Year-End Investment Club Portfolio Cleanup

DOUG GERLACH ◆ PRESIDENT, ICLUBCENTRAL INC. ◆ NOVEMBER 2025

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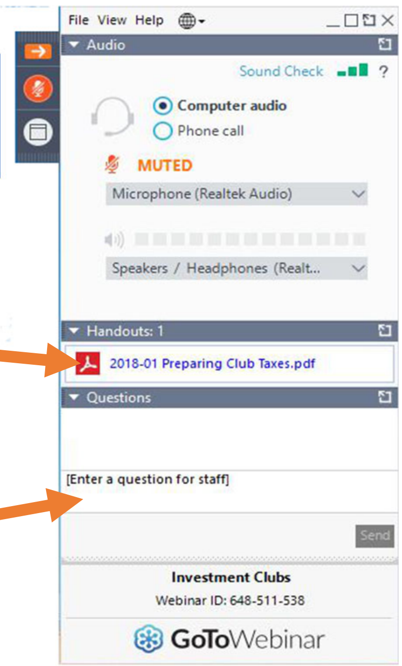
Handout & Questions

Handout in PDF format is available in Handouts tab.

Type questions in Questions box.



Club Tax 2025 Update

- 2025 IRS filing deadline is **March 16, 2026**.
- Work is underway by myICLUB team for Club Tax Federal & State for 2025.
- Stay tuned for further announcements on release & opening of pre-orders.

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Tasks at Year-End for Clubs

- November is perfect time to:
  1. **Review** & **clean up** any messes in portfolio.
  2. Take stock of **growth**, **return**, & **diversification** to determine if changes should be made.
  3. Match **gains** & **losses** to **reduce** club members' tax liabilities, harvesting if necessary.
  4. Make **portfolio improvement plan** for 2026.

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Tips to Keep in Mind

- Keep it **simple** -- complicated securities make treasurer's job harder.
- **Diversification** is desirable to manage risk & return over time.
- Member **tax savings** are often worth pursuing – even more so when dealing with biggest winners & biggest losers.
- Portfolio messes are best dealt with **sooner** rather than later.

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ELIMINATE MEANINGLESS POSITIONS

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Small Positions Are Distraction

- No stock should be less than 3% of total portfolio.
- Even if these stocks perform well, at such small levels they won't significantly affect total portfolio return.
- Either get rid of small holdings & use cash elsewhere OR make plan to buy more of that stock.
- Where to find:
  - % of Club on myICLUB Valuation Statement.

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ADDRESS OVERWEIGHTED POSITIONS

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Large Positions Present Risks

- Single securities that exceed 25% of total portfolio value should be watched carefully.
- Generally good to let winners ride, but if shares become hyper-valued, risk increases greatly if market corrects or company falls out of favor quickly.
- Can use Trailing Stop Loss Order (TSLO) to sell some shares if price falls certain percentage below highs reached (perhaps 6%-10%).
- Pruning large holdings can be good for diversification as well.
- Where to find:
  - % of Club on myICLUB Valuation Statement.

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ADDRESS CHRONIC UNDERPERFORMERS

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Not All Stocks Are Created Equal

- Are you **sitting** & **waiting** for some stocks to turn around?
- Instead of avoiding action, focus on finding **replacement candidates** for underperformers.
- **Swapping** out money-losing stocks can also be **good tax move**.
- Where to find:
  - Biggest losses on myICLUB Valuation Statement.
  - Weak fundamentals on myICLUB Portfolio Review Report.

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REVIEW STRENGTH OF GROWTH

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Where's the Growth?

- In growth portfolio, **Weighted Average EPS Growth Rate for Portfolio** should be around 10-12% (so appreciation will exceed market return).
  - P/E expansion & dividends may provide additional uplift to hit return goals.
  - If too many stocks are slow-growth, though, dividends won't lift returns adequately.
- Use SSG EPS projections and/or analysts' 2- or 5-yr EPS growth rate projections.
- Consider companies with uncertain growth as candidates for replacement.
- Where to find:
  - myICLUB.com EPS Growth Rate Diversification Report & Graph.

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Weighted Average EPS Growth Rate

EPS Growth Rate Diversification

Report as of 9/1/2025 (Most recent club valuation statement).

Weighted Average EPS Growth Rate for Portfolio: 9.5%

Proj EPS Grwth Rate	Company	TTM Revs ($B)	Proj EPS Grwth Rate	Market value	% of Port

myICLUB.com EPS Growth Rate Diversification Report & Graph.

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REVIEW PORTFOLIO BALANCE

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Review Balance of Portfolio by Size

- Ideal allocation is small 25%, mid 50%, large 25%.
  - May decide to replace securities in over-weighted segments.
    - Can often be done in conjunction with capital gain/loss review.
  - OR may decide to set goal for next year to improve company size diversification.
- Where to find:
  - myICLUB.com Company Size Diversification Graph and Report.

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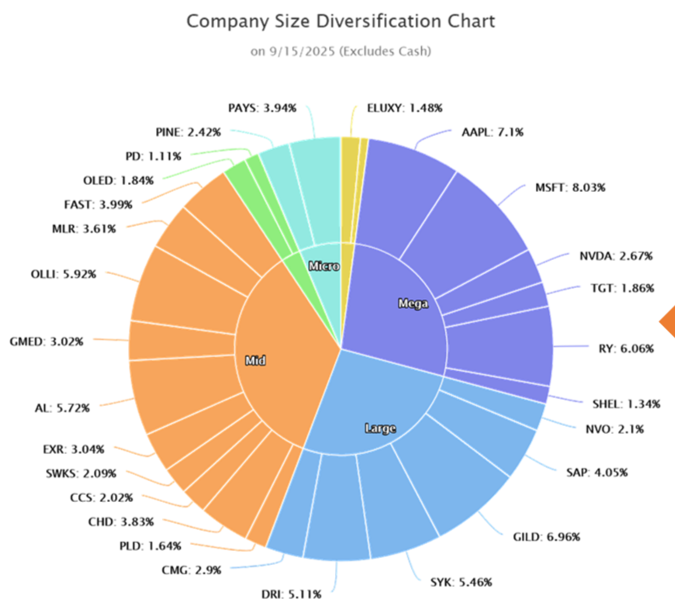

THIS IS OUT OF BALANCE.

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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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Review Portfolio by Sector & Industry

- No rule for how many industries should be held, but should include stocks in Defensive, Sensitive, & Cyclical Super-Sectors.
- Ideal allocation: no industry less than 3% or more than 15%.
  - May decide to sell or replace overweighted segments.
    - In conjunction with capital gain/loss review.
  - OR may decide to set goal for next year to improve industry diversification.
- Where to find:
  - myICLUB.com Sector & Industry Diversification Graph and Report

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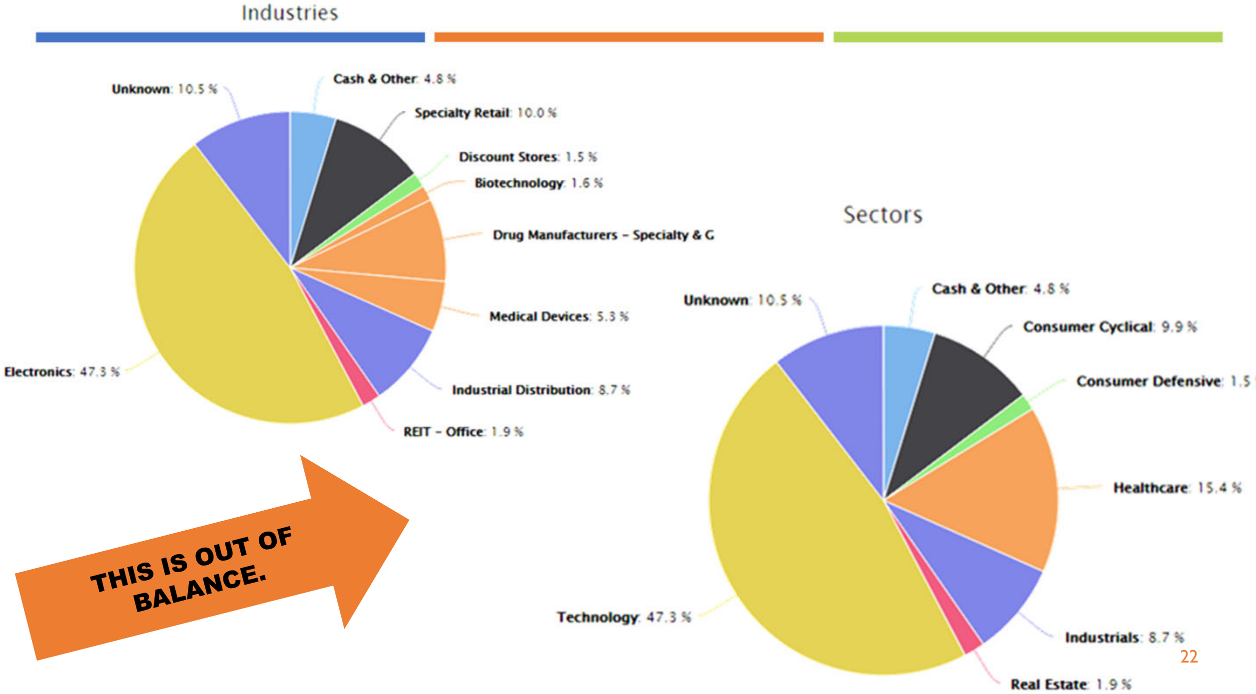

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REVIEW CAPITAL GAINS & LOSSES

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1. Determine Realized Gains & Losses

- Is there surplus of **gains** over losses?
  - If so, consider **selling losers** to reduce or eliminate capital gains taxes.
- Is there surplus of **losses** over gains?
  - If so, consider **selling big winners** to reduce or eliminate capital gains taxes.
- Where to find:
  - myICLUB.com Capital Gains Report OR Security Cost Basis Report.

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2. Determine Gains & Losses To Harvest

- Even if no gains or losses have been realized to date, might still consider selling.
- Identify **biggest losers** & **biggest winners** in portfolio.
  - Look for large **imbalances** in portfolio diversification.
  - Look for companies with possible **fundamental concerns** or **uncertain futures**.
- Where to find:
  - myICLUB.com Portfolio Gain/Loss Report.

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3. Match Potential Gains with Losses

- If holding stock at loss that has uncertain future AND also holding stock with big gains (& vice versa), consider selling both.
- **ADVANTAGES**: eliminate/reduce taxes AND eliminate future potential losses from overvalued stocks & underperforming companies.
- **EXAMPLE**: Many stocks are now at high end of valuation range.
  - Selling to lock in gain with no tax consequences can reduce downside risk of portfolio.

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Match Unrealized Gains & Losses

Security	Date first purchased	Shares owned	Total cost	Market value	% of total	Gain/ Loss
Apple Computer (AAPL)	1/25/2007	30.000	$4,360.40	$15,749.70	16.70%	$11,389.30
Advanced Battery Tec (ABAT)	5/12/2009	1200.000	$4,797.97	$444.00	0.50%	($4,353.97)
Citigroup Inc (C)	9/21/2010	100.000	$3,929.99	$5,040.00	5.30%	$1,110.01
CenturyTel Inc (CTL)	7/1/2009	685.000	$5,009.99	$21,988.50	23.30%	$16,978.51
Cognizant Technology (CTSH)	2/15/2011	10.000	$774.99	$943.70	1.00%	$168.71
CVE (CVE)	11/30/2009	100.000	$2,197.05	$2,916.00	3.10%	$718.95
Encapa Corp (ECA)	9/30/2006	100.000	$2,332.94	$1,853.00	2.00%	($479.94)
First Hrzn Natl Cp (FHN)	9/21/2010	509.000	$5,484.33	$5,705.89	6.00%	$221.56
Gilead Science (GILD)	5/12/2009	35.000	$1,556.85	$2,446.15	2.60%	$889.30
Google Inc. (GOOG)	3/15/2010	8.000	$4,514.00	$8,268.48	8.80%	$3,754.48
II-VI Inc (IIVI)	3/21/2011	100.000	$2,397.49	$1,577.00	1.70%	($820.49)
O'Reilly Automotive (ORLY)	9/26/2002	100.000	$1,766.96	$12,622.00	13.40%	$10,855.04
Options Express (OXPS)	6/13/2008	100.000	$1,652.20	$1,260.00	1.30%	($392.20)
Quality Systems (qsii)	5/12/2009	100.000	$5,628.00	$2,312.00	2.40%	($3,316.00)
Suntech Power Hldgs (STP)	7/6/2007	230.000	$7,534.95	$163.30	0.20%	($7,371.65)
Stryker (SYK)	12/18/2008	40.000	$1,637.50	$2,968.40	3.10%	$1,330.90
Target (TGT)	10/27/2008	25.019	$902.75	$1,673.50	1.80%	$770.75

About Tax Selling Decisions

- Do not have to sell entire position – might only sell enough shares to offset gain/loss of other security.
- Tax selling decisions are often made with temporary intent.
- **WASH SALE RULE**: When selling at a loss, should not repurchase same security until 31 days later.
  - Revisit stocks sold at loss in 31 days to determine if repurchasing is good move.
  - Does **not** apply to stocks sold with gains.

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CONSIDER MAKING CHARITABLE GIFT OF STOCK

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Gift Appreciated Stock to Charity

- Charitable gifts made by club pass through to members (like income & expense items).
- When donated stock owned for more than 1 year to qualifying charity, donation amount is value of stock at time of gift, & basis is "**stepped up**" to that amount.
  - Donor gets benefit of **full amount** of gift, but **doesn't pay** capital gains.
  - Even if you don't itemize & can't get tax deduction, you still get to avoid paying capital gains taxes.
- Can help w/portfolio **diversification**.

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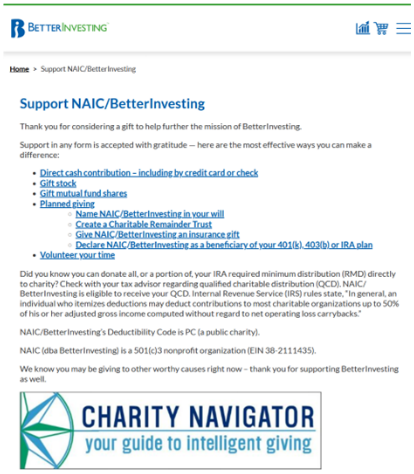
Consider Gift to BetterInvesting™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- For info about giving stocks or shares, go to: www.betterinvesting.org/donate

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DEAL WITH PROBLEM SECURITIES

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Some Securities Don't Work in Clubs

- "Problem securities" can:
  - Require manual adjustment to club's records.
  - Require manual preparation of tax returns by treasurer or paid tax professional.
  - Prevent club from e-Filing using myICLUB.com Tax Printer.
  - Delay filing of club's tax returns, possibly requiring extension.
  - Receive limited tax preparation support from ICLUBcentral or BetterInvesting™.

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More on Problem Securities

- See our October 2025 webinar reply for full details on securities to avoid:

www.youtube.com/ICLUBcentral

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Examples of Problem Securities

- These complicate recordkeeping and/or tax prep:
  - Real Estate Investment Trusts (REITs).
  - Business Development Companies (BDCs).
  - Publicly-Traded Partnerships (PTPs).
  - Master Limited Partnerships (MLPs).
  - Commodities, Precious Metals, or Exchange Traded Funds (ETFs) that hold commodities or precious metals).

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Resolve the Problems Now

- **Sell any problem securities prior to year-end**.
- This won't prevent troubles with 2025 tax returns…
  - But will ensure that 2026 tax season will be smoother for club.

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CREATE AN ACTION PLAN TO RESOLVE KNOWN ISSUES

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Your Club's Action Plan

- After review, set objectives & tasks for club portfolio:
  - For near-term tasks (for action before year-end).
  - For longer-term goals (for action over time)

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Example of Club's Action Plan

NEAR-TERM

- Sell stock ABC before 12/31 to capture gain.
- Sell stock XYZ before 12/31 to harvest loss & offset gains from stock ABC.
- Review stock XYZ after 31 days to consider repurchase (January meeting).

LONG-TERM

- Find replacement for stock w/uncertain prospects.
- Increase small company exposure – find more small- & mid-caps for portfolio.
- Reduce exposure to technology sector.
- Research additional industries for possible candidates.

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Questions?

Upcoming Investment Club Webinars

- Tuesday, December 16, 2025 – **Closing the Books at Year-End.**
- Tuesday, January 20, 2026 – **Preparing the Club's 2025 Tax Returns.**
- Tuesday, February 17, 2026 – **2025 Investment Club Tax Clinic.**
- Register at: www.myiclub.com/webinars.

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ANY QUESTIONS?

EMAIL ME: GERLACH@ICLUB.COM

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Thank You!

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Doug Gerlach

November 2025