



American
Association of
Individual
Investors

The Wisdom of Wall Streeters: Combining Value and Growth Strategies

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AAll

AAll is an independent nonprofit corporation formed in 1978 to assist individuals in becoming effective managers of their own assets through programs of education, information and research.

Stock Superstars Report

Value

vs.

Growth

Value-Based Investing

Companies trading less than their intrinsic value

- Underestimated by the market
- Low valuations with high potential for growth
 - Price-earnings ratios
 - Book value
 - Cash flows
- Financial strength

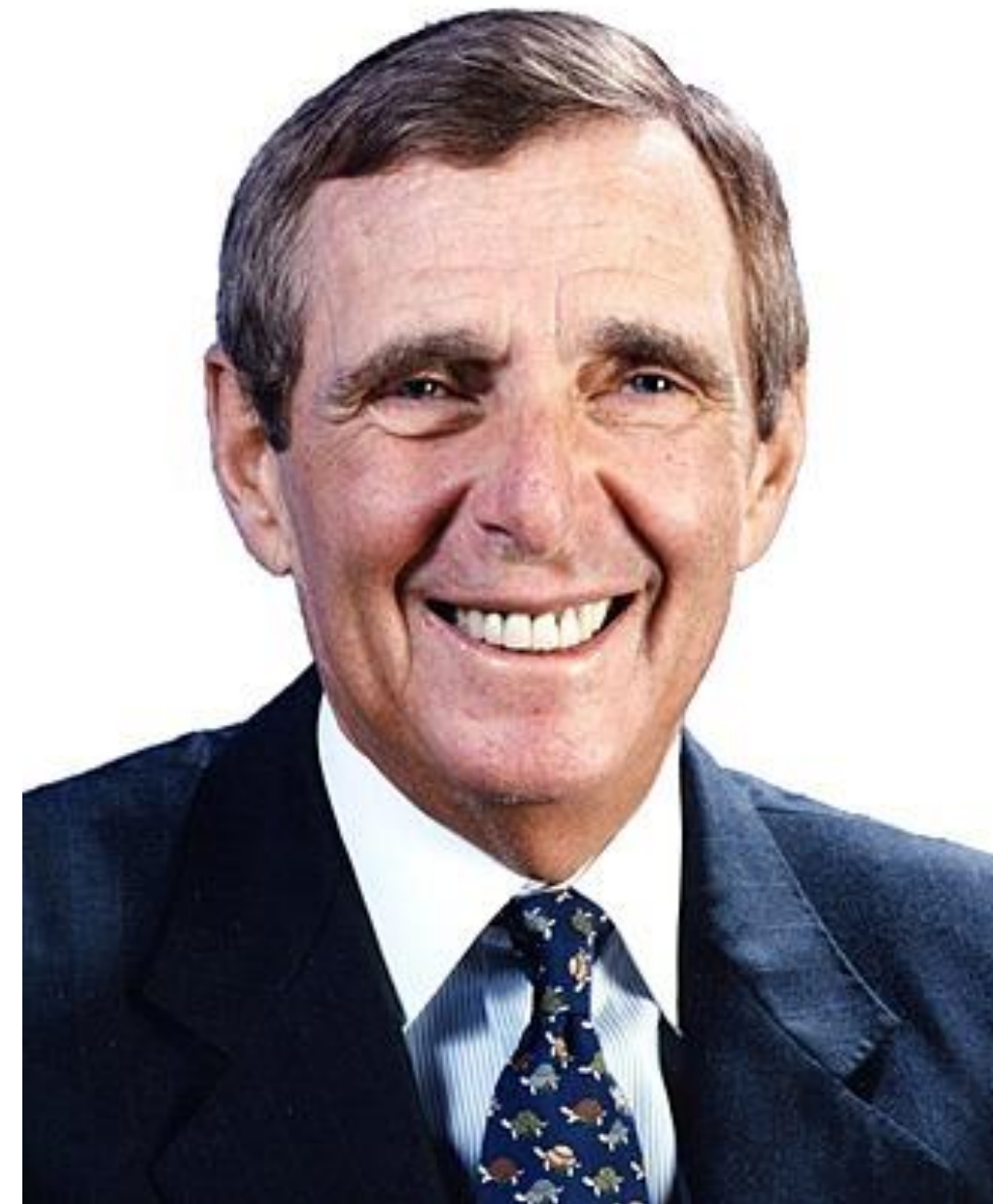
David Dreman Strategy

Psychological biases interfere with sound investment decisions

- Low price-earnings ratios
 - Bottom 40% compared to S&P 500 median P/E
- Larger companies
- Financial strength
 - Strong cash flow
 - Low amounts of debt

Out-of-favor stocks

- Go against the market perception of companies



Financial Strength

Go beyond valuations to determine the whole story

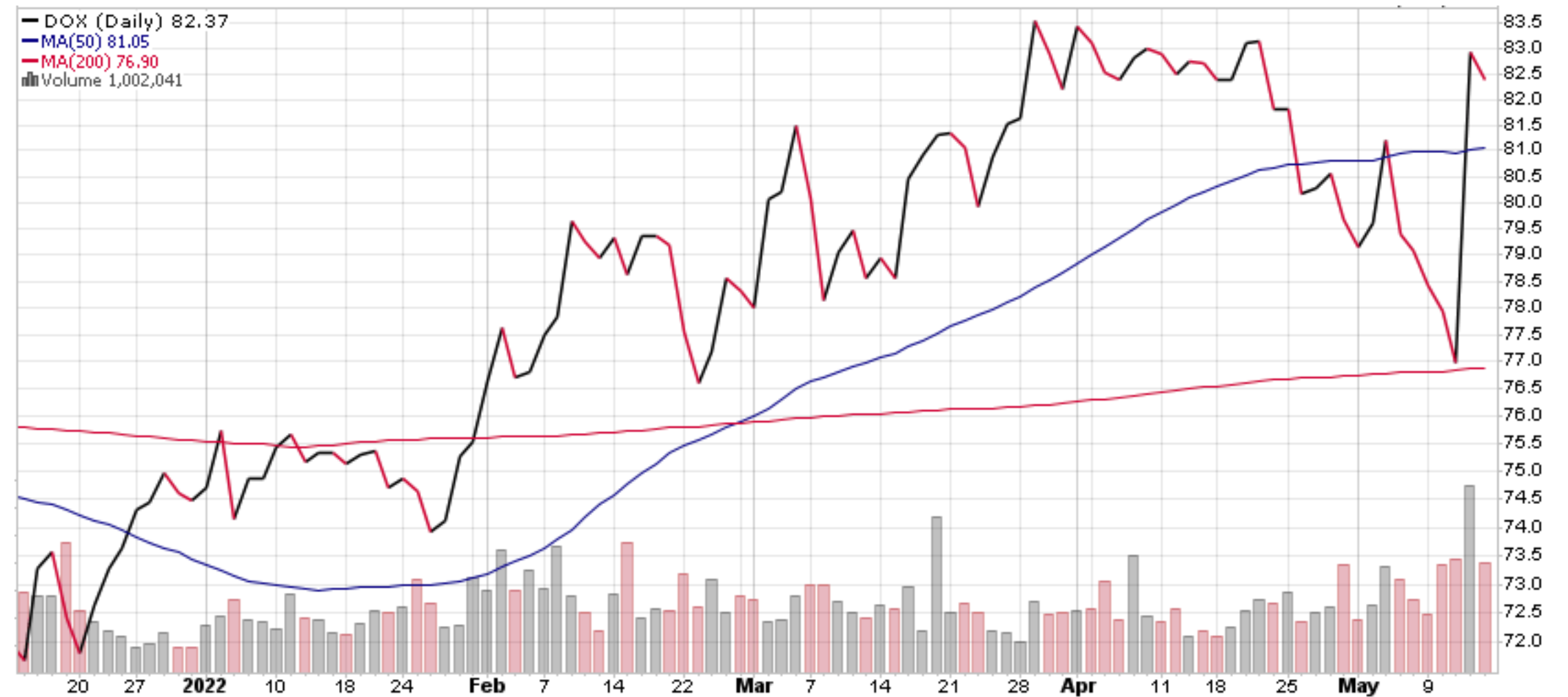
- Positive free cash flow implies ability to reinvest in the business
- Compare liabilities to assets
- Consistent or growing earnings per share

Upward estimate revisions and positive earnings surprises

- Greater effect on value stocks

Amdocs Limited (DOX)

- May 11: Q1 2022 EPS = \$1.54
- 23.3% positive earnings surprise
- May 12: Highest single-day increase in price this year, 1.1%



Dividend-Paying Stocks

Value stocks usually pay dividends

- Generates higher returns
- Protects against inflation

Dreman specifically looks for dividend-paying stocks

The Shift Away From Value

- Rapid market growth makes value underperform
- Investment strategies are constantly shifting in and out of favor

Growth-Based Investing

Find companies with high potential for growth in the short term

- High risk
- Growth rates higher than industry averages
 - Sales
 - Earnings per share
 - Cash flows
- High return on equity

William O'Neil Strategy

Fast-paced growth coupled with favorable price performance

- O'Neil researched the factors that successful stocks have in common
 - Seven factors

CAN SLIM Approach



CAN SLIM

C: Current quarterly earnings per share

A: Annual earnings per share

N: New company, product, industry trend or management

S: Supply and demand

L: Leader or laggard

I: Institutional ownership

M: Market direction

SSR O'Neil Portfolio

- Quarterly EPS growth rate of 20% or greater
 - Compare to the same quarter last year
- Accelerating quarterly sales growth
- Average 3-year annual EPS growth of 25% or greater
- 52-week relative strength of 80% or better
- Only buy stocks in a confirmed market uptrend

Growth Stocks Appear Overvalued

- Smaller and underdeveloped companies
- High expectations for growth
- High relative price-earnings ratios

Why Growth Suffers During Downtrends

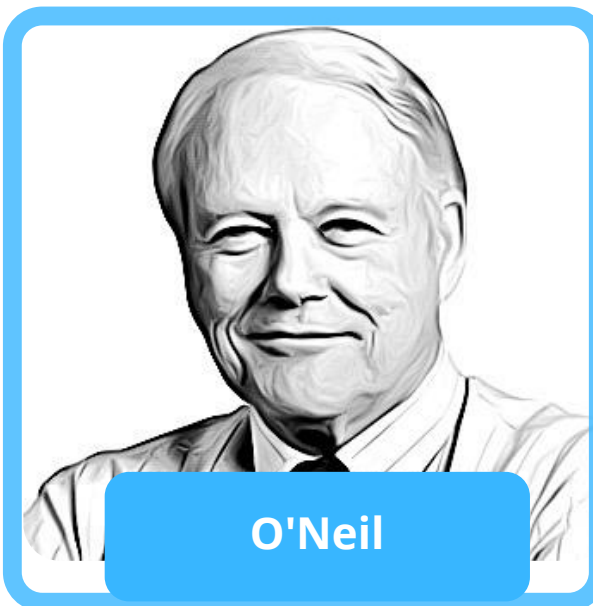
- Investors react strongly to stock performance
- Constantly assessing their investment
- Move toward safer investments

Diverse Strategies

- Value tries to beat the market consensus
- Growth tries to ride the high expectations of emerging companies
- Combining diverse strategies is a safer option

SSR Strategy Diversification

- Company size, industry and sector are important
- Strategy diversification is crucial to reducing exposure
- SSR portfolio has four unique strategies





Questions?

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May

19

Individual Investor Show:
Comparing Retirement Calculators
Thursday, May 19, 2022 4:30 PM CDT

May

26

The PRISM Webinar:
Monitoring Your Allocation, Progress and Life Stages
Thursday, May 26, 2022 3:00 PM CDT

Watch on YouTube or listen on Spotify, Apple Podcasts, Amazon Music, or Audible



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PLATINUM

A panoramic view of the Chicago skyline at dusk, featuring prominent buildings like the Willis Tower and the Chicago Board of Trade building.

Thank you.

This presentation was recorded and will be available on our AAI YouTube channel as well as our website: www.aaii.com/webinars



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