boom has driven prices and P/Es up a lot.
Will they recover from current lows and take off again?

Click open the 10-year PE Chart. It may help you reset your PE expectations



5. Your SSG - Dividends

Year	Price	
	A High	B Low
2015	73.6	34.0
2016	45.5	28.6
2017	34.4	17.4
2018	42.0	22.5
2019	26.3	14.1
AVERAGE		25.3
CURRENT/TTM		

F Dividend Per Share	G % Payout F / C * 100	H % High Yield F / B * 100
1.39	43.3%	4.1%
1.49	75.0%	5.2%
1.51	30.0%	8.7%
1.51	42.4%	6.7%
1.51	83.4%	10.7%
	54.8%	
1.51	83.0%	

5. FIVE-YEAR POTENTIAL

A. CURRENT YIELD

Indicated Annual Dividend = _____
Closing Price

B. AVERAGE YIELD - USING FORECAST HIGH

Avg. % Payout = 54.8

As a stock's price drops, the yield on its dividend rises, sometimes to very tempting heights

Beware of fast rising or spiking yields

The company may be in trouble and may cut or eliminate the dividend

The stock price may be low for a good reason. This is Macy's

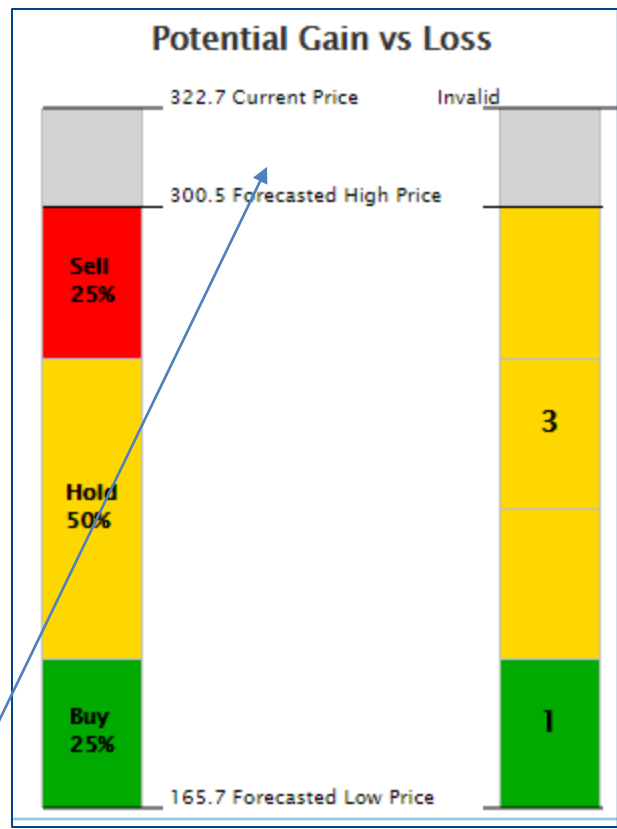
What is its industry prospects?

Don't forget to check and maybe change the default yield in your SSG

5. Your SSG – “Invalids”

An “Invalid” means either your projected high price or low price doesn’t make sense given the current price.

Evaluating Risk At A Glance	
Zone:	INVALID
Forecasted High Price:	300.5
Forecasted Low Price:	165.7
Closing Price (03/26/20):	322.67
Upside Downside Ratio:	Invalid
Potential Price Appreciation:	-6.9%



Evaluating Risk At A Glance	
Zone:	INVALID
Forecasted High Price:	482.4
Forecasted Low Price:	350.0
Closing Price (03/26/20):	322.67
Upside Downside Ratio:	Invalid
Potential Price Appreciation:	49.5%

The stock closed above your projected high. \$322.67 is above your projected \$300.50 high price

The gray area at the top of the chart shows the problem

The stock closed below your projected low. \$322.67 is below your projected \$350 low price

Remember to update the closing price

QUESTIONS?

6. Clubs – some thoughts

Given the situation, some club members may have heightened financial fears they don't want to talk about

Maybe the club could:

- Allow partial withdrawals without penalty
- Allow members to discontinue monthly dues (investments) temporarily
- Encourage members not to withdraw from the club
Go over Part 1 of this webinar at a club meeting

Conversely, if everyone seems OK:

- Consider accelerating monthly deposits so the club has more money to invest in the short term (Don't forget your own personal account)

Either way, do your best to avoid putting members on the spot in these stressful times.

(See second to last slide for information about online meeting software)

Questions?

Summary

- We are LONG term investors.
- Market instability could last for a while.
- The Coronavirus will probably end at some point in the near future.
- We look for world-wide economic growth.
- Think as an investor and not a trader.
- We can't time the bottom. Invest in pieces over time.
- Look to buy great companies at reasonable prices.
- Invest only the money you can afford to lose.
- Tax losses can be seen as a benefit.

Questions?

Here are some resources while we answer final questions

Investing in Turbulent Times: Doug Gerlach webinar, 3/31, 5:30 pm PDT
Register: <https://www.betterinvesting.org/learn-about-investing/our-events/investing-in-turbulent-times>

BI website > Learning Center > Stockup > Stockup Archives > Using Economic Indicators to Make Investing Decisions 9/5/19 with Christi Powell – CFP, RICP

Online meeting software:

Webex (www.webex.com)

TeamViewer (www.teamviewer.com)

FreeConferenceCall.com (www.freeconferencecall.com/online-meetings)

Skype (www.skype.com)

Zoom (www.zoom.us)

GoToMeeting (www.gotomeeting.com)

Chapters are looking into hosting club meetings for you
Watch for Chapter email and check your home chapter's web page

THANK YOU FOR YOUR QUESTIONS & PARTICIPATION

Make A Difference!

Have you benefited from **BetterInvesting**?

Introduce our unique
investment education to others!

Share **BetterInvesting** materials
with your family and friends!



BetterInvesting.org/InvestBetter

