

## **Meditations (and analysis) about stock investments by Noam Ganel, CFA**

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# 5 answers to the most common questions: why I am doing this

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The image above consists of two pictures. The picture on the left shows the spirit of a home owner who decided to share his fortune with others by allowing surfers to rinse off.

But the picture on the right shows a different approach to life. In the picture you see a private path, accessible only to members of that gigantic household. And while the two home owners are only a few blocks from one another, they are a world apart.

The two images well represent the world of business. There are those who operate secretly, solely for their benefit. And there are others that take great joy in sharing their knowledge and experience.

I like to think that I am on the latter camp.

## **What is your blog about?**

I write about companies and businesses. I write about why I invest in a certain company and keep the reader informed on my purchase as time progresses. In the articles, I explain why I purchased a certain stock and why I sold the stock.

## **There are four common reasons for selling a stock:**

1. When the market value of the company is about where it should be and I don't see a potential gain in holding the stock. For example, when I purchased Famous Dave I was quite certain that the stock was worth more than its July 2017 quoted stock price of \$3. Now, at about \$8 a share, I am less confident of any future gain and will probably sell my Famous Dave stock soon.
2. I sell a stock when the it did not perform as expected; within, say, a holding period of two years. When I paid for Hudson Pacific Trust \$35.72 on January of 2016, I wrote:

Hudson Pacific Properties should grab your attention. Over the past 5 years, real estate per share increased to \$67 from \$36, while liabilities per share increased to \$29 from \$15. Its income statement entails a similar tale. Revenue increased to \$5.90 from \$3.77, while operating expenses remained at \$2.65. Given the alternatives, a share in Hudson may be a reasonable location to park cash.

I estimated that by the first quarter of 2019, the company stock would trade at over \$40. But as of the first week of 2018, the stock is trading at about \$34, I am most likely wrong and will probably sell the position in a year's time.

3. Tax planning. In December 2017, I finally sold my position in Rait Financial Trust, a position where I lost 80 cents of every dollar. So, I sold the position on the last week of 2017 to offset the taxes. Visit [How Rait Financial Trust Taught Me A Lesson](#) if you want to know more.

4. A position is sold when another company buys the company. Two recent illustrations come to mind: I purchased stock in Care Capital Properties for \$24.85 in February 2017. But in August of last year, Sabra Health Care REIT acquired Care Capital. So I found myself owning Sabra Health without ever signing up for it and I plan to sell the stock in 2018.

Another example, a joyful one, relates to Regal Entertainment Group (REG). I purchased shares in Regal at \$14.89 on August of 2017. Cineworld, a European-based competitor recently announced that it is acquiring Regal for \$3.6 billion, or \$23 a share in cash. Regal now trades at \$22.91 and I will sell the position in the first quarter of 2018 (as soon as I find a better place to park the proceeds – I am still looking.)

### **What made you start a blog and why did you call it Pen&Paper?**

I started the blog to provide a unique perspective on investing. I could not find resources that were transparent on the minutiae of stock investing and I wanted to fill the gap. The blog is also a way for me to give back. I learned so much from other professionals that dedicate some of their time to share their experience and I wanted to follow in their footsteps. Ran Regal, a designer genius from Israel is one from whom I learned much and greatly admire. His vlog is about design.

Besides, it is rewarding for me to get warm feedback from readers. Last month, one reader wrote to me: “your article was absolutely invaluable as an education tool. I’m sharing it with my investing friends, and saving it for when my kids get older to share with them.”

Finally, all of my investment decisions are made using a pen and paper (okay, at times I cheat by using an HP12C calculator). I find sensible investing to be simple and within the aptitude of anyone. So I named the blog Pen&Paper to emphasize that the tools for sensible investing are available for us all.

### **What do you do for a living and what is your educational background?**

I provide debt and raise equity on U.S. commercial real estate properties. I work for Silvergate Bank, a commercial bank. You can see some of my work by clicking [here](#).

While I have a bachelor and a master degree in business administration, I attribute my theoretical and practical understanding of the investment profession to the CFA Institute and its members. Only when I earned the Chartered Financial Analyst (CFA) certification did I begin to understand the scope of the investment management profession.

### **How do you measure success in stock investing?**

I compare the growth in the market value of my portfolio of stocks to the growth in the S&P 500 index over a five-year span.

Yet comparing my investing performance to the S&P 500 index is a fairly new metric for me. In the past as long as the market value of my portfolio of stocks was higher than my cost basis, I felt I was doing fine. But I decided recently to change that system of measurement.

So on the first week of 2018 I purchased one share in a Vanguard’s ETF and its mutual fund, both track the performance of the S&P 500. Please write to me if you would like to know more about the world of ETFs and mutual funds and why I decided to compare my performance to them.

### **How will the stock market and real estate market perform in 2018?**

I don’t have the slightest idea. It also does not matter to me.

For me, purchasing stock is similar to savings where, in the short term, the real goal is to save and in the long term, it is to have more than you originally saved.

In 2018, I plan to keep a portfolio of 15 to 20 companies. My goal is to allocate an additional \$20,000 in the stock market; that is, as long as the companies in which I invest meet my criteria for investments (which is a reasonable price for a wonderful business that I can understand.)

My final goal in 2018 is to improve this blog. So if you have a topic you would like me to cover, or, perhaps, a suggestion for me to improve the website features (one reader mentioned I should add market quotes on portfolio companies but daily market quotes to be distracting), I would be happy to hear from you.