

**National Association of
Investors Corporation**

"Investment Education Since 1951"

Council Hotline: (718) 856-8462

Computer Group Hotline:
(212) 533-6972 (INV)

On-Line: NYNAIC@better-investing.org

NAIC NEW YORK COUNCIL NEWS

PROVIDING A PATH TO SUCCESSFUL INVESTING

**Save This Newsletter
for Future Reference**

Volume 8 Issue 1
August 1998

NEW YORK CITY 1998-1999 MEETING CALENDAR

Where: Fashion Institute of
Technology (F.I.T.)
27th Street at 8th Avenue
Bldg. A – 8th Floor

When: Third Tuesday of month

What: 6:15 – 6:30 pm
Announcements
6:30 – 7:15 pm
Investment Topic
7:15 – 7:30 pm
Round Tables
7:30 – 8:45 pm
Model Club Meeting

Hotline: (718) 856-8462

■■■ INVESTMENT TOPICS

1998

- 9/15** Investing Resources: Getting Ideas In Print and On-line
- 10/20** Investing for Retirement
- 11/17** When to Sell the "Turkeys"
- 12/15** How to Profit in '99

1999

- 1/19** Profiting from Investment Newsletters
- 2/16** Toolkit 3.0: Computer Software Demo/Discussion
- 3/16** Digging for Gold in Annual Reports
- 4/20** Stock Selection Guide: Going Beyond the Basics
- 5/18** Club Operations: Starting & Running a Club
- 6/15** Finding Profitable Mutual Funds
- 7/20** Asset Allocation: What Is It? Do You Need It?
- 8/17** NAIC Low Cost Investment Plan and Dividend Reinvestment Plans (DRIPs)

PRESIDENT'S MESSAGE

by Phyllis Pawlovsky,
President, NY Council

Many of you may know me in one or more of my other NAIC roles — a New York Council Director, Newsletter Editor,



Regional Contact (listed in *Better Investing*), President of Model Club I, founder of the New York Computer Group, and on the national level, an Associate Director of the Computer Board.

Now, I am very pleased your Board of Directors has asked me to serve as your President.

My involvement with NAIC began in 1984 when I joined as an individual member and began investing, all alone, in the NAIC Low Cost Investment Plan. I was thrilled when Stephen Beer, our Council Founder, scheduled a start-up meeting in August 1989, and since then I have not lost the enthusiasm for community investment education. From that early beginning, a dedicated band of volunteers is responsible for the fine organization that now exists in our area offering investment education classes in Manhattan, Queens, Staten Island, Nassau, Suffolk, and Westchester.

Looking forward, your council plans to:

- Increase the number of low-cost investment education classes, Investors' and Computer Fairs, seminars, workshops and hands-on computer courses;
- Schedule regular breakfast meetings for club presidents and treasurers;
- Enhance council communications by taking this newsletter on-line on the New York Home Page (www.better-investing.org);
- Bring investment education classes to high schools, libraries and universities in new communities;
- Improve our council Hotline;
- Develop NAIC divisions in Kings and Suffolk Counties;
- Establish a youth investment program.

To achieve these goals, I will be working with an outstanding council board and volunteers. Your support of our educational investment programs over the years has been gratifying. We now invite you to volunteer your energy, skills, and time. Consider setting up an NAIC division in your area, teaching or assisting in a course, mentoring new members or start-up clubs, or writing for the newsletter. Use your imagination — notice what's missing and let's make it happen together!

DIVISION MEETINGS

■ LONG ISLAND – (718) 527-6954

Where: St. James the Just, 858 Roosevelt Avenue, Franklin Square, NY

When: Last Tuesday of month, 7:30 pm

What: Timely investment issues; Model Club meeting with stock presentations.

■ STATEN ISLAND – Joe Fisher: (718) 948-5048 (work); (718) 948-9014 (home)

Where: Messiah Lutheran Church, Jefferson Blvd. and Drumgoole Rd. E.

When: First Tuesday of month, 7:30 pm

What: Investment seminar and stock presentations.

■ WESTCHESTER – Linda Smalheiser: (914) 693-8845

Where: Marymount College – Gloria Gaynes Library

When Wednesday, October 7 – *All About Value Line*; Thursday, November 12 – *Investing & for a Comfortable Retirement*; Tuesday, December 8 – *Understanding Annual*

What: *Reports*. All meetings are at 7:30 pm

COMPUTER GROUP MEETINGS

A Joint Venture of NAIC and NYPC

Where: Microsoft Corp.
825 8th Ave at 49th Street
(At 8th Ave.), 18th Floor

When: Second Friday of month
6:15 p.m. – 8:15 p.m.

**Call the NYPC Hotline
(212) 533-6972
3-letter code (INV)**

for meeting notices and updates.

Would you like to meet in a congenial, informal environment with a group of like-minded computerized investors to continue your investment education?

At each meeting, we will analyze the "Undervalued Stock" or "Stock to Study" discussed in the current *BETTER INVESTING*. Most discussions and presentations involve the use of NAIC computerized investing tools, but other software, or investment topics of interest to the group, will also be considered.

Everyone is welcome and admission is free. But, in order to benefit, attendees are encouraged to join the NAIC Computer Group and get access to *Better Investing BITS*, the NAIC computer magazine.

It is recommended that anyone interested in using a computer to enhance investing join the NYPC, the NY Personal Computer Users' Group. The NYPC is an indispensable computer-education resource that benefits both novices and experienced computer users. In addition to free Special Interest Group meetings, reasonably-priced classes are available ranging from introductory to advanced topics. Discounts are also available for magazine subscriptions, books and software. In addition, members receive passes to trade show exhibits, including free admission to PC Expo. For more information, call (212) 984-0626.

HANDS-ON COMPUTER COURSES COMING IN JANUARY

The New York Council will be sponsoring several three-hour hands-on workshops on the Investor's Toolkit 3.0, the NAIC's official stock evaluation software, and Club Accounting on Saturdays and Sundays in Manhattan.

Computer users who are interested in obtaining more information should e-mail Phyllis Pawlovsky at 72652.2216@Compuserve.com.

COMPUTER CORNER

Investing and the Internet

by Avi Horwitz

As a regular feature, we will be exploring Internet sites designed to make investing a more enjoyable and profitable experience. We will explore sites providing general information on investing and sites that allow you to track your portfolios and gather information on specific stocks.

NAIC's own Web Site can be found at www.better-investing.org. Go there and at the very bottom of the screen click on Web Site Navigator. Up comes a directory of virtually every location on the NAIC Site organized into major categories. Some of these are: **About NAIC & Membership**, **Learn to Invest the NAIC Way!**, **NAIC Computer Services and Investment Club Info**.

(NOTE: To quickly navigate to a linked page, click on the underlined words that describe the item you're interested in.)

Some links you shouldn't miss include:

Regional Councils and Investment Club Mailing List (both located under **Learn to Invest the NAIC Way!**)

Stock Mockers: All Gain, No Pain

by Anita Hunter

Would you like to learn how to invest the NAIC way without the risk of losing any money? If so, the Stock Mockers, the Computer Group's (mock) Investment Club, may be the answer.

Dedicated to the use of computers for investment education and decisions — the club researches and evaluates stocks using NAIC stock evaluation software *without* using real money. Because the club is a SIG (Special Interest Group) of the NYPC (New York Personal Computer Users' Group), investing with real money is not allowed. However, the club has found a way to monitor investor's "as-if" contributions and "as-if" gains or losses.

The club, with 41 members, follows the principles and philosophy of NAIC and began operations in June, 1998. Officers are: President, Virginia Washington; Vice President, Pat Gorman; Secretary, Doris Schreiber and Co-Treasurers, Marie Warren and Gayle Freeman.

Click on Regional Councils. Under New York, click on New York Council to get up-to-the-minute news on your Council's activities, meetings and classes.

Click on Investment Club Mailing List to learn about the **I-Club List**, a daily discussion forum on investment related topics. Here, via e-mail, subscribers can pose questions regarding the NAIC, club matters, investing, SSG's, etc. Answers are provided by other subscribers. At present, the list has 3,000 subscribers, so invariably at least one person will know the answer.

Want to start an investment club and need help? Click on Suggested Steps For Starting An Investment Club. You will find step-by-step instructions on how to get started. This link is located under **Investment Club Info**.

Under **Company Information & Investing Ideas**, don't miss Investor's Information Reports. Here you can order free "Green Sheets" from NAIC via e-mail. Green Sheets are reports containing financial information about individual companies in almost the format needed to complete its SSG. A real time-saver! A complete list of companies for which Green Sheets are available is present here.

Meetings include an educational segment, and a Question and Answer period on any investing-related subject. At each meeting, there is in-depth research discussion of an industry and promising companies are identified and evaluated. It is not necessary to be computer-literate to profit from the meetings.

What is The New York Council of NAIC

NAIC is a national not-for-profit investor education organization which operates through 78 regional councils. The New York Council offers low-cost education programs to investment clubs and individuals, including stock analysis courses, an Investor Fair, Model Investment Clubs and a Computer Investing Club and courses.

To communicate with NY Council Directors or to request information, go to **www.NYNAIC@ better-investing.org**

Evaluating Your Club's Performance

by Lois Nordwall

How is your club doing? Is it an All Star Club? Would a portrait of your club show success?

The success of a club is not determined by the percent of capital gain alone. In this market it is easy for a club to have financial success. But, how about the other areas of club activity — education, goals, member involvement?

EDUCATION: Is each meeting an opportunity for your members to learn about investing? Enhancing the education of its members is the most important function of a club. The NAIC movement differs from the speculative nature of early stock clubs because it is based on concepts that encourage the education of its members. By using easy to understand rules for investing, clubs and individuals can increase their wealth. In the first years, you will be learning the basic NAIC stock study tools. The education process does not stop here but is a continuing effort. Even the club that has been established for many years finds that if the members aren't learning, interest declines. Fresh ideas can be found in *Better Investing* to expand the

club's knowledge. New technology can also be used to enhance programs.

GOALS: One of the key elements of a successful club is its ability to set goals and then achieve those goals using the NAIC tools. Most clubs have the general goal of making a profit. This long term goal needs to be supported with specific short term goals. In choosing a stock do you set requirements for that particular stock purchase? Try making a list of specifics designed to move the club forward. This will give direction to your work and make decisions easier to reach. When a goal is reached, celebrate the achievements together.

MEMBER INVOLVEMENT: Are all the members of your club actively involved? Do they attend meetings and pay their dues on time? Is the work load evenly distributed? Club success is directly related to the participation of the members. However, there does need to be an established comfort level within the club that makes it easy for even the novice members to participate. Open discussion on important issues should be encouraged. Each member needs to feel that his/her participation is vital to the club. Also, plan for some fun in your activities. A balance needs to be struck, so that the meetings are a mixture of both business and fun.

Clubs that practice these traits are successful and tend to have thriving portfolios. Remember the three E's — Education, Enjoyment, and Earnings. How does your club rank?

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Nora Nordwall is President of the Puget Sound Council*

How To Find Good Companies

In the March, 1998 issue of *Better Investing*, Koush Maisher, Ph.D., wrote an article, "A One-Page Quick Analysis of a Stock," that is strongly recommended for all who want to find out in just 10 minutes whether a stock merits doing an SSG or fails to measure up to NAIC criteria because it is too far out of the Buy range, etc. A one-page checklist is provided for xeroxing multiple copies. Rated "Extremely Useful" by our panel.

■ Attention Investors

NAIC forms, manuals or supplies are available through the New York Council by calling Al Clarke, (718) 525-7563 or you may order direct from NAIC in Madison Heights, Michigan (248) 583-6242.

FINDING STOCKS TO STUDY:

In a universe of more than 10,000-listed stocks, how does one narrow down the number of choices so as to find worthwhile stocks in which to invest. One possible research tool is:

The NAIC Investor Advisory Service (The IAS)

"One of the best investments I ever made," is how NY Council Director and investment class teacher Anita Hunter describes the NAIC Investor Advisory Service (IAS). The service, which is offered to NAIC members and non-members alike, provides three stock recommendations with a three-to-one

probability of doubling in price in five years.

If only for Cardinal Health (formerly known as Cardinal Distribution Inc.), which she bought in 1992 at \$29.50 per share, now selling in the high \$80s. Ms. Hunter says the IAS would have paid for itself many times and heads up her list of valuable guides to stock selection.

The annual fee for the service is \$119 for NAIC members and \$155 for non-members. Individuals or clubs may subscribe. New stock recommendations and followup of 80 previous recommendations — sorted by ticker symbol, total return and price-earnings ratios — are mailed to subscribers each month.

Each recommendation, selected by a committee of experienced investors, includes a completed Stock Selection Guide, a funda-

mental analysis discussion in non-technical language and statistical data. There is also an Investment Outlook section and News of Companies (that are being followed).

Also available is a one-month \$20 trial subscription (deductible for NAIC members who later subscribe annually) including one issue of the Advisory Service, and an informational video and brochure. To subscribe, look for the IAS ad in *Better Investing* or call NAIC at 248-583-6242 (x 336 for the Service).

Socially Responsible Investment Clubs

are wanted by television shows. If your club invests only in "good citizen" companies, call Anita Hunter at 212-593-0624 and tell her about the group.

We are also interested in helping socially responsible investment clubs make contact with others who follow the same principles, to facilitate their efforts in identifying and studying companies that fit their parameters.

Attention all Club Members and those wishing to form clubs: Recently added to the NAIC Web site are three articles that you may find helpful:

- **An Intro to Investment Clubs** (www.better-investing.org/clubs/club_intro.html)
- **A Club Startup Procedure** (www.better-investing.org/clubs/clubstartup.html)
- **The Club Meeting Agenda: or "13 Steps to Running a Successful Investment Club Meeting"** (www.better-investing.org/clubs/agenda.html)

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Understanding Annual Reports

by Bob Freeman

In our search for quality growth companies, we are taught to tap into many sources of information. One of them is a company's Annual Report.

An Annual Report is a record of a company's financial condition that the Securities and Exchange Commission requires be distributed to shareholders.

The three main sections are:

1. **Letter To Shareholders.** This is almost always an upbeat overview of the business and financial performance. Usually, failures to accomplish objectives and problems are glossed over briefly. Glowing plans for the future and minor triumphs are expanded. Some investors say that they read this section last, if at all.

2. **Business Review.** This section summarizes recent developments, acquisitions, trends, and objectives.

3. **Financial Review.** This is a picture of the company's performance as shown by Management's Discussion and Analysis, Audited Financial Statements, the very important Notes to Financial Statements, and biographical information on management. This section contains dollars and cents tables of income, balance sheets, cash flows, and very important details on inventories, securities, debt, and taxes.

When analyzing the Balance Sheet, among the financial ratios to consider are: working capital, current ratio and inventory turnover.

Working capital is current assets minus current liabilities. It should be sufficient to prevent difficulties if business falls off temporar-

ily or to allow the company to take advantage of opportunities requiring cash. In growth companies, working capital should increase year to year.

Current ratio is current assets divided by current liabilities. Ratios should be 2 to 1 for manufacturing companies and 1 to 1 for non-manufacturing companies. If the current ratio is too low, the company could run out of near term cash requirements and if it's too high, it might not be employing its cash to its fullest advantage.

Inventory turnover is the cost of sales divided by the average inventory. The ending inventory may alternately be used. This shows how many times during a period the inventory is entirely sold and replaced. A high turnover indicates both consumer acceptance of the product and proper pricing. A large increase in inventory over the previous year might indicate that the product was not selling as well. This is useful in comparing companies within an industry.

Another very useful section is the Income Statement. This shows the sales, pre-tax profits, and earnings, all of which are used to complete the Stock Selection Guide. Caution should be exercised in deciding whether or not to normalize the data. That is, to include one time charges or extraordinary sources of income.

A discussion of Annual Reports might also note the Nicholson Awards, an NAIC award for the annual reports which present information that is most complete and easy for the reader to find. Nicholson judges' recommendations have enabled many companies to improve the quality of their reports.

The analysis of an Annual Report should, like the Stock Selection Guide, and other tools of the NAIC, be considered only as an aid to judgment.