

July 2010 Newsletter



NO "TAKESTOCK" THIS SUMMER

We will resume our TakeStock sessions on October 2nd. TakeStock is the ideal place to have fun and learn at the same time in a practical, supportive atmosphere appropriate for both the novice and experienced investor. Here we re-enforce our skills using ToolKit while preparing a great SSG for an actual company. Check our website, www.rmchapter.org, for the latest.

FALL EDUFEST AND ANNUAL MEETING

Don't forget to mark your calendar for our Fall EduFest and Annual Meeting on September 18th at the Indian Tree Golf Course restaurant from 8am to 4:30pm lunch

included. Our EduFest theme is "Selling Isn't Just a Four Letter Word" featuring speakers Don Cassidy, author of the book *It's When You Sell That Counts*, and BI Advisory Board member and regional manager Allen Holdsworth. Clubs have often complained that selling seems to be their biggest problem. Because of an exaggerated reluctance to sell a stock that has become overvalued or whose underlying business has deteriorated, club portfolios are harmed. Instead of "weeding and feeding" our portfolios, we are too hesitant to pull out the "weeds" and need to learn how to overcome that hesitation. See our website, www.rmchapter.org, for more information.

BUILDING A PROFITABLE CLUB PARTNERSHIP – Webinar series

This important series is hosted by the Puget Sound Chapter and offered to all western state clubs. Following a self-assessment, Puget Sound put together this series to help clubs to become more profitable. They particularly looked at their "All Star Clubs" to determine what made them successful. (See the article below to find out if your club is an "All Star Club"). They used these findings to put together this useful and practical series. If you missed the first session, "Five Ways to Improve your Club Partnership", we've summarized it in the following article. Make sure you don't miss the next three sessions beginning July 21st.

We will send you an email reminder about a week prior to each of these events. We hope you will join us in this informative series. Mark your calendar now.

- July 21, 2010 at 8:30pm MDT: **Recruiting & New Member Orientation**
- Sept. 15, 2010 at 8:30pm MDT: **Club Education Plan**
- Nov. 17, 2010 at 8:30pm MDT: **Club Administration**

Click here for more information: www.psc-bpp.eventbrite.com

FIVE WAYS TO IMPROVE YOUR CLUB PARTNERSHIP

This was the first in the series of four webinars on “Building Profitable Club Partnerships”. The webinar focused on these five topics.

1. View your club as a **business partnership** and give it the serious attention it deserves. Yes, the social aspects are important too since they help build team spirit, but ultimately, the club is a business enterprise whose business is the buying and selling of stock and the education of the members.
2. Recruit members who will **contribute to and improve the partnership**.
3. Make **education** one of your top priorities. A savvy member is also a more valuable partner.
4. **Use Better Investing methodology** to meet your goals.
5. **Manage** your portfolio. Your portfolio isn't just a random collection of stocks, but the real underlying asset of the partnership and requires keen attention to projected return and proper diversification. As any gardener knows, a garden isn't a random collection of plants. A garden requires proper selection, weeding and feeding. Your portfolio is no different. It too takes TLC.

1. Keep in mind that your “club” is actually a business Partnership

The partnership is basic to the whole notion of an investment club. “Partner” and “club member” may carry differing connotations. But both partnership and club member should indicate the following:

- Responsibility
- Participation
- Agreed upon goals
- Agreed upon priorities
- Commitment

Partnership requires more than attendance at meetings or paying dues. When members compromise and equivocate, they do injustice to their responsibilities as partners:

- Shared responsibility weakens
- Absence is tolerated
- Education is ignored
- Reports are haphazard
- Operating procedures are avoided and investment discipline is lax.
- Poor investment decisions are acceptable
- Work falls on the few; morale drops; the partnership begins to atrophy
-Can the Grim Reaper be far behind?

Clubs wanting to succeed need a common understanding, acceptance, and implementation of “partner” and “partnership”.

- Review your Partnership Agreement and By-Laws. Revise where necessary.

- Actively involve all partners in partnership business. Share tasks.
- Make sure all partners know what is expected of them. Have job descriptions in writing.
- Understand and implement the values and principles of Better Investing.
- Reach out to the “ten-percenters” (i.e., the under involved). Get them more involved. Find out why they aren’t fully contributing and help turn them into “one hundred percenters”. They will be happier and the partnership will be stronger.

2: Recruit Partners Who Will Improve the Partnership.

- Make partner selection a high priority in the club. You want someone who will strengthen the club. Someone who is a team player and committed to long term investing. You don’t need a “warm body”, you need a contributor.
- Look for new partners who are fully committed to being fully involved.
- Have written criteria for selecting a partner. Don’t rely on the word of the recruiter.
- Clarify the personal expectations of the candidate. Make sure they are amenable to investing the fundamental, Better Investing way... just like value investor Warren Buffett.
- Adequately inform the candidate of all dimensions of the club. Make sure they understand that we are investors, not gamblers or day traders. Our intent is to share in the created wealth of proper business activity.
- Review the Partnership Agreement, By-laws, or Operating Procedures with the candidate.

Recognize that an investment club is not for everybody. Good intentions are not enough. When a new applicant is reviewing your club, assign a mentor to that person. It is their responsibility to discuss everything necessary to becoming an active partner.

- Communicate any education requirements in writing. A candidate reluctant to go to classes and learn about the BI methodology isn’t a very promising candidate.
- Require the candidate to attend at least 3 club meetings as an active observer. Give the person a chance to know you better and for you to know them better too.
- Members who can’t or won’t actively participate in the business of the club should be asked to withdraw. No “ten-percenters”. You want everyone to be “one hundred percenters”.
- Celebrate, support, and educate a new member.

3: Make Education a Top Priority.

Better Investing Club Priorities:

1. Education
2. Friendship
3. Earning a Profit

Too often more value is put on earning a profit than on learning. Acquiring stocks becomes the only priority. The SSG is avoided as a guide to purchasing stocks, because ...”it’s too difficult.” Learning the SSG is the beginning, not the end. Remember, financial independence is the ultimate goal for each club member. Put someone in charge of coordinating the educational program and include in every meeting.

This position is as important as the President, Secretary or Treasurer. But remember that education is a shared responsibility and everyone must be involved.

4: Use Better Investing Methodology to Meet Partnership Goals.

When a partnership invests, it invests in the future, not the present. Good investing needs a system of analysis, judgment, and management. Better Investing has a complete system for success, but clubs too often neglect it to the detriment of club performance.

What to Do? Understand that concepts are the goal of every class, not numbers. Know that there is a class to cover every dimension for sound investing.

- Do you want to know how to evaluate a company and determine a fair price for its stock? -- **SSG Introduction**
- How do you make the right judgments when evaluating, buying, or selling a stock? -- **SSG Judgment**
- We never know when to sell! – **Portfolio Management**

5: Manage Your Portfolio.

Some basic mistakes clubs make include:

- Partners perceive management as too difficult.
- Partners do not monitor their holdings by tracking stocks.
- Stocks are held too long for emotional reasons.
- Portfolios are not diversified or balanced.
- The portfolio contains too many stocks and they can't be monitored properly.
- Clubs wander away from growth stocks.
- Better Investing management tools (SSG, PERT) are underutilized or ignored.

Turn your portfolio into a winner:

- Give portfolio management the emphasis it deserves.
- Use both SSG and PERT when evaluating, buying, or selling.
- Design your portfolio.
- Choose quality growth sectors.
- Stay with growth stocks.
- Follow norms for diversification.
- Good management means ridding your portfolio of poor performing stocks as well as increasing holdings in high performing growth stocks.
- Drop the dogs and add to the winners.
- Buy regularly and reinvest all dividends.

Summary:

1. Think and work like partners rather than “club members.”
2. Choose only candidates who can help shape the club you want.
3. Education. Education. Education.
4. Use the Better Investing methodology.
5. Manage. Proper weeding and feeding makes for profitable portfolios.

ALL STAR CLUBS – How Does Your Club Measure Up?

(A 10 Point Check List)

All Star Clubs shine as role models. Here is a look at some of the success-orientated characteristics of a typical All Star Club. Check off the ones that apply to your club.

1. Supports and requires **continuing education** of all members.
2. Follows structured-but-flexible **agenda**.
3. Enforces **disciplined stock study and selection** procedures.
4. **Sets goals**, both short and long term, and tracks progress toward achieving them.
5. **Thinks creatively**; asks, “How can we adapt this information to meet the needs of our Club?”
6. Expects and/or **requires member involvement** (no “Free rides”)
7. Encourages **involvement** in national, regional and local chapter activities.
8. **Rewards** member participation.
9. **Uses technology** such as SSG software, email, internet, webinars, projectors to enhance member participation and club performance.
10. Maintains a **spirit of enjoyment**, excitement and enthusiasm.

Did you check all ten? Congratulations, you’re an All Star Club. Weak on one or more items? This is your chance to improve. Get to work and turn your club into an All Star. Although investment performance is not a criterion for an All Star Club, clubs exhibiting the above traits tend to also have thriving portfolios.

SERVICES OFFERED BY YOUR ROCKY MOUNTAIN CHAPTER

- **Free club visits:** We can help get a new club started or help reinvigorate an older club. There is no fee for a club visit, but if travel in excess of 20 miles is required, we can meet via GoToMeeting or there may be a modest charge for travel expenses on a mileage basis. With GoToMeeting, distance is no longer an obstacle to a club visit. To find out more about GoToMeeting, visit our website at www.rmchapter.org and click on “Downloadable Forms and Recorded Information” and then click on “Introduction to GoToMeeting” under Recordings and Videos.

- **Classes:** We have classes introducing new members to fundamental investing, how to use the Stock Selection Guide (SSG), how to use ToolKit, apply judgment to the SSG, and manage a portfolio. In short, all you need to know to start investing successfully.
- **EduFest:** We offer EduFests in the spring and fall of the year featuring guest speakers who are recognized authorities in their field and address topics of interests to our clubs and individual members.
- **Portfolio Reviews:** Do you have questions about your portfolio? Would you like to have a team of experienced investors review it from a more objective point of view? If so, then this may be just what your club is looking for. We will appoint a team of experienced BI volunteers to review your portfolio in depth and report to your club their findings and recommendations for a modest fee.

For more information about these and other chapter support, go to our website at www.rmchapter.org .