

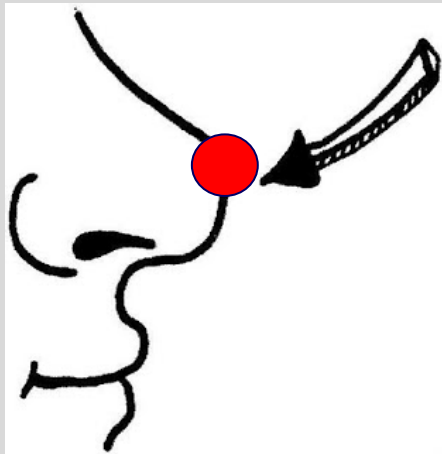
Investing for Successful Retirement

UD Osher – OLLI Fall 2024

- Rajeev A. Vaidya
- Ron Materniak
- Jane Roe-Fox

Disclaimer in plain language

Disclaimer – in plain language:



Opinions are like noses, everyone has one !

You are going to see mine in this course !!

We are simply sharing our perspective.

This is not investment advice or recommendation.

Ron, Jane and I are not a financial advisors.

This course is for educational purposes only.

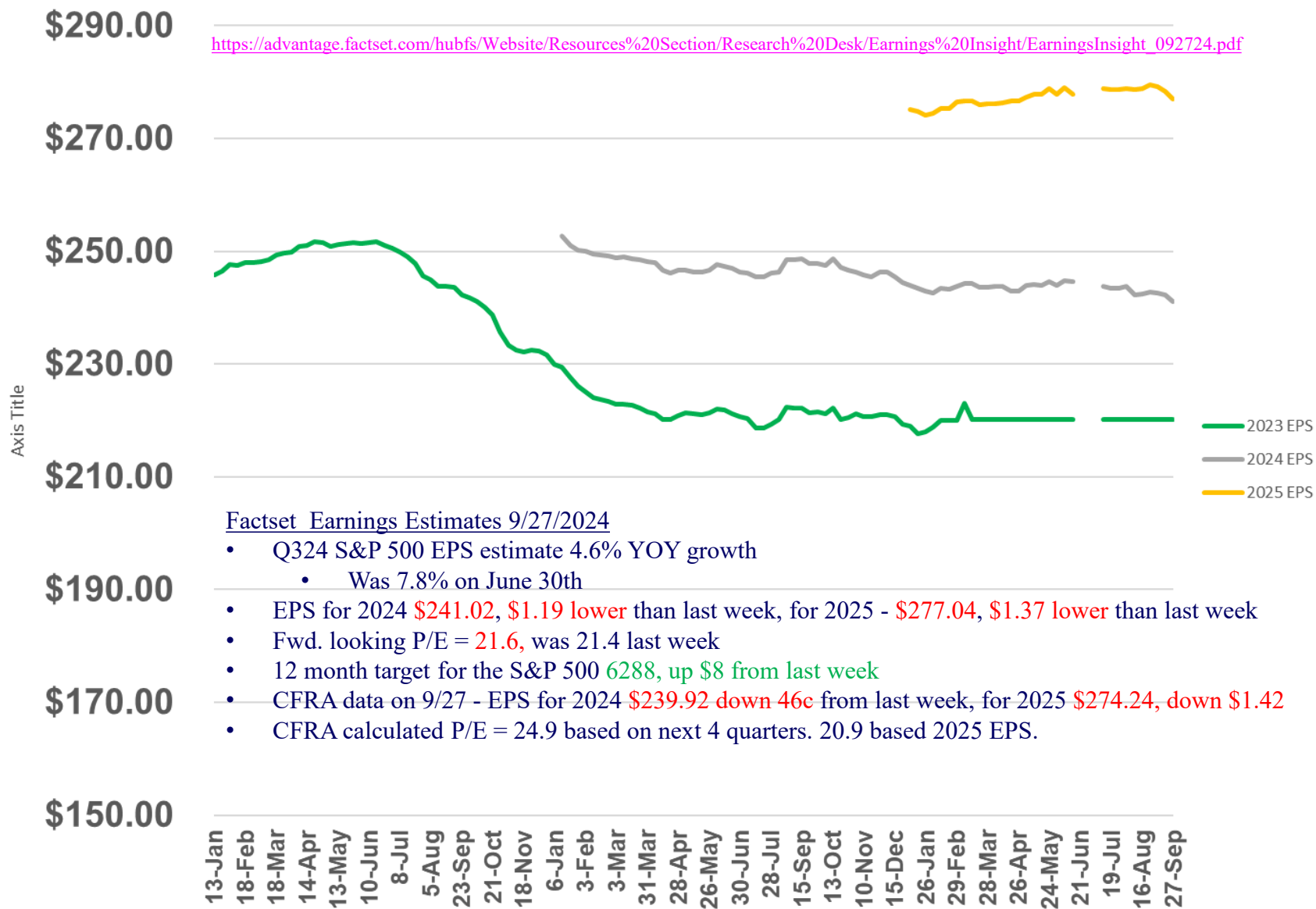
Form your own opinion, make your own investment decisions.

Fifth Class – Oct. 2nd

- Market Update – Rajeev – 20 minutes
- Five Steps of Disciplined buying
 - Why buy stocks?
 - How to buy in a disciplined way.

Factset(R) - S&P 500 Calendar year earnings forecast

https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_092724.pdf



Factset Earnings Estimates 9/27/2024

- Q324 S&P 500 EPS estimate 4.6% YOY growth
 - Was 7.8% on June 30th
- EPS for 2024 **\$241.02**, **\$1.19 lower** than last week, for 2025 - **\$277.04**, **\$1.37 lower** than last week
- Fwd. looking P/E = **21.6**, was 21.4 last week
- 12 month target for the S&P 500 **6288**, **up \$8 from last week**
- CFRA data on 9/27 - EPS for 2024 **\$239.92 down 46c** from last week, for 2025 **\$274.24, down \$1.42**
- CFRA calculated P/E = 24.9 based on next 4 quarters. 20.9 based 2025 EPS.

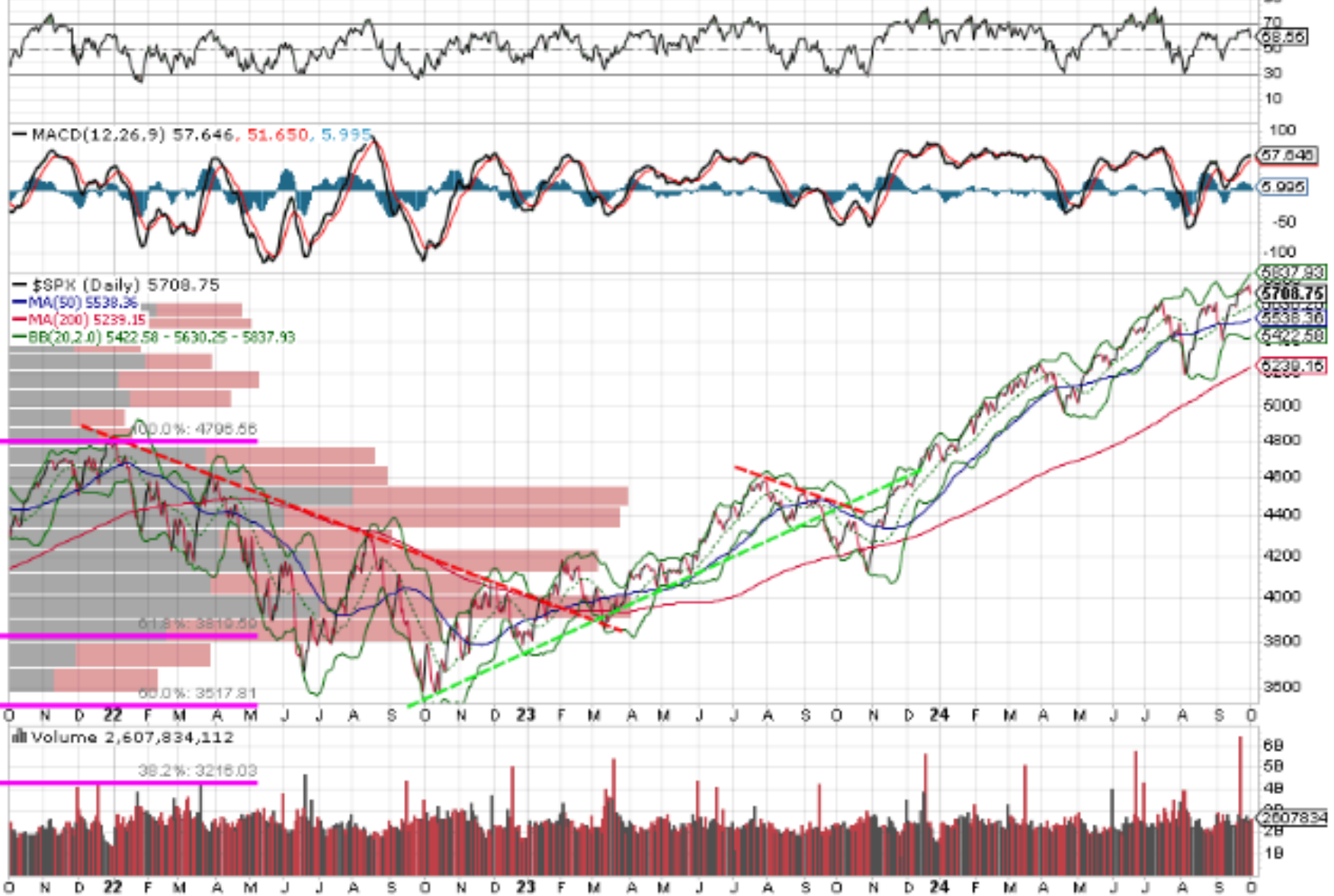
\$SPX S&P 500 Large Cap Index INDX

© StockCharts.com

1-Oct-2024

Open 5757.73 High 5757.73 Low 5681.28 Close 5708.75 Volume 2.6B Chg -53.73 (-0.93%)

▲ RSI(14) 58.55



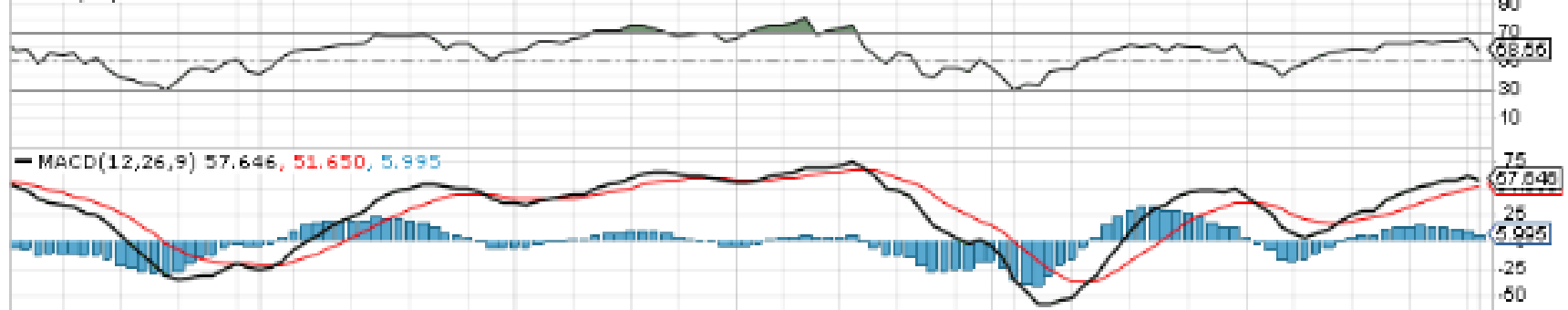
\$SPX S&P 500 Large Cap Index INDX

© StockCharts.com

1-Oct-2024

Open 5757.73 High 5757.73 Low 5681.28 Close 5708.75 Volume 2.6B Chg -53.73 (-0.93%)

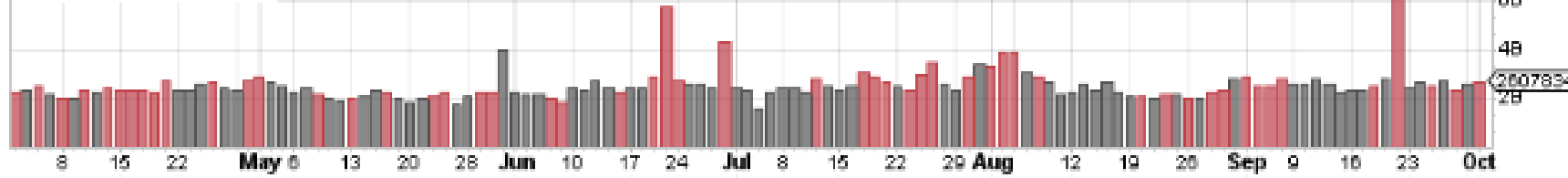
▲ RSI(14) 58.55



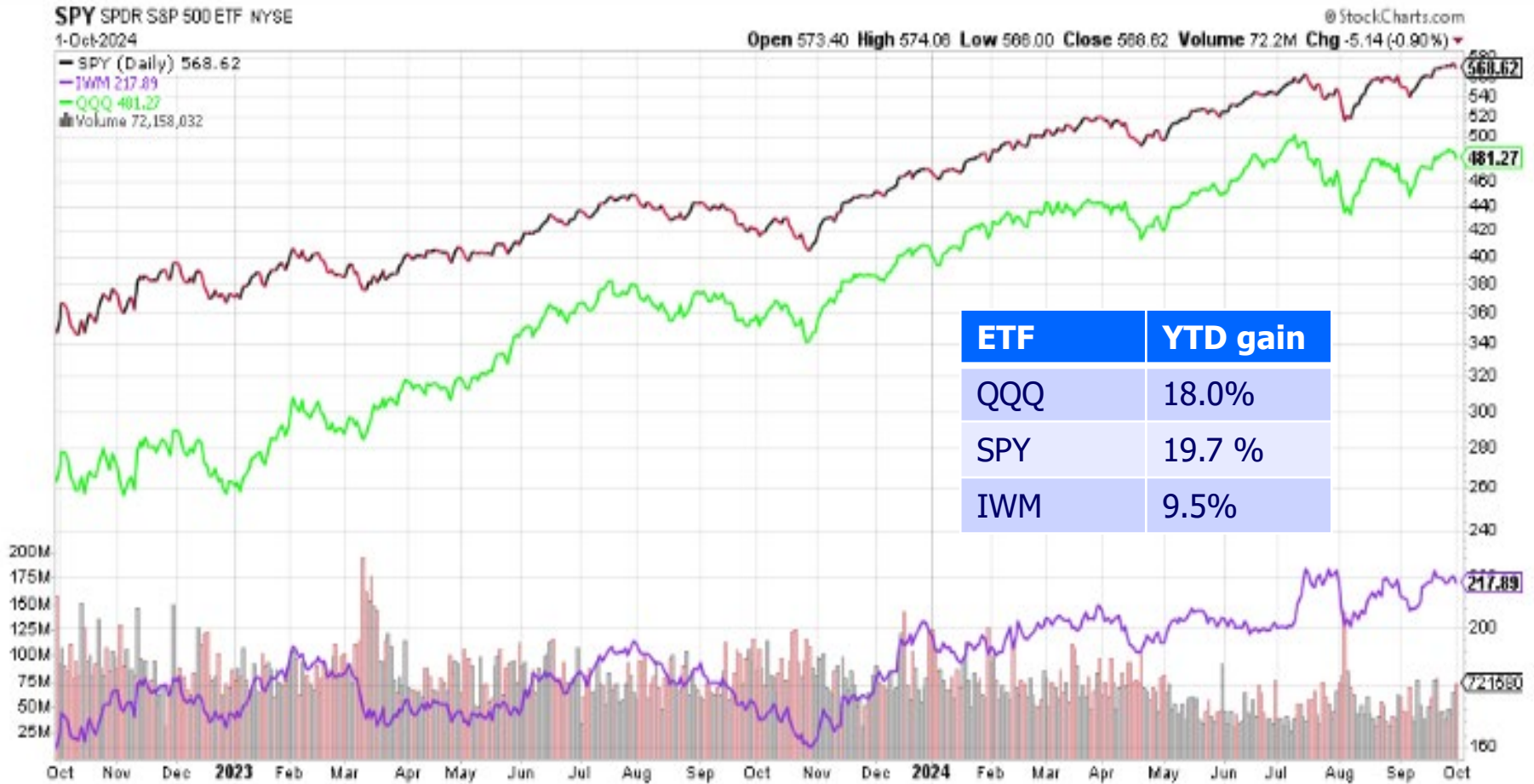
📊 \$SPX (Daily) 5708.75



📊 Volume 2,607,834,112



Market Breadth – another way



\$NYAD NYSE - Advance-Decline Issues INDX

© StockCharts.com

1-Oct-2024

Open 36770.00 High 36770.00 Low 36770.00 Close 36770.00 Chg -468.00 (-1.26%)



This is NOT investment advice

Weekly market direction

Prof. Guy Werner

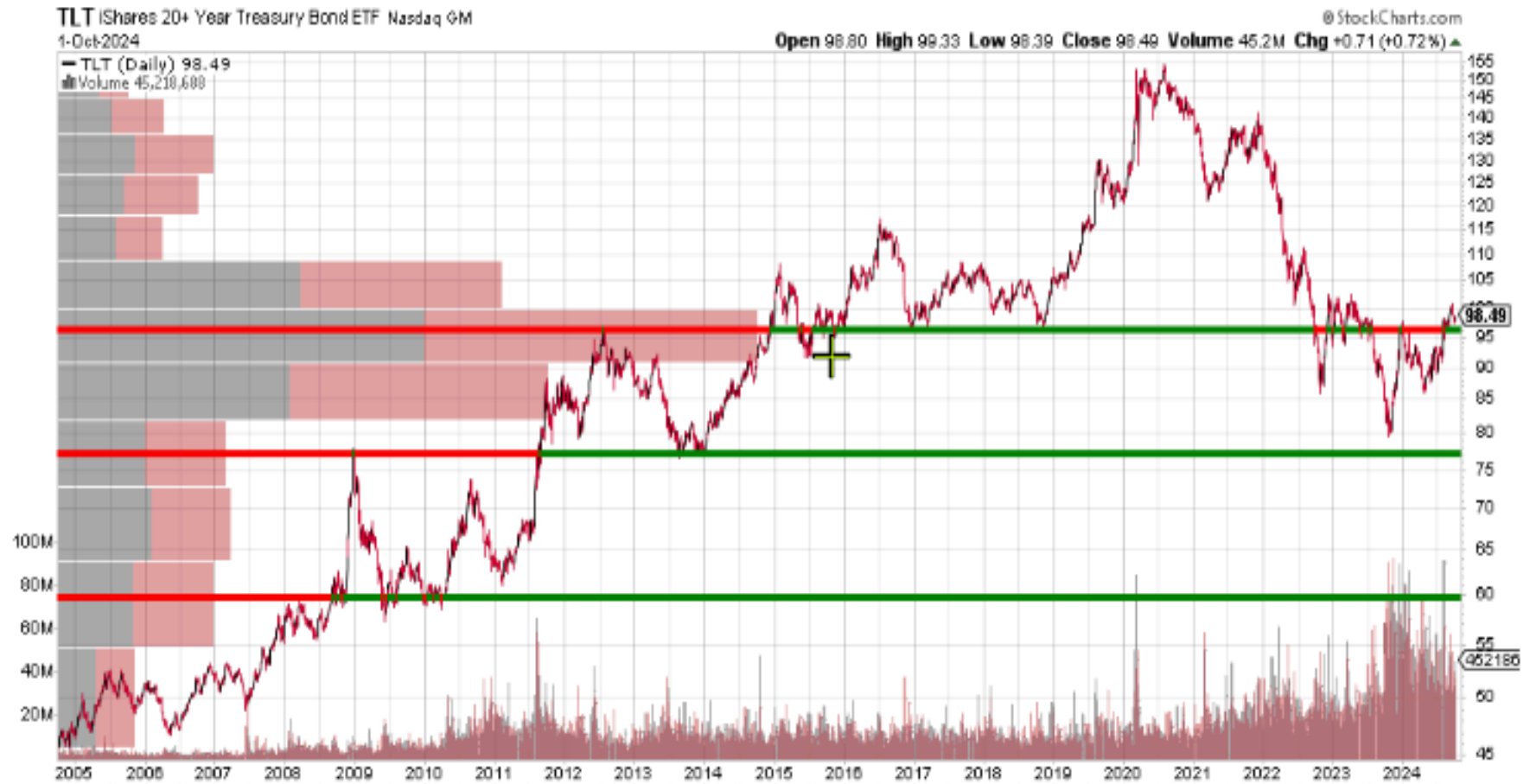
Guy.werner@verizon.net

COLUMNS CD&E ARE FROM IBD AND ARE PROVIDED BY DAVE (IN THE NORTH) SMITH

		ANIL PARIKH'S TRIPLE SCREEN 52 W DAILY HIGH SHOWN IN GREEN 52 W LOW SHOWN IN RED														
		DISTRIBUTION DAYS			S&P 500 TRIPLE SCREEN						NASDAQ TRIPLE SCREEN					
	DATE	MARKET PULSE (IBD)	S&P 500	NASDAQ	8-20 EMA	MACD	RSI	CLOSING	Δ	%CHANGE	8-20 EMA	MACD	RSI	CLOSING	Δ	%CHANGE
MON	09/16/24	CONFIRMED UP (60% -80%)	3	4	P	P	P	5,633	7	0.12%	P	P	P	17,592	-91	-0.51%
TUE	09/17/24	CONFIRMED UP (60% -80%)	4	5	P	P	P	5,634	1	0.02%	P	P	P	17,628	36	0.20%
WED	09/18/24	CONFIRMED UP (60% -80%) FED SPEAK	4	6	P	P	P	5,618	-16	-0.28%	P	P	P	17,573	-55	-0.31%
THUR	09/19/24	CONFIRMED UP (80% -100%)	4	5	P	P	P	5,713	95	1.69%	P	P	P	18,013	440	2.50%
FRI	09/20/24	CONFIRMED UP (80% -100%)	4	6	P	P	P	5,702	-11	-0.19%	P	P	P	17,948	-65	-0.36%
SAT	09/21/24	FOR THE WEEK							76	1.35%					265	1.50%
SUN	09/22/24	YTD							933	19.56%					2,937	19.57%
MON	09/23/24	CONFIRMED UP (80% -100%)	4	6	P	P	P	5,718	16	0.28%	P	P	P	17,974	26	0.14%
TUE	09/24/24	CONFIRMED UP (80% -100%)	4	6	P	P	P	5,732	14	0.24%	P	P	P	18,074	100	0.56%
WED	09/25/24	CONFIRMED UP (80% -100%)	4	6	P	P	P	5,722	-10	-0.17%	P	P	P	18,082	8	0.04%
THUR	09/26/24	CONFIRMED UP (80% -100%)	4	6	P	P	P	5,745	23	0.40%	P	P	P	18,190	108	0.60%
FRI	09/27/24	CONFIRMED UP (80% -100%)	4	5	P	P	P	5,738	-7	-0.12%	P	P	P	18,119	-71	-0.39%
SAT	09/28/24	FOR THE WEEK							36	0.63%					171	0.95%
SUN	09/29/24	YTD							969	20.32%					3,108	20.70%
MON	09/30/24	CONFIRMED UP (80% -100%)	4	5	P	P	P	5,762	24	0.42%	P	P	P	18,189	70	
TUE	10/01/24	CONFIRMED UP (80% -100%)	4	6	P	P	P	5,708	-54	-0.94%	P	P	P	17,910	-279	-1.53%

https://drive.google.com/drive/folders/0B6Qc_gipshXMelkzQ245d2R1eTQ?resourcekey=0-5pWgINqajPJ12L2qYurMWg

TLT – 20 yr U.S. Treasury ETF



U.S. Dollar



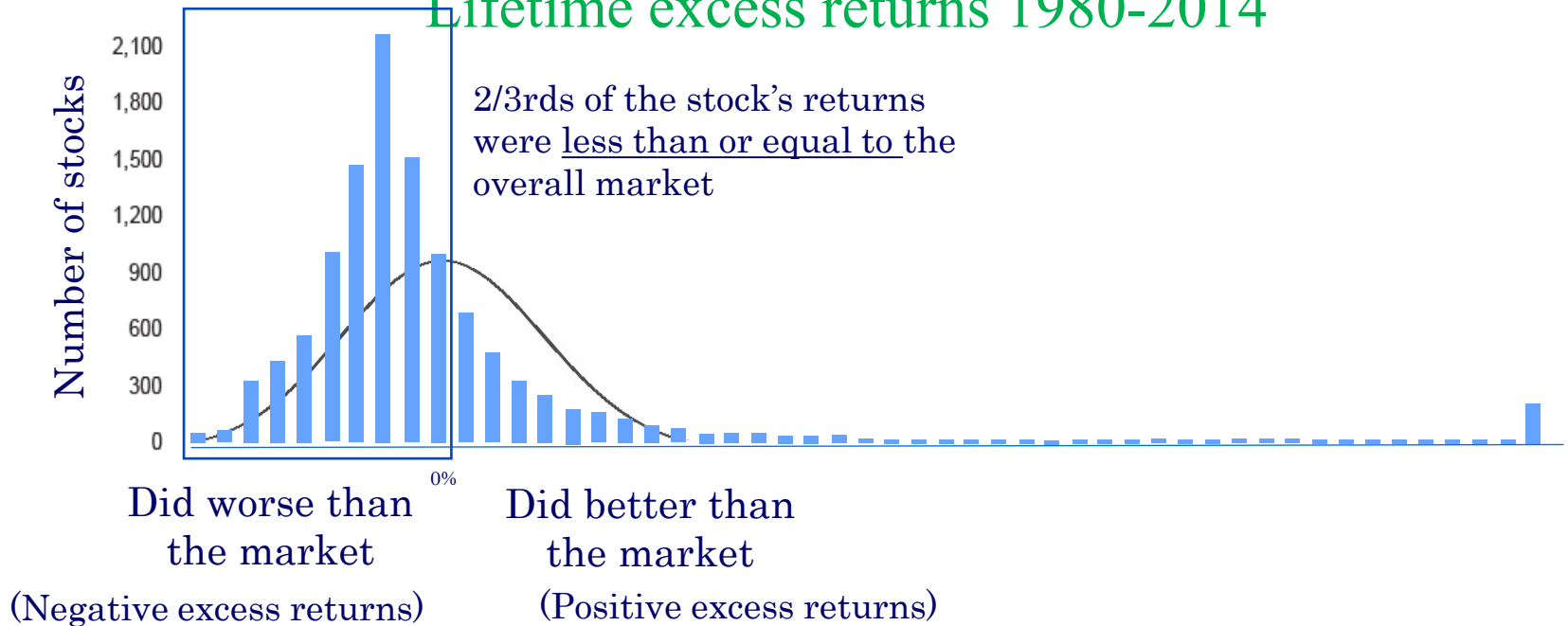
Fifth Class – Oct. 2nd

- Market Update – Rajeev – 20 minutes
- Five Steps of Disciplined buying
 - Why buy stocks?
 - How to buy in a disciplined way.

The Difficulty In Picking A Winning Stock

Excess Return = Did the stock do better or worse than the overall market

Lifetime excess returns 1980-2014

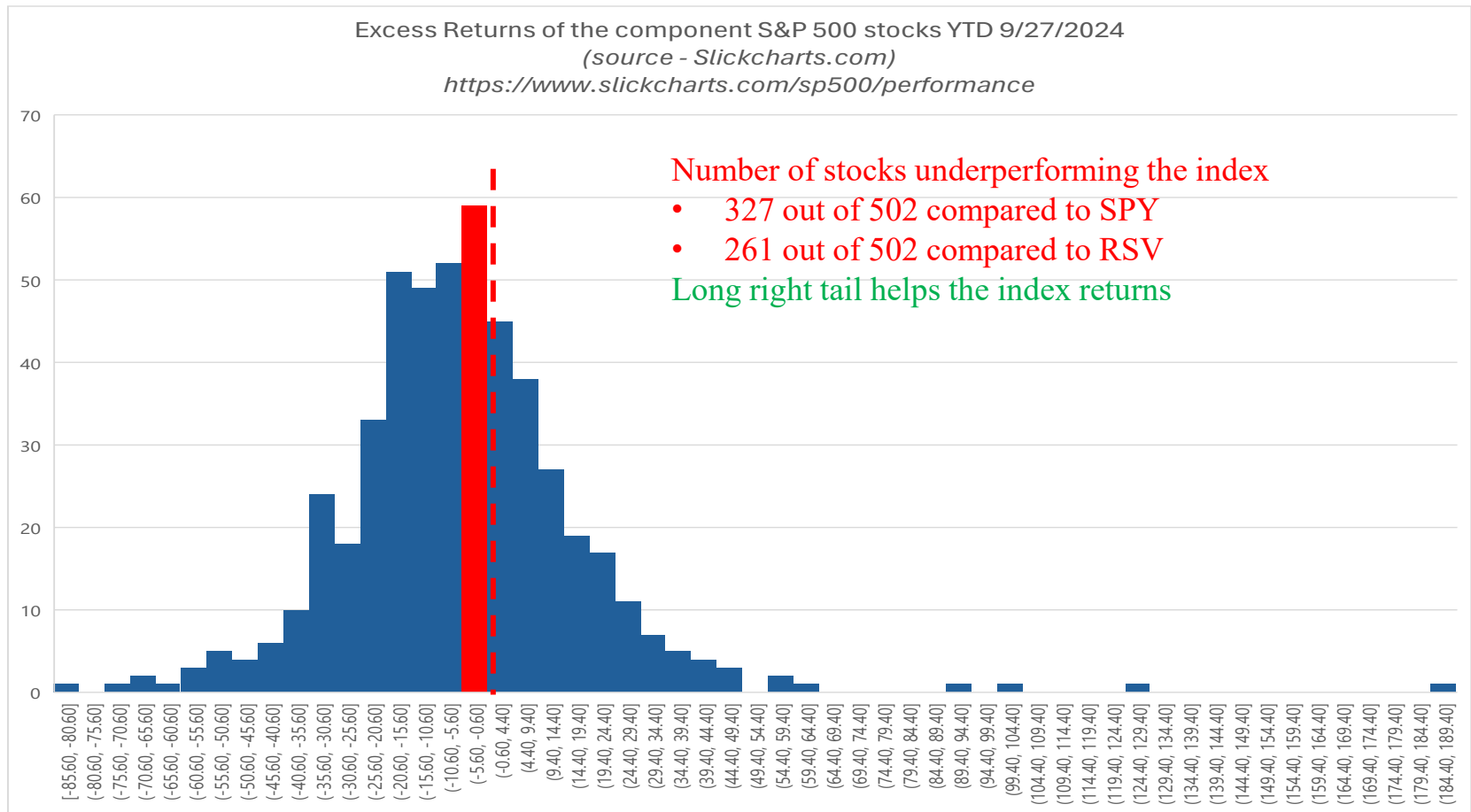


Source: FactSet, J.P. Morgan Asset Management.

Prof. Rich Jakotowicz – Spring 2019

The Difficulty In Picking A Winning Stock

Updated data



Disciplined buying

Investment thesis:

This is a good investment because

Valuation

Entry Point:

This is a good price / entry point to buy because

Position Size:

I can buy XXX shares for my portfolio

If I am right, I will make gains by selling the stock @

Exit Rules:

If I am wrong, I will limit losses by exiting the position @....

First Investment Decision: Quality Is this a good company to own?

Indicators of Quality

- ❑ Demonstrated sales growth in a growth market
 - ❑ Demonstrated earnings growth
 - ❑ Good Profit Margins
 - ❑ High return on Invested Capital and Equity
 - ❑ Good Management Team
-
- ❑ Typically we are looking for leaders in an industry group.
 - ❑ It is very important to understand a company relative to its peers in an industry
 - ❑ Comparison of financial measures across industry groups can lead to misleading conclusions.

A bad stock is not worth owning at any price!!

Investment thesis

- The industry leader XYZ is a good investment because:
 - Reason 1
 - Reason 2
 - Reason 3
- Risks to this investment are
 - Risk 1
 - Risk 2

Come back to re-examine this thesis frequently

Disciplined buying

Investment thesis:

This is a good investment because

Entry Point:

This is a good price / entry point to buy because

Position Size:

I can buy XXX shares for my portfolio

If I am right, I will make gains by selling the stock @

Exit Rules:

If I am wrong, I will limit losses by exiting the position @....

Three key Questions & Two ways to answer

1. Is the stock undervalued?
2. If so, what could the price rise to?
3. Where could I exit and minimize losses, if my analysis is wrong?

- Fundamental Analysis
- Technical Analysis

Second Investment Decision: Value

Is this a good price / entry point to buy at?

Fundamental analysis – Value vs. Price

		The buying decision	
		Price above value	Price below value
High Quality Company	High Quality Company	Wait to Buy	Buy
	Not	Short ?	Walk

Price - market tells you this everyday.
Value - your analysis based on data
- today's value
- future value

Technical analysis

Current position

- vs. trend
- vs. support and resistance

Current momentum / strength

Price / Volume patterns

Projected / Predictable outcomes

Fundamental Analysis

Value: Is this a good price to buy at?

Measures of value

- p/e ratio
- dividend yields
- book value
- p/cash flow ratio
- p/sales ratio

Benchmarks of value

- vs. history
- vs. industry peers
- vs. market

Sources of information

- Value Line sheet
- CFRA report
- XXXXX

What is the right range for these valuation ratios
For the company in question?

How does the current value for these ratios compare
to this range? to peers in the industry? to the market?

Fundamental Analysis

Value: Future Potential?

Measures of value

- p/e ratio
- dividend yields
- p/book value
- p/cash flow ratio
- p/sales ratio

Benchmarks of value

- vs. history
- vs. industry peers
- vs. market

Sources of information

- Value Line sheet
- CFRA report
- Ford Equity Report

What is the right range for these valuation ratios
For the company in question?

How is the company growing?

- Sales
- EPS
- Cash flow
- Etc.

$$\text{Future High Price projection} = \text{Future EPS} \times \text{Average Hi P/E ratio}$$

- Projected EPS
 - sales growth
 - EPS growth
- P/E ratio history
 - Expected high P/E

Fundamental Analysis

Value: Today vs. the future

Easy Way – price projected by analyst reports

Sources of information

- Value Line sheet – future price projection
- CFRA report – 12 month price target
- Analyst reports – Street.com, Brokerage sites
- MorningStar

Fundamental analysis – Value vs. Time

		The buying decision	
Current Value vs. price	Hi	No	Maybe
	Low	Why bother?	Yes
		Low	Hi
		Future Value vs. today	

Disciplined buying

Investment thesis:

This is a good investment because

Entry Point:

This is a good price / entry point to buy because

Position Size:

I can buy XXX shares for my portfolio

If I am right, I will make gains by selling the stock @

Exit Rules:

If I am wrong, I will limit losses by exiting the position @....

Support Levels

- Term from technical analysis:

 - Definition: A price range where the market has repeatedly reversed a downward trend.

- Support levels can be read from the stock chart

- Support levels

 - Offer downside protection
 - Offer a place where prices will slow down in a decline
 - If penetrated by a downtrend can signify further downside.

- Support levels are a good marker for

 - Rethinking a buy decision
 - Stop orders

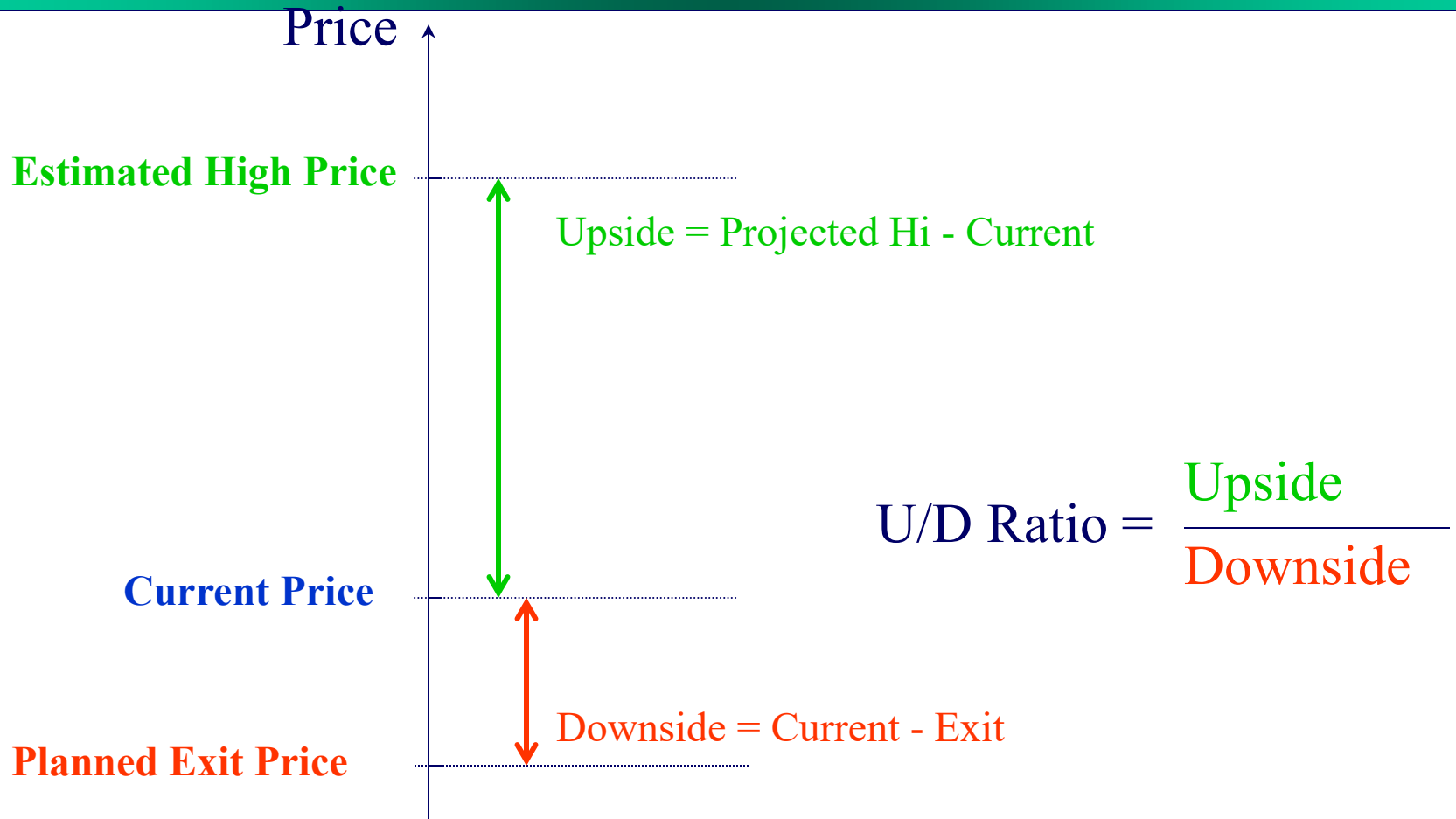
Position Exits

What will I do to limit losses if my bullish view is wrong?

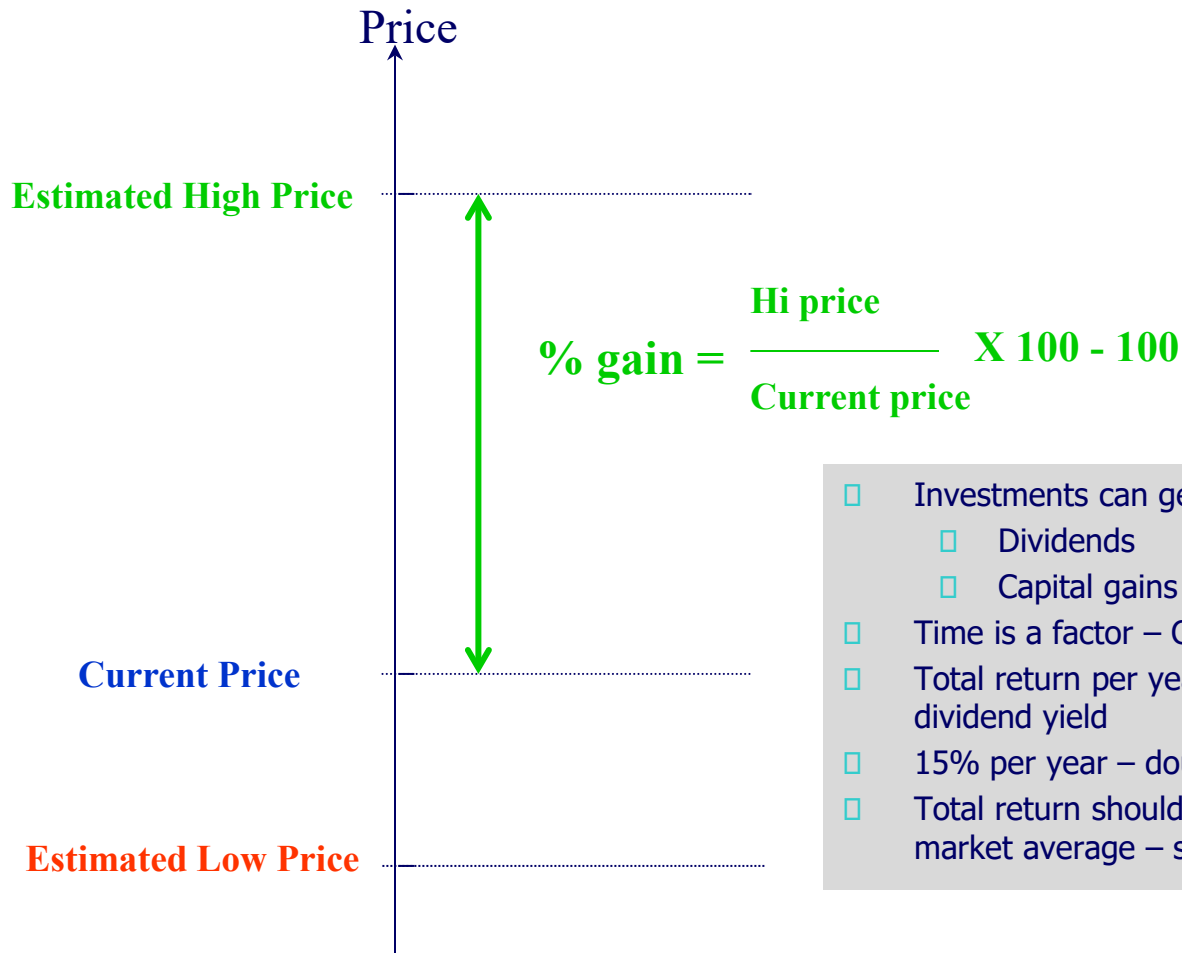
- Position exits
 - Just Below a support level or a moving average
 - A fixed % or amount of loss

- Maximum projected loss per share
 - Buy price – planned exit price.

Buy with Good Upside Downside Ratio



Buy with good projected returns



- Investments can generate returns in two ways:
 - Dividends
 - Capital gains - Stock price appreciation
- Time is a factor – Capital gains per year (CAGR)
- Total return per year = CAP Gains CAGR + dividend yield
- 15% per year – doubles money in 5 years
- Total return should be more than projected market average – source Value Line



THE VALUE LINE

Investment Survey®

Part 1

Summary & Index

File at the front of the Ratings & Reports binder. Last week's Summary & Index should be removed.

September 27, 2024

TABLE OF SUMMARY & INDEX CONTENTS		Summary & Index Page Number	
Industries, in alphabetical order		1	
Stocks, in alphabetical order		2-22	
Noteworthy Rank Changes		24	
SCREENS			
Industries, in order of Timeliness Rank	24	Stocks with Lowest P/Es	35
Timely Stocks in Timely Industries	25-26	Stocks with Highest P/Es	35
Timely Stocks (1 & 2 for Performance)	27-29	Stocks with Highest Annual Total Returns	36
Conservative Stocks (1 & 2 for Safety)	30-31	Stocks with Highest 3- to 5-year Dividend Yield	36
Highest Dividend Yielding Stocks	32	High Returns Earned on Total Capital	37
Stocks with High 3- to 5-year Price Potential	32	Bargain Basement Stocks	37
Biggest "Free Flow" Cash Generators	33	Untimely Stocks (5 for Performance)	38
Best Performing Stocks last 13 Weeks	33	Highest Dividend Yielding Non-utility Stocks	38
Worst Performing Stocks last 13 Weeks	33	Highest Growth Stocks	39
Widest Discounts from Book Value	34		

The Median of Estimated **PRICE-EARNINGS RATIOS** of all stocks with earnings

18.3

26 Weeks Ago	Market Low	Market High
18.1	3-23-20 11.0	7-16-24 18.2

The Median of Estimated **DIVIDEND YIELDS** (next 12 months) of all dividend paying stocks

2.1%

26 Weeks Ago	Market Low	Market High
2.1%	3-23-20 3.7%	7-16-24 2.1%

The Median Estimated **THREE-TO-FIVE YEAR PRICE APPRECIATION POTENTIAL** of all stocks in the VL Universe

40%

26 Weeks Ago	Market Low	Market High
45%	3-23-20 145%	7-16-24 45%

The Median Estimated **18-MONTH APPRECIATION POTENTIAL TO TARGET PRICE RANGE** of all stocks in the VL Universe

15%

26 Weeks Ago	Market Low	Market High
12%	3-23-20 72%	7-16-24 14%

Disciplined buying

Investment thesis:

This is a good investment because

Entry Point:

This is a good price / entry point to buy because

Position Size:

I can buy XXX shares for my portfolio

If I am right, I will make gains by selling the stock @

Exit Rules:

If I am wrong, I will limit losses by exiting the position @....

Position sizing rule:

- Set these parameters for your portfolio.
 - Max position size for any one investment in the portfolio
 - Max loss tolerated in any single investment
 - As a % of the total portfolio
 - As a % of the single investment

- Calculate maximum number of units of any investment based on:
 1. Limiting **max. position size** in portfolio = Formula 1
 2. Limiting **max loss per investment** in portfolio = Formula 2

- Pick the lesser of the two numbers as your max position size.

Position sizing example:

Example:

- Sue's total portfolio is **\$200,000**.
- She wants to limit investment in any single instrument to **2%** of her portfolio
- She wants to limit loss in any investment to **1%** of her portfolio.
- Sue is considering buying stock of Wizz Co.
- The stock price is **\$10**.
- She will exit the position if price drops to **\$8**.

Formula 1
Max. investment

Sue can invest a max. of 2% of \$200,000 in Wizz Co. = \$4000
Sue can buy a maximum of **400** shares of Wizz co. ... $\$4000 \div \10

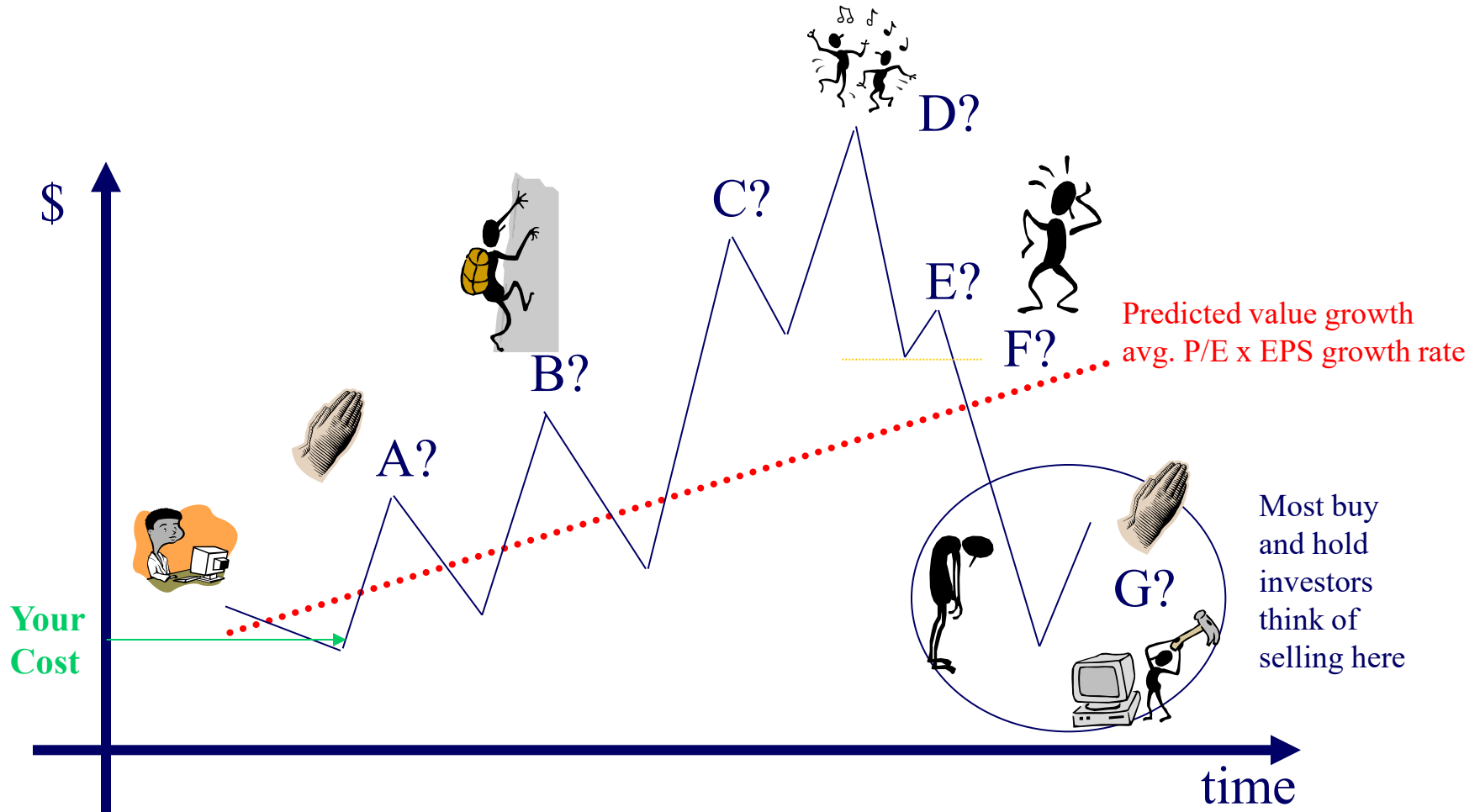
Formula 2
Max. loss

Sue will lose a maximum of 1% of \$200,000 in any investment = \$2000
Sue can lose a maximum of \$10 - \$8 per share on her Wizz investment = \$2
Sue can buy a maximum of **1000** shares of Wizz Co. = $\$2000/\2

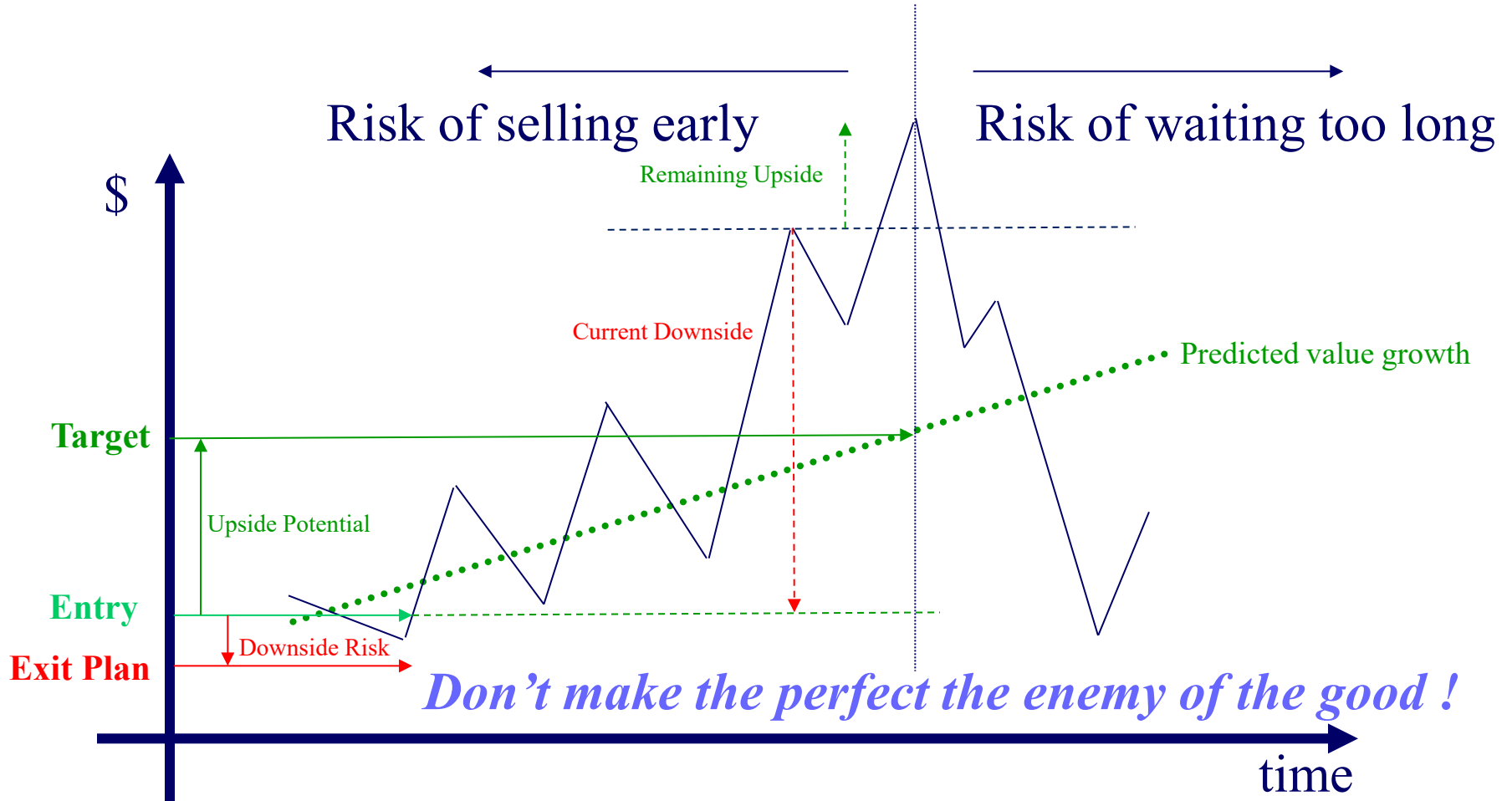
Smallest of the two

Sue's position size for Wizz is a maximum of 400 shares

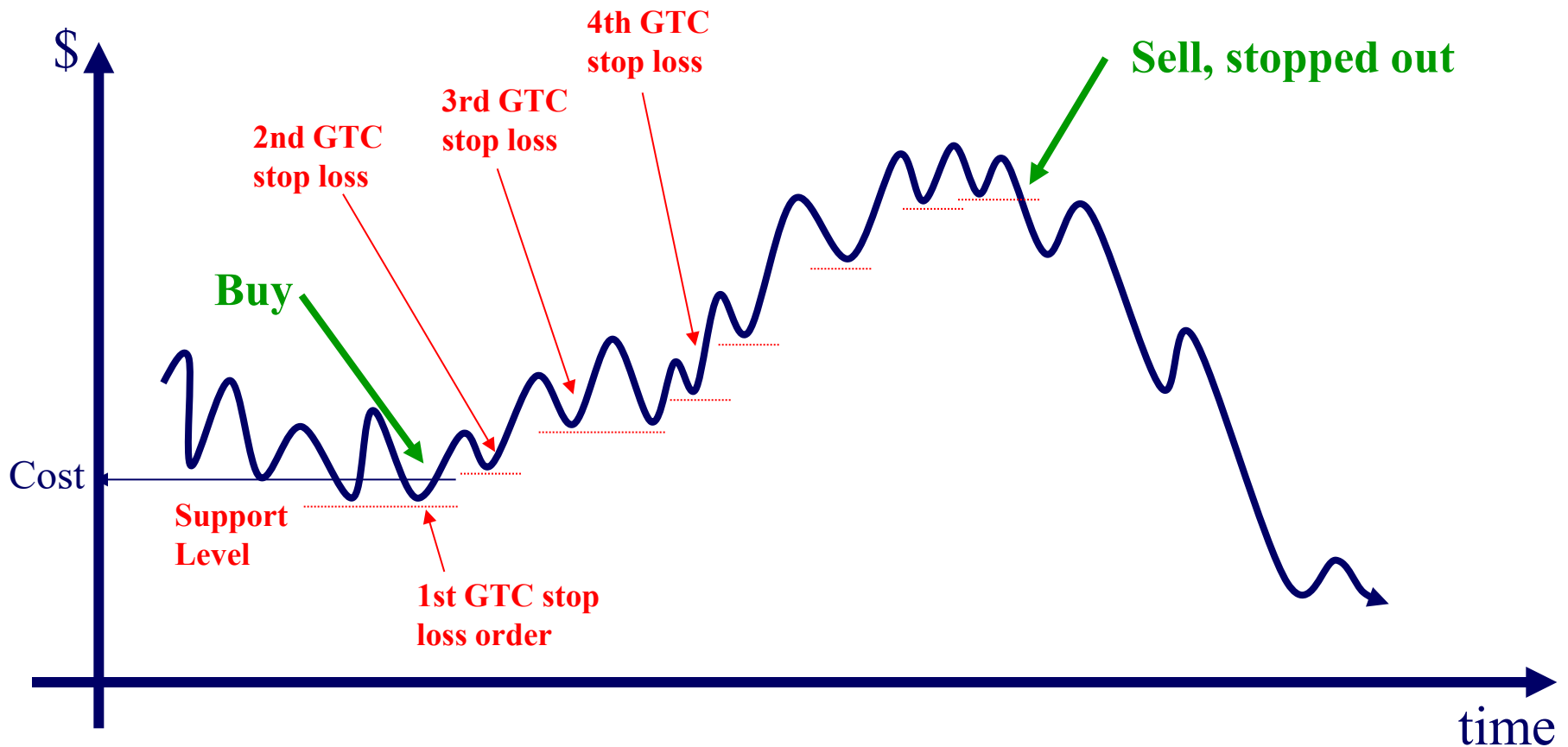
When will you sell?



When will you sell?



Protect gains - stop orders



Stop Loss Orders

- Good way to take 'spur of the moment' emotion out of selling decision
- Good way to act in a timely way w/o watching the ticker tape for a living ..
- Can be used to:
 - limit losses
 - protect profits

Not the panacea – many issues with managing stop loss orders.

Disciplined buying

Investment thesis:

This is a good investment because

Entry Point:

This is a good price / entry point to buy because

Position Size:

I can buy XXX shares for my portfolio

If I am right, I will make gains by selling the stock @

Exit Rules:

If I am wrong, I will limit losses by exiting the position @....

Sixth Class – Oct. 9th

- Market Update – Rajeev – 20 minutes
- ETFs deep dive – Part 1
 - What is an ETF?
 - How does it work?
 - Performance Criteria for an ETF

Thanks !!

- Happy Investing !!

- **My EMail**

 - diyinvst@udel.edu

- **Class website**

 - <http://udel.edu/~diyinvst>