



## August 2019 Newsletter



### President Dan Perlman's Reflections What to Do in a Bear Market: Not Much!

Since the North Carolina Chapter's last Newsletter, the yield curve has briefly inverted. That means the interest on ten-year treasury bonds was less than the interest paid on two-year treasurer bonds. According to Credit Suisse, there have been five inversions of the 2-year and 10-year yields since 1978. Each was a precursor to a recession. That said, there is typically a significant lag time between the inversion and the recession itself. The ensuing recessions occurred, on average, 22 months after the inversion. And during that time, the S&P 500 actually climbed -- posting average returns of 15% over a period of 18 months after the inversion. The last time this key part of the yield curve inverted was in December 2005, two years before the recession hit. If history repeats itself, the downturn won't be immediate. But what should you be thinking about doing? The simple answer: Not much!

Remember two of BetterInvesting's core principles: (a) Invest regularly, regardless of the market outlook, and (b) Don't try to time

the market. Trying to time the market is especially hard. You need to get both the exit and the entry points correct. BI's *Stock Selection Handbook* (2003, p. 3) points out: "The return on money invested in the Standard & Poor's 500 for all trading days from 1986 through 1995 was 14.8%. Missing only the 40 best days in those nice years, the return drops to 2.5%!"

George Nicholson, BI's co-founder and father of the Stock Selection Guide (SSG), saw the upside of bear markets. If you follow the "invest regularly" rule, dollar cost averaging works in your favor. You get to buy shares at a lower average price. He advised buying the sort of growth stocks with good management that you can identify via the SSG.

Complementing Nicholson's view, Charles Rothblut, a Certified Financial Analyst, discussed the dangers of getting out of stocks during bear markets. He examined what would have happened to American Association of Individual (cont'd on p. 2)

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Investor's recommended moderate risk portfolio (a) without withdrawals being made vs. (b) following a market timing rule for the portfolio's stocks. In this simulation, \$100,000 was invested in 1988 (70% stocks/30% bonds). Rothblut's market timing rule was to completely pull out of stocks whenever the S&P 500 fell by 20% or more during a calendar year, and stay out of the market for 12 months before returning back into stocks. Twenty five years later, in 2013, the non-withdrawal portfolio was worth \$1,110,308 vs. \$702,179 for the market timing portfolio. Stated differently the portfolio's annual rates of return were 9.7% vs. 7.8% respectively. A single simulation isn't definitive proof but it points in the direction of a "staying the course" strategy.

Returning to Nicholson, he wrote:

We found that the best way for the individual to judge investment performance was from high point to high point in bull markets. The declines in between are relatively unimportant. In fact, they throw

investors off-stride and consequently defeat investment objectives.

Investments are for the long term.

In part, many investors defeat themselves because of a principle Nobel Prize winners Kahneman and Tversky identified. Stated simply, we feel the pain of losses much more than we derive pleasure from gains. The moral of the story as seen from a BI perspective: select high quality growth stocks, monitor them the BI way, and don't deplete your portfolio. Don't panic, stay the course. Good times will return. The historical trajectory of the market is up!

Sources

InvestorPlace Digest (2019, August 14)

Nicholson, G. A., Jr. (2007, October 17).

*Black Monday or Happy New Year.*

Retrieved from

<http://www.betterinvesting.org/Members/Chapters/Articles/PrinciplesTools/200609BlackMondayorHappyNewYear.htm>

Rotblut, C. (2014, May). The danger of getting out of stocks during bear markets. *AII Journal*, 7-12.

## Portfolio Contest Results

Congratulations to the Hickory Investment Club, winner, and the Triangle Investment Club (runner up) for their fine performances in the 2018-19 BetterInvesting North Carolina Chapter Portfolio Contest. Their portfolios grew from \$10,000 on September 1, 2018 to \$12,148.46 and \$11,461.87, respectively, on August 2, 2019. In 11 months that is roughly 21.5 and 11.55 percent respectively. Great going!

In addition to the success of these two clubs, the combined gain of all entrances was

above the gain of the S & P 500 Index (5.4% on average for entrants vs. 1.1% for the S & P or a relative advantage of 4.3 per cent). Four of seven entrants (also including the PPP and Triangle clubs) outperformed the S & P 500. This is a testament to the efficacy of North Carolina investors following BI principles.

The Hickory Investment Club will receive a \$150 award, the Triangle Investment Club will receive \$75.



## NC Portfolio 2018-2019 Contest Results: Hickory for the Victory

Reported by Tasia Mabry\*

Being a part of the North Carolina Better-Investing community has been an enriching experience for me through the years. The wealth of education material, the support system, and ways to engage with the community of investors are what drew me to volunteer and to start my own investment clubs. As a result of getting looped into being a volunteer at the state level, I've been given the opportunity to contribute to this month's newsletter. I'm very excited to highlight the group that won our NC Chapter Portfolio Contest for the year.

In order to participate in the contest, clubs had to choose 3-5 stocks to invest a virtual \$10,000. They also had an opportunity to make transactions on one day during the contest to adjust their portfolio holdings to promote further growth. At the end of the year, the team that grew their \$10,000 investment the most, wins the contest. It is with great pleasure that I congratulate the winners of the 2018-2019 Portfolio Contest, the Hickory Investment Club.

The Hickory Investment Club recently celebrated 30 years of being together as an investment club. The ending portfolio included Apple (AAPL), Celgene (CELG), Dollar General (DG), Horton DR (DHI), and Starbucks (SBUX). Of these stocks, Starbucks was the crown jewel that pushed their portfolio to victory. I reached out to the

club to get some feedback on why they chose to include Starbucks in their portfolio and here's a bit of their thoughts:

"We [had] owned Starbucks in our portfolio for years and continue to own it. We always do SSGs on every stock we study and update them. When we picked Starbucks, the price had fallen but it still had good potential. We were pleased they were having success with stores in China and sales growth was still between 10 and 12 percent. While we might pick Starbucks in the future, it will be at a much more reasonable PE ratio and price. Last August the PE was 21. Today it is 34. Over the past months growth in China continues and their loyalty program now accounts for 40% of sales."

- Judith McCaughan  
• Hickory Investment Club Contact

I'm sure you can tell that given the years of experience the club has working together they have a winning strategy on how they pick companies for their portfolio. We wish the Hickory Investment Club best wishes here on out, and we encourage other groups out there in the State of NC to join the NC BetterInvesting Portfolio Contest for 2019-2020. The contest entries are due August 31, 2019 and the contest will run until July 31, 2020. Hope to see your clubs entry soon!

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\*Tasia Mabry is the North Carolina Chapter's newest Associate Director. The Chapter Directors are delighted to welcome her to our group. She is a second generation BI member who spearheaded the establishment of the Legacy Investment Team, an online club. She is that group's Treasurer and a Member of the Paupers Investment Club.

## Congratulations to Clubs Celebrating Anniversaries

BetterInvesting (BI) honors clubs celebrating each 5<sup>th</sup> year anniversary. Nationally, BI's oldest club reached its 65<sup>th</sup> Anniversary in 2018. We admire and congratulate each North Carolina club having an anniversary for their dedication and successfully sustaining their activities. We hope, as we know is true in some cases, that their portfolios have prospered. If we have not already arranged a Director to visit each of these clubs in person or via the Go2Meeting videochat system, we would be delighted to visit with club members to say congratulations and learn more about your activities. Email: [contact@northcarolina.betterinvesting.net](mailto:contact@northcarolina.betterinvesting.net)

### Clubs Celebrating Anniversaries

Club	Anniversary	Location
Tickuntie Investment Club	40	GREENSBORO
Hickory Investment Club	35	HICKORY
Tiffany Group Investors	35	WILSON
Paupers Investment Club	35	MINT HILL
Triad Investment Partners	30	CLEMMONS
Stock Watchers Investment Club	30	HUBERT
Bull Market Investment Club	20	DURHAM
Classi Investment Club	20	NEW BERN
Gold Tee Investment Club	15	JACKSONVILLE
Three Decades Investments	10	CHARLOTTE
Aggerpack Investment LCC	5	CONCORD

## Downloading Data to a Spreadsheet

Until 2017 investors were able to download stock data from Yahoo Finance and Microsoft into a spreadsheet via relatively simple spreadsheet formulas. Changes in those provider's policies ended being able to do that. Now, however, anyone with a Google account (e.g., Gmail) can download data to Google's version of a spreadsheet, a Google Sheet. Here is a simple example:

Company	Symbol	Price	6/28/2019
Starbucks	SBUX	96.52	83.83

The formula for getting the current price in Column 3 is =GOOGLEFINANCE(B2) where (B2) is referencing the stock symbol in Column 2. Column D, headed 6/28/2019, indicates the date June 28. The formula for getting the stock's (closing) price on June 28 of this year is =INDEX(GOOGLEFINANCE(B2,"price",D\$1),2,2). In other words Google refers to the data in Row 1, Column D in searching for Starbuck's price on that date. D\$1 insures that Google always uses that cell for the date.

When simple formula such as in Column 3 are used, Google Sheets update data each time the sheet is opened.

This system allows users to download over 40 different types of data. The data in the Google sheet itself can be downloaded to a Microsoft spreadsheet. For further information on this system see GoogleFinance's support page, <https://support.google.com/docs/answer/3093281?hl=en>.

## Special Offer For Non-BI Club Members

BetterInvesting is planning a “flash offer” just for clubs. This New BetterInvesting Club Member offer is a special opportunity for clubs to encourage ALL investment club partners to become BI members by extending a FREE digital Core membership through the club’s next renewal date. At the next club renewal, the renewal form will indicate regular retail prices. Additionally, those who sign up for this offer

will receive a free copy of the SSG Handbook e-book. This offer is available only to new investment club partners as well as current partners who are not already BI members and haven’t been since February 2019.

This special club promotion provides the basics to help all club partners learn the SSG and become active club contributors.

## *2019 North Carolina BI Chapter Activities and Events*

### Annual Meeting and Educational Event

Saturday, August 24, 2019

Time: 10:15 am to 12:30 pm

Location: Kernersville Paddison Library

Featured Speaker: Craig Braemer (11:30)

Topic: Owning a Moat Can Help Your Portfolio

Event Contact: [contact@northcarolina.betterinvesting.net](mailto:contact@northcarolina.betterinvesting.net)

In conjunction with the Annual Business meeting we are pleased to have Craig Braemer giving an educational presentation. His topic is economic moats. He will be describing what they are and how moat stocks can help your portfolio performance in good times and bad times by pointing you to owning great stocks for the long term.

Craig has been investing for about 40 years and joined the San Francisco Bay area chapter of BetterInvesting in 1992. For 25 years he held various positions in Union Bank’s investment advisory subsidiary, Highmark Capital Management (e.g., Director of Investments, doing investment research, primarily equities). Recently retired, he still works with certifications as a Chartered Financial Analyst and a Certified Financial Planner. He is currently a BetterInvesting Chapter Director. He has given a number of classes both for his local chapter, other chapters (e.g., Sacramento, Oklahoma, Kansas City, San Jose), and nationally for BINC.

A meeting of the Chapter Board will follow; all NC BI members are welcome to attend.

If you wish to attend this meeting and/or educational presentation from where ever you have an internet connect, the access details are:

GoToMeeting access where ever you are via your computer, tablet or smartphone:

GTM LINK: <https://global.gotomeeting.com/join/665064485>

U.S. Phone Access: +1 (571) 317-3122

Access Code: 665-064-485

## 2019-2020 North Carolina BI Chapter Portfolio Contest

The North Carolina BI Chapter will again conduct a 2019-2020 Portfolio Contest. Entrants will indicate 3 to 5 stocks they would like to have in a dream (virtual, not cash) portfolio with a starting value after the market close on August 31, 2019 of \$10,000, and will end with closing prices Friday, July 31, 2020. The contest will evaluate capital gains, independent of dividends. The contest is open to North Carolina Chapter clubs, not individuals. In a change from 2018-19, clubs will be allowed to trade at two times during the contest. The dates and method of placing trades will be communicated to the entrants in December 2019 and March 2020. The club submitting the winning portfolio will receive \$100 and be invited to participate in the Chapter's 2020 Annual Meeting. Entrants should indicate their Club name, the name and email address of the contact person, the names with the symbols of three to five stocks, and the amount to be allocated to each. To submit via the Web [click here](#) or email the information to [president@northcarolina.betterinvesting.net](mailto:president@northcarolina.betterinvesting.net)

## NC-SC Educational Day

The NC and SC Chapters of BI are sponsoring an education day on Saturday, October 26<sup>th</sup> in Fort Mill, SC. Cy Lynch will be the presenter. A popular speaker at recent BetterInvesting National Conferences, he writes the quarterly Growth Stock Outlook column for BetterInvesting magazine. Since its inception, its performance has surpassed market averages by 3.7 percent. For more information, [click here](#).

## Wilmington Meet and Greet

Date: Tuesday, October 29, 5:30 - 7:00 pm

Location: New Hanover County Public Library, Downtown

Address: [201 Chestnut Street, Wilmington, NC 28401](#)

Free Parking

Educational Presenter: Dan Perlman, NC Chapter President of BetterInvesting

The North Carolina Chapter is pleased to announce a Greater Wilmington Better Investing event. It is for individuals who are both club and non-club Better Investing members who live in the greater Wilmington area. After time for a meet and greet, giving attendees an excellent opportunity to meet one another, Dan Perlman, NC Chapter President, will present an educational component aimed at BI programs, benefits and questions members might have.

If you are a BetterInvesting member, come to meet others in the Wilmington area. If you have never been to a BetterInvesting meeting, you may want to come to hear what we are all about and to hear important information about the organization. BetterInvesting's mission is: to provide individuals and investment club members a program of sound investment information, education, tools and support to help create successful lifetime investors.

Please RSVP by Friday, September 6 to: Jacqueline Jahn, [jjahn100@gmail.com](mailto:jjahn100@gmail.com)

## Model Club

*New:* Recordings of Meetings are now being made available for viewing.

Our chapter also sponsors a [model investment club](#). Its purpose is to demonstrate the best practices for BetterInvesting investment clubs and the educational benefits of being a member of an investment club.

The NC Model Club typically meets the first Tuesday of each month in Triad area libraries. Via Go2Meeting you can also participate from anywhere you have an internet connection. If you would like to be reminded of our meetings, please contact [contact@northcarolina.betterinvesting.net](mailto:contact@northcarolina.betterinvesting.net). We will be happy to add you to our “Model Club Interested Parties” email distribution list and provide you with the details of our model club’s next meeting.

### 2018-19 North Carolina BI Chapter Directors

Dan Perlman—President  
Terry Gilbert—Vice President  
Brenda Jones—Secretary  
Ronald Cox—Assistant Secretary &  
Chapter Data Manager  
Warren Leggett—Treasurer  
Nancy Armstrong

David DeBruhl  
Jane Chatterjee  
Kathy Dougherty  
Susan Jordan  
Saundra Scales  
Tanya Robinson-Caldwell  
Tasia Mabry, Associate Director  
Louise Sechler—Director Emeritus

### Contact Information and Web Addresses:

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North Carolina Web site: <https://www.betterinvesting.org/ncarolina>

National BetterInvesting Web site: [www.betterinvesting.org](http://www.betterinvesting.org)