Investment Club Portfolio Reviews

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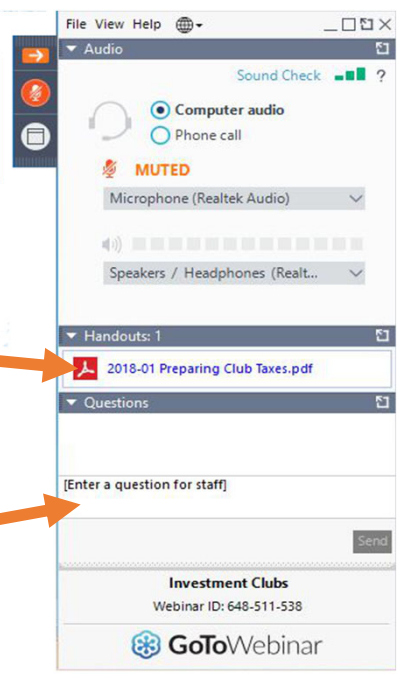This Webinar Brought to You by

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Handouts: 1

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DOUG'S RULES OF PORTFOLIO CONSTRUCTION FOR INVESTMENT CLUBS

DEVELOP SPECIFIC, TANGIBLE PORTFOLIO GUIDELINES

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1. Get in & Stay in the Market

- Remain 100% invested in stocks at *all times.*
  - Don't sit on cash – withdrawals can be handled by selling your biggest losers or transferring shares of big winners.
- Market & economic cycles give you opportunities if your approach is truly long-term.
- Most market gains come in just few days in a year (in 2023, almost all gains came from just 6 days).
  - Missing those big moves reduces returns considerably.
- Waiting out market's doldrums is more effective than trying to guess when to get in/out.

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2. Keep Club Portfolios Simple

- **Invest only in stocks** & **avoid arcane/problematic investments**:
  - Real Estate Investment Trusts (REITs).
  - Business Development Companies (BDCs).
  - Publicly-Traded Partnerships (PTPs) & Master Limited Partnerships (MLPs).
  - Commodity Exchange Traded Funds (ETFs that hold commodities).
  - Any ETFs or mutual funds (unless portfolio advantages are well-articulated as part of strategy & overcome accounting issues).
- Any of these can complicate tax preparation & unit value accounting.
  - *Sell before 12/31 to prevent future tax preparation hassles.*

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3. Keep Club Portfolios Concentrated

- Hold no stock that's less than 3% of total portfolio.
  - Even if these perform well, won't significantly affect returns.
- 20-25 well-chosen stocks delivers optimal return/risk in diversified portfolio.
  - Owing more stocks effectively turns portfolio into index fund & prevents outperforming broader market.
  - Very large (>$1M) may add more holdings.
  - # of club members may also affect max # of stocks covered.
- Concentration forces members into making good choices about stock picks & prevents lackadaisical decision-making.

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Total Portfolio Risk as Function of # of Stocks

INITIALLY, ADDING STOCKS GREATLY DECREASES RISK IN PORTFOLIO.

Total portfolio risk

HOWEVER, ONCE STOCKS HELD EXCEEDS ~20, ADDING MORE COMPANIES DOES *NOT* FURTHER REDUCE RISK.

Market risk

Standard Deviation (%) — 10, 15, 20, 25, 30

Number of Stocks — 1, 10, 19, 28, 37, 46, 55, 64, 73, 82, 91, 100
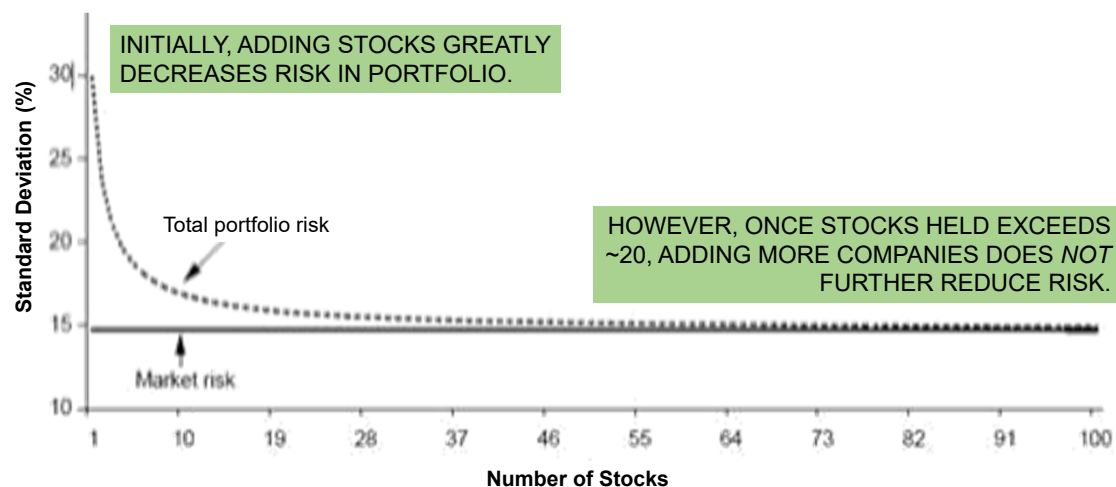
Source: Dresdner Kleinwort Macro Research

4. Diversify by Company Size

- Diversify by size of revenues to include small, midsized & large companies.
  - Midsized revenues between $1B and $10B.
- BI suggests 25% small, 50% mid, 25% large.
  - This is good target even if never precisely achieved.
- Deviate from this plan only with well-conceived, thoughtful strategy that sets custom target.

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Characteristics of Company Sizes

{ ■ Micro < $100 Million. } *More speculative.*

{ ■ Small < $1 Billion.
■ Mid >$1 and < $10 Billion. } *Sweet spot for total return.*

{ ■ Large < $50 Billion. } *Add stability + dividends.*

{ ■ Mega > $50 Billion. } *May not provide enough growth to drive prices.*

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5. Diversify by Sector & Industry

- Must include healthy allocation of sectors in each **Super Sector**: Defensive, Sensitive, & Cyclical.
  - Target minimum of 15% in each Super Sector.
- Don't need to include every other **Sector**, but try to include as many as possible to represent broad swath of US economy.
  - Real Estate, Energy, & Utilities sectors may be avoided in club/BI-style portfolios.
- Include many divergent **Industries**.
  - Avoid companies in overlapping or adjacent industries.
  - Target no industry less than 3% or more than 15%.

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Super Sectors & Sectors

Cyclical	**Sensitive**	**Defensive**
Basic Materials	Communication Services	Consumer Defensive
Consumer Cyclical	Industrials	Healthcare
Financial Services	Technology	Utilities*
Real Estate*	Energy*	

Don't often fit the BI model or are not suitable for investment clubs.

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6. Keep Focus on Growth

- Disciplined approach to investing (using SSG) is key to performance.
- BetterInvesting's 3 key objectives to outperform market over time:
  1. Capital appreciation driven by fundamental growth.
  2. Value from buying at reasonable prices.
  3. Income from dividends.
- Straying from these priorities can lead to underperformance.
  - Seek minimum average EPS growth of 10-12% (so appreciation exceeds market return).
  - If too many stocks are slow-growth, dividends won't lift returns enough.
- Treat club portfolio like growth mutual fund & thus allow members to accommodate club in their personal portfolio approach.

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7. Maintain Active Management

- Avoid human tendency to hold on to underperforming or uncertain companies for too long.
- Better to take action too soon/too often rather than too late.
- Use club's portfolio construction guidelines as fuel for dealing with stocks that have uncertain prospects.
- Use tax harvesting to reduce overweight positions.
- Use "Challenge" approach to swap underperformers for stocks with greater potential.

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Investment Club Portfolio Clinic

ANY OPINIONS OFFERED ARE THOSE OF DOUG GERLACH, AND DO NOT REPRESENT THE VIEWS OF BETTERINVESTING OR ICLUBCENTRAL. CONDUCT YOUR OWN STOCK STUDIES AND RESEARCH BEFORE MAKING DECISIONS ABOUT YOUR PORTFOLIO.

What I Won't Be Addressing

- Tax considerations:
  - Though they are important in making wise portfolio moves.
- Past performance:
  - Whether or not stock is in gain or loss column is largely irrelevant to its future potential.
- Potential fundamental problems:
  - Problems are easy to spot. Determining if long-term prospects are still good requires research & experience.
  - Don't default to "hold" when you are uncertain.
- Non-club-related issues:
  - Individual investor portfolios don't always face same constraints.

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Define Your Portfolio Approach

- There is no "one size fits all" approach to portfolio construction.
- Comments come with **3** labels as outlined in my "rules":
  - **Good**, **Caution**, **Warning**.
- Few "absolutes," but hopefully these talking points will help your club examine & re-set portfolio construction guidelines that fit your objectives.
- Having practical goals gives members something to work towards.

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CAPGAINS IC

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Club Composition

- 29 members.
- 12 companies.
- Located in Florida.
- Founded in 2015.

- Caution: # of companies is *very* concentrated.
  - Could potentially reduce overall risk by adding more holdings.
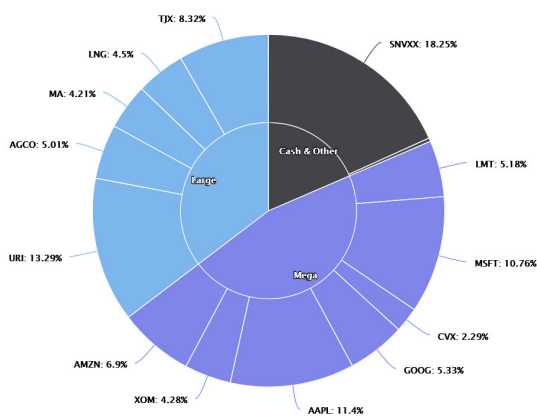 - Members could follow more companies.

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Portfolio Holdings

Apple (AAPL)	11.4%
Agco (AGCO)	5.0%
Amazon.com (AMZN)	6.9%
Chevron (CVX)	2.3%
Alphabet (GOOG)	5.3%
Lockheed Martin (LMT)	5.2%
Cheniere Energy (LNG)	4.5%
Mastercard Incorp Co (MA)	4.2%
Microsoft (MSFT)	10.8%
TJX Companies (TJX)	8.3%
United Rentals (URI)	13.3%
Exxon Mobil (XOM)	4.3%
Total Securities	**81.5%**
Cash	18.5%

- Caution: One holding may be too small 2.3%.
- Good: No overweight positions (largest holding 13.3%).
- Good: No arcane/problematic investments.
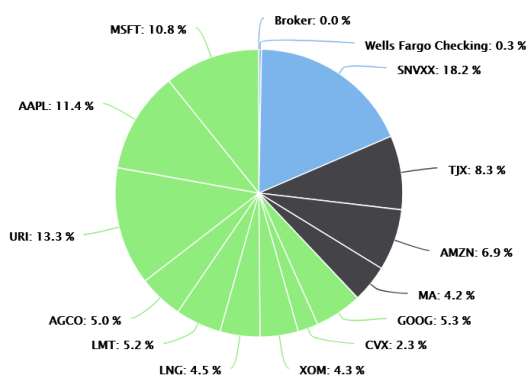- Warning: Cash is very high 18.5%.

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Diversification by Company Size

- **Warning**: No small or midsized companies.
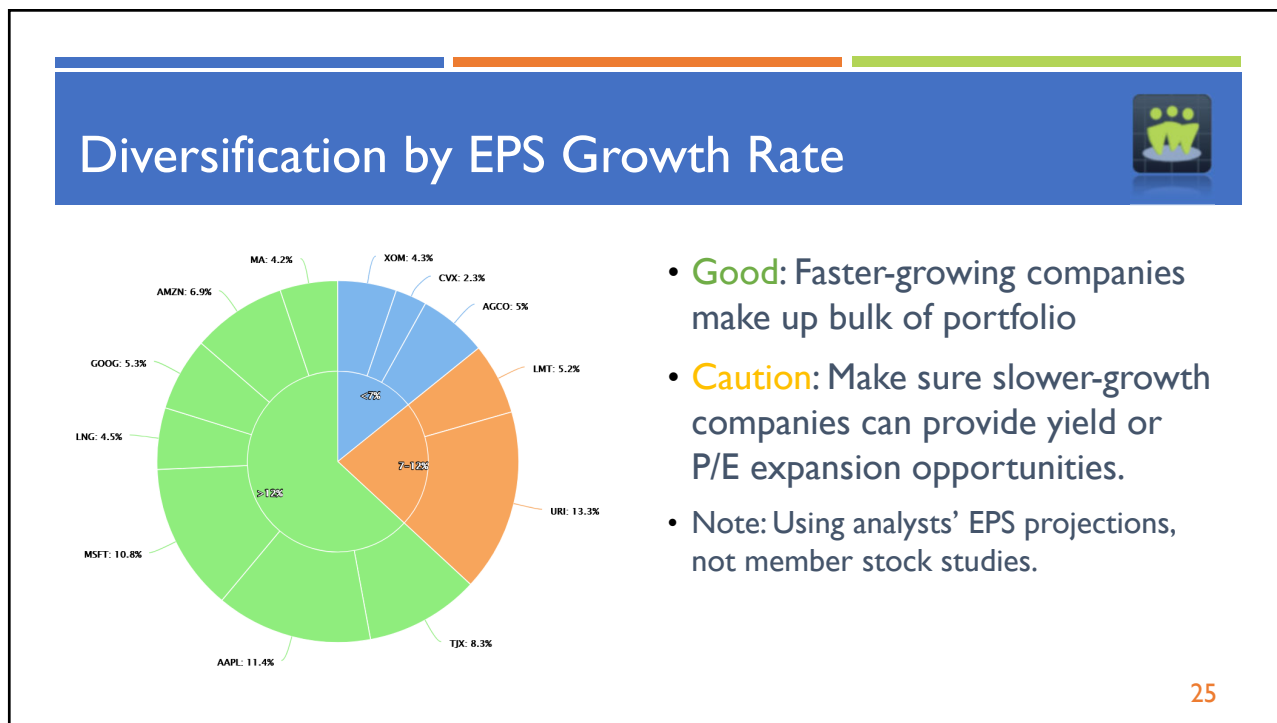- **Warning**: Mega & large over-represented.

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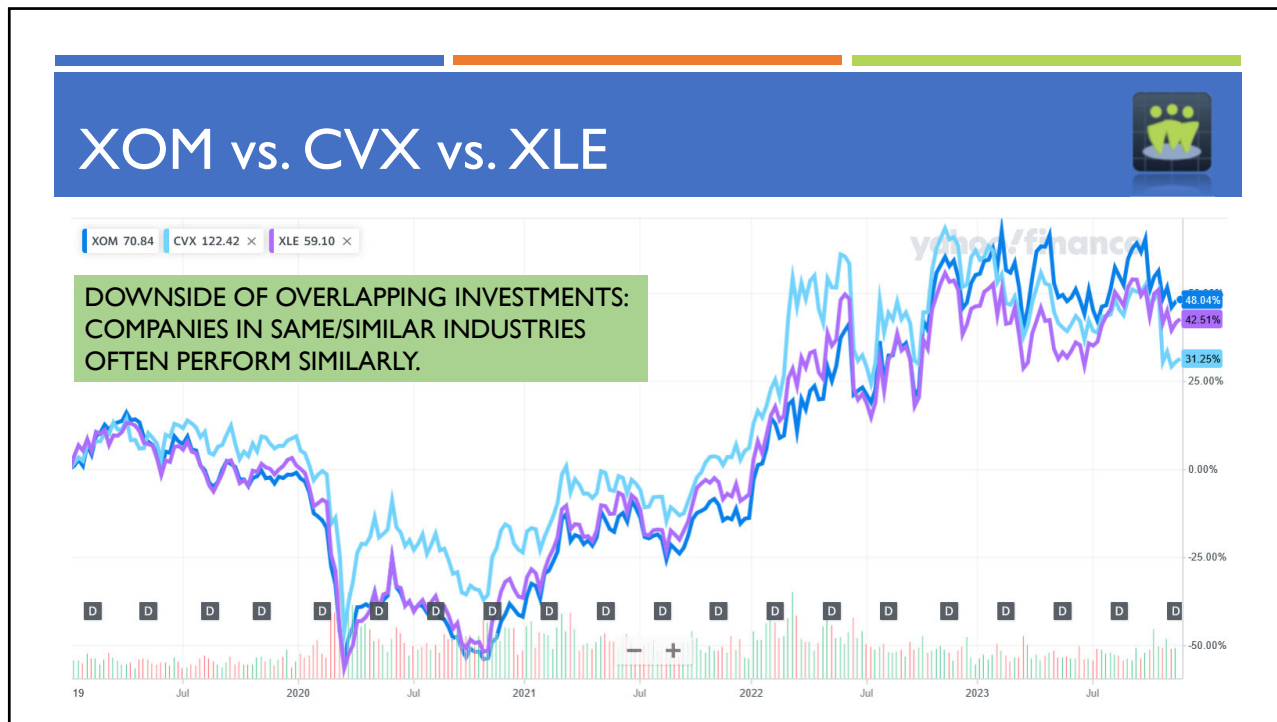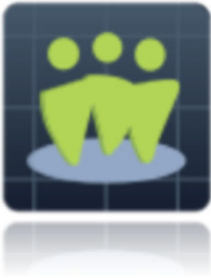## Diversification by Sector & Industry

- **Caution**: Lots of Energy sector exposure: 2 companies overlap in same industry (XOM & CVX) 6.6% of portfolio, 3rd company (LNG) 4.5%.
- **Good**: Sensitive & Cyclical Super Sectors well-covered (Basic Materials sector not included.)
- **Warning**: No Defensive Super Sector companies (Consumer Defensive, Healthcare sectors).

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XOM vs. CVX vs. XLE

XOM 70.84 | CVX 122.42 × | XLE 59.10 ×

DOWNSIDE OF OVERLAPPING INVESTMENTS: COMPANIES IN SAME/SIMILAR INDUSTRIES OFTEN PERFORM SIMILARLY.

Diversification by EPS Growth Rate

- **Good**: Faster-growing companies make up bulk of portfolio
- **Caution**: Make sure slower-growth companies can provide yield or P/E expansion opportunities.
- Note: Using analysts' EPS projections, not member stock studies.

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UNIVERSAL INVESTMENT CLUB

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Club Composition

- 6 members.
- 11 companies.
- Located in Iowa.
- Founded in 1990s.

- Caution: # of companies is *very* concentrated.
  - Could potentially reduce overall risk by adding more holdings.
 - Members would need to follow more companies.

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Portfolio Holdings

Apple (AAPL)	10.0%
Amazon.com AMZN)	7.6%
Berkshire Hathaway (BRK.B)	11.9%
Costco Wholesale (COST)	8.5%
Alphabet A (GOOGL)	5.8%
Iridium Comm IRDM)	10.5%
Microsoft (MSFT)	6.9%
Skyworks Solution (SWKS)	4.2%
Tractor Supply (TSCO)	14.6%
Ulta Beauty (ULTA)	7.2%
VISA (V)	12.4%
Total Securities	**99.6%**
Total Cash	**0.4%**

- Good: No underweight positions (smallest 4.2%).
- Good: No overweight positions (largest 14.6%).
- Good: No arcane/problematic investments.
  - Note: BRKB doesn't fit BetterInvesting model, but who argues with Warren?
- Good: Companies largely fit BI model, owned by other clubs, featured in IAS or SCI newsletters.
- Good: Cash is low 0.4%.

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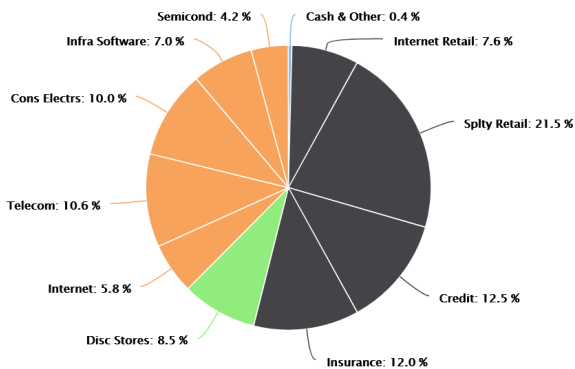## Diversification by Company Size
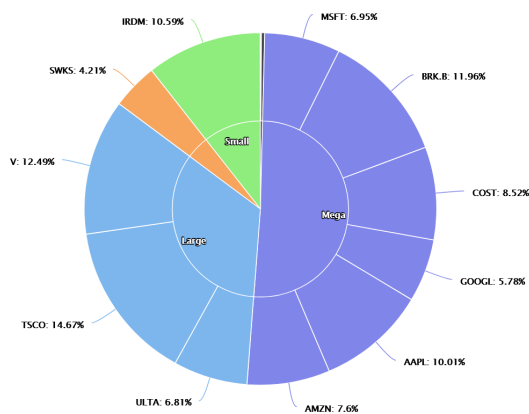
- Warning: Only 1 small & 1 midsized company.
- Warning: Mega & large over-represented.
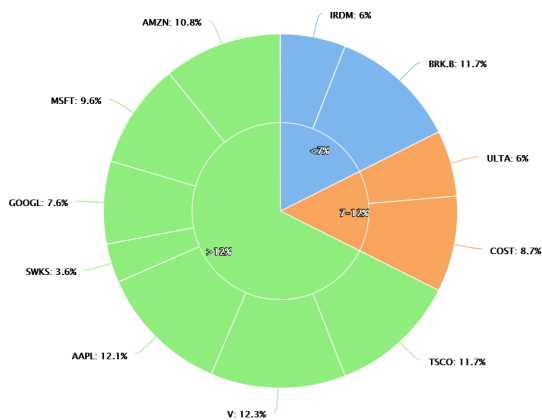- Caution: Only small company (IRDM) is "speculative" (no current EPS or history of EPS growth).

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Diversification by Sector & Industry

Semicond: 4.2 %
Infra Software: 7.0 %
Cons Electrs: 10.0 %
Telecom: 10.6 %
Internet: 5.8 %
Disc Stores: 8.5 %
Cash & Other: 0.4 %
Internet Retail: 7.6 %
Splty Retail: 21.5 %
Credit: 12.5 %
Insurance: 12.0 %

- **Caution**: Sensitive Super Sector overrepresented 37.5% (no Industrials).
- **Warning**: Cyclical Super Sector overrepresented 53.5% (no Basic Materials).
- **Warning**: Defensive Super Sector underrepresented 8.5% (no Healthcare).

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Diversification by EPS Growth Rate

AMZN: 10.8%
MSFT: 9.6%
GOOGL: 7.6%
SWKS: 3.6%
AAPL: 12.1%
V: 12.3%
IRDM: 6%
BRK.B: 11.7%
ULTA: 6%
COST: 8.7%
TSCO: 11.7%

- **Good**: Faster-growing companies make up bulk of portfolio
- **Caution**: Make sure slower-growth companies can provide yield or P/E expansion opportunities.
- **Note**: Using member stock studies for growth projections.

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JABEZ LADIES

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Club Composition

- 18 members.
- 16 companies.
- Located in Delaware/New York/Pennsylvania.
- Founded in 2017.

- Caution: Could potentially reduce overall risk by adding more holdings.
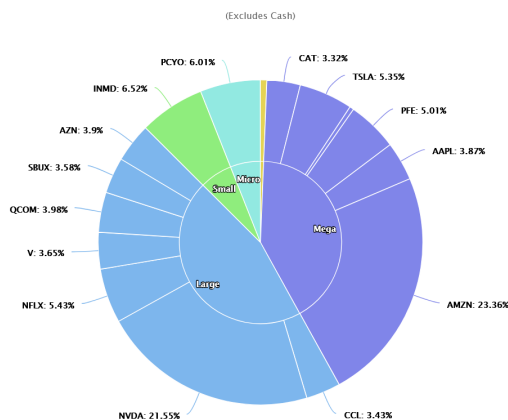 - Members can easily follow more companies.

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Portfolio Holdings

Apple (AAPL)	3.4%
Amazon.com (AMZN)	20.7%
AstraZeneca PLC (AZN)	3.5%
Global X Robotics & (BOTZ)	0.6%
Caterpillar (CAT)	2.9%
Carnival (CCL)	3.0%
Disney (Walt) (DIS)	0.4%
Inmode (INMD)	5.8%
Netflix (NFLX)	4.8%
Nvidia (NVDA)	19.1%
Pure Cycle (PCYO)	5.3%
Pfizer (PFE)	4.4%
Qualcomm (QCOM)	3.5%
Starbucks (SBUX)	3.2%
Tesla (TSLA)	4.7%
Visa (V)	3.2%
Total Securities	**88.8%**
Total Cash	**11.2%**

- **Warning**: 2 significantly underweight positions (BOTZ 0.6%, DIS 0.4%)
- **Caution**: 2 positions each more than 3X next largest positions (AMZN 20.7% & NVDA 19.1%).
- **Caution**: One ETF (BOTZ 0.6%).
- **Caution**: Several companies don't fit BI model or seem not to be growth-focused (PCYO, BOTZ).
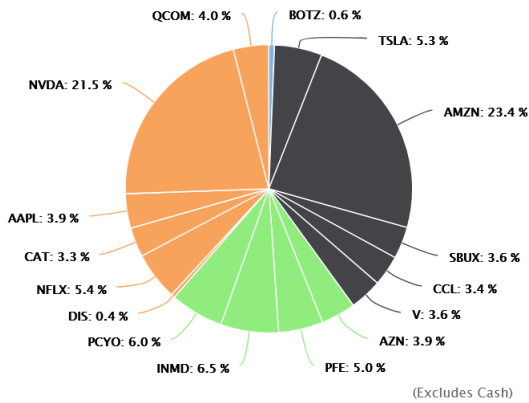- **Warning**: Cash is high 11.2%.

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Diversification by Company Size

(Excludes Cash)

PCYO: 6.01%
CAT: 3.32%
TSLA: 5.35%
INMD: 6.52%
PFE: 5.01%
AZN: 3.9%
AAPL: 3.87%
SBUX: 3.58%
Micro
Small
QCOM: 3.98%
Mega
V: 3.65%
Large
NFLX: 5.43%
AMZN: 23.36%
NVDA: 21.55%
CCL: 3.43%

- **Warning**: Only 2 small/micro companies.
- **Warning**: No midsized companies.
- **Warning**: Mega & large over-represented.
- **Note**: ETF not included in company size analysis.

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Diversification by Sector & Industry

QCOM: 4.0 %
BOTZ: 0.6 %
TSLA: 5.3 %
NVDA: 21.5 %
AMZN: 23.4 %
AAPL: 3.9 %
CAT: 3.3 %
SBUX: 3.6 %
NFLX: 5.4 %
CCL: 3.4 %
DIS: 0.4 %
V: 3.6 %
PCYO: 6.0 %
AZN: 3.9 %
INMD: 6.5 %
PFE: 5.0 %

(Excludes Cash)

- **Good:** All 3 Super Sectors represented in good allocations.
- **Caution:** No Consumer Defensive sector companies represented.
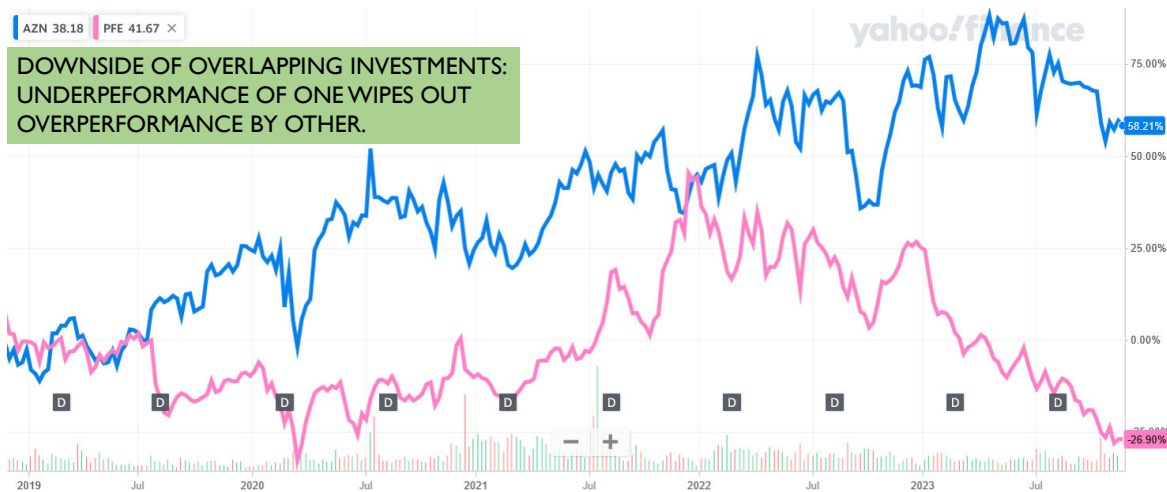- **Caution:** 2 companies overlap in same industry (PFE & AZN 7.9% of portfolio).
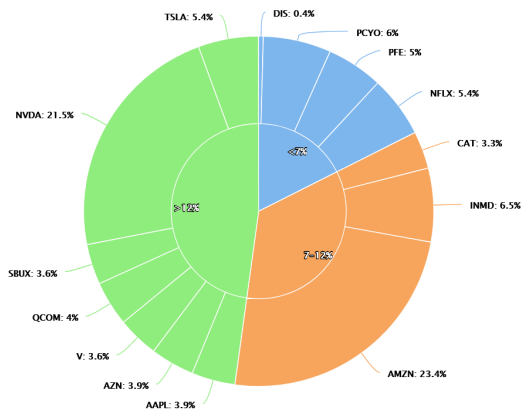
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AZN vs. PFE

AZN 38.18   PFE 41.67 ×

DOWNSIDE OF OVERLAPPING INVESTMENTS: UNDERPEFORMANCE OF ONE WIPES OUT OVERPERFORMANCE BY OTHER.

yahoo!finance

75.00%
58.21%
50.00%
25.00%
0.00%
-26.90%

2019   Jul   2020   Jul   2021   Jul   2022   Jul   2023   Jul

Diversification by EPS Growth Rate

- **Caution**: Potentially lots of slower-growth companies in portfolio.
- **Note**: Using mix of member stock studies & analysts estimates for growth projections.

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SANDPOINT WOMEN'S INVESTMENT CLUB

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Club Composition

- 8 members.

- 15 companies.

- Located in Idaho.

- Founded in 1996.

- Caution: Holding more companies could be good for overall risk/return of portfolio.

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Portfolio Holdings

Apple (AAPL)	35.8%
Amazon.com (AMZN)	1.8%
Chewy (CHWY)	0.2%
Costco Wholesale (COST)	11.4%
CSX (CSX)	4.1%
CVS Health (CVS)	2.9%
Genuine Parts Co (GPC)	1.6%
ITT (ITT)	5.3%
Johnson & Johnson (JNJ)	4.3%
3M Company (MMM)	3.5%
Nucor (NUE)	6.1%
Proctor & Gamble (PG)	5.8%
Starbucks (SBUX)	7.7%
Whirlpool (WHR)	0.9%
Exxon Mobil (XOM)	8.2%
Total Securities	**99.9%**
Total Cash	**0.1%**

- Warning: 1 significantly overweight position (AAPL 35.8%).

- Warning: 4 significantly underweight positions below 3% (AMZN 1.8%, CHWY 0.2%, GPC 1.6%, WHR 0.9%).

- Good: No arcane/problematic investments.
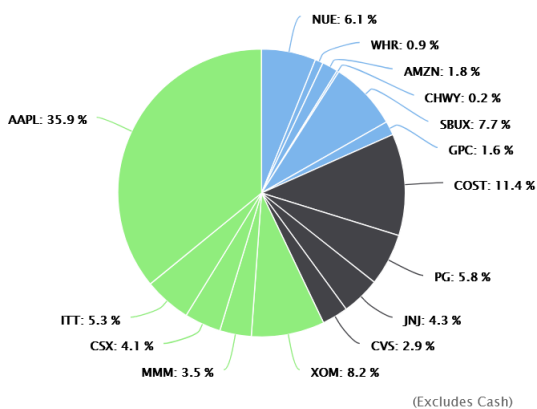
- Good: Cash is good 0.1%.

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Diversification by Company Size
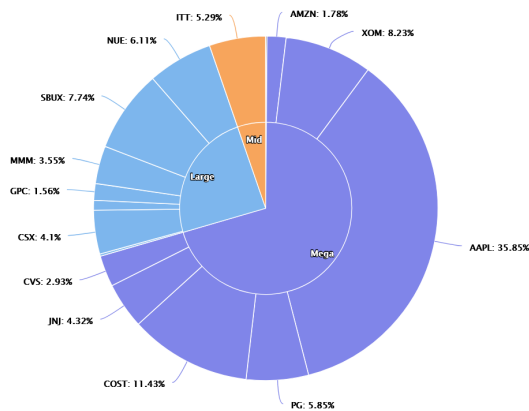
- **Warning**: No small companies.
- **Warning**: Only 1 midsized company 5.3%.
- **Warning**: Mega & large over-represented.
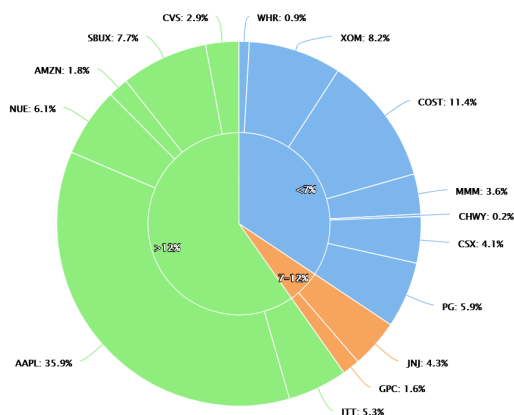
42

Diversification by Sector & Industry

- **Good**: All 3 Super Sectors represented in good allocations.
- **Good**: Many sectors represented.
- **Caution**: No Financial Services or Communications sector companies.

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Diversification by EPS Growth Rate

- Good: Faster growing companies make up bulk of portfolio.
- **Note**: Mostly using analysts estimates for growth projections, not linked SSGs.

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DEK INVESTMENTS

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Club Composition

- 12 members.
- 13 companies.
- Family club.
- Located in Minnesota, Wisconsin, Illinois.
- Founded in 2021.

- Caution: Holding more companies could be good for overall risk/return of portfolio.
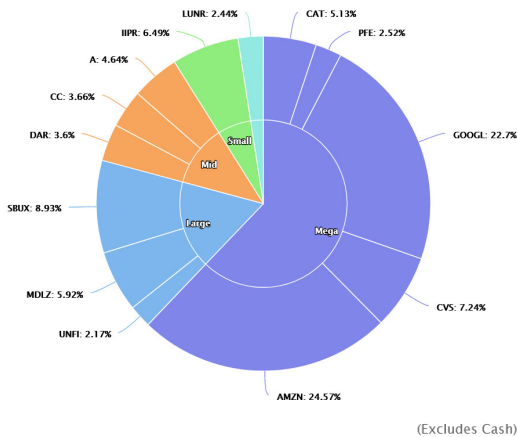- Members can easily follow more companies.

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Portfolio Holdings

Agilent Technologies (A)	3.5%
Amazon.com (AMZN)	18.5%
Caterpillar (CAT)	3.9%
Chemours Co (CC)	2.7%
CVS Health (CVS)	5.4%
Darling Ingredients (DAR)	2.7%
Alphabet A (GOOGL)	17.1%
Innovative Indl Prop (IIPR)	4.9%
Intuitive Machines I (LUNR)	1.8%
Mondelez Int Cla (MDLZ)	4.4%
Pfizer (PFE)	1.9%
Starbucks (SBUX)	6.7%
United Natural Foods (UNFI)	1.6%
Total Securities	**75.2%**
Total Cash	**24.8%**

- Warning: 3 significantly underweight positions below 3% (LUNR 1.8%, PFE 1.9, UNFI 1.6%).
  - 2 slightly underweight (2.7% OCC, 2.7% DAR).
- Warning : Cash is excessive 24.8%.
- Caution: 2 companies potentially overweighted vs. non-cash total of portfolio (AMZN 18.5%, GOOGL 17.1%).
- Caution: 1 speculative company (LUNR 1.8%).
- Caution: 1 problematic security (IIPR, REIT).

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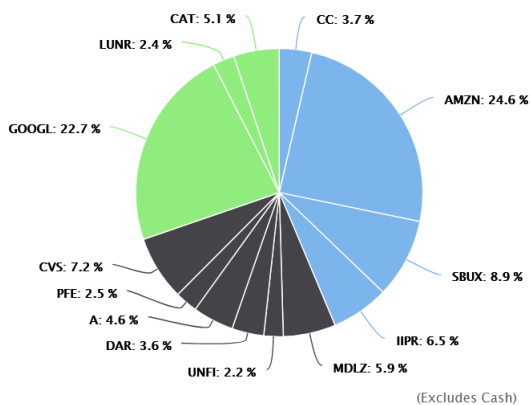## Diversification by Company Size

CAT: 5.13%
PFE: 2.52%
LUNR: 2.44%
IIPR: 6.49%
A: 4.64%
CC: 3.66%
DAR: 3.6%
SBUX: 8.93%
MDLZ: 5.92%
UNFI: 2.17%
AMZN: 24.57%
GOOGL: 22.7%
CVS: 7.24%
Small
Mid
Large
Mega

(Excludes Cash)

- Caution: Small & midsized company exposure is underweighted.
- Warning: Mega & large over-represented.

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Diversification by Sector & Industry

CAT: 5.1 %
CC: 3.7 %
LUNR: 2.4 %
AMZN: 24.6 %
GOOGL: 22.7 %
CVS: 7.2 %
PFE: 2.5 %
A: 4.6 %
DAR: 3.6 %
UNFI: 2.2 %
MDLZ: 5.9 %
IIPR: 6.5 %
SBUX: 8.9 %

(Excludes Cash)

- Good: All 3 Super Sectors represented in good allocations.
- Caution: No Financial Services or Technology sector companies.

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Diversification by EPS Growth Rate

No analysis possible: linked SSGs are incomplete.

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UMOJA INVESTMENT CLUB

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Club Composition

- 7 members.
- 10 companies.
- Located in Texas.
- Founded in 2002.

- Caution: Holding more companies could be good for overall risk/return of portfolio.
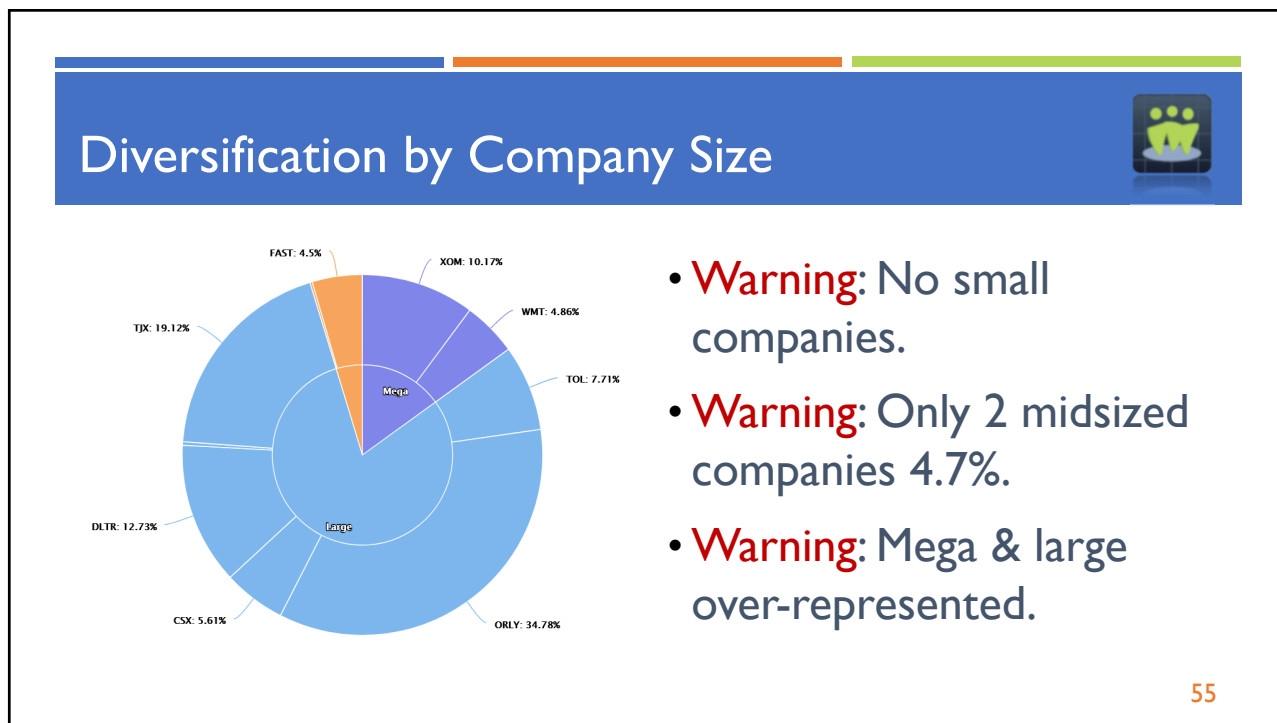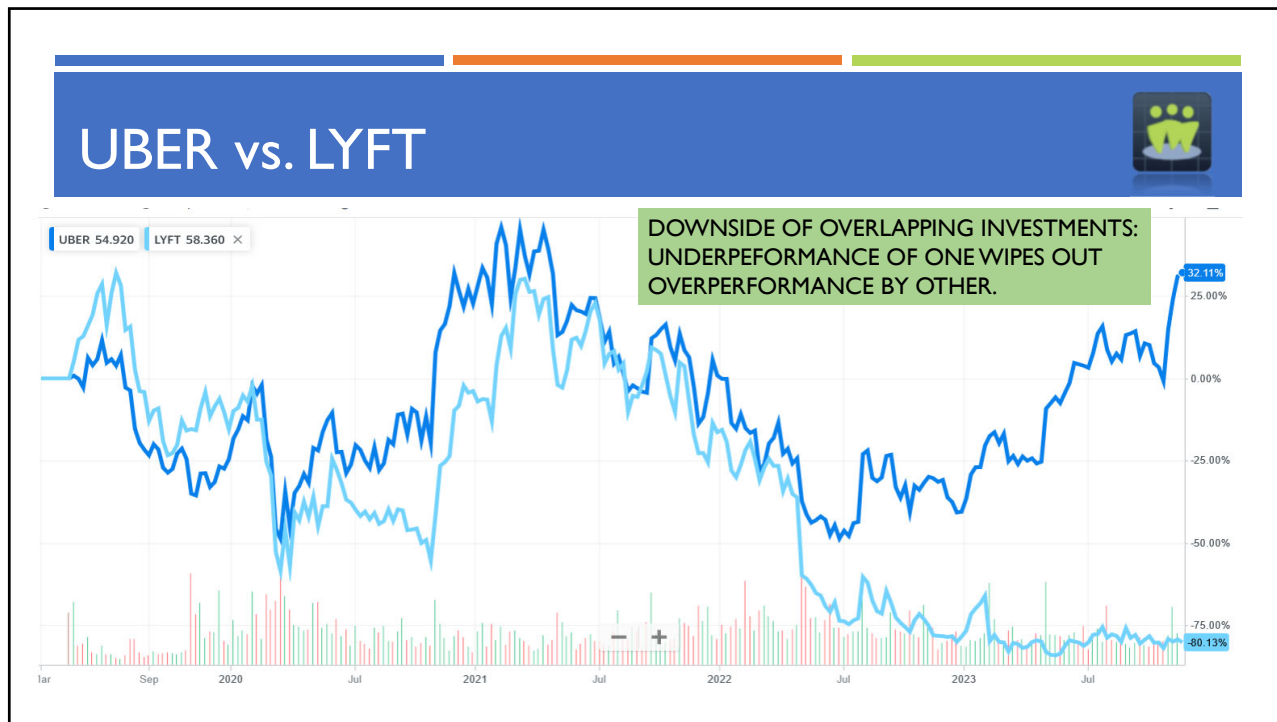 - Members can easily follow more companies.
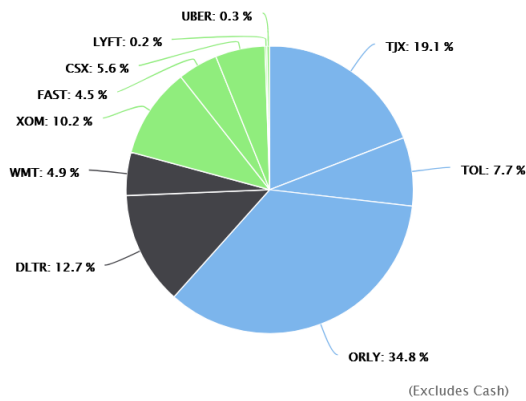
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Portfolio Holdings

CSX (CSX)	5.3%
Dollar Tree (DLTR)	12.0%
Fastenal (FAST)	4.2%
Lyft (LYFT)	0.2%
O'Reilly Automotive (ORLY)	32.7%
TJX Companies (TJX)	18.0%
Toll Brothers (TOL)	7.3%
Uber Technologies In (UBER)	0.3%
Wal-Mart Stores (WMT)	4.6%
Exxon Mobil (XOM)	9.6%
Total Securities	**94.1%**
Total Cash	**5.9%**

- Warning: 1 significantly overweight position (ORLY 32.7%).
- Warning: 2 significantly underweight positions below 3% (LYFT 0.2%, UBER 0.3%).
- Caution: 2 speculative investments/don't fit SSG model (LYFT 0.2%, UBER 0.3%).
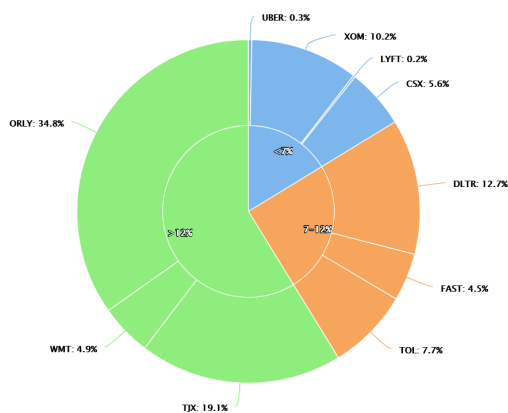- Caution: 2 overlapping investments (UBER, LYFT).
- Caution: Cash is okay 5.9%.

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Diversification by Sector & Industry

UBER: 0.3 %
LYFT: 0.2 %
CSX: 5.6 %
FAST: 4.5 %
XOM: 10.2 %
WMT: 4.9 %
DLTR: 12.7 %
ORLY: 34.8 %
TJX: 19.1 %
TOL: 7.7 %

(Excludes Cash)

- **Caution**: Cyclical Super Sector companies over-represented.
- **Caution**: Basic Materials, Financial Services, Healthcare, Communication Services sectors not represented.
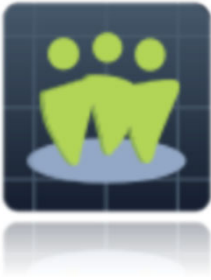
56

Diversification by EPS Growth Rate

UBER: 0.3%
XOM: 10.2%
LYFT: 0.2%
CSX: 5.6%
ORLY: 34.8%
DLTR: 12.7%
FAST: 4.5%
WMT: 4.9%
TOL: 7.7%
TJX: 19.1%

- **Good**: Faster growing companies make up bulk of portfolio.
- **Note**: Using analysts estimates for growth projections, not linked SSGs.

57

CONCHRING INVESTMENT CLUB

58

Club Composition

- 10 members.
- 13 companies.
- Located in Florida.
- Founded in 2001.

- Caution: Holding more companies could be good for overall risk/return of portfolio.
 - Members can easily follow more companies

59

Portfolio Holdings

Apple (AAPL)	8.7%
Air Lease (AL)	8.2%
Amazon.com (AMZN)	7.3%
Arista Networks (ANET)	4.3%
Berkshire Hathaway (BRK.B)	12.6%
D.R. Horton (DHI)	10.3%
ALPHABET (GOOG)	10.0%
Home Depot (HD)	6.8%
Microsoft (MSFT)	6.3%
Nvidia (NVDA)	6.2%
Trex Company (TREX)	2.4%
Ulta Salon Cosmetics (ULTA)	10.3%
VISA (V)	2.2%
Total Securities	**95.6%**
Total Cash	**4.4%**

- Caution: 2 moderately underweight positions below 3% (TREX 2.4%, V 2.2%).
- Good: No arcane/problematic investments.
  - **Note**: BRKB doesn't fit BetterInvesting model, but who argues with Warren?
- Good: Companies largely fit BI model, owned by other clubs, featured in IAS or SCI newsletters.
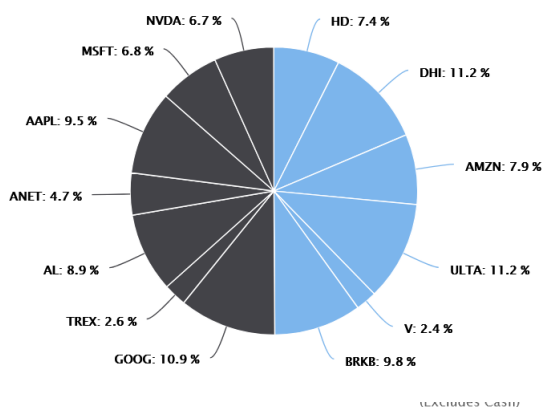- Caution: Cash is okay 4.4%.

60

Diversification by Company Size
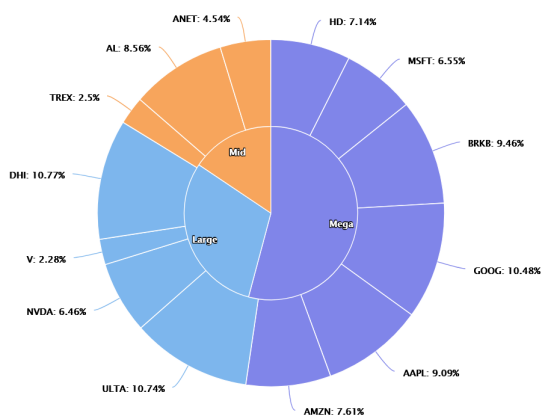
- Warning: No small companies.
- Caution: Midsized companies underrepresented 15.6%.
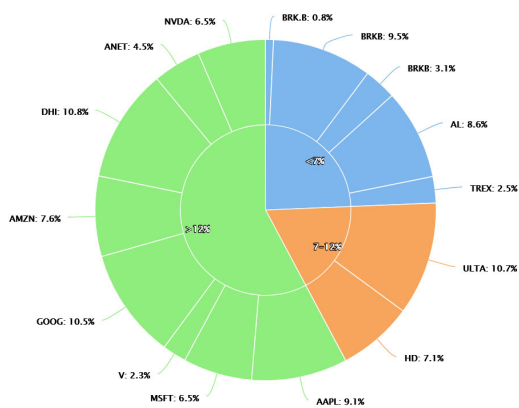- Warning: Mega & large over-represented.

61

Diversification by Sector & Industry

Pie chart labels: NVDA: 6.7 %, HD: 7.4 %, MSFT: 6.8 %, DHI: 11.2 %, AAPL: 9.5 %, AMZN: 7.9 %, ANET: 4.7 %, AL: 8.9 %, ULTA: 11.2 %, TREX: 2.6 %, V: 2.4 %, GOOG: 10.9 %, BRKB: 9.8 %

(Excludes Cash)

- **Warning**: No Defensive Super Sector companies.
- **Warning**: Consumer Cyclical sector overrepresented 36.3%.
- **Caution**: Technology sector slightly overrepresented 26.6%.
- **Warning**: No Financial Services, Basic Materials, Consumer Defensive, Healthcare or Communications sector companies.
  - These industries make up ~43.4% of S&P 500 & by proxy total U.S. economy.

62

Diversification by EPS Growth Rate

Chart labels: NVDA: 6.5%, BRK.B: 0.8%, BRKB: 9.5%, ANET: 4.5%, BRKB: 3.1%, DHI: 10.8%, AL: 8.6%, TREX: 2.5%, AMZN: 7.6%, ULTA: 10.7%, GOOG: 10.5%, HD: 7.1%, V: 2.3%, MSFT: 6.5%, AAPL: 9.1%

- **Good**: Faster growing companies make up bulk of portfolio.
- **Note**: Mostly using analysts estimates for growth projections, not linked SSGs.

63

ROSY FUTURES

64

Club Composition

- 6 members.
- 15 companies.
- Located in Colorado.
- Founded in 1997.

- Caution: Holding more companies could be good for overall risk/return of portfolio.
  - Members can easily follow more companies

65

Portfolio Holdings

Adobe Systems (ADBE)	10.8%
Amgen (AMGN)	9.2%
Caci Intl (CACI)	7.2%
Fastenal (FAST)	10.3%
Floor & Decor Holdings (FND)	2.8%
3 M Company (MMM)	3.2%
Micron Technology (MU)	6.5%
Penske Automotive Gr (PAG)	15.0%
Procter & Gamble (PG)	6.5%
QUALYS (QLYS)	2.9%
ResMed (RMD)	6.6%
Starbucks (SBUX)	8.6%
Solid Power (SLDP)	0.2%
Stryker (SYK)	5.8%
Union Pacific (UNP)	3.7%
Total Securities	**99.3%**
Total Cash	**0.7%**

- Warning: 1 significantly underweight positions below 3% (SLDP 0.2%).
- Caution: 2 overlapping investments (RMD 6.6%, SYK 5.8%).
- Warning: 1 speculative investments/doesn't fit SSG model (SLDP 0.2%)
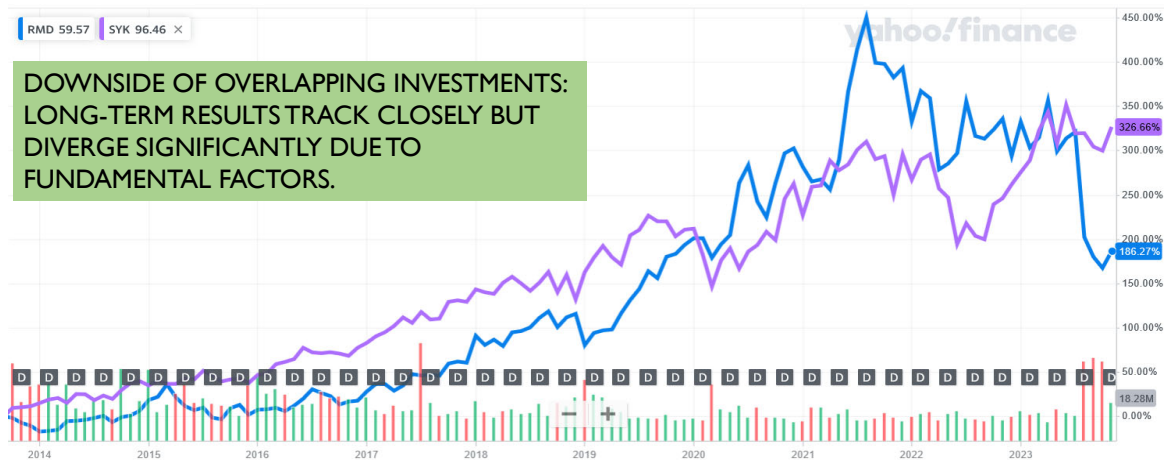- Good: No arcane/problematic investments.
- Good: Cash is good 0.7%.

66

RMD vs. SYK
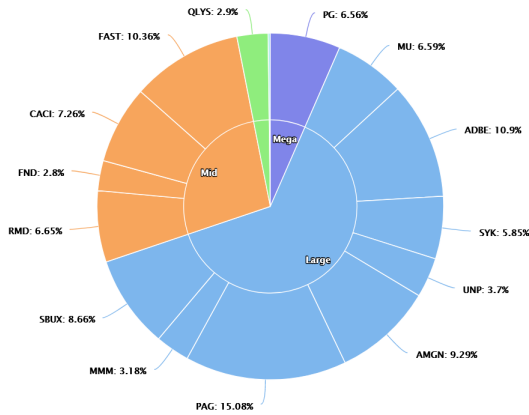

RMD 59.57   SYK 96.46 ×

DOWNSIDE OF OVERLAPPING INVESTMENTS: LONG-TERM RESULTS TRACK CLOSELY BUT DIVERGE SIGNIFICANTLY DUE TO FUNDAMENTAL FACTORS.
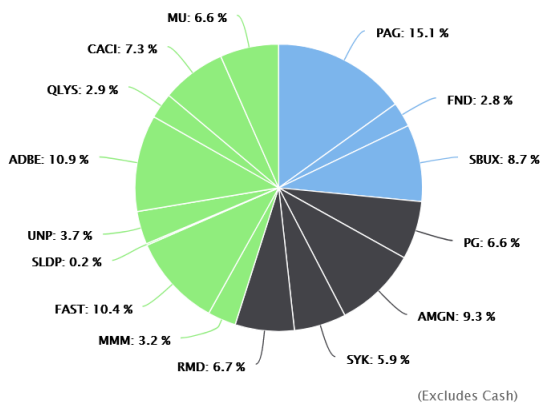
Diversification by Company Size

- **Warning**: 1 small company 2.9%.
- **Caution**: Midsized company exposure 27.1%.
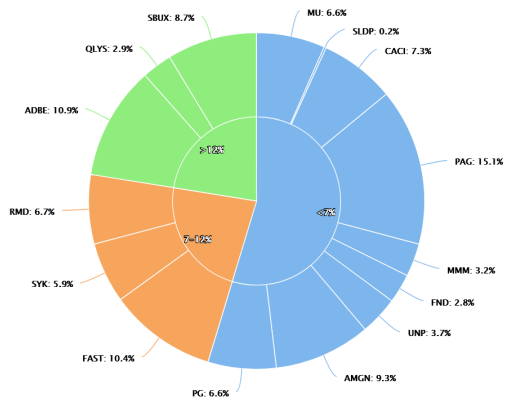- **Warning**: Mega & large over-represented.

68

Diversification by Sector & Industry

- **Good**: All 3 Super Sectors represented in good allocations.
- **Caution**: No Financial Services, Basic Materials, or Communications industries.

69

Diversification by EPS Growth Rate

- **Warning**: Slower growing companies make up bulk of portfolio.
- **Note**: Using analysts estimates for growth projections, not linked SSGs.

70

FEM UNLIMITED

71

Club Composition

- 20 members.
- 47 companies.
- Located in California.
- Founded in 2000.

- **Warning**: Holding fewer companies could be good for overall risk/return of portfolio.
  - May be more companies than members can efficiently manage.

72

Portfolio Holdings

Apple (AAPL)	13.3%		Nvidia (NVDA)	6.2%
Amazon.Com (AMZN)	6.0%		Otis Worldwide (OTIS)	0.2%
Bath & Body Works (BBWI)	0.3%		Occidental Petroleum (OXY)	0.6%
Berkshire Hathaway (BRK.B)	6.8%		Paychex (PAYX)	0.8%
Carrier Global (CARR)	0.5%		Proctor & Gamble (PG)	0.9%
Caterpillar (CAT)	2.6%		Qualcomm (QCOM)	1.1%
Carnival (CCL)	0.3%		Invesco QQQ TR (QQQ)	4.9%
Costco Whsl (COST)	5.3%		Royal Caribbean Cruise (RCL)	0.8%
Cisco (CSCO)	0.7%		Raytheon Tech (RTX)	0.4%
Walt Disney (DIS)	1.5%		RXO (RXO)	0.4%
Dover (DOV)	0.6%		Shopify (SHOP)	2.2%
EQUINOR ASA (EQNR)	0.7%		Stanley Black & Decker (SWK)	0.8%
FaceBook (FB)	1.0%		Target Cp (TGT)	1.1%
Alphabet (GOOGL)	2.4%		TJX Companies, INC (TJX)	3.1%
GXO Logistics (GXO)	1.1%		The Travelers Company (TRV)	0.0%
Home Depot (HD)	0.7%		Tesla Motors (TSLA)	3.5%
International Busine (IBM)	2.0%		United Rental (URI)	7.9%
Icahn Entpr LP (IEP)	0.2%		Vanguard 500 Index(VFIAX)	0.9%
Intel (INTC1)	0.6%		Vanguard Total Stock Market (VTSAX)	0.2%
Jazz Pharmaceuticals (JAZZ)	0.2%		Whirlpool (WHR)	1.3%
Johnson & Johnson (JNJ)	1.2%		Wal-Mart Store (WMT)	1.5%
Kenvue (KVUE)	0.2%		XPO Logistics (XPO)	1.4%
Medtronic, plc (MDT)	0.3%		**Total Securities**	**99.9%**
Norwegian Cruise Lin (NCLH)	0.2%			
Netflix Com (NFLX)	11.2%		**Total Cash**	**0.1%**

73

Portfolio Holdings

- **Warning**: 35 underweight positions below 3%, making up 30.8% of portfolio.
  - Smallest holding is worth $350 – in $1M portfolio.
- **Warning**: 3 overlapping investments (CCL 0.3%, NCLH 0.2%, RCL 0.8%).
  - Other closely-related companies in portfolio as well.
- **Warning**: One arcane/problematic investment (IEP 0.2%).
- **Warning**: At least 1 company doesn't fit SSG model (EQNR 0.7%).
- **Warning**: 2 Broad-market index funds (1.2%).
- **Warning**: 1 sector index fund (QQQ 4.9%).
  - 9 companies in portfolio, 50% of club value, are also held in QQQ.
- **Good**: Cash is good 0.1% (is club parking money in index funds?).

74

Underperformance from Overinvestment

THE MORE SECURITIES HELD IN A PORTFOLIO, THE GREATER CHANCE THAT RETURNS REGRESS TO MEAN MARKET AVERAGES.
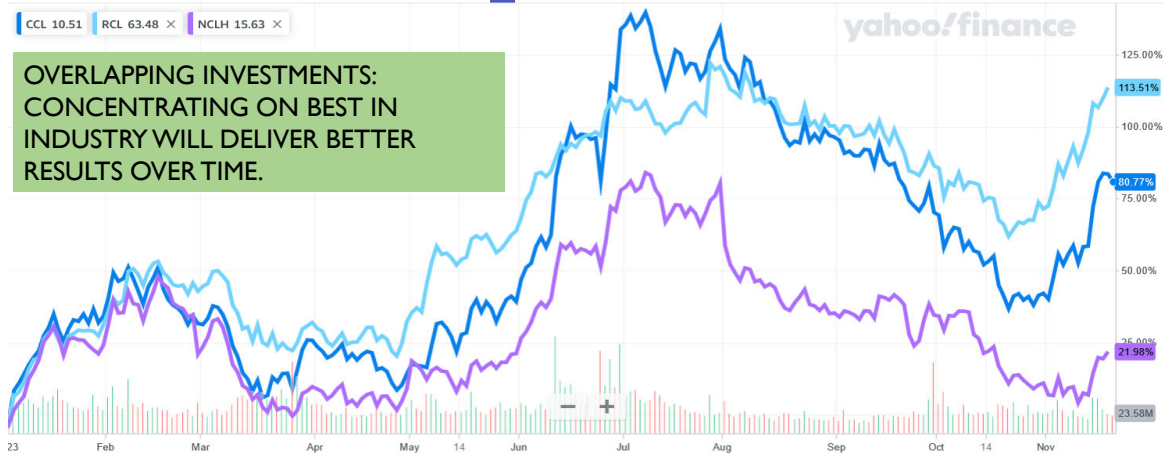

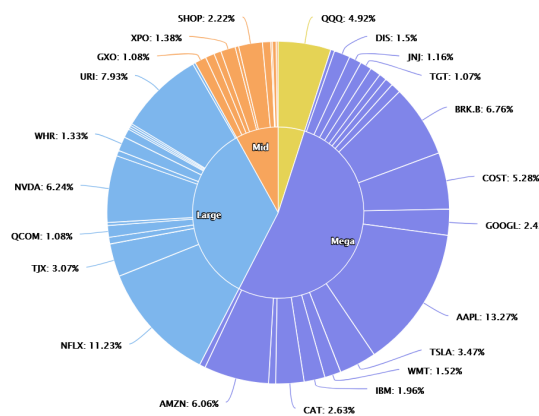Lifetime 6/29/2000– 11/20/2023 | 1 Year | 3 Years | 5 Years | 10 Years

● Club ● VFINX ● VTSMX

RCL vs. NCLH vs. CCL

CCL 10.51 RCL 63.48 ✕ NCLH 15.63 ✕

OVERLAPPING INVESTMENTS:
CONCENTRATING ON BEST IN
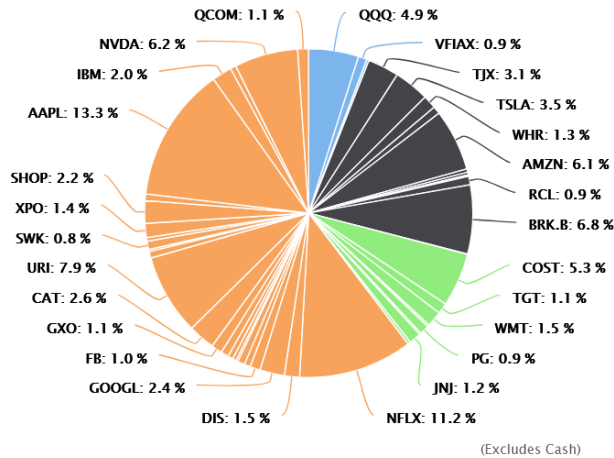INDUSTRY WILL DELIVER BETTER
RESULTS OVER TIME.

yahoo!finance

125.00%
113.51%
100.00%
80.77%
75.00%
50.00%
21.98%
23.58M

23 Feb Mar Apr May 14 Jun Jul Aug Sep Oct 14 Nov

Diversification by Company Size

SHOP: 2.22%
XPO: 1.38%
GXO: 1.08%
URI: 7.93%
WHR: 1.33%
NVDA: 6.24%
QCOM: 1.08%
TJX: 3.07%
NFLX: 11.23%
AMZN: 6.06%
CAT: 2.63%
IBM: 1.96%
WMT: 1.52%
TSLA: 3.47%
AAPL: 13.27%
GOOGL: 2.42%
COST: 5.28%
BRK.B: 6.76%
TGT: 1.07%
JNJ: 1.16%
DIS: 1.5%
QQQ: 4.92%

Mid
Large
Mega

- **Warning**: No small companies.
- **Warning**: Midsized exposure just 8.0%.
- **Warning**: Mega & large over-represented.
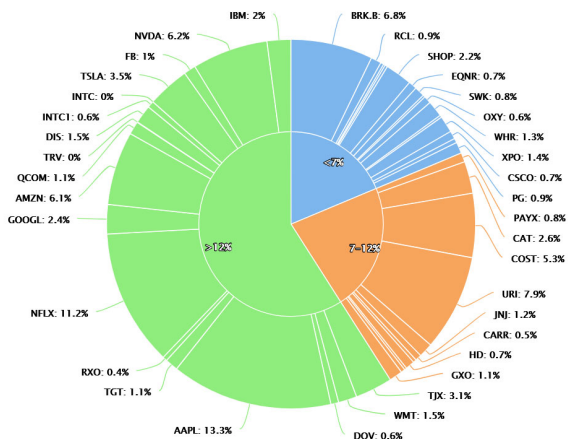- **Note**: Index funds prevent precise evaluation.

77

Diversification by Sector & Industry

QCOM: 1.1 %
NVDA: 6.2 %
IBM: 2.0 %
AAPL: 13.3 %
SHOP: 2.2 %
XPO: 1.4 %
SWK: 0.8 %
URI: 7.9 %
CAT: 2.6 %
GXO: 1.1 %
FB: 1.0 %
GOOGL: 2.4 %
DIS: 1.5 %

QQQ: 4.9 %
VFIAX: 0.9 %
TJX: 3.1 %
TSLA: 3.5 %
WHR: 1.3 %
AMZN: 6.1 %
RCL: 0.9 %
BRK.B: 6.8 %
COST: 5.3 %
TGT: 1.1 %
WMT: 1.5 %
PG: 0.9 %
JNJ: 1.2 %
NFLX: 11.2 %

(Excludes Cash)

- **Caution**: Defensive Super Sector is underrepresented
- **Caution**: Sensitive Super Sector is overrepresented.
  - When QQQ added to Technology sector, overrepresentation is amplified.
- **Caution**: No Basic Materials sector.
- Note: Index funds prevent precise evaluation.

78

Diversification by EPS Growth Rate

IBM: 2%
NVDA: 6.2%
FB: 1%
TSLA: 3.5%
INTC: 0%
INTC1: 0.6%
DIS: 1.5%
TRV: 0%
QCOM: 1.1%
AMZN: 6.1%
GOOGL: 2.4%
NFLX: 11.2%
RXO: 0.4%
TGT: 1.1%
AAPL: 13.3%

BRK.B: 6.8%
RCL: 0.9%
SHOP: 2.2%
EQNR: 0.7%
SWK: 0.8%
OXY: 0.6%
WHR: 1.3%
XPO: 1.4%
CSCO: 0.7%
PG: 0.9%
PAYX: 0.8%
CAT: 2.6%
COST: 5.3%
URI: 7.9%
JNJ: 1.2%
CARR: 0.5%
HD: 0.7%
GXO: 1.1%
TJX: 3.1%
WMT: 1.5%
DOV: 0.6%

- **Good**: Faster growing companies make up bulk of portfolio.
- **Note**: Using analysts estimates for growth projections, not linked SSGs.
- **Note**: Index funds prevent precise evaluation.

79
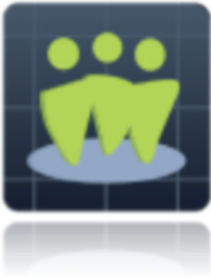
SHOWDOWN INVESTMENT CLUB

80

Club Composition

- 27 members.
- 13 companies.
- Located in Michigan.
- Founded more than 50 years ago.

- Caution: Holding more companies could be good for overall risk/return of portfolio.
  - Members can easily follow more companies.

81

Portfolio Holdings

Apple (AAPL)	41.4%
Amazon.com (AMZN)	9.4%
Axon Enterprise (AXON)	3.2%
Chevron (CVX)	2.1%
EXACT Sciences (EXAS)	2.7%
Alphabet A (GOOGL)	10.4%
JP Morgan Chase & Co (JPM)	3.9%
Lam Research Cp (LRCX)	4.8%
Microsoft (MSFT)	8.7%
ON Semiconductor Cor (ON)	5.7%
Tesla (TSLA)	3.5%
Zoetis (ZTS)	3.1%
Total Securities	98.9%
Total Cash	1.1%

- Warning: 1 significantly overweight position (AAPL 41.4%).
- Warning: 1 slightly underweight position below 3% (CVX 2.1%).
- Warning: 1 position doesn't fit SSG model (EXAS 2.7%).
- Warning: 2 overlapping investments (LRCX 4.8%, ON 5.7%).
- Good: No arcane/problematic investments.
- Good: Cash is good 1.1%.

82

Handling Overweighted Positions

1. Use capital losses to harvest gains from selling portions of overweight holdings.
   - Clean up portfolio at year-end by selling losers, allowing offset of realized gains.
2. Transfer shares in full member withdrawals (defers gains for remaining members until they withdraw).
3. Invest in positions diametrically opposed to overweight holding.
4. Bite the bullet & sell even though it would realize gains.

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Diversification by Company Size
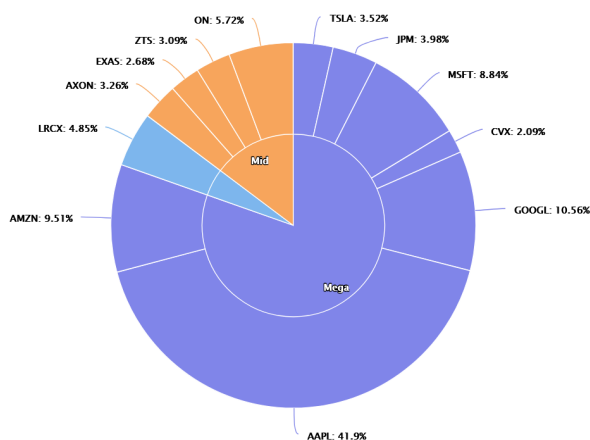
- **Warning**: No small companies.
- **Warning**: Midsized companies underrepresented 14.8%.
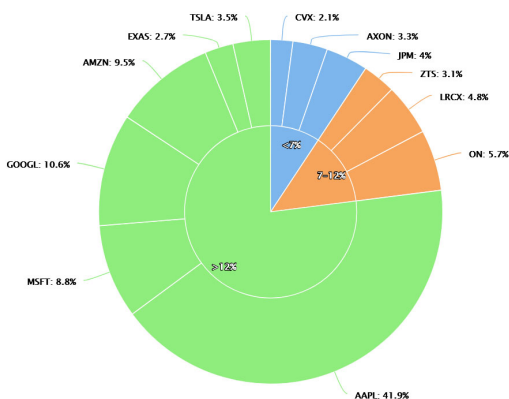- **Warning**: Mega & large over-represented.

84

Diversification by Sector & Industry
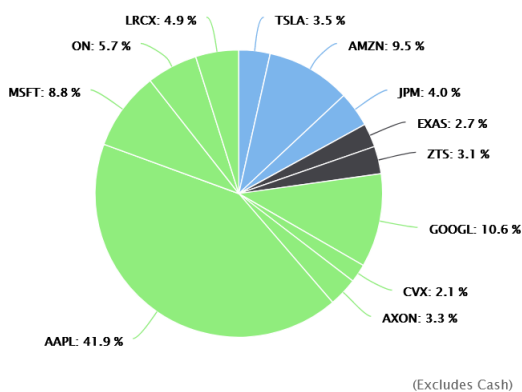
- **Warning**: Sensitive Super Sector & Technology Sector overrepresented.
- **Warning**: Defensive Super Sector underrepresented.
- **Caution**: No Consumer Defensive or Basic Materials sectors.
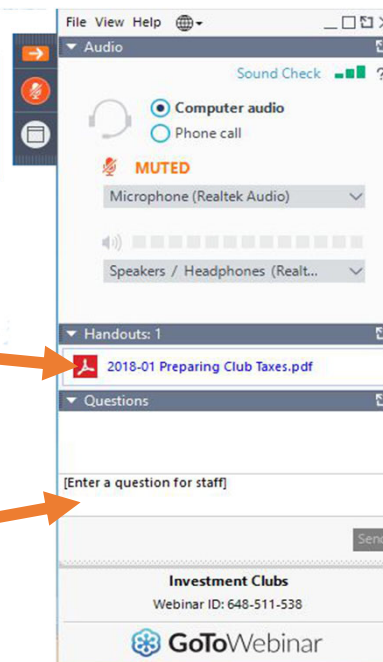
85

Diversification by EPS Growth Rate

- **Good**: Faster growing companies make up bulk of portfolio.
- **Note**: Using analysts estimates for growth projections, not linked SSGs.

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Handout & Questions

Handout in PDF format is available in Handouts tab.

Type questions in Questions box.

Thank You!

CONTACT ME AT GERLACH@ICLUB.COM