



David Sharek's Growth Stock Newsletter

Searching for Tomorrow's Stock Market Winners Today

July 29, 2018

Retail is Sharek's Top Sector

Move over software stocks, retail is the new hot sector.

Last week, there was a shift in the stock market. Once beloved Internet stocks **Facebook (FB)** and **Twitter (TWTR)** fell hard after each reported poor quarterly results.

Although these are considered more Internet stocks than software ones, I think software stocks are often bunched in with Internet names, and the weakening of these two names will cause investors to be cautious.

Meanwhile in retail, things are humming right along. GDP is growing at 4% and people are spending their cash. Retailers in the U.S. benefit from a rising dollar, as it makes merchandise from overseas cheaper to buy – which means more profits.

My favorite retailers include **Home Depot (HD)**, **Ollie's Bargain Outlet (OLLI)**, kids toy store **Five Below (FIVE)**, beauty supply store **Ulta Beauty (ULTA)**, as well as off-price clothing retailers **TJX (TJX)** and **Ross Stores (ROST)**.

Retail is Sharek's Top Sector



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Current Holding – Home Depot (HD)

Home Depot (HD) is a marvelous operation. The company makes so much money it buys back huge amounts of stock and pays a nice 2% yield to deliver +15% profit growth – without building many new stores (from 2268 to 2284 the past 3 years).

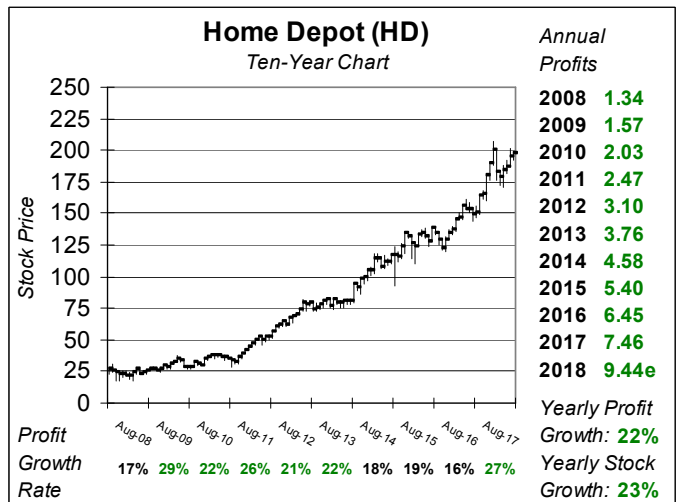
The corporate tax cut is now boosting profit growth to an ex-

pected 27% this year. And with a P/E of just 21, I feel the stock is undervalued.

This stock is safe, reasonably priced, and with an Estimated Long-Term Growth Rate of 15% a year plus a 2% yield, this stock is in my **Growth Portfolio** and **Conservative Growth Portfolio** as well.

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	9.44	x	21	=	197	
2018 Est	9.44	x	24	=	227	15%
2019 Est	10.17	x	24	=	244	24%



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 14% 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 \$300,000 vs. just over \$200,000 in the S&P.

David's posted four years of +40% returns in his 15 year career.





Current Holding – Ollie's Bargain Outlet (OLLI)

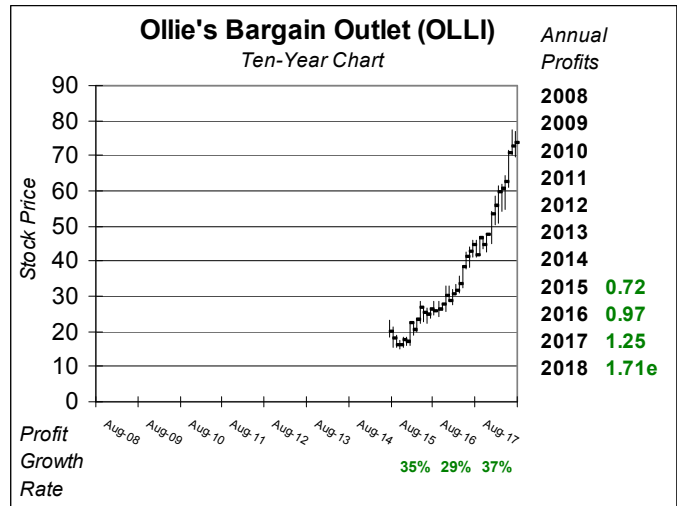
Toys "R" Us's closing is no doubt helping **Ollie's Bargain Outlet (OLLI)**. Ollie's delivers a treasure-hunt shopping experience in offering closeout products bought at a discount and then selling them for 20-70% off retail and still making a healthy 15% pre-tax profit.

Toys were 5.5% of sales last year,

and with Toys "R" Us out of business, Ollie's will sell more toys; and make profits by buying toys via liquidation sales and closeouts.

Since 2011 the company has gone from 100 stores to 268 and has a total opportunity of 950 in the US. Ollie's is part of the **Growth Portfolio**.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	1.71	x	43	=	\$74	
2018 Est	1.71	x	38	=	65	-12%
2019 Est	2.02	x	38	=	77	4%



Current Holding – Five Below (FIVE)

Five Below (FIVE) is another store that's benefiting from the closing of Toys "R" Us.

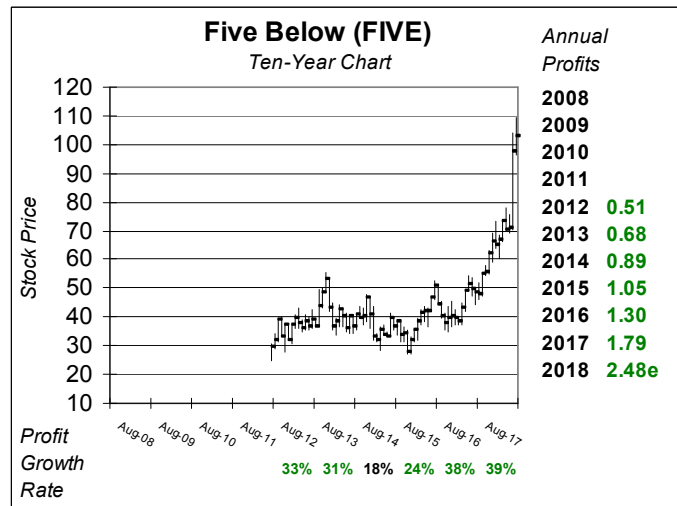
Five Below is a dollar-store concept for kids and teens that sells merchandise such as toys, games, party items, sports gear, clothes, candy & electronics for between \$1 and \$5 each. The company had 625 stores in op-

eration at the beginning of the year, hopes to take that to 750 locations this year, with a potential of 2500 nationwide.

FIVE also imports a lot of its inventory, so the stronger dollar is good.

FIVE is in the **Growth Portfolio**. It soared after earnings last qtr, and I think it will take a breather.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	2.48	x	42	=	\$103	
2018 Est	2.48	x	35	=	87	-16%
2019 Est	3.00	x	35	=	105	2%

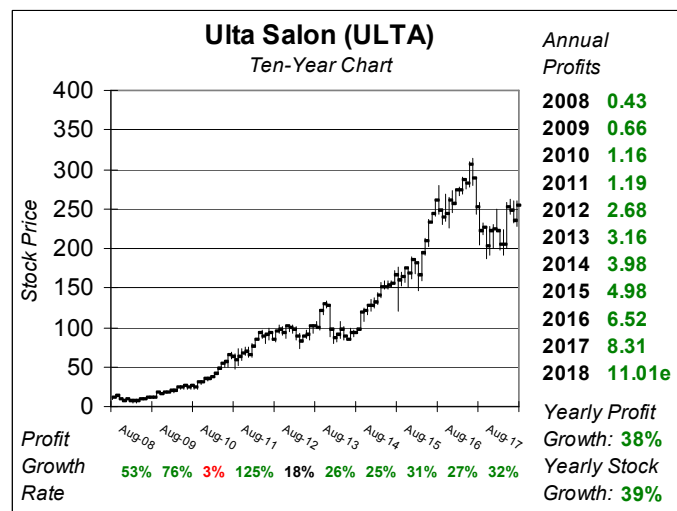


Current Holding – Ulta Salon (ULTA)

Ulta Salon (ULTA) was a superstar stock from 2009-2015, as it went from \$8 to \$185. Then in 2016 short-sellers were putting out negative research on ULTA, trying to drive down the stock. The short-sellers got their asses handed to them as the stock broke out and soared to \$250. But even after this beatdown, there are still haters.

ULTA's results are one reason I'm high on Retailers now. With the help of the corporate tax cut, profits are expected to climb 32% this year. Amazing. Meanwhile ULTA's P/E is just 23 – quite low for that type of growth. I think a lot of the haters on this stock are guys, who don't understand the concept. ULTA is part of the **Growth Portfolio**.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	11.01	x	23	=	\$255	
2018 Est	11.01	x	25	=	275	8%
2019 Est	12.79	x	25	=	320	26%





Current Holding – TJX (TJX)

I'm sure you've been in a TJ Maxx store. How about Marshall's? The funny thing is I've been shopping at these stores for 10-20 years and until recently was unaware of how great a stock TJX has been. Just look at this ten-year chart.

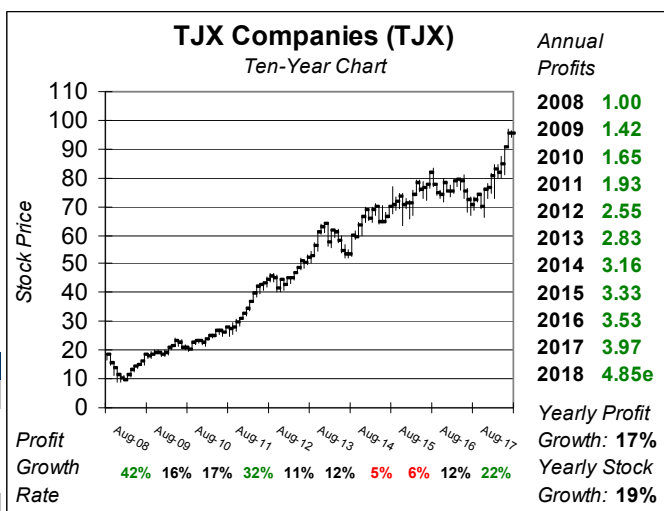
TJX is a powerhouse, with 10,000 buyers in ten countries getting deals from 17,000 vendors in

more than 1000 countries.

TJX stock gets my top safety rating, has an A+ rating from Standard & Poors, and has raised the dividend by 20% a year since 1996. The company also owns Marshall's and Sierra Trading Post. TJX is one of my top stocks in the **Conservative Growth Portfolio**.

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	4.85	x	20	=	\$95	
2018 Est	4.85	x	23	=	112	17%
2019 Est	5.33	x	23	=	123	29%



Current Holding – Ross Stores (ROST)

Ross Stores (ROST) is a discount clothing store that sells clothing and home goods at 20-60% off department store prices.

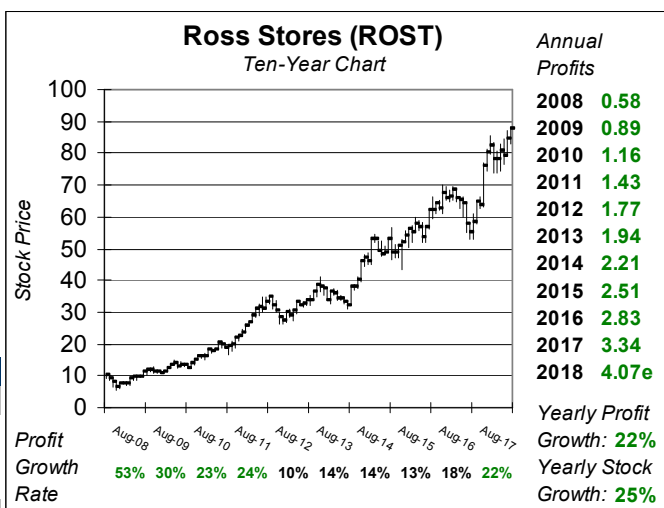
Like TJX, Ross is a quality company with little debt. So management is spending \$1 billion to buy its own stock in 2018. That might reduce the share count (or up profits) by 3% alone.

ROST is a well-oiled machine that is expected see profit growth accelerate from 18% to 22% this year. And with a P/E of just 21, this stock is also undervalued.

My Fair Value on this stock is a P/E of 24, which equates to \$98 a share, 12% higher than the recent quote. ROST is part of the **Conservative Portfolio**.

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	4.07	x	21	=	\$87	
2018 Est	4.07	x	24	=	98	12%
2019 Est	4.49	x	24	=	108	23%



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

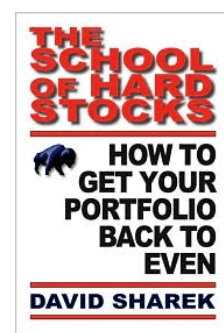
portfolios 42% and beat the market (S&P 500) by 39%.

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

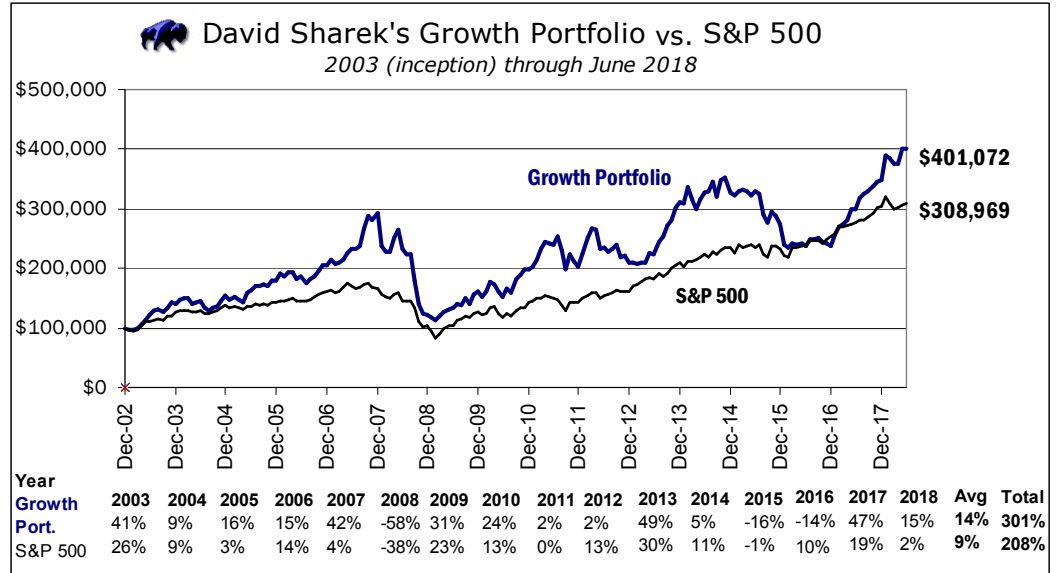
Let us manage your stock portfolio

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.



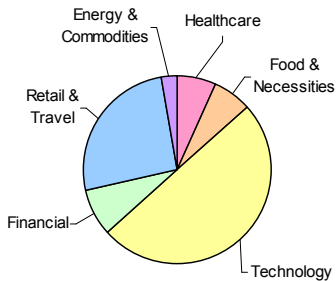
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Sector Key

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



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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%