**Cincinnati Model Investment Club Minutes**

West Chester Mid-Pointe Library – July 15, 2017

**Call to Order:** Presiding Partner Dene Alden called the meeting to order at 9:47AM. ***Guests on webinar:*** Dan Kuhl; ***Guests in person:*** Glenna Baumbaugh, Paul Pezzenti

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name** | **Here** | **Proxy** | **Name** | **Here** | **Proxy** |
| Jackie Koski | web? | Mary | Harrison Baumbaugh | X |  |
| Ian Barnes, Education Partner | web |  | Mary Thomas | X |  |
| Betsy Eller, Financial Partner | web |  | Gregg Hopkins | --- | Craig |
| Craig Jacobsen | --- | Rich | Larry Averbeck | web |  |
| Marty Eckerle | web |  | Frank Bicknell | X |  |
| Gerry Geverdt | X |  | Michele Grinoch | X |  |
| Dene Alden | X |  | Kate Lester | X |  |
| Latisha Douglas | web | (Marty) | Nelson Page | X |  |
| Richard Alden, Recording Partner | X |  |  |  |  |

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

**Recording Partner’s Report:** Minutes of the June 17 meeting were approved and have been posted.

**Financial Partner’s Report:**

* Current cash: $2,071.49. The July report was filed for audit without changes

**Announcements:** Classes and webinars: see BetterInvesting Magazine “ONLINE” section opposite CONTENTS or visit web site under Events.

**Old Business:**

* Craig volunteered to cover Cognizant Technologies (CTSH) and submitted a stockwatcher review
* Latisha reported on the 15th anniversary CinMIC meeting/luncheon to be held Oct 21, 2017. Papadeaux proved too expensive for the group and Dene volunteered to submit information on Bravo for a more favorable arrangement. She will email Latisha and the committee.

**New Business:**

* Marty/Gerry proposed removing IPGP from the pounce list as the price was well above the buy zone.
* After some discussion it was suggested that the pounce list stock presenter watcher would monitor their stock (SSG price update, MI Sweet Spot, news items) and report to the group by the Mon before the meeting as members do with their club holdings. Further discussion should be held to differentiate between a watch list (stocks which may have potential but have unresolved issues) and a pounce list (stocks which meet our criteria but are not in a favorable price and U/D range).

**Education:** Larry presented an overview of dividends

* Dividends provide insight into a management’s view of the business
* Retained earnings provide cash for growth but good companies can invest in growth and provide dividends
* Even small increases in dividends are indicative of good company health
* Value Line has dividend information at the top of the report although yield is a function of current stock price
* CinMIC stock dividends are reinvested through other purchases and are not reinvested in the same stock. We need to review not just stock price growth but total return on the investment.
* The May, 2017 issue of the BI magazine has an article on dividends

**New Stock Presentation:** Harrison presented Home Depot (HD)

* Presenter classified HD as Consumer Cyclical Sector / Home Improvement Stores Industry
* Founded in 1978, HQ in Atlanta, 2278 stores in North America
* Strengths growing in their online presence and optimizing supply chain
* Product offering, market presence, financials and growth rate very similar to Lowe’s but annual sales are ~1.5x that of Lowe’s
* Sentiment among club members varied between Home Depot and Lowe’s with differing experiences in product offerings, stock availability, and presence of customer service personnel. No clear winner.
* Home improvement market projected to grow 6.01% in the 2017-2021 period
* HD projected to have strong revenue and EPS growth, ROE, and return on invested capital. It has a wide moat, increasing margins, and a growing average ticket (customer sale) value, some of which may be the effect of inflation.
* 2016 sales were $94.6B and Y/Y revenue growth over the past five years has averaged 6.8%
* The SSG showed very high debt levels (store real estate, inventory?) and a declining book value. Other indicators pointed to a steadily growing company with increasing free cash flow and dividends. Much of the debt is in the form of long-term non-callable 4% bonds payable in 2035. Repayment capacity is considered healthy.
* SeekingAlpha has a recent report comparing Lowe’s and Home Depot and considers HD undervalued by 17% and a buy.
* Although Harrison’s original SSG indicated a buy further discussion around the low price gave mixed results. The SSG as changed by the group had a U/D ratio of 2.3 due to an EPS forecast change from 13.2 to 10.5, which was a compromise from the original 13.5 and preferred procedure rating of 6.2. No action to purchase shares at this time.

**Portfolio Review:**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Stock** | **Symbol** | **Watcher** | **Watcher: Buy/Hold/Sell** | **SSG: Buy/Hold/Sell** | **Report posted on:** | **# of Shares** | **% of Portfolio** | **Year End** | **Next Earnings Report:** |
| Apple | AAPL | Jackie | HOLD | HOLD | 07-04 | 95 | 9.8 | Sep. | 07-24/17 |
| C. H. Robinson | CHRW | Larry | HOLD | BUY | 07-15 | 185 | 9.9 | Dec | 07-19 |
| Cerner | CERN | Gregory | HOLD | HOLD | 07-09 | 60 | 3.1 | Dec | 08-01 |
| Cognizant | CTSH | Craig | BUY 25 sh | BUY | 07-10 | 200 | 10.6 | Dec | 08-04 |
| CVS Health | CVS | Latisha | HOLD | HOLD | 07-10 | 110 | 6.8 | Dec | 08-10 |
| Danaher | DHR | Harrison | HOLD | HOLD | 07-13 | 110 | 7.2 | Dec | 07-20 |
| Fastenal | FAST | Rich | SELL 50-6/22/15 | HOLD | 07-09 | 250 | 8.7 | Dec | 07-12 reported |
| Gilead | GILD | Kate | HOLD | HOLD | 07-10 | 105 | 5.7 | Dec | 07-26 |
| LKQ Corp | LKQ | Frank | HOLD | HOLD/BUY | 07-10 | 375 | 9.3 | Dec | 07-27 |
| Novo Nordisk | NVO | Ian | HOLD | HOLD | 07-09 | 200 | 6.6 | Dec | 08-08 |
| Polaris | PII | Nelson | HOLD | HOLD | 07-08 | 65 | 4.4 | Dec | 07-20 |
| Schlumberger | SLB | Mary | HOLD | HOLD | 07-10 | 140 | 7.2 | Dec | 07-21 |
| Signature Bank | SBNY | Craig | HOLD | HOLD | 07-08 | 110 | 12 | Dec | 07-19 |
| Starbucks | SBUX | Gerry | BUY | BUY 40 | 07-13 | 60 | 2.8 | Sep | 07-27 |
| Tractor Supply | TSCO | Dene | HOLD | BUY | 07-09 | 50 | 2.0 | Dec | 07-26 |
|  | **Stocks on “Pounce / Watch List”** | | | | | | | | |
| ULTA | ULTA | Ian | Buy range: 169.5 to 245.70 | | 07-10 |  |  |  |  |
| Mednax | MD | Marty | No update | |  |  |  |  |  |
| NIC INC | EGOV | Michele | No update | |  |  |  |  |  |
| Berkshire Hath | BRK.B | Jackie | Limit Order removed in June | |  |  |  |  |  |

**Portfolio Analysis:** Marty prepared anextensive report on the club’s portfolio, including data on each of the holdings. Snapshots of his analysis appear at the end of this report. CinMIC is overweight in medium and large companies (based on growth rate) and light in smaller, faster growing companies. Discussion topics included Nicholson Triple Plays, percentage of a stock holding in the portfolio, MI PAR rating, and total return vs. company size.

**Future Education Schedule:**

|  |  |  |
| --- | --- | --- |
| August | Gregg Hopkins | tbd |
| September | Latisha Douglas | tbd |

**Future Stock Presentation Schedule:**

|  |  |  |
| --- | --- | --- |
| August | Larry Averbeck | tbd |
| September | Gerry Gevert | tbd |

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

* Rich/Gerry: sell the 6/22/15 lot of 50sh of FAST at window to raise cash, 16/0/0
* Craig/Kate: buy 25sh of CTSH at window, 2/14/0, stock price is up recently
* Gerry/Dene: buy 40sh of SBUX at window, 16/0/0

Note: use “chat box” for web votes.

**Next Meeting:** mid-month study group: Aug 5 and Sep 2, boardroom; regular meeting: Aug 19, Room C, Sep 16, boardroom

**Adjourned:** by Dene at 11:47a

Submitted for review by Rich Alden, recording partner.



