

Portfolio Centered Decision Making



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Session Overview

- Review “piecemeal” portfolio management
- Define & examine portfolio-centered approach
- Apply portfolio-centered decision making to various scenarios
- Briefly survey additional tools for implementing approach

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Piecemeal Portfolio Management

- Considers stocks in isolation (what many investors do)
 - Potential criteria used to maximize total return (TR) – our measure of value
 - Can stock double in 5 years (15% avg. annual compound return)?
 - Upside/downside (U/D) ratio of 3 to 1 or greater
 - Relative value less than 100-110%

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Piecemeal Portfolio Management

- Considers stocks in isolation (what many investors do)
 - Potential criteria to maintain sufficient quality:
 - Consistent and sufficient growth on Section 1, Stock Selection Guide (SSG)
 - Consistent and steady to up trends in Section 2, SSG
 - Compare profit margins and return on equity to industry peers

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Portfolio-Centered Decision-Making Defined

- Make buy/accumulate/sell decisions based on their impact on overall portfolio
 - Consider impact on portfolio total return (TR) - Value
 - Consider impact on overall quality

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Portfolio-Centered Decision-Making Advantages

- Focuses on the “team”
 - Your portfolio results are determined by the whole team, not an individual stock (team member)
- Lends focus and simplicity to decisions
 - Focuses on objective, quantifiable criteria, not “gut” feelings
- Helps take emotion out of selling

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Portfolio-Centered Decision-Making Not Entirely New

- You are likely already considering diversification by size, sector & industry
 - Those are “portfolio-centered” criteria
- Spreadsheet of weighted averages (of total return & U/D ratio) mentioned in very first Investors Manual I had (mid-70s)
- Portfolio Summary screen beginning in Investors Toolkit 5

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Portfolio-Centered Decision-Making The Process

- Establish goals
- Choose tools
- Put into action!

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Portfolio-Centered Decision-Making Establish Goals

- For portfolio Total Return (TR)
 - “Traditional” BetterInvesting goal is 15% compound average per year (fixed goal)
 - Based on history, beat “market” by average of about 5 percentage points per year
 - But prices change, so does potential return
 - When market high, average expected return low, 15% looks great (but is hard to find)
 - When market low, average expected return high, 15% doesn’t look so good (and is easy to find)
 - So consider a variable goal (topic for another day)

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Portfolio-Centered Decision-Making Establish Goals

- For portfolio quality
 - Difficult to do “objectively” since BetterInvesting tools don’t quantify quality
 - Consider impact of buying/accumulating/selling a stock on diversification
 - We’ll introduce concept of quantifying quality

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Portfolio-Centered Decision-Making Choose Tools

- Today’s focus will be on Portfolio Overview (“dashboard”) in Investor’s Toolkit 6
- Alternatives:
 - Portfolio “Dashboard” spreadsheet
 - Online Dashboards (ManifestInvesting.com)
 - These are mentioned later in handout, but won’t be covered in detail

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Portfolio-Centered Decision-Making Into Action

- Scenarios 1 – 4
 - Allocating regular “new cash” under various circumstances
- Scenario 5
 - Taking emotion out of selling by challenging holding with lowest TR
- Scenario 6
 - When adding stock with “just 13.7%” TR makes sense

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Into Action – Scenario 1

- Total Return (TR) in range
- Rank by TR
- Choose highest
 - Unless it hurts diversification

Portfolio Report Card - Dollar weighted averages								
Total Return: 16.3 %			Relative Value: 107.4					
Projected Average Return: 10.2 %			Rational Value: \$ 103,216.40					
Upside/Downside Ratio 5.0 To 1			Total Value: \$ 99,151.63					
Holdings								
Ticker	Name	Shares	Data Date	Price Date	Total Return	Upside / Downside	Relative Value	Value
CTSH	Cognizant Tech Solution	155.2	3/31/2013	6/12/2013	29.6	13.7	71.3	9,932.80
AAPL	Apple	22.9	3/31/2013	6/12/2013	25.3	11.2	71.0	9,897.15
COH	Coach	171.1	3/31/2013	6/12/2013	22.2	8.1	83.4	9,875.89
QCOM	Qualcomm	162.2	3/31/2013	6/12/2013	20.0	5.4	82.5	9,912.04
NOV	National Oilwell Varco	144.6	3/31/2013	6/12/2013	18.9	4.6	86.9	10,007.77
AFL	Aflac	177.3	3/31/2013	6/12/2013	18.6	3.4	83.0	9,942.98
T	AT&T	279.4	3/31/2013	6/12/2013	8.3	.6	171.7	9,952.23
COST	Costco Wholesale	90.9	5/31/2013	6/12/2013	8.0	1.7	106.4	9,944.46
DDD	3D Systems	215.4	3/31/2013	6/12/2013	7.1	.6	190.3	9,815.78
DIS	Walt Disney	156.7	3/31/2013	6/12/2013	4.7	.4	128.0	9,870.53

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Into Action – Scenario 1

Where to invest \$1000?

Results:

- Bought 15.63 shares of CTSH
- Increased TR by .1% (from 16.3%)

Portfolio Report Card - Dollar weighted averages

Total Return: 16.4 % Relative Value: 107.0
 Projected Average Return: 10.4 % Rational Value: \$ 104,618.90
 Upside/Downside Ratio: 5.1 To 1 Total Value: \$ 100,151.90

Holdings

Ticker	Name	Shares	Data Date	Price Date	Total Return	Upside / Downside	Relative Value	Value
CTSH	Cognizant Tech Solution	170.8	3/31/2013	6/12/2013	29.6	13.7	71.3	10,933.12
AAPL	Apple	22.9	3/31/2013	6/12/2013	25.3	11.2	71.0	9,897.15
COH	Coach	171.1	3/31/2013	6/12/2013	22.2	8.1	83.4	9,875.89
QCOM	Qualcomm	162.2	3/31/2013	6/12/2013	20.0	5.4	82.5	9,912.04
NOV	National Oilwell Varco	144.6	3/31/2013	6/12/2013	18.9	4.6	86.9	10,007.77
AFL	Aflac	177.3	3/31/2013	6/12/2013	18.6	3.4	83.0	9,942.98
T	AT&T	279.4	3/31/2013	6/12/2013	8.3	.6	171.7	9,952.23
COST	Costco Wholesale	90.9	5/31/2013	6/12/2013	8.0	1.7	106.4	9,944.46
DDD	3D Systems	215.4	3/31/2013	6/12/2013	7.1	.6	190.3	9,815.78
DIS	Walt Disney	156.7	3/31/2013	6/12/2013	4.7	.4	128.0	9,870.53

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Into Action – Scenario 2

- TR in range
- Rank by TR
- Choose highest
 - But CTSH is over 25% of holdings
 - Choose second highest (AAPL) TR based on diversification

Portfolio Report Card - Dollar weighted averages

Total Return: 18.6 % Relative Value: 101.2
 Projected Average Return: 12.5 % Rational Value: \$ 131,911.20
 Upside/Downside Ratio: 6.5 To 1 Total Value: \$ 119,618.80

Holdings

Ticker	Name	Shares	Data Date	Price Date	Total Return	Upside / Downside	Relative Value	Value
CTSH	Cognizant Tech Solution	475.0	3/31/2013	6/12/2013	29.6	13.7	71.3	30,400.00
AAPL	Apple	22.9	3/31/2013	6/12/2013	25.3	11.2	71.0	9,897.15
COH	Coach	171.1	3/31/2013	6/12/2013	22.2	8.1	83.4	9,875.89
QCOM	Qualcomm	162.2	3/31/2013	6/12/2013	20.0	5.4	82.5	9,912.04
NOV	National Oilwell Varco	144.6	3/31/2013	6/12/2013	18.9	4.6	86.9	10,007.77
AFL	Aflac	177.3	3/31/2013	6/12/2013	18.6	3.4	83.0	9,942.98
T	AT&T	279.4	3/31/2013	6/12/2013	8.3	.6	171.7	9,952.23
COST	Costco Wholesale	90.9	5/31/2013	6/12/2013	8.0	1.7	106.4	9,944.46
DDD	3D Systems	215.4	3/31/2013	6/12/2013	7.1	.6	190.3	9,815.78
DIS	Walt Disney	156.7	3/31/2013	6/12/2013	4.7	.4	128.0	9,870.53

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Into Action – Scenario 2

Where to invest \$1000?

Results:

- Bought 2.31 shares of AAPL
- TR stays good at 18.6%

Portfolio Report Card - Dollar weighted averages

Total Return: 18.6 % Relative Value: 101.0
 Projected Average Return: 12.5 % Rational Value: \$ 133,317.70
 Upside/Downside Ratio: 6.5 To 1 Total Value: \$ 120,617.20

Holdings

Ticker	Name	Shares	Data Date	Price Date	Total Return	Upside / Downside	Relative Value	Value
CTSH	Cognizant Tech Solution	475.0	3/31/2013	6/12/2013	29.6	13.7	71.3	30,400.00
AAPL	Apple	225.2	3/31/2013	6/12/2013	25.3	11.2	71.0	10,895.51
COH	Coach	171.1	3/31/2013	6/12/2013	22.2	8.1	83.4	9,875.89
QCOM	Qualcomm	162.2	3/31/2013	6/12/2013	20.0	5.4	82.5	9,912.04
NOV	National Oilwell Varco	144.6	3/31/2013	6/12/2013	18.9	4.6	86.9	10,007.77
AFL	Aflac	177.3	3/31/2013	6/12/2013	18.6	3.4	83.0	9,942.98
T	AT&T	279.4	3/31/2013	6/12/2013	8.3	.6	171.7	9,952.23
COST	Costco Wholesale	90.9	5/31/2013	6/12/2013	8.0	1.7	106.4	9,944.46
DDD	3D Systems	215.4	3/31/2013	6/12/2013	7.1	.6	190.3	9,815.78
DIS	Walt Disney	156.7	3/31/2013	6/12/2013	4.7	.4	128.0	9,870.53

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Into Action – Scenario 3

- TR below goal of 15.0%
- Rank by TR
- Test highest
 - Unless hurts diversification
 - Does it bring TR back in range??

Portfolio Report Card - Dollar weighted averages

Total Return: 14.9 % Relative Value: 119.8
 Projected Average Return: 8.6 % Rational Value: \$ 148,279.20
 Upside/Downside Ratio: 4.8 To 1 Total Value: \$ 150,474.40

Holdings

Ticker	Name	Shares	Data Date	Price Date	Total Return	Upside / Downside	Relative Value	Value
CTSH	Cognizant Tech Solution	475.0	3/31/2013	6/12/2013	29.6	13.7	71.3	8,767.36
AAPL	Apple	31.3	3/31/2013	6/12/2013	25.3	11.2	71.0	13,544.83
CHRW	CH Robinson Worldwide	150.8	3/31/2013	6/12/2013	24.0	19.1	57.1	8,446.14
COH	Coach	175.6	3/31/2013	6/12/2013	22.2	8.1	83.4	10,135.05
QCOM	Qualcomm	189.4	3/31/2013	6/12/2013	20.0	5.4	82.5	11,571.79
NOV	National Oilwell Varco	143.6	3/31/2013	6/12/2013	18.9	4.6	86.9	9,939.94
AFL	Aflac	236.1	3/31/2013	6/12/2013	18.6	3.4	83.0	13,242.17
T	AT&T	362.2	3/31/2013	6/12/2013	8.3	.6	171.7	12,901.21
COST	Costco Wholesale	140.0	5/31/2013	6/12/2013	8.0	1.7	106.4	15,313.81
DDD	3D Systems	837.5	3/31/2013	6/12/2013	7.1	.6	190.3	38,165.79
DIS	Walt Disney	134.1	3/31/2013	6/12/2013	4.7	.4	128.0	8,446.33

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Into Action – Scenario 3

Where to invest \$1000?

Results:

- Bought 15.62 shares of CTSH
- Increased TR by .1% (now back at goal of at least 15%)

Portfolio Report Card - Dollar weighted averages								
Total Return: 15.0 %			Relative Value: 119.5					
Projected Average Return: 8.7 %			Rational Value: \$ 149,680.80					
Upside/Downside Ratio: 4.9 To 1			Total Value: \$ 151,474.10					
Holdings								
Ticker	Name	Shares	Data Date	Price Date	Total Return	Upside / Downside	Relative Value	Value
CTSH	Cognizant Tech Solution	152.6	3/31/2013	6/12/2013	29.6	13.7	71.3	9,767.04
AAPL	Apple	31.3	3/31/2013	6/12/2013	25.3	11.2	71.0	13,544.83
CHRW	CH Robinson Worldwide	150.8	3/31/2013	6/12/2013	24.0	19.1	57.1	8,446.14
COH	Coach	175.6	3/31/2013	6/12/2013	22.2	8.1	83.4	10,135.05
QCOM	Qualcomm	189.4	3/31/2013	6/12/2013	20.0	5.4	82.5	11,571.79
NOV	National Oilwell Varco	143.6	3/31/2013	6/12/2013	18.9	4.6	86.9	9,939.94
AFL	Aflac	236.1	3/31/2013	6/12/2013	18.6	3.4	83.0	13,242.17
T	AT&T	362.2	3/31/2013	6/12/2013	8.3	-.6	171.7	12,901.21
COST	Costco Wholesale	140.0	5/31/2013	6/12/2013	8.0	1.7	106.4	15,313.81
DDD	3D Systems	837.5	3/31/2013	6/12/2013	7.1	-.6	190.3	38,165.79
DIS	Walt Disney	134.1	3/31/2013	6/12/2013	4.7	-.4	128.0	8,446.33

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Into Action

- But what if accumulating CTSH wouldn't have brought avg. TR up to goal?
 - Two options:
 - Find new addition with sufficient TR (Scenario 4)
 - Replace all or part of a holding (Scenario 5)
 - YIKES, you mean we have to sell something?

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Into Action – Scenario 4

- TR below goal of 15%
- Rank by TR
- Don't want additional AAPL or buying more won't bring TR up enough

Portfolio Report Card - Dollar weighted averages

Total Return: 14.9 % Relative Value: 117.4
 Projected Average Return: 8.7 % Rational Value: \$ 158,311.40
 Upside/Downside Ratio: 5.4 To 1 Total Value: \$ 155,381.20

Holdings

Ticker	Name	Shares	Data Date	Price Date	Total Return	Upside / Downside	Relative Value	Value
AAPL	Apple	42.3	3/31/2013	6/12/2013	25.3	11.2	71.0	18,298.92
CHRW	CH Robinson Worldwide	310.0	3/31/2013	6/12/2013	24.0	19.1	57.1	17,366.20
COH	Coach	175.6	3/31/2013	6/12/2013	22.2	8.1	83.4	10,135.05
QCOM	Qualcomm	189.4	3/31/2013	6/12/2013	20.0	5.4	82.5	11,571.79
NOV	National Oilwell Varco	143.6	3/31/2013	6/12/2013	18.9	4.6	86.9	9,939.94
AFL	Aflac	236.1	3/31/2013	6/12/2013	18.6	3.4	83.0	13,242.17
T	AT&T	362.2	3/31/2013	6/12/2013	8.3	.6	171.7	12,901.21
COST	Costco Wholesale	140.0	5/31/2013	6/12/2013	8.0	1.7	106.4	15,313.81
DDD	3D Systems	837.5	3/31/2013	6/12/2013	7.1	.6	190.3	38,165.79
DIS	Walt Disney	134.1	3/31/2013	6/12/2013	4.7	.4	128.0	8,446.33

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Into Action – Scenario 4

Where to invest \$1000?

- Results:
- Added new holding of 15.62 shares of CTSH
- Increased TR by .1%, now at goal

Portfolio Report Card - Dollar weighted averages

Total Return: 15.0 % Relative Value: 117.1
 Projected Average Return: 8.8 % Rational Value: \$ 159,713.00
 Upside/Downside Ratio: 5.4 To 1 Total Value: \$ 156,380.90

Holdings

Ticker	Name	Shares	Data Date	Price Date	Total Return	Upside / Downside	Relative Value	Value
CTSH	Cognizant Tech Solution	15.6	3/31/2013	6/12/2013	29.6	13.7	71.3	999.68
AAPL	Apple	42.3	3/31/2013	6/12/2013	25.3	11.2	71.0	18,298.92
CHRW	CH Robinson Worldwide	310.0	3/31/2013	6/12/2013	24.0	19.1	57.1	17,366.20
COH	Coach	175.6	3/31/2013	6/12/2013	22.2	8.1	83.4	10,135.05
QCOM	Qualcomm	189.4	3/31/2013	6/12/2013	20.0	5.4	82.5	11,571.79
NOV	National Oilwell Varco	143.6	3/31/2013	6/12/2013	18.9	4.6	86.9	9,939.94
AFL	Aflac	236.1	3/31/2013	6/12/2013	18.6	3.4	83.0	13,242.17
T	AT&T	362.2	3/31/2013	6/12/2013	8.3	.6	171.7	12,901.21
COST	Costco Wholesale	140.0	5/31/2013	6/12/2013	8.0	1.7	106.4	15,313.81
DDD	3D Systems	837.5	3/31/2013	6/12/2013	7.1	.6	190.3	38,165.79
DIS	Walt Disney	134.1	3/31/2013	6/12/2013	4.7	.4	128.0	8,446.33

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Into Action – Scenario 5

- TR is 14.6%, below 15% goal
- Accumulating more CTSH won't be enough
- Can't find a stock to add enough TR either
- POLL: What would you sell?

Portfolio Report Card - Dollar weighted averages

Total Return:	14.6 %	Relative Value:	120.8
Projected Average Return:	8.4 %	Rational Value:	\$ 144,017.20
Upside/Downside Ratio:	4.7 To 1	Total Value:	\$ 147,449.10

Holdings

Ticker	Name	Shares	Data Date	Price Date	Total Return	Upside / Downside	Relative Value	Value
CTSH	Cognizant Tech Solution	137.0	3/31/2013	6/12/2013	29.6	13.7	71.3	8,767.36
AAPL	Apple	24.3	3/31/2013	6/12/2013	25.3	11.2	71.0	10,519.50
CHRW	CH Robinson Worldwide	150.8	3/31/2013	6/12/2013	24.0	19.1	57.1	8,446.14
COH	Coach	175.6	3/31/2013	6/12/2013	22.2	8.1	83.4	10,135.05
QCOM	Qualcomm	189.4	3/31/2013	6/12/2013	20.0	5.4	82.5	11,571.79
NOV	National Oilwell Varco	143.6	3/31/2013	6/12/2013	18.9	4.6	86.9	9,939.94
AFL	Aflac	236.1	3/31/2013	6/12/2013	18.6	3.4	83.0	13,242.17
T	AT&T	362.2	3/31/2013	6/12/2013	8.3	.6	171.7	12,901.21
COST	Costco Wholesale	140.0	5/31/2013	6/12/2013	8.0	1.7	106.4	15,313.81
DDD	3D Systems	837.5	3/31/2013	6/12/2013	7.1	.6	190.3	38,165.79
DIS	Walt Disney	134.1	3/31/2013	6/12/2013	-4.7	-.4	128.0	8,446.33

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Into Action – Scenario 5

- Results of implementing action selected in poll
- Watching impact of decisions on portfolio as a whole keeps emotions in check & helps focus on what matters (return)

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Into Action – Scenario 6

- What about buying/accumulating a stock with current TR below your goal (“out of the ‘buy’ range”)?
- Sure:
 - If overall portfolio TR remains at or above goal
 - Especially if it upgrades overall quality of portfolio

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Into Action – Scenario 6

- Sell 25% of DDD for \$9,570
- Does adding “just” 13.7% make sense?

Consider:

- TR above goal
- Technology stocks make up over 1/3 of portfolio
- Concern over potential “bear”

Portfolio Report Card - Dollar weighted averages

Total Return: 15.2 % Relative Value: 116.0
 Projected Average Return: 9.1 % Rational Value: \$ 138,989.40
 Upside/Downside Ratio 5.0 To 1 Total Value: \$ 137,879.40

Holdings

Ticker	Name	Shares	Data Date	Price Date	Total Return	Upside / Downside	Relative Value	Value
CTSH	Cognizant Tech Solution	137.0	3/31/2013	6/12/2013	29.6	13.7	71.3	8,767.36
AAPL	Apple	24.3	3/31/2013	6/12/2013	25.3	11.2	71.0	10,519.50
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COH	Coach	175.6	3/31/2013	6/12/2013	22.2	8.1	83.4	10,135.05
QCOM	Qualcomm	189.4	3/31/2013	6/12/2013	20.0	5.4	82.5	11,571.79
NOV	National Oilwell Varco	143.6	3/31/2013	6/12/2013	18.9	4.6	86.9	9,939.94
AFL	Aflac	236.1	3/31/2013	6/12/2013	18.6	3.4	83.0	13,242.17
T	AT&T	362.2	3/31/2013	6/12/2013	8.3	.6	171.7	12,901.21
COST	Costco Wholesale	140.0	5/31/2013	6/12/2013	8.0	1.7	106.4	15,313.81
DDD	3D Systems	627.5	3/31/2013	6/12/2013	7.1	.6	190.3	28,596.09
DIS	Walt Disney	134.1	3/31/2013	6/12/2013	4.7	.4	128.0	8,446.33

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Into Action – Scenario 6

- Added 138.9 shares of VAR
- TR still above goal
- Overall quality enhanced:
 - Added larger company
 - Increased diversification

Portfolio Report Card - Dollar weighted averages

Total Return: 15.1 % Relative Value: 114.6
 Projected Average Return: 9.1 % Rational Value: \$ 149,123.60
 Upside/Downside Ratio: 4.9 To 1 Total Value: \$ 147,448.90

Holdings

Ticker	Name	Shares	Data Date	Price Date	Total Return	Upside / Downside	Relative Value	Value
CTSH	Cognizant Tech Solution	137.0	3/31/2013	6/12/2013	29.6	13.7	71.3	8,767.36
AAPL	Apple	24.3	3/31/2013	6/12/2013	25.3	11.2	71.0	10,519.50
CHRW	CH Robinson Worldwide	150.8	3/31/2013	6/12/2013	24.0	19.1	57.1	8,446.14
COH	Coach	175.6	3/31/2013	6/12/2013	22.2	8.1	83.4	10,135.05
QCOM	Qualcomm	189.4	3/31/2013	6/12/2013	20.0	5.4	82.5	11,571.79
NOV	National Oilwell Varco	143.6	3/31/2013	6/12/2013	18.9	4.6	86.9	9,939.94
AFL	Aflac	236.1	3/31/2013	6/12/2013	18.6	3.4	83.0	13,242.17
VAR	Varian Medical Systems	138.9	3/31/2013	6/14/2013	13.7	3.1	94.4	9,569.50
T	AT&T	362.2	3/31/2013	6/12/2013	8.3	.6	171.7	12,901.21
COST	Costco Wholesale	140.0	5/31/2013	6/12/2013	8.0	1.7	106.4	15,313.81
DDD	3D Systems	627.5	3/31/2013	6/12/2013	7.1	.6	190.3	28,596.09
DIS	Walt Disney	134.1	3/31/2013	6/12/2013	4.7	.4	128.0	8,446.33

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Portfolio Considerations Beyond Return

- Add sales growth as a portfolio design criterion
 - Seek a variety of rates, averaging 10-12%
- Example from "Growth Stocks" column in *BetterInvesting* magazine

Stock	5/30/13 Value	% of Portfolio before CHRW	% of Portfolio after CHRW	Proj. Sales Growth	Proj. Total Return	Hist. Return Relative to Market
Cognizant (purchased 6/3/08)	\$ 1,858.33	5.1%	5.0%	20.0%	31.3%	50.0%
Cognizant (purchased 8/6/10)	\$ 1,391.27	3.8%	3.7%	13.0%	31.3%	-20.6%
Teva Pharmaceutical (purchased 12/1/10)	\$ 812.34	2.2%	2.2%	12.0%	23.2%	-62.3%
Teva Pharmaceutical (purchased 6/30/11)	\$ 834.69	2.3%	2.2%	12.0%	23.2%	-45.5%
Coach	\$ 1,336.31	3.7%	3.6%	11.0%	21.5%	3.7%
Technic	\$ 1,130.22	3.1%	3.0%	10.0%	21.5%	-43.1%
Aflac	\$ 1,553.60	4.3%	4.2%	9.0%	21.1%	14.8%
Bio-Reference (purchased 1/12/10)	\$ 1,618.02	4.5%	4.3%	17.0%	20.8%	4.1%
Bio-Reference (purchased 2/1/11)	\$ 1,360.58	3.7%	3.6%	17.0%	20.8%	3.9%
Bio-Reference (purchased 12/28/11)	\$ 3,224.91	8.9%	8.6%	17.0%	20.8%	64.8%
Landauer	\$ 897.21	2.5%	2.4%	8.0%	19.9%	-25.5%
Knight Transportation	\$ 1,134.21	3.1%	3.0%	11.0%	19.7%	-0.1%
Qualcom	\$ 2,712.97	7.5%	7.3%	14.0%	19.1%	-10.8%
Global Payments	\$ 1,261.33	3.5%	3.4%	11.0%	18.2%	-22.1%
NetEase.com, Inc.	\$ 1,249.17	3.4%	3.3%	13.0%	17.1%	1.4%
Cisco Systems	\$ 2,358.24	6.5%	6.3%	8.0%	14.8%	-14.2%
WellPoint	\$ 1,054.18	2.9%	2.8%	2.2%	14.1%	-31.6%
Oracle	\$ 2,167.93	6.0%	5.8%	7.0%	13.7%	79.4%
ResMed	\$ 1,756.17	4.8%	4.7%	12.0%	13.0%	42.4%
Stantec	\$ 1,717.37	4.7%	4.6%	12.0%	11.8%	-13.0%
Johnson & Johnson	\$ 1,571.17	4.3%	4.2%	6.0%	10.0%	25.8%
Walgreen	\$ 1,245.17	3.4%	3.3%	7.0%	8.1%	-17.4%
Colgate-Palmolive	\$ 2,056.92	5.7%	5.5%	6.0%	7.4%	68.3%
Totals before CHRW	\$ 36,302.32			11.5%	18.0%	
C. H. Robinson	\$ 1,000.00		2.7%	9.0%	23.0%	
Portfolio Totals	\$ 37,302.32			11.4%	18.2%	

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Portfolio Considerations Beyond Return

- Consider objective quality criteria
 - Value Line Financial Strength rating
 - Value Line Earnings Predictability rating
 - Or R^2 from Investor's Toolkit
 - Value Line Safety Rating
 - Morningstar has Growth, Profitability and Credit Ratings
 - S&P Credit Rating
- But some of these are not numerical

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Quantifying Quality

- **Articles on quantifying stock quality**
 - **The Role of Quality in Portfolio Management:**
<http://www.betterinvesting.org/Members/Tools/Articles/Archives/WebFeatures/Archive/2002/2002TheRoleofQualityinPortfolioManagement.htm>
 - **Quality: A Measure Of Excellence:**
<http://www.betterinvesting.org/Members/Tools/Articles/Archives/WebFeatures/Archive/2003/2003QualityAMeasureOfExcellence.htm>
- Can use Reuters.com and Value Line data for an overall quality rating

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Company	Symbol	Shares	Price	Value	% of Total	Growth	Proj P/E	Proj Yield	Fin Str	EPS Stab	Qty	PAR
Cognizant Technology	CTSH	15.52	\$60.23	\$934.81	9.8%	18.3%	24.0	0.0%	94%	94	100	17.0%
QUALCOMM	QCOM	16.22	\$70.88	\$1,149.53	12.0%	9.8%	16.0	1.9%	97%	96	100	15.9%
National Oilwell Varco	NOV	14.46	\$53.36	\$771.43	8.1%	3.2%	12.0	2.0%	91%	89	85	14.7%
3D Systems	DDD	21.54	\$32.81	\$706.81	7.4%	25.2%	44.3	0.0%	62%	17	57	13.8%
AFLAC	AFL	17.73	\$62.13	\$1,101.40	11.5%	11.1%	10.0	2.4%	76%	61	92	12.5%
Apple Inc.	AAPL	2.29	\$127.08	\$290.40	3.0%	9.4%	14.0	2.1%	96%	71	100	9.0%
Coach	COH	17.11	\$39.85	\$681.78	7.1%	3.2%	14.0	3.5%	92%	75	91	8.4%
AT&T Inc	T	27.96	\$34.66	\$969.24	10.1%	1.8%	12.4	4.4%	88%	90	89	6.2%
Costco Wholesale	COST	9.09	\$147.10	\$1,337.03	14.0%	8.6%	24.0	1.3%	99%	98	96	5.6%
Disney (Walt)	DIS	15.67	\$104.17	\$1,632.76	17.1%	5.5%	21.0	1.2%	99%	72	93	4.9%
Averages				\$9,575.19		9.2%	19.3	1.8%	91%	79	91.0	10.3%

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- Allows instant evaluation of **TR (PAR)**
- Quantifies overall **Quality**
- Shows **Sales Growth & Financial Strength**

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Questions?

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