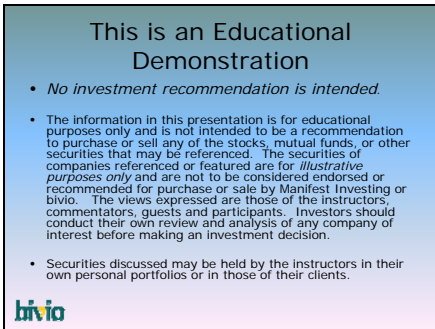
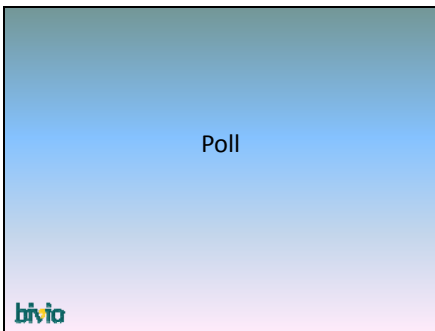




Why have a club meeting meeting? Because it is a fun project to select investments. It is another whole project to run a club which selects investments. We thought we might help you to take the burden of running the club off your shoulders so you can spend time on learning to invest.



How many saw last months presentation? Either live or the recording.



Here's a sample of an agenda you could use for your club. Note that a reasonable time length for a meeting might be 1.5-2 hours. I'd break down the percentage of time spent in each area like this. A minimal amount of time on club "business" issues perhaps 15 minutes. Most of your time on your investing discussion perhaps 45 min-1 hr. 15-20 min on your educational topic and 5-10 minutes to wrap things up. It's very important not to spend too much of your meeting on club business. The fun is in discussing your investments. If you have some club management issue that needs to be discussed, I suggest you appoint a sub committee to meet and come up with recommendations you can put to the membership for a vote, even outside of the regular meeting time.


Treasurers Report Member Status Report

Report Date: 03/01/2018 Show Parameters Since: 12/31/2016 Generate

Printing from member status for applications

Name	PFR Status		Units Since		Units	Acc. Value	PFR%
	PAID	IN AR	Total Paid	Fee Basis			
Taken for	100.00	500.00	500.00	4.750000	44.518177	681.51	1.0%
Unpaid, Member	200.00	4,000.00	4,200.00	3.975000	302.207962	3,228.00	18.0%
Unp.	100.00	4,500.00	4,600.00	4.000000	340.800000	3,228.00	12.0%
Share	200.00	3,450.00	3,650.00	3.390000	281.847101	4,230.75	18.0%
Group	50.00	3,000.00	3,050.00	2.890000	249.488424	4,271.00	15.0%
Money	30.00	3,240.00	3,270.00	3.247500	249.761441	3,490.00	20.0%
Money	12.00	4,000.00	4,012.00	3.675000	251.000000	3,500.00	12.0%
Total	1000.00	15,540.00	16,540.00	14.891250	1,676.908812	12,460.00	

Unit = 4.14875633




Shows contributions recorded since last meeting
Value of members accounts

Treasurers Report Transaction History Report


Transaction History 03/01/2018 to 03/01/2018 Generate

Date	Description	Amount	Balance
03/01/2018	Initial Balance		0.00
03/01/2018	Member Contributions	100.00	100.00
03/01/2018	Member Contributions	200.00	300.00
03/01/2018	Member Contributions	100.00	400.00
03/01/2018	Member Contributions	50.00	450.00
03/01/2018	Member Contributions	30.00	480.00
03/01/2018	Member Contributions	12.00	492.00
03/01/2018	Member Contributions	1000.00	1492.00



Transactions recorded since last meeting
Dividends and Interest received
Purchases/Sales Should agree with notes in minutes
Expenses should have been agreed to in minutes

End of Business Portion of Meeting



That should wrap up the club operations business portion of your meeting. It's very important not to spend too much of your meeting discussing club operations. The fun is in discussing investing. If you have some club management issue that needs to be discussed, I suggest you appoint a sub committee to meet and come up with recommendations you can put to the membership for a vote, perhaps even outside of the regular meeting time.

Investing!



Once you get your club operations business out of the way, you can get to the fun part of your meeting.

How are You Doing?



How is your portfolio doing? You need to do a portfolio review.

Portfolio Review-Why?

- Looking at stocks in context
- A continuous monitoring and improvement process
- Dashboard Diagnostics

bivio

It's important to start your investing discussion with a portfolio review because looking at your stocks in the context of overall portfolio return will help focus and guide your investing activities. When I asked the registration question "What would you like your club to be better at?", many of you gave responses such as Portfolio management and "deciding when to sell". We've been taught to go shopping and pick new stocks but we need to understand how to clean things up when our closets get overstuffed.

Maintaining a club portfolio is a continuous monitoring and improvement process.

I'm going to go through an overview of the Portfolio review process. If you would like more detail and to watch the process I suggest you attend one of the ManifestInvesting Dashboard Diagnostics sessions. Mark Robertson goes through the analysis and review of a club portfolio, just like you should go through your own analysis. During the upcoming months we'll also try and demonstrate the process with additional examples.

Portfolio Review

1. Look at how you're doing
2. Look at your projected return
3. Determine possible portfolio changes
4. Discuss other stocks
5. Implement changes

bivio

- Look at how you're doing
- Look at how your portfolio is projected to perform
- Determine possible changes
- Study other stocks
- Implement Changes

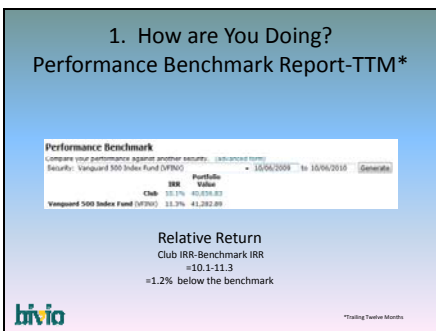


For some reason, (perhaps fear), we don't do this often enough. What you might think about is that having a goal you'd like to achieve will help make it clear what you must try and do to get to it. The first step toward fixing things is finding out where you stand.

Even if you are not doing well now, your overall goal is to learn to do well. Nobody does well when they are first learning something. In fact, many times the best learning comes from making mistakes.

Pat yourselves on the back that you are trying to learn. Investing is not something you will learn unless you really try and do it. So get up your courage and look at your portfolio performance numbers.

The place to go in bivio to see how you're doing is called the Performance Benchmark Report. You get to it from the reports page.



This report is called a performance benchmark report because it compares your rate of return to another investment. You select the investment you want to compare to and the time period over which you want to make the comparison

The comparison that is made is between IRR or Annualized Internal Rate Of Return for the two investments.

This gives you a birds eye view of how good you are at making investing decisions. A higher number means your investments are growing faster than if you'd put the money into whatever you are comparing with.

What's interesting is to track "relative Return"

this is the difference between the return you achieved by your club investment management efforts and the return you would have received if you had done a lot less work and just purchased shares of your benchmark investment.

1. How are You Doing? Quest For Positive Relative Returns



bivio

1. How are You Doing? Quest For Positive Relative Returns

Time Period	Relative Return
3/1/2008 - 3/1/2009	8.7%
3/1/2008 - 6/1/2008	9.9%
3/1/2008 - 9/1/2008	10.9%
3/1/2008 - 12/1/2008	10.8%
3/1/2008 - 3/1/2009	10.5%
3/1/2008 - 6/1/2009	10.2%
3/1/2008 - 9/1/2009	10.2%
3/1/2008 - 12/1/2009	10.2%
3/1/2008 - 3/1/2010	10.3%
3/1/2008 - 6/1/2010	10.3%
3/1/2008 - 9/1/2010	10.4%
3/1/2008 - 12/1/2010	10.4%
3/1/2008 - 3/1/2011	10.4%
3/1/2008 - 6/1/2011	10.5%
3/1/2008 - 9/1/2011	10.5%
3/1/2008 - 12/1/2011	10.5%
3/1/2008 - 3/1/2012	10.5%
3/1/2008 - 6/1/2012	10.6%
3/1/2008 - 9/1/2012	10.6%
3/1/2008 - 12/1/2012	10.6%
3/1/2008 - 3/1/2013	10.6%
3/1/2008 - 6/1/2013	10.6%
3/1/2008 - 9/1/2013	10.6%
3/1/2008 - 12/1/2013	10.6%
3/1/2008 - 3/1/2014	10.6%
3/1/2008 - 6/1/2014	10.6%
3/1/2008 - 9/1/2014	10.6%
3/1/2008 - 12/1/2014	10.6%
3/1/2008 - 3/1/2015	10.6%
3/1/2008 - 6/1/2015	10.6%
3/1/2008 - 9/1/2015	10.6%
3/1/2008 - 12/1/2015	10.6%
3/1/2008 - 3/1/2016	10.6%
3/1/2008 - 6/1/2016	10.6%
3/1/2008 - 9/1/2016	10.6%
3/1/2008 - 12/1/2016	10.6%
3/1/2008 - 3/1/2017	10.6%
3/1/2008 - 6/1/2017	10.6%
3/1/2008 - 9/1/2017	10.6%
3/1/2008 - 12/1/2017	10.6%
3/1/2008 - 3/1/2018	10.6%
3/1/2008 - 6/1/2018	10.6%
3/1/2008 - 9/1/2018	10.6%
3/1/2008 - 12/1/2018	10.6%
3/1/2008 - 3/1/2019	10.6%
3/1/2008 - 6/1/2019	10.6%
3/1/2008 - 9/1/2019	10.6%
3/1/2008 - 12/1/2019	10.6%
3/1/2008 - 3/1/2020	10.6%
3/1/2008 - 6/1/2020	10.6%
3/1/2008 - 9/1/2020	10.6%
3/1/2008 - 12/1/2020	10.6%
3/1/2008 - 3/1/2021	10.6%
3/1/2008 - 6/1/2021	10.6%
3/1/2008 - 9/1/2021	10.6%
3/1/2008 - 12/1/2021	10.6%
3/1/2008 - 3/1/2022	10.6%
3/1/2008 - 6/1/2022	10.6%
3/1/2008 - 9/1/2022	10.6%
3/1/2008 - 12/1/2022	10.6%
3/1/2008 - 3/1/2023	10.6%
3/1/2008 - 6/1/2023	10.6%
3/1/2008 - 9/1/2023	10.6%
3/1/2008 - 12/1/2023	10.6%
3/1/2008 - 3/1/2024	10.6%
3/1/2008 - 6/1/2024	10.6%
3/1/2008 - 9/1/2024	10.6%
3/1/2008 - 12/1/2024	10.6%
3/1/2008 - 3/1/2025	10.6%
3/1/2008 - 6/1/2025	10.6%
3/1/2008 - 9/1/2025	10.6%
3/1/2008 - 12/1/2025	10.6%
3/1/2008 - 3/1/2026	10.6%
3/1/2008 - 6/1/2026	10.6%
3/1/2008 - 9/1/2026	10.6%
3/1/2008 - 12/1/2026	10.6%
3/1/2008 - 3/1/2027	10.6%
3/1/2008 - 6/1/2027	10.6%
3/1/2008 - 9/1/2027	10.6%
3/1/2008 - 12/1/2027	10.6%
3/1/2008 - 3/1/2028	10.6%
3/1/2008 - 6/1/2028	10.6%
3/1/2008 - 9/1/2028	10.6%
3/1/2008 - 12/1/2028	10.6%
3/1/2008 - 3/1/2029	10.6%
3/1/2008 - 6/1/2029	10.6%
3/1/2008 - 9/1/2029	10.6%
3/1/2008 - 12/1/2029	10.6%
3/1/2008 - 3/1/2030	10.6%
3/1/2008 - 6/1/2030	10.6%
3/1/2008 - 9/1/2030	10.6%
3/1/2008 - 12/1/2030	10.6%
3/1/2008 - 3/1/2031	10.6%
3/1/2008 - 6/1/2031	10.6%
3/1/2008 - 9/1/2031	10.6%
3/1/2008 - 12/1/2031	10.6%
3/1/2008 - 3/1/2032	10.6%
3/1/2008 - 6/1/2032	10.6%
3/1/2008 - 9/1/2032	10.6%
3/1/2008 - 12/1/2032	10.6%
3/1/2008 - 3/1/2033	10.6%
3/1/2008 - 6/1/2033	10.6%
3/1/2008 - 9/1/2033	10.6%
3/1/2008 - 12/1/2033	10.6%
3/1/2008 - 3/1/2034	10.6%
3/1/2008 - 6/1/2034	10.6%
3/1/2008 - 9/1/2034	10.6%
3/1/2008 - 12/1/2034	10.6%
3/1/2008 - 3/1/2035	10.6%
3/1/2008 - 6/1/2035	10.6%
3/1/2008 - 9/1/2035	10.6%
3/1/2008 - 12/1/2035	10.6%
3/1/2008 - 3/1/2036	10.6%
3/1/2008 - 6/1/2036	10.6%
3/1/2008 - 9/1/2036	10.6%
3/1/2008 - 12/1/2036	10.6%
3/1/2008 - 3/1/2037	10.6%
3/1/2008 - 6/1/2037	10.6%
3/1/2008 - 9/1/2037	10.6%
3/1/2008 - 12/1/2037	10.6%
3/1/2008 - 3/1/2038	10.6%
3/1/2008 - 6/1/2038	10.6%
3/1/2008 - 9/1/2038	10.6%
3/1/2008 - 12/1/2038	10.6%
3/1/2008 - 3/1/2039	10.6%
3/1/2008 - 6/1/2039	10.6%
3/1/2008 - 9/1/2039	10.6%
3/1/2008 - 12/1/2039	10.6%
3/1/2008 - 3/1/2040	10.6%
3/1/2008 - 6/1/2040	10.6%
3/1/2008 - 9/1/2040	10.6%
3/1/2008 - 12/1/2040	10.6%
3/1/2008 - 3/1/2041	10.6%
3/1/2008 - 6/1/2041	10.6%
3/1/2008 - 9/1/2041	10.6%
3/1/2008 - 12/1/2041	10.6%
3/1/2008 - 3/1/2042	10.6%
3/1/2008 - 6/1/2042	10.6%
3/1/2008 - 9/1/2042	10.6%
3/1/2008 - 12/1/2042	10.6%
3/1/2008 - 3/1/2043	10.6%
3/1/2008 - 6/1/2043	10.6%
3/1/2008 - 9/1/2043	10.6%
3/1/2008 - 12/1/2043	10.6%
3/1/2008 - 3/1/2044	10.6%
3/1/2008 - 6/1/2044	10.6%
3/1/2008 - 9/1/2044	10.6%
3/1/2008 - 12/1/2044	10.6%
3/1/2008 - 3/1/2045	10.6%
3/1/2008 - 6/1/2045	10.6%
3/1/2008 - 9/1/2045	10.6%
3/1/2008 - 12/1/2045	10.6%
3/1/2008 - 3/1/2046	10.6%
3/1/2008 - 6/1/2046	10.6%
3/1/2008 - 9/1/2046	10.6%
3/1/2008 - 12/1/2046	10.6%
3/1/2008 - 3/1/2047	10.6%
3/1/2008 - 6/1/2047	10.6%
3/1/2008 - 9/1/2047	10.6%
3/1/2008 - 12/1/2047	10.6%
3/1/2008 - 3/1/2048	10.6%
3/1/2008 - 6/1/2048	10.6%
3/1/2008 - 9/1/2048	10.6%
3/1/2008 - 12/1/2048	10.6%
3/1/2008 - 3/1/2049	10.6%
3/1/2008 - 6/1/2049	10.6%
3/1/2008 - 9/1/2049	10.6%
3/1/2008 - 12/1/2049	10.6%
3/1/2008 - 3/1/2050	10.6%
3/1/2008 - 6/1/2050	10.6%
3/1/2008 - 9/1/2050	10.6%
3/1/2008 - 12/1/2050	10.6%
3/1/2008 - 3/1/2051	10.6%
3/1/2008 - 6/1/2051	10.6%
3/1/2008 - 9/1/2051	10.6%
3/1/2008 - 12/1/2051	10.6%
3/1/2008 - 3/1/2052	10.6%
3/1/2008 - 6/1/2052	10.6%
3/1/2008 - 9/1/2052	10.6%
3/1/2008 - 12/1/2052	10.6%
3/1/2008 - 3/1/2053	10.6%
3/1/2008 - 6/1/2053	10.6%
3/1/2008 - 9/1/2053	10.6%
3/1/2008 - 12/1/2053	10.6%
3/1/2008 - 3/1/2054	10.6%
3/1/2008 - 6/1/2054	10.6%
3/1/2008 - 9/1/2054	10.6%
3/1/2008 - 12/1/2054	10.6%
3/1/2008 - 3/1/2055	10.6%
3/1/2008 - 6/1/2055	10.6%
3/1/2008 - 9/1/2055	10.6%
3/1/2008 - 12/1/2055	10.6%
3/1/2008 - 3/1/2056	10.6%
3/1/2008 - 6/1/2056	10.6%
3/1/2008 - 9/1/2056	10.6%
3/1/2008 - 12/1/2056	10.6%
3/1/2008 - 3/1/2057	10.6%
3/1/2008 - 6/1/2057	10.6%
3/1/2008 - 9/1/2057	10.6%
3/1/2008 - 12/1/2057	10.6%
3/1/2008 - 3/1/2058	10.6%
3/1/2008 - 6/1/2058	10.6%
3/1/2008 - 9/1/2058	10.6%
3/1/2008 - 12/1/2058	10.6%
3/1/2008 - 3/1/2059	10.6%
3/1/2008 - 6/1/2059	10.6%
3/1/2008 - 9/1/2059	10.6%
3/1/2008 - 12/1/2059	10.6%
3/1/2008 - 3/1/2060	10.6%
3/1/2008 - 6/1/2060	10.6%
3/1/2008 - 9/1/2060	10.6%
3/1/2008 - 12/1/2060	10.6%

bivio

2. What is the Projected Return for your Portfolio?

Name	Market Value	Percent of Portfolio
Capitol Corporation Inc (NYSE)	507,220.00	6.7%
ParTech Research Systems Inc (NYSE)	851,940.00	23.7%
Defense Tech (NYSE)	60,840.00	8.3%
Mobiltech, Inc (NYSE)	78,440.00	7.0%
City of Seattle Water Services Inc (NYSE)	400,000.00	14.8%
Quality Systems Inc (NYSE)	39,940.00	5.4%
Mobiltech Inc (NYSE)	115,700.00	15.9%
Mobiltech Inc (NYSE)	115,700.00	15.9%
Mobiltech Corp (NYSE)	133,200.00	18.2%
Mobiltech Corp (NYSE)	133,200.00	18.2%

bivio

2. What is the Projected Return for your Portfolio?

Company	Market Value	Projected Annual Return (PAR)
Capitol Corporation Inc (NYSE)	507,220.00	10.6%
ParTech Research Systems Inc (NYSE)	851,940.00	10.6%
Defense Tech (NYSE)	60,840.00	10.6%
Mobiltech, Inc (NYSE)	78,440.00	10.6%
City of Seattle Water Services Inc (NYSE)	400,000.00	10.6%
Quality Systems Inc (NYSE)	39,940.00	10.6%
Mobiltech Inc (NYSE)	115,700.00	10.6%
Mobiltech Inc (NYSE)	115,700.00	10.6%
Mobiltech Corp (NYSE)	133,200.00	10.6%
Mobiltech Corp (NYSE)	133,200.00	10.6%
Totals & Averages	608,333.33	10.6%

bivio

What’s especially interesting is to watch the trend in your relative return. At bivio, we are encouraging clubs to join our Quest for Positive Relative Returns. If you’d like to participate, we’ll make a graph like this for your club and add a link to your club pages to see it. The graph shows your club’s relative return for successive 12 month periods starting in 2008 (assuming you have enough data)

In addition, we’re hoping to have some fun by rewarding you bivio “friends” when ever you meet certain benchmark goals. If you’d like to participate, just email support@bivio.com

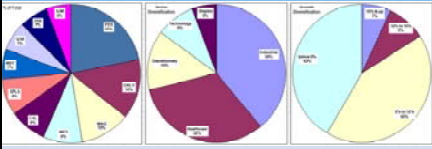
Once you know how your club has done so far, you will want to look at how your club is projected to do in the future. You can do that by looking at a list of your club holdings in a ManifestInvesting dashboard. You can access this using the Manifest button on the Accounting>Investments page.

This is a ManifestInvesting dashboard. ManifestInvesting compiles analysts projections about company fundamentals to come up with a projected return for each of the stocks you own. When combined and weighted by the amounts you own of each,

A Projected Annual Return or PAR is calculated for your entire portfolio. If you compare this with the Projected Annual return of

Your benchmark (VFINDX) you get an idea whether your Relative Returns might be positive in the future.

Is Your Diversification Affecting Your Relative Return?



bivio

Quest for Positive Relative Returns


The graph shows the relative returns of a diversified portfolio compared to the benchmark for various periods. The Y-axis represents the relative return percentage, ranging from -10% to 40%. The X-axis represents time, with markers for each year from 1990 to 2010.



bivio


Recap
Portfolio Review Process

1. Look at how you're doing
 - Performance Benchmark Report
2. Look at how your portfolio is projected to perform
 - ManifestInvesting Dashboard
3. Identify areas for improvement
4. Identify and study candidates for replacement
5. Implement changes



Educational Topic

Following a Stock



Since an investment club is about learning to invest we suggest that the final part of your meeting be an educational session. This might sound like work but if you're interested in investing, it's fun to learn new things and try them out! We'll try and give you ideas for something brief and we'll also try and give you ideas for an activity you can do to help you understand the topic better. It always helps to really learn something if you do the homework and we hope you'll have fun working on the activity together!

I thought a good topic for this month might be to begin talk further about how to watch a stock once you've purchased it.

Why Do We Do What We Do?



As usual, to start, I'd like to have everyone step back and refocus on why we do what we do.

Investing

~~Gambling~~



The reason we study companies the way we do is because we are interested in investing

Not gambling

Following a Stock

- ~~Stock price~~
- Business results
 - Annies



brvio

What does it mean to “follow a stock”?

It doesn't mean following it's price

It means following it's business fundamentals.

Example-ownership of small private store. You would pay attention to the business details (sales, profit) . You would very rarely look at the value of your business to an outside investor. But a business with ever improving business fundamentals would be of higher value to an outside investor than one with more shaky fundamentals.

If you were an investor would you run out and purchase a local business just because they had a good month or a good quarter?

When we own stock, we own a business.

Predict Future Earnings

Why?

brvio

The reason we want to follow how a company's business is doing is because we want to make projections about it's future earnings.

Why do we want to do that?

Stock price follows earnings

brvio

Because we believe a stocks price growth follows it's earnings growth



The relationship between a stocks price and it's earnings is called it's P/E or

Price to Earnings Ratio

Different factors affect a stock's P/E. They include the rate at which its earnings is growing and the consistency of its growth. Over time, a stock usually develops a "signature" P/E. While its price may fluctuate from day to day, its P/E tends to stay fairly centered around this signature value unless there is some major change in the way its business is performing.

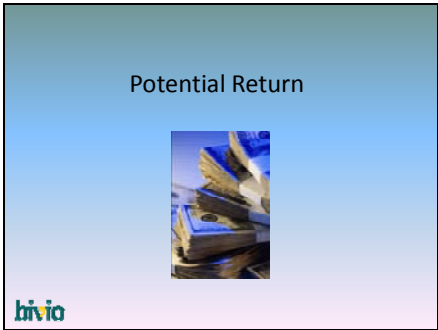


If we make a judgment about a stocks signature P/E and we can predict future earnings we can predict

Future stock price



The difference between the future stock price we project and the current stock price allows us to calculate



Our potential return from our investment.

How do we predict future earnings?



bivio

How do we predict future earnings?

Some would say it's a magic art.

Math Model

bivio

We try and make it a little more scientific than that. To predict future earnings we use a math model. In our case this is just a fancy name for a couple of mathematical formulas. Using facts from financial statements and estimates of future changes that we call judgments, we can calculate what we expect earnings in the future to be.

Future Sales

=Current Sales x Projected
Sales Growth Rate

bivio

We first calculate future sales. We do this by multiplying current trailing 12 month sales by the rate we anticipate sales will grow each year for the next 5 years. Future sales growth rate is our first Judgment item.

Future Earnings

=Future Sales x Future
Profit Margin

bivio

We then calculate future earnings by multiplying the future sales we just calculated by future profit margin. Future Profit margin is our second judgment item.

Future Price of Stock

=Future Earnings * Future P/E

bivio

Finally, once we have calculated future earnings, we calculate the projected price of the stock by multiplying it by a projected future Price/Earnings ratio. The projected Average P/E is our third judgment item.

Chromalox Division, Corning Inc.
Condensed Statement of Income
Income Statement
(\$ in thousands, except per share data)

	Three months ended June 30, 2022	Three months ended June 30, 2021	Three months ended June 30, 2020	Three months ended June 30, 2019
Revenue	\$45,151	\$38,818	\$37,137	\$37,201
Cost of sales	(16,422)	(13,217)	(13,691)	(13,691)
Manufacturing costs (includes all depreciation and amortization charges reported below)				
Depreciation and amortization	762,765	812,929	821,601	828,914
Changeover	35,712	28,287	32,848	31,234
Other operating costs	(2,888)	(42,852)	(43,848)	(45,110)
Goodwill and intangible asset impairment	10,266	25,781	34,261	46,718
Research and development	(12,824)	(13,444)	(13,767)	(13,817)
Selling costs	1,721	1,798	1,749	1,640
Other intangible assets	36,320	33,323	32,620	34,720
Income from operations	28,599	25,327	24,222	24,720
Income from other operations	497	263	788	961
Income and other expense	(62)	(25)	(22)	(22)
Income before income taxes	28,634	25,565	24,978	25,659
Income tax expense	(4,029)	(3,442)	(3,759)	(4,022)
Income from continuing operations	\$24,605	\$22,123	\$21,219	\$21,637
Other income				
Income from other operations	1,059	1,121	1,249	1,182
Income	\$25,664	\$23,244	\$22,468	\$22,819
Weighted average common shares outstanding	51,423	51,423	51,423	51,423
Earnings per share	\$0.49	\$0.45	\$0.44	\$0.44

Profit Margin = Net Income / Revenue

The information we use to make judgments about future revenue growth and future profit margin comes from one of the financial reports a company produces each quarter. Appropriately, it is called a statement of operations or Statement of income. It tells us the amount of sales a company has had, the types of expenses it has had and how much of the sales it was able to turn into earnings.

At the top of the column of numbers on an income statement is Sales which is also called Revenue. Since this is the first number, you often hear it referred to as the top Line. When we compare sales from one period to another we can calculate sales growth. An income statement will usually show you the financial results from a different period that you can use to make comparisons with.

After the sales are listed all the costs to run the business. They are subtracted from sales to come up with the

Earnings which is also called the bottom Line. It is the part that the company gets to keep to reinvest in growing the business or to distribute to the owners of the business as a dividend. A stock's price usually grows in relationship to growth in earnings from one period to the next.

The Profit Margin is the relationship between the earnings and the sales. It tells you what percentage of total sales become earnings.

Judgments 3 parameters

- Sales (revenue) growth rate over the next 5 years
- Average future net profit margin
- Average future P/E

bivio

We actually made judgments about the three parameters in our math model when we purchased a stock. By looking at historical information from income statements and historical stock prices we projected.

Sales growth rate-
Average Net profit Margin
Average P/E

They led us to a projected return for our investment. We decided that that projected return would add to the growth in our portfolio. That's why we made the purchase.

Following a stock means making a regular assessment of whether our judgments are still valid and whether we need to adjust the return we can expect the stock to add to our portfolio.

Following a Stock

- Quarterly
 - 10-K
 - 10-Q's

bivio

We reassess our judgments whenever we are provided with new information about the state of a company's business. Usually, this will be quarterly. Each quarter publicly traded companies must provide a report which summarizes their financials. These reports are filed with the Securities and Exchange commission. There are strict rules for what and how the information in them needs to be presented. Management is required to disclose both positive and negative factors which may affect their future business results. A company will provide 1 annual report a year called a 10K and three quarterly reports called 10Q's. The income statement is one of the financial reports which is provided each quarter for a company.

How to Follow a Stock

- Quarterly Earnings Dates
- Compare reported results to judgments
- Assess information, modify judgments if necessary
- Update stock price
- Rerun math model
- Evaluate updated projected return within context of portfolio

bivio

To follow a stock, the first thing you should know is when these quarterly earnings reports will be available. You can make a reasonable guess at this by looking at the dates historical reports were filed.

Compare results from report with the current judgments you are using in your model to project future return

In the report, you'll find current and prior year data that you can use for calculating comparisons. There is also a section in all the reports called the Management Discussion and analysis. In this discussion, management is required to discuss any significant changes to the companies business. You should use this information to determine whether any of your purchase judgments need to be modified.

After you have determined whether your judgments are still valid, you will update your stock price to the current price and

Rerun your model with updated information. As I'll demonstrate, you can use a simple spreadsheet or easily do the calculations using a calculator.

Once you've updated your projected rate of return, you should evaluate how that affects the overall projected return from your portfolio. If the growth potential for a stock has decreased, it might be a good candidate to consider replacing.

Where to Get Information

- SEC Filings
 - <http://www.sec.gov/edgar/searchedgar/companysearch.html>
- Company Website
 - Quarterly and Annual Reports
 - Conference Calls
- Graph of historical P/E's
 - www.bigcharts.com
- Analysts Estimates
 - ManifestInvesting
 - Morningstar
 - Valueline
 - Yahoo



We'll go through an example of this process next but first I want to let you know where you can find the information you'll need to update your judgments. You can find the quarterly reports posted at the SEC website. Here is a link.

You can also usually find the reports posted on the Company website in their Investor Relations section. In addition, each quarter the company will have a conference call which you can listen to live or via a posted recording.

You can see how your average P/E judgment compares to current and historical levels using a graph at bigcharts.com

You can compare your judgments with Analysts judgments at sites like ManifestInvesting, Yahoo Finance, Morningstar.com and Valueline

Example-Chipotle (CMG)

- Our Buy Judgments 2/22/2010
 - Projected Sales Growth 16.3%
 - Projected Net Margin 7.5%
 - Projected Average P/E 24.5
- Purchase Price
 - \$104.39
 - Projected Annualized Return
 - 11.5%



Here is an example of the process of following a stock for a stock which my model club owns, Chipotle Mexican Grill.

Most Recent Quarterly Earnings Report – June 2010



Projected Sales Growth-16.3%

- Results from Latest Quarter
 - Comparative Data on Income Statement
 - <http://www.sec.gov/edgar/searchedgar/companysearch.html>



The first thing we want to do is see how the results of the current quarter compare to our judgments. Go to SEC website, demo how to find report. Show report and income statement.

Projected Sales Growth-16.3%

- Calculate current period sales growth
 - Compare sales from 3 months ending June 2010 (\$466841) to sales 3 months ending June 2009 (\$388836)
- $(\$466841 - \$388836) / \$388836 =$
- 20.06% increase
- Comparison of 6 month time periods
- 17.9% increase
- Better than our projection
- Good!

bivio

Should we change our projection?

bivio

Types of Things that might affect future sales growth rate

- Product obsolescence/new products
- New/expanding markets/locations
- Purchase of another company
- New sales initiatives
- Economy

bivio

What does Management Say?

- Management Discussion and Analysis
- Risk Factors

bivio

So the obvious question is, is our projection too conservative? Should we increase it?

We need to look at the factors that might affect future sales growth. For Chipotle, they include things like,:

There are several sections in the 10Q and 10-K where management actually presents their view on the factors which are critical to their business and to increasing their sales. They are required to discuss anything that might have a material impact on their future results.

Two of the main sections you should look for are the section called

Management Discussion and Analysis

And the section called "Risk Factors"

Show the section in the actual document. Page 7,8 discuss revenue.

Conclusion

- Sales Growth projection of 16.3% still looks good

bivio

From the material presented, it does not appear there is any significant change in the way growth will be occurring so we feel comfortable staying with our projection of 16.3%

Projected Net Margin 7.5%

- Results from Latest Quarter
 - Net Income/Sales
 - \$46461/\$466841
 - 9.95%

bivio

Show where numbers came from on Income Statement. The expenses and charges that the company is incurring to get from net sales to net earnings is where you can truly take a look at how the company business is doing.

Should we change our projection?

bivio

Things that might affect Net Margin Projection

- Increase/decrease in cost of product being sold
- Increase/decrease in operating expense such as selling expenses
- Change in Income Tax rate
- Writeoff of Goodwill
- Increased debt causing increased interest expenses

bivio

The things that will affect the net margin are things that will show up as income or expenses on the income statement. They include things like:

What does Management Say?

- Notes to Financial Statements
- Management Discussion and Analysis
- Risk Factors

bivio

Go to Notes to Financial statements-page 8, They mention several things which might eventually lead to slightly increased expenses.

Conclusion

- Net Margin projection of 7.5% still looks good

bivio

Our projection is lower than the current quarter results but it appears appropriate given the potential for some increases in their expenses.

Projected Average P/E 24.5

- Current P/E 36.7

bivio

P/E history

- Change in Earnings Growth Rate



bivio

This is a graph of historical P/E's for Chipotle going back to 2006. You can see where its signature P/E came down pretty significantly starting in 2008. While conservative, our projection of 24.5 seems reasonable based on the values for the last 2 years

Conclusion

- Projected Average P/E Probably still good judgment

bivio

Calculate Projected Return

[Chipotle Eagle](#)

bivio

So what is our projected return given today's price?

How Does this Affect Our
Portfolio Projected Return

[MIParse.xls](#)

bivio

So what is our projected return given today's price?

How to Follow a Stock

- Quarterly Earnings
- Compare reported results to judgments
- Assess information, modify judgments if necessary
- Update stock price
- Rerun math model
- Evaluate updated projected return within context of portfolio

bivio

Just to reiterate, what did we just do to keep track of our stock?

Remember

Study how the company's business is
doing, not its stock price.

bivio

Deckers Outdoor

- Follow up from last month
 - [Club Activity Answers](#)

bivio

[Deckers Eagle](#)

bivio

Club Activity
Becoming Comfortable with Income
Statements
Colgate (CL)

bivio

This month's Club activity has you spending some time with a real income statement. Since so much rides on the Earnings per share numbers which are reported each quarter, it is good to have a good feel for how your company makes sales and the types of expenses they incur as they conduct business. Looking at the changes in expenses on the income statement and the reasons for the changes helps you determine whether your company is operating its business as well as you expected when you purchased it or you need to revise your judgments on Revenue growth or Net margin.

According to Manifest Investing, this might be an interesting company to study.

Company	Special Shares	Price	Value	% of Total	Growth	Prod Yield	Yield	Yield to Maturity	2021 EPS	2020 EPS	P/E
Alcoa	6754	0.627	4226.00	22.0%	10.0%	11.0%	1.2%	88%	1.02	1.42	14.0
Alcoa	274	2.012	551.49	3.0%	7.2%	8.0%	0.7%	89%	1.17	1.48	12.7
Alcoa	117	3.88	453.17	2.5%	3.9%	11.0%	4.6%	87%	1.39	1.48	10.7
Alcoa	7920	0.497	3938.11	21.3%	8.4%	10.0%	0.3%	89%	1.02	1.48	14.6
Alcoa	1000	0.372	372.00	2.0%	10.2%	11.0%	0.3%	84%	1.02	1.48	14.6
Alcoa	8822	0.261	2303.92	12.5%	10.9%	11.0%	0.3%	88%	1.02	1.48	14.6
Alcoa	1087	4.393	4724.42	25.5%	7.2%	14.0%	1.4%	93%	1.69	1.48	11.4
Alcoa	481	2.477	1191.42	6.5%	9.4%	14.0%	1.7%	87%	1.69	1.48	11.4
Alcoa	481	1.362	655.96	3.6%	6.3%	11.0%	2.1%	100%	1.36	1.48	10.6
Alcoa	3000	0.309	927.00	5.0%	11.2%	11.0%	0.4%	61%	1.36	1.48	10.6
Alcoa	888	0.268	238.52	1.3%	7.8%	14.0%	2.3%	82%	1.36	1.48	10.6
Alcoa	107	2.29	244.83	1.3%	8.7%	14.1%	1.1%	73%	1.36	1.48	10.6
Alcoa	17100	0.810	13941.00	75.8%	9.7%	9.7%	1.4%	90%	1.36	1.48	10.6
Alcoa	108	1.142	123.36	0.6%	11.9%	11.0%	1.4%	89%	1.36	1.48	10.6

bivio

Objectives of Activity

1. Learn to make your own judgments
2. Become more comfortable analyzing a company's business using information from its quarterly filings.
3. Give your club something to do that everyone can participate in and contribute to.



There are 3 objectives to doing this activity.

First, it's a chance to practice making your own judgments. You won't learn if you don't try!

Second, it's a chance to see where you can get lots of great information for free. Over the years, the SEC has been increasing the amount of information that company management must divulge in their financial reports. You can find a lot of interesting stuff if you take a look at them. Company management is required to be candid and to spell out both positive and negative information about their company's business prospects. Some of the information will be confusing. You're learning so its fine to skip over what you don't really understand or to bring up questions about things you'd like to understand better. However you will still find there's a lot that's easy to read and that you will find useful.

Don't confuse what is in the filing with the typical "Management Letter To Shareholders" that you find first in an annual report. They tend to be a bit more vague. There are more facts in the Management Discussion and Analysis.

Third, it will be something fun and easy that everyone in your club can participate in and contribute to. Many of you mentioned that you have a problem in your club's getting everyone motivated to work on things. I think that if you try, you will have fun working through this exercise together and discussing how this particular business makes money now and how it plans to make money in the future.

[Club Activity](#)

www.bivio.com/clubmm



Here's what you're going to do. You're going to go to a couple of free websites to get data and even venture into looking at an actual quarterly filing.

Don't Forget

- ~~Stock price~~
- Business results
 - Annies

bivio

Following a stock doesn't mean following it's price.

It means following how it's business is doing.

If you owned a store on main street in your town you wouldn't pay attention to the value of your business each month, you would pay attention to your sales, your expenses and your net earnings.

Next Meeting

First Thursday of Each Month

Thursday, November 4

8:30PM EDT

Register at www.bivio.com/club_cafe

bivio