

Pacific Investors Specializes in Options

You're probably familiar with this club's name. **Pacific Investors**, based on Mercer Island, has won the Puget Sound Chapter's annual portfolio contest for three of the past five years – 2017, 2014 and 2013 – and took second in 2015.

In 2017, Pacific Investors had a five-year return of 19 percent. Huge one-year returns in 2017 (47.5 percent) and 2014 (90.9 percent) boosted that five-year average.

Presiding partner Bruce Ellis attributes the club's performance to its use of options investing, hard work and partners working together.

The club was founded in 1975 by Bruce and four other family members, to invest with options. Three of those founders are in the club today. The club disbanded in the mid-1980s, but restarted in 2003 and currently has 28 members. It meets at the Mercer Island Community Center and online via blizz.com software.

The club uses BetterInvesting's fundamental methodology to determine if it wants to invest in a company. However, Bruce explains, "if we do, we use options in place of stock. Currently we are buying call options and selling call options against them. That is a "spread" and allows us to make money without the price of the company's stock having to go up."

With such a large number of members, Pacific Investors runs a tight ship. The club strives to have 24 companies followed by eight "sitter teams" of 3-4 partners each. Each team confers to decide if they need to

make a one-minute report at that month's partners meeting on any of their companies. At the club's annual retreat, each team makes a 10-minute report on each company.

Making money is an important club value, with a goal of 15% return a year or beating the market. Each partner is required to invest \$200 per month. The club's portfolio value is currently more than \$1,700,000.

The club has a strong education program, coupled with a social component. In-person attendees gather for dinner before each monthly meeting. A week after each meeting, members can join an online study group. The club holds three-hour "First Saturday" workshops in February, June and October, followed by lunch.

The biggest educational event is the annual retreat, held each April and rotated between Portland, Yakima and Bellingham. The three-day retreat is mandatory for all partners. It includes 50-minute portfolio review and education segments with long meal times so partners can socialize. Each evening there is an individual help session for any partner who wants to ask questions or for help with anything. "Great discussions grow out of those sessions," Bruce said. "Wine helps those discussions."

So that's a total of nearly 35 hours of education outside of regular monthly meetings! To cap off its robust social



From l-r, Club social coordinator Bill Buckingham, presiding partner Bruce Ellis, and member Chris Kirsop

schedule, the club has a picnic and one additional social event every summer.

At a time when several clubs in the chapter are disbanding as members age and membership dwindles, Pacific Investors actively recruits new members and currently has a range of ages (31-87) and mix of long-time and new members (15 and 13, respectively). Historically members have been from the Puget Sound area, but in the last year it has added some from out of state – one each from Florida, Indiana, Pennsylvania, Nebraska, Texas, Utah and Oregon. People join the club to learn about options.

"The plan now is our younger partners will continue Pacific Investors after some of us fall by the wayside."

Note: Using options is not standard BI methodology, and some BI members caution that options can have considerable risk.

2017 Portfolio Contest Winners

The 2017 contest recognized three clubs based on their performance **over 5, 3 and 1 years**. Winners were announced at the Investors Education Conference. Returns cover the period ending within two weeks of 9/1/2017.

*Pacific Investors technically won 3rd place, too, with best one-year return of 47.5%. But since the club won 1st place for 5-year return, 3rd place was awarded to Achieving Critical Mass.

Period	Club Name	Rate of Return
5 years—1st Place	Pacific Investors (see profile on Page 4)	19%
3 years—2nd Place	Golden Years	23.44%
1 year—3rd Place*	Achieving Critical Mass	33.30%

Major Holdings of the Top Three Clubs

Pacific Investors	Golden Years	Achieving Critical Mass
Alcoa Corp; Call Oct 17 29	Air Lease Corp (AL)	Air Lease Corp (AL)
Alcoa Corp; Call Oct 17 34	Apple Inc (AAPL)	Apple Inc (AAPL)
Diamondback Energy Inc; Call Sep 17 80	Berkshire Hatheway (BRK.B)	BofI Holding Inc (BOFI)
FedEx Corp; Call Oct 17 155	BJ Restaurants (BJRI)	Cognizant Technology (CTSH)
Integrated Device Tech; Call Nov 17 20	Cognizant Technology (CTSH)	Dollar General Corp (DG)
Lear Corporation; Call Dec 17 120	Encore Capital (ECPG)	Dorman Products (DORM)
Netgear Inc; Call Dec 17 38	Ensco Plc Adr (ESV)	Gentex Cp (GNTX)
Skechers USA Inc; Call Oct 17 19	Gentex Cp (GNTX)	Ipg Photonics Corp (IPGP)
Skechers USA Inc; Call Oct 17 23	Gilead Science (GILD)	Robert Half International Inc (RHI)
Steel Dynamics; Call Oct 17 25	Microsoft (MSFT)	T Rowe Price Group Inc (TROW)
Teck Resources Ltd; Call Nov 17 15	Navigator Holdings (NVGS)	Tractor Supply (TSCO)
Teck Resources Ltd; Call Nov 17 18	Priceline Group Inc (PCLN)	
United Rentals Inc; Call Sep 17 100	VF Cp (VFC)	
United Rentals Inc; Call Sep 17 85		
Unitedrapeutics; Call Nov 17 100		