



**DECEMBER 2012 e-NEWSLETTER**

**COMING EVENTS**

*Click on class titles to register and get more detailed information.*

>[Introduction to Investing](#), January 12<sup>th</sup>, 9am to 12:30, **NO CHARGE**, Christ Church United Methodist

>**Stock Selection Guide (SSG) – Learning the Basics**, February 2<sup>nd</sup>, 9am to 3:30pm, \$37.50, Christ Church United Methodist

>**Beginning ToolKit & Lab**, February 23<sup>rd</sup>, 9am to Noon, \$35, Colorado Christian University Computer Lab

>**Applied ToolKit Lab**, February 23<sup>rd</sup>, 1pm to 3pm, \$10, Colorado Christian University Computer Lab

>**Research Resources on the Internet**, February 23<sup>rd</sup>, 1pm to 3pm, \$10, Colorado Christian University Computer Lab (included with Advanced ToolKit)

>**Advanced ToolKit**, March 9<sup>th</sup>, 9am to Noon, \$35, Colorado Christian University Computer Lab

>**Supercharge Your SSG with Sound Judgment**, March 23<sup>rd</sup>, 9am to 12:30, \$35, Christ Church United Methodist

>**Portfolio Management**, April 6<sup>th</sup>, 9am to 12:30, \$35, Christ Church United Methodist

>**Spring Investors Forum**, April 20<sup>th</sup>, 9am to 4:30pm, \$69 early and \$79 late registration, Christ Church United Methodist

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>**ALL NEW: SmallTalk** (see description below), **NO CHARGE**, January 16<sup>th</sup>, February 13<sup>th</sup>, March 18<sup>th</sup>, and April 17<sup>th</sup> via the internet using GoToMeeting.

**NEWS FLASH: The Louisville Public Library now subscribes to Morningstar**

**CHAPTER SERVICES**

Want to revitalize your club meeting and learn new ways to strengthen your portfolio? Request a club visit and an experienced chapter volunteer will meet with your club and discuss any and all issues of interest

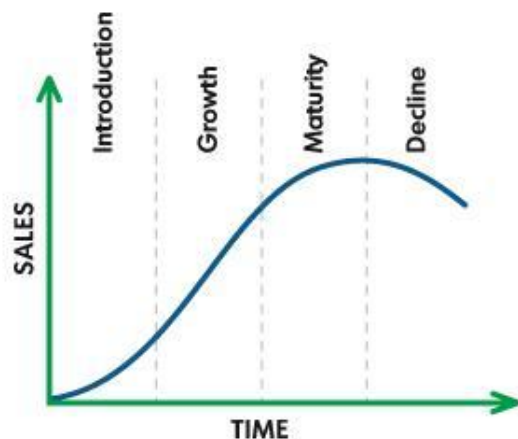
Would you like someone to take an objective look at your portfolio and give it a helpful critique? Request a review of your portfolio by savvy chapter volunteers.

Click [here](#) to get your support.

Is your club looking for new members or are you a BI member looking for a club? Then don't neglect to use the [Find-a-Club facility](#) maintained by your chapter.

**SMALLTALK**

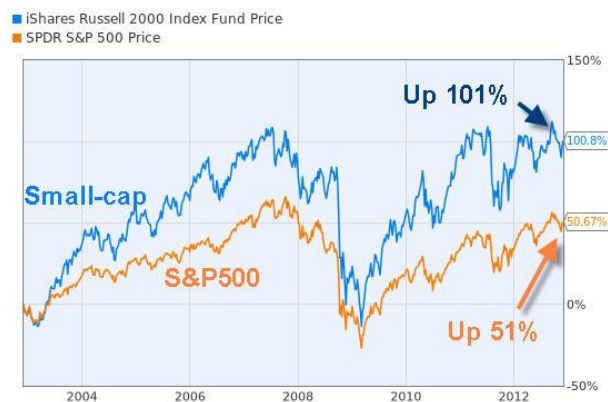
Most club and individual portfolios are overweight in large, mature companies. Yet the greatest growth of a company tends to be in the early stages of its life



cycle. As the company matures, growth inevitably slows and may even decline as the market becomes saturated, management becomes complacent,

technology changes, or competition becomes too strong. If you want your investment to grow rapidly, the best place to invest is in the early, high growth stage of the company's lifecycle.

We know that stock price tends to follow earnings over the long term. If the company is growing its earnings rapidly, then your investment will grow rapidly too. We can show this by looking at the returns of the S&P500 Index



which is overweight large-cap stocks compared to the returns of the Russell 2000 small-cap index. The orange line is the stock price of the S&P500 and the blue line the Russell 2000 small-cap. Over the past ten years, the S&P500 is up about 51% while the Russell 2000 is up 101%

Given that small-caps tend to outperform over time, why are our portfolios still overweight large-caps? Most people have difficulty finding and buying mid-sized and smaller companies. The situation is understandable because it is easier to find information on the larger companies and they tend to be familiar names. However, one often finds superior growth and rates of return among the smaller companies. That's why Better Investing recommends a 25/50/25% split between large, mid, and small sized companies. Your goal is to put together

a diversified, lower risk portfolio with a rate of return about 15%. That goal is just plain tough to realize without including the smaller companies. It is in the area of mid-cap and small-cap stocks that people need the most help and support. Yes, analyzing these smaller companies is more difficult and they tend to be riskier than their larger, more established brethren, but that is where the outsized growth and return are found so the effort should be worthwhile.

The Rocky Mountain Chapter is initiating a new monthly event focused on the study of the smaller companies to give clubs and individuals some support in this crucial area of investment. We are calling it "SmallTalk" and it will be offered to everyone in the chapter via GoToMeeting. Using this internet conferencing tool, we can make SmallTalk available to everyone and not just to those living in the Denver area.

### **HOW IT WORKS**

Each month a small-cap stock will be presented and discussed. It will be evaluated objectively by a strict set of criteria and then the group will provide consensus judgment as we complete an SSG together. More details in the January newsletter.

Here are some of the sources we will be using, most of which may be unfamiliar to you.

- SmallCap Informer
- IAS Newsletter
- AAll Shadow Stocks
- MyStockProspector
- Morningstar Stock Screener
- ToolKit6

### **WORDS OF WISDOM**

*Opportunity is missed by most people because it comes dressed in overalls and looks like work.* - Thomas Edison