**INSIDE:** 21 stocks with exceptional total return values (Pages 4-5)

# BIBLICAL *Perspectives on Investing*

"Every prudent man acts out of knowledge." Proverbs 13:16

February 20, the year of our Lord 2021

*Please note*: bullish/bearish Watchman on the Wall market signals are available at www.biblicalperspectivesoninvesting.com

The tickers in this issue are companies with exceptional total return values. All stocks have posted an annual compounded total return of at least 15% over the last five years. Additionally, all companies have actual and/or estimated earnings increases of 10% or better for 2020 and 2021. Further, each company has an annual compounded dividend growth rate of at least 10% for the past five years.

From this auspicious starting point:

Sixteen tickers have positive BRI scores. High score honors go to **Nordson**.

Sifting through these companies yields eight <u>4-Star Quality</u> stocks (**Dolby Labs**, **Lam Research**, **Medifast**, **MSCI**, **Netapp**, **Nvidia**, **Pool Corp.**, and **Zoetis**) and zero <u>0-Star Quality</u> stocks.

The best performing stock since February 2016 is **Nvidia**, up a chipper 1,848%. Nvidia also has a positive BRI score, providing further evidence that investing with Christian principles and obtaining exceptional investment results are not mutually exclusive endeavors. Nvidia was identified as a <u>Four-Star Quality</u> stock in the 12/7/2019 issue. Back then it traded hands for $208.74. It recently fetched $593.16, good for a 184% return from that issue to today.

For "winners keep winning" investors, every stock except one (**SJW Group**) has returned over 100% since February 2016.

For growth stock investors, five stocks (**Lam Research**, **Medifast**, **Nvidia**, **Pool Corp**., and **SJW Group**) have a sales growth rate above 15 (trailing twelve months). This growth rate is Peter Lynch's (growth stock investor extraordinaire) minimum growth threshold.

For dividend investors, all 21 tickers have dividends/distributions ranging from 0.11% (**Nvidia**) to 2.81% (**Netapp**).

(continued)

As Warren Buffett says, "Price is what you pay. Value is what you get." For value investors, there is one company (**Lithia Motors**) with a PEG ratio below 1. **Lam Research** possesses the lowest PEG ratio of the 4-Star Quality stocks.

See PEG ratios in table below; 4-Star Quality stocks are underlined and bold. Note: not all tickers have PEG ratios available.

| PEG ratio | Tickers |
|---|---|
| **0 to 1** | LAD |
| **1 to 2** | BLK, BAH, DLB, **LRCX**, OSK |
| **2 to 3** | **NTAP** |
| **3 to 4** | INTU, NDSN, SJW, V |
| **4 to 5** | A, **MSCI**, **NVDA**, **ZTS** |
| **5 and up** | MSI, SYK |

Way back in 2003, Warren Buffett claimed that he "only needs one or two good ideas a year." In that spirit, Biblical Perspectives continues to sift the wheat from the chaff in order to potentially identify those "one or two good ideas a year."

There will be more tickers to consider in your next issue of Biblical Perspectives on Investing. Until then, good investing and God bless!

**Please note:** Biblical Perspectives on Investing is not making buy or sell recommendations regarding any companies listed. Data provided is for informational purposes only. This information should simply serve as a starting point for further research and due diligence on your part. Actual buy and sell decisions for your own portfolio are entirely up to you. **Never** invest in a security unless you can afford to lose your entire investment.

# Separating Wheat from Chaff

**Value proposition**: the following section of Biblical Perspectives is designed to give you the ability to quickly and easily review prospective investments. It provides you with information needed to effortlessly determine which companies may merit further consideration (the wheat) and which companies to consider avoiding (the chaff). Hours of research for as little as $8/month with your subscription to Biblical Perspectives on Investing. That is a true value.

To help readers separate the wheat from the chaff, Biblical Perspectives on Investing employs a Quality Star ranking system, with four stars representing the highest quality companies and zero stars representing the lowest quality companies. "**Quality Stars**" indicate how many quality screens each stock meets or exceeds. The number of Quality Stars is indicated in the final column on the following page(s).

Companies with a positive "B.R.I. Score" (Biblically Responsible Investing) receive a star. Companies with a "ROIC" of 11% and above receive a star. Companies with a "Current Ratio" of 1 and above receive a star. Companies with a "5-Year Return" of 100% or more receive a star. **These are measures of a company's quality.** For ease of use, data for quality categories is in a blue font.

Please see notes on last page of newsletter for short explanations of "B.R.I. Score", "ROIC", "Current Ratio", "Return on Equity", "Sales Growth Rate", "Dividend Yield", and "PEG Ratio".

NA=not available, NMF=not meaningful, NR=not rated

| Company (Ticker) | | B.R.I. Score | ROIC | Current Ratio | 5-Year Return | Return on Equity | Sales Growth Rate | Recent Price (2/18/21) | Dividend Yield | Quality Stars |
|---|---|---|---|---|---|---|---|---|---|---|
| Agilent | A | 53* | 10% | 2.0* | 241%* | 16% | 5 | $127.74 | 0.60% | 3 |
| Blackrock | BLK | -11 | 3% | * | 124%* | 14% | 12 | 703.07 | 2.29% | 2 |
| Booz Allen Hamilton | BAH | -11 | 14%* | 1.9* | 197%* | 55% | 8 | 79.65 | 1.83% | 3 |
| Dolby Labs | DLB | 39* | 12%* | 5.4* | 141%* | 12% | 2 | 93.73 | 0.93% | 4 |
| Intuit | INTU | -11 | 32%* | 3.0* | 327%* | 44% | 13 | 415.39 | 0.57% | 3 |
| Lam Research | LRCX | 33* | 28%* | 3.1* | 728%* | 59% | 24 | 577.77 | 0.89% | 4 |
| Lemaitre Vascular | LMAT | 32* | 10% | 2.3* | 279%* | 12% | 5 | 48.57 | 0.79% | 3 |
| Lithia Motors | LAD | 44* | 10% | 1.3* | 336%* | 22% | 3 | 370.62 | 0.33% | 3 |
| Medifast | MED | 39* | 70%* | 1.9* | 809%* | 75% | 22 | 266.89 | 1.66% | 4 |
| Motorola | MSI | -11 | 13%* | 1.2* | 177%* | —— | -6 | 182.96 | 1.56% | 3 |
| MSCI | MSCI | 33* | 18%* | 1.8* | 514%* | —— | 8 | 437.55 | 0.71% | 4 |
| Netapp | NTAP | 44* | 14%* | 1.6* | 176%* | 151% | -4 | 68.07 | 2.81% | 4 |
| Nordson | NDSN | 67* | 7% | 2.8* | 190%* | 14% | -3 | 185.53 | 0.85% | 3 |
| Nvidia | NVDA | 42* | 20%* | 3.9* | 1,848%* | 28% | 47 | 593.16 | 0.11% | 4 |
| Oshkosh Corp. | OSK | 64* | 7% | 2.1* | 184%* | 11% | -18 | 97.00 | 1.33% | 3 |
| Pool Corp. | POOL | 28* | 31%* | 2.3* | 307%* | 69% | 23 | 330.43 | 0.70% | 4 |
| SJW Group | SJW | 60* | 1% | 0.5 | 95% | 4% | 41 | 68.37 | 1.96% | 1 |
| Steris | STE | 36* | 7% | 2.3* | 187%* | 11% | 2 | 181.86 | 0.86% | 3 |
| Stryker | SYK | 28* | 5% | 1.9* | 150%* | 12% | -3 | 245.16 | 1.02% | 3 |
| Visa | V | -11 | 17%* | 2.1* | 193%* | 32% | -8 | 209.35 | 0.62% | 3 |
| Zoetis | ZTS | 36* | 15%* | 3.0* | 301%* | 50% | 6 | 167.95 | 0.59% | 4 |

| Company (Ticker) | | B.R.I. Score | ROIC | Current Ratio | Return on Equity | Sales Growth Rate | 5-Year Return | Recent Price (2/18/21) | Dividend Yield | Quality Stars |
|---|---|---|---|---|---|---|---|---|---|---|
| **For Comparison:** | | | | | | | | | | |
| Dow Jones Ind. | DIA | | | | | | 93% | $315.56 | 1.91% | |
| Nasdaq 100 | QQQ | | | | | | 227% | 332.47 | 0.53% | |
| S&P 500 | SPY | | | | | | 103% | 390.72 | 1.54% | |

***What is the B.R.I. (Biblically Responsible Investing) score?***

A number above zero indicates that the company meets Biblically Responsible Investing criteria.

According to Inspire Insight, the methodology assigns a negative numeric score to any company that has any degree of participation in activities that do not align with Biblical values, which are: abortion; gambling; alcohol; tobacco; pornography; the lgbt lifestyle; and rights violations such as association with or doing business in terrorist sponsoring countries, countries having oppressive systems of government, and countries where there are known human rights violations related to the persecution or severe discrimination against Christians, and poor labor practices.

The methodology then assigns a positive score based on whether the company has publicly available policies and procedures regarding involvement in activities that align with Biblical values in the following categories: Products and services (curing or treating disease; enhancing educational opportunities; and providing food, water, shelter, clothing and sanitation for the poor and marginalized); Workplace (encouraging more time with family; providing above average compensation when compared to industry peers; providing above average employee benefit packages when compared to industry peers; and providing a safe and healthy workplace environment); Community (benefit the communities in which they do business through philanthropy and volunteerism); and Environment (protect and preserve the environment).

***What is return on invested capital (ROIC)?***

Return on invested capital is a measure of how well a company stewards its money to generate shareholder returns. The higher the ROIC, the better. As a general rule, a ROIC of 11% or higher indicates good financial stewardship.

***What is the current ratio?***

The current ratio measures a company's ability to pay debts due within one year. A current ratio of less than one indicates that a company does not have the financial resources to pay all of its short-term debts if they came due all at once. A current ratio above one indicates that a company has the resources to remain solvent in the short-term. An investor should want to see a current ratio above one.

***What is return on equity?***

Return on equity is considered a measure of how effectively management is stewarding a company's assets to create profits. Typically, the higher the ROE, the better. If a company's ROE is consistently above 20%, that is usually an indicator that it is a quality company. A word of caution: companies can juice their ROE higher by borrowing money, so it is good to know how much debt a company is carrying.

***What is the sales growth rate?***

A company's sales growth rate indicates how much sales increased for the trailing twelve months. Peter Lynch, growth-stock investing legend, looked for stocks with sales growth of 15% or more.

***What is the dividend yield?***

The dividend yield is the dividend per share divided by the price per share. For example, a $100 investment in a stock with a 5% dividend yield means that the shareholder will receive $5 in annual dividends.

***What is the PEG ratio?***

The PEG ratio is considered to be an indicator of a stock's true value, and similar to the P/E ratio, a lower PEG may indicate that a stock is undervalued. The price/earnings to growth ratio (PEG ratio) is a stock's price-to-earnings (P/E) ratio divided by the growth rate of its earnings for a specified time period. The PEG ratio is used to determine a stock's value while also factoring in the company's expected earnings growth, and it is thought to provide a more complete picture than the more standard P/E ratio. Source: Investopedia



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