**Cincinnati Model Investment Club**

**Considerations in Deciding to Sell a Company**

8/21/2021 ver.1

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**Company Name:**Click or tap here to enter text. **Ticker**:Click or tap here to enter text. **Date:**Click or tap to enter a date. **Stock Watcher**:Click or tap here to enter text.

Selling is never easy. However, it helps to identify some items to consider when selling an individual company. These are not absolute sell orders. These are identifiers of deteriorating fundamentals, flags, that **may** point to a possible sell. **As with any investment decision, good judgment must be exercised in evaluating the information and making the sell decision.**

*We will treat selling a company for poor performance or deteriorating fundamentals separately from a decision to sell a company to improve the portfolio.*

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| **Selling Due to Deteriorating Fundamentals on the SSG-Flags** | | | |
|  |  | YES | NO |
| 1. | Is quarterly sales growth negative or zero in any 4 of the last 6 quarters **or** negative for the last 3consecutive quarters? |  |  |
| 2. | Is quarterly EPS growth negative or zero in any 4 of the last 6 quarters **or** negative for the last 3 consecutive quarters? |  |  |
| Note: There may be legitimate reasons for sales or EPS performance as described in 1 and 2 above? A pandemic? Sale or spinoff of a major part of the company? Discontinued product or service? A situation of major expense increases beyond the control of the company? (Spiking raw material costs, for example). | | | |
| 3. | Has the % Pre-Tax Profit on Sales been declining over the past 4 trailing 4 quarters? |  |  |
| 4. | Has the % Return on Equity been steadily declining over the last 5 years?  Note: true ROE can be masked by rising debt. Check % Debt to Capital metric. |  |  |
| 5. | Has % Debt to Capital been steadily increasing beyond 35% over the last 5 years?  Note: a company may be able to manage Debt to Capital greater than 35%. In this case check the Morningstar Key Ratio of Interest Coverage. If this multiple is 8 or above, that level of debt may be handled under current conditions. |  |  |
| 6. | Is the Upside Downside Ratio less than 1? |  |  |
| 7. | Is the Compound Annual Return-Using Forecast Average P/E less than 5% with no near-term outlook for improvement? |  |  |
| Selling to Improve the Portfolio Using Manifest Investing Metrics-Flags | | | |
| Note: selling to improve the portfolio would almost always be done when a replacement company is added to the portfolio. The replacement company should improve the portfolio metrics as shown below: | | | |
| 1. | Is the portfolio Manifest Investing Financial Strength score improved by at least 1 point? |  |  |
| 2. | Is the portfolio Manifest Investing Quality score improved by at least 1 point? |  |  |