Alpesh Patel’s October Newsletter

Exclusively for ShareScope Alpesh Patel Special Edition Subscribers

12 October 2020

Overview

The next three months will be extraordinary. Brexit, Covid, US Elections (Trump). That does not mean we stay clear of the markets.

How to invest to make money with Covid, Brexit and Trump news making things complicated?

Whilst markets as a whole rise (see images) the trick is not to have to wait for so long.

If history is a guide (it isn’t) then the FTSE could be anything from falling as low as to 5,000 to rising to near 8,000 within a few months.

As for the Dow:

Of course the economic uncertainty would suggest falls. But the technicals seem to point to more rises. I have done a video of my views: https://youtu.be/QwuxvF9e-c8

If we breakdown the US 500 to those with my highest rating and with momentum – this is the list.

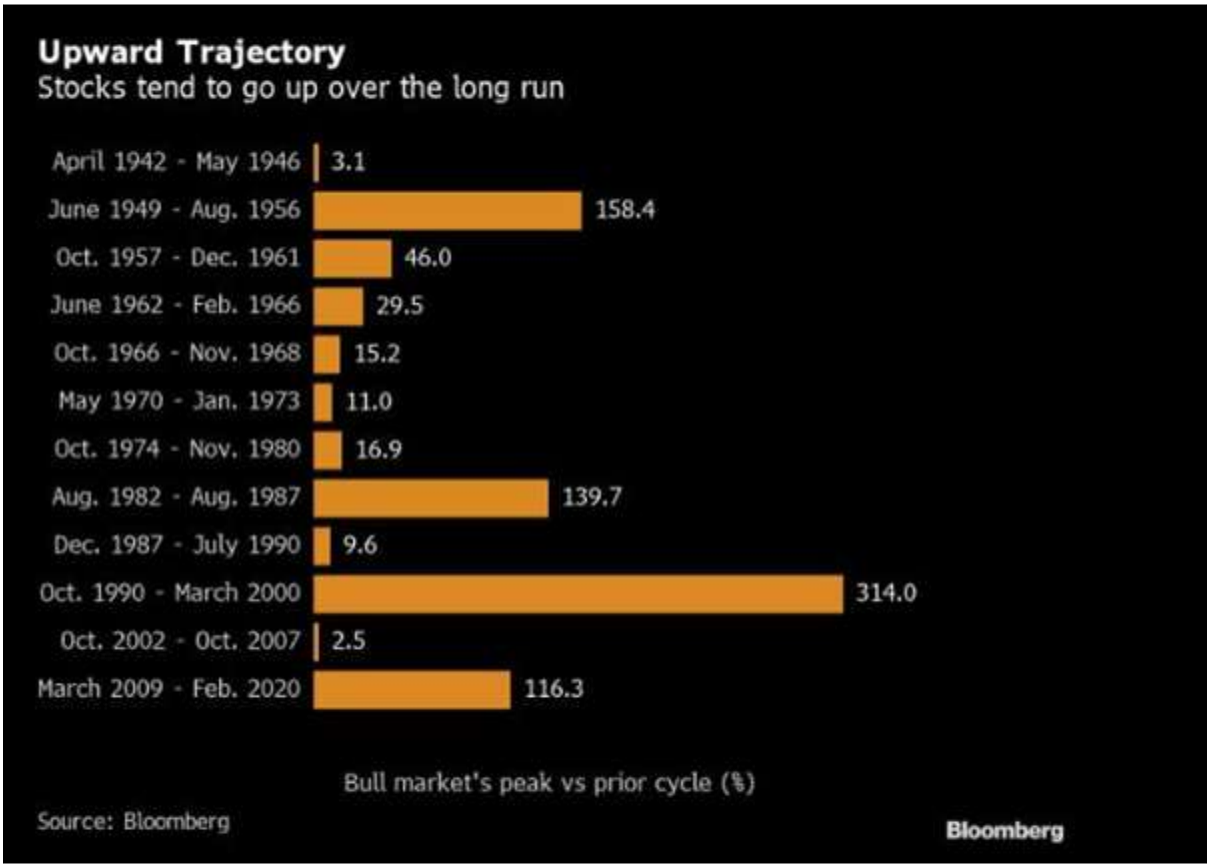
04 List: U.S. 500 - All sectors - Alpesh Table (Linked)

No.	Name	Alpesh value/ growth rating	EPIC	Close	PEG	Price% 2 trading days ago	Price% 5 trading days ago	Price% 2 weeks ago	Price% 3 months ago	Price% 6 months ago	Rolling Yield 1	Rolling PE 1
1	Paycom Software Inc	7	PAYC	$338.66	10.00	2.15	11.34	22.88	8.06	82.11		104.32
2	United Rentals Inc	7	URI	$193.94		4.86	11.34	19.63	31.44	79.77		12.80
3	First Republic Bank	6	FRC	$118.83	6.50	5.19	10.29	17.79	14.65	32.00	0.66	22.25
4	Albemarle Corp	5	ALB	$93.67		4.86	7.95	16.48	20.06	64.36	1.62	24.42
5	Illumina Inc	5	ILMN	$317.28		2.87	3.86	16.22	-14.74	13.06		62.69
6	HR Block Inc	6	HRB	$16.81	0.06	2.00	3.80	16.21	19.14	23.15	6.17	9.78
7	Eversource Energy	7	ES	$90.74	3.48	4.27	9.29	15.90	7.63	13.81	2.47	25.33
8	Anthem Inc	9	ANTM	$283.73	0.71	3.17	9.26	15.58	7.07	26.21	1.29	13.16
9	Regions Financial Corp	7	RF	$12.39		3.77	9.07	15.26	19.88	32.09	4.97	15.38
10	Fifth Third Bancorp	7	FITB	$22.52		2.88	7.29	15.13	24.70	41.99	4.64	12.69
11	Truist Financial Corp	6	TFC	$40.78		2.03	10.22	15.07	15.56	33.40	4.36	11.67
12	Discover Financial Services	6	DFS	$61.09		0.30	9.83	14.83	26.90	74.44	2.82	19.24
13	Pinnacle West Capital Corp	6	PNW	$81.07	2.84	4.16	10.37	14.34	6.60	10.30	3.87	16.90
14	SL Green Realty Corp	7	SLG	$49.93		1.15	7.24	13.89	3.48	8.36	7.32	
15	Invesco PLC	7	IVZ	$11.85½		0.04	3.63	13.55	14.76	29.85	7.38	6.77
16	Martin Marietta Materials Ir	7	MLM	$249.87		3.92	8.15	13.54	17.49	34.90	0.86	26.05
17	Norwegian Cruise Line Hol	4	NCLH	$17.25		-0.23	4.29	13.49	11.72	56.68		
18	Centene Corp	8	CNC	$62.24	0.31	3.73	11.46	13.43	-5.40	3.38		14.08
19	Comerica Inc	6	CMA	$41.29		4.98	9.44	13.34	18.85	34.45	6.52	12.53
20	NVIDIA Corp	5	NVDA	$549.46	1.21	5.16	3.86	13.30	39.15	112.12	0.12	71.40
21	Citizens Financial Group In	6	CFG	$27.13		3.55	9.48	13.28	15.50	38.91	5.64	11.44
22	Advanced Micro Devices In	7	AMD	$84.48	1.29	3.28	3.31	13.05	59.61	77.63		88.51
23	Sealed Air Corp	7	SEE	$41.77	0.61	3.54	10.50	12.86	24.85	54.36	1.54	15.05
24	CDW Corp	8	CDW	$123.07	1.49	-0.34	4.20	12.69	7.90	24.78	1.20	21.88
25	Gap Inc	4	GPS	$18.63		1.58	11.56	12.57	55.64	168.25		
26	Aptiv PLC	4	APTV	$94.48		0.98	2.79	12.54	22.45	76.53	0.33	48.45
27	Darden Restaurants Inc	6	DRI	$101.29	0.46	-2.78	0.50	12.52	40.33	71.82	1.59	37.51
28	SVB Financial Group	5	SIVB	$254.06		3.42	7.16	12.11	22.27	58.69		15.40
29	Ventas Inc	6	VTR	$44.28		-0.70	4.04	11.99	25.08	63.58	5.49	
30	Devon Energy Corp	4	DVN	$9.72		1.25	1.67	11.85	-6.00	11.72	4.34	
31	Vulcan Materials Co	7	VMC	$141.30	10.00	3.29	6.49	11.77	15.16	31.14	0.93	30.65
32	Duke Energy Corp	8	DUK	$90.80	5.02	-0.83	10.18	11.73	12.36	13.36	4.23	18.02
33	Unum Group	7	UNM	$18.20		2.94	9.11	11.59	12.83	28.17	6.31	3.49

I've marked 7,8,9s and also the one I own. Wish I got nVidia and AMD.

Answering Your Questions

I've made a list of questions Sharescope users and other people have asked me and tried to answer them in this newsletter.



25 INVESTMENTS QUESTIONS YOU ALWAYS WANTED TO ASK…

- *How Do I Pick Performance, Low Volatility Stocks in Light of Covid?*
- *Which Stocks Will Profit from a Second Lockdown According to Private Notes Sent by Goldman Sachs etc to Their Wealthy Clients?*
- *I Have So Many Stocks and Funds, My Portfolio is a Mess. How Do I Clean It Up For Better Returns?*
- ***Have I Left It Too Late to Save Anyway?***
- *Can You Trust Brokers Like Hargreaves Lansdown Not To Push Funds They Get Kickbacks On?*
- *Why Am I Not Getting A Better Return on My Investments? 5 Things I Am Doing Wrong*
- *How Do I Access A Global Number of Stocks? Surely Buying Global Stocks is Risky; And I Should Stick To UK Ones? Has HSBC Bottomed? What About Lloyds – what's the Evidence and Strategy? Or Time Again For Tesla and Apple?*

Alpesh Patel

Introduction

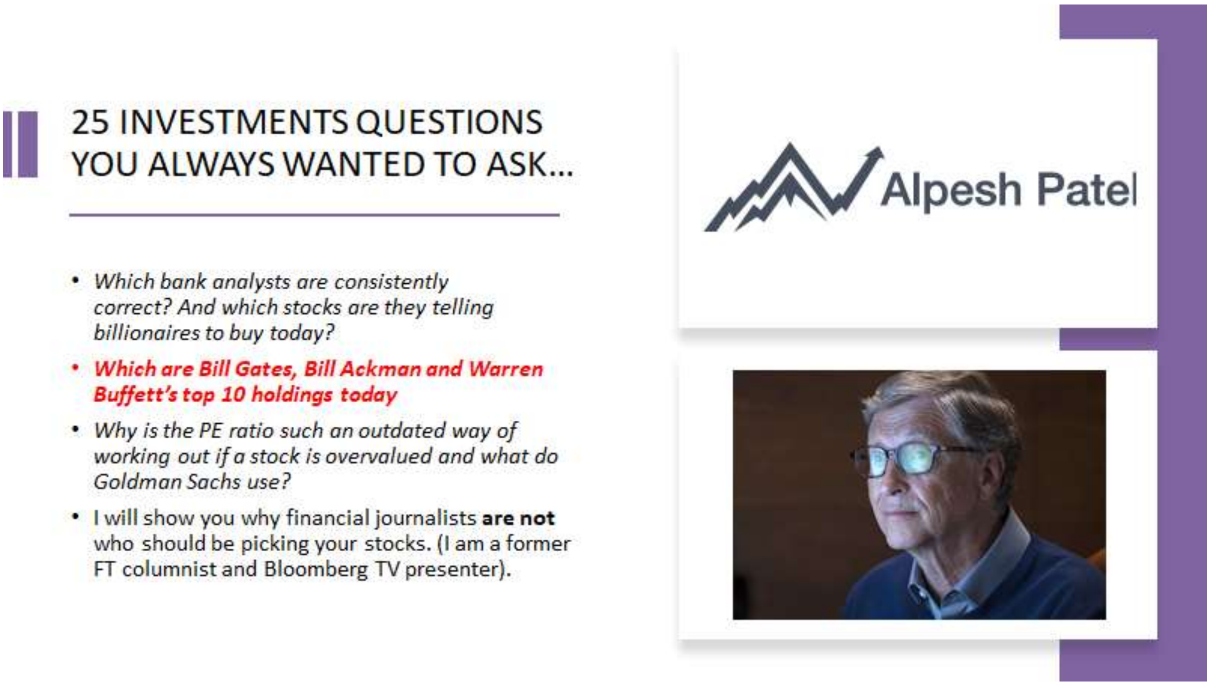
We're going to start off with, 'Is COVID a good or bad time to enter the market?' and if we're worried about risk what should we do. What are the strategies, what are the insider hedge funds saying, what are the big banks telling their wealthiest clients?

It's my job to know those things. Why should you trust me? I don't want you to trust me. I want you to trust the independently verifiable knowledge and the independent website sources I'm going to give you.

Equally you might say, 'Well surely buying stocks is risky anyway?' Should we just stick to UK ones or whichever domestic market you're from? Let me know where you're from as well and which part of the world you're all from. You'll also want to know what should your investment goals be. I'm going to cover that as well and like I said much much more.

All those questions I'm going to put up onscreen and you can read them yourself. They are what returns are reasonable, what if you pick a stock and the price goes up, what if it falls, what should you do?

How long should you hold on for, what's the quickest easiest way to pick stocks that the gurus, the banks, and the hedge funds have already researched for their wealthy clients so you can ride on their coattails?



Remember we're talking about investing so how much do we need for retirement, how long will it take to turn £10k to £100k?

What does statistics and history tell us, or turn £100k into £1m?

And, what the statistics in history tell us, who's done it before and how can we copy what they've done so we're not reinventing the wheel.

Plus, what if we don't have time for all of this, how do we reduce the time process?

Finally, What if we've already got a fund manager or an IFA, an Independent Financial Advisor, how do we make sure we're asking them the right questions to keep on their back?

How do we find a good broker? What if we want a bit more risk? You might want to do a CFD or god forbid a spread bet on this.

Well can we do that for the long term for a 12 month holding or 24 month holding, and is that sensible?

What if we want to save tax, how do we do that? All of those things I'm going to cover.

The Markets Always Rise Right?

The issue is not that the markets rise but knowing what to pick to take advantage of it, and ensure when they fall, we are protected. Look at these images:

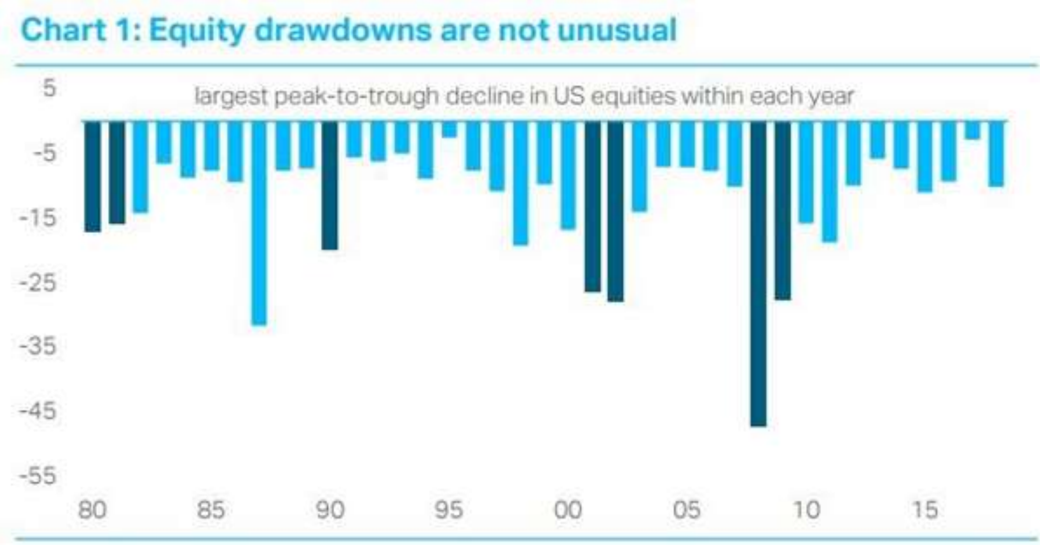
Past performance is no guarantee of future results. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

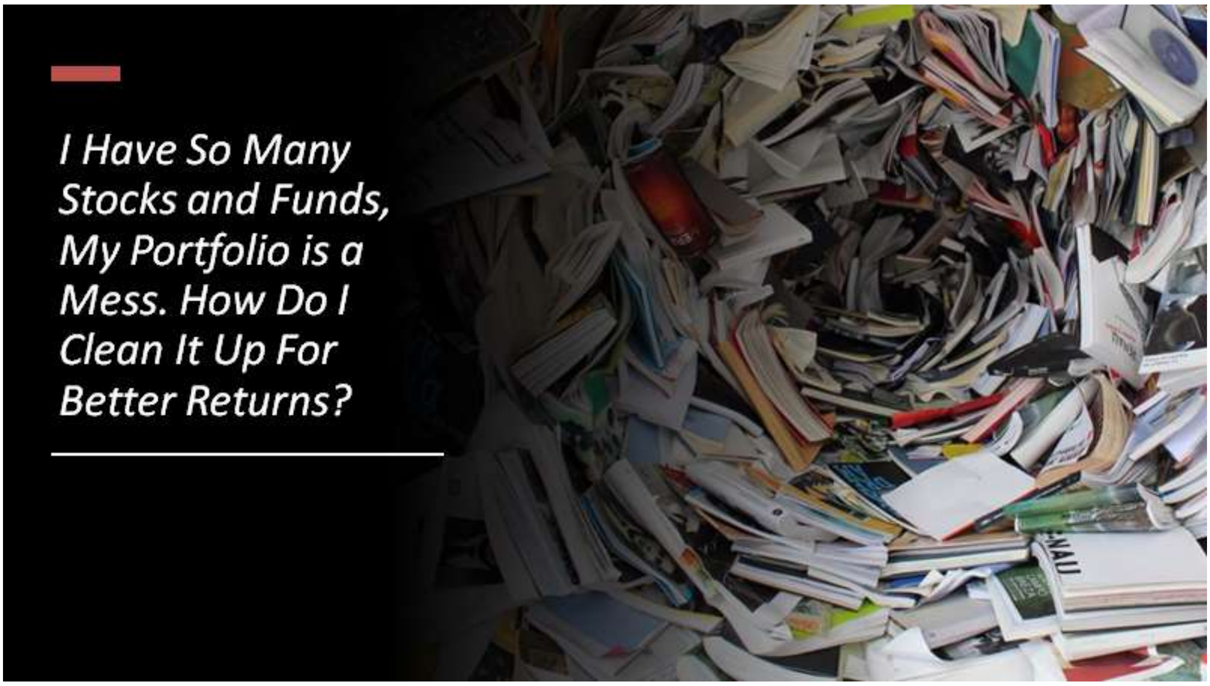
Source: Vanguard.

S&P 500

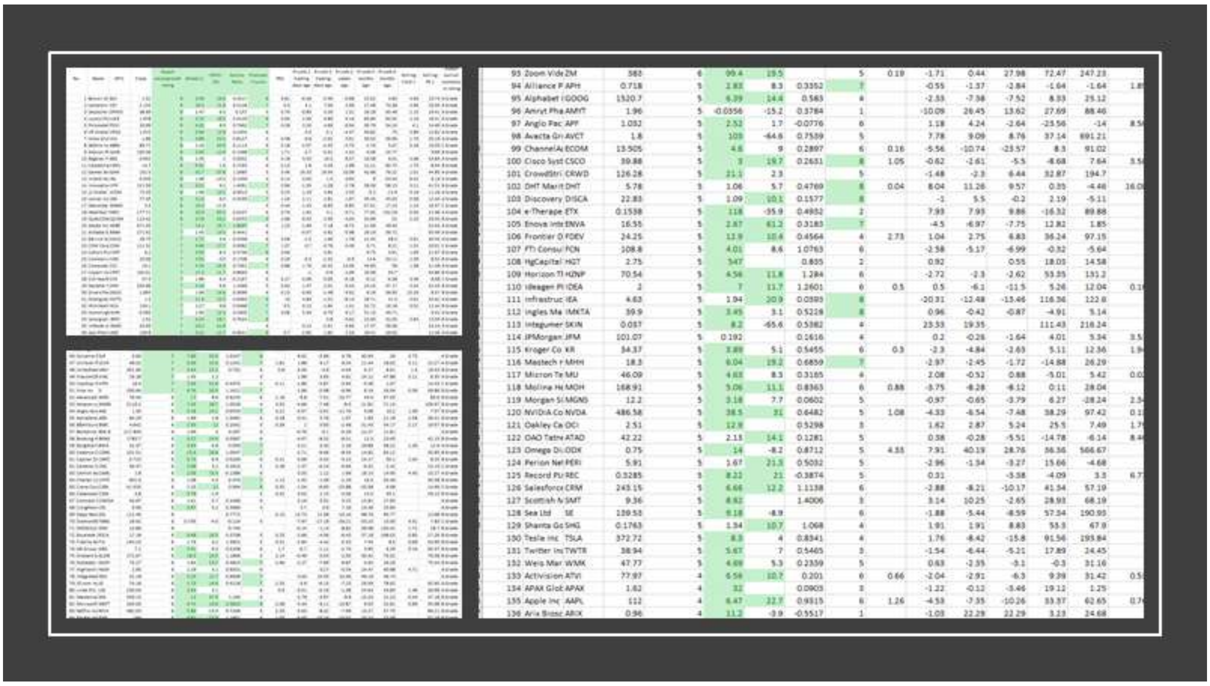
Market drawdown	Historical Frequency
10%	Every 11 months
15%	Every 24 months
20%	Every four years
30%	Every decade
40%	Every few decades
50%	2-3 times per century

Market Drawdowns





Alpesh Patel on Investing: What a Typical Portfolio Looks Like



TYPICAL PORTFOLIO

BAD!

Name	EPIC	Close	Altman Z	Piotroski F-score	CROCI (%)	Sortino Ratio	Alpesh value/growth rating	PEG	Price% 3 months ago	Price% 6 months ago	Alpesh bullish momentum rati
Aviva PLC	AV.	2.45	0.209	6	1.3	-0.4809	6		-40.59	-44.11	B Grade
BAE Systems PLC	BA.	5.172	1.36	5	7.6	-0.1489	5		-21.16	-9.39	B Grade
Banco Santander SA	BNC	1.7283	0.0728	2		-0.5982	2		-46.82	-45.83	C Grade
Barratt Developments PLC	BDEV	4.917	3.78	4	7.8	-0.0208	4		-42.59	-23.36	B Grade
BP PLC	BP.	3.1325	1.64	5	4.7	-0.2491	4		-34	-38.81	B Grade
BT Group PLC	BT.A	1.088	1.09	6	5.1	-0.8318	3		-29.9	-44.77	C Grade
Centrica PLC	CNA	0.3563	1.07	3	6.8	-0.5632	2		-57.97	-52.37	B Grade
Foxtons Group PLC	FOXT	0.403	2.02	3	5.6	-0.2623	1		-53.41	-39.76	C Grade
Howden Joinery Group PLC	HWDN	5.206	9.54	8	28.9	0.1644	5		-28.47	-10.46	C Grade
Lloyds Banking Group PLC	LLOY	0.2989	0.0215	4		-0.3701	3		-47.96	-49.84	C Grade
National Grid PLC	NG.	9.424	1.3	4	0.9	-0.1733	5		-8.34	6.2	B Grade
Royal Dutch Shell PLC	RDSBA	14.246				-0.3198			-41.36	-48.14	C Grade
Royal Dutch Shell PLC	RDSB	12.612	2.01	4	4.5	-0.3355	3		-37.6	-45.89	C Grade
Standard Life Aberdeen PLC	SLA	2.231	1.27	6	1.3	-0.3565	5		-32.29	-28.9	B Grade
									-37.31857143		

Alpesh Patel

We're here because this is what a typical portfolio looks like. One of my students, and I encourage all my students to do this, they sent me in their portfolio. We then put it through some of my filters, and this is just a small example, this is what their portfolio looks like and it's pretty bad.

They don't realize it's bad because they don't even know what they should be doing. It's like somebody taking a car into a mechanic but having no idea how to open the hood and how to read what the engine looks like.

That’s my job, it’s to analyze portfolios and educate you so you can do it yourself so you can see what’s green, what’s red, what’s good, what’s bad and do that really quickly. Time is money so we’ve got to save time when we’re doing these things.

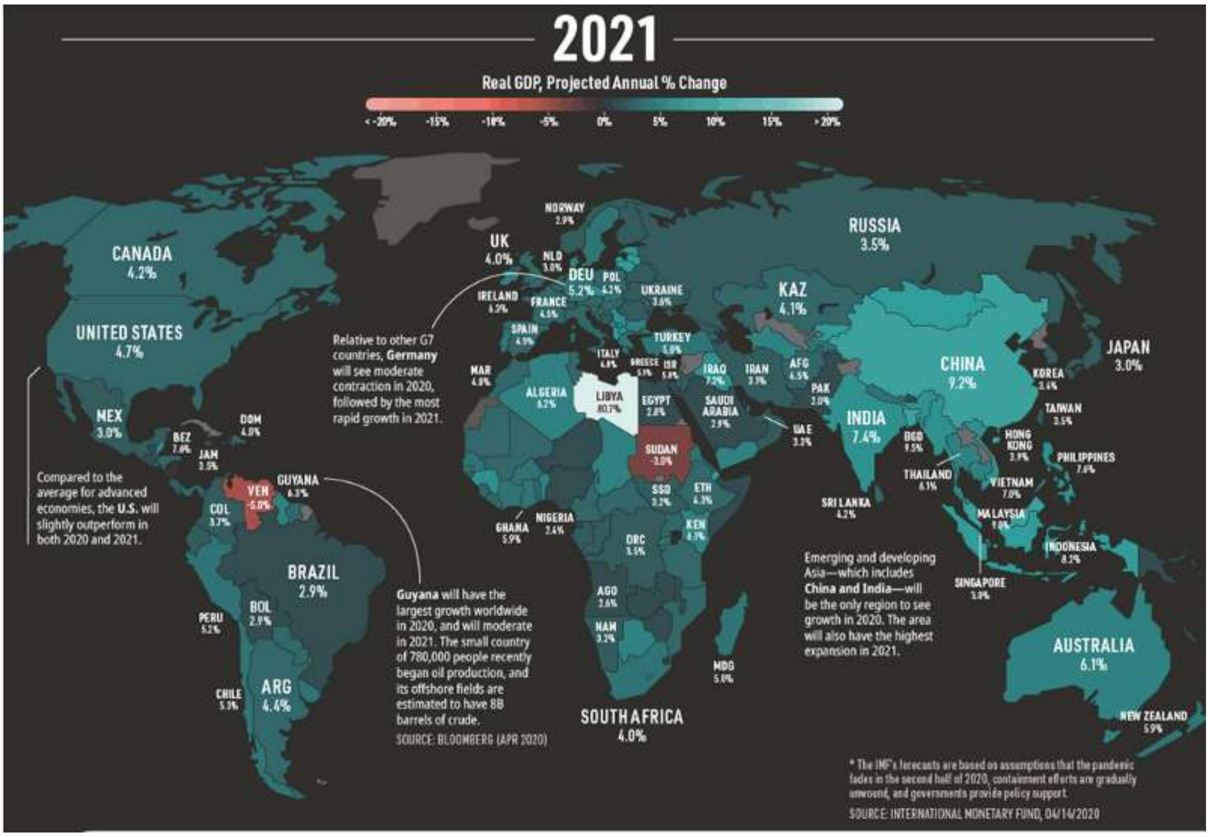
Personally, let’s see, I don’t seek to forecast where the FTSE is going to be one way or the other. I want to make sure if it rises, well obviously my stock should rise, if it falls then my stock should protect me from falls. And not fall as much as the rest of the FTSE or the Dow and should recover a lot quicker.

In other words, I want to win no matter what. It’s as simple as that. I do not plan on losing just because the market’s going in one direction. The job is to win whether it goes up or down, it’s as simple as that.

Alpesh on Investing: World Investment Projections

So question number one, so many of you asked me is this COVID thing good or bad timing for investing. Is it good because the markets are depressed or actually the markets are only 10% off their all-time highs in the US so is it a bad time. Should we wait?

Surely the economy is going to get smacked. What are the insiders saying? Let me tell you some of the most important things that I’m seeing across my desk. First thing, this is from the IMF, the International Monetary Fund, this is their projections for 2021.



I’m going to give you some good news first. The good news is this is what they project global growth to be next year. Let’s just look at some of these countries. Let’s look at the UK at 4%. The UK has not had 4% GDP growth, of course the IMF could be wrong, but not had 4% GDP growth since I think about the 1950s, my friend. What about the US at 4.7%?

That's big for America. China, it's already on its way up there it's at 9.2%, and they try and target 10%. That's big. Now you might as well say of course they're going to have so much growth, they've screwed this year up. Yes that's right, but at least the IMF. And this is one reason why the global market certainly the Chinese and the US markets are near their all-time highs.

We're sitting back and we're thinking we've got some reasons to relax, but the issue is should we be getting in now. Because it's not about going in blindly and saying, 'Oh well this is fine, Alpesh. Thanks very much I'll leave you now. I'll just put a load of money into everything.' Well into what? No we still want to protect ourselves no matter what under all circumstances.

What Type of Covid Recovery?

What are the specifics? This is the million mile view so what's the localized view. Put another way, this is what McKinsey, and it's the job of McKinsey to make these kind of clever diagrams, this is the scenarios for economic impact during COVID-19 according to them.

Scenarios for the economic impact of the COVID-19 crisis

GDP impact of COVID-19 spread, public-health response, and economic policies

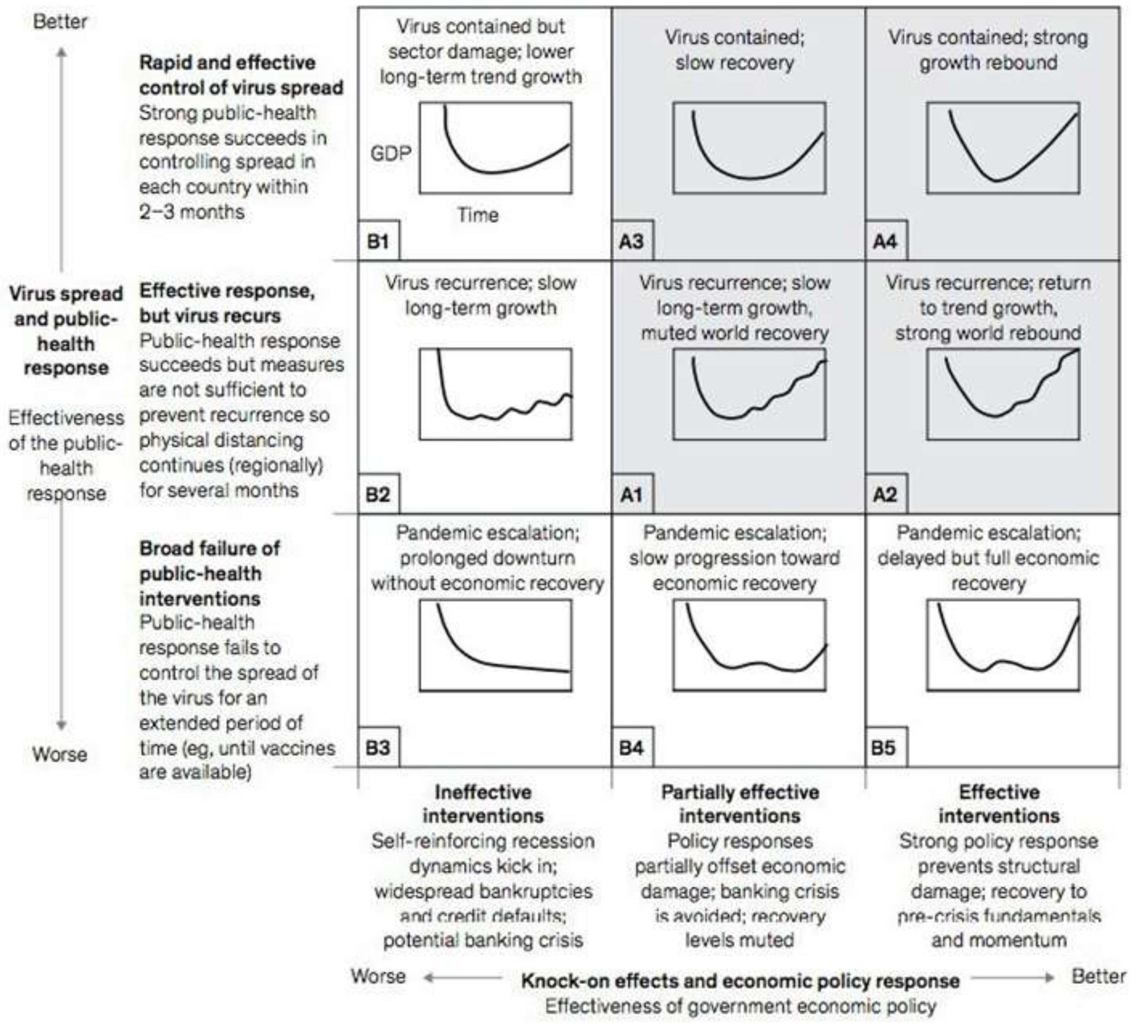


Exhibit 6: US bear markets tend to start with a fall, then bounce within a few months, before the dramatic final fall

Start	1st Drop		Bounce		Subsequent drop	
1st peak	# Months from 1st peak	% down from 1st peak	# Months from 1st peak	% up from bottom	# Months from 1st peak	% down from 1st peak
Dec-61	1.6	-7%	3.0	5%	6.4	-28%
Feb-66	1.1	-7%	2.3	6%	7.9	-22%
Nov-68	3.5	-10%	5.4	8%	17.8	-36%
Jan-73	7.3	-16%	9.0	11%	20.7	-48%
Sep-76	1.6	-8%	3.3	9%	17.4	-19%
Nov-80	2.8	-10%	3.8	8%	20.4	-27%
Aug-87*	0.9	-8%	1.3	6%	3.3	-34%
Jun-90*	0.7	-4%	1.4	5%	4.2	-20%
Jul-98**	-	-	-	-	1.5	-19%
Mar-00	0.7	-11%	5.3	12%	30.5	-49%
Jul-07*	0.9	-9%	2.7	11%	19.6	-56%
Apr-11	1.5	-7%	2.3	7%	5.1	-19%
Median	**1.5**	**-8%**	**3.0**	**8%**	**12.6**	**-28%**
Average	**2.1**	**-9%**	**3.6**	**8%**	**12.9**	**-32%**

* This first peak is not our official 'start date' for the bear market (see Exhibit 3)

** There was no bear market bounce during the 1998 bear market

Source: Bloomberg, Goldman Sachs Global Investment Research

Their view is if the public health response is good like up here, if the public response is better, and if the interventions like tax breaks and government spending are good then we would get a v-shape recovery.

Personally, you know the best description I like is that we've got a k-shaped recovery. Now I know it sounds stupid, but let me explain. In other words, there's about 10% of the economy in companies which are just skyrocketing, and those are the types that I want.

Then there's the rest which is going to take longer, higher risk, and god knows when it's going to recover, and those are the ones I want to avoid. That's where I think we are. What we're going to focus on in this webinar is what is the upper leg on the K, and which bits are doing that bit.

There are some which are going have this so we've got one part of the economy doing that, and we've got one part which is doing that.

That's the way I see it. This is from McKinsey like I said and we want to focus on this webinar naming names on that.

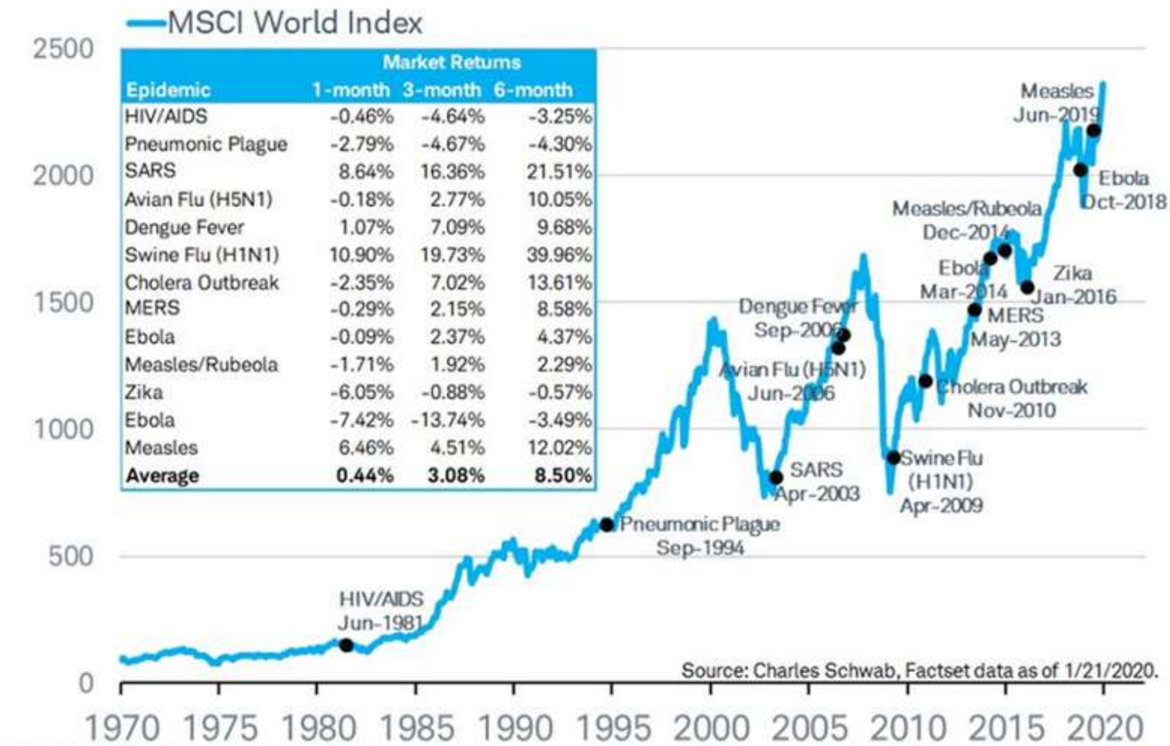
If I'm going to give you some other good news it's this. The world's been through these kind of pandemics and epidemics before, nothing as bad as this in living memory, but it has and it's had shocks and it's tended to recover.

I could easily argue well this time it's different, of course it's different this time, however we're going to get through it.

We’re going to get through it particularly because every single country in the world is determined to get through it, including the international bodies like the IMF, but that doesn’t tell us which stops we should have in our pension and what our pensions are going to look like. Are we already overvalued?

Are We Overvalued?

Immune: world epidemics and global stock market performance



	Market Returns		
Epidemic	1-month	3-month	6-month
HIV/AIDS	-0.46%	-4.64%	-3.25%
Pneumonic Plague	-2.79%	-4.67%	-4.30%
SARS	8.64%	16.36%	21.51%
Avian Flu (H5N1)	-0.18%	2.77%	10.05%
Dengue Fever	1.07%	7.09%	9.68%
Swine Flu (H1N1)	10.90%	19.73%	39.96%
Cholera Outbreak	-2.35%	7.02%	13.61%
MERS	-0.29%	2.15%	8.58%
Ebola	-0.09%	2.37%	4.37%
Measles/Rubeola	-1.71%	1.92%	2.29%
Zika	-6.05%	-0.88%	-0.57%
Ebola	-7.42%	-13.74%	-3.49%
Measles	6.46%	4.51%	12.02%
Average	**0.44%**	**3.08%**	**8.50%**

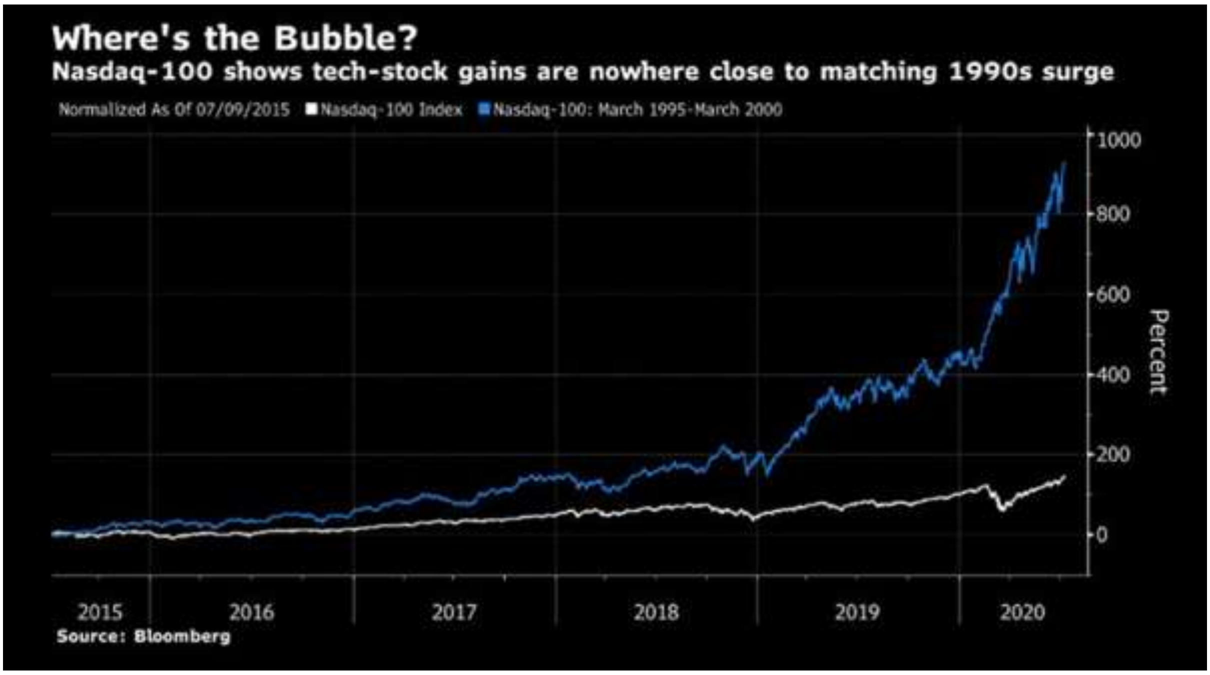
The MSCI World Index captures large and mid cap representation across 23 Developed Markets countries. With 1,646 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. **Past performance is no guarantee of future results.**

Title	Start — End Date	Duration (Trading Days)	% Drop
Black Tuesday / Great Crash*	Sep 16, 1929 — Sept 22, 1954	300 months (7,256 days)	-86%
Nixon Shock / OPEC Oil Embargo	Jan 11, 1973 — Jul 17, 1980	90 months (1,899 days)	-48%
Black Monday**	Oct 13, 1987 — May 15, 1989	19 months (402 days)	-29%
Dot Com Bubble	Mar 24, 2000 — May 30, 2007	86 months (1,808 days)	-49%
Global Financial Crisis	Oct 9, 2007 — Mar 28, 2013	65 months (1,379 days)	-57%
COVID-19 Crash***	Feb 19, 2020 — Ongoing	5 months+ (117+ days)	-34%

Price returns, based on nominal prices
**Black Tuesday occurred about a month after the market peak on Oct 29, 1929*
***The market hit a peak on Oct 13th, prior to Black Monday on Oct 19,1987*
****As of market close Aug 4, 2020*

Well this was interesting when it came across my desk, this is from Morgan Stanley. As a hedge fund manager, I get a lot of data on my desk. My job is to find out the 1% which is interesting and relevant and the 99 which is bullshit. The S&P 500 is pretty much tracking what it did since 2009.

What this suggests is that we will go sideways for a bit and then it should go even higher. I don't know if it's going to happen or isn't it. I don't know, I honestly don't know, but one thing that I do know is the stocks that I'm going to show you and name will of course rise when the tide is rising.



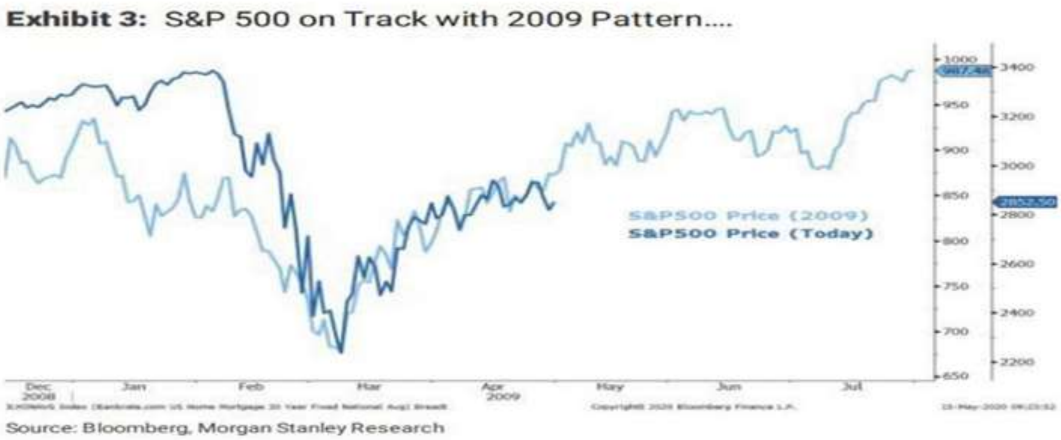
That's the easy bit and any idiot can do that, but if this should be wrong and Morgan Stanley are wrong and they go this way, then at least my stocks will not fall as far as the rest of the market. They will rebound sooner and quicker and I will prove to you why and how that should be the case.

Equally people are asking at the moment, 'Alpesh, are you insane with COVID talking about investments?' Look at the NASDAQ my friend, look at the NASDAQ. 'The NASDAQ is overvalued' for instance they're telling me, and I'm saying well let's have a look at this.

What you can see in white on this image, let me just draw that for you in white, is what we've been doing in the NASDAQ at the moment. What you see in blue is what's happened in the past from 1995 to 2000.

In actual fact, the massive rally that we had in the NASDAQ in the past, before it all crashed of course, was far far far bigger than what we're talking about at the moment.

Does that mean that the NASDAQ's not overvalued? Well I'd say some of the companies are so we're going to avoid those. We're only going to look at companies which have got, and I'm going to show you the bits that I need them to have, they're going to have strong earnings, good cash flow, good CROCIs, good Sortinos, and good Alphas.



If you don't know what Sortino, CROCIs, Alpha, and Altman are I will teach you. They're the numbers that the hedge fund industry looks at, they're the numbers Warren Buffett looks at, they're the numbers George Soros looks at, and Bill Ackman looks at.

If you don't know what those are you'll get educated in this and they'll save you a hell of a lot of time instead of messing around with PE ratios.

Alpesh Patel on Investing — Who Should You Trust?

Why should you trust me? That's another question and nobody actually asks this obviously, maybe they all too polite, but you should ask why should you trust me. I don't want you to trust me.

I'm on TV and you shouldn't trust anybody who's on TV obviously. I've been doing this for 20 odd years — that's my own show Making Money with Sally and then this is me on her show on the BBC called The Briefing, a nice parallel in life.

And so, for over 20 years I've been doing this, but that doesn't mean you should trust me. All it means is I've got a track record which is great. Good so TV likes me because they follow my track record, but it doesn't mean you should trust me. I want you to trust the education I'm going to give you.

Should you trust me? Well I'm going to give you the best bits from all my know-how in my 200 odd columns in the Financial Times.


FT MONEY

DIARY OF AN INTERNET TRADER ALPESH B. PATEL

Take tips from the best in the business

Ignore what the online traders say: traditional brokers offer an invaluable research service – and on the web it's fre

"If your broker's so great, how come he still has to work?" asks an advert for E*Trade over a picture of a dishevelled old man in a wrinkled overcoat on a Tube train – presumably, a stock-broker catching the last one home.

...ment ideas, nothing can beat the analysis of "the best on the street" – as long as you can get it free.

Merrill Lynch is the best example of a traditional, full-fee broker that has responded to the growth of execution only rivals by

"uncommon value" stock picks. Last year, these produced a return of more than 50 per cent. This year's 10 are at www.lehman.com.

If you are interested in buying technology stocks, no one beats the research of Morgan Stanley Dean Witter.

Should you trust me? Well so there's education which has been vetted and peer reviewed, and should you trust me? Well these organizations do, and again you might think, 'I don't care Alpesh'.

Should you trust me? I'm going to give you the best information I've had from published books, my books, each of these I've written, which gives you some idea that there's some credibility here and the guy knows what he's talking about.

How To Buy Stocks — International Stocks Too Risky?

More than £1trn of 'muppet money' costing savers billions

08 September 2020

With interest rates at record lows and equity yields at record highs, hoarding cash is costing UK savers £38bn in lost income, according to research by Janus Henderson Investment Trusts.

By Abraham Darwyne,
Senior reporter, Trustnet

The lockdown and fears over the severity of the economic impact of the Covid-19 pandemic have caused households to hoard record levels of cash and miss out on investment income, according to a study by Janus Henderson Investment Trusts.

In the first half of 2020, households set aside £77bn in cash.In comparison, £82bn was set aside during the whole of 2016 – the highest amount on record.

As such an eye-watering £1.5trn of cash is now stored in savings accounts spread across ISAs, savings and current accounts, according to the Bank of England, an amount roughly equal to the combined value of all UK residential mortgages.

Another question , 'Surely buying global stocks is risky?' Let me tell you what's risky before I give you the names of stocks that I like. This was 8th September 2020.

On 8th September 2020, which was three days ago, 'More than £1trn of 'muppet money' costing savers billions'. You know what that was? A whole bunch of savers have 1.5 trillion pounds of cash, and we're just talking UK let alone the US at the moment, spread across ISAs, savings, and current accounts according to the Bank of England, an amount roughly equal to the combined value of all UK residential mortgages.

They called it ‘muppet money’, I didn’t call it that, they called it ‘muppet money’. Why? Because it’s losing income, it’s losing capital gains, and it’s losing investing. Can you believe it, there’s 1.5 trillion pounds worth of cash stored in those accounts.

I’ve been saying investing in global equities and not just UK ones, the biggest mistake so many of you are making is you’re investing only in domestic ones.

I’m going to not only tell you why global but which ones and how you determine it. The solution is the world is your oyster, don’t trust 20-something bloody fund managers.

Solution: The World Is Your Oyster
Don’t Trust 20-something managers!


PERSONAL FINANCE ONLINE

DIARY OF AN INTERNET TRADER ALPESH B. PATEL

The winning ways of Uncle Sam

Not only are US transaction costs cheaper, American stocks outperform their UK counterparts

I have been shifting virtually all my long-term holdings from UK into US stocks, and there are some compelling reasons for doing so

This is my article, on September 11th 1999 21 years ago I said it. 21 years ago I told you lovely people, ‘You should probably sell-up your entire UK holdings and buy only US ones.’ That’s not me being unpatriotic, that’s me being very patriotic, I’m British.

It’s me saying I want you to own assets around the world, that’s what I’m saying. Don’t take my word for it, how’s those 21 years done for you? I’ve got it in print, I’m not making stuff up, I’m telling you and there’s proof from the Financial Times 1999 September 11th, 21 years ago today.

I stand by my words and you might say, ‘No Alpesh, sorry the UK did better than the US over that period’. Let me tell you how badly you did if you didn’t take my advice.

This is the FTSE 100 over those 21 years and it’s at the same level. It’s at the same level. This annoys me to an extent I cannot begin to tell you. 21 years ago people didn’t listen to me.

How did I know? You might say, ‘Surely the Dow’s at the same level?’ Are you kidding me, go google it. ‘Surely the NASDAQ’s at the same level it was 21 years ago?’ Are you kidding me, this is just year-to-date.

If you are investing in US equities because global companies are listed on the US exchanges by the way, Chinese companies are and Indian companies are. The biggest ones are listed on the US exchanges so I'm taking as global the US markets for a moment.

This is just this year, UK you're down 20%, how does that feel? You might think, 'Alpesh, there's COVID of course we are.' Is it really because the S&P is up 5% and the NASDAQ's up 30%.

What Should You Invest In? The Poverty Trap

Let me put it another way for you my friends, year-to-date this is your poverty gap, 128% on the NASDAQ, and the UK market's down 12%.

That's a poverty gap because British people invest in their domestic economy and so they don't invest globally and so they've been missing out on returns.

Now you might say, 'Well it's all very well you saying that now, Alpesh. Why didn't you say in '99? Oh you did.' I've been banging on about this on my Bloomberg TV show, my Financial Times columns, and in my books. Now what more do you want me to do, tell the Prime Minister?

This means you're poorer by virtue of your passport and your mindset. It doesn't mean you've got to leave countries because it's just as easy to buy an American company or a global one as it is a British one. As a British person, if you've got Americans working for you and bringing the dividends and capital gains back to the UK, why would you not do that?

Here are some names, year-to-date performance of the S&P 500, the Standard & Poor's 500 American markets. 'Oh but Alpesh, surely it's risky?' It's like Amazon's risky, really?

By the way Apple is worth more than the entire FTSE 100, but 'Alpesh, you didn't tell us to buy that in 1999!' Which of these though because it might not be for this year. This is year-to-date, we want money in JP Morgan which is down 28%. How do we know it was a Microsoft, or an Apple, or a Facebook for god's sake, or Google. 'It's too late for these now surely, Alpesh?

Maybe it's something else or maybe now's the time British companies are going to turn?' I have no loyalty to the companies of a specific country because these are all international anyway. I have loyalty towards my pension fund and my son's savings.

This is three month performance worldwide, and every single one of these companies whether it's from China like Alibaba or Japan or Taiwan, like Taiwan Semiconductor there, every single one of these is listed on a US exchange and you can buy it on your cell phone this afternoon from a UK broker. I'm not affiliate to any particular broker, I don't care which brokers you use.

You can use Barclays stock brokers, you can use Halifax stock brokers, you can use Hargreaves Lansdown, AJ Bell, or use Freetrade on your app. We're talking about buying the share and they're just as easy as to buy. 'What about currency risk, Alpesh?' Are you kidding me, you make 100% return and you're worried about a 1% move in the currency, seriously?

YTD Performance S&P 500

‘Oh but Alpesh, surely it costs more?’ Yeah it’ll cost you £5 more on a £1000 investment and that’s the reason you don’t want to make a £1000 because it might cost me £5 more? The irrationality of people and if you don’t believe me, it’s all in my books.

How To Set Investing Goals

Next question, what should be my investing goal? How quickly does 10,000 become 100,000 if you’ve got 10k or some of you might have 100k or more. How quickly does 100k become one million because that’s got to be a question we’re going to ask ourselves. Let’s get on with it and work out a business plan and individual stocks to get us there.

Assume you plan to invest over 10 years, which is a good long horizon whether you're in your 30s, 40s, 50s or you're already retired and you're saving that money for your children or for yourself. With my help let's say you make a modest 20% per annum.

Why is that modest? Well some years just look at historic stock market performances. If you want then look at Microsoft, Apple, or Amazon or if you want look at the Dow, look at the NASDAQ, don't take my word for anything just look at their performances.

Let's say with my help you make 20% per annum and some years you make more and some years make nothing because some years those markets make nothing, but on average 20% per annum. Nothing extravagant and nothing pessimistic.

Let's say you've got 100k to start off with, we'll do the next model with 10k, but let's say you've got 100k. You might have 3 million, some of you on this webinar have 3 million, 5 million, or 10 million, it doesn't matter.

Put it into pockets of 100k, in the next slide we'll put it into pockets of 10k, but 100k in your SIPP, ISA or whatever.

You plan to add 1.5k each month because you've got income or savings let's just make that assumption. At the end of 10 years you'll have a million, that 100k will have become a million.

I've not mentioned any stocks, I've just said we've got to try and extract that from the market. If you look historically at the market, it's not difficult. It's not easy, but not difficult because we're not doing something impossible.

Let me put that into graphical depiction. This blue line is you adding a little bit of capital to it, and that's your starting point 100k and you end up at a million after year ten, it's as simple as that.

We've got to get the 20%, that's what we've got to try and do. By the way if you only hit 16% or 15% trust me the figures still look bloody amazing. The biggest problem people have is they don't get those returns because they mess it up and they get out of their investments too quickly or hold on too long, that's the first thing.

Secondly, they've got rubbish investments. I've shown you a portfolio of one of my students when he first started out already and they don't even get anywhere near this so we've got to remove that.

Let's say instead you've got a modest 10k you start off with and you want to add maybe 6k per year, so £500 a month, and you're starting modestly. Let's say with my help the 20% per annum, we're going to give ourselves 15 years on this because you only started up with 10k so you might be in your 30s, you might be in your 40s, you start off more modest. You're going to end up with 600,000 over those 15 years.

That's my son who's two years old so he's around here in his ISA because in his ISA he's not allowed to put too much in.

Can You Buy US Stocks in an ISA or SIPP?

'Is it possible to invest in American shares with ISAs?' Yes and SIPPs and not just American but Chinese companies too.

You know Alibaba is listed, this is not a stock recommendation for Alibaba by the way, or Taiwan Semiconductor is listed on the New York Stock Exchange so it's technically an American stock and you can put that in your SIPP and ISA. It really annoys me that people don't know this because it is making British people poorer.

Getting Investing Wrong Is Making British People Poorer

It is making British people poorer and American people richer and it's got nothing to do with their skills, it's got nothing to do with how hard they work, it's just because by accident of birth.

People invest in their domestic markets and are totally ignorant about the basics of investing which is not your fault. It's my fault because the experts like me never tell you. You know why they don't because they want to flog you a fund and say, 'Hey give your money to experts.' I don't want you to give it to an expert.

Do not give your money to an expert because nobody gives a damn about your money as much as you do. I want you to get the education and you manage your own money, be your own stock broker, and be your own fund manager.

When you look after it you'll be able to see exactly what's in your portfolio and whether it's doing good or bad. Sorry for getting angry, but I know what my colleagues in the industry are like and they're rubbish so I keep beating them in competitions and you'll see that in a second as well.

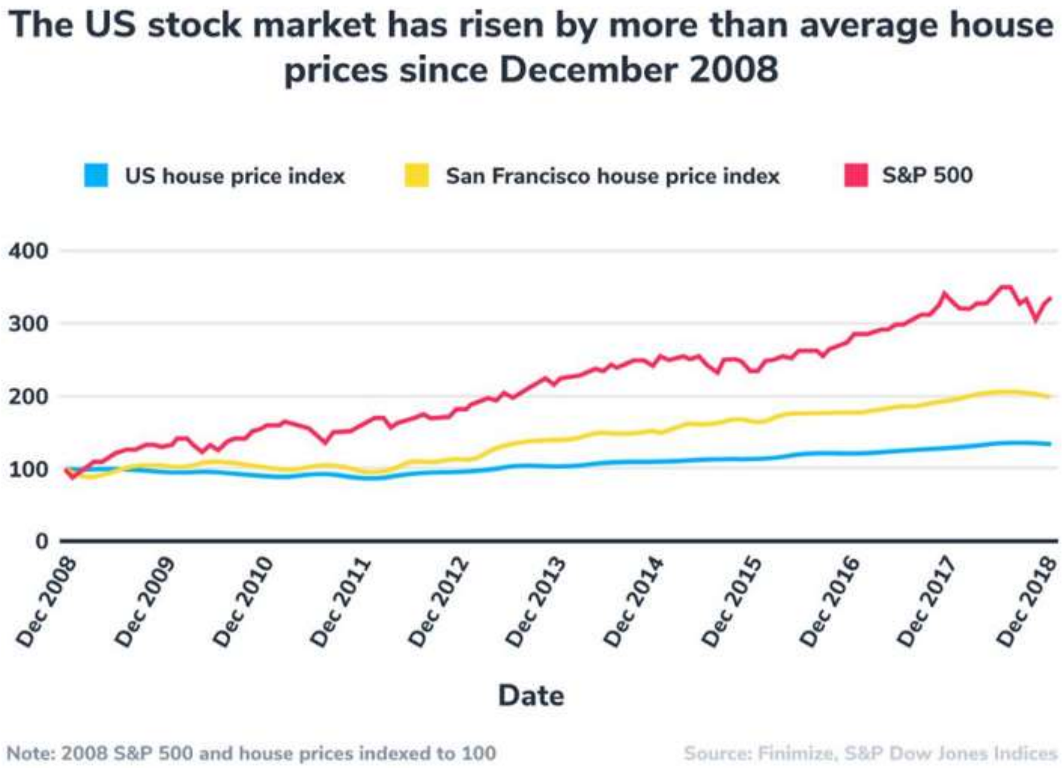
I want you to look after your own money.

Also, I want you to look after your own money, there's a shocker isn't it?

Finally, I don't want to look after your money.

Property or Stocks?

Here's another question, 'Shouldn't I just invest in a second home for rental, Alpesh? Surely property — what the hell's all this stock market stuff, why do I want shares?'



Well there's a little shocker for you. The US market has risen by more than average house prices since December 2008. 'But that's US, maybe their market's worth –' No it's pretty similar to ours in the UK so you better not think property always goes up.

Property is leveraged so do not mistake leverage for genius. If you really want leverage you can do it with stocks if you want, I'm not recommending it, but you can do it with stocks if you want.

Listen guys one more thing I want to tell you, I want to tell you about some technology out of my hedge fund right at the end. You don't have to stay to the end, but I want your permission to talk to you about something that my hedge fund is going to float on the stock market.

Can I tell you about our plans to float what we think is the Google of investing on the stock market right at the end in the last 10 minutes? We've still got another half an hour to go before that so hopefully I've got your permission to do that.

Let's talk about leverage, you said houses so should we have houses? Well let me look at this. Let's say you've got £10,000 or $10,000 and that buys you a deposit on a house worth say a $100,000 for argument's sake. Now the house goes up 10% i.e. 10 on 100,000 you make $10,000 on your capital deposit, you make a 100%, don't you?

If the house goes up 10% you've made a 100% on your deposit before tax interest payments and all the rest of it. Equally the same $10,000 buys you, did you know, if you wanted leverage — I'm not recommending you do leverage.

Leverage?

- $10,000 buys you a deposit on a house worth say $100,000. House goes up 10% ie $100,000, you make $10,000 on your Capital Deposit ie 100% (before tax, interest payments etc etc)
- $10,000 buys you $200,000 of Microsoft/Apple/Amazon stock. (Up a lot more than houses and safer!)
- Risk: Always make sure have the capital to back up 50% of the value of the whole investment, and hold for long term. Do not borrow to flip!

I want to talk about buying the stocks and earning the stocks, but if you wanted leverage because you think ***property*** well then $10,000 will buy you $200,000 of Microsoft, Apple, or Amazon.

I've given those as examples as what I might call 'safe as houses' stocks because each of those companies has over a trillion dollars in their bank accounts. I'm not kidding they have a trillion dollars in their bank accounts can you believe it.

They make so much money they don't know what the hell to do with it. Anyway, I'm giving those just as examples and you might disagree with those picks and you can look at others, but I'm giving examples.

Brokers will give you that leverage if you want, I'm not suggesting you do it I'm just giving you the example of the parallel between property and stocks. And of course, they've gone up a lot more than houses have and I think they're safer than bloody houses.

I think Microsoft, look at the size of that company, is safer than a house in London or Leeds or Manchester, personally. You might think, 'No don't be daft, Alpesh' Think about it for a moment. They've gone up more than house prices have and I get more for my money.

Now of course there's a risk, you always make sure you've got capital to back up 50% of the value of the whole investment. Just because you're controlling with $10,000 or $200,000 doesn't mean you go and go nuts. What if it fell? You want to have the capital available if something falls. You don't need to deposit it, but you can have it available.

This is great if you own a company because it means you don't even have to take the money out of your company and pay yourself a dividend or a director's loan in order to make those investments, which means you save a whole load of tax.

The value of the whole investment, and of course you want to hold for the long term, don't borrow money from a broker because that's what leverage is, they're lending you money just like a bank lends you money to buy a house, don't borrow to flip. I'm not saying trading, I'm talking about investing.

For what time period, and which stocks? 12 months, and I'm going to explain why. Here are some risk adjusted calculators done by Bloomberg and here are some of the risk adjusted. What are risk adjusted?


Bloomberg Risk Adjusted Return Calculator

Custom Date Range 31/12/2019 30/06/2020
Annualizing Factor 260

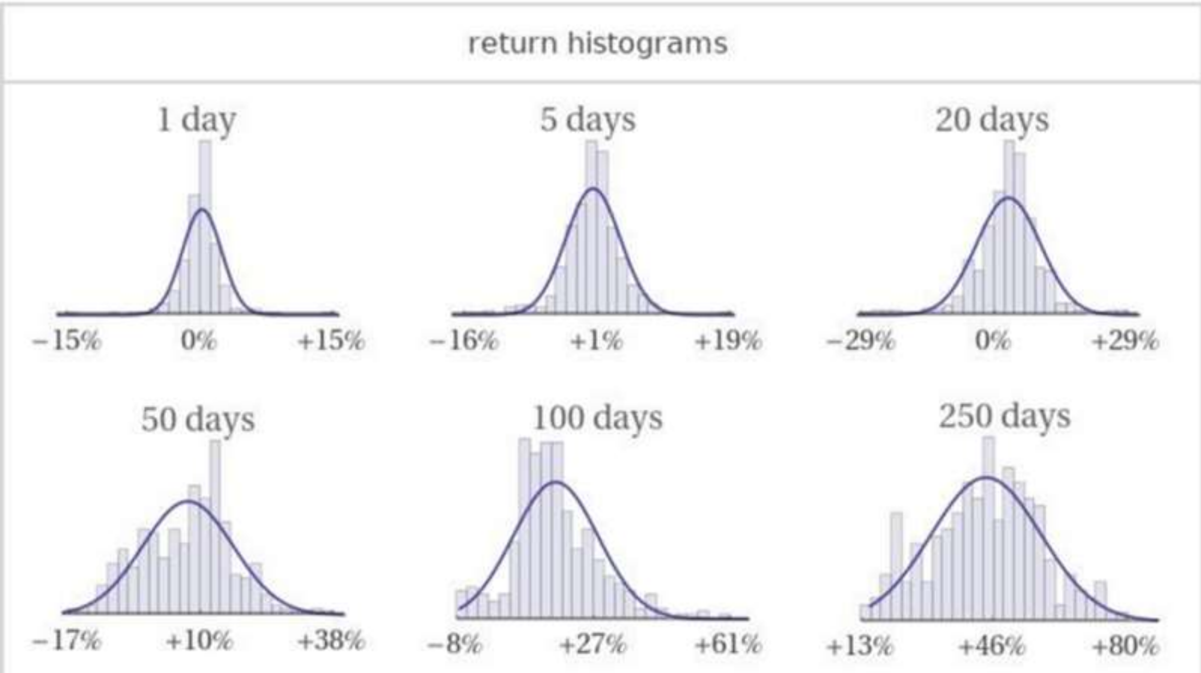
Security	Name	Return	Volatility	Risk Adj Return
AMZN UW Equity	Amazon.com Inc	45.055	40.842	1.103
PYPL UW Equity	PayPal Holdings Inc	55.635	63.490	0.876
NVDA UW Equity	NVIDIA Corp	56.567	71.562	0.790
NFLX UW Equity	Netflix Inc	38.220	49.148	0.778
ADBE UW Equity	Adobe Inc	28.620	58.576	0.489
LLY UN Equity	Eli Lilly and Co	25.035	51.681	0.484
MSFT UW Equity	Microsoft Corp	26.523	55.482	0.478
AAPL UW Equity	Apple Inc	23.824	54.033	0.441
GILD UW Equity	Gilead Sciences Inc	16.963	49.887	0.340
DHR UN Equity	Danaher Corp	12.578	42.764	0.294

10 Best Performing

Amazon.com Inc	1.103
PayPal Holdings Inc	0.876
NVIDIA Corp	0.790
Netflix Inc	0.778
Adobe Inc	0.489
Eli Lilly and Co	0.484
Microsoft Corp	0.478
Apple Inc	0.441
Gilead Sciences Inc	0.340
Danaher Corp	0.294

Well it means what's the average return and what's the volatility i.e. the percentage by which that average is missed. Those of you who know mathematics and statistics it's about standard deviations and the mean. Risk adjusted returns, so there are some names for you.

You can take those names if you want this is just statistics. By the way, full disclosure, I own Amazon, Paypal, Netflix, Adobe, Eli Lilly, Microsoft, Apple, and Danaher. I happen to own those. 'But wait a minute, Alpesh. How do we pick these, what are these, and where did you get these from?'



This is what I'm looking for in any stock and I want these patterns. I'll tell you in a second which of these companies, by the way here's a little quiz, which company do you think this is? Over one day, and over the last five years on average this is what it's done.

On any given day it's given a zero percent return and some days it's gone as much as 15%, but as you can see it's very rare it does that, and most days it's just up here.

So this is frequency and how often on the y-axis and on the x-axis it's the percentage return on any given day. Some days it's gone down as much as 15% in a day, but it's happened very infrequently and very rarely.

Over five days it's this, and over 20 days it's this, you know pretty equal.

Over a 20-day period it can either be up or down by an equal measure if you haven't got an edge.

And, over 50 days it starts getting interesting, and over 250 days you're pretty much guaranteed a positive return historically and not only that, it's a pretty bloody strong one.

Does anybody know which company this is? Somebody said Amazon. Nope I'm afraid it's not Amazon. Anybody else? I'll tell you in a second which company it is. This is what I want.

There are a whole bunch of companies where this number is very very negative [cut off sentence — presumed word]. You might say, 'Alpesh, are there any companies where all they do every single day is generate 15% up?' No there isn't as that company hasn't been invented yet because if it had I'd have bought it.

That's what you're all looking for. 'But Alpesh, aren't there any companies where after five days there's no negative return?' No that company hasn't been invented either.

'Alpesh, aren't there any companies which after 20 trading days i.e. a month there's no negative return?' No, bloody hell are you guys kidding me, if that existed do you not think we'd be piling into it? It doesn't exist.

This is probably as safe as houses as good as it gets and that's what we want more. I'll name you which ones, Trader's and Harvinder(?) have got it right. So I want more of these.

I don't put all my money in this but I want more. By the way, this is also another reason why when people say to you don't trade for the short term hold for the long term, this is the reason why. Because if you hold for the short term like five days you might be down 16%, but if you hold for longer you've got a high probability of being up for the whole year. But this is only in companies which are what's called positively skewed and have a high mean. Write that down, positive skew high mean.

Who's going to give you this data? I am so don't worry. Positive skew high mean. You know what private investors invest in? Companies with negative skews and low means because they look at a one day performance and they look at some media from the journalists that Shares Magazine or Investors Chronicle or god forbid whatever else, and they mess it up. It's done well recently, but it I'm afraid that left-hand extreme figure for Netflix is not as nice as that one.

It was Microsoft, and I'm going to give you some other names that are similar. That's all I want. I want companies like that because then I can sit on my big fat ass and after a year by doing nothing, most useless profession in the world I'm in, get my returns and statistically be somewhat short of them. You can see why I leverage on something like that. ‘Oh wait a minute, you leverage, but what’s your downside risk?’ I’ll tell you and we’ll go into that in a second.

Should I Give My Money to a Good Fund Manager?

Here’s another question, ‘Yes, but shouldn’t I give it to a fund manager?’ Here’s the reason why not. When the S&P was at 2761 and by the way today it’s at 3339, this was Wall Street’s outlook.

Wall Street's 2020 Outlook

Firm	Strategist	2020 S&P Target
Bank of America Merrill Lynch	Savita Subramanian	2600
Barclays	Maneesh Deshpande	3000
BMO	Brian Belski	Suspended
BTIG	Julian Emanuel	3000
Canaccord Genuity	Tony Dwyer	Suspended
CFRA	Sam Stovall	3435
Citigroup	Tobias Levkovich	2700
Credit Suisse	Jonathan Golub	2700
Deutsche Bank	Binky Chadha	3250
Goldman Sachs	David Kostin	3000
JPMorgan Chase	Dubravko Lakos-Bujas	3400
Morgan Stanley	Mike Wilson	2700
Oppenheimer	John Stoltzfus	Suspended
RBC	Lori Calvasina	2750
UBS	Francois Trahan	2850
Wells Fargo Investment Institute	Darrell Cronk	2760

These guys are the best in the world and this is what they're advising the wealthiest people in the world. When it was at 2761 and don't forget it's at 3339, Bank of America Merrill Lynch were saying it's going to go to 2600.

They're a bit embarrassed you can imagine, poor Savita, you can imagine their wealthiest clients are a tiny bit pissed off. CFRA who the hell are they? Well they got closer to it, City Group no wonder they just got rid of their CEO and appointed somebody new because their clients are pissed off since they said target 2700 and it's at 3339.

Credit Suisse clients are pissed off, JP Morgan Chase clients are okay, Goldman Sachs clients are pissed off, Deutsche Bank yeah they're okay they're happy, and Morgan Stanley clients are pissed off. You know what's worse?

These are supposed to be the best and brightest, these are the experts, these are the ones you want to trust and you've got a whole bunch of them who were saying it's down here and a whole bunch of them saying it's up there. You might as well toss a coin.

'Alpesh, can't we just give it to a fund manager?' This is the Financial Times, this is Chris Flood's article, 'Underperformance rife among active fund managers', do you really want to give it to a fund manager? Don't give it to a fund manager. You're the fund manager.

TYPICAL PORTFOLIO

August 24, 2011 5:33 pm

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Underperformance rife among active fund managers

By Chris Flood

Almost three-quarters of actively managed US large-cap funds failed to outperform the S&P 500 over the past three years, according to an analysis by Standard & Poor's.

Alpesh Patel

There are some professions you can learn. Driving is one of them, and being a driving instructor is one of them. Being a school teacher teaching English to five-year-olds is one of those professions you can learn. Being a fund manager is one of those professions you can learn. Being a brain surgeon? No, you're not going to learn that. I'm not going to teach you it and you're not going to learn it.

There are certain things average ordinary people like you and me can learn. There are other things which average ordinary people like you and me are never going to learn like brain surgery. Investing isn't rocket science and it isn't brain surgery.

As Warren Buffett put it, 'A higher IQ is actually a hindrance.' You know my biggest problem with managing money is not to try and be too clever.

I outsmart myself, and I've got to dumb myself down'. I didn't say that, Warren Buffett said it, 'High IQs are a hindrance to investing' because people try and be too clever. 'I wonder what's going to be next.

Let me see if I can out-invent and out-think what Amazon are going to come out with next or Apple are going to invent next'. No you're not because it's their job to do it. Don't give your money to a fund manager, give it to Apple to invest.

Cut out the middleman and cut out the sodding fund manager because you can be better than overpaid fund managers.

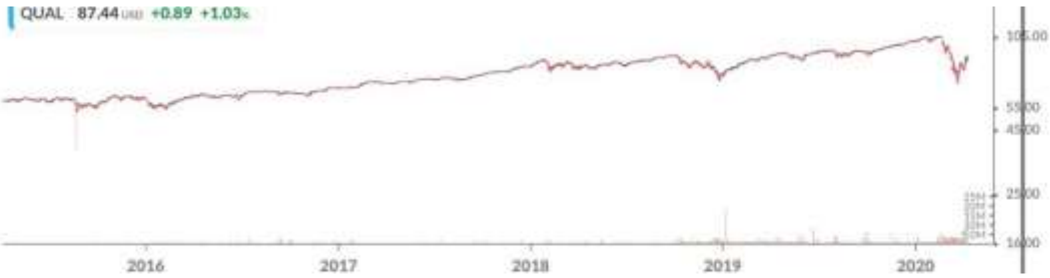
Want proof? Because I'm a bit gobby aren't I, and people like me are supposed to be quiet and a bit deferential.

The FT said to me in 2004, if you're so shit-hot why don't we run a competition over a year for you to forecast the markets. Let's see who wins, you or fund managers, amazing people like Neil Woodford who by the way came 14th in that, and that's me at the top.

I said I'll do that as long as when I win, which I will, you write down in the Financial Times for the world to see that 'Patel is top FTSE 100 forecaster'. That was 2004, and in 2005 I launched my hedge fund, and you better believe I launched my hedge fund with publicity like that. In 2017, this muppet has destroyed your wealth, but I haven't because I'm teaching you how to create your own wealth and not rely on numpties like that.

He looked the part, and why did he get all the money? He got the money because he could market better than I could, simple as that.

Alternatives to Fund Managers



The other ways, you might say should you give it to your fund manager, and if you really want to give it to fund managers then X-ray quality. What's quality? Exchange-traded funds. If you really want to give it to a fund manager to manage then use ETFs or Exchange-traded funds and yes you can put them in SIPPs and ISAs.

I'll give you an example, that's QUAL which is a fund of stocks/ Now I don't recommend this, and I think you should just pick individual stocks because after all this is what it's invested in. I don't necessarily want to put money in 3M for instance.

By the way, of these which do I own? I own Microsoft, Apple, Facebook, Mastercard, and Visa. I did own Nike for a short time and then I've exited. Who contributes to QUAL, the Exhange-traded fund's top returns? These are its top holdings.

Top 10 Holdings by Weight

	Weight	Return	Contribution
JNJ Johnson & Johnson	4.48%	4.17%	17bps
PEP Pepsico Inc	4.13%	9.38%	34bps
MSFT Microsoft Corp	4.10%	38.45%	111bps
AAPL Apple Inc	3.75%	34.33%	93bps
FB Facebook Inc	3.45%	-1.35%	-5bps
MA Mastercard Inc	3.25%	14.20%	39bps
V Visa Inc	2.93%	10.29%	27bps
MMM 3M Company	2.70%	-30.28%	-114bps
NKE Nike Inc	2.69%	2.98%	8bps
MRK Merck & Company	2.51%	2.09%	5bps

Well I'd rather just earn them directly because I do own Microsoft, Apple, and Mastercard. I don't have Pepsico, there must be reasons for that, and Eli Lilly I think I've still got, but I might have exited. If you really want Exchange-trade funds are better than actual active fund managers because Exchange-traded funds are more passive.

Next question, 'I don't know how to decide what to buy'. Let's get to the nitty gritty, and that's fair enough my friends, that's my fault. People like me who don't have a conflict of interest because I'm not a stock broker and I'm not a fund manager asking for your funds since hedge funds can't ask for retail money.

‘I don’t know how to decide what to buy’ so let me do that for you because this is what most people are like. They’ve got their magazines, they’re high-octaned up on their caffeine, they’ve got Jim Cramer on the news, and all the rest of it.

Investing Through Journalist Stock Tips

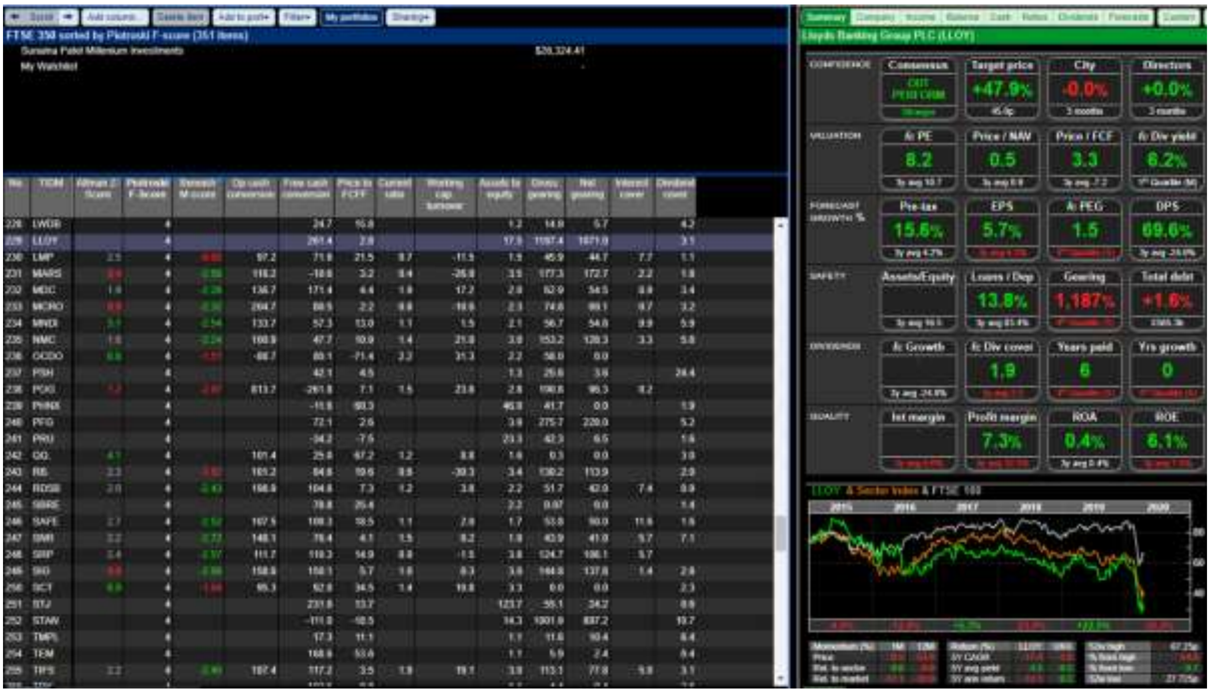
They’ve got all this data there and they don’t know how to begin because they’re thinking to themselves, ‘Director’s bought so that’s the reason I’ll buy or Investors Chronicle journalists wrote a story about it.’ Seriously are you going to rely on journalists to look after your future pension? Just think about that for a moment.

What does that guy do, he’s a journalist and you’re going to say to him, ‘Hey Mr journalist, why don’t you look after my pension?’ With valuations, one day they go, ‘I’ve got low PE, I’ll get into it’, but wait a minute what about price to free cash flow, what's the data out there, what's the academic research done on it, what about dividend deals, are they a better factor for performance?

So, what happens, and I'll give you an example, this is Lloyds — people who have bought Lloyds, why?

Because of name recognition. Name recognition is one of the biggest reasons people buy. I said, 'You bought Lloyds did you, what's your reasoning?' and they say, 'Well it's Lloyds Bank, innit. Safe as a bank.' Really, because in 2015 it was down 4%, in 2016 it was down 12%, worse than its sector, in 2017 it managed a rare rebound but below its sector and the FTSE 100, and 2018 it was down 23% below its sector and the index.

I mean basically if you want something which keeps underperforming its sector and its index then pick Lloyds Bank, and that's what people do. That's just a extreme example, and I use Lloyds for my banking, but it's different using something for banking and owning the bloody thing is two different things.



I love the people who work at Lloyds, lovely people, salt of the earth and they're my friends, but I don't want to own them. We've got a problem because people don't know what to buy and when they do think they know what to look at, and there's so much bloody difficult information, they mess it up anyway.

How Long Should I Hold My Investment?

The question then arises, how long do I hold for and I'll give you names of how you do find this information. How long do I hold for, what if the stock falls, what if the stock rises, and how do we pick those stocks? Really simple rules I'm going to give you. There are different rules you can have, but I'm going to use simple rules.

Rule 1, the period. Goldman Sachs data shows 12 months is the ideal holding period for the simple reason that the impact of financial data upon a company tends to last for 12 months. It doesn't last for a day because in a day it's noise, and it doesn't last for 50 years because new data keeps coming out. The optimal period tends to be 12 months so that's rule number one.

Rule 2, what if it falls? Well you can have a stop loss at 25 to 35%. It's up to you how big you make it.

Rules: Can only go up or down

- Rule 1: Period: Goldman Sachs: 12 months holding period then review
- Rule 2: Falls: Stop Loss: 25-35% (Trailing)
    - Falls: Unless Quality Company in which case buy more if falls, but don't sell eg: FB, AAPL, MSFT, GOOG, AMZN
- Rule 3: Rises: Rule 1 applies, or Rule 2 or Add to Position if Cost-Averaging

The market is particularly volatile at the moment so you might make it 35% trailing stop loss so if it goes up and then drops 25 to 35% you exit. I'm keeping it simple because you can make it more complicated, but I'm just keeping it really simple, unless it's a quality company, and I only believe there are five quality companies in the world which have got a trillion pounds in the bank. In those cases if they fall I buy more and those five companies are these.

Managing Risk is Key

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August 21, 2004 5:00 am

Do the right sums to maximise your returns

By Alpesh B Patel

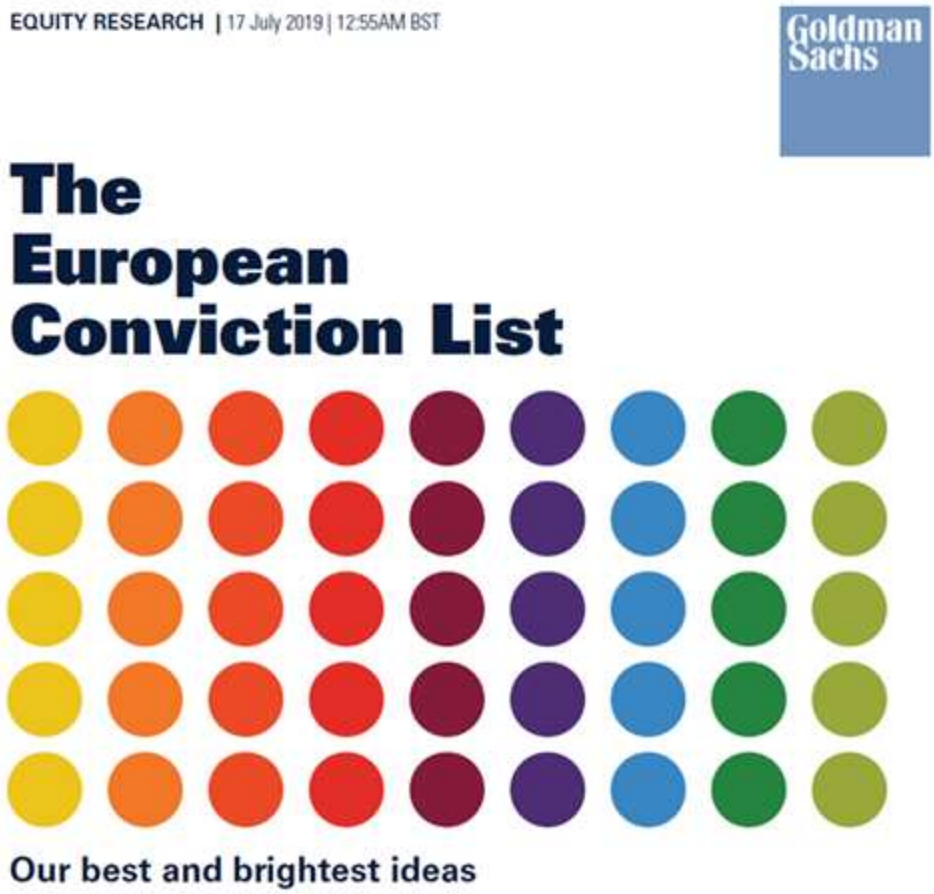
Forget such magazine headlines as Ten Stocks You Must Buy Now. Market success has next to nothing to do with the stocks you pick.

It has everything to do with money management; research proves it and professional traders confirm it. Yet our obsession with stock picks continues. So, what are the most important investment questions?

You might say, 'What about Tesla? What about this and what about that?' No don't argue with me, I'm telling you which ones they are and that's that. You're going to say, 'But Alpesh, they're overvalued' and you're absolutely right to say that as people have been telling me in 2001, 2002, 2003, 2004–2017.. Do you want me to keep going?

Actually they're not overvalued, and they're not undervalued, but have you looked at the actual factors which make a difference to a share price such as the CROCI? 'Actually Alpesh, I haven't looked at that.

What's that again? What's value? I thought value is share price and share price has gone up so they must be overvalued'. No people don't have a clue what valuation means and they don't know what impacts share price movements.



Rule 3, what if it rises? Well rule 1 applies so you're going to hold for 12 months or rule two which is trailing stop loss if it rises and falls back 25 to 35% then get rid of it or add to the position if you're cost averaging. What's cost averaging?

That's where you say I'm not going to put all the money in this month and I'll put equal amounts each month because statistically that can get you a better entry price.

That's a bit more technical, and we can come to that later on about rule 3, but I'm keeping it really simple. You can amend these rules, but I'm just keeping it simple for you to avoid you outsmarting yourself and messing up.

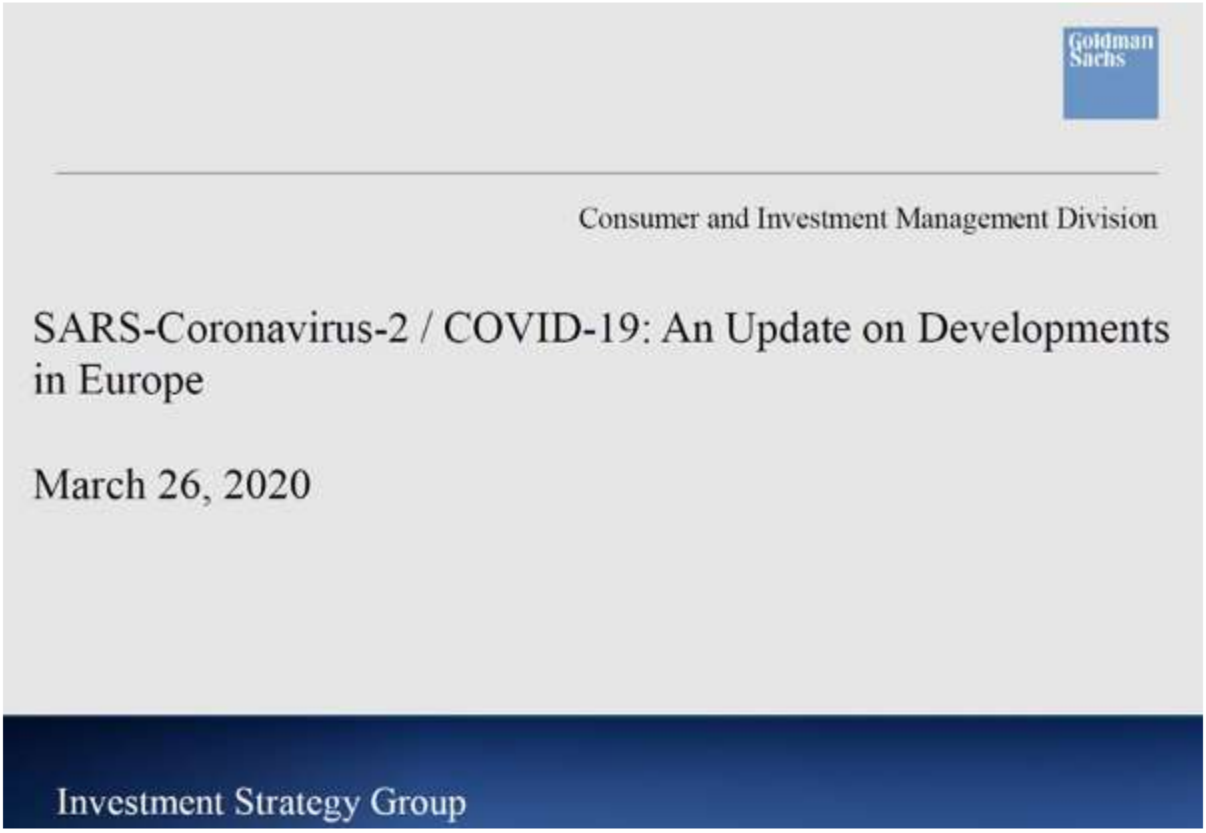
I don't know why that slide's here. One of the roles I have for the UK government is to find outstanding technology companies from around the world and bring them to the United Kingdom. That's my team at Number 10 and that's why I was with the royals. That slide should have been a bit earlier.

‘Yes, but aren’t there insiders like Goldman Sachs and the rest of us who just get screwed?’ There are insiders and there are the rest of us.

You’re right there are the insiders, people like me, who call the market and get to write about it in the Financial Times, that’s back in 2004, so I’ve been doing this a bloody long time.

You’re right there are those who get that information dead across our desk, people like me who will get data like the UBS House View: Year Ahead, The European Conviction List from Goldman Sachs, their best and brightest ideas people like me who Goldman Sachs will send information.

The Chairman of Goldman Sachs Asset Management, lovely lady Sheila Patel, thank you very much Mrs Patel for sending me documents like this. Yes you’re right we do get that so are you screwed? No because there is a limited number of stocks that are out there and I’m going to show you in a second how you filter filter filter so you’ll actually come to the same conclusions.



Very quickly these four questions I’m going to do them in one go.

What about currency risk of international global holdings? 1% move in the currency you’re worried about when you could be doubling your money?

How do I pick brokers I can trust? FCA regulated or if you’re in America SCC, but never Cypriot brokers. I’ve already mentioned some including Halifax, Barclays, and names you know like Hargreaves Lansdown, AJ Bell, and there’s whole bunch of others. Name some brokers if you want and I’ll tell you.

Do I own the stock or CFD? CFDs are leveraged which I gave you an example of earlier so it's far higher risk because people don't look at the notional value of what they own. They only look at the margin and they think, '$10,000 margin that's all I needed'.

You can blow that in three days. Notionally you're controlling $200,000 of Microsoft so if Microsoft drops 50% have you got a $100,000 you're happy with to be down if it's Microsoft.

You might say yes, which is great then that $10,0000 controls $200,000 and you're fine, but on the whole we're talking about owning the stock not the CFD in this webinar .

How do I save tax? You put it in a SIPP or an ISA, or 401k if you're in the US, but do bloody save tax because trust me, when something's gone up 100% and you've got it right you do not want to be paying 40% of that to the bloody tax man.

What's The Best Way to Pick Stocks?

What's the quickest easiest way to pick stocks that the gurus/banks/hedge funds have already researched for their wealthy clients?

That's the question isn't it and now we're getting into the nitty gritty. There's a million ways to skin a cat, but I'm going to give you a simple answer for the sake of the webinar, we're going to filter filter filter.

Unless something ticks every single box we like, we're not going to buy it. We're not going to lose sleep over it and if it takes more than five minutes we're not going to own it.

We're not going to force ourselves which is what happens when you're only looking at your domestic market because you've got so little choice you end up buying crap because you've got so little choice.

Whereas, you've got a global market of 8000 equities to pick from then you can be really picky like interviewing people for a football team or a job. When it's a global audience you'll go and say, 'No, I only want the best of the best of the best of the best'. We're going to filter filter filter.

Which stocks keep coming up in the most strategies, that is what we're going to ask ourselves.

Guru Picks

What are those strategies? I'm going to give you some strategies and only if something meets as many of those criteria as possible do we have it in our portfolio. I only want the best of the best of the best in there.

For instance, investing strategy 1: What do the gurus earn? I don't want a stock which the biggest hedge funds have not already bought into and where I'm not riding their coattails. How do I find that information?

Ticker	Company	Date	Action	Impact %	Price Range	Price	Price Change from Avrg%	Comment	Current Shares
GM	General Motors Co	2019-12-31	Add	+0.04%	33.88 ($36.34) 38.72	$21.52	-40.78%	Add 3.78%	75,000,000
OXY	Occidental Petroleum Corp	2019-12-31	Add	+0.19%	37.34 ($39.98) 44.23	$13.87	-65.31%	Add 153.54%	18,933,054
RH	RH	2019-12-31	Add	+0.04%	164.96 ($196.16) 241.87	$125.19	-36.18%	Add 41.44%	1,708,348
SU	Suncor Energy Inc	2019-12-31	Add	+0.06%	29.09 ($31.24) 32.9	$15.69	-49.78%	Add 39.61%	15,019,031
BIIB	Biogen Inc	2019-12-31	New Buy	+0.08%	220.06 ($279.04) 304.07	$292.25	4.73%	New holding	648,447
KR	The Kroger Co	2019-12-31	New Buy	+0.23%	23.84 ($26.57) 29.1	$32.88	23.75%	New holding	18,940,079
SPY	SPDR S&P 500	2019-12-31	New Buy	+0.01%	288.06 ($306.48) 322.94	$279.08	-9.53%	New holding	39,400
VOO	Vanguard S&P 500	2019-12-31	New Buy	+0.01%	264.57 ($283.37) 296.67	$256.42	-9.51%	New holding	43,000
AAL	American Airlines Group Inc	2019-12-31	Reduce	-0.02%	25.27 ($28.56) 31.38	$10.25	-64.11%	Reduce -2.75%	42,500,000
AAPL	Apple Inc	2019-12-31	Reduce	-0.38%	218.96 ($258.41) 293.65	$275.03	6.43%	Reduce -1.48%	245,155,566
BAC	Bank of America Corp	2019-12-31	Reduce	-0.03%	27.63 ($32.44) 35.52	$21.87	-32.58%	Reduce -0.24%	925,008,600

Well it's easy enough because what does Warren Buffett own? This is in the public domain, but just because he owns it doesn't mean I'm going to buy it. Just because he's got 40% of his capital in Apple, I'm going to show you Bill Ackman and Bill Gates in a second, but what I'm saying is just because they own it doesn't mean you buy it.

They might have bought it 50 years ago and they're sitting on big profits. They have/don't have [inaudible] reasons for holding it [unclear]. What I'm saying is we need to know is that it ticks one box, but there are a few others I need too.

This is the mistake people make and they go, 'He's bought it and some journalists have written articles so I'll buy it'. That's the stupidest highest risk thing I've seen.

UNH	AMZN	BRK.B	BK	FOX	VIAC	CVS	CMCSA	WFC	MHK	DAL	AIG	GE	GS	EBAY	NOV	FB	BKNG	CB
NWSA	IPG	DD	APA	AXP	SCHW	FDX	PFE	HES	SLB	PM	MYL	MU	ABT	PLD	OXY	HPQ	A	NOW
ADM	NLSN	MS	MMC	MCD	MA	TFC	LOW	JNJ	HAL	ACN	KHC	GM	ATVI	CSCO	EXPE	GILD	GOOG	GOOGL
BIIB	ADBE	XOM	FITB	TIF	DLTR	DIS	VZ	VMC	TAP	MOS	WAB	WHR	MRK	CNC	COST	CMI	MCK	COF
DHI	ITW	AMGN	BA	M	EFX	CI	EIX	BLL	BMY	DOW	JPM	LEN	C	CCL	CAT	BAC	GD	PCAR
FANG	SO	MDLZ	SNA	DHR	SLG	TRV	ROL	CVX	RCL	QCOM	GLW	PXD	EOG	NLOK	SBUX	CPB	USB	TXN
UTX	ABBV	ORCL	CTSH	PGR	HBI	K	IEX	IFF	JNPR	IRM	GPS	EXC	HCA	HPE	GIS	TT	HOG	AAPL
HIG	HUM	CTVA	KMB	GL	ROP	SPG	STT	SYF	T	TEL	TFX	TJX	TMO	RF	TSN	UNP	UPS	V
XYL	ZBH	ZTS	FTI	FOXA	ROK	RE	KMX	MGM	KO	LH	LLY	LMT	LUV	MAS	MCO	MDT	MET	MMM
IQV	MPC	MRO	NEE	NOC	NVR	NWL	OKE	PG	PSX	ESS	FLS	EMR	AVB	WLTW	ALL	AMT	ANET	ANTM
APD	BLK	WBA	BWA	BXP	CAG	CBRE	CE	CFG	WDC	VRSN	COP	DISCK	ADI	ALXN	AMAT	AVGO	CSX	DISCA
EXPD	SWKS	ILMN	INTC	MSFT	NVDA	ODFL	PYPL	CLX	AAP	EL	ECL	DXC	CRM	CTL	DVA	CXO	EMN	DE
DVN	INCY	LKQ	SPGI	HOLX	LRCX	STZ	SWK	JKHY	KLAC	TDG	JBHT	IDXX	TGT	FLT	ISRG	HSY	MAR	ORLY
SNPS	REGN	QRVO	DUK	PBCT	PAYX	RJF	FRC	TXT	RTN	NTRS	SHW	SJM	NFLX	NDAQ	FMC	MCHP	FLIR	UHS
UAA	AMD	EVRG	WRB	WRK	WU	ANSS	XRX	EW	WMB	ETN	AKAM	ARNC	IR	BKR	ADP	ABMD	WMT	WM
UAL	FBHS	UDR	PRU	FAST	FIS	URI	FCX	CTAS	VAR	CDW	VFC	CME	VNO	VTR	CHTR	CHRW	WEC	PSA
PNC	PPL	LYB	BSX	HD	LNC	BEN	BDX	LVS	LW	LYV	KR	BAX	AZO	MAA	AVY	D	ARE	APH
LEG	CAH	AON	CL	ICE	COO	TPR	IP	COG	CNP	HRB	IVZ	KMI	JCI	J	COTY	CF	CCI	KEY
KEYS	HON	AOS	DFS	PPG	PEP	ZION	WYNN	GPN	OMC	GPC	DOV	PEG	VRTX	NSC	DRE	TTWO	PKG	TSCO
DRI	IBM	PNR	NUE	NRG	MKC	APTV	MLM	GWW	DGX	MO	AMP	AME	ALLE	ALK	EQR	MTB	MTD	AIV
NI	NKE	AEP	AEE	ADS	AAL													

What's the aggregate of all of them put together? For the S&P 500, it's this. You know what the biggest gurus and hedge fund managers own the least of, it's these ones down here.

You know what they own the most of? It's these ones in darker green up here. By the way, in case you can't see it that's UnitedHealth. I didn't even know what the hell that was until recently.

Out of the S&P 500, that's the most popular company by the biggest like Warren Buffett, Bill Gates, and all the rest of it.

That's something, but I still want to tick more boxes than the fact some gurus own it. So what, some hedge funds own it, so what? What are the other boxes, let's come to that.

What if you want a bigger return? I'm going to come to the other strategies, but what if I want a bigger return.

Higher Risk Stock Picks

'Alpesh, I want more because I'm young, I've got a lot of disposable income, and I'm not just saving as a pensioner. I want more.' Like I said, we will leverage big on low risk.

That means this is what I own, and it's what my son owns. Apple 2, that's leverage, two times leverage on Apple.

I'm not saying you do, that's high risk leverage, so that means when Apple goes up a dollar I make two dollars, but if it goes down a dollar I lose two dollars.

But I also know Apple has skewed to the right, it's called kurtosis for those just statisticians out there, it's got a high mean and it's skewed to the right. I've got some of its ordinary stock, I love Square still, I like Netcompany, I own Paypal, and I own Zoom. Did I get in late?

Well I was in Silicon Valley, if you follow me on social media and please if you don't this is why you don't have a full copy of my book because you've not followed me on social media.

It's on the website so just go on the website and I'll give you it all anyway. You'll see what I own because I post it.

I was in Silicon Valley last May and met the CEO of Zoom because that's my job to smell which way the wind's blowing. So that's one, I leverage and buy double leverage Amazon, Microsoft, and Apple as well.

I also have the CFDs in those so I'm getting 20 times leverage on those in actual fact, but that's higher risk and I don't want to go on to that because my personal target is actually more than 40%, but we're talking to a mass retail market so let's just stick to 20% for now because leverage is always riskier.

Analyst Stock Picks

I don't give a damn what a journalist at the Investors Chronicle thinks about a particular company, but I do care that Goldman Sachs does because they can make it a self-fulfilling prophecy.

But I don't care what Goldman Sachs thinks unless Deutsche Bank and Morgan Stanley, Wells Fargo, Nomura, Barclays, Merrill Lynch, and RBC Capital all think the bloody same way. Why? 'Alpesh, you’re so belt and braces’ I’m not belt and braces, I’m 15 belts and 15 braces because it’s my pension and not yours. I care about my money more than you.

Analyst	Firm	Ranking	Position	Price Target	Action	Date
Daniel Perlin	RBC Capital	★★★★★	Buy	$159.00	Reiterated	Today
Jason Kupferberg	Merrill Lynch	★★★★★	Buy	$171.00	Reiterated	2 days ago
Brett Huff	Stephens	★★★★★	Buy	$159.00	Reiterated	10 days ago
Kenneth Hill	Rosenblatt Securities	★★★★½	Buy	$145.00	Reiterated	14 days ago
Ramsey El Assal	Barclays	★★★★★	Buy	$169.00	Reiterated	17 days ago
Mark Palmer	BTIG	★★★★★	Buy	$172.00	Reiterated	18 days ago
Sanjay Sakhrani	KBW	★★★★★	Buy	$152.00	Reiterated	20 days ago
Josh Beck	KeyBanc	★★★★★	Buy	$150.00	Reiterated	21 days ago
Glenn Greene	Oppenheimer	★★★★★	Buy	$140.00	Reiterated	21 days ago
Bill Carcache	Nomura	★★★★★	Buy	$132.00	Reiterated	21 days ago
Moshe Katri	Wedbush	★★★★★	Buy	$160.00	Reiterated	21 days ago
Timothy Willi	Wells Fargo	★★★★★	Buy	$150.00	Reiterated	21 days ago
Timothy Chiodo	Credit Suisse	★★★★☆	Buy	$140.00	Reiterated	21 days ago
Joseph Vafi	Canaccord Genuity	★★★★½	Buy	$160.00	Reiterated	22 days ago
James Faucette	Morgan Stanley	★★★★★	Buy	$131.00	Reiterated	23 days ago
Michael Del Grosso	Compass Point	★★★½☆	Buy	$140.00	Reiterated	Last month
Bryan Keane	Deutsche Bank	★★★★★	Buy	$147.00	Reiterated	Last month
Heath Terry	Goldman Sachs	★★★★★	Buy	$130.00	Reiterated	3 months ago
Jeff Cantwell	Guggenheim	★★★★½	Buy	$133.00	Upgraded	4 months ago
Colin Sebastian	Robert W. Baird	★★★★★	Buy	$125.00	Reiterated	4 months ago

What other boxes need to be ticked? This is the most important box for me that needs to be ticked. It’s this one and I’ll explain to you what it is. This is the biggest banks and hedge funds tell their wealthiest clients.

They look at this the Z score, the Altman score, ‘What’s the Altman score, Alpesh? That looks bloody complicated.’ Don’t worry it’s not because you don’t need to worry about the formula. You don’t need to worry how a car or a television works in order to use them and enjoy them do you?

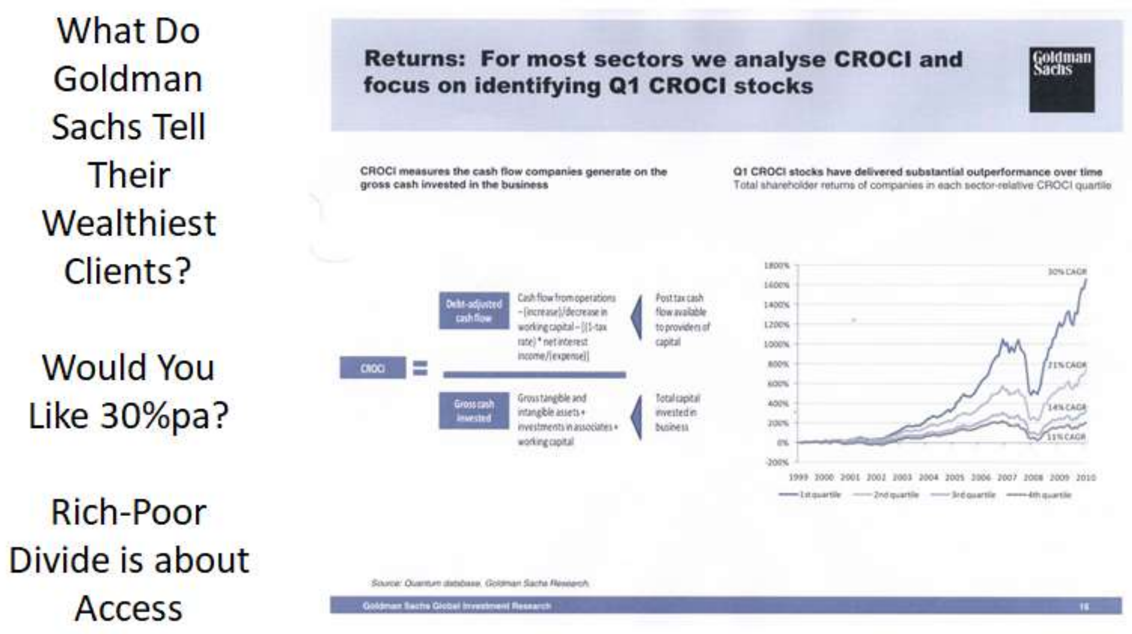
The Altman score looks at working capital. Look out the window during COVID, what’s really important at the moment? ‘I think working capital is Alpesh. I think retained earnings or profits they’ve kept are.’ This is what it does, this was created in 1967 and the higher the number the better. I at least want that number greater than 1.5 though ideally I want it above 3.

The Goldman Sachs Approach

With CROCI, this is even more important to me than the Altman score. This is a slide from Goldman Sachs Asset Management. Hedge fund managers like me get the privilege of seeing this kind of stuff and this is what they use to tell their wealthiest clients.

It was invented by Deutsche Bank and it’s used by Goldman Sachs to tell their wealthiest clients which stocks to go into. This is one of their slides and what does it measure? I want this CROCI, Cash Return on Capital Invested, to be greater than 10%.

When people say to me, ‘Alpesh, what about PE ratio?’ You find me an article where Warren Buffett talks about PE ratios or Bill Ackman, or Jim Simons. PE ratios is what journalists use, and it’s what retail clients use. It’s not what hedge fund managers and Goldman Sachs use.

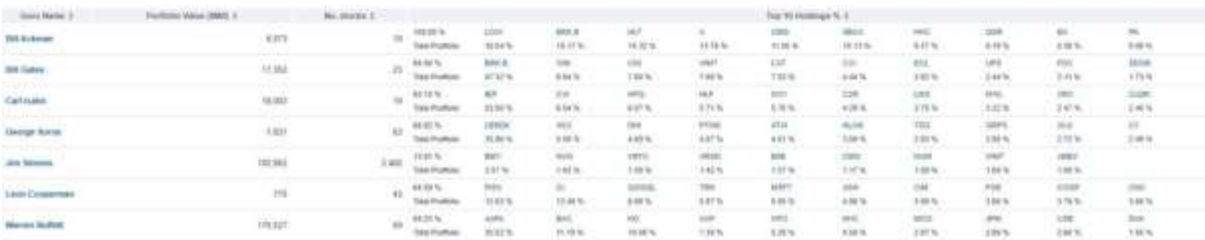


No more than we use horse and carriages, and they were great 100 years ago, but the world's moved on and we've got a bit more sophisticated alongside the invention of the computer and the algorithm.

This is cash flow over capital invested, and if that number is above 10% the company is likely to generate returns. It's likely to generate returns because it's as simple as that.

If you want to know then there it is, there's the slide I've taken it from Goldman Sachs' Global Investment Research quantum database, and there's the number. If you want to know how good this CROCI is, then there it is. The top quartile of companies on the stock market, the top 25% CROCIs, Cash Return on Capital Invested, will give you a 30% per annum return.

The bottom ones with the worst CROCIs will give you 11%. There's no mention of PE ratios and, 'Alpesh, stock prices have gone up, surely they're overvalued?' I want that box to be ticked as well as the gurus owning them. What do the gurus own? You might want to take a picture of this.



That's Bill Ackman, Bill Gates, Carl Icahn, George Soros, Jim Simons, Leon Cooperman, and Warren Buffett. What do they own and what are their top ten holdings? These are their top ten holdings and I want that box to be ticked. Just because they all own it doesn't mean I will. It doesn't mean I buy it just because they have, that's just another box that needs to be ticked. Why am I filter, filter, filtering?

That's the best advice I can give all of you to filter, filter, filter and make sure as many boxes are ticked as possible. Hedge fund ownership reports, I want that box ticked.

Get your phones out, are you taking this photo? There it is that's the biggest investments. 'But Alpesh, somebody hasn't told the biggest richest companies and hedge fund managers that Amazon's overvalued'

Yeah, they didn't get that memo, but you did so it's okay. Or Microsoft is, or Facebook is, or Visa, Mastercard, and Alphabet are.

I own Amazon, Microsoft, Facebook, Visa, Mastercard, Alphabet, Paypal — I'm going from top to bottom.

Furthermore, I don't have Salesforce, but I don't have a problem with it.

Also, I own Netflix , Charter Communications, Adobe, Apple, and Square.

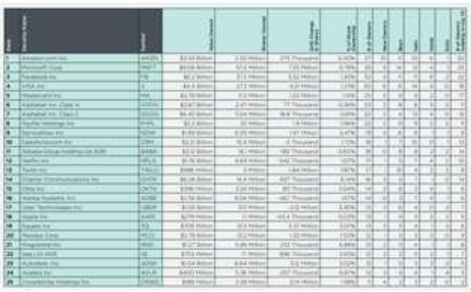
So I'm declaring my interest, but hey what do they know? 'You said they're over valued, Alpesh'.

By the way, I also own Globant. I want to know tick as many boxes.

Finally, I want to know what the hedge funds are getting into, and I want to know how much money they're putting in. I'm going to give you more names. I own Cadence Design.

Which Stocks Do Hedge Funds Own?

'But how many stocks should I own, Alpesh? That's a lot of names you've given me.' That's the next question people have and well this is it: 15. If you're more risk-averse you can have as many as 40 if you want, but as you can see, the diversification benefits of risk reduction does not increase significantly after the 15 mark.



It doesn’t happen and we can argue the toss, and I’ll go into statistics if you want, but that’s the number. If you want to know something interesting, see these billionaire’s top 10 holdings.

And if you add up the percentages, their top 10 holdings by the time you’ve got to 0.08% they’ve got 10 bloody holdings. Okay who’s that numpty at the top? Bill Ackman, look him up and google him, he’s got 10 holdings.

Hedge Funds Doing?

Warren Buffett with all his money he’s only got 50. Jim Simons’ got 3402 because Jim Simons is a hyperactive fund manager. Bill Gates has only got 23 holdings and his top 10, the one with the least it’s only 1.73%.

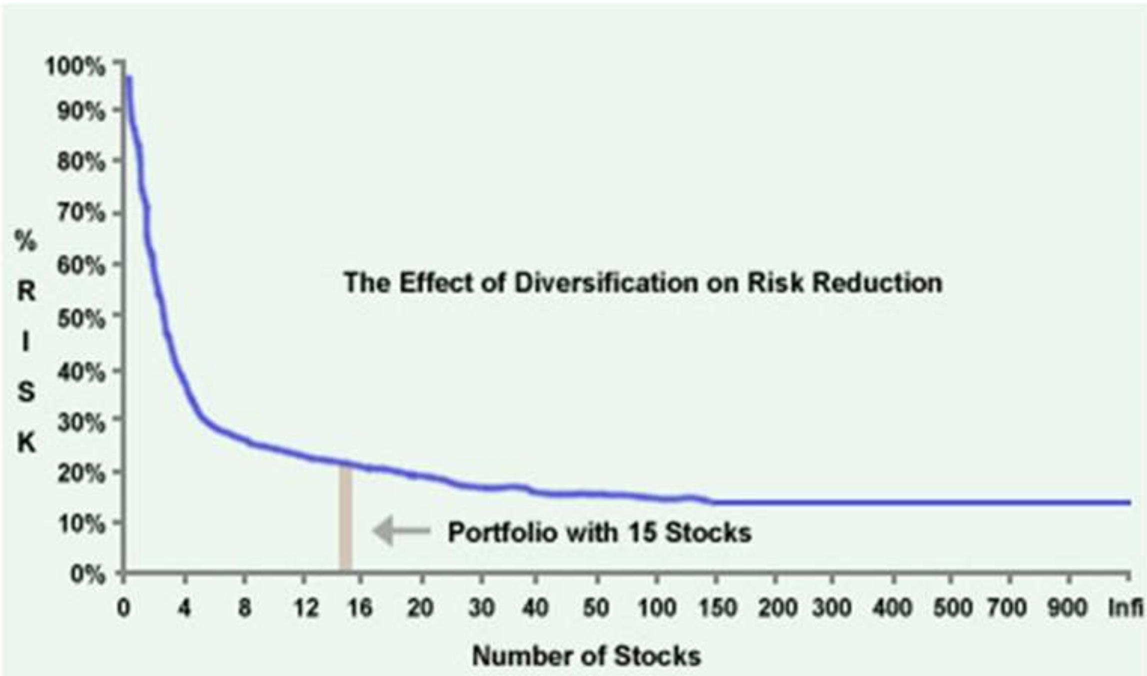
My point is you can see they only have about 15 bloody stocks making any impact so don’t have 40 or 50 stocks.

What do I do? We put it all into all of this. They’re the CROCIs, which I’ll give you some more names in a second, and Sortinos I haven’t got time to go through, but Sortinos and Alpha are two of the most important things.

When the world’s richest sovereign wealth funds look to allocate money, they will ask the fund managers they’re going to put the money into what’s your Sortino and what’s your Alpha.

It's not Sharpe unless you're living in the 1960s. Sortino and Alpha are the things they're going to ask and Deutsche Bank and Goldman Sachs are going to look at CROCIs on the individual companies they invest in, and not PE ratios unless you're living in the 1960s.

I've given you a load of names of what I own, what some of the biggest names in the industry own and why. Filter, filter, filter.



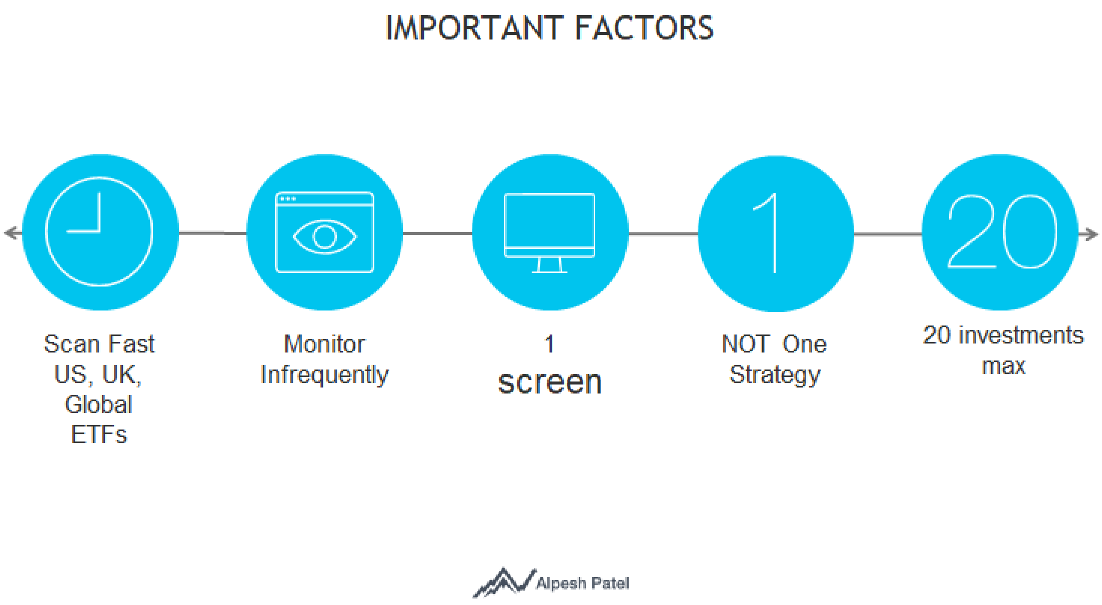
If I'm going to put it in simple terms it's this, monitor infrequently because I showed you the distribution curve, if you monitor every single day all that's going to happen is you're going to panic yourself.

You're going to get out because something is down 10%. In actual fact over the space of a longer period of time, if the positively skewed as the stocks that we've looked at are then you're fine.

No.	Name	Alpesh value/growth rating	CROCI (%)	Price% 6 months ago	Sortino Ratio	Return Alpha %
6	[illegible]	9	17.8	56.77	0.64	10.39
39	[illegible]	8	11.2	24.91	0.78	6.67
42	[illegible]	8	13.4	21.58	0.71	6.90
43	[illegible]	8	14.2	11.95	0.69	9.69
44	[illegible]	8	12	20.68	1.05	12.85
54	[illegible]	8	9.2	20.04	0.91	19.90
57	[illegible]	8	55.6	12.69	0.87	8.45
73	[illegible]	8	65.2	27.69	0.65	21.44
74	[illegible]	8	17.9	29.14	1.45	10.42
79	[illegible]	8	13.3	28.64	0.57	8.19
83	[illegible]	8	14.3	204.2	1.13	24.58
88	[illegible]	8	14.6	24.91	0.59	11.86
101	[illegible]	8	13.2	40.19	0.95	10.80
103	[illegible]	8	17.8	16.13	0.57	15.43
105	[illegible]	8	19.7	22.91	0.69	11.83
106	[illegible]	8	13.8	23.71	0.61	10.39
110	[illegible]	8	18.2	41.86	0.67	10.99
111	[illegible]	8	11.4	42.98	0.64	11.27
115	[illegible]	8	24.7	32.58	0.77	8.24
118	[illegible]	8	34.3	0.66	0.65	12.78

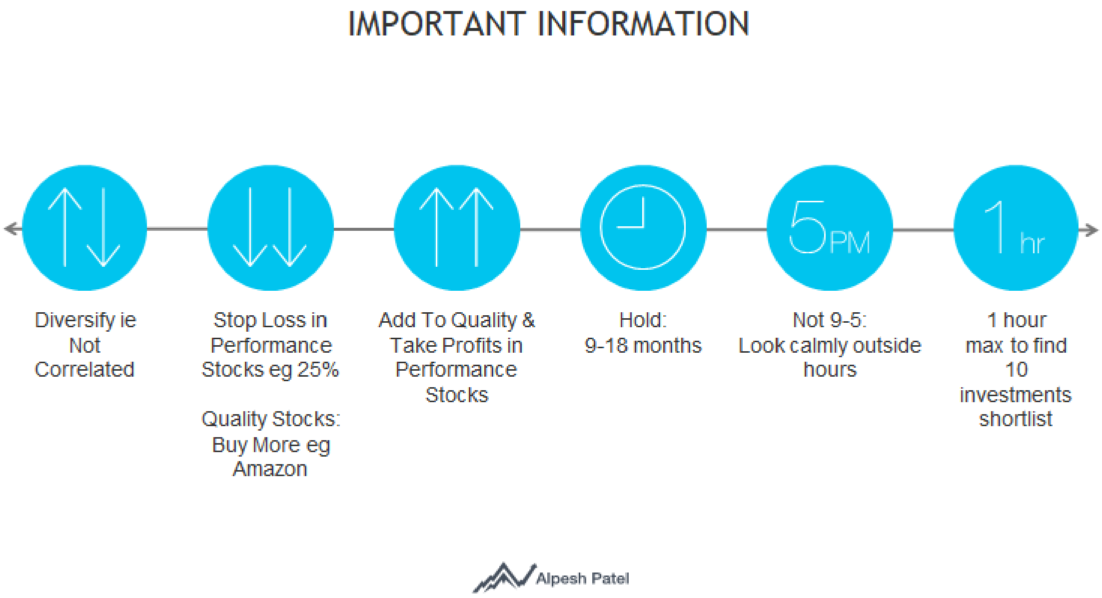
You should diversify and all that means is they're not correlated. I'm heavily invested in tech, but my tech's diversified. Are you telling me Amazon is exactly the same as Microsoft or Apple?

Amazon doesn't make headphones or phones for that matter. Stop loss in performance stocks like I said 25 to 30%, and if it falls you get out unless it's a quality company, which I gave you the names of the five there. What if it rises?



Well if it's a quality company I may well even add to it. Hold for 12 months, don't do this between 9am and 5pm, do it over the weekend like tomorrow because you won't then be looking at the price going, 'It's moving! It's moving! I better buy it!'

In one hour you should be able to get an investment list, a short list of 10 to 15 stocks, and do that once a year. Don't do it every five minutes, do it every year. That's my holy grail and that's my secret vault.

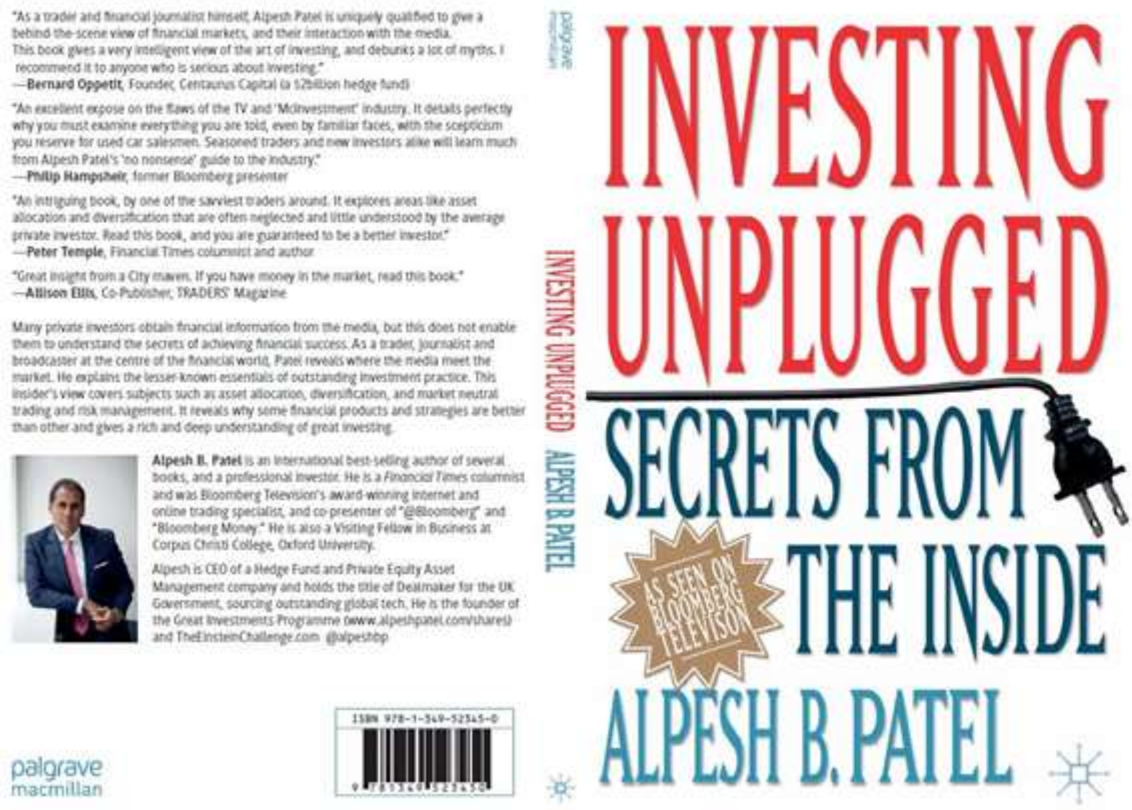


I look, and I tick tick tick. How many of these are green? I want more greens as possible because the more greens I get those are the stocks I want. It's as simple as that.

The biggest problem we then face, and this is the next question we were asked, can't you hold my hand and do it for me?

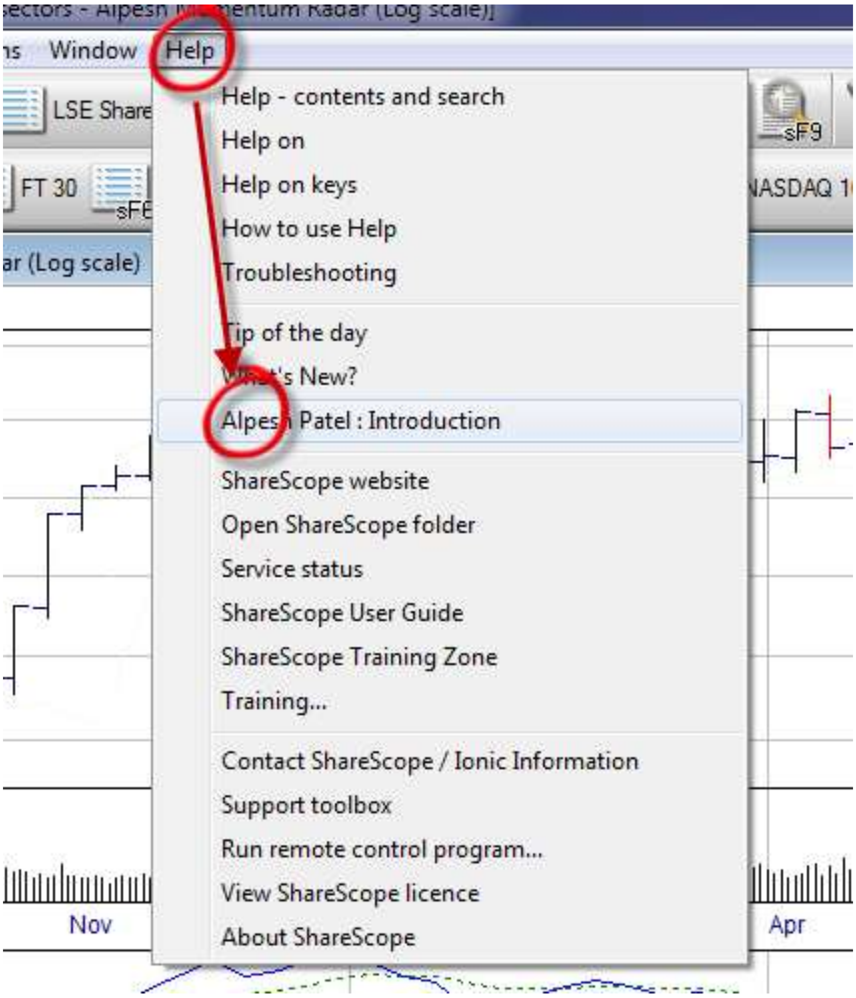
Alpesh Patel

Get a free copy of my book Investing Unplugged from www.alpeshpatel.com



Help Page

Some interesting things you might like:



Personal

Personal? Well no travel. I can show you a bunch of pictures of me on zoom calls? How about some more past hits?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