**Cincinnati Model Investment Club Minutes**

West Chester Mid-Pointe Library – February 18, 2017

**Call to Order:** Presiding Partner Cliff Turrell called the meeting to order at 9:51 AM. ***Guests on webinar:*** Dan Kuhl, Jane Feldman, Mike Higgins ***Guests in person:*** Glenna Baumbaugh, Nelson Page

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

**Financial Partner’s Report:**

* Cash balance of $20,060.80 net of the $1,725 limit order for 25sh of TSCO @$69.00/sh
* The Financial Partner’s Report will be filed for audit.
* The subscriptions for Manifest Investing were tallied (17 total). Dene asked for $25 per person to cover the cost - $400 for the basic 16 subscribers plus one additional at $25.
* Mike noted that the federal tax return has to be completed by Mar 15.

**Announcements:**

* Several people commented on the availability and quality of the training and recorded webinars available on the Better Investing web site under “Tools and Resources” (“Ticker Talk, StockUp, BI Magazine”) and “Education”.
* Dene passed out flyers for the BI National convention (BINC) to be held in Cincinnati at the Hilton downtown, May 18-21. All members are urged to attend this great opportunity to hear from some of the best instructors in the BI community.

**Old Business:** none

**New Business:**

* Cliff and Gerry pointed out that the next regular meeting (Mar18) conflicted with the “Shamrock Shuffle” marathon at the library. It was agreed that the next meeting would be held a week later, Mar 25, in Room C.
* Cliff had proposed we vote on three modifications to our buy/sell process:
	+ Buy/Sell only if proposal and support available Monday pre-meeting - VOTE
	+ Buy/Sell - Discuss 2/3 rather than simple majority – VOTE
	+ Consider “counter argument” presentation for a buy/sell – VOTE

After considerable discussion, we voted 9/6/0 to use the following rule: To be eligible for a buy/sell vote, a stock currently in the portfolio can only be brought up for action if the watcher makes his/her case by Monday evening before the meeting. Other members should do their own research to make an informed choice. Exceptions may be made if there are “major surprises” between Monday and Saturday or if the stock is a new one being presented by a prospective member. Discussion on the remaining two issues will be deferred until the mid-month meeting.

**Education:** Recorded Better Investing StockUp Session from January 12, 2017 ‘The SSG and the Income Statement’

* The Sales, Pre-Tax Profit and EPS graphs of the SSG were directly related to line items on the Income Statement.
* Changes in spacing between the lines indicate improving or declining performance in key areas.
* Moving a graph line up/down to line up the initial values will easily let your see variations and divergence of the graphs.
* Sales – Cost of Sales – Expenses = Pre Tax Profit; look at the details of the expense lines of the Income Statement to see why. Cost of Sales, SG&A costs, and interest expense or income will affect this difference.
* The space between Pre Tax Profit and EPS is affected by the tax rate and shares outstanding. Companies often buy back shares to boost EPS by reducing outstanding shares. Use diluted shares as they include shares already allocated to other parties.
* Cliff advocated using the Preferred Procedure in selecting a low price when applying judgment to the SSG as it not only has a suggested number but allows you to view historical rates for the parameters involved.
* The second part of this webinar will be presented at the March meeting. The full presentation may be found at: <http://resources.betterinvesting.org/classmaterials/wistia/StockUpJanuary2017.html>

**New Stock Presentation:** Ian Barnes presented Ulta Beauty (ULTA)

* Full-service supplier of beauty products and services with a web presence, local stores, and on-line non-Amazon order fulfillment.
* 975 stores now, growing to ~1200 over the next two to three years.
* Stores are 90% suburban non-mall locations
* Anticipated 20% annual growth from both new stores and increasing online sales.
* Gregg noted that the inventory was increasing at a 40% rate vs. anticipated 20% sales growth, speculation as to its meaning
* Ian’s SSG used 20.6% sales growth (Morningstar), 19.2% earnings growth (preferred procedure), 30 avg high PE (limited – current is 45) and 23.1 avg low PE, yielding a HOLD signal. Marty, Cliff, Craig and others looked at low 75% of current (rather than 50%) and ULTA was still a HOLD, but approached a BUY. Gregg noted that ULTA’s inventory had risen faster than sales in the past 12 months. We will take a further look at ULTA in our March mid-month meeting.

**Portfolio Review:**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Stock** | **Symbol** | **Watcher** | **Watcher BSH**  |  **SSG BSH**  | **#** |  **Cost**  |  **Price**  |  **Gain / (Loss)**  |  **Y/E**  |  **Next Earn's**  |
| Apple  | AAPL | Jackie | Hold | Hold | 95 | $109.98 | $135.35 | $2,410  | Sep. | 4/30/17 |
| C.H. Robins. | CHRW | Larry | Hold | Hold | 185 | $57.51 | $78.06 | $3,801  | Dec | 4/25/17 |
| Casey's | CASY | Cliff | Hold | Hold | 70 | $95.05 | $117.06 | $1,541  | Apr | 3/6/17 |
| Cerner Cp  | CERN | Gregg | Hold | Hold | 60 | $54.35 | $55.61 | $76  | Dec | 5/4/17 |
| Cognizant | CTSH | Mike | Hold | Hold | 200 | $49.46 | $58.10 | $1,729  | Dec | 5/4/17 |
| CVS Health | CVS | Latisha | Hold | Buy | 80 | $83.91 | $79.45 | ($356) | Dec | 5/2/17 |
| Danaher | DHR | Harrison | Hold | Hold | 110 | $34.38 | $84.25 | $5,486  | Dec | 4/20/17 |
| Fastenal | FAST | Rich | Hold | Hold | 250 | $41.80 | $50.61 | $2,202  | Dec | 4/11/17 |
| Gilead Sc. | GILD | Kate | Hold | Hold | 130 | $107.27 | $70.31 | ($4,804) | Dec | 4/27/17 |
| LKQ Corp  | LKQ | Frank | Sell 100 | Buy | 375 | $26.70 | $31.98 | $1,979  | Dec | 2/23/17 |
| Michael Kors | KORS | Rochelle |   |   | 20 | $51.03 | $38.21 | ($256) | Apr | 2/8/17 |
| Novo Nord. | NVO | Ian | Sell? | Hold | 200 | $38.73 | $35.44 | ($658) | Dec | N/A |
| Polaris Ind | PII | Dene | TBE | Buy | 55 | $87.25 | $86.47 | ($43) | Dec | 4/20/17 |
| Schlumberger | SLB | Mary | Hold | N/A | 140 | $75.82 | $81.13 | $744  | Dec | 4/20/17 |
| Signature Bk  | SBNY | Craig | Hold | Hold | 110 | $137.53 | $160.97 | $2,579  | Dec | 4/20/17 |
| Starbucks | SBUX | TBE Dene | Buy | Buy | 20 | $57.68 | $56.73 | ($19) | Sep. | 4/27/17 |
| **Stocks on “Pounce / Watch List”** |
| Photonics Cp | IPGP | Mike | Up 16% in 1 month! |  | $119.03  |  | Dec | 5/17/17 |
| Tractor Sply. | TSCO | Kate | Down 4.3% in a month |   | $71.94  | Lim. $69 | Dec | 4/19/17 |

**Future Education Schedule:**

|  |  |  |
| --- | --- | --- |
| March |  | Conclusion of ‘SSG and the Income Statement’ |
| April | Mike | Back Side of the SSG with emphasis on PEs |

**Future Stock Presentation Schedule:**

|  |  |  |
| --- | --- | --- |
| March | Jackie Koski | tbd |
| April | Michele Grinoch | tbd |

**Buy/Sell Decisions:** (motion/second: action, type, yes/no/abstain)

* Marty/Dene: buy 20 sh of CVS, window, 17/0/0
* Dene/Cliff: buy 10 sh of PII, window, 12/5/0
* Dene/Cliff: buy 20 sh of SBUX, window, 17/0/0

**Next Meeting:** Mid-month meeting: Mar 4, Board Room; next regular meeting: Mar 25, Room C

**Adjourned:** by Cliff at 12:02p

**Post-Adjournment Discussion:** Nelson Page expressed interest in becoming member and asked to do a stock study in March if possible.

Submitted for review by Rich Alden, recording partner.