Where to Look for Opportunities for Growth

HOFFMAN
PRIVATE WEALTH GROUP
at Steward Partners

By Todd Hoffman, Executive Managing Director, Steward Partners

If you're looking to significantly grow your portfolio through your investments, you have to take a disciplined approach in how you choose them. This means you can't just dump your money into the markets and expect to receive high returns automatically. Instead, you should research and thoroughly evaluate companies before opening your wallet. While everyone knows winning companies need smart management teams, good corporate governance, and a product or service that people like, these things are only a baseline for successful investing.

To truly be successful, you need to have a financial plan in place, especially before the market takes a downturn and the companies you thought were winners turn into losers. No company can be expected to remain the same forever, so it's important to be vigilant to prevent having to give back your gains, or worse, losing all of the money you've invested. Just ask people who owned companies like:

- Xerox
- Blockbuster
- Segway
- Atari
- Blackberry
- Motorola
- Myspace

To avoid running into the same pitfalls, you have to be selective and pick the best performers to get the best results. This sounds easy, but the reality is that as technology continues to advance and newer companies start to overtake the more established ones, it becomes increasingly difficult to determine where to invest your money for the maximum possible results.

We're not claiming to have a crystal ball or know a "secret stock" that only a select few know to invest in. Instead, we follow some simple key philosophies that dictate how we invest and what leads us to the investments we make. For example, when choosing a company to invest in for growth, we look for:

1. Disruptive Technologies
2. Moats Around the Business
3. Growing Revenue and Profit

Disruptive Technologies

A company that has a disruptive technology can create an entirely new market for their product or change the way consumers or businesses use it. The added benefit of this is it usually takes competitors a few years to catch up, which gives the disruptive company a nice cushion of exclusivity in the market. Lately, companies creating disruptive technology like this have been in sectors such as:

- Cloud Computing
- Software
- Internet Security

- Biotech
- Medical Devices
- Fintech
- Sporting Goods
- Apparel

Moats Around the Business

Companies that have moats around their business have some sort of barrier to entry that prevents competitors from swooping in and copying their products or services. These moats can be anything like high research and development costs, a manufacturing/distribution advantage, or an established name brand. Companies that have these moats tend to be in the following areas:

- Credit Cards
- Media
- Established Technology
- Home/Builder Supply
- Entertainment
- Industrials
- Regulated Utilities
- Consumer Products
- Real Estate

Growing Revenue and Profit

If a company can steadily grow their revenues and profits, it's a good indicator of success and potential continued high growth. These are often companies that have products which are constantly being updated and get better with each iteration, increasing demand. These companies are often found in these sectors:

- Fintech
- High Growth Retail
- Semi-Conductors
- Internet Leaders
- Media
- Pharmaceuticals

Based on the above, it's obvious that there are opportunities for growth across a variety of sectors and industries. However, in order to be successful, investors need to put a plan in place that makes sense for them and be extra-selective as they evaluate potential companies to invest in.

If you would like to learn more about our strategies for selecting companies and minimizing losses, or anything related to our models, let us know!