





## Valuation Strategy

In addition to rapid profit growth, other factors play a part in a stock's success, notably increasing profit estimates and "beating the street" when earnings are released.

When WB broke out at \$21 in 2016, David put pen to paper and guesstimated what the stock could be in the future is (a) WB earned what it was expected to and (b) the stock kept its 42 P/E.

2017  $42 \times \$0.84 = \$35$   
2018  $42 \times \$1.28 = \$54$

To the right Weibo's updated Profit History Table as of 2017 Q4. Note, estimates have risen:

2016 was \$0.50, made \$0.82  
2017 was \$0.84, now \$1.71  
2018 was \$1.28, now \$2.73

Typically, a rule of thumb is the stock's P/E is equal to its profit growth rate.

A stock with high certainty can be rewarded a higher multiple, as can a consistent track record of growing profits each year.

Profit History							
Year	Profits	x	P/E	=	MedPrice	Dividend	Yield
2007							
2008							
2009							
2010							
2011							
2012							
2013							
2014	-\$0.01	x	N/A	=	\$20		
2015	0.32	x	46	=	15	\$0.00	0.0%
2016	0.82	x	41	=	34	0.00	0.0%

Fair Value							
					Upside/Downside	TotRetrn	
This Qtr	\$1.71	x	70	=	\$120		
2018 Est	2.73	x	65	=	177	48%	48%
2019 Est	3.87	x	65	=	252	110%	110%



## Investment Philosophy

Our goal is to collect stocks that compound in value over time. To hold stocks for years, decades, or longer.

Stocks which fit our mold have the following characteristics:

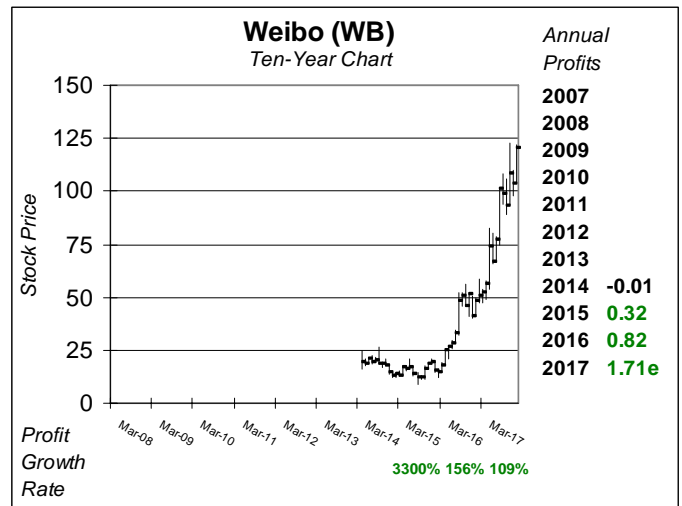
- Strong profit growth
- Certainty
- Consistency
- Hot sector
- Beat the street
- Growth opportunity
- Catalysts
- Below the radar
- Franchise names

Factors which would cause David to sell a stock include:

- Missing or lowering estimates
- Slowing profit growth
- Stock at a 52-week low or
- Below its 200-day moving avg
- Weak sector

David will be inclined to take profits and sell a partial position when:

- Parabolic run (see right)
- Better opportunity elsewhere
- Above next year's Fair Value
- Temporary slowdown in growth



## Portfolio Management

### Sharek's Stock Portfolios

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#### Types of Accounts Managed:

Corporate accounts, Trusts, Individual and Joint Accounts, IRAs, Rollover IRAs and SEPs.

#### Brokerage Firms/Custodians:

Scottrade & Interactive Brokers



### Growth Portfolio

Our flagship portfolio.

#### Returns:

47% in 2017  
13% per year avg since 2003

#### Stock Criteria:

Estimated Long Term Growth Rate of 15% or greater.

#### Number of Stocks:

35 to 50

#### Minimum Account Size:

\$100,000

#### Management Fee

3% per year

### Aggressive Growth Portfolio

A focused Growth Portfolio.

#### Returns:

50% in 2017  
13% per year avg since 2003

#### Stock Criteria:

Estimated Long Term Growth Rate of 20% or greater.

#### Number of Stocks:

15 to 20

#### Minimum Account Size:

\$100,000

#### Management Fee

3% per year

### Conservative Growth Portfolio

Dividend paying Blue Chips.

#### Returns:

19% in 2017  
7% per year avg since 2016

#### Stock Criteria:

Estimated Long Term Growth Rate of 20% or greater.

#### Number of Stocks:

35 to 50

#### Minimum Account Size:

\$100,000

#### Management Fee

2% per year

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