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Where's The Growth In The Post-Election Cycle?

Sometimes investors get caught up in the news when major events (such as the recent Presidential election) happen and we have to reset ourselves. We at Warren Financial find that the best question to ask ourselves when we need a reset is the title of this article, "where's the growth"? Because growth is the goose that lays golden eggs in our portfolios. It's important to find it, to monitor it, to follow it, and to invest in it if you want your portfolio to grow.

Granted there are all kinds of other ways to invest. Sometimes people talk about being dividend investors. But if you've been following dividends for a while you might notice there are a few flaws in that thinking and that investors who screen stocks for high dividends are really just screening for stocks likely to cut those dividends. There are tech investors – and tech haters like Buffett who quipped that he doesn't understand tech stocks and would never put money in those types of companies. Yet, we find that Buffett is a big investor in IBM whose major thrust is cloud, weird AI "Watson", and consulting in the tech space. And apparently, one of his best friends is Bill Gates who is most famous for starting Microsoft, another tech giant. It seems that perhaps he might not be telling us the whole story. Some people just invest in whatever has done well lately so they can brag about being "in". But we all know that chasing performance is a losing game. At least all of us who have tried it know it's a losing game.

Bottom line. Throw your politics aside. Look at facts, as best as we know them, and make decisions that are likely to create profits for you.

Trump claims he will cut corporate taxes from 35% down to only 15%, so basically every company (at least every company that actually pays taxes – looking at you GE – will be getting a big tax break and those profits will flow down to the bottom line for investors.

Some say that Trump has it in for Silicon Valley and are selling their Facebook (FB), Amazon (AMZN), Netflix (NFLX), and Alphabet (GOOGL) stocks. Interesting theory, but that doesn't seem very realistic or likely.

What do we really know about Facebook, Amazon, Netflix, and Alphabet? Are these consistent growers?

So, we ran a stock screen searching for the magic elixir of Wall Street, “growth”. Here is what we found.

The screen simply asked for a list of companies that:

1. Market Cap over $2billion to eliminate tiny companies that had a growth spurt that might not be sustainable
2. Companies that have grown revenue > 15%/year for the past 5 years
3. Companies that analysts expect to grow earnings > 15%/year for the NEXT 5 years
4. Companies that have earnings/share growth of over 10% this year

These criterion produced a manageable list of 71 companies. That’s right, ONLY 71 companies fit those criterion. If you want growth (and who doesn’t want growth), you can limit your choices down to only these 71 companies.

The criterion indicate that these are consistent growers, not fly-by-night. These companies were growing revenues dramatically over the past 5 years and NOW are expected to convert those revenues into bottom line profits, of which equity investors will expect to get a piece.

Ok, you’re thinking, “stop stalling, c’mon, just tell me”.

Here is a few key stocks from the whole list. We will reserve the whole list for ourselves, but share with you some insights.

1. Three of the four tech giants mentioned in this article are ON the list. ONE is NOT on the list. And I won’t tell you which one – it makes this all more fun. The point however, is that 3 out of 4 of the tech giants being sold off today because of a short term election concern are major growth companies. Growers that you simply don’t find everywhere. Buying opportunity? No doubt.
2. Interesting nuggets on the list include:
    1. MELI – Mercado Libre
    2. UA – Under Armour
    3. LULU – Lululemon
    4. PYLP – Paypal
    5. AMBA – Ambarella
    6. CNC – Centene
3. Who is NOT on the list?
    1. GE – General Electric
    2. IBM – International Business Machines
    3. Not a single DOW stock (DJIA) is on the list
    4. AAPL – not on the list

5. Not a single high paying dividend stock on the list

Some of the stocks ON this list have been sold off recently. One truth that seems unassailable is that stock prices will follow company earnings IN THE LONG RUN. So, let's sharpen our pencil, pointer, mouse, or other device and get busy…. given what we know today as reality.

Below you will find a chart of AMZN, one of the great growth companies of our generation that is expected to continue to grow yet has been sold off lately due to the election.

Consider our expectations, "reset".

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