**Cincinnati Model Investment Club Minutes**

West Chester Mid-Pointe Library – January 21, 2017

**Call to Order:** Presiding Partner Cliff Turrell called the meeting to order at 9:45 AM. ***Guests on webinar:*** Linda Miller, Gopala Anne ***Guests in person:*** Ann Hanson, Kelly Green, Glenna Baumbaugh, Luis Stober

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| --- | --- | --- | --- | --- | --- |
| **Name** | **Here** | **Proxy** | **Name** | **Here** | **Proxy** |
| Jackie Koski | X |  | Harrison Baumbaugh | X |  |
| Ian Barnes | web |  | Mary Thomas | X |  |
| Betsy Eller, Financial Partner | X |  | Cliff Turrell | X |  |
| Craig Jacobsen, Presiding Partner | web |  | Larry Averbeck | web |  |
| Marty Eckerle | web |  | Mike Griffin | X |  |
| Gerry Geverdt | X |  | Frank Bicknell | X |  |
| Dene Alden | X |  | Michele Grinoch | X |  |
| Latisha Douglas | X |  | Kate Lester | web |  |
| Richard Alden | X |  | Rochelle Bankhead | X |  |
| Gregg Hopkins | X |  |  |  |  |

Note: Parentheses denote provisional presence or proxies should members not be present for the full meeting

**Recording Partner’s Report:** Minutes of the December meeting were approved and posted with minor corrections.

**Financial Partner’s Report:**

* Cash balance of $10,949.27 net of the $1,725 limit order for 25sh of TSCO @$69.00/sh
* The Financial Partner’s Report will be filed for audit.
* Most members have audited their own accounts for 2016, Betsy asked that they complete the process promptly
* Discussion ensued over the $400 blanket Manifest Investing subscription cost and how to handle more than the 16 members the flat fee covers. Some members have extended and/or personal memberships and others may not be using the service. Dene and Betsy will review the memberships and report at the Feb meeting.

**Announcements:**

* Several members mentioned the Better Investing webinars, especially a recent one on use if the online SSG. Cliff asked Ian to adjust the education segments so that we could present one of the recorded webinars in two parts at the Feb/Mar meetings. Cliff/Marty/Frank to investigate how to present one of these to avoid Internet, video and audio anomalies.

**Old Business:**

* Due to the short filing schedule the Audit Committee (Betsy, Gerry, Cliff, Mike) will perform the audit prior to receiving all of the tax forms.
* Club performance has lagged major indexes and we segued into the next topic

**New Business:**

* Cliff showed excerpts of a major analysis he has performed on all of the club investments. Using a variety of sources and taking all costs and returns for each stock, he presented a graph of performance by month over time. The results were sobering.
* Suggestions were offered for altering our investment strategies, including:
* Not buying a stock when it is presented for the first time, rather waiting a while to see if projections have merit.
* Being aware of the ‘herd mentality’ in voting
* Allowing time for members to digest a stock presentation before voting
* Consider selling strategies – falling knife scenario, limit orders, etc. Greg to suggest selling strategies to consider at the Feb meeting

**Education:** Ian presented Options, Covered Calls, and Cash-Secured Puts

* Options are the ability, but not the obligation, to buy or sell a stock at a strike price on a future date.
* A contract is for 100 shares and the strike price per share will vary depending on how far it is from the current price and closeness to the execution date. Monies received remain with the seller regardless of the outcome. Earnings release dates frequently drive strike prices.
* Covered Calls are contracts to sell at a specific price but you must now own and sell the shares in the event the contract is executed.
* A Cash Secured Put is similar to a covered call but on the buying side. The holder of the put must have the cash available to buy the stock when the contract is exercised.
* Options are similar to limit orders but are binding and provide income or reduce cost basis of a stock in advance of the execution date.

**New Stock Presentation:** Dene presented Starbucks (SBUX)

* Dene noted that during the holidays, some consumer stores were lightly populated but Starbucks was always busy. Others noted that drive-through lines at some SBUX stores were long, confirming customer loyalty.
* SBUX has focused on premium coffees but has added teas, fresh food, gift cards, equipment and merchandise.
* With a large store base, SBUX is a relatively liberal, treats employees well and has community involvement.
* SBUX is active in 68 countries. The Americas make up 70% of revenue but they are expanding in Asia/Pacific and distribution channels such as Costco and Keurig
* About half of the 23,000+ stores are licensed but the company-owned stores account for 80% of the revenue. 73% of revenue is from beverages, 19% from food and the remainder from other products.
* Future growth is seen in the Indian and Asian markets, partnerships with other brands and product distribution.
* Mobile-Order-and-Pay is being pursued, as well as the addition of 12,000 new stores by 2021. Competition will increase from Panera, McDonald’s and other food outlets.
* Value Line suggested Sales/Earnings growth of 10.5%/16%. Morningstar noted a wide moat, exemplary stewardship, and distribution channel development as strengths. Manifest Investing shows a PAR of 12.4%
* Dene’s SSG used very conservative 7%/8% estimates, putting SBUX in a HOLD position. Others in the club thought the growth estimates were conservative. It was suggested that SBUX be put on the watch list.

**Portfolio Review:**

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| **Stock FYE** | **Watcher** | **Watcher Recommends** | **SSG Says** | **Cost Basis** | **Next Earnings** |
| AAPL 09/15 | Jackie | Hold | Hold | *$109.98* | Jan 24-30 |
| CHRW 12/31 | Larry | Hold | Hold | *$57.51* | TBA |
| CASY 4/30 | Cliff | Hold | Hold | *$95.05* | Mar 7-11 |
| CERN 12/31 | Gregg | Hold | Hold | *$54.34* | Feb 8-12 |
| CTSH 12/31 | Mike | Hold | Hold | *$47.89* | Feb 2-8 |
| CVS 12/31 | Latisha | Discuss/Buy | Buy | *$87.29* | Feb 7-13 |
| DHR 12/31 | Harrison | Hold | Hold | *$34.38* | Jan 24-30 |
| FAST 12/31 | Rich | Hold | Hold | *$41.80* | Jan 18 |
| GILD 12/31 | Kate | Hold | Buy | *$107.27* | Jan31-Feb 6 |
| KORS 4/2 | Rochelle | Unable to open SSG |  | *$51.03* | Jan31-Feb 6 |
| LKQ 12/31 | Frank | Hold | Buy | *$26.70* | Feb 23-27 |
| NVO 12/31 | Ian | Buy | Buy | *$38.73* | N/A |
| PII 12/31 | Dene | Sell first lot and HOLD | Buy | *$99.83* | TBA |
| SBNY 12/31 | Craig | Hold | Hold | *137.52* | TBA |
| SLB 12/31 | Mary | Hold | Hold | *$75.81* | Jan 20 |
| SWKS 9/30 | Gerry | Sell – low growth expected for next 12 mo | Hold | *$84.95* | TBA |

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| **Stocks on “Watch List”** | | | | | | | | | | |
| Photonics Corp | IPGP | Mike |  |  |  |  | $102.29 |  | 31-Dec-17 | 2/17/17 |
| Tractor Supply. | TSCO | Kate |  |  |  |  | $74.81 |  | Dec | 2/01/17 |

**Future Education Schedule:**

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| --- | --- | --- |
| February | Cliff/Marty/Craig? | Better Investing Seminar, Part 1 |
| March | Cliff/Marty/Craig? | Better Investing Seminar, Part 2 |
| April | Mike Griffin | tbd |

**Future Stock Presentation Schedule:**

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| --- | --- | --- |
| February | Ian Barnes | tbd |
| March | Jackie Koski | tbd |
| April | Michele Grinoch | tbd |

**Buy/Sell Decisions:** (yes/no/abstain)

* Gerry/Jackie: sell all 100 sh of SKWS @window, 14/5/0
* Latisha/Jackie: buy 20 sh of CVS @window, 18/1/0
* Harrison/Dene: buy 20 sh of SBUX @window, 17/2/0

**Next Meeting:** Mid-month meeting: Feb 4, Board Room; next regular meeting: Feb 18, Board Room

**Adjourned:** by Cliff at 11:54a

**Post-Adjournment Discussion:**

Submitted for review by Rich Alden, recording partner.