

## OCTOBER 2010 NEWSLETTER

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### ***From the president...***

The chapter held its Fall EduFest and Annual Meeting on September 18<sup>th</sup>. Over 60 members attended and received valuable insights from guest speakers Allen Holdsworth and Don Cassidy. Attendees found retired



broker Allen's "inside" story of legal, but all too common unethical practices in the brokerage industry especially riveting. Don's guide for the proper use of stops can be put to use immediately. But the overall theme was "SELL: It's Not Just a Four Letter Word" and our guests outlined ways to overcome common emotional barriers to making a wise sell decision. As Allen said, "Don't fall in love with your stock 'cause it won't love you back!"

If you missed this EduFest, you'll certainly not want to miss the Spring event scheduled for April 30, 2011 at the Colorado Christian University, Beckman Center. These events are designed especially for our membership to make you a more successful investor.

### **OCTOBER EVENTS**

- > **StockTalk: October 2<sup>nd</sup>**
- > **Intro to the Stock Selection Guide (SSG): October 23<sup>rd</sup>**
- > **Intro to ToolKit: October 30<sup>th</sup>**

### **WHAT'S UP DOC?**

What's in store for the coming year? Of course, nobody really knows as future events can only be guessed at and estimated. However the threat of a "double dip" recession seems to be fading and there is increasing talk

about a "square root" recovery... i.e. an initially strong rebound quickly leveling off to a very slow rate of improvement and a slow decline in unemployment. Morningstar's analysts practice much the same growth at a good price strategy taught by Better Investing. Here is a summary of what they foresee for the coming year:

#### **Morningstar's View:**

- GDP Growth Likely to Accelerate in 3Q and 4Q with Total 2010 Growth of 2.5%-3.0%
- Consumers are Scared but Continue to Increase Spending at a Consistent Rate
- Improvement in Net Exports Will Be a Key Driver in the Second Half of 2010
- Under-Invested Corporations Are Scrambling to Catch Up

Meanwhile, the Investor's Advisory Service (IAS) sees lots of bargains out there for the knowledgeable investor to pick up while they're still reasonably priced. And speaking of the IAS, read on...

### **TALES FROM THE BRIGHT SIDE**

Is our way the best way? Well, we don't know if the Better Investing method is absolutely the BEST way, but we've always believed it to be an excellent way that anyone can learn to use successfully. Now we have independent verification of the power of the BI approach to investing. The Investors' Advisory Service (IAS) used to be a part of BetterInvesting, Inc., but was spun off as an independent unit over ten years ago. IAS analysts follow a portfolio of about 80 stocks and publish recommendations with commentary each month in a

subscription based newsletter. They follow the BI methodology of finding a well managed company with a sound, long term business model and buying the stock only at a good price. They always use the SSG as the focal point of their analysis and publish the SSG in each issue of the newsletter containing a new buy recommendation. As an investor newsletter, it fell under scrutiny of folks at the Hulbert Digest. The Digest follows the performance of 120 investment newsletters of every stripe and persuasion. Recently, the Digest named the IAS Newsletter as one of its top ten performers. Meanwhile, the vast majority of the 120 other newsletters underperformed while collecting billions in subscriber fees. Talk about a waste of money! You can see the IAS Newsletter performance in the chart below (taken from the Hulbert Digest website):

Performance Summary (annualized)		
Raw returns	Newsletter	Wilshire 5000
1-year	10.71%	5.75%
3-years	0.15%	-8.13%
5-years	3.60%	-0.52%
10-years	6.85%	-1.07%
15-years	n/a	6.22%
Sharpe Ratio	Newsletter	Wilshire 5000
1-year	0.22*	0.12*
3-years	0.02*	-0.09*
5-years	0.05*	-0.02*
10-years	0.09*	-0.03*
15-years	0.09*	0.07*

\* Performance divided by risk; a higher number is preferable

#### Newsletter Performance (cumulative)

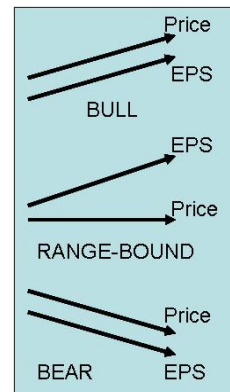


If you'd invested \$1000 at its beginning and followed IAS Newsletter

recommendations over the years, your investment would be worth \$2000 today.

#### But What About Our 15%?

While it is gratifying to find the IAS Newsletter as an outperformer, it certainly hasn't attained the 15% annual rate of return we target. This just shows what a tough ten plus years it's been for investors. This type of market is commonly referred to as "range-bound". A range-bound market is one where corporate earnings continue to grow but stock prices bounce up and down trending nowhere. A bull market is where earnings and stock prices trend steadily upward and a simple "buy and



hold" the market is a winning strategy. In a bear market both stock price and earnings decline steadily. With the exception of the last 18 months, corporate earnings have increased, but that hasn't been reflected in stock price. However,

history teaches us that eventually, stock price will reflect earnings. We just don't know when. Meanwhile we pick good companies with good management at good prices and wait for the market to stop being so jittery and recognize the true value in our businesses. Historically, markets can remain range-bound for years. Another tactic to follow while accumulating good buys is to put some emphasis on dividend payers. It is nice to be paid while we wait.

***"Patience, Planning, and Perspective always win in the end" – Nilus Mattive***