David Sharek's
Growth Stock Newsletter

Searching for Tomorrow's Stock Market Winners Today

## May 7, 2018 <br> Retail is Looking Strong this Spring

One of the hottest sectors in the stock market is retail - with clothing sales and home renovations leading the way.

With people tending to Netflix and chill at home, renovating living environments is on the list of big projects households make. Thus, Home Depot (HD) and flooring company Floor \& Décor (FND) are thriving.

And with many malls having vacancies, off-price clothing stores like Ross Stores (ROST) and TJX (TJX) are taking market share.

These stores also have lasting power. Yesterday, I saw a set of boxer shorts at TJ Maxx that were half the price of the same set at Amazon.

Speaking of store closings, Toys R Us's pain is good for Five BeIow (FIVE) as well as Ollie's Discount Stores (OLLI).

Some of these retail stocks are actually safe investments. Home Depot, TJX and Ross Stores have high safety ratings and make enough cash coming in they buyback their own stock.

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\begin{aligned}
& \text { Retail is Looking } \\
& \text { Strong this Spring }
\end{aligned}
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## Current Holding - Floor \& Décor (FND)

Floor \& Décor (FND) is a hard surface flooring retailer that really has the best growth opportunity of any retail stock l'm aware of. Founded in 2000, F\&D offers the flooring industry's broadest assortment of tile, wood, laminate and stone flooring in huge $70,000 \mathrm{sq}$ ft warehouse formats, compared to home improvement centers
which dedicate just 3000 to 5000 ft to hard surface flooring. As of fiscal year end 2016 the company had just 69 stores in operation, and expanded that into 83 warehouse stores in 2017. Management plans on having 100 stores by the end of 2018 and with a potential of 400 nationwide, there's great growth opportunity here.

| Fair Value |  |  |  |  |  |  |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: |
| Year | Profits | x | P/E | $=$ | Price | Upside/Downside |
| This Qtr | 1.00 | x | 51 | $=$ | $\$ 51$ |  |
| 2018 Est | 1.00 | x | 55 | $=$ | 55 | $8 \%$ |
| 2019 Est | 1.28 | $x$ | 55 | $=$ | 70 | $38 \%$ |

## 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 (since inception in 2003).
\$100,000 invested
 in the Growth Portfolio at inception would have made a profit of almost $\$ 250,000 \mathrm{vs}$. just over \$200,000 in the S\&P. David's posted four years of $+40 \%$ returns in his 15 year career.

## Current Holding - Ross Stores (ROST)

Ross Stores (ROST) is on a serious roll right now. The stock's gone from $\$ 55$ to $\$ 85$ during the past six months, and with profits expected to climb $22 \%$ this year ROST has fuel to move even higher. But the big news is success isn't new to Ross, as the company is build to last, with management that (1) opens new locations (2) buys back stock and
(3) pays a dividend. The company has repurchased stock as planned every year since 1993 and upped the dividend each year since its inception in 1994. The stock has an Est. LTG of 10\% a year in addition to a $1 \%$ yield, and possesses a P/E of 20 . I feel with profits expected to grow greater than $20 \%$ this year, ROST can earn a $26 \mathrm{P} / \mathrm{E}$.

| Fair Value |  |  |  |  |  |  |
| :--- | :---: | :--- | :--- | :--- | :--- | :---: |
| Year | Profits | x | P/E | $=$ | Price | Upside/Downside |
| This Qtr | 4.06 | x | 20 | $=$ | $\$ 82$ |  |
| 2018 Est | 4.06 | x | 26 | $=$ | 106 | $29 \%$ |
| 2019 Est | 4.49 | x | 26 | $=$ | 117 | $43 \%$ |

## Current Holding - Ollie's Bargain Outlet (OLLI)

Ollie's Bargain Outlet (OLLI) deliv- from 100 stores to 268 and has ers a treasure-hunt shopping experience in offering closeout products bought at a discount and then selling them for 20-70\% off retail and still making a healthy $15 \%$ pre-tax profit. as founded in 1982 in Pennsylvania but didn't go public until July 2015 (at \$16 a share). Since 2011 the company has gone a total opportunity of 950 in the US. Management anticipates opening 36 to 38 stores in 2018. The company has never lost money on a single store. This is a solid investment for growth oriented investors, the only knock is the stock isn't at a discount price like the items in its stores are.

| Fair Value |  |  |  |  |  |  |
| :--- | :---: | :--- | :--- | :--- | :---: | :---: |
| Year | Profits | x | P/E | $=$ | Price | Upside/Downside |
| This Qtr | 1.67 | x | 38 | $=$ | $\$ 63$ |  |
| 2018 Est | 1.67 | x | 38 | $=$ | 63 | $1 \%$ |
| 2019 Est | 1.97 | x | 38 | $=$ | 75 | $19 \%$ |



## Current Holding - TJX Stores (TJX)

$\mathrm{TJX}(\mathrm{TJX})$ is a powerhouse, with 1000 buyers in 10 countries around the world buying from 17,000 vendors in over 100 countries. In 2017 it opened its 4000th store and sees an opportunity to have 5500 stores. TJX brands include T.J. Maxx, Homegoods, Marshalls and Sierra Trading Post. The stock's been an AllTime winner as its soared from
$\$ 0.10$ in 1980 to $\$ 87$ now. TJX makes more than $\$ 3$ billion a year in cash and spends more than half on stock buybacks. This is a safe stock with a $2 \%$ yield. Store growth of $5 \%$ in addition to mid-single digit same store sales and a solid stock buyback program make it possible for TJX to grow profits around $10 \%$ to $12 \%$ a year long-term.

| Fair Value |  |  |  |  |  |  |
| :--- | :---: | :--- | :---: | :--- | :---: | :---: |
| Year | Profits | x | P/E | $=$ | Price | Upside/Downside |
| This Qtr | 4.84 | x | 18 | $=$ | $\$ 87$ |  |
| 2018 Est | 4.84 | x | 23 | $=$ | 111 | $29 \%$ |
| 2019 Est | 5.31 | x | 23 | $=$ | 122 | $41 \%$ |

## Current Holding - Five Below (FIVE)

Five Below (FIVE) is one of the best retail stocks there is and now the closing of Toys R Us stores could help boost results further than projected. Five Be low is a dollar-store concept for kids and teens that sells merchandise such as toys, games, party items, sports gear, clothes, candy \& electronics for between $\$ 1$ and $\$ 5$ each. During the past
four years, Five Below has grown its store count at a rate of $20 \%$ per year from 366 to 437, 522 and 625. Management had a long-term goal of 2000 stores nationwide, and now thinks it can have 2500 stores nationwide. Five Below believes it can grow sales and profits $20 \%$ a year through 2020. I think this is a 30\% grower.

| Fair Value |  |  |  |  |  |  |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: |
| Year | Profits | $x$ | P/E | $=$ | Price | Upside/Downside |
| This Qtr | 2.41 | $x$ | 29 | $=$ | $\$ 71$ |  |
| 2018 Est | 2.41 | $x$ | 35 | $=$ | 84 | $19 \%$ |
| 2019 Est | 2.93 | $x$ | 35 | $=$ | 103 | $45 \%$ |

## Current Holding - Home Depot (HD)

Home Depot (HD) may be big, but is still growing strong. During the past two years, HD has grown it's number of stores from 2274 to 2284. That's not much. Still, profits increased from $\$ 5.40$ to $\$ 7.46$. This company is taking mid single-digit sales growth and getting mid-teens profit growth out of it -- with almost all the sales growth coming from same store
sales. Home Depot is getting more out of its stores via big ticket sales (those above \$900), which increased $10 \%$ last qtr and account for $22 \%$ of overall sales. This stock is safe, reasonably priced with an $18 \mathrm{P} / \mathrm{E}$, and comes with an Estimated LongTerm Growth Rate of $15 \%$ per year in addition to a juicy $2 \%$ yield.

| Fair Value |  |  |  |  |  |  |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: |
| Year | Profits | x | P/E | $=$ | Price | Upside/Downside |
| This Qtr | 9.44 | x | 18 | $=$ | 173 |  |
| 2018 Est | 9.44 | x | 24 | $=$ | 227 | $31 \%$ |
| 2019 Est | 10.19 | x | 24 | $=$ | 245 | $42 \%$ |

## 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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| BOOKSELLERS |



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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 anytime.




Growth Portfolio - Holdings as of 12/31/17

| Security name | Ticker | Portfolio Percent | $\begin{aligned} & \text { Est } \\ & \text { LTG } \end{aligned}$ | Yield | Est. <br> Total <br> Return | Price | $\begin{gathered} 2018 \\ \text { Fair } \\ \text { Value } \end{gathered}$ | Upsidel 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\% |


[^0]:    Any information provided in this letter has been prepared from sources believed to be reliable, but is not guaranteed by SchoolofHardStocks.com and/or Shareks, LLC and is not a complete summary or statement of all available data necessary for making an investment decision. In addition, such information may be condensed or contain calculated data which should be verified by the recipient. Any information provided is for informational purposes only and does not construe a recommendation. To the extent that financial projections are contained herein, such projections are dependent on the occurrence of future events, which cannot be assured; therefore, the actual results achieved during the projection period, if applicable, may vary from the projections. SchoolofHardStocks.com and its employees may own options, rights or warrants to purchase any of the securities mentioned in this letter. Any review, retransmission, dissemination or use of, or taking action in reliance upon this information by persons or entities other than the intended recipient is prohibited. If you received this letter in error, please contact the sender immediately and disregard.

