

Stock Selling for Long Term Investors

Dori Raser

Director, Rocky Mountain and
Golden West Chapters
President, RMC Model Stock Study Club

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Objectives

1. Understand why selling is sometimes difficult.
2. Identify strategies to overcome barriers.
3. Review criteria to consider.
4. Share tools to use.

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#1 Why is Selling so Hard?

- We are long-term investors.
- Emotions pre-empt logic.
- Pride gets in the way.
- Easier to ignore a problem than to address it.

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Other Barriers

- Selling adds cash to your portfolio.
 - This may be undesirable.
- Selling skews portfolio diversification.
 - This requires work to realign holdings.

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Mistakes Investors Make

- Research shows that investors are terrible at selling.
 - Selling winners too soon - ineffective pruning.
 - Holding losers too long – waiting for recovery.
 - Holding winners until they're past their prime.

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#2. Strategies to Overcoming Barriers

Know there are good reasons to consider selling

- Bad things happen to bad companies.
- Bad things happen to good companies.
- Good companies perform irrationally well.



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Never say “Sell” again

- Don't just sell... REPLACE!
- Look for companies better than the one you own.
- Use a "challenge" approach.
- Flag underperformers.



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#3 Criteria to Consider

- Thoroughly investigate if you see -
 - Poor growth trends.
 - Margin deterioration.
 - Uncertain product cycles.
 - Unchecked raw material costs.
 - Adverse management changes and competitive pressures.
 - Accounting/SEC investigations or irregularities.

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4 Strikes – You're out!

- Stocks with limited upside potential threaten total portfolio returns.
- Conduct these 4 tests of valuation:
 - Upside/Downside Ratio < 1:1.
 - Projected Relative Value < 80% OR > 150%.
 - Stock in SELL zone on SSG.
 - Projected Total Return unacceptably low.
- Mark these stocks "AFC" (available for cash) and seek replacement.

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#4 Tools to Use: PERT Portfolio Evaluation Review Technique

- Detailed reports monitor both quality and valuation metrics.
- Online Tools | My Studies.
- Training recommendation:
 - StockUp: The PERT Report and Your Portfolio Health 8/28/19.

Online Tools

Launch SSG - Enter Ticker Here GO

 My Studies

Try Our Stock Tools for Free

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More Tools: SCG Stock Comparison Guide

- Compare up to 6 stocks.
- Online Tools Box | SCG .
- Training recommendation:
 - StockUp: Select the Best Using the Stock Comparison Guide 2/13/2020.

Online Tools

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StockUp Links to Additional Training

- Become a Better Stock Seller – Doug Gerlach
 - <https://www.betterinvesting.org/members/learning-center/video-learning-library/stockup/become-a-better-stock-seller/become-a-better-stock-seller>
- PERT
 - <https://www.betterinvesting.org/members/learning-center/video-learning-library/stockup/the-pert-report-and-your-portfolio-health/the-pert-report-and-your-portfolio-health>
- Stock Comparison Guide
 - <https://www.betterinvesting.org/members/learning-center/video-learning-library/stockup/select-the-best-using-the-stock-comparison-guide/select-the-best-using-the-stock-comparison-guide>

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Summary

- Understand why selling is sometimes difficult.
- Identified strategies to overcome barriers.
- Reviewed criteria to consider.
- Shared tools to use.

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In Closing...

Some Recommendations

- Constantly challenge your holdings.
- Identify "Available for Cash" (AFC) positions.
- Maintain a Watch List.
- Be both defensive and offensive.
- Ask this question at every club meeting: What can we do today to increase return and reduce risk?



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Questions or Comments?



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