



David Sharek's Growth Stock Newsletter

Searching for Tomorrow's Stock Market Winners Today

May 3, 2019

Time to Take Profits in These Retail Stocks

The S&P 500 is up 18% year to date through April. It's been a great ride this year, but a lot of top stocks I follow have already surpassed my 2019 *Fair Values*.

Most of the retail stocks I cover have surged so much so fast that I can imagine these stocks around these prices 6 months or a year from now.

The bad thing about that is: what if the stock market goes into a correction? These stocks would likely decline. So there's risk but no reward?

My recommendation is to take profits in these select retailers, but hold some of the position for the long-term, as these stock have a history of growing over time. I really like these companies and feel they could continue higher.

My biggest mistakes in my career have been not buying a stock that goes on a fabulous 10-year run, or selling too soon and watching as it goes higher.

Here's 6 top retail stocks I am taking profits in.



Current Holding – Five Below (FIVE)

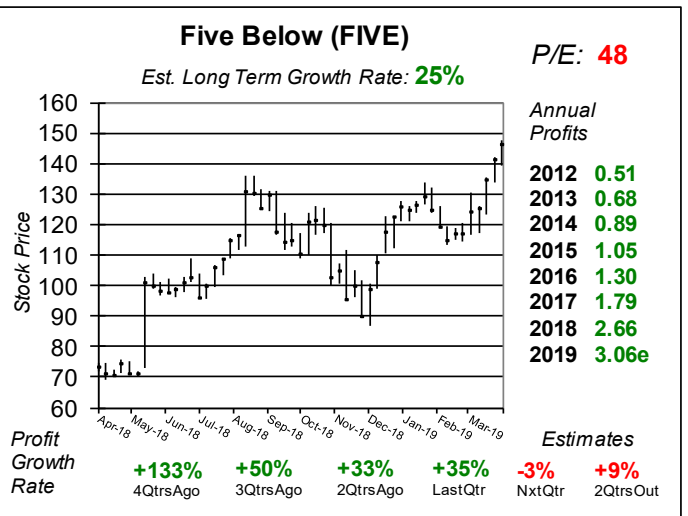
Five Below (FIVE) is a dollar-store concept for kids and teens that sells merchandise such as toys, games, party items, sports gear, clothes, candy & electronics for between \$1 and \$5 each. During the past four years Five Below has 750 locations. Management plans to open 150 stores in 2019 and thinks it can have 2500 stores nationwide.

FIVE has been a stellar stock this past year as a lower tax rate and a void in the toy market from Toys-R-Us' departure have boosted profits.

But a 48 P/E is high, and profits will be depressed during the beginning of 2019 from a new Southeast distribution center which will open this spring.

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	3.06	x	48	=	\$147	
2019 Est	3.06	x	38	=	116	-21%
2020 Est	3.79	x	38	=	144	-2%



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 – Ollie's Bargain Outlet (OLLI)

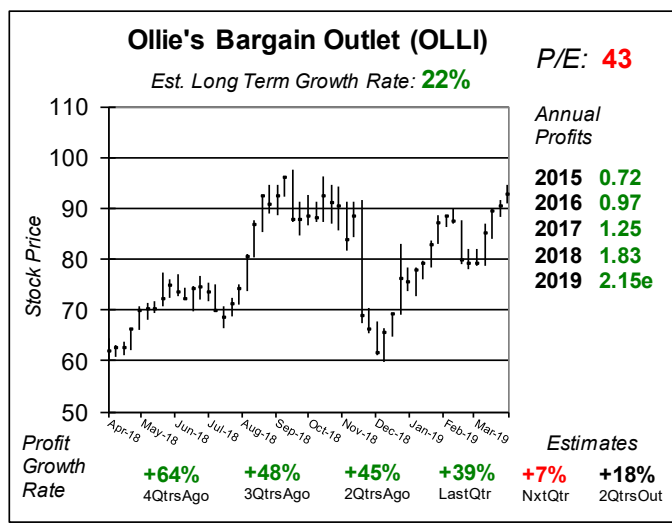
When Toys-R-U's closed its doors, Ollie's (OLLI) management worked hard with major toy manufacturers to get ahead of this new \$6 billion toy market opportunity and pack stores with great deals. In addition to more "good stuff cheap" Ollie acquired 18 old Toys R Us sites, which consisted of 12 purchased and 6 leased properties.

Deals with toymakers holding excess inventory boosted profits at Ollie's during the last 4 qtrs (shown here, below the chart) as did a lower tax rate.

2019 profits are expected to grow 17%, and since OLLI has a history of beating estimates I think 25% growth is achievable. A 43 P/E is too high for that growth. Time to take profits.

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	2.15	x	43	=	\$93	
2019 Est	2.15	x	38	=	82	-12%
2020 Est	2.52	x	38	=	96	3%



Current Holding – TJX Companies (TJX)

TJX Companies (TJX), known for its TJ Maxx and Marshall's discount clothing stores, had great profit growth in 2018 (+23%). But now higher freight costs and wage increases caused profit growth to slow to 5% last qtr, and anemic growth looks to continue as -5%, 5% and 8% profit growth is expected the next three qtrs.

Overall, profits are expected to climb 7% this year, as foreign exchange expenses and higher freight costs are expected to cut profits. TJX has averaged 14% profit growth the past decade.

TJX is a Blue Chip stock that's soared from \$0.50 to more than \$50 since 1980. Although a more mature TJX is unlikely to grow as fast as it used to, store expansion of 5% in addition to mid-single digit same store sales and a solid stock buyback program make it possible for TJX to grow profits around 10% a year, in addition to a 1% yield.

But in the stock's recent history, it had a P/E of 19 to 21. Thus with a 21 P/E now and slower growth, I would sell some shares.

Profit History

Year	Profits	x	P/E	=	MedPrice	Dividend	Yield
2009	\$0.71	x	11	=	\$7	\$0.11	1.5%
2010	0.83	x	13	=	11	0.12	1.1%
2011	0.97	x	14	=	14	0.14	1.0%
2012	1.28	x	15	=	20	0.18	0.9%
2013	1.42	x	19	=	27	0.22	0.8%
2014	1.58	x	19	=	30	0.28	0.9%
2015	1.67	x	21	=	35	0.34	1.0%
2016	1.77	x	21	=	37	0.41	1.1%
2017	1.98	x	19	=	37	0.50	1.4%
2018	2.43	x	19	=	47	0.64	1.4%

Fair Value

	Profits	x	P/E	=	Price	Upside/Downside	TotRetrn
This Qtr	2.61	x	21	=	\$54		
2019 Est	2.61	x	21	=	55	2%	3%
2020 Est	2.85	x	21	=	60	11%	14%

Current Holding – Ross Stores (ROST)

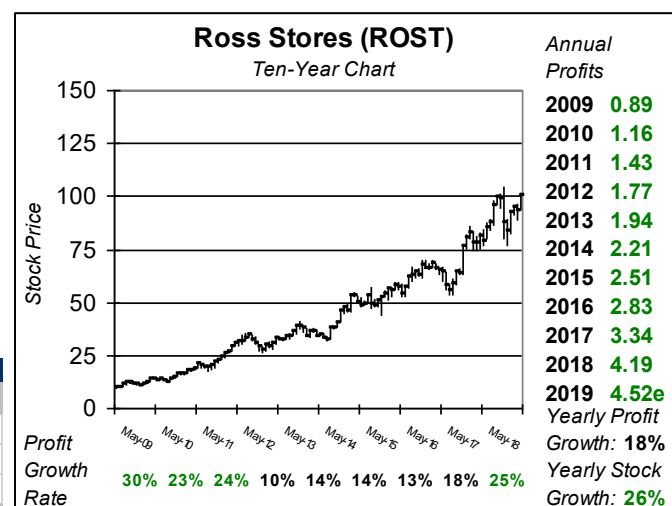
TJX and Ross Stores (ROST) are similar because they are high quality stocks that have ten-year charts that look similar to this. This history of stock growth is why it's important to hold some shares when you take profits. Imagine selling this stock around \$15-\$20 in 2009 and missing out on the run to \$100.

The company has 1717 stores, including 1480 Ross Stores and 237 dd's DISCOUNTS. In 2018 management raised its long-term projected store potential from 2,500 locations to 3,000.

ROST has had a median P/E ratio of 20 to 21 the past four years. With the P/E 22 now I'd take profits.

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	4.52	x	22	=	\$100	
2019 Est	4.52	x	22	=	99	-1%
2020 Est	4.98	x	22	=	110	10%





Current Holding – Dollar General (DG)

Dollar General (DG) is a 75 year old retail chain with more than 15,370 neighborhood locations. Management grows the store count, renovates existing locations to make them new and more efficient (like adding coolers to sell more frozen foods).

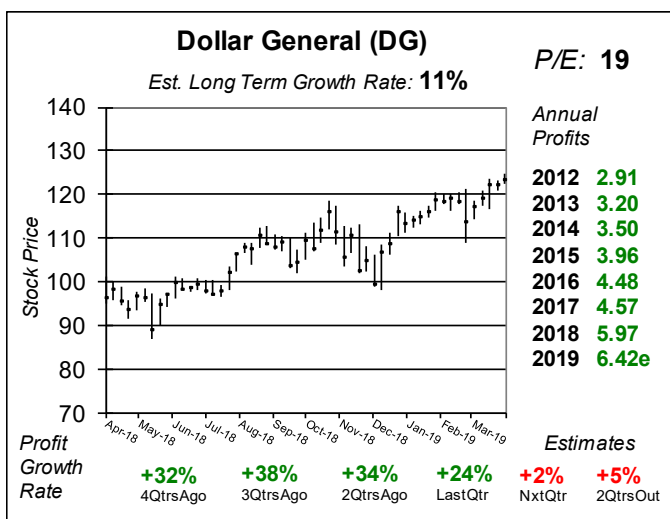
Profits will be negatively affected in the short-term by 2 projects.

1st, DG taking over distribution of fresh and frozen food with new cold distribution facilities. 2nd, DG is installing self-checkout registers, which will cost in the beginning & eventually save on labor.

DG has had a median P/E of between 17 and 18 since 2014. Now profits are slowing & the P/E is 19. Time to take profits.

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	6.42	x	19	=	\$124	
2019 Est	6.42	x	18	=	116	-6%
2020 Est	7.09	x	18	=	128	3%



Current Holding – Costco Wholesale (COST)

Costco (COST) is the 2nd largest global retailer with 768 locations serving 95 million members. The stock has also been a long-time winner, as you can see from the ten-year chart to the right.

Began operations in 1983 in Seattle, Washington. In 1993 the company merged with Price Club, which pioneered the membership

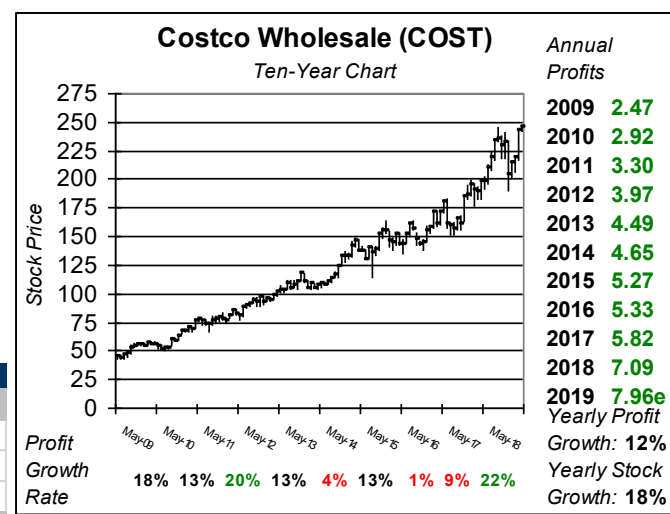
warehouse concept in 1976 (and was a hot stock during its early years).

The profit Costco makes mirrors the annual membership fees it brings in.

COST stock had a median P/E ratio of 30 during 2017 and 2018. Right now the P/E is 31. Which is a little high, take profits.

Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	7.96	x	31	=	246	
2019 Est	7.96	x	30	=	239	-3%
2020 Est	8.51	x	30	=	255	4%



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

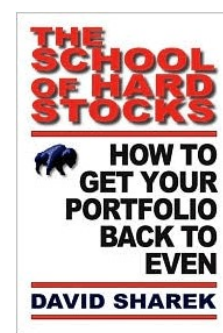
portfolios 42% and beat the market (S&P 500) by 39%.

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 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.

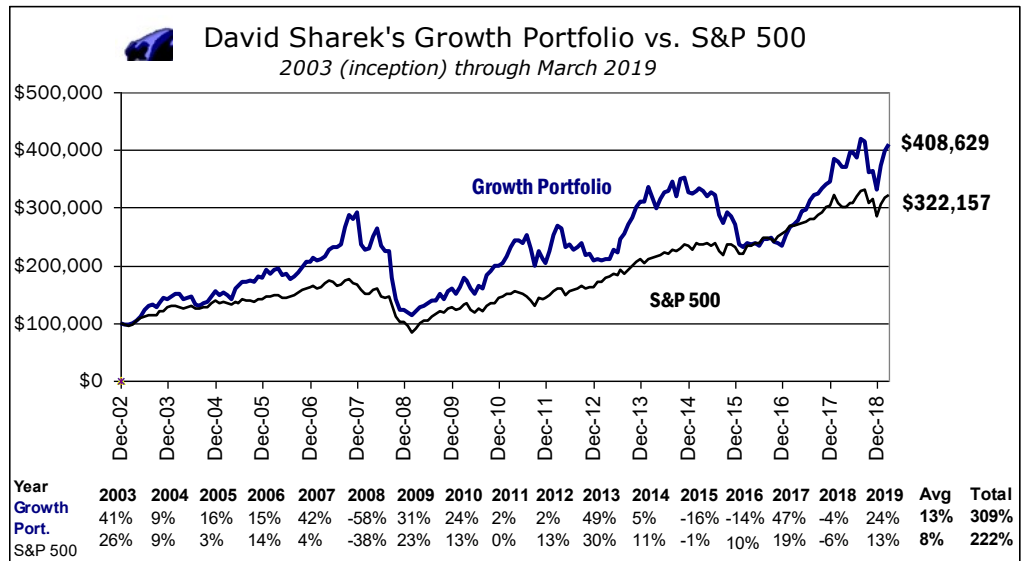
Watch your account

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

Security

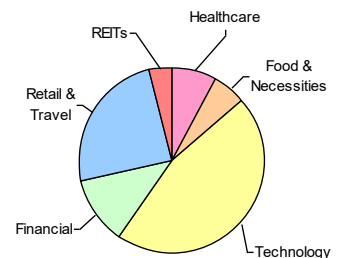
Shareks, LLC is registered with the State of New York as an investment advisor (RIA).

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%



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