David Sharek's Growth Stock Newsletter

Searching for Tomorrow's Stock Market Winners Today

April 7, 2018

Is it Time to Sell FANG?

The acronym FANG stands for **Facebook** (FB), **Amazon** (AMZN) **Netflix** (NFLX) and Google, which has been re-named **Alphabet** (GOOGL). It was originally coined by Jim Cramer.

Subsequently, the stock **Apple** (AAPL) was added to make FAANG. In this newsletter I've included **Alibaba** (BABA) as well, to make FAAANG. We had the space.

What makes these stocks important is they're so big that their success is necessary for the market to continue higher. The nice thing is These companies are big juggernauts. Monopolistic in a way. So they can keep growing and growing.

Also, there are a lot of ETFs which invest in these stocks, and these ETFs have lots of money in them. So a decline in FANG would likely cause investors to sell, and possibly bring down the market.

Here's my take on each of the FAAANG stocks.

Current Holding — Facebook (FB)

Facebook (FB) has been under pressure for allowing outside companies access to user data.

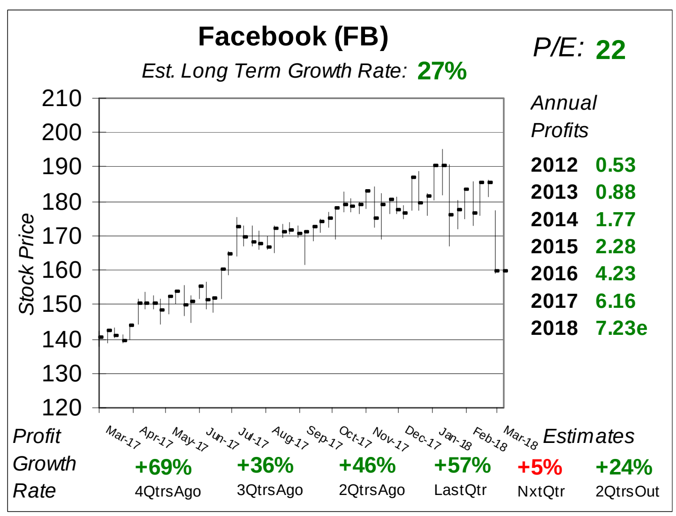
Money managers like myself bought FB stock on 1/25/13 when the company posted strong profits due to ads in its newsfeed. Since then this is the first real reason to sell.

FB is expected to grow profits 5% 24%, 13% and 10% the next 4 qtrs. That would be slower growth, and a reason to take profits or sell. But the company has been beating estimates, so these numbers could be too low. Also, the stock has a P/E of just 22 now. That's a bargain.

So I feel FB won't do much in the short-term, but still looks great for the long-term

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	7.23	x	22	=	$159	
2018 Est	7.23	x	28	=	202	27%
2019 Est	8.82	x	28	=	247	55%



About David Sharek

David started his career as a Financial Consultant at *A.G.Edwards & Sons* in 1999, investing clients in mutual funds, stocks, bonds & annuities.

The 2000 stock market crash crushed his investors and left David leery of Wall Street & mutual funds. Sharek became a student of stocks, and discovered the best stocks had the highest profit growth.

In 2002 David accepted a position of Vice President—Investments at *Wunderlich Securities* and developed his Growth Stock Portfolio.

Sharek's Growth Portfolio averaged a return of 24% his first five years as a portfolio manager (2003-2007), more than double the market's (S&P 500) average of 11%.

In 2008 David Sharek founded Sharek's Stock Portfolios. But another stock market crash took the Growth Portfolio down 58% that year. Still, by 2013 client accounts hit new highs.

Today, David continues to do his own stock research and manages portfolios on a fee basis from his offices in Midtown Manhattan.

Sharek's Growth Portfolio has grown an average of 13% a year, compared to 9% for the S&P 500.

$100,000 invested in the Growth Portfolio at inception would have made a profit of almost $250,000 vs. just over $200,000 in the S&P. David's posted four years of +40% returns in his 15 year career.

Current Holding — Apple (AAPL)

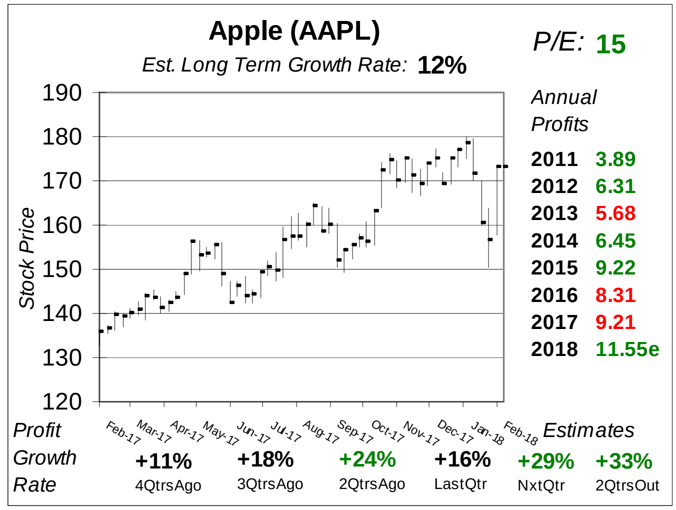
Apple's (AAPL) isn't getting the attention it used to. Good. Not that the stock's under the radar we have a buying opportunity.

AAPL is expected to grow profits 29%, 33%, 28% and 20% this year. That would be fantastic!

What's even better is the stock has a P/E of just 15. One could argue the stock deserves to have a P/E of 20, which looking at the earnings estimates below would shoot the stock to $260 if that were all to come true.

But I pegged a P/E of 17 in my Fair Value, as AAPL really hasn't gotten a high P/E in a while. But even with my cautious outlook, this stock has solid upside both this year and next.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	11.55	x	15	=	$173	
2018 Est	11.55	x	17	=	196	14%
2019 Est	13.18	x	17	=	224	30%



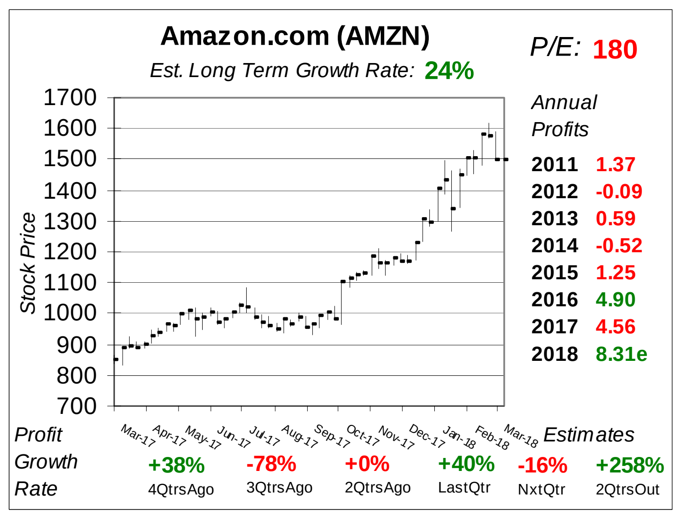
Current Holding — Amazon (AMZN)

I'm worried about Amazon (AMZN) because of two things:

1. The stock has nearly doubled in a year. And on a technical basis (looking at the chart) it's too high right now. Thus, I forecast a correction to between $1000 and $1300 a share.
2. AMZN spends to grow, thus profits aren't realized in the qtrly reports like normal companies. That makes it tough to get a valuation on the stock. Spending to grow makes the P/E high.

Of all these stocks listed here, I feel AMZN has the most risk of a major decline. I've been taking profits. But as with all the stocks here, I still like it long-term.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	8.31	x	180	=	$1,496	
2018 Est	8.31	x	125	=	1039	-31%
2019 Est	15.39	x	125	=	1924	29%



Current Holding — Alibaba (BABA)

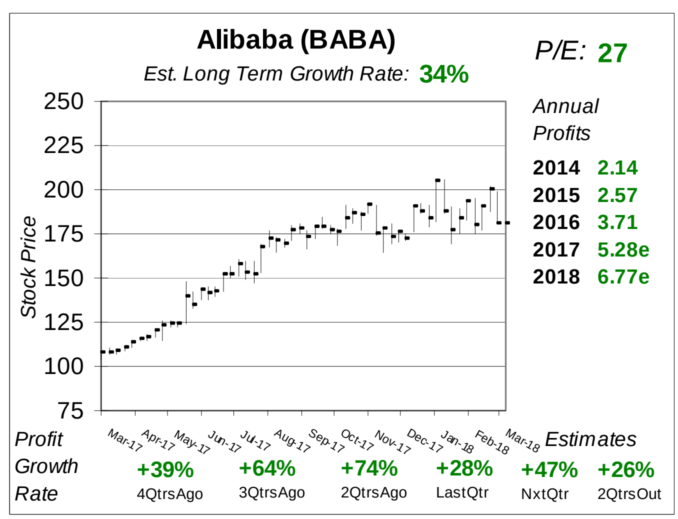
Alibaba (BABA) had been growing like a weed in 2017, but last qtr's results were a little disappointing. Profits grew 28%, but that was much slower than the 74% posted a qtr earlier.47%, 26%, 14% and 332% the next 4 qtrs.

Still, profits are expected to grow 47%, 26%, 14% and 32% the next 4 qtrs. That's solid growth.

And like Amazon, Alibaba is getting more into cloud computing, which has excellent profit margins.

What I also like about BABA stock is the *Estimated Long-Term Growth Rate* of 34% a year. That would be exceptional. And with a P/E of just 27, the stock is undervalued in my eyes as well.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	5.28	x	34	=	$181	
2018 Est	6.77	x	35	=	237	31%
2019 Est	8.74	x	35	=	306	69%



Current Holding — Netflix (NFLX)

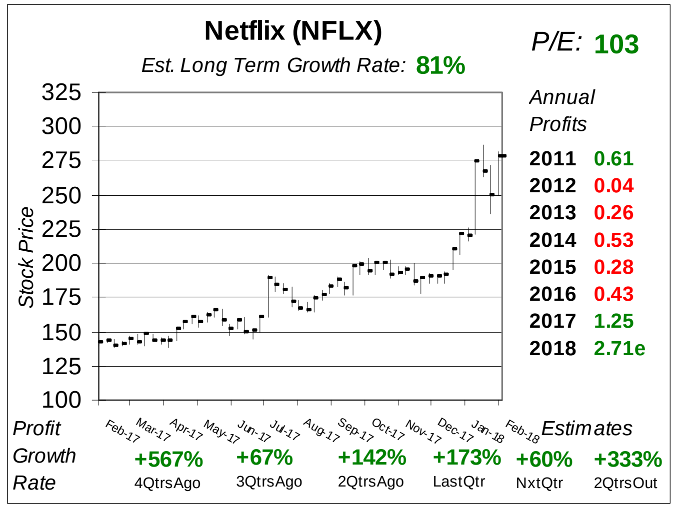
Netflix (NFLX) gets a lot of negative news because it spends to grow it's network into other countries. But when I look at the qtrly reports, I see America making good money, and if International margins can get to those in the U.S. then NFLX could make a boatload of profits.

NFLX stock is doing well because (1) profit growth has been stellar the past year, (2) analysts feel the company can climb past 200 million subscribers worldwide, and (3) Netflix can raise its subscription cost without loosing many customers.

My take on this stock? It's too high. The chart shows a double in the past year. I've been taking profits. I still love NFLX long-term though.

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	2.71	x	103	=	$279	
2018 Est	2.71	x	75	=	271	-3%
2019 Est	4.23	x	75	=	423	52%



Current Holding — Alphabet (GOOGL)

So one of the best looking stocks in this group is Alphabet (GOOGL).

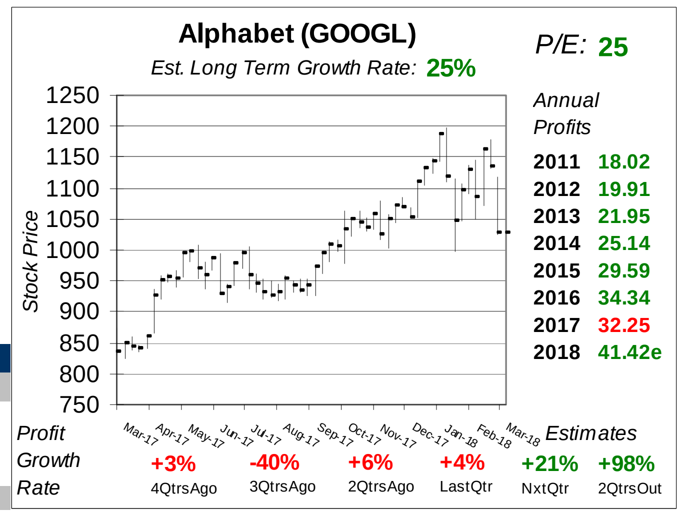
First I wish to point out GOOGL changed it's accounting last year to make it more conservative. That's good. But it took profits down in 2017. Other than last year the company had grown profits each and every year since it went public. That makes this a conservative stock as well as a growth stock.

What's nice is GOOGL is expected to grow profits 28% this year. That's such good growth!

If I put a28 P/E on my Fair Value, I get solid upside when you look out to 2019. I like Alphabet stock a lot.

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	41.42	x	25	=	1027	
2018 Est	41.42	x	28	=	1160	13%
2019 Est	48.53	x	28	=	1359	32%



Stock Education

During 2003-2006 David wrote the portfolio management blueprint, *The School of Hard Stocks*, and executed the plan. During those four years he used this strategy to compile a compounded return of 100.57%.

Completed at the end of 2006, Sharek used *The School of Hard Stocks* in 2007 to grow stock portfolios 42% and beat the market (S&P 500) by 39%.

In January 2008 David wrote a postscript to the book and had *The School of Hard Stocks* published through Amazon.com and Barnes & Noble. In the postscript he wrote to hold Apple (AAPL), Baidu.com (BIDU), Google (GOOG) Intuitive Surgical (ISRG), Priceline.com (PCLN) and Research in Motion (RIMM). Five of those six stocks continue to be stock market leaders and are in his portfolios today. Read more and look inside at schoolofhardstocks.com.

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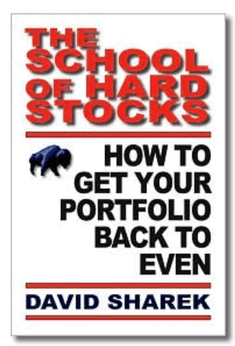


Portfolio Management

Let us manage your stock portfolio

David Sharek manages brokerage accounts and IRAs on a fee-basis. Returns shown here are after fees. Minimum account size: $100,000.

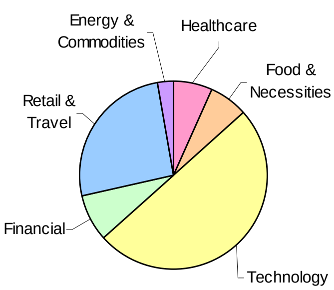
David Sharek personally manages each stock portfolio individually.

Account types include individual accounts, joint accounts and IRAs.

Clients can log online and view their accounts at any-time.

Sector Key

Sector	%
Healthcare	7%
Food & Necessities	7%
Technology	52%
Financial	8%
Retail & Travel	27%
Energy & Commodities	3%



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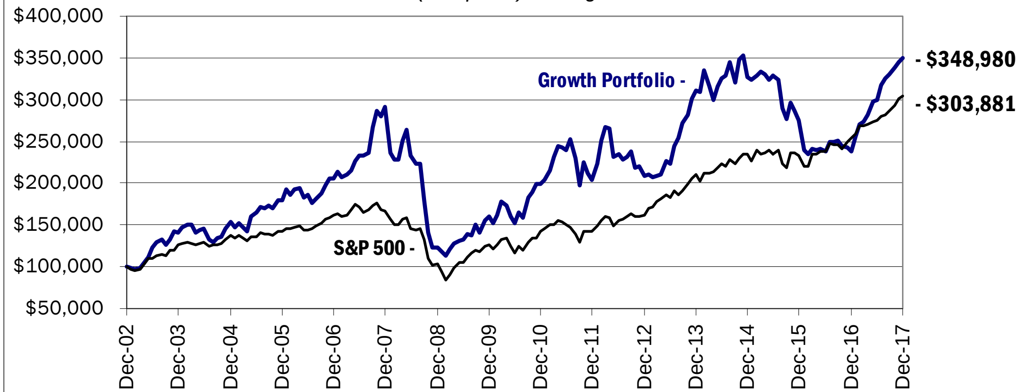
David Sharek's Growth Portfolio vs. S&P 500

2003 (inception) through 2017



Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Avg	Total
GrowthPort.	41%	9%	16%	15%	42%	-58%	31%	24%	2%	2%	49%	5%	-16%	-14%	47%	13%	249%
S&P 500	26%	9%	3%	14%	4%	-38%	23%	13%	0%	13%	30%	11%	-1%	10%	19%	9%	204%

Growth Portfolio - Holdings as of 12/31/17

	Security name	Ticker	Portfolio Percent	Est LTG	Yield	Est. Total Return	Price	2018 Fair Value	Upside/ Downside to FV
1	Alibaba	BABA	7.4%	33%	0%	33%	$172	$270	57%
2	Facebook	FB	7.1%	27%	0%	27%	$176	$245	39%
3	Weibo	WB	6.5%	66%	0%	66%	$103	$177	71%
4	Tencent	TCEHY	6.5%	40%	0%	40%	$52	$61	17%
5	YY	YY	5.1%	30%	0%	30%	$113	$179	58%
6	Adobe Systems	ADBE	4.9%	23%	0%	23%	$175	$223	27%
7	PayPal	PYPL	3.4%	21%	0%	21%	$74	$91	24%
8	UnitedHealth	UNH	3.2%	15%	1%	16%	$220	$238	8%
9	Amazon	AMZN	3.2%	20%	0%	20%	$1,169	$1,004	-14%
10	Salesforce.com	CRM	3.0%	25%	0%	25%	$102	$130	27%
11	Tesla	TSLA	2.9%	35%	0%	35%	$311	$378	21%
12	Constellation Brands	STZ	2.9%	17%	1%	18%	$229	$222	-3%
13	Ollie's Bargain Outlet	OLLI	2.8%	19%	2%	21%	$53	$50	-6%
14	New Oriental Education	EDU	2.7%	32%	0%	32%	$94	$109	16%
15	Apple	AAPL	2.6%	11%	2%	13%	$169	$206	22%
16	Global Payments	GPN	2.6%	19%	0%	19%	$100	$122	22%
17	Domino's Pizza	DPZ	2.5%	19%	1%	20%	$189	$207	10%
18	Netflix	NFLX	2.5%	61%	0%	61%	$192	$181	-6%
19	Workday	WDAY	2.4%	108%	0%	108%	$102	$145	43%
20	Five Below	FIVE	2.4%	22%	0%	22%	$66	$63	-5%
21	Visa	V	2.3%	17%	1%	18%	$114	$114	0%
22	Paycom Software	PAYC	2.3%	28%	0%	28%	$80	$92	15%
23	Home Depot	HD	2.3%	13%	2%	15%	$190	$191	1%
24	Netease	NTES	2.2%	13%	0%	13%	$345	$300	-13%
25	Alphabet	GOOGL	2.1%	21%	0%	21%	$1,053	$1,247	18%
26	Baozun	BZUN	2.0%	69%	0%	69%	$32	$46	46%
27	Celgene	CELG	2.0%	21%	1%	22%	$104	$155	49%
28	JD.com	JD	2.0%	140%	0%	140%	$41	$65	57%
29	Priceline	PCLN	1.9%	16%	0%	16%	$1,738	$2,078	20%
30	SS&C Technologies	SSNC	1.9%	14%	1%	15%	$40	$49	21%
31	Ulta Salon	ULTA	1.9%	18%	0%	18%	$224	$266	19%
32	Regeneron	REGN	1.7%	18%	0%	18%	$376	$582	55%
33	Baidu	BIDU	1.7%	26%	0%	26%	$234	$305	30%
34	Monster Beverage	MNST	1.6%	20%	0%	20%	$63	$51	-19%
35	Starbucks	SBUX	1.5%	15%	2%	17%	$57	$59	3%
36	The Trade Desk	TTD	1.5%	35%	0%	35%	$46	$54	18%
		Cash	-7.4%						
		Total	**100.0%**	**31%**	**0%**	**32%**			**21%**