

ICLUBCENTRAL'S Lunchtime Stock Club

with Doug Gerlach
President, ICLUBcentral Inc.
October 2020



2

For webinar help visit www.gotowebinar.com or call 1-800-263-6317.

If You Need Webinar Help

- ▶ If you are unable to hear anything:
 1. Check speakers or headphones are plugged in.
 2. Check volume.
 3. Use GoToWebinar sound settings wizard to resolve problems.
- ▶ If graphics or audio drops in & out:
 1. Turn off any unnecessary programs.
 2. Don't connect to Internet using wifi.
 3. Listen using telephone.



3

For webinar help visit www.gotowebinar.com or call 1-800-263-6317.

Get To Know the GoToWebinar Control Panel

- ▶ If you don't see GoToWebinar Control Panel, look for small floating control bar.
- ▶ Click arrow button to show control panel.
- ▶ Click again to hide panel.

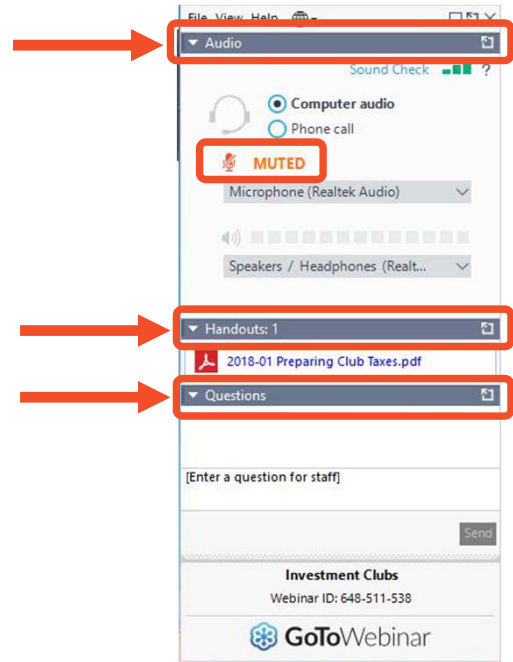


4

For webinar help visit www.gotowebinar.com or call 1-800-263-6317.

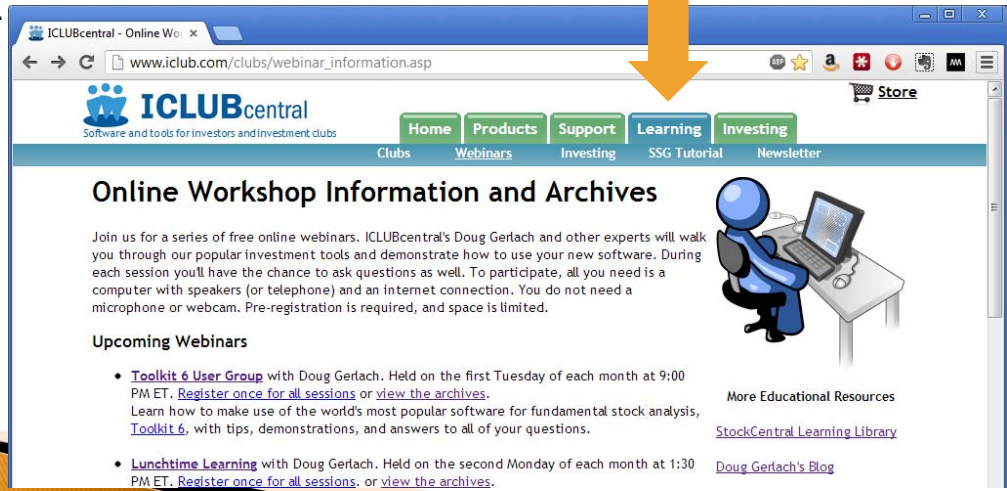
GoToWebinar Control Panel

- ▶ Use View menu click triangle at left of section label to hide/show sections:
 - **Audio** (All attendees are muted.)
 - **Handouts** (Download in PDF format.)
 - **Questions** (Type in at any time.)



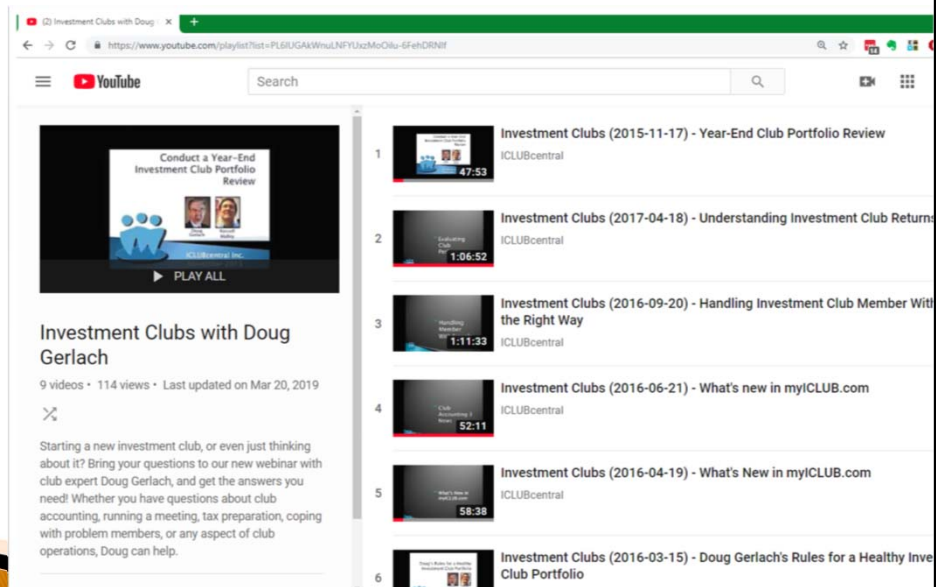
Archives & Upcoming Webinars

- ▶ Visit www.iclub.com & click **Learning** tab.
 - Upcoming schedule.
 - Archived webinars.
 - Handouts.



Visit ICLUBcentral on YouTube

- ▶ Archives of all webinars now also available on YouTube



ICLUBCENTRAL'S Lunchtime Stock Club

with Doug Gerlach
President, ICLUBcentral Inc.
October 2020



8

Market Musings

» ICLUBCENTRAL
LUNCHTIME LEARNING WITH
DOUG GERLACH



9

2020 Market Performance YTD

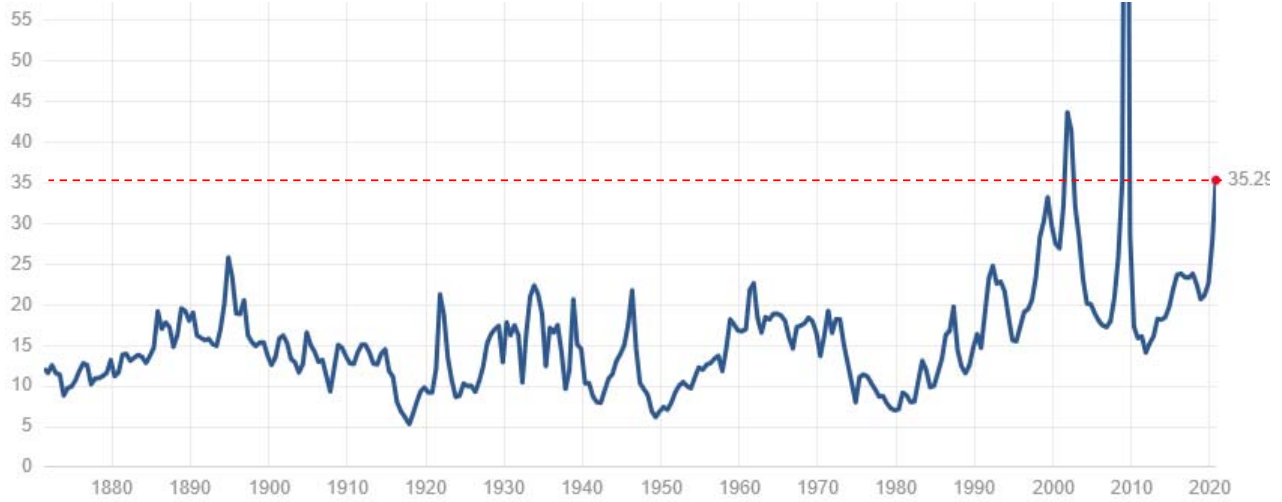


Last 3M Market Performance YTD



S&P 500 PE Ratio

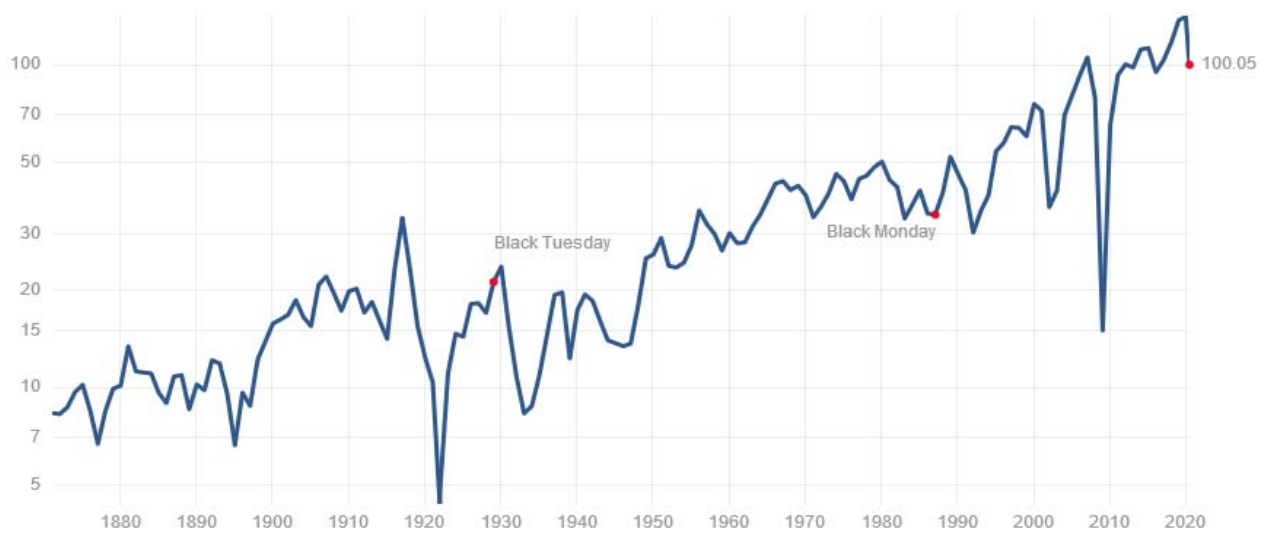
Mon 09-11-2020



Source: www.multpl.com, using estimated TTM EPS

12

S&P 500 Earnings

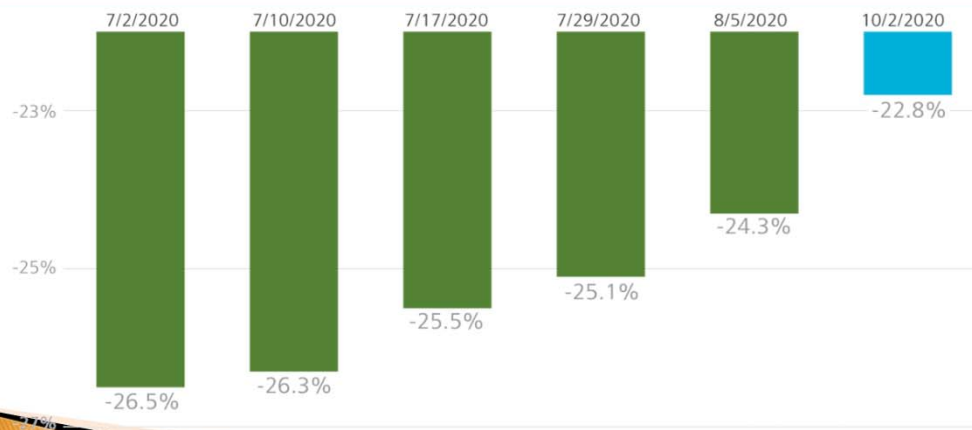


Source: www.multpl.com, using estimated TTM EPS

13

But Q3 Expectations Improving

Evolution of 2020 Q3 Earnings Growth Estimates



Source: Zacks

14

K-Shaped Economic Recovery?

- ▶ Looks most likely from this point.
 1. Unemployment improved but still remains high.
 2. Certain sectors & industries remain stressed w/no sign of when improvements may come.
 3. Risks of second wave of COVID-19 are growing.
 4. No federal stimulus prolongs downturn & makes recovery harder.

15

»» The Market & The Election

16

Election Year 2020 Forecasts

- ▶ *“Investors are betting on one of the most volatile U.S. election seasons on record, wagering on unusually large swings in everything from stocks to currencies as they brace for what could be a weekslong haul of unpredictable events.”*
 - [The Wall Street Journal](#), September 28, 2020
- ▶ *“Ahead of a potentially disputed result on November 3, fund managers are casting around for new harbors to shelter from a potential storm.”*
 - [Financial Times](#), October 7, 2020

17

Presidential Election Market Cycle

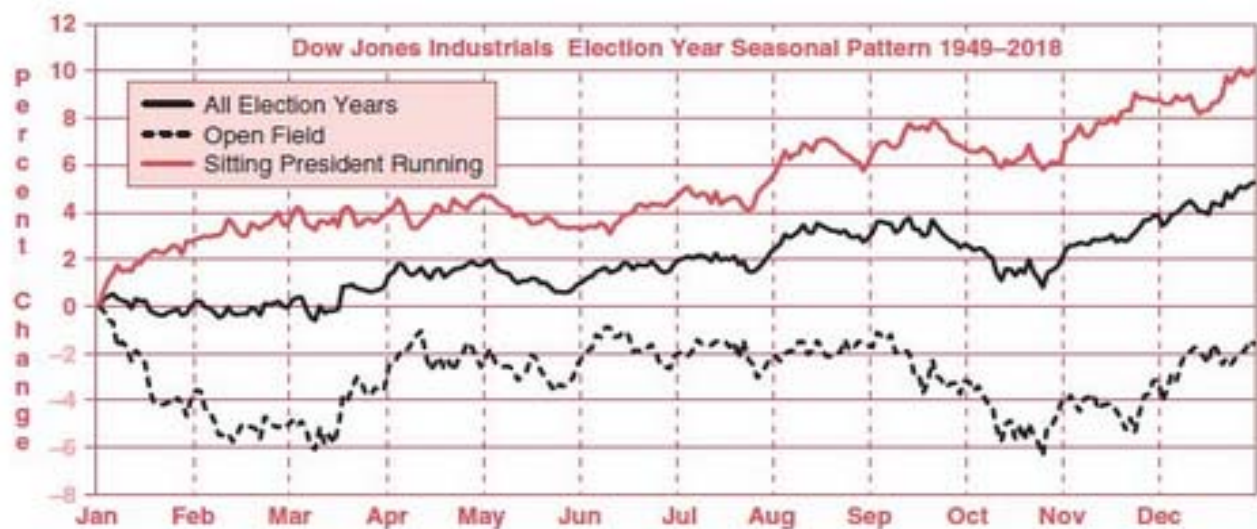
- ▶ Last 2 years of 45 presidential administrations since 1833 produced 742.5% gain.
- ▶ First 2 years of those administrations only produced 326.6% gain.



Source: Stock Market Traders Almanac 2020

18

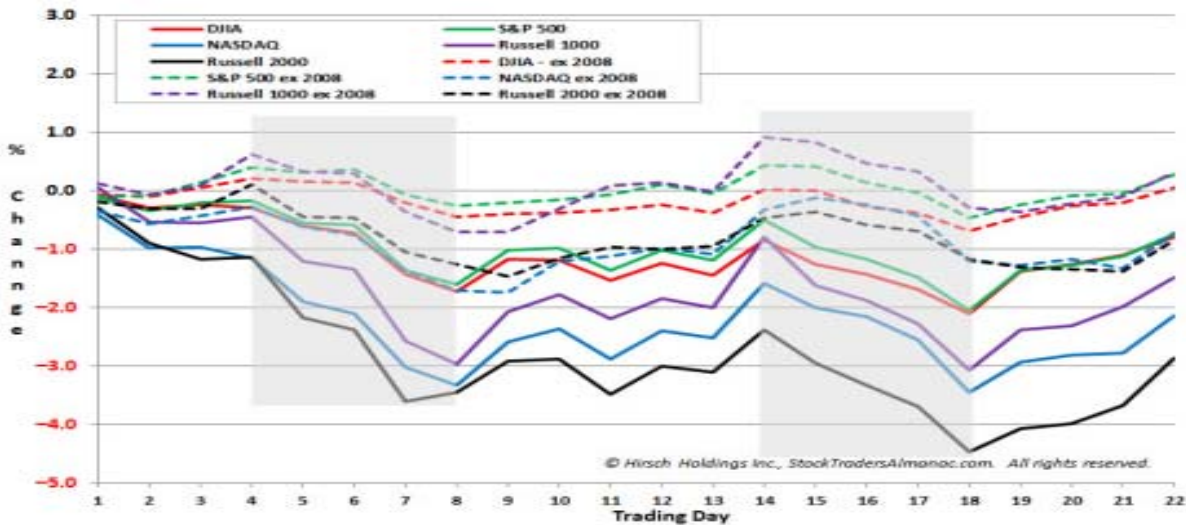
DJIA in Election Years



Source: Stock Market Traders Almanac 2020

19

Election Year October Performance



Source: Almanac Trader

20

Election Year October Markets

- ▶ “Election-year Octobers rank dead last for Dow, S&P 500 (since 1952), NASDAQ (since 1972), Russell 1000, and Russell 2000 (since 1980). Eliminating gruesome 2008 from the calculation provides a moderate amount of relief, as rankings climb to mid pack.”
- ▶ “Should a meaningful decline materialize in October it is likely to be an excellent buying opportunity, especially for any depressed technology and small-cap shares.

Jeff Hirsh, [Almanac Trader](#), 2020-09-21



21

Confused? You're Not Alone

- ▶ “Part of the problem is the markets don’t know what to do about the election. We have all been humbled in prognostications of markets given recent experiences.”
 - Gershon Distenfeld, co-head of fixed-income, AllianceBernstein



22

4 Tips for Coping w/Election Turmoil

1. Never act as result of fear or panic.
2. Remember that patience is great defense for dealing with market volatility.
3. Continue to think defensively with stock selection.
4. Begin to think about gain/loss tax harvesting prior to year-end.



23

»» Stock to Study

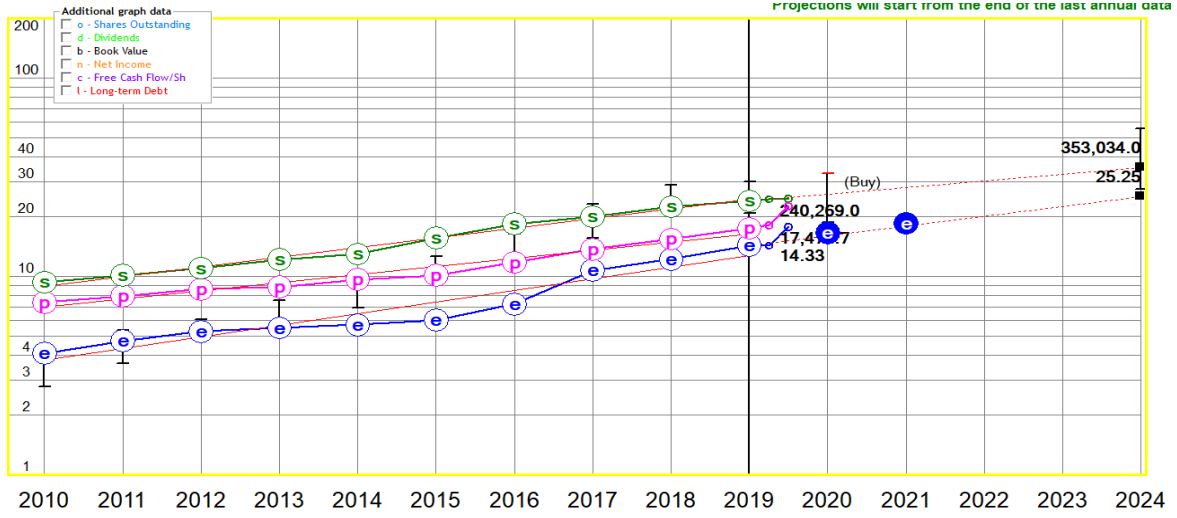
24

United Healthcare (UNH)

- ▶ Largest private health insurance provider in U.S.
- ▶ 50 million members across U.S. & international businesses.
- ▶ Recommended in September 2020 Investor Advisory Service at ~\$320 (end of July).
- ▶ Now selling at ~\$331.

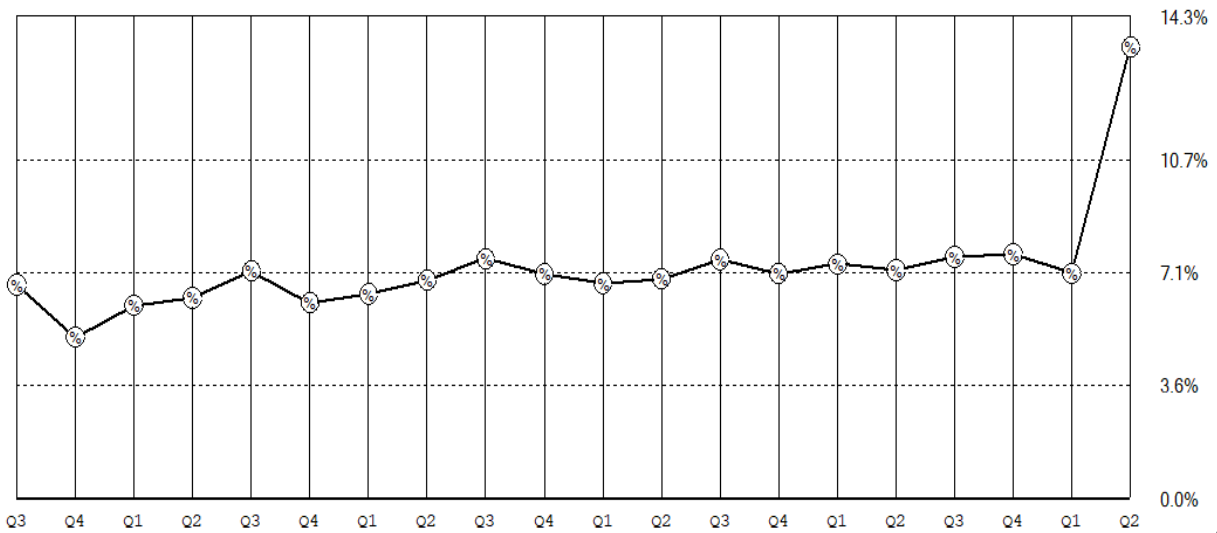
25

UNH Historical & Projected Growth



- (1) Historical Sales Growth ——— 11.9 %
- (2) Estimated Future Sales Growth ——— 8.0 %
- (3) Historical Earnings Per Share Growth ——— 14.5 %
- (4) Estimated Future Earnings Per Share Growth ——— 12.0 %

UNH Quarterly PTP Graph

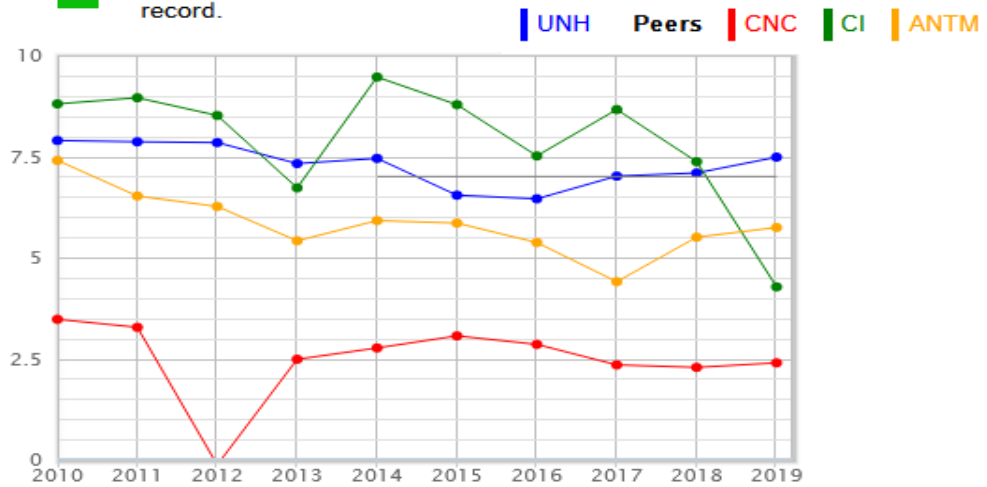


PTP Margin Compared to Peers



% Pre-tax Profit on Sales

Management appears capable of sustaining a good track record.

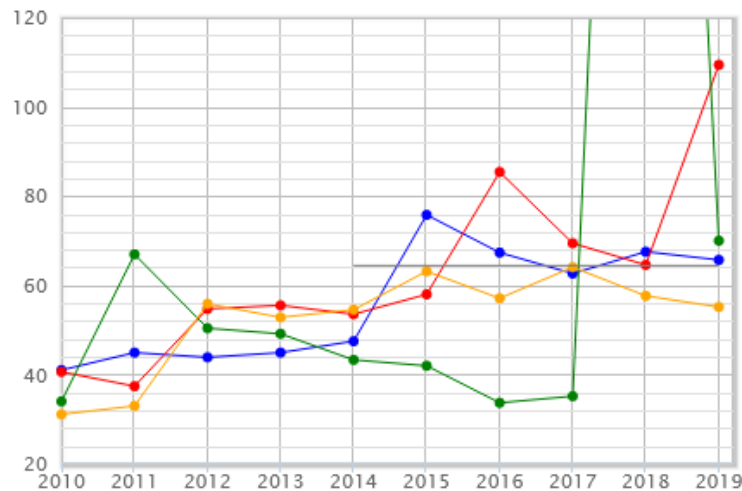


28

Debt/Equity Compared to Peers

% Long-Term Debt to Equity

UNH Peers CNC CI ANTM



29

UNH P/E History

CURRENT PRICE (P/E) **331.00 (18.6)** 52-WEEK HIGH (P/E) **331.00 (18.6)** 52-WEEK LOW (P/E) **187.72 (10.6)**

	Fiscal Year	High Price	Low Price	EPS	High P/E	Low P/E	Dividend	% Payout	% High Yield	
1	2015	126.2	95.0	6.01	21.0	15.8	1.875	31.2	2.0	
2	2016	164.0	107.5	7.25	22.6	14.8	2.375	32.8	2.2	
3	2017	231.8	156.1	10.72	21.6	14.6	2.875	26.8	1.8	
4	2018	287.9	208.5	12.19	23.6	17.1	3.450	28.3	1.7	
5	2019	300.0	208.1	14.33	20.9	14.5	4.140	28.9	2.0	
6	AVERAGE		155.0		21.9	15.4		29.6		
AVERAGE P/E RATIO		18.7		PROJECTED P/E RATIO		16.6		TTM EPS		17.78
CURRENT P/E RATIO		18.6		PEG RATIO		1.4		FTM EPS		19.91
RELATIVE VALUE		99.7%		PROJ. RELATIVE VALUE		89.1%		AVG TTM + FTM EPS		18.85



30

4 EVALUATING REWARD and RISK over the next 5 years

A FUTURE HIGH PRICE ANALYSIS — NEXT 5 YEARS

Selected High P/E **21.9** X Estimated High Earnings/Share **25.25** = Forecast High Price \$ **553.0**

B FUTURE LOW PRICE ANALYSIS — NEXT 5 YEARS

(a) Sel. Low P/E **15.4** X Estimated Low Earnings/Share **14.33** **17.78** = \$ **273.8**

(b) Average 5-Year Low Price = **155.0**

(c) Recent Severe Low Price = **187.7**

(d) Price Dividend Will Support = Present Divd. ÷ High Yield = **5.00** ÷ **0.022** = **226.3**

Selected Estimated Low Price = \$ **273.8**

C PRICE RANGES

Forecast High Price **553.0** - Estimated Low Price **273.8** = Range **279.2** 25% of Range = **69.8**

BUY (Lower 25% of Range) = **273.8** to **343.6**

MAYBE (Middle 50% of Range) = **343.6** to **483.2**

SELL (Upper 25% of Range) = **483.2** to **553.0**

Current Price **331.00** is in the **Buy** Range

D REWARD/RISK ANALYSIS (Potential Gain vs. Risk of Loss)

i The price that would satisfy both the risk (3-1 Reward/Risk ratio) and reward (15% total return) is: \$291.68

(Forecast High Price **553.0** - Current Price **331.00**) ÷ (Current Price **331.00** - Estimated Low Price **273.8**) = **3.9** To 1

31

UNH Total Return Analysis

5 TOTAL RETURN ANALYSIS

A CURRENT YIELD

Present Full Year's Dividend \$ 5.000 ÷ Current Price of Stock \$ 331.00 = 1.5 % Present Yield or % Returned on Purchase Price

B AVERAGE YIELD - USING FORECAST HIGH P/E

Avg. % Payout 29.6 ÷ Forecast High P/E 21.9 = Avg. Yield 1.4

C % COMPOUND ANNUAL TOTAL RETURN - USING FORECAST HIGH P/E

Average Yield 1.4 % + Annual Appreciation 10.8 % = Compound Annual Total Return 12.2 %



32

» Questions?



33

Where's Doug?

- ▶ Oct 17 – BetterInvesting Northern Texas Chapter.
- ▶ Nov 7 – BetterInvesting Northern California Chapters.
- ▶ Nov 10 – BetterInvesting Puget Sound Chapter.
- ▶ Nov 17–19 – eMoneyShow.
- ▶ Dec 5 – BetterInvesting Philadelphia, Willow Grove, PA.
- ▶ Dec 7–9 – eMoneyShow.



34



35

Thank You!

ICLUBcentral Inc.

www.iclub.com

Write me:

gerlach@iclub.com

