



David Sharek's Growth Stock Newsletter

Searching for Tomorrow's Stock Market Winners Today

September 14, 2018

Re-Ranking the Top Stocks

There's been a lot of changes in the stock market recently. For the past few years many of us investors/money managers have relied on some well known growth stocks to power our portfolios. Topping the list have been **Facebook (FB)**, **Apple (AAPL)**, **Amazon (AMZN)**, **Booking.com (BKNG)** which used to be named **Priceline (PCLN)**, **TenCent (TCEHY)** and **Alibaba (BABA)**.

But this year's different. Some of these big names have fallen from grace. In the case of Face-

book, the company is still raking in the marketing revenue (Instagram is hot) but now management is devoting more resources to security issues. So profit growth is expected to slow, thus the stock has fallen as well.

In the case of Chinese stocks, the Chinese Yuan's decline almost matches the decline of the Chinese stock exchanges (around 25% ytd). These also have slowing to negative growth.

I am re-ranking my top stocks, here's 6 of my current leaders:



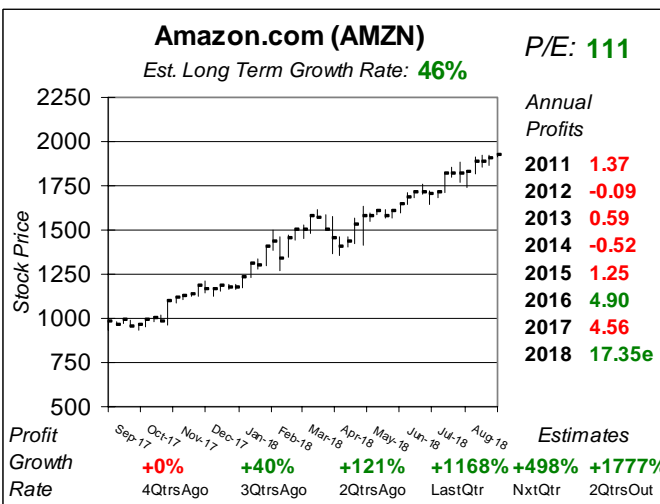
Current Holding – Amazon.com (AMZN)

Amazon.com (AMZN) stock is up around 100% in the last year, but its profits are up more. Look at this chart, on the right profits are expected to be 4x what they were last year. Now Amazon typically spends-to-grow, thus profits are minimal. Well, that used to be the case. Now profits flow like a fire hydrant that's flowing onto the streets.

Profits the past 4 qtrs were \$0.52, \$2.16, \$3.27 and \$5.07. The last 2 qtrs profits have come in more than double what analysts had expected. My guess AMZN could make \$25 or more in 2019. What's next? \$50? \$100 in 3-5 years? A P/E of 45 on \$100 in profits would be a \$4500 stock (hypothetically). AMZN is my top ranked stock.

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	17.35	x	111	=	\$1,928	
2018 Est	17.35	x	125	=	2169	13%
2019 Est	25.37	x	125	=	3171	65%



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 more than \$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 – Apple (AAPL)

Apple (AAPL) was my top ranked stock in my Power Rankings earlier in the qtr. Before I updated the AMZN charts. Still, this stock could prove to do better than AMZN in the next year because AAPL's valuation is low.

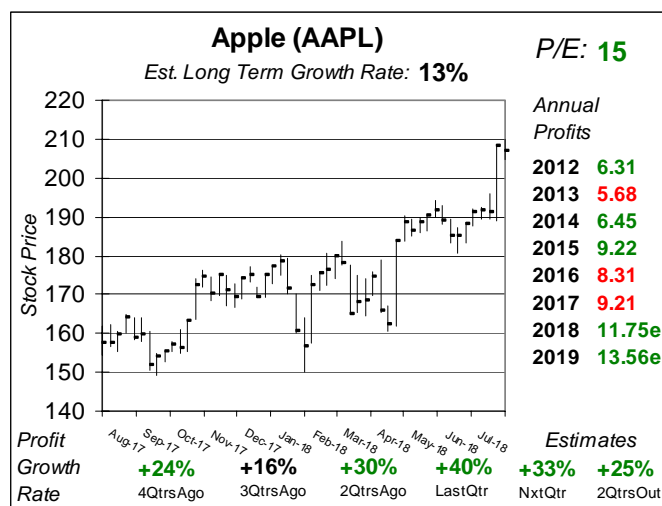
Apple has its fiscal year-end on September 30th, thus I'm looking ahead to 2019 to calculate the

P/E ratio. That means the stock has a P/E of just 15 – it's selling for 15x 2019 profits. And profits are expected to grow in the coming years, thus it looks to me like this company will make more in profits during the next decade than the company is selling for.

AAPL could sell for 20x earnings by 2020. It might go to \$300.

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	11.75	x	18	=	\$207	
2019 Est	13.56	x	18	=	244	18%
2020 Est	14.97	x	18	=	269	30%



Current Holding – Adobe Systems (ADBE)

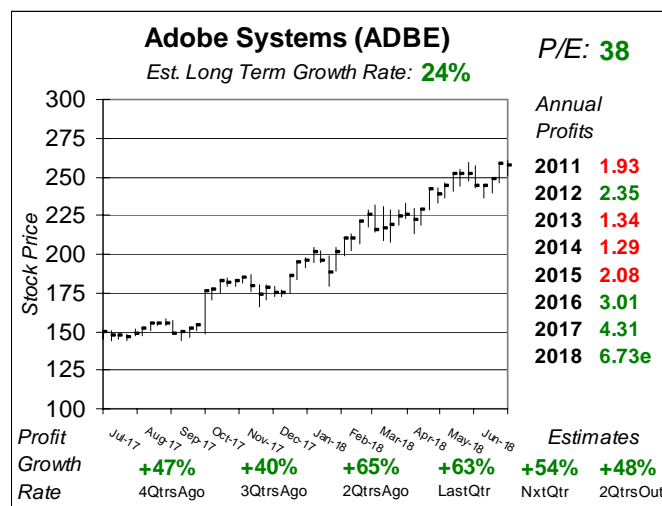
Adobe Systems (ADBE) was purchased in the Growth Portfolio and Aggressive Growth Portfolio on 1/15/16 at \$88. At the time profits had risen 93% and 72% the prior two qtrs. In my book, profit growth leads to stock growth, and since ADBE is still growing profits rapidly (+63% last qtr), this stock continues to be a market leader.

Adobe is killing it with its online Photoshop and video making products, which are now mostly sold on a subscription basis. This has given ADBE a steady revenue stream.

ADBE also has a marketing division, which allows big companies to do advertising and perform analytics.

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	6.73	x	38	=	\$258	
2018 Est	6.73	x	42	=	283	10%
2019 Est	7.69	x	42	=	323	25%



Current Holding – NVIDIA (NVDA)

NVIDIA (NVDA) has its hands in many different baskets. The biggest being computer graphics cards. The Gaming division is 54% of company sales with 68% year-over-year growth last qtr.

Autos (autonomous cars).

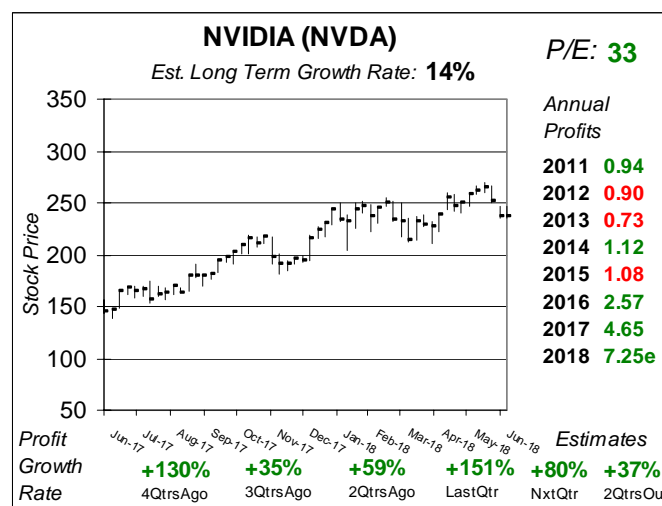
The 2 catalysts for NVDA stock could be the Gaming and Data-center divisions.

Other divisions include Datacenter (the brains behind artificial intelligence), Professional Virtualization (face recognition), and

As you can see from the one-year chart (right) profits are growing very rapidly. And over the last 4 qtrs 2018 estimates have surged from \$3.97 to \$4.70, \$6.28 and now \$7.25. Impressive.

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	7.25	x	33	=	\$238	
2018 Est	7.25	x	50	=	363	53%
2019 Est	7.84	x	50	=	392	65%



Current Holding — Paycom Software (PAYC)

Paycom Software (PAYC) is a company that develops Human Resources software that small businesses can subscribe to for their HR needs. Paycom not only can perform payroll tasks, but also keeps up with regulations, retirement plans, and other aspects of running a small business.

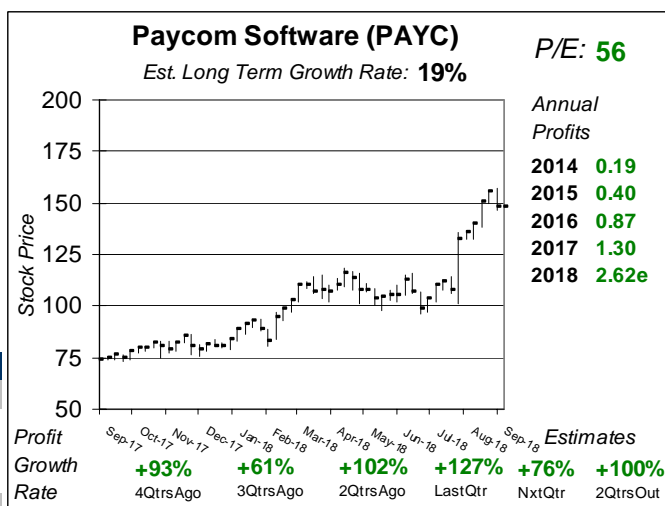
PAYC is a market leader — for

sure — as profits are expected to be up more than ten-fold in just 5 years. That's an incredible feat.

This stock reminds me of **Dell Computer (DELL)** back in the 1990s'. DELL's profits grew from \$0.05 in 1994 to \$0.68 in 1999. Dell's median stock price went from \$0.50 to \$43 during that time.

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	2.62	x	56	=	\$148	
2018 Est	2.62	x	65	=	170	15%
2019 Est	3.19	x	65	=	207	40%



Current Holding — Weibo (WB)

Chinese stocks have really taken it on the chin this year. Even **Weibo (WB)** is well off its highs — even though profit growth continues to be stellar.

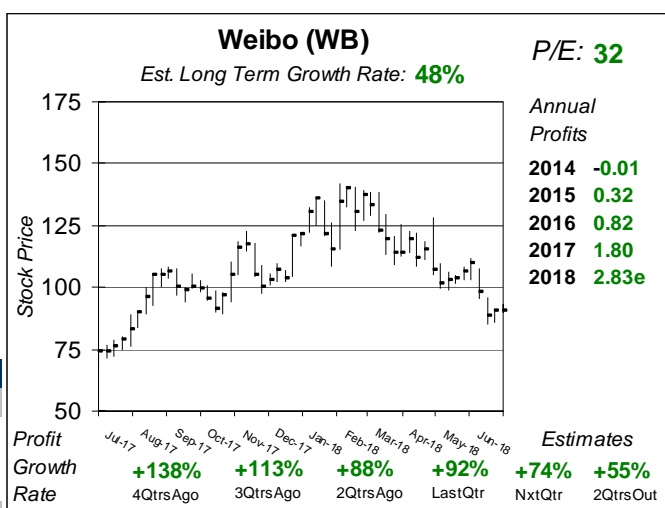
I am a seasoned veteran at Chinese stocks, and purchased **Baidu (BIDU)** more than a decade ago. I'm also familiar with the ups-and-down these stocks make.

This year I have been selling some Chinese stocks — including BIDU. But one that could rebound in a big way is WB. Weibo is the “Twitter of China” and is raking in money hand-over-first as corporate brands move from picture ads to video ads.

With a P/E of 32, this stock seems very undervalued to me.

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	2.83	x	32	=	\$90	
2018 Est	2.83	x	55	=	156	72%
2019 Est	4.05	x	55	=	223	147%



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

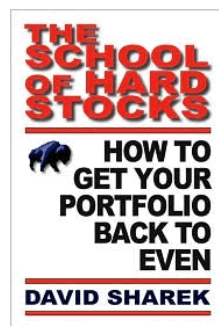
portfolios 42% and beat the market (S&P 500) by 39%.

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 (GOOGL) Intuitive Surgi-

cal (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

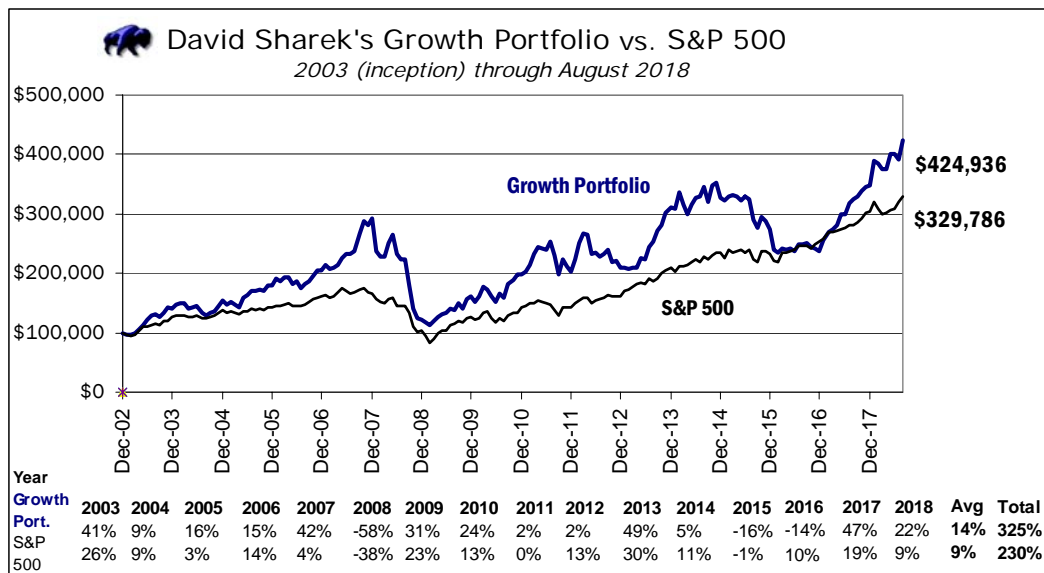
Let us manage your stock portfolio

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.

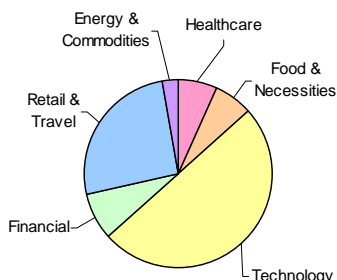
Account types include individual accounts, joint accounts and IRAs.

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



Sector Key

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



Sharek's Stock Portfolios
230 East 30th St, Suite 15G
New York, NY 10016
+1 917 657 8126



School of Hard Stocks
99 Madison Ave, 5th Floor
New York, NY 10037
+1 917 657 8126

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%