



# David Sharek's Growth Stock Newsletter

Searching for Tomorrow's Stock Market Winners Today



January 23, 2018

## My Top Ten Growth Stocks for 2018

We are in a new era of time. One where we utilize technology to make our lives easier and more efficient. As well as fun. Now we can order things online and have them delivered right to our doorstep in just two days.

Social media has captured our attention and given us immediate access to news as

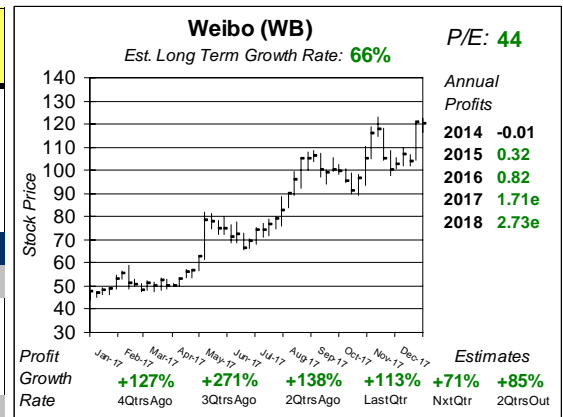
well as movies. And we can stay in constant contact with our friends, with the ability to send videos and pictures to our entire family in just a few clicks. You don't even need to talk to someone to order a pizza anymore.

Throughout history, new advances in technology has allowed new young companies

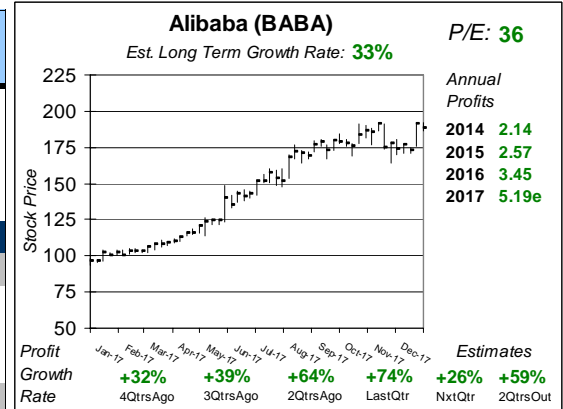
to thrive, while their shareholders reap the rewards. 2018, like 2017, is all about technology. And the companies that develop it.

Here's my Top Ten growth stocks for 2018. On the right are one-year charts with qtrly profit growth rates at the bottom. Enjoy.

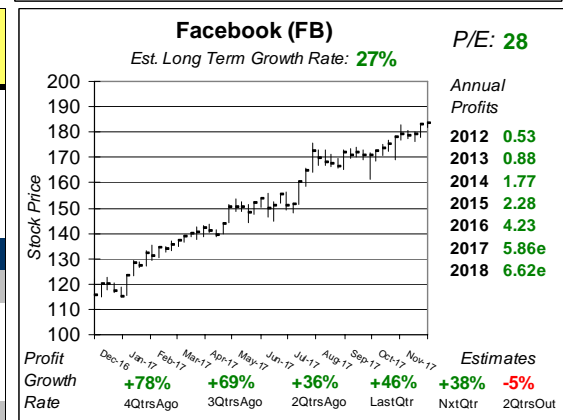
<b>1</b>	<b>Weibo (WB)</b>	<b>Sector: Technology</b>				
<p>Weibo is a Twitter-like social media platform that companies, brands and entertainers use to provide news on. This stock has the best fundamentals (i.e. profit growth) of any stock I follow and has beaten estimates handily the last 5 qtrs. Management is making short videos a top priority, and revenues are surging higher. I originally purchased WB in the <a href="#">Growth Portfolio</a> at \$21 in April 2016.</p>						
<b>Fair Value</b>						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	1.71	x	70	=	\$120	
2018 Est	2.73	x	65	=	177	48%
2019 Est	3.87	x	65	=	252	110%



<b>2</b>	<b>Alibaba (BABA)</b>	<b>Sector: Retail &amp; Travel</b>				
<p>Back in the summer Alibaba bumped its 2017 sales growth forecast from 31% to 45% - 49%. At the time I thought "that means BABA could earn \$5 for the year, and a 40 P/E would be a \$200 stock". Now Alibaba's expected to make \$6.75 in 2018. The math is below...</p>						
<b>Fair Value</b>						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	5.19	x	36	=	\$189	
2017 Est	5.19	x	40	=	208	10%
2018 Est	6.75	x	40	=	270	43%



<b>3</b>	<b>Facebook (FB)</b>	<b>Sector: Technology</b>				
<p>In 2017 Facebook changed its accounting to a more conservative stance (GAAP) &amp; profit growth slowed from 69% to 36% 2 qtrs ago. In addition, FB says higher expenses will eat into profits in 2018. Analysts think profits will climb just 12% in 2018. But FB regularly beats expectations and the 28 P/E is low. Facebook is making money off Instagram now and can put ads on Whatsapp in the future.</p>						
<b>Fair Value</b>						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	5.86	x	31	=	\$183	
2018 Est	6.62	x	37	=	245	34%
2019 Est	8.13	x	37	=	301	64%





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.

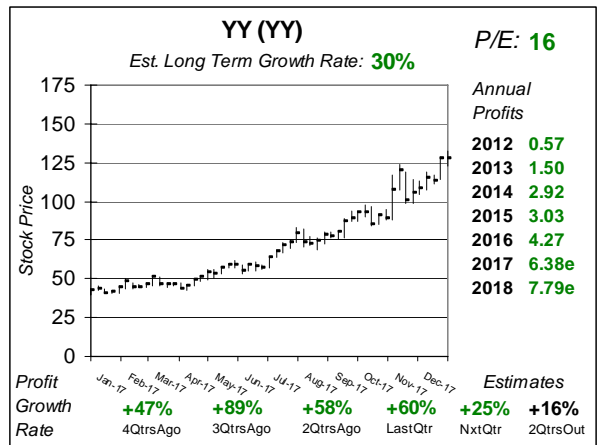


**4** **YY (YY)** **Sector: Technology**

Like Weibo, YY is a social platform in China. It lets users view and participate in activities such as music shows, online games, singing shows, live game broadcasting and e-learning. Most of the content is user generated, and singers (both famous and karaoke wannabes) often post videos of themselves sitting at their computers singing a song. Live streaming is 92% of YY sales & is huge in China, with half the people on the web using a live-streaming app.

**Fair Value**

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	6.38	x	20	=	\$128	
2018 Est	7.79	x	23	=	179	40%
2019 Est	10.63	x	23	=	244	92%

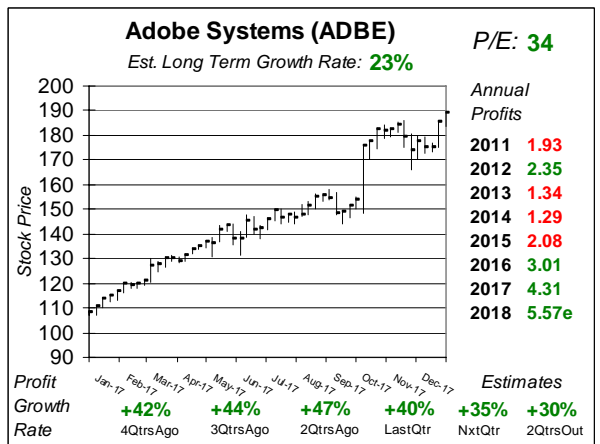


**5** **Adobe Systems (ADBE)** **Sector: Technology**

Digital video will be the #1 thing people do with their spare time, and Adobe's software is used by the movie makers and digital marketers to make and market images and videos. Digital Media is ADBE's largest division at 2/3rds of sales and includes Adobe Creative Cloud which delivers cloud-based services for creating digital media. Digital Marketing is 1/3rd of sales and includes Adobe's Marketing Cloud, for digital marketers.

**Fair Value**

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	5.57	x	34	=	\$189	
2018 Est	5.57	x	40	=	223	18%
2019 Est	6.78	x	40	=	271	44%

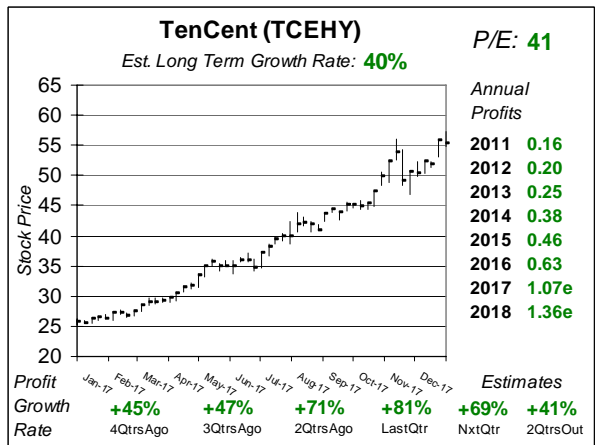


**6** **TenCent (TCEHY)** **Sector: Technology**

TenCent is the all-in-one app in China that's many apps in one. People can book services to come to their home, chat or text friends, order food, pay for the order and give reviews all without leaving the app. Still, video games is where TenCent makes its money (go figure). This was one of my favorite stocks on 2017 but since it just doubled my upside for 2018 isn't great. Still, this stock looks to be a long-term winner.

**Fair Value**

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	1.07	x	52	=	\$55	
2018 Est	1.36	x	45	=	61	11%
2019 Est	1.77	x	45	=	80	44%



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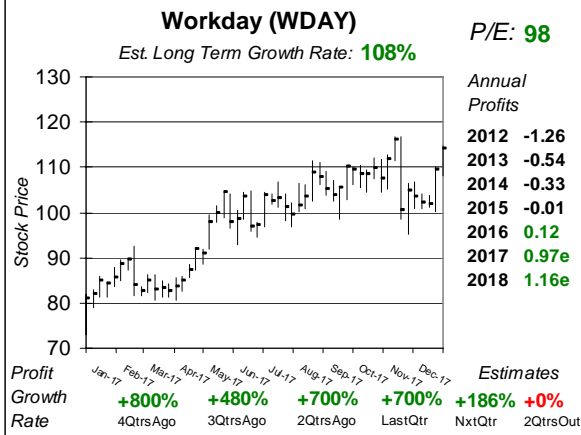


**7 Workday (WDAY)**

**Sector: Technology**

Workday is a software big companies use to track their financials as well as workforce. Again the data is on the cloud, so multiple people can access files and look at pie charts and sales figures at the same time. Amazon and Netflix are among many big-name clients so you the technology has to be good. But WDAY is young and spending to grow, thus the P/E is really high.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	0.97	x	118	=	\$114	
2018 Est	1.16	x	125	=	145	27%
2019 Est	1.57	x	125	=	196	72%



Through nine years, my Top Ten list has averaged 20% a year vs. 13% a year for the stock market (S&P 500).

Average upside to 2018's Fair Value is 27%, down from 36% last year. 2017 was a good year in the market, and stocks are a little high right now.

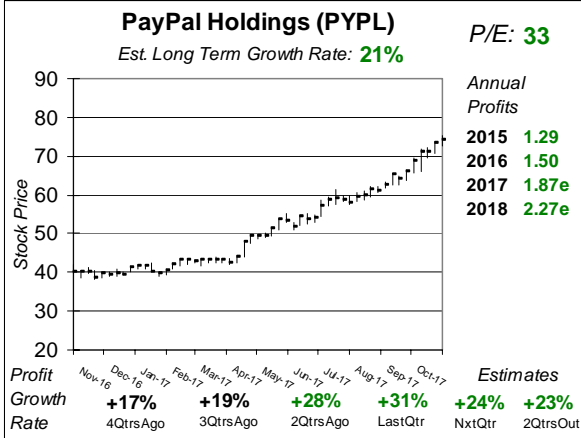
This list is just for fun, don't take the returns seriously. I publish it after the year has started and stocks have began to move.

**8 PayPal (PYPL)**

**Sector: Financial**

PayPal has this great new phone app called Venmo that let's people transfer money to friends and family for FREE in just a few clicks. And you can all clip in and pay for dinner with it as well, with the restaurant paying PYPL 3%. Pretty good gig. People are signing up left-and-right, and the restaurants don't mind because they would have given that 3% to Visa or Mastercard anyway.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	1.87	x	40	=	\$74	
2018 Est	2.27	x	40	=	91	23%
2019 Est	2.73	x	40	=	109	48%



**2017 Top Ten Results**

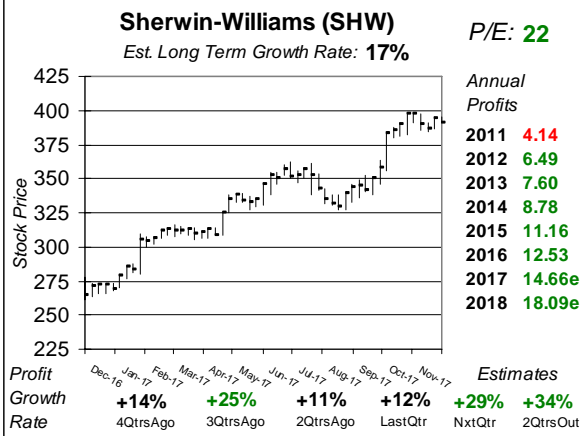
Facebook (FB)	+53%
Netease (NTES)	+60%
Adobe (ADBE)	+70%
Salesforce (CRM)	+50%
UnitedHealth (UNH)	+38%
Tesla (TSLA)	+45%
Alphabet (GOOGL)	+33%
Amazon (AMZN)	+56%
TenCent (TCEHY)	+108%
Weibo (WB)	+151%
Average	+66%
S&P 500	+19%

**9 Sherwin-Williams (SHW)**

**Sector: Retail & Travel**

Sherwin-Williams is the #1 brand in paint (Sherwin-Williams), stain (Minwax), spray pain (Krylon), auto paint (Dupli-Color) and water sealer (Thompson's). It's has a marvelous end-to-end supply chain with 62 manufacturing sites and 1200 trailers to get paint to home improvement centers and 4000 company stores. Housing and home improvement is great with the economy so strong.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	14.66	x	27	=	\$392	
2018 Est	18.09	x	24	=	434	11%
2019 Est	21.12	x	24	=	507	29%



**Top Ten Track Record**

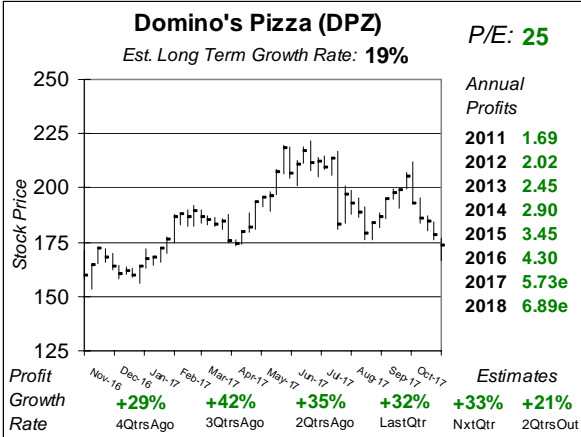
Year	David Sharek	S&P 500
2009	+22%	+23%
2010	+38%	+13%
2011	+2%	0%
2012	+19%	+13%
2013	+57%	+30%
2014	-9%	+11%
2015	0%	-1%
2016	-15%	+10%
2017	+66%	+19%
Average	+20%	+13%

**10 Domino's Pizza (DPZ)**

**Sector: Food & Necessities**

Domino's, the world's #2 pizza chain and #1 pizza delivery chain, has been hot since it introduced chicken wings and boneless chicken to the menu back in 2011. It also came out with its iPhone app that year — and the app is great. It saves your favorite pizzas so you just have to click a few times to order. Management also buys back hundreds of millions of dollars in stock and pays a dividend too.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	5.73	x	30	=	\$173	
2018 Est	6.89	x	30	=	207	19%
2019 Est	8.14	x	30	=	244	41%





### Portfolio Management

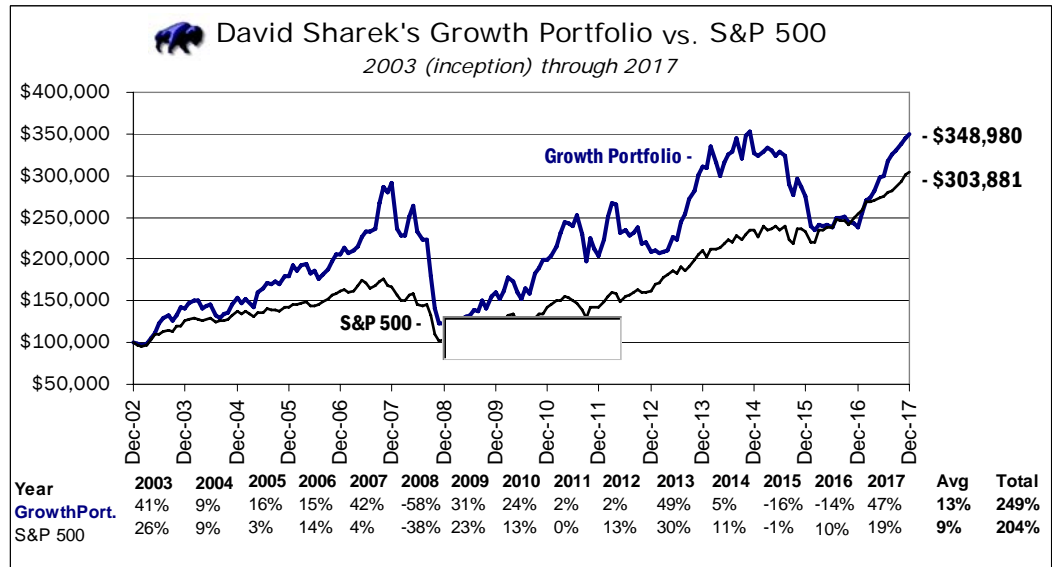
#### Let us manage your stock portfolio

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.

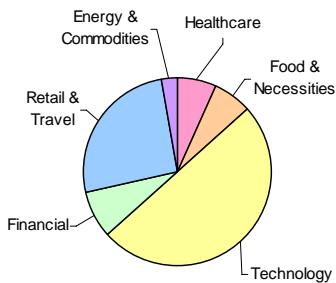
Account types include individual accounts, joint accounts and IRAs.

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%



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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%						
<b>Total</b>		<b>100.0%</b>	<b>31%</b>	<b>0%</b>	<b>32%</b>			<b>21%</b>