



David Sharek's Growth Stock Newsletter

Searching for Tomorrow's Stock Market Winners Today

April 1, 2019

Best Software Stocks for 2019

New companies that disrupt industries with innovative products often have good-to-great stocks. The reason is these new products help businesses become more efficient. So companies are paying money for the software, but saving more as labor costs are reduced.

One of the top industries in the stock market today is software. Software stocks are killing it because they streamline human resources tasks, perform financial calculations, help companies

communicate with their customers better, and assist in advertising.

What's nice about software stocks is there is little cost of goods sold (COGS) so up to 40% of revenue can be plowed into Sales & Marketing to drive even higher sales and of course profits.

Software stocks have been hot so far this year, so many of these names are close to fairly valued. Still, these selections offer growth opportunity long term.



Current Holding – Workday (WDAY)

Workday (WDAY) is the cream-of-the-crop for software companies right now. The company's dominating big business, with heavy hitters including Netflix, Amazon, Bank of America and Adobe as clients.

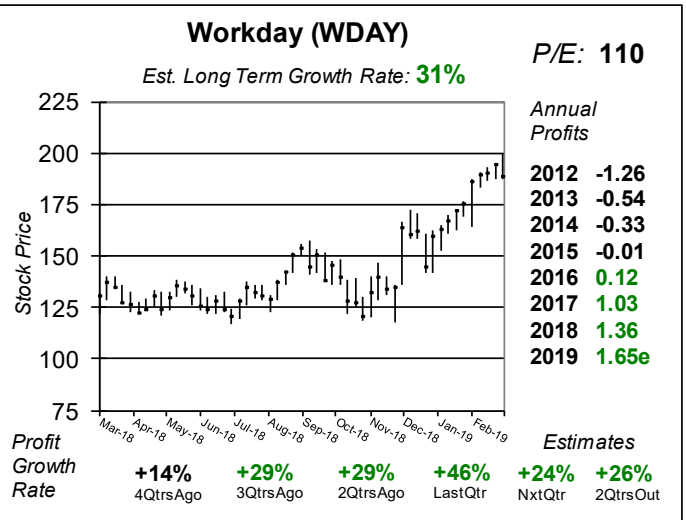
Workday's software unifies company's human resources and financial data into one pro-

gram on the cloud so management can see what regions or line of business money is coming in from, click to see which salesmen are delivering the most sales, then jump to view the payroll section.

WDAY is growing around 30% right now, and with a P/E of 110 it has a rich valuation.

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	1.65	x	110	=	\$181	
2019 Est	1.65	x	112	=	185	2%
2020 Est	2.19	x	112	=	245	35%



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 12% a year,

compared to 8% 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 \$235,000 vs. just over \$185,000 in the S&P.

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





Current Holding – Salesforce.com (CRM)

Salesforce.com (CRM) has the worlds #1 customer relationship management (CRM) platform which manages a company's relationships and interactions with customers and potential customers. The company also has a customer service and marketing platform.

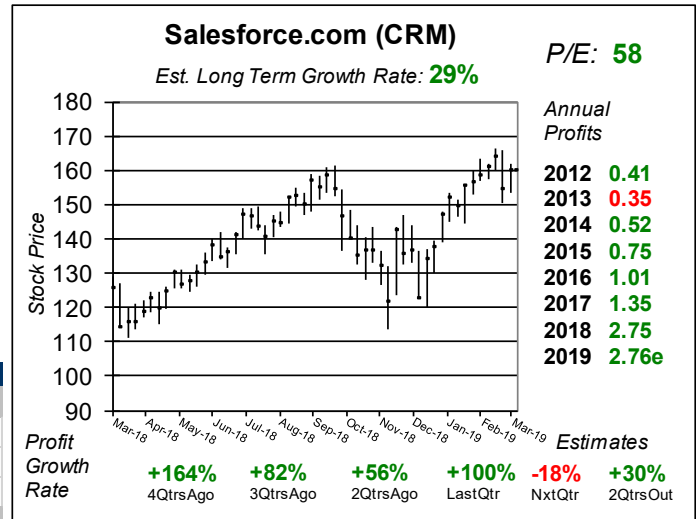
CRM stock has been grown 31% per year, thus analysts have giv-

en the stock a P/E of 75 in the past. But as CRM has grown in size, investors have given the stock a lower valuation thinking growth will slow. Still, a P/E of 65 seems appropriate to me.

Also, CRM has been beating profit estimates, thus I feel 2019 profits might grow 35% instead of the 0% analysts expect.

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	2.76	x	58	=	\$161	
2019 Est	2.76	x	65	=	179	12%
2020 Est	3.44	x	65	=	224	39%



Current Holding – HubSpot (HUBS)

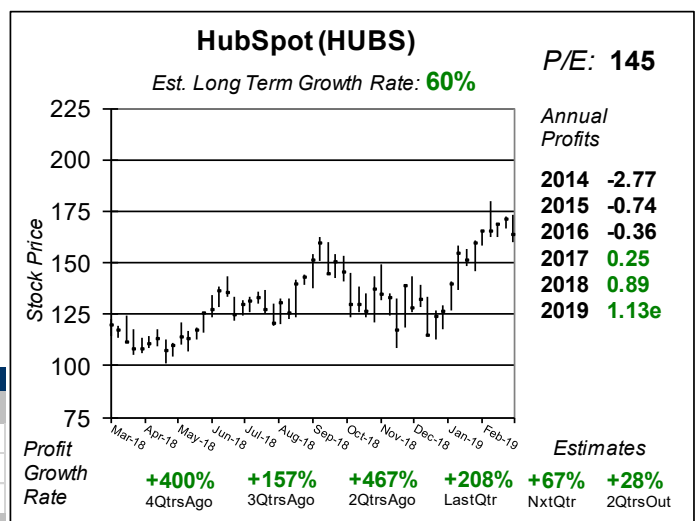
HubSpot (HUBS) is a younger version of Salesforce. The company offers a similar suite of products but at lower prices.

HUBS has been growing profits at triple-digit rates thus the valuation on the stock is high (the P/E is 145). I feel HUBS is worthy of a P/E of 150 because the company just grew profits 256% in 2018.

Like CRM, HUBS has been beating the street as well. So we have to wonder if the company will make \$1.50 to \$2 this year. And then perhaps \$3 to \$4 in 2020. If it eventually makes \$5 in profits and has a 65 P/E that would mean a \$325 stock. That's why you sometimes have to "buy high" with these young growth stocks – or be left behind.

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	1.13	x	145	=	\$164	
2019 Est	1.13	x	150	=	170	3%
2020 Est	1.65	x	150	=	248	51%



Current Holding – ServiceNow (NOW)

Servicenow (NOW) is clicking on all cylinders right now. When ServiceNow began in 2004, the company started with IT help-desk software then expanded into customer service, and is now developing a slew of other apps in HR and security. Government agencies are looking for partners to help them digitally transform their business. Its biggest cus-

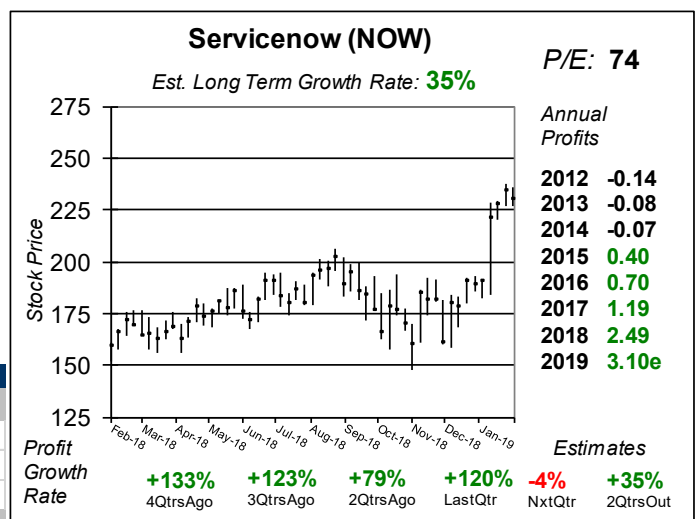
tomers is the U.S. State Department.

ServiceNow has 5400 customers, including 75% of the Fortune 500, with a renewal rate of 98%.

ServiceNow is like a faster growing Salesforce. Although NOW is close to my Fair Value, the stock just popped after it reported profits, so it is timely right now.

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	3.10	x	74	=	\$231	
2019 Est	3.10	x	80	=	248	7%
2020 Est	4.28	x	80	=	342	48%





Current Holding – Paycom Software (PAYC)

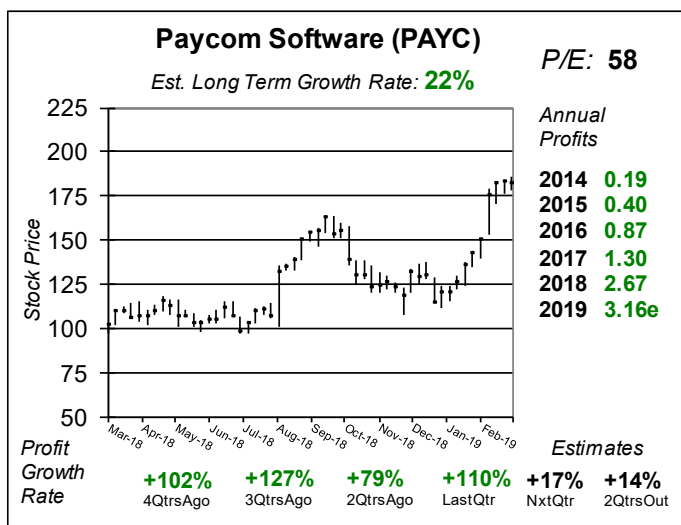
Paycom Software (PAYC) offers a complete cloud-based HR program for small and medium sized businesses that human resource personnel can log into online to process payroll and benefits for employees. This software makes it easy to do talent acquisition and background checks, to payroll and time-off requests, as well as compliance tasks such as govern-

ment registrations, COBRA and retirement.

PAYC's annual profit growth (right of the chart) has been outstanding. Although profit growth is expected to slow, the company has beaten estimates for 14 straight qtrs. This stock also popped after it reported profits, which is a bullish sign.

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	3.16	x	58	=	\$183	
2019 Est	3.16	x	60	=	190	4%
2020 Est	4.01	x	60	=	241	32%



Current Holding – Upland Software (UPLD)

Upland Software (UPLD) seems to be the best "value" of the software stocks listed here. It's a smaller company, and seems to be under the radar.

3. Digital Engagement.

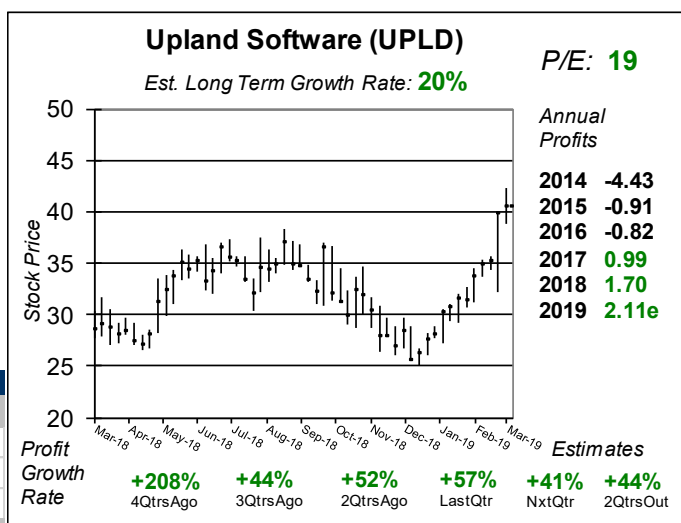
The company's UplandOne operating platform is the software more than 4000 businesses use to run the business and online presence. This is a low capital intensity vehicle so the company makes acquisitions with its profits (and by adding debt), which then enhance future profits.

Upland has three product families:

1. Project & IT Management.
2. Workflow Automation

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	2.11	x	19	=	\$40	
2019 Est	2.11	x	35	=	74	83%
2020 Est	2.21	x	35	=	77	91%



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%.

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

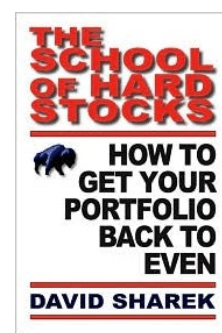
Completed at the end of 2006, Sharek used *The School of Hard Stocks* in 2007 to grow stock

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 school-ofhardstocks.com.

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Portfolio Management

Let us manage your stock portfolio

David Sharek manages brokerage accounts and IRAs of \$50,000 or more on a fee-basis. Returns shown here are after fees.

You own the stocks

David manages each account individually – this isn't a mutual fund – you own the stocks.

Your account is in your name and is not commingled with other clients.

Fee-based account management

We grow when you grow. Shareks, LLC bills client accounts 0.50 to 0.75% per quarter (2-3% per year). Fees may be tax deductible.

Also, clients are charged commissions by their brokerage firm when trades are made, usually \$1 to \$7 per trade.

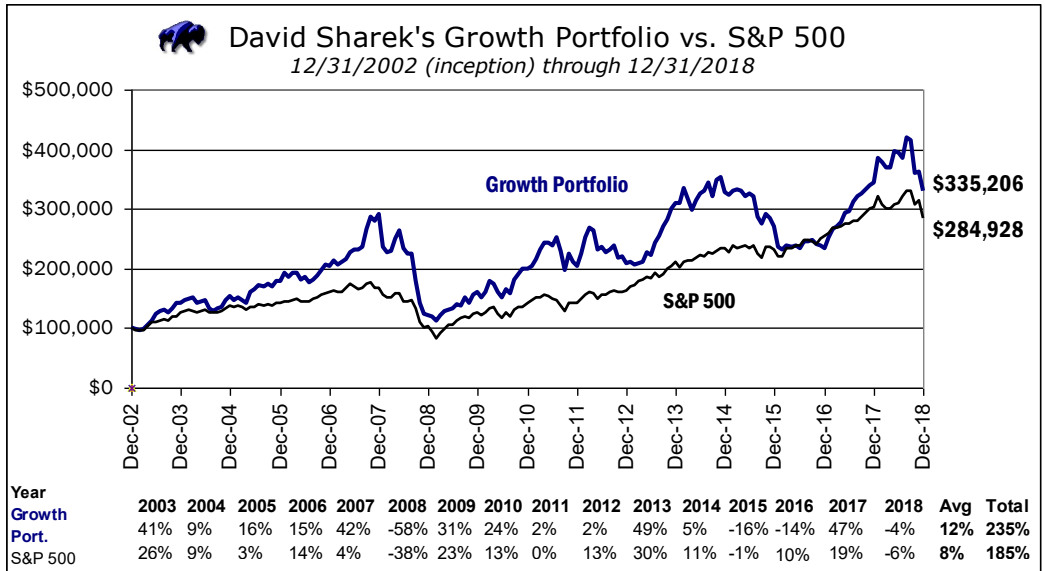
Watch your account

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

Security

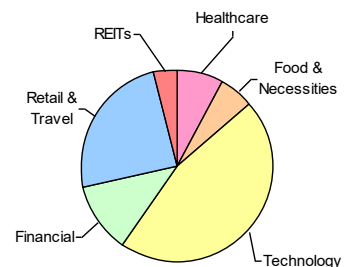
Shareks, LLC is registered with the State of New York as an investment advisor (RIA).

Accounts are kept safe at brokers such as TD Ameritrade and Interactive Brokers and are insured by SIPC.



Growth Portfolio - Holdings as of 12/31/18					
Security name	Ticker	Portfolio Percent	Est LTG	Yield	Est. Total Return
1 Tesla	TSLA	3.9%	35%	0%	35%
2 TenCent	TCEHY	3.7%	18%	0%	18%
3 Amazon	AMZN	3.7%	44%	0%	44%
4 Adobe Systems	ADBE	3.6%	23%	0%	23%
5 Servicenow	NOW	3.5%	45%	0%	45%
6 Salesforce.com	CRM	3.4%	32%	0%	32%
7 Weibo	WB	3.4%	33%	0%	33%
8 The Trade Desk	TTD	2.9%	24%	0%	24%
9 Microsoft	MSFT	2.8%	14%	2%	16%
10 Domino's Pizza	DPZ	2.7%	21%	1%	22%
11 UnitedHealth	UNH	2.7%	16%	2%	18%
12 Global Payments	GPN	2.7%	21%	0%	21%
13 Lululemon	LULU	2.6%	25%	0%	25%
14 Palo Alto Networks	PANW	2.5%	26%	0%	26%
15 Five Below	FIVE	2.4%	29%	0%	29%
16 Workday	WDAY	2.4%	39%	0%	39%
17 PayPal	PYPL	2.4%	20%	0%	20%
18 Netflix	NFLX	2.4%	62%	0%	62%
19 Paycom Software	PAYC	2.1%	22%	0%	22%
20 Alphabet	GOOGL	2.1%	15%	0%	15%
21 Sherwin-Williams	SHW	2.1%	17%	1%	18%
22 Ollie's Bargain Outlet	OLLI	2.0%	25%	0%	25%
23 Alibaba	BABA	2.0%	28%	0%	28%
24 Square	SQ	2.0%	52%	0%	52%
25 Booking Holdings	BKNG	2.0%	16%	0%	16%
26 MasterCard	MA	1.9%	23%	1%	24%
27 Upland Software	UPLD	1.8%	20%	0%	20%
28 Veeva Systems	VEEV	1.8%	21%	0%	21%
29 NVIDIA	NVDA	1.8%	12%	2%	14%
30 Ultimate Software	ULTI	1.8%	23%	0%	23%
31 Grubhub	GRUB	1.8%	27%	0%	27%
32 Ulta Salon	ULTA	1.7%	19%	0%	19%
33 Illumina	ILMN	1.7%	22%	0%	22%
34 Constellation Brands	STZ	1.7%	12%	1%	13%
35 Visa	V	1.6%	18%	1%	19%
36 Home Depot	HD	1.6%	14%	2%	16%
37 Apple	AAPL	1.6%	13%	2%	15%
38 Twitter	TWTR	1.6%	43%	2%	45%
39 SS&C Technologies	SSNC	1.6%	26%	1%	27%
40 Align Technology	ALGN	1.5%	24%	0%	24%
41 Huazhu Group	HTHT	1.5%	25%	1%	26%
42 HubSpot	HUBS	1.5%	74%	0%	74%
43 Baozun	BZUN	1.3%	51%	0%	51%
44 Facebook	FB	1.1%	18%	0%	18%
45 Floor & Décor Holdings	FND	1.1%	29%	0%	29%
46 Funko	FNKO	1.0%	N/A	0%	N/A
47 PetIQ	PETQ	0.2%	25%	0%	25%
Cash		-1.4%			0%
Total		100%	27%	0%	27%

Sector Key	
Healthcare	8%
Food & Necessities	6%
Technology	46%
Financial	12%
Retail & Travel	25%
Energy & Commodities	4%



Shareks Stock Portfolios
230 East 30th St, Suite 15G
New York, NY 10016
+1 646 430 5641



School of Hard Stocks
99 Madison, 5th Floor
New York, NY 10037
+1 646 430 5641
info@schoolofhardstocks.com