



# David Sharek's Growth Stock Newsletter

Searching for Tomorrow's Stock Market Winners Today

June 16, 2018

## The Most Dangerous Stocks in the Market

During the past two months there have been a large number of growth stocks go parabolic.

Parabolic means a stock which was rising steadily then climbs at a more rapid rate, perhaps rising 50%-100% in 3-to-6 months.

These stocks are great if you own them. If you don't then you are missing out and may be tempted to buy high.

Buying after a parabolic move can be dangerous, because a correction in the stock market

could cause the hot-stocks to decline around 2x the rate of the stock market.

There's measurements in regards to Growth Stocks (young rapid growers) vs. Value Stocks (old stable businesses with stocks that can pay dividends). During the past month Growth vs. Value has been at the highest point ever, meaning growth is in, value is out.

Growth stocks are the place to be, but savvy investors are smart to pick up Blue Chips on a dip.



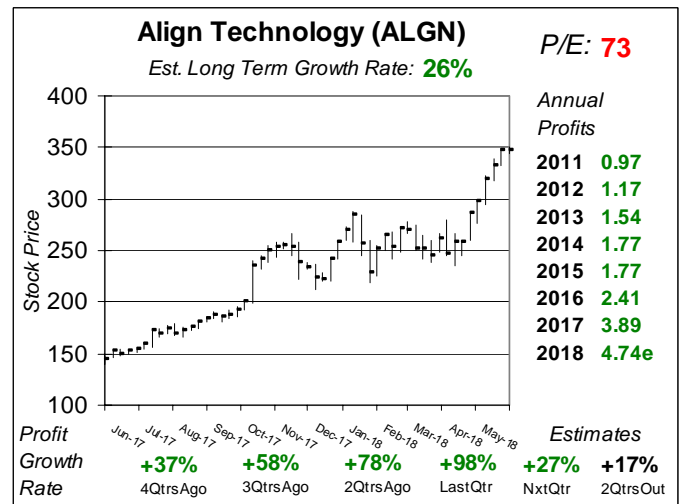
## Stocks on the Radar – Align Technology (ALGN)

Align Technology (ALGN) makes the Invisalign braces which are a sensation all around the world. Especially with teens, who want to snap selfies.

I started following ALGN a couple years ago. It was in the \$90s and I wanted to get it if it fell to \$90. Then the stock broke out, ran up, and ran to \$350. I don't own it.

To the right is a one-year chart of ALGN. The P/E is high, as is qtrly profit growth (bottom/left). Estimates are for growth to slow to 27% and 17% the next 2 qtrs but ALGN has been beating the street and surprising to the upside.

ALGN is on a parabolic move, if it comes back down I want to buy.



Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	4.74	x	73	=	\$347	
2018 Est	4.74	x	50	=	237	-32%
2019 Est	6.00	x	50	=	300	-14%

## 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 vs. just over \$200,000 in the S&P.

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



## Stocks on the Radar – Lululemon Athletica (LULU)

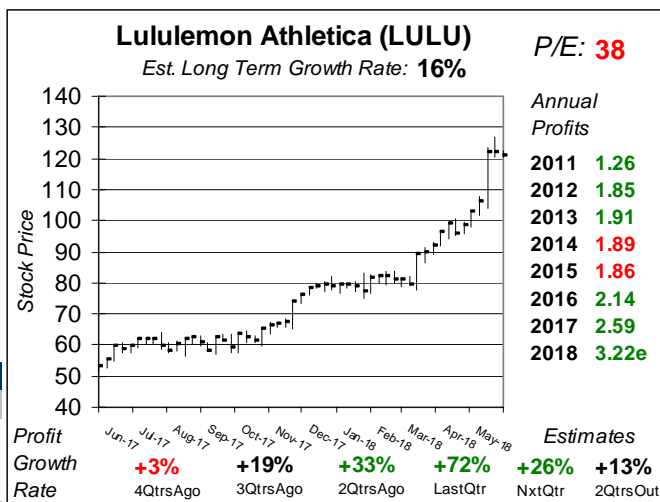
Lululemon Athletica (LULU) has been a monster stock this past year. I also missed out on this, even though I've been tracking LULU for a couple qtrs now. I didn't buy as I didn't imagine the P/E going to 38.

The best time to buy a hot stock is when it hits a new high after basing a while.

Here is a one-year view of LULU. From July–Oct of last year it based between \$55-\$65, the time to buy was when it shot past \$70. Then the stock based between \$75 and \$85. The buy point was on the move to \$90.

This latest jump is dangerous, because the stock didn't base around \$100. LULU is parabolic.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	3.22	x	38	=	\$121	
2018 Est	3.22	x	32	=	103	-15%
2019 Est	3.69	x	32	=	118	-2%



## Current Holding – Servicenow (NOW)

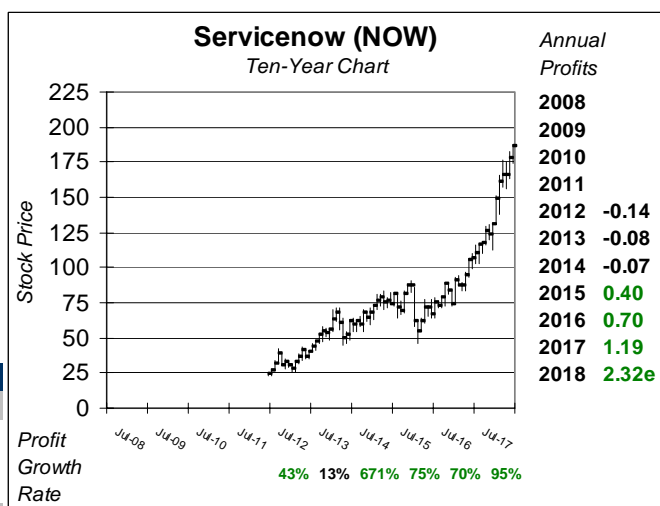
To the right is a ten-year chart of Servicenow (NOW), which as you can see is not yet ten years old. That's good because its often the young bucks that are the best stocks. As you can see this is a great stock, and is also parabolic.

ServiceNow is a cloud-based provider of software to businesses. When it began in 2004,

the company started with IT helpdesk software then expanded into customer service, and is now developing a slew of other apps in HR and security.

I purchased NOW for the Growth Portfolio in January at \$135. Analysts give this stock an Estimated Long-Term Growth Rate of 51% per year.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	2.32	x	80	=	\$186	
2018 Est	2.32	x	85	=	197	6%
2019 Est	3.15	x	85	=	268	44%



## Stocks on the Radar – HubSpot (HUBS)

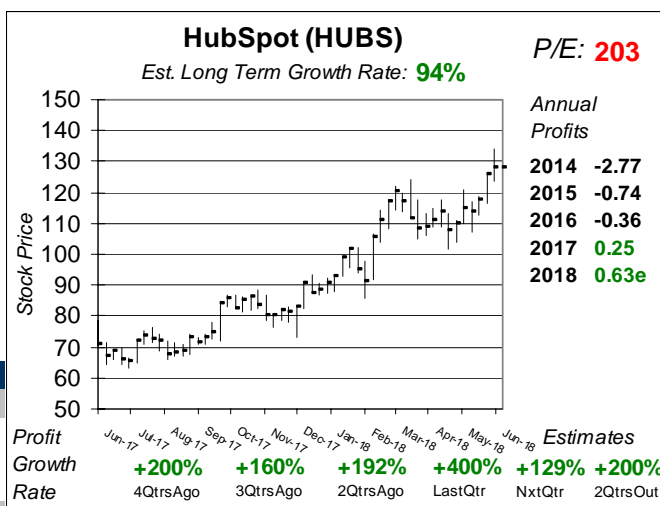
HubSpot (HUBS) and ALGN are the two stocks I really wish I owned.

HubSpot has an online software platform that allows you to keep track of clients and prospects, and do marketing. It's cheap too, FREE to start with. Once you get accustomed to the platform you can add Sales and Marketing

programs to the mix for \$50-\$200 per mo. If you have a customer service team they have a \$400 platform.

HubSpot is the next Salesforce (CRM). HUBS started making profits five qtrs ago, and is now delivering triple-digit growth while beating the street. HUBS is on the radar for the Growth Portfolio.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	0.63	x	203	=	\$128	
2018 Est	0.63	x	150	=	95	-26%
2019 Est	1.02	x	150	=	153	20%





## Current Holding – PepsiCo (PEP)

PepsiCo (PEP) is in a correction as Growth vs. Value has investors selling safe ETFs to buy risky ones. Right now investors are all gung-ho about growth stocks to the point the Growth vs. Value metrics are at some of the highest points ever.

PEP is down because investors are taking money from mutual funds and ETFs that invest in these slower growers, and also because Pepsi's growth is slow as people are drinking healthy. PEP is developing healthier

drinks to make up for this. It's KeVita line of premium organic probiotic beverages had 50% sales growth last qtr.

PEP stock is one of the safest in the world. It pays a 3% yield that's grown every year since 1973. During the past decade the stock's grown 5% a year and paid a 3% yield. Analysts feel the stock can grow 8% long-term. Plus that juicy yield.

PEP was \$120 in December and is now \$108. It's in the **Conservative Growth Portfolio**.

Profit History							
Year	Profits	x	P/E	=	MedPrice	Dividend	Yield
2008	\$3.68	x	15	=	\$55	\$1.75	3.2%
2009	3.71	x	17	=	63	\$1.86	2.9%
2010	4.13	x	16	=	65	\$1.99	3.1%
2011	4.40	x	15	=	68	\$2.11	3.1%
2012	4.10	x	19	=	78	\$2.21	2.8%
2013	4.37	x	20	=	89	\$2.45	2.8%
2014	4.63	x	19	=	90	\$2.71	3.0%
2015	4.57	x	22	=	102	\$2.91	2.9%
2016	4.85	x	21	=	102	\$2.96	2.9%
2017	5.23	x	21	=	111	\$3.17	2.9%

Fair Value							
						Upside/Downside	TotRetrn
This Qtr	\$5.69	x	18	=	\$103		
2017 Est	5.69	x	19	=	108	5%	8%
2018 Est	6.10	x	19	=	116	12%	18%

## Current Holding – Altria Group (MO)

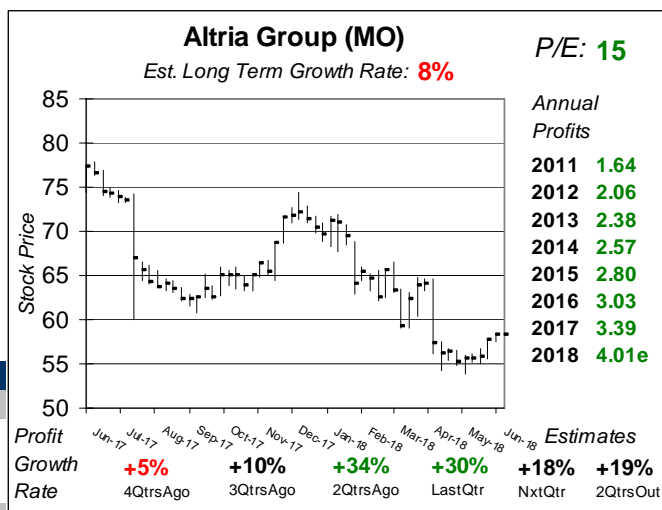
Altria Group (MO) is also in the **Conservative Growth Portfolio**, and after this past year's drop (right) the stock is a real bargain here.

Altria is Philip Morris USA, the cigarette company that sells Marlboro in the states. In April, MO fell because Philip Morris International dropped after it disclosed

it's seeing slower growth. Then MO reported results that were good, so to me it seems like the stock should go back up.

Like PEP, MO is also one of the world's safest stocks. It's grown 11% a year the past decade, and analysts estimate 8% in the future. The yield is a fat 5%. I bought more MO last week.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	4.01	x	15	=	\$58	
2018 Est	4.01	x	17	=	68	17%
2019 Est	4.34	x	17	=	74	26%



## 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%.

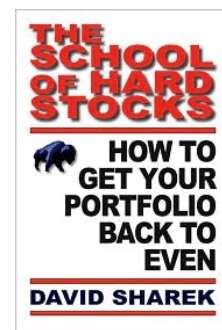
Completed at the end of 2006, Sharek used *The School of Hard Stocks* in 2007 to grow stock

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](http://schoolofhardstocks.com).

Buy it Now Buy it Now



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### Portfolio Management

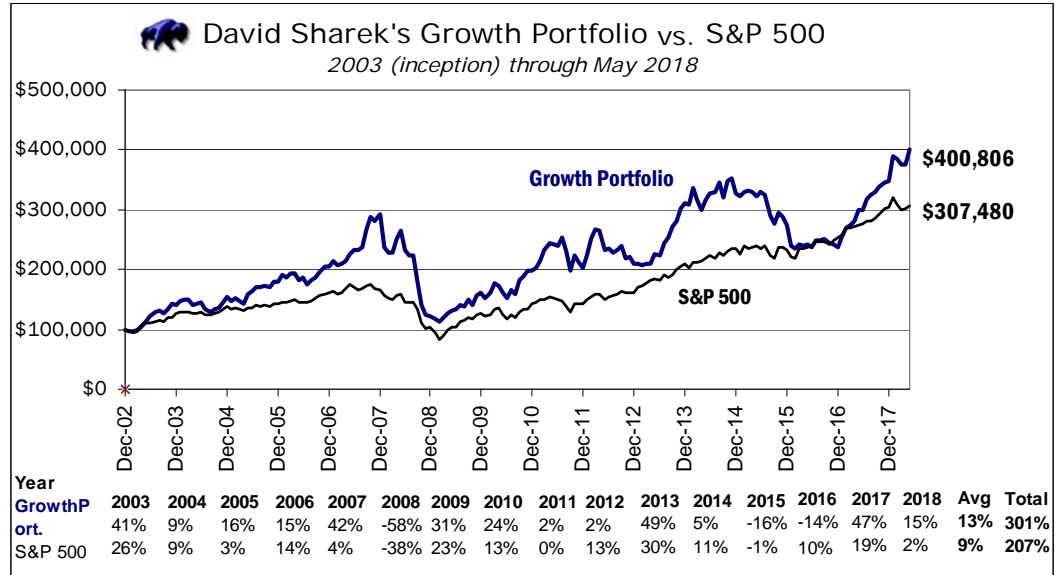
#### Let us manage your stock portfolio

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.

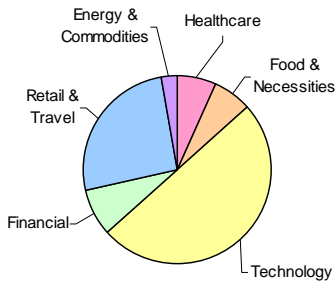
Account types include individual accounts, joint accounts and IRAs.

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%



#### 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>



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