

**BETTERINVESTING**  
Empowering Investors Since 1951

## Sell Signals



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## Talking About Sell Signals

- When NOT to sell
- Wrong reasons for holding
- Developing a process for selling
- When to consider a sell
- Sell signals on the SSG
- Sell signals not on the SSG

**B**

What do we do when looking to invest?

**Identify a**  
**quality growth**  
**company**

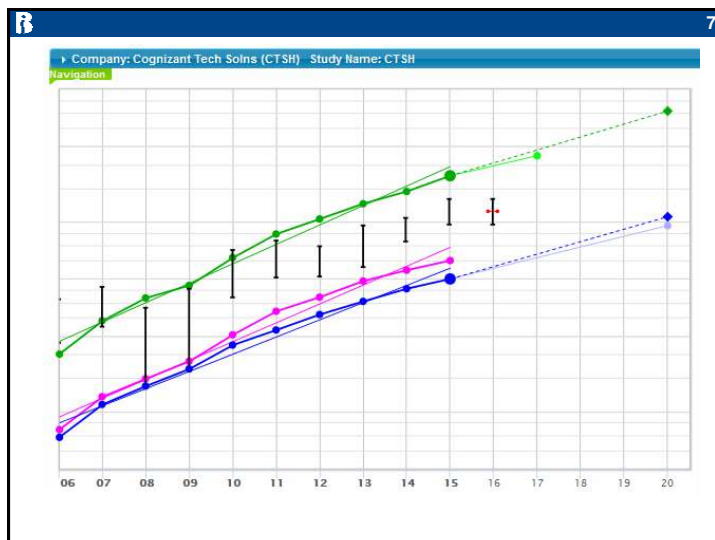
**at a**  
**reasonable price**

**Talking About Sell Signals**

- Finding stocks to buy is **FUN**
- Selling a stock because it is doing poorly or because it has done too well is **hard**
- Selling a stock to prevent losses or increase gains is as **important** as buying
- How do we decide?  
**Buy – Hold – Sell**

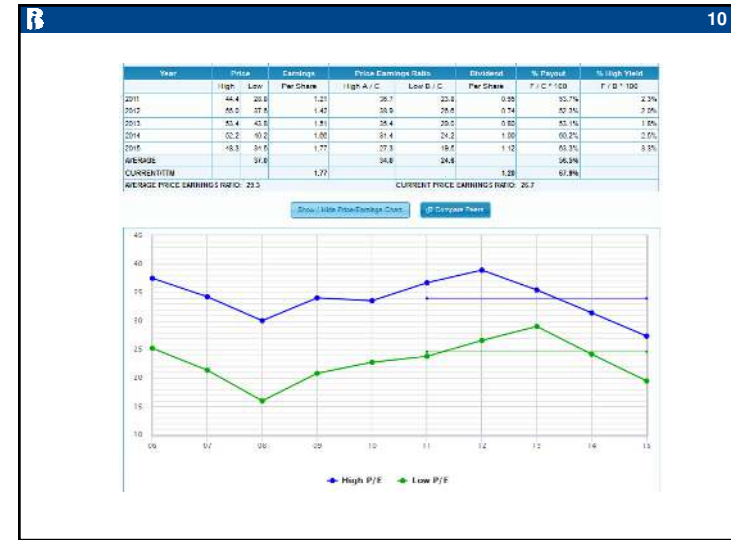
**When NOT To Sell**

- You think you should be doing something (CTSH)



**When NOT To Sell**

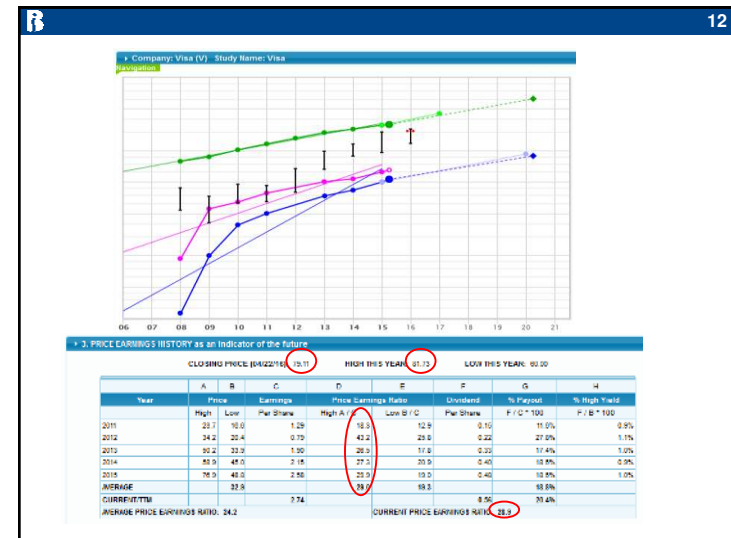
- You think you should be doing something (CTSH)
- The Stock hasn't done anything (FAST)



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## When NOT To Sell

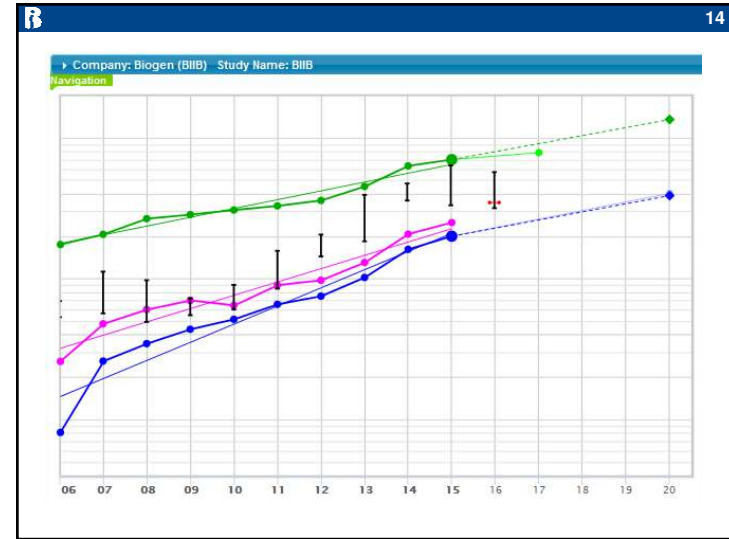
- You think you should be doing something (CTSH)
- The Stock hasn't done anything (FAST)
- The price has gone up a little (V)



**B** 13

## When NOT To Sell

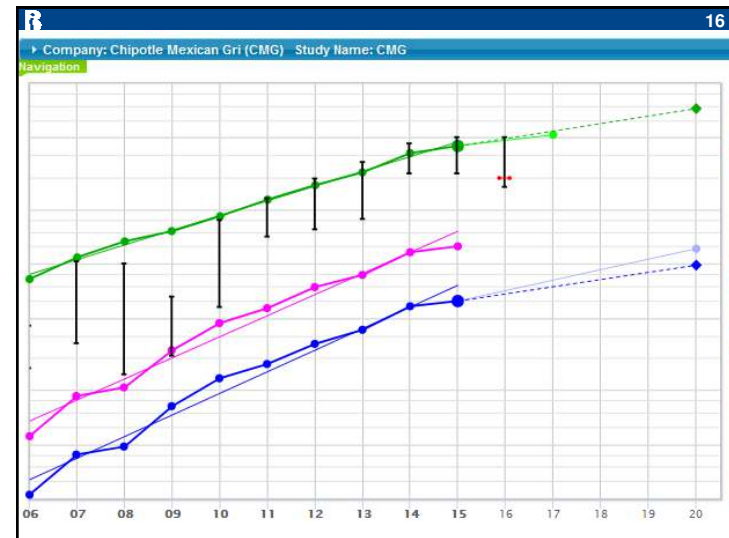
- The price has dropped
  - Often temporary and out of proportion to the risk (BIIB)



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## When NOT To Sell

- The price has dropped
  - Often temporary and out of proportion to the risk (BIIB)
  - Bad news from the company or about one of its competitors (CMG and e-coli)



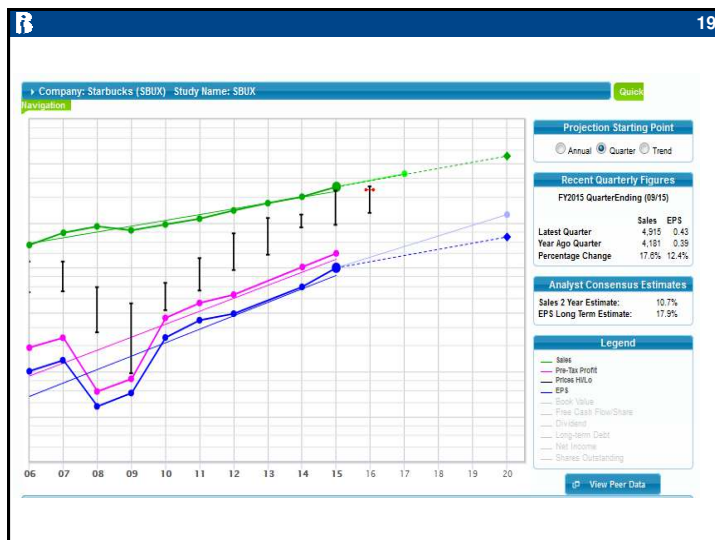
**When NOT To Sell**

- The price has dropped
  - Often temporary and out of proportion to the risk (BIIB)
  - Bad news from the company or about one of its competitors (CMG and e-coli)
- An analyst downgrades a stock (SBUX)



Starbucks (SBUX) and Juniper Networks (JNPR) got their ratings downgraded and price targets cut early Tuesday, while analysts cut their price targets on Alcoa (AA) and Valeant Pharmaceuticals (VRX), while raising them on a pair of Apple (AAPL) chipmakers.

Starbucks fell 2.3% to 59.50 on the stock market today after Deutsche Bank downgraded the coffee chain to hold from buy and cut its PT to 64 from 70 'due to modestly decelerating sales/earnings trends.' Deutsche Bank cited Starbucks' revised loyalty program as one headwind.



**When NOT To Sell**

- The price has dropped
  - Often temporary and out of proportion to the risk (BIIB)
  - Bad news from the company or about one of its competitors (CMG and e-coli)
- An analyst downgrades a stock (SBUX)
- Insiders are selling
  - They need the cash or diversification

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U.S. Securities Insider Trading Information  
InsiderTrading.org™  
Real-Time Insider Trading Data | Saturday April 23, 2016  
[Contact Us](#) | [Data](#) | [News Media](#)

Insider Trading | Insider Buying | Insider Selling | Large Stock Buying | Large Stock Selling | Top Traded Stocks

Stock Screener: Symbol  Begin Date: 2016-04-01  End Date: 2016-04-23

Buy/Sell	Transaction Date	Acceptance DateTime	Issuer Name	Issuer Trading Symbol	Reporting Owner Name	Reporting Owner Relationship	Transaction Shares	Price per Share	Total Value	Shares Owned Following Transaction	Form
Sel	2016-03-30	2016-04-01 10:30:21	COGNIZANT TECHNOLOGY SOLUTIONS CORP	CTSH	McLoughlin Karen	officer	1,641	\$62.6713	\$102,844.0000	41,191	Form 4
Sel	2016-04-04	2016-04-06 11:41:56	COGNIZANT TECHNOLOGY SOLUTIONS CORP	CTSH	RAJAKRISHNAN CHANDRASEKARAN	officer	15,736	\$62.0630	\$976,823.0000	382,194	Form 4
Sel	2016-04-04	2016-04-06 11:41:56	COGNIZANT TECHNOLOGY SOLUTIONS CORP	CTSH	RAJAKRISHNAN CHANDRASEKARAN	officer	1,300	\$62.9360	\$81,816.0000	380,894	Form 4
Sel	2016-04-07	2016-04-11 10:19:31	COGNIZANT TECHNOLOGY SOLUTIONS CORP	CTSH	McLoughlin Karen	officer	880	\$61.0100	\$53,688.0000	40,741	Form 4

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## Wrong Reasons for Holding

- You have fallen in love with your stock
- You don't want to admit to a mistake
- You hate to lose money

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## When To Consider A Sell

- When the reasons for buying the stock no longer apply
- "If you know why you bought a stock in the first place, you'll automatically have a better idea of when to say good-bye to it"
  - Peter Lynch, *One Up on Wall Street*

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## Develop A Process

- Write down the reasons you want to buy the stock and keep them with the SSG
- Think about why you might want to sell the stock before you buy and become emotionally involved
- If you sell the stock, record the reasons
- Six months later review the sale to see if you made a good decision

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## When To Consider A Sell

- You need the money

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The slide contains four images: a couple riding a motorcycle, a cartoon illustration of a car packed with luggage labeled 'College Bound', a serene beach scene with lounge chairs, and a real estate 'FOR SALE' sign in front of a house.

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## When To Consider A Sell

- You need the money
- Your portfolio is out of whack

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Report Details

Sector & Industry Diversification Report

Sector	Industry	Security	Market Value (Security)	% of Portfolio (Security)	% of Portfolio (Industry)	% of Portfolio (Sector)
<b>Consumer Cyclical</b>					17.5%	17.5%
	Restaurants					
		Starbucks	\$12,180.00	17.5%		
<b>Consumer Defensive</b>						6.3%
	Packaged Foods					
		Hormel Foods	\$4,395.00	6.3%		
<b>Financial Services</b>						14.9%
	Asset Management					
		T. Rowe Price Group	\$10,365.50	14.9%		
<b>Healthcare</b>						28.6%
	Medical Instruments & Supplies					
		CR Bard	\$19,985.00	28.6%		
<b>Industrials</b>						6.8%
	Industrial Distribution					
		Fastenal	\$4,713.00	6.8%		
<b>Technology</b>						25.8%
	Consumer Electronics					
		Apple	\$4,834.50	7.0%		
	Information Technology Services					
		Cognizant Tech Solns	\$9,024.00	13.0%		
	Software - Infrastructure					
		Oracle	\$4,099.00	5.9%		
		<b>Total</b>	<b>\$69,497.00</b>			<b>100.0%</b>

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## When To Consider A Sell

- You need the money
- Your portfolio is out of whack
- Company fundamentals or business outlook are slowing or deteriorating

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Company: Oracle (ORCL) Study Name: ORCL

Financial Management	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	5 Yr Avg	Trend
% P/E	22.3%	24.8%	28.1%	25.8%	21.3%	21.2%	22.0%	24.2%	23.0%	35.0%	31.7%	↑
% Return on Equity	22.3%	24.8%	28.1%	25.8%	21.3%	21.2%	22.0%	24.2%	23.0%	23.2%	23.2%	↔
% Debt to Capital	29.2%	31.0%	32.8%	29.0%	32.0%	29.0%	27.4%	29.3%	34.0%	46.9%	33.1%	↑

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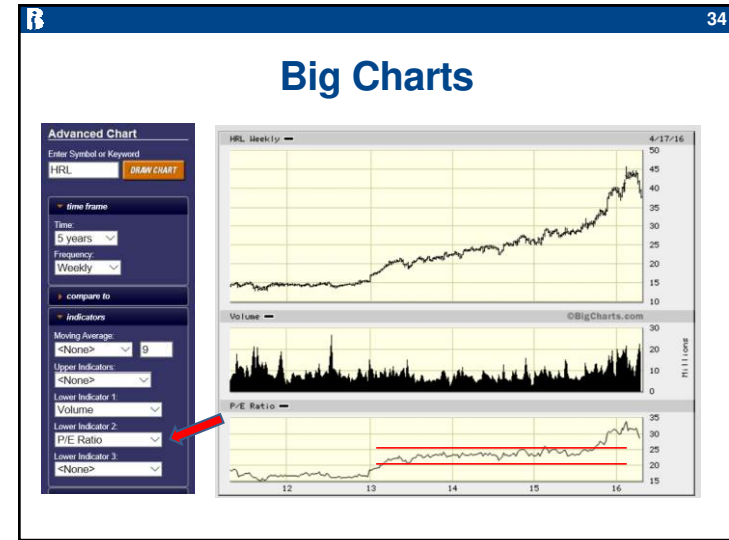
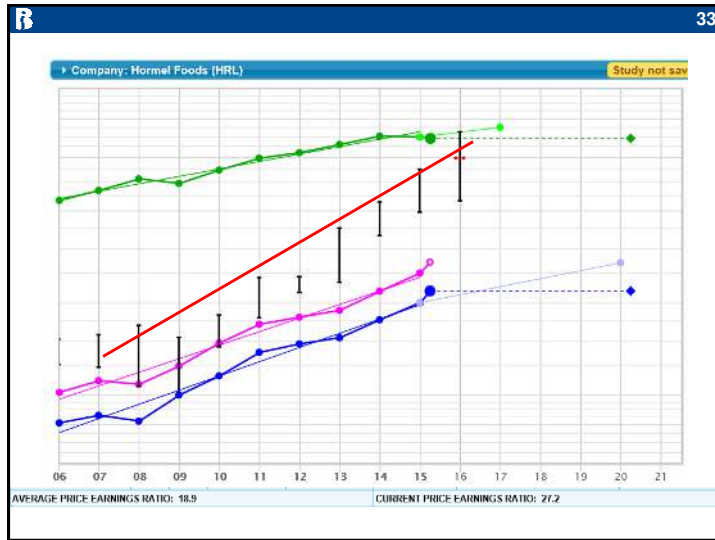
Period	Quarterly Data				Trailing 4 Quarters			
	EPS	\$ Mil	PTP	% Chg	EPS	\$ Mil	PTP	% Chg
02/02	0.49	19.7	3.148	34.8	12.3	8,029.0	3.1	20.7
05/02	0.69	10.5	4.383	40.2	5.1	10,916.0	1.3	21.2
08/02	0.41	15.4	2.702	33.0	9.3	8,181.0	-2.3	24.7
11/02	0.53	23.8	3.280	36.1	10.8	9,994.0	3.4	21.3
02/03	0.52	5.7	3.090	34.5	-1.8	8,958.0	-0.9	19.0
05/03	0.80	16.4	4.326	44.1	10.1	10,347.0	0.3	21.1
08/03	0.47	13.6	2.663	31.8	-1.4	8,372.0	2.3	17.7
11/03	0.56	4.7	3.203	34.5	-2.3	8,279.0	2.0	20.3
02/04	0.56	7.9	3.249	34.9	5.1	9,307.0	3.9	21.1
05/04	0.80	-0.5	4.588	40.5	-4.9	11,500.0	3.4	20.5
08/04	0.48	2.3	2.748	31.6	2.1	8,596.0	2.7	19.7
11/04	0.56	0.0	3.269	34.1	2.1	9,586.0	3.5	23.5
02/05	0.62	-1.1	3.150	33.8	-3.0	8,327.0	0.2	20.8
05/05	0.62	22.6	3.697	34.5	-19.4	10,706.0	-6.4	25.4
08/05	0.40	-17.5	2,318.0	27.3	-19.0	8,448.0	-1.7	24.4
11/05	0.51	-8.5	2,868.0	29.7	-10.4	8,993.0	-6.3	17.7
02/16	0.90	-9.4	2,732.0	30.3	-13.3	9,012.0	-3.4	21.6

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## When To Consider A Sell

- You need the money
- Your portfolio is out of whack
- Company fundamentals or business outlook are slowing or deteriorating
- Price Earnings ratio (P/E) is significantly above 5-year average P/E





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- ### SSG Section 1 Buy/Sell Signals
- Buy/Hold
    - Sales, pre-tax profit margins, and EPS growth increasing steadily at an acceptable rate
    - Growth is consistent
    - Most recent quarter is equal or better than the historical and projected growth rates
  - Sell
    - Growth slows to an unacceptable rate
    - Growth is erratic
    - Most recent quarters are significantly less than historical or projected growth rates
    - Three quarters of declining or sub-par performance

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- ### Section 2 Buy/Sell Signals
- Buy/Hold
    - Profit margin and ROE are stable or trend steadily upward
    - Profit margin and ROE are above the industry average
  - Sell
    - Profit margin or ROE trend downward
    - Profit margin and ROE are significantly below the industry average

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Comparison: [New Comparison]		Symbol: 017X_03216 Stellor Auto Parts Count: 9	Pick study or type ticker	Industry averages [Select Industry]
<input type="checkbox"/>	Hst. Sales Growth Rate - 5 YR (%)	11.0%		
<input type="checkbox"/>	Estimated Sales Growth Rate (%)	8.9%		
<input checked="" type="checkbox"/>	Hst. Earnings/Share Growth Rate - 10 YR (%)	18.2%		
<input type="checkbox"/>	Hst. Earnings/Share Growth Rate - 5 YR (%)	19.5%		
<input type="checkbox"/>	Estimated Earnings Per Share Growth Rate (%)	7.9%		
<input type="checkbox"/>	Earnings Stability (R-squared) - 10 YR	.70		
<input type="checkbox"/>	Earnings Stability (R-squared) - 5 YR	.95		
<b>Management Comparisons</b>				
<input checked="" type="checkbox"/>	% Pretax Profit on Sales (Last 5 Year Average)	27.0%		
<input checked="" type="checkbox"/>	% Earned on Equity (Last 5 Year Average)	17.5%		
<input type="checkbox"/>	% Debt to Capital	8.7%		
<b>Valuation Comparisons</b>				
<input type="checkbox"/>	Present Price	15.80		
<input type="checkbox"/>	Present Price / Estimated Total EPS	2.3		
<input type="checkbox"/>	Price Range (Last 5 Years)	7.19 - 19.06		
<input checked="" type="checkbox"/>	Current High P/E	17.5		
<input type="checkbox"/>	Average High P/E	19.7		
<input type="checkbox"/>	Average P/E	16.2		
<input checked="" type="checkbox"/>	Average Low P/E	12.7		
<input type="checkbox"/>	Current Low P/E	12.9		
<input type="checkbox"/>	Current P/E	14.8		
<input type="checkbox"/>	Lower Buy Price Zone (25%)	13.00 - 17.22		
<input type="checkbox"/>	Middle Hold Price Zone (50%)	17.22 - 25.85		
<input type="checkbox"/>	Upper Sell Price Zone (25%)	25.85 - 29.87		
<input type="checkbox"/>	Present Price Indicator	Buy		
<input type="checkbox"/>	Upside/Downside Ratio	4.90 to 1		
<input type="checkbox"/>	Relative Value	91.2%		
<input type="checkbox"/>	P/E: Projected Growth Rate (PEG)	173.1%		
<b>Potential Return Comparisons</b>				
<input checked="" type="checkbox"/>	Present Yield	2.11%		
<input checked="" type="checkbox"/>	Avg. Percent Payout	37.10%		
<input type="checkbox"/>	Consistent Annual Dividend	46.46%		

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Comparison: [New Comparison]		Symbol: 017X_03216 Stellor Auto Parts Count: 9	Pick study or type ticker	Industry averages Auto Parts
<input type="checkbox"/>	Hst. Sales Growth Rate - 5 YR (%)	11.0%		4.5%
<input type="checkbox"/>	Estimated Sales Growth Rate (%)	8.9%		
<input checked="" type="checkbox"/>	Hst. Earnings/Share Growth Rate - 10 YR (%)	18.2%		15.2%
<input type="checkbox"/>	Hst. Earnings/Share Growth Rate - 5 YR (%)	19.5%		9.1%
<input type="checkbox"/>	Estimated Earnings Per Share Growth Rate (%)	7.9%		
<input type="checkbox"/>	Earnings Stability (R-squared) - 10 YR	.70		22.2%
<input type="checkbox"/>	Earnings Stability (R-squared) - 5 YR	.95		40.1%
<b>Management Comparisons</b>				
<input checked="" type="checkbox"/>	% Pretax Profit on Sales (Last 5 Year Average)	27.0%		6.7%
<input checked="" type="checkbox"/>	% Earned on Equity (Last 5 Year Average)	17.5%		20.9%
<input type="checkbox"/>	% Debt to Capital	8.7%		44.6%
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<input checked="" type="checkbox"/>	Current High P/E	17.5		23.1
<input type="checkbox"/>	Average High P/E	19.7		20.0
<input type="checkbox"/>	Average P/E	16.2		16.1
<input checked="" type="checkbox"/>	Average Low P/E	12.7		12.3
<input type="checkbox"/>	Current Low P/E	12.9		17.3
<input type="checkbox"/>	Current P/E	14.8		15.1
<input type="checkbox"/>	Lower Buy Price Zone (25%)	13.00 - 17.22		
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<input type="checkbox"/>	Relative Value	91.2%		98.4%
<input type="checkbox"/>	P/E: Projected Growth Rate (PEG)	173.1%		
<b>Potential Return Comparisons</b>				
<input checked="" type="checkbox"/>	Present Yield	2.11%		1.5%
<input checked="" type="checkbox"/>	Avg. Percent Payout	37.10%		17.6%

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### Section 3 Buy/Sell Signals

- Buy/Hold
  - The current P/E is at or below the average P/E
  - If there is a dividend, the payout ratio is stable or increasing
- Sell
  - The current P/E is above the High P/E
  - Dividend cuts or suspension
  - Dividend payout increasing faster than earnings, thus lowering future EPS growth rate

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### Section 4 and 5 Buy/Sell Signals

- Buy/Hold
  - Upside-downside ratio is 3:1 or better
  - Total return meets or exceeds your target return
- Sell
  - The upside-downside is less than 1
  - Total return and /or projected average return is significantly less than your target area

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## Total Return

5. FIVE-YEAR POTENTIAL

A. CURRENT YIELD	
Indicated Annual Dividend	0.60 = 0.0147 = 1.5%
Closing Price	40.70

B. AVERAGE YIELD - USING FORECAST HIGH P/E	
Aug. % Payout	14.7 = 0.8%
Forecast High P/E	15.90

AVERAGE YIELD - USING FORECAST AVERAGE P/E	
Aug. % Payout	14.7 = 0.9%
Forecast Average P/E	15.90

C. COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E	
Annual Appreciation	5.0%
Average Yield	0.8%
Annualized Rate of Return	5.9%

COMPOUND ANNUAL RETURN - USING FORECAST AVERAGE P/E	
Annual Appreciation	1.0%
Average Yield	0.9%
Annualized Rate of Return	2.5%

SSG Results Summary	
Zone:	<b>HOLD</b>
Upside/Downside Ratio:	1.8 To 1
Total Return (High P/E):	5.8%
Projected Return (Avg P/E):	2.8%
Buy price to satisfy USDCS of 3 to 1 and 15% total return:	26.7
Closing Price (04/22/16):	40.70

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## When To Consider A Sell

- Total Return does not meet your goals
- Another company offers equal or better returns with less downside risk
- A company of equal or higher quality offers better potential returns

**Another good use of the Stock Comparison Guide**

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## Sell Signals Not On The SSG

- An adverse management change has occurred
- The customer base is shrinking
- Competition is increasing (economic moat)
- Product falls out of favor or is replaced by new innovation
- Product pipeline is deteriorating

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## Sell Signals Not On The SSG

- Funding for research and development is decreasing
- Financial results show a problem or worse
- Price drops below your estimated low for no apparent reason
- Negative information provided in news releases, annual reports and analysts reports



### Analysts Opinions

Apr-27-16	Reiterated	UBS	Neutral	\$73 → \$79
Apr-27-16	Reiterated	RBC Capital Mkts	Sector Perform	\$74 → \$78
Mar-15-16	Downgrade	BofA/Merrill	Buy → Neutral	
Feb-09-16	Reiterated	Barclays	Equal Weight	\$67 → \$65
Feb-01-16	Reiterated	RBC Capital Mkts	Sector Perform	\$79 → \$74
Jan-08-16	Reiterated	Deutsche Bank	Buy	\$81 → \$80
Oct-23-15	Reiterated	UBS	Neutral	\$68 → \$73
Oct-23-15	Reiterated	RBC Capital Mkts	Sector Perform	\$85 → \$79
Aug-05-15	Downgrade	Bernstein	Outperform → Mkt Perform	
Jun-26-15	Upgrade	Susquehanna	Neutral → Positive	\$86 → \$95
Jun-08-15	Initiated	Goldman	Neutral	\$90 → \$88
Jun-03-15	Initiated	Piper Jaffray	Neutral	\$90 → \$85
Jan-29-15	Reiterated	RBC Capital Mkts	Sector Perform	\$84 → \$85
Jan-29-15	Reiterated	Argus	Buy	\$90 → \$88
May-16-14	Initiated	Deutsche Bank	Buy	\$93
Apr-26-14	Reiterated	Argus	Buy	\$84 → \$90
Jan-29-14	Reiterated	UBS	Buy	\$90 → \$93
Jan-22-14	Reiterated	RBC Capital Mkts	Sector Perform	\$81 → \$89
Oct-28-13	Upgrade	UBS	Neutral → Buy	\$77 → \$90
Jul-11-13	Initiated	Evercore	Overweight	

### Recent News

Apr 29 16 01:53PM	T. Rowe Price vs. Fidelity: Comparing Small Business 401(k) Providers at Investopedia
11:31AM	T. Rowe Price accused of charging excessive mutual fund fees Reuters
06:22AM	Federated (FIT) Q1 Earnings Beat as Fee Waivers Fall Zacks
Apr-28-16 01:52PM	ETFs with exposure to T. Rowe Price Group, Inc. : April 28, 2016 at Capital Cube
08:39AM	PRICE T ROWE GROUP INC Files SEC form 8-K, Submission of Matters to a Vote of Security Holders EDGAR Online
Apr-27-16 04:36PM	Franklin Resources (BEN) Q2 Earnings Miss, Costs Down Zacks
03:41PM	T. Rowe Price leaders not worried about takeover, in control of 'own destiny' at American City Business Journals
12:29PM	T. Rowe Price Group Declares Quarterly Dividend PR Newswire
10:24AM	T. Rowe Price Group, Inc. :TROW-US: Earnings Analysis: Q1, 2016 By the Numbers at Capital Cube
09:50AM	T. Rowe has 'significant focused interest' in diversifying at American City Business Journals
08:18AM	A.M. Funds Roundup: Low-Cost Funds Are Winning; Outflows At Brown Howard at Barrons.com
08:15AM	T. Rowe Price (TROW) Q1 Earnings Beat; Lower Revenue Zacks
07:07AM	Janus Capital (JNS) Down on Q1 Earnings Miss; Dividend Up Zacks
Apr 26 16 04:33PM	PRICE T ROWE GROUP INC Files SEC form 10-Q, Quarterly Report EDGAR Online
01:53PM	T. Rowe Price Still Investing in Growth Despite 'Modest' 2016 Forecast at TheStreet
11:24AM	T. Rowe Price (TROW) Posts Strong Q1 Earnings; Costs Rise Zacks
09:55AM	T. Rowe Price earnings beat estimates despite revenue drop at American City Business Journals
08:22AM	[SS] T. Rowe Price Profit Falls Less Than Expected at The Wall Street Journal
07:58AM	T. Rowe beats 1Q profit forecasts AP
07:29AM	T. Rowe Price Group Reports First Quarter 2016 Results PR Newswire
07:16AM	Worried About Social Security? Buy These 4 Stocks at Motley Fool
07:07AM	Q1 2016 T. Rowe Price Group Inc Earnings Release - Before Market Open CCBN
Apr 25 16 05:50PM	PRWCC: A Risk Statistics Case Study at Investopedia
04:27PM	T. Rowe Price Shares Dip Amid Global Economic Worries at TheStreet
12:32PM	Monday links: doing more in markets Yahoo Finance Contributors
10:31AM	A.M. Funds Roundup: Can You Time The Market With Factors?; 'Positioning' Rules The Market at Barrons.com
06:57AM	What's in Store for T. Rowe Price (TROW) in Q1 Earnings? Zacks
Apr-24-16 10:41AM	The Biggest Threat to T. Rowe Price Group Stock at Motley Fool
Apr 19 16 03:10PM	T. Rowe Price rolls out new quantitative funds at bcpjournal.com
11:12AM	T. Rowe Price Launches Three New Quantitatively Managed Stock Funds PR Newswire
Apr-18-16 05:51PM	Feds eye mutual fund liquidity and hedge fund debt at TheStreet
02:16PM	T. Rowe Price Marked Down Its Investments In Private Companies, Including Uber And Dropbox
01:29PM	Tru4 Sales Growth Stocks

### Beginner's Guide to Financial Statements

- <http://www.sec.gov/investor/pubs/begfinstmtguide.htm>
- Basics
- "Show me the money!"
- Balance Sheets
- Income Statements
- Cash Flow Statements
- Read the Footnotes
- Read the MD&A
- Financial Statement Ratios & Calculations
- Bringing It All Together

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# Kiplinger

read an annual report

Wealth Creation Retirement Taxes Investing Credit & Debt Saving Spending Home & Re

[Our 10-K Cheat Sheet: How to Speed Read a Company's Annual ...](#)  
www.kiplinger.com/.../T052-C000-S002-our-10-k-cheat-sheet-how-to-speed-read-a-compa-ny-s.html  
It's like Silas Marner – long and boring and nobody wants to read it. But if you're a ... Our 10-K Cheat Sheet: How to Speed Read a Company's Annual Report.

[7 Clues to Look for Within Annual Reports-Kiplinger](#)  
www.kiplinger.com/.../T052-C000-S002-7-clues-to-look-for-within-annual-reports.html  
Annual reports are being supplanted by the Form 10-K, the annual filing required by the ... But read carefully and you may ferret out less-obvious risks, such as a ...

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## How To Speed Read A Company's Annual Report

- Where to find it and why it's important
  - Stock classes
  - Auditor changes or disagreements
  - Auditor's report
  - Risk factors
  - Legal proceedings
  - Consolidates financial statements
  - Management's discussion of results

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# Time for Questions



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## Make A Difference!

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