



# My unique approach to stock research





# Disclaimer

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## Angie Ellis

I am a full time investor. I have been investing in shares since I was in my mid 20's but only full-time for 4 years.

I am a qualified accountant and ran a successful accounting software consulting business for many years.

I am featured each Sunday in The Age Shares race after being invited to join 2 ½ years ago.

You can follow me on twitter @802oinvest @angiejellis or find me on LinkedIn



# The 4 week Shares Race

<b>1st Angle Ellis 80 20 Investments*</b>  <table> <tr><td>Afterpay T</td><td>\$9460</td></tr> <tr><td>Axess T</td><td>\$10,126</td></tr> <tr><td>Dropsuite</td><td>\$17,241</td></tr> <tr><td>FAR</td><td>\$11,000</td></tr> <tr><td>Galilee Envy</td><td>\$24,167</td></tr> <tr><td>IDP Edu</td><td>\$10,838</td></tr> <tr><td>Livehire</td><td>\$9256</td></tr> <tr><td>Lorisa</td><td>\$9753</td></tr> <tr><td>Specialty</td><td>\$13,026</td></tr> <tr><td>Topbeta</td><td>\$6727</td></tr> <tr><td><b>Total</b></td><td><b>\$123,796</b></td></tr> </table>	Afterpay T	\$9460	Axess T	\$10,126	Dropsuite	\$17,241	FAR	\$11,000	Galilee Envy	\$24,167	IDP Edu	\$10,838	Livehire	\$9256	Lorisa	\$9753	Specialty	\$13,026	Topbeta	\$6727	<b>Total</b>	<b>\$123,796</b>	<b>2nd Richard Pritchard Chartist*</b>  <table> <tr><td>Adriatic</td><td>\$17,500</td></tr> <tr><td>AMP</td><td>\$9890</td></tr> <tr><td>Bod Aust</td><td>\$9316</td></tr> <tr><td>Boral Ltd</td><td>\$10,379</td></tr> <tr><td>Boss Res</td><td>\$9722</td></tr> <tr><td>Galilee Envy</td><td>\$24,167</td></tr> <tr><td>Link Admin</td><td>\$10,407</td></tr> <tr><td>Phoslock</td><td>\$11,791</td></tr> <tr><td>Tabcorp</td><td>\$9739</td></tr> <tr><td>Tikonic</td><td>\$10,428</td></tr> <tr><td><b>Total</b></td><td><b>\$123,338</b></td></tr> </table>	Adriatic	\$17,500	AMP	\$9890	Bod Aust	\$9316	Boral Ltd	\$10,379	Boss Res	\$9722	Galilee Envy	\$24,167	Link Admin	\$10,407	Phoslock	\$11,791	Tabcorp	\$9739	Tikonic	\$10,428	<b>Total</b>	<b>\$123,338</b>	<b>3rd Mendy Amzalak AMZ Capital*</b>  <table> <tr><td>Asia Pac Dig</td><td>\$10,333</td></tr> <tr><td>Aurora Labs</td><td>\$9252</td></tr> <tr><td>FAIR</td><td>\$1,000</td></tr> <tr><td>Galilee Envy</td><td>\$24,167</td></tr> <tr><td>Helios</td><td>\$8772</td></tr> <tr><td>Hydron</td><td>\$9569</td></tr> <tr><td>Klag River</td><td>\$10,430</td></tr> <tr><td>Opas Grp</td><td>\$12,987</td></tr> <tr><td>Paladin</td><td>\$9474</td></tr> <tr><td>Telstra</td><td>\$9034</td></tr> <tr><td><b>Total</b></td><td><b>\$123,019</b></td></tr> </table>	Asia Pac Dig	\$10,333	Aurora Labs	\$9252	FAIR	\$1,000	Galilee Envy	\$24,167	Helios	\$8772	Hydron	\$9569	Klag River	\$10,430	Opas Grp	\$12,987	Paladin	\$9474	Telstra	\$9034	<b>Total</b>	<b>\$123,019</b>	<b>4th Dartboard*</b>  <table> <tr><td>Auckland Air</td><td>\$9813</td></tr> <tr><td>Chart Hall Ret</td><td>\$10,312</td></tr> <tr><td>Energ Mts</td><td>\$10,459</td></tr> <tr><td>Helloworld</td><td>\$10,345</td></tr> <tr><td>Nesoblast</td><td>\$9866</td></tr> <tr><td>Noritas</td><td>\$10,803</td></tr> <tr><td>New Hope</td><td>\$11,805</td></tr> <tr><td>Pinnacle</td><td>\$10,264</td></tr> <tr><td>Tanaga Gold</td><td>\$10,541</td></tr> <tr><td>WAM Leaders</td><td>\$10,088</td></tr> <tr><td><b>Total</b></td><td><b>\$103,056</b></td></tr> </table>	Auckland Air	\$9813	Chart Hall Ret	\$10,312	Energ Mts	\$10,459	Helloworld	\$10,345	Nesoblast	\$9866	Noritas	\$10,803	New Hope	\$11,805	Pinnacle	\$10,264	Tanaga Gold	\$10,541	WAM Leaders	\$10,088	<b>Total</b>	<b>\$103,056</b>
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\* This portfolio is outperforming the All Ordinaries Index, which is up 55.2 points since 14 June, 2018

The Shares Race is a fantasy shares game.  
Contestants start with \$100,000 across 10 stocks. It runs for 4 weeks



# The Long Race

## 1st Angie Ellis 8020 Investments\*

	Altium Ltd	\$14,075
	APN Outdoor Grp	\$8,420
	Aristocrat	\$15,422
	Costa Grp	\$4,143
	Elec Opkic	\$12,500
	Gentrack	\$40,666
	IEL	\$14,102
	Lovisa	\$56,616
	Paragon	\$11,262
	Treasury Wn	\$1,960
	<b>Total</b>	<b>\$144,565</b>

## 2nd Melissa Browne AGTA\*

	AmaysimAu	\$90,23
	Creditak	\$8,214
	GO Educate	\$13,316
	Healthscope	\$9,049
	NEXTDC	\$12,105
	OE Minerals	\$9,419
	Seek	\$11,095
	The A2 Milk	\$35,714
	Webjet	\$11,013
	Xero	\$16,553
	<b>Total</b>	<b>\$138,260</b>

## 3rd Phil Baker AFR Journalist\*

	Centrepk All	\$10,407
	CSL	\$12,609
	Event	\$10,115
	Isentia Grp	\$4,241
	NAB	\$11,323
	QBE Insur	\$9,586
	South32	\$12,146
	Steadfast	\$12,137
	The A2 Milk	\$35,714
	Treasury Wn	\$13,676
	<b>Total</b>	<b>\$132,225</b>

## 4th Hina Chowdhary Kalkine\*

	Cresco	\$12,731
	Datase3	\$11,012
	Dowaco Intl	\$12,267
	GO Educate	\$13,316
	Galaxy Res	\$29,801
	Infigen	\$7,171
	Netcomm	\$6,848
	Pilbara Nla	\$13,451
	Praemium	\$15,504
	TPG Telecom	\$7,998
	<b>Total</b>	<b>\$130,099</b>

## 5th Dartboard\*

	Apollo TSL	\$12,559
	Austal Ltd	\$10,958
	AVJ	\$11,190
	Beta Res	\$10,422
	ERA	\$7,724
	Global Const	\$14,544
	Lithium Pwr	\$15,614
	Pioneer Cr	\$5,079
	Prog Maint	\$17,539
	Tatts Grp	\$9,164
	<b>Total</b>	<b>\$127,795</b>

## 6th Scott Phillips The Motley Fool\*

	Aconex	\$8,134
	Capilano	\$10,628
	Cash Conv	\$10,278
	Computerskr	\$12,190
	Corp Travel	\$13,989
	Flight Centre	\$16,338
	Nanosonics	\$9,770
	Pro Medicus	\$12,624
	SoulWH	\$10,748
	Treasury Wn	\$11,676
	<b>Total</b>	<b>\$119,374</b>

## 7th Rod Leonard Money reader\*

	IEL	\$8,300
	INT Resrch	\$13,410
	NAB	\$11,323
	Nanosonics	\$9,770
	Natrelcare	\$12,823
	NIB Hldgs	\$14,457
	Orora	\$11,864
	Ramsay	\$10,192
	Seek	\$13,055
	Wattle	\$13,967
	<b>Total</b>	<b>\$119,161</b>

## 8th Joan Ponsford Money reader\*

	BHP Billiton	\$10,095
	Computerskr	\$13,920
	Forbescue	\$8,365
	Invo Care	\$13,126
	JIB Hi-Fi	\$8,901
	Kogan.Com	\$14,801
	Mirrabooka	\$9,859
	Ramsay	\$10,192
	Tassal Grp	\$11,658
	Treasury Wn	\$13,676
	<b>Total</b>	<b>\$116,793</b>

\* This portfolio is outperforming the All Ordinaries Index, which is up 256.5 points since 26 Jan 2017

The Year-Long Race running from January to December has 12 players, including the dartboard, and includes share price growth plus dividends.

# Points to Cover today

- My resources
- How I research for the 4 week race
- How I research for the long race
- Trading Plan

# My resources

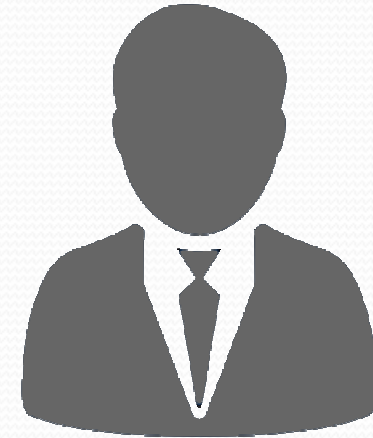
- [Livewiremarkets.com](http://Livewiremarkets.com)
- [Morningstar.com.au](http://Morningstar.com.au)
- [shortman.com.au](http://shortman.com.au)
- [MarketIndex.com.au](http://MarketIndex.com.au)
- Financial Review
- Twitter
- Watch videos on the company in youtube
- Review news articles from trade mags
- Investment Groups
- Morningstar





# Directors' Transactions

See who's buying and selling shares in their own company



## Where is the data from?

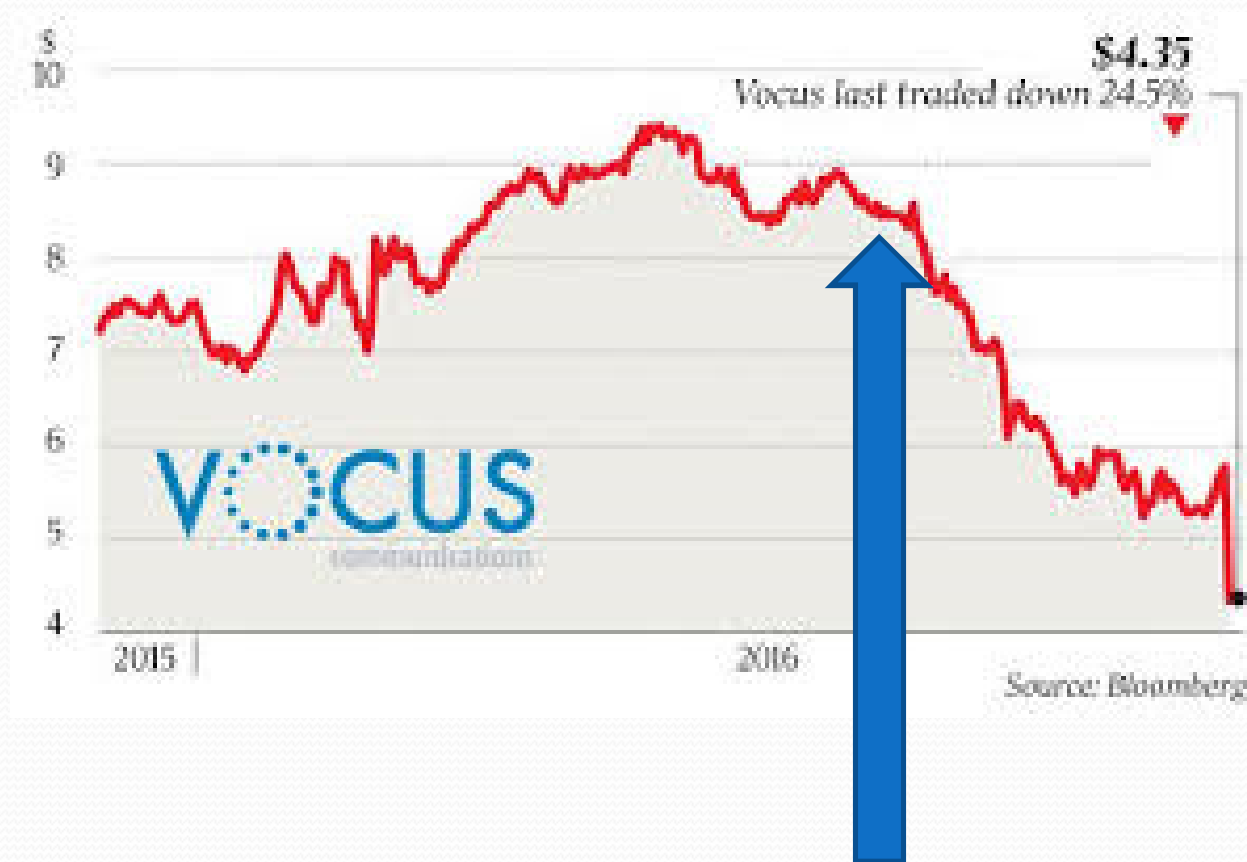
Company directors' must notify the market of all share transactions they make in their own company.

The ASX requires them to lodge an "Appendix 3Y - Change of Director's Interest Notice" within 5 business days<sup>[1]</sup>.

**Market Index manually documents every Appendix 3Y each day.**

- **Market Index publishes the on-market share transactions made by company directors of every ASX listed company.**
- Daily monitoring of over 2,000 companies
- Every "Inside Trade" is disclosed
- Monitoring directors' holdings is based on the theory that no one buys shares in a company expecting the share price to fall.
- Directors' have a better understanding of their business and its future growth prospects. They also have a vested interest in its success.
- By uncovering who's buying and selling shares in their own company, Australian investors can extend their scope of research beyond fundamental and technical analysis.

# Vocus Communications



- CEO sold at \$8.33 – this was selling over 75% of his shares in the company



## Part 1 - Change of director's relevant interests in securities

*In the case of a trust, this includes interests in the trust made available by the responsible entity of the trust*

Note: In the case of a company, interests which come within paragraph (i) of the definition of "notifiable interest of a director" should be disclosed in this part.

<b>Direct or indirect interest</b>	INDIRECT
<b>Nature of indirect interest (including registered holder)</b> Note: Provide details of the circumstances giving rise to the relevant interest.	Director and sole shareholder of Spenceley Management Pty Ltd, the trustee of the Spenceley Family Superannuation Fund (of which Mr Spenceley is a member) and the Spenceley Family Trust (of which Mr Spenceley is a beneficiary)
<b>Date of change</b>	24 August 2016
<b>No. of securities held prior to change</b>	4,200,000 ordinary shares
<b>Class</b>	Ordinary shares
<b>Number acquired</b>	-
<b>Number disposed</b>	3,200,000
<b>Value/Consideration</b> Note: If consideration is non-cash, provide details and estimated valuation	Total consideration of \$26,663,518





# Shortman.com.au



I look at this each day

Short selling is a technique used to profit from a fall in the price of a stock.

It is a method where you sell first, and buy later - if the price of the stock drops then you are selling for a higher price than you are buying resulting in a profit.

Even if you do not participate in short selling yourself, knowing which ASX stocks are being shorted by others can provide some useful insights into the opinions of the market.

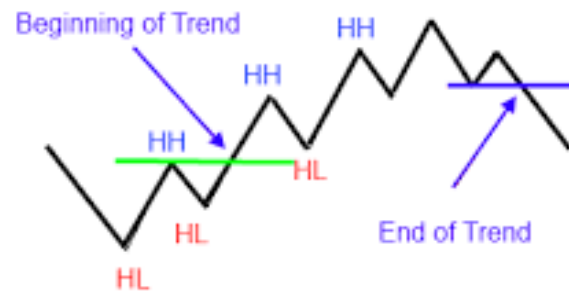
# U3A What I learnt from Graham



The 1<sup>st</sup> time I was in the shares race I came 2<sup>nd</sup> beaten by the Benalla U<sub>3</sub>A. I visited their group a few times and learnt a lot from the organizer Graham who at 92 had lots to teach me about investing – the most important being Dow Theory




### Dow Theory Trend Definition



There are six main components to the Dow theory. They are summarized briefly here:

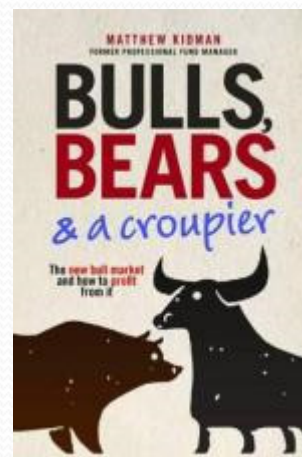
1. *The market discounts everything.*
2. *There are three kinds of market trends.*
3. *Primary trends have three phases.*
4. *Indices must confirm each other.*
5. *Volume must confirm the trend.* Volume should increase if price is moving in the direction of the primary trend, and decrease if it is moving against it.
6. *Trends persist until a clear reversal occurs.*

- 
- Follow fund managers buys & sells
  - Read the annual report, visit the store, try the product – there are lots of ways to understand a business
    - Go to the AGM - alot of info comes out from the AGM
    - Don't put yourself in a position when you HAVE to sell. Make sure you have enough cash so you don't back yourself into a corner.



# My Books

- Bulls, Bears and a Croupier
  - The prologue presents Peter Proksa, the croupier at Crown Casino, showing how he randomly made and lost fortunes before finally harvesting millions from what some may say was lucky strike. However there was a method to his madness so his stock selection process would likely interest others to at least ponder in view of the results it produced.
  - Peter Proksa believes he needs only two of his high-risk investments to work for him to live the life of a millionaire.
  - In his bid to avoid paying too much for a stock he has limited his investments to shares or options that trade at 1 cent or less. This method also removes the possibility of his becoming enchanted by the story rather than concentrating on the facts presented in the accounts.
  - I have connected with Peter Proksa now and he has a set of rules for investing





# My method for the shares race

**As the race goes for 4 weeks I need to choose shares that have**

- strong volume
  - Strong and consistent share price gain - no down days before the race start
  - An easy to understand business
  - Low debt
  - Global operations
  - A good story
  - 9, 21, 30, 40 day moving averages are ALL going up
  - 9 day MA has crossed 21 day in a bullish way
  - Lots of interest in the company
  - Lots of interest in the industry
  - Talk of a catalyst (earnings announcement, takeover, new markets)
  - Low or no shorts
  - Directors' buying not selling
  - fund managers are buying
  - Positive and strong activity on hotcopper
- HOT HOT HOT





# High Flyers

- I had to choose my shares for the current race on the 14<sup>th</sup> July, 2018 and 2 articles had sparked my interest in DropSuite

## DropSuite passes 300k users

NEWS.com.au - 14 Jun. 2018

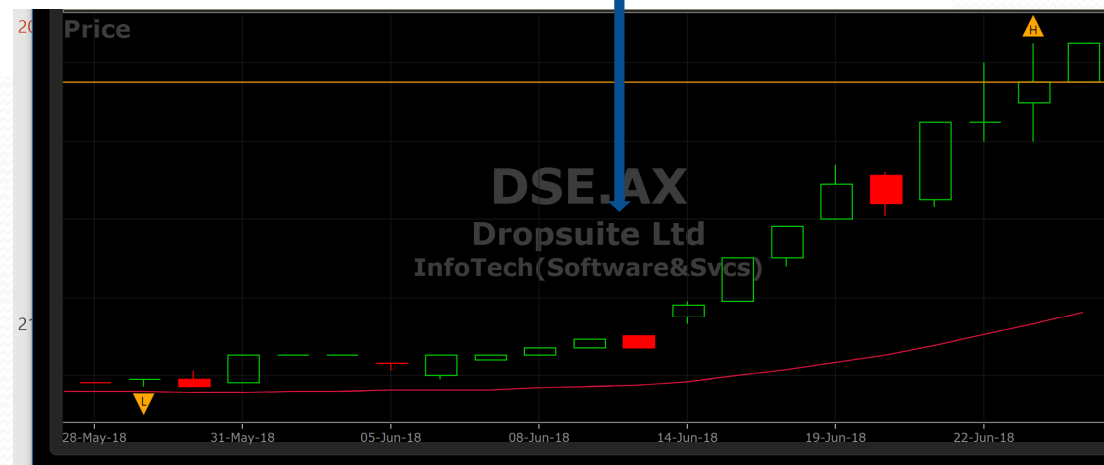
Cloud data backup platform, **DropSuite**, has exceeded 300,000 paid users and secured a new partnership with a leading Vietnamese hosting ...



## DropSuite announces record growth numbers on the back of cloud ...

Small Caps - 13 Jun. 2018

Cloud technology company **DropSuite** (ASX: DSE) has announced record performance metrics including 300,000 paid users and \$3.4 million in ...



# Specialty Fashion Group

- Went into a few stores and spoke to staff about working conditions and demand for the product
- Connected on-line to bloggers who make their money from try on haul videos
- Attended a lunch with CEO and CFO presenting
- Bought some clothes to understand quality
- Reviewed their online website

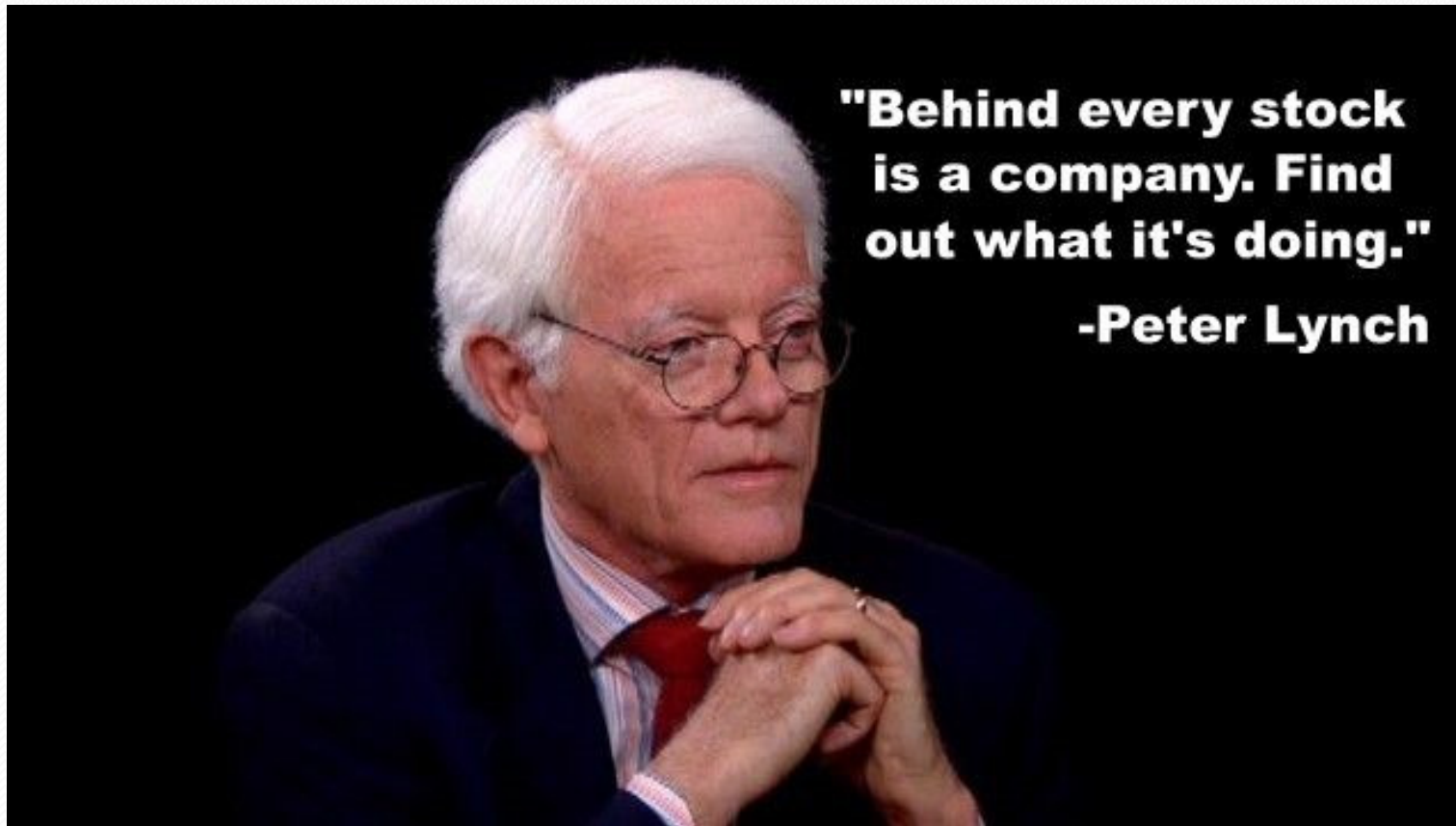




# My long term approach



# 1. Do your research



# Get ideas from things around you

I bought A2 Milk at 80c. There were many articles in the AFR about formula demand in China that sparked my interest in this stock.

I opened my friend's fridge one day and there were 6 large bottles of Azmilk in the fridge! I thought "is this a buy signal" I had been researching it all week.

When Blackmores released a milk formula product I went into a chemist warehouse and asked about the sales of the formula – the lady was kind enough to look into her sales database and told me they had not sold even 1 in 6 months!

I meet with a girl Yumi on a monthly basis – she is a diagou and sends the milk formula back to china. She updates me on trends in this area



H B B H B B H S B H H S H S B H B H B H B B B B B B S H

Price

A2M.AX

a2 Milk Co

Consumer Staples(Food,Bev&Tob)

10.890

May 2015 Sep 2015 Jan 2016 May 2016 Sep 2016 Jan 2017 May 2017 Sep 2017 Jan 2018 May 2018



# Treasury Wines

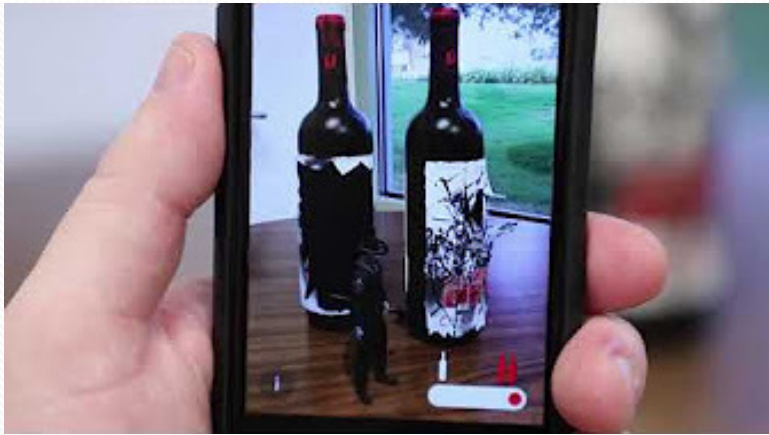


Chinese middle class theme  
I meet with a Chinese Diagou on a monthly basis to discuss trends in China. She lets me know about products that are popular on social media in China. She tells me Chinese ladies like to drink a glass of red wine before bed for good health!



I connect through LinkedIn to wine experts based in China. I read their updates.  
I follow wine trade magazines to see trends  
I google the names of the wine to see what is in the news.  
I am impressed with the augmented reality wine labels

# Augmented reality wine labels





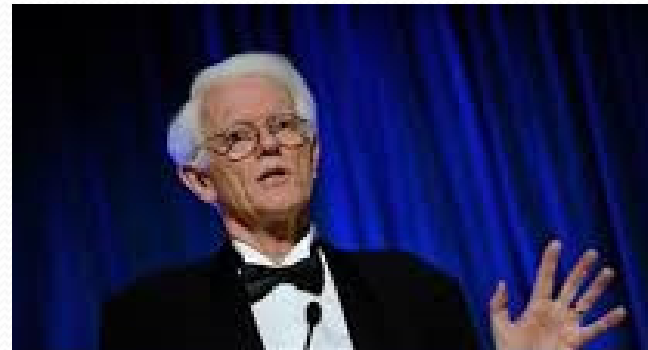
## 2. Simple business



If you're prepared to invest in a company, then you ought to be able to explain why in simple language that a fifth grader could understand, and quickly enough so the fifth grader won't get bored.

— Peter Lynch —

AZ QUOTES



***"Go for a business that any idiot can run - because sooner or later, any idiot probably is going to run it."***

***Peter Lynch***





Lovisa Holdings Limited is engaged in the retail sale of fashion jewelry and accessories.

It operates in Australia, New Zealand, Singapore, Malaysia, South Africa and the United Kingdom, and franchised stores in the Middle East (Kuwait, the United Arab Emirates and Saudi Arabia).

The Company utilizes daily inventory monitoring software and airfreight to move product to store locations within approximately 48 hours from its centrally located warehouses in Melbourne and Hong Kong.

320 retail stores.

Each store contains an average of over 2,500 product lines.

# Reason I like Lovisa

Simple business

I visit the store to see if it's busy

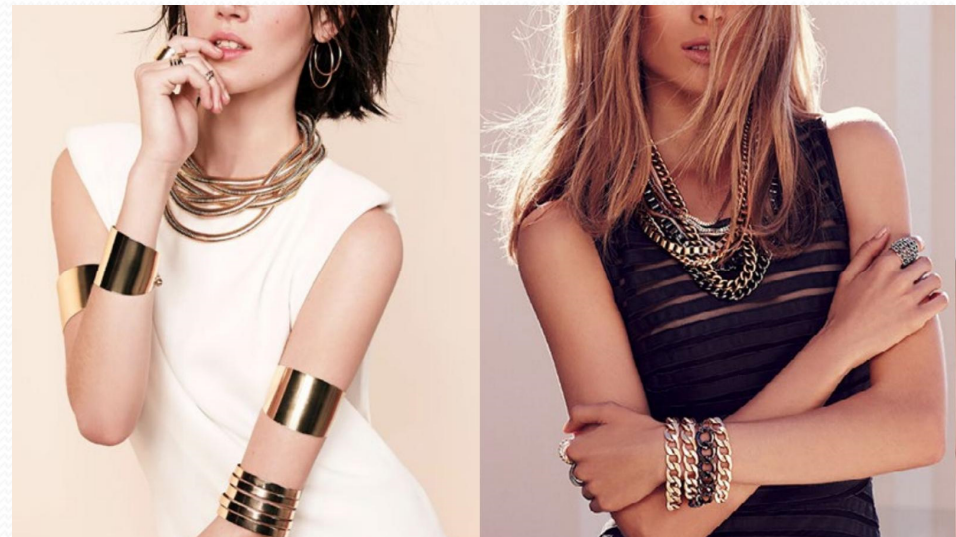
I always ask the staff if they like working there and they love it

Nothing to try on so less shop space required

It will grow in any economic environment

Soon to join ASX200

They opened a store at the Glendale Galleria in LA as a pilot store. I called the shopping centre management and found a lovely lady to take photos of the store and email them to me so I could see if it was busy!





I contacted the admin manager of the Glendale Galleria in LA and asked her to email some photos of the new store they opened there to see if it was busy! She sent them the very next day! I visited the Lovisa stores in KL when I was in Malaysia in January – the stores were totally packed.



# 3. Growth potential

Aim for the outliers.

Small companies that may be locally known that have the capacity to grow. A company that is playing in a global space

**We enjoy buying small companies that are not well-known or understood. What excites us is buying small companies that have the ability and potential to become great businesses.**

QUOTEHD.COM

Leah Zell

# Researching IDP



- Dominate position in a growth market
- Large competitive advantage (own half of the IELTS test)

Great way to gain exposure to the booming international student market here, although the company also places students in educational institutions in other western countries like the United States and United Kingdom as well.

Strong demand for a western education from students in rising Asian economies like China helped lift IDP Education's first half revenue by 29% to \$242 million and earnings before interest, tax, depreciation and amortisation (EBITDA) by a third to \$50.3 million.

The company looks well placed to continue benefiting from this thematic and the falling Australian dollar will also help.

My Chinese connection Yumi does some research on this for me as she can follow the social media trends regarding the IELTS test preparation





# Look for Problems:

1. Competitive landscape – what are the barriers to entry – are new competitors coming in
2. Management – skin in the game, too busy with other interests, approachable, how are they incentivised?
3. Do you see the same CEO's at every investment seminar – how are they running their business?
4. Buying too many new businesses – how will they manage the integration?





## 4. Amazing Fundamentals

ROA

ROE

Earnings Growth

Growing Dividends

Low debt or no debt

Director's buying

Fund Manager Interest

Rising share price



# Watch out!!

- TechKnow 18
  - I attended TechKnow18 recently and got to meet 15 CEO's from listed asx companies
  - Meeting the CEO after the talk allows you the opportunity to read their body language and understand the challenges they are facing in scaling their business. Sometimes they tell a very different story after the talk. They may be based in Perth and have a young family so travel issues and lots of problems with staff changes that they may mention in a casual chat after their talk.
  - There was alot of exuberance around very speculative companies
  - Very inportant to watch youtube vidoes of the companies you want to invest in to understand their business
  - Look to see if the CEO can look you in the eye or they are looking all around!

# Investor Angie Ellis reveals the secret of her Shares Race success

The Age Dec 2017



# Secrets:

- I have won more of the four-week shares races this year than any other competitor, including the professional tipsters.
- Not only have i won more four-week competitions, she was leading the one-year race all year and was just pipped to the post in the final results published last week.
- "I like companies that have a global outlook and a lot of my shares are not just Australian based,"
- I want to know how a company is going to generate cash, grow its business and strengthen its economic "moat", the barrier to entry for new competitors.



# The real secret to my success





# Trading Plan





# Trading Plan

- Your trading plan tells you:
  - the condition in which you should enter the stock market. If the overall market is in a down trend then it is not a good idea to buy any stock at the moment
  - What stocks to buy
  - How many stocks to hold in your portfolio
  - Can you re-buy stocks
  - When to sell them



# My Trading Plan

- I only trade when the market is in an uptrend I look to the XKO (ASX300)
- I buy stocks that are in my researched list that are trending up - over the 30 day WMA
- I can re-buy
- I aim to hold a total of 30 – 40 stocks
- I sell when the stock is under the 30 days WMA

# Keep an eye on stocks entering and exiting the ASX 200

S&P/ASX 200 Index – Effective at the Open on June 18, 2018		
Action	Code	Company
Addition	APT	Afterpay Touch Group Limited
Addition	APX	Appen Limited
Addition	ING	Inghams Group Limited
Removal	AHY	Asaleo Care Limited
Removal	INM	Iron Mountain Incorporated
Removal	RFG	Retail Food Group Limited





# AIA Annual Conference






# TRY THIS AT HOME

- Run a plan and stick to it exactly
- Even with a small amount of money
- Keep a watchlist of stock you have researched but only buy them if they are trending up





Welcome to the hardest game in the world.

Unfortunately, you're playing with some of the sharpest, fastest, most intelligent, well informed, stubbornly irrational and in many cases, unethical minds in the world.

You're up against the computer that can react faster than you.

The trader who has more experience than you.

The fund that has more money than you.

The insider that has more information than you.

The others that will misinform you.

The inner voice that will do it's best to undo you.

So, leave all your dreams of making quick and easy money, behind.

The first aim is survival.

Your absolute first goal is to learn how to stay in the game.

You can only do this by mapping the territory.

By understanding how the enemy thinks and acts.

By having a solid game plan.

And by picking your battles very, very carefully.

Ready to play?



## Why Professional Traders Are Process-Oriented

### Results-Oriented

Amateurs only focus on the outcome.

I lost. It's a bad trade.

I won. Great trade!

Results-oriented traders miss important learning opportunities, tend to impulsive trading and do not have a long-term mindset.

vs.

### Process-Oriented

Professionals judge their trades by the way how they made their decision.

Adhered to rules.

Broke the rules.

Winner. Well done.

Loser. No big deal.

Winner. I was lucky.

Loser. What I deserve.



EDGEWORK  
Building your edge



# Thank you



