

# What do the Timeliness, Safety, and Technical numbers mean on a ValueLine chart?

TIMELINESS	2	Lowered 3/9/18
SAFETY	1	Raised 10/5/07
TECHNICAL	3	Lowered 5/4/18
BETA	1.00	(1.00 = Market)

Sample Ranks Box

- How are they calculated? Sorry, that's proprietary!
- ValueLine Universe = approx. 1700 stocks
- Timeliness
  - Tracks relative price performance for next 6-12 months. 1 is most likely to outperform universe, 5 is least likely
  - Rank 1 has 100 stocks, 2 has 300 stocks, 3+4 has 1200 stocks, 5 has 100 stocks
- Safety
  - Measures relative risk. 1 is safest (large, financially sound), 5 is riskiest (smaller, weaker finances)
  - Generally the lower risk means less growth potential compared to riskier stocks
- Technical
  - Compares price trends for various durations from previous year to the price changes in the subsequent 3-6 months. 1 is highest price change, 5 is lowest

January 2019

# What Are Economic Indicators?

- Statistic about an economic activity to allow analysis of past performance and predictor of future performance
- Type depends on whether the indicator happens before (leading), during (coincident), or after (lagging) the economic performance
- An indicator index can be made up of several indicators

## Leading indicators

- Weekly jobless claims
- New orders for consumer goods
- Building permits
- Stock prices
- Money supply
- Interest rate spread

## Coincident indicators

- GDP
- Industrial production
- Personal income
- Retail sales

## Lagging indicators

- Unemployment rate
- Profit by a business
- Prime lending rate
- Bollinger bands for price history

February 2019

# What is a wash sale?

- Wash sale = selling a security at a loss to claim a capital loss, then re-buying that security (or substantially identical or an option to buy) within 30 days of the sale.
- Wash sale rule = IRS restriction to prevent this very behavior. Sets min wait time between sale and repurchase at 30 days.
- Is there a restriction on purchasing the same security? Only if you intend to claim the capital loss. If not claiming loss, then no restriction.
- How can you bridge the 30 days? If eager to remain in that particular industry, consider buying ETF or similar company and then sell when the 30 days is up

March 2019

# Taxes!

- The U.S. tax code is more than 10 million words long and grows by 144k words each year, on average
- The simplest IRS tax form requires more than 100 pages of explanation
- \$29.6 billion is spent annually on tax preparation software. Completely unrelated: last year two tax prep companies spent over \$5 million lobbying against simpler tax filing.
- 7 million children disappeared in 1987 when IRS began requiring their social security numbers on the returns
- The IRS is the most efficient government entity, bringing in \$100 for every \$0.39 it spends

April 2019

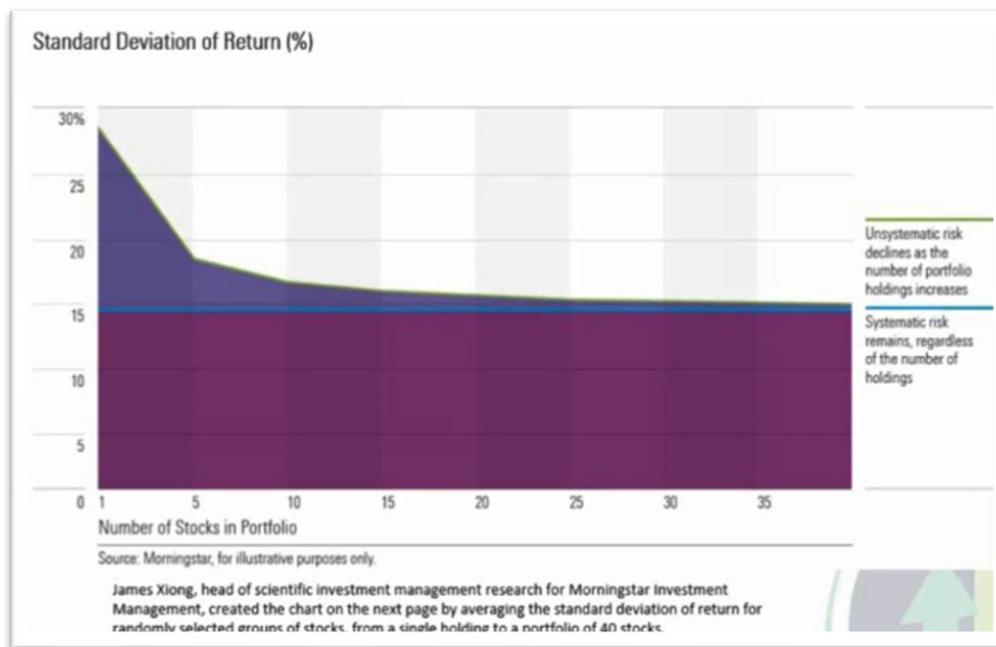
<https://www.fool.com/taxes/2017/04/09/20-amazing-tax-facts-you-need-to-see-to-believe.aspx>

<https://www.opploans.com/blog/33-fun-facts-about-taxes/>

<https://wallethacks.com/50-fun-facts-taxes/>

# Reducing Risk

- Price volatility can be an opportunity and/or risk. The greatest risk to our portfolios can be ourselves, if we buy high and sell low.
- Protect yourself from this risk by demanding quality companies and discounted prices. Higher volatility/risk should be bought only with a lower price (eg higher U/D ratio).
- Reduce portfolio risk with time and diversity. After ~15 companies, adding more to the portfolio has diminishing effect on reducing risk.



May 2019

# Reducing Risk, cont.

- If adding companies for diversification, try get companies with low correlation to ones in your portfolio. Use the stock correlation comparison to help choose, but don't sacrifice quality for the sake of diversity.

Stock Correlation Matrix Calculator Results					
	SPY	ULTA	AMZN	SBUX	TSCO
SPY	1				
ULTA	0.8273	1			
AMZN	0.9094	0.8935	1		
SBUX	0.8254	0.8639	0.8309	1	
TSCO	0.2309	0.2645	0.1123	0.5609	1

[www.buyupside.com/calculators/stockcorrelationmatrixinput.php](http://www.buyupside.com/calculators/stockcorrelationmatrixinput.php)

Compares candidate stocks to S&P 500 index which is well diversified

- Considering using the SWOT analysis to summarize companies you analyze

<p><b>Strength</b></p> <ul style="list-style-type: none"> <li>• Strong brand</li> <li>• Low debt</li> <li>• Wide moat</li> </ul>	<p><b>Weakness</b></p> <ul style="list-style-type: none"> <li>• Decreasing profit margin</li> <li>• Dividend cut</li> </ul>
<p><b>Opportunity</b></p> <ul style="list-style-type: none"> <li>• New products in the pipeline</li> <li>• Expanding into new territories</li> </ul>	<p><b>Threat</b></p> <ul style="list-style-type: none"> <li>• Increased competition</li> <li>• Increasing government regulation</li> </ul>

May 2019



From "Cut Risk and Boost Returns" StockUp presentation by John Rogers, 1/10/18  
<http://resources.betterinvesting.org/classmaterials/wistia/StockUpJanuary2018.html>

# Nicholson's Triple Play

- Developed by George Nicholson, grandfather of the modern investment club
- Describes promising stock meeting three characteristics:

1. Low price of the stock can return to normal levels

Does ValueLine show the low price growth projection >10%? Is the value-line above the share price?

2022-24 PROJECTIONS			
	Price	Gain	Ann'l Total Return
High	115	(+120%)	23%
Low	75	(+45%)	12%



2. Increasing profit margins may result in increased EPS

23.7%	27.0%	36.6%	37.9%	Net Profit Margin	36.5%
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3. Higher P/E ratios on the horizon

P/E RATIO	<b>13.5</b>	(Trailing: 16.6 Median: 19.0)
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Avg Ann'l P/E Ratio	20.0
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Excerpts from 4/12/19 issue of ValueLine on TDAmeritrade

June 2019



# Avoiding Loss



- Manifest Investing is experimenting with an analytical (cold hearted) approach to watch and trim away underperforming stocks
- Compare relative performance of the stock to a stock market index. Whenever it falls below your set threshold, closely monitor if not sell the position. They call it a “time out”.
- They also review the portfolio overall for low PAR holdings, for potential to trim companies that have already had their run

**Challenges: Low PAR and -20% “Time Outs”**

Company	Symbol	Shares	Price	Value	% of Total	Growth	Proj P/E	Proj Yield	Fin Str	EPS Stab	City	PAR
Universal Display	OLED	139.62	\$156.04	\$21,786.30	5.4%	21.3%	41.0	0.3%	76%	55	98	4.1%
Costco Wholesale	COST	20.52	\$239.07	\$4,906.43	1.2%	6.8%	27.0	1.1%	97%	95	88	5.0%
Global Payments	GPN	51.78	\$134.69	\$6,974.25	1.7%	10.9%	33.0	0.1%	84%	56	91	5.0%
S&P Global	SPGI	35.51	\$206.13	\$7,320.29	1.8%	6.1%	18.0	1.2%	87%	58	82	5.7%
Novo Nordisk	NVO	92.27	\$51.94	\$4,792.71	1.2%	4.7%	17.0	2.1%	93%	90	85	6.2%

Round Table	Purchase	Shares	Avg	Price	Value	Ann Total	Relative	
3/26/2019	Date		Cost		of \$1000	Return	Return	
Ardelyx (McManus)	ARDX	5/26/2015	91.659	\$ 10.91	\$ 3.26	\$ 29	-27.0%	-35.9%
Healthcare Services (Kavula)	HCSG	2/27/2018	21.601	\$ 46.29	\$ 32.92	\$ 71	-28.9%	-30.5%
Health Ins Innov (Robertson)	HIIQ	1/29/2019	27.108	\$ 36.89	\$ 28.74	\$ 77	-22.1%	-27.6%

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July 2019



# What is a Recession?

- Significant decline in economic activity spread across the market, lasting more than a few months
- Rule of thumb: 2 consecutive quarters of negative GDP growth
- Business Cycle Dating Committee of the National Bureau of Economic Research (NBER) is viewed as authority on determining when a recession started and ended (in retrospect)
- A severe (GDP down by 10%) or prolonged (three or four years) recession is referred to as an economic **depression**
- Paradox of thrift happens when too many people try to save, which deepens the recession
- Predictors (generally speaking):
  - Inverted yield curve – long term yields fall below short term yield (aka investors think the future will be worse)
  - Sustained change in unemployment rate
  - Leading economic indicators (see previous Market Quiz)
- Main responses
  - Cut taxes to stimulate business investment – less effective but faster
  - Increase government spending – slower to respond but multiplicative

October 2019

# What is Shareholder Yield?

- 3 main ways companies can distribute cash
  - Dividends (direct payment, irreversible)
  - Share buy back (increases the value of remaining shares)
  - Paying down debt (hopefully trickles down to share value)
- Dividend yield is well known but doesn't tell the whole story, since companies may be spending more money on share repurchases behind the scenes than they do on dividends
- Shareholder Yield (pull values from cash flow statement):
$$\frac{\begin{array}{l} \$ \text{ paid in dividends} \\ + \$ \text{ NET share repurchase} \\ + \$ \text{ NET debt paydown} \end{array}}{\div \text{ Market capitalization}}$$
- Represents yield on your investment if company doesn't grow and share price stays the same

November 2019