

# Rolling Stocks

## Investment Club

(ProShare reference number 12707)

### MEETING MINUTES

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Meeting: **Monthly Meeting - February 2005**

Held at: **The Brocklebank, Crewe** Date: **22nd February 2005**  
Time: **17:15 – 19:00**

Prepared by **Dave G**

Chairperson: **Dave G**

Present: Simon B  
Dave G  
Kit P  
Richard W

Apologies: Chris B  
Adrian T

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#### Chairman's Acceptance of Minutes

\_\_\_\_\_  
*Signature*

\_\_\_\_ / \_\_\_\_ / \_\_\_\_  
*Date*

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#### 1 NEXT MEETING

It was recognised that Chris could only make March 11<sup>th</sup> or 18<sup>th</sup> but general preference was to have meetings in the middle of the weeks so decision taken to leave March meeting as 23<sup>rd</sup>.

Proposed dates of next meetings therefore remain as:-

Wednesday 23<sup>rd</sup> March

Wednesday 20<sup>th</sup> April

Wednesday 18<sup>th</sup> May

Wednesday 15<sup>th</sup> June

Wednesday 13<sup>th</sup> July (AGM)

Wednesday 10<sup>th</sup> August (to include strategy review)

Wednesday 7<sup>th</sup> September

Wednesday 5<sup>th</sup> October

Wednesday 2<sup>nd</sup> November

December date to be arranged.



## MEETING MINUTES

### 2 MINUTES OF PREVIOUS MEETING

Minor typo in section 5.1 but otherwise accepted.

### 3 ACTIONS FROM PREVIOUS MEETING

#### 3.1 Actions Closed Since Last Meeting

| Ref.        | Description & Progress  | Status   |
|-------------|---|----------|
| ALL/1102/07 | Consider how best to allow a more relaxed approach to speculative purchases (e.g. setting up a second Club?)<br><i>1207: Richard's new speculative buy proposal form may well be enough of a relaxation. Do we need to do anything else?</i><br><i>0106: No progress</i><br><i>0222: The revised buy proposal is enough to address this issue</i> | COMPLETE |
| RW/0106/01  | Purchase appropriate amount of Hunting  | COMPLETE |
| RW/0106/02  | Spend remaining Abbey money on UBC Media  | COMPLETE |
| DG/0106/05  | Ensure that the club website is nominated for website of the year.<br><i>0222: We entered for best website, best performing club and investment club of the year.</i>   | COMPLETE |
| DG/0106/06  | Send out details of the Proshare Awards event<br><i>0222: Will take place in London on 22<sup>nd</sup> March.</i>   | COMPLETE |

#### 3.2 Actions Carried forward to Next Meeting

See end of these minutes.

### 4 TREASURER'S REPORT

#### 4.1 Monthly Report Summary

See separate report for detail.

Highlights/Lowlights Another even more excellent month with an overall rise of £3692 on holdings. Unit value up from 536.159 to 601.064. We have £4347.40 of non-mechanical cash.

#### 4.2 Matters Arising From Report

Richard noted that dividend for WAGN could have been included in the valuation but that it will be picked up next month. Also, Richard noted that Chris had made a cautious valuation of Bellway quoting 834p per share where he could have used 859.5p so our monthly rise was actually even a bit better than that quoted.



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As the unit value had broken through 600p, a brief discussion took place on how the unit value is often misunderstood in that a high unit value is interpreted as meaning that individual units are 'expensive' and, somehow, less attractive than if the unit value was low. Indeed, Dave said how he had received one or two emails from other clubs in the recent past wondering whether our high unit value had put anyone off buying more units! Richard and Simon jokingly suggested that we should have a 'share split' of our unit value now that they cost more than 600p !!

**5 PORTFOLIO MANAGEMENT**

**5.1 Monthly Money Management Checks**

Fundamental portfolio is still "Too low" (20% against strategic minimum of 25%).

**5.2 Mechanical Portfolio**

This month is a month for the 'Value' side of the portfolio. WAGN is the one to be sold but it is also the top candidate for purchase. As WAGN was quite significantly 'underweight' compared to the other holdings, the strategy suggests that we could purchase additional shares to bring it closer to 1/12 of the total value of the mechanical portfolio. This principle was agreed as the shortfall was such that making the additional purchase would still be a trade that was sufficiently large to keep trading costs below 3%. However, at the weekend, the spread on WAGN was 5.6% which is a little higher than the 5% level that we aim to keep within (though this is only an 'ideal' maximum rather than a rigid rule). The meeting agreed that 5.6% was not too inappropriate so agreement made to purchase additional shares to "top up" our WAGN holding. Richard to make purchase of appropriate amount.

Discussion then covered whether we should avoid future debates about whether a particular spread was or wasn't too high by adopting a new rule about maximum spread to formally filter out any shares that exceed a certain spread. On balance, the club agreed to leave the existing mechanical rules unchanged and to keep the existing flexibility regarding deciding appropriateness of a particular spread.

The table below now reflects the sell situation for each mechanical holding. The appropriate sell condition is shown in **bold**.

| Company         | Portfolio | "Anniversary"   | Purchase Price | Target Price | Trailing Stop Loss | High Since Purchase | Target Met? | Sell If Below |
|-----------------|-----------|-----------------|----------------|--------------|--------------------|---------------------|-------------|---------------|
| Horizon         | Growth    | <b>Mar 2005</b> | 66.50          | 99.75        | 9.98               | 84.50               | No          | 99.75         |
| 4Imprint        | Growth    | <b>May 2005</b> | 141.50         | 212.25       | 21.23              | 222.50              | Yes         | 201.28        |
| Fyffes          | Value     | <b>Jun 2005</b> | 117.34         | 176.00       | 17.60              | 152.00              | No          | 176.00        |
| Sportingbet     | Growth    | <b>Jul 2005</b> | 99.05          | 148.58       | 14.86              | 288.50              | Yes         | 273.64        |
| McAlpine        | Value     | <b>Aug 2005</b> | 254.70         | 382.05       | 38.21              | 337.00              | No          | 382.05        |
| Hyder           | Growth    | <b>Sep 2005</b> | 150.00         | 225.00       | 22.50              | 206.50              | No          | 225.00        |
| Lambert Howarth | Value     | <b>Oct 2005</b> | 272.00         | 408.00       | 40.80              | 340.00              | No          | 408.00        |
| Oystertec       | Growth    | <b>Nov 2005</b> | 24.65          | 36.98        | 3.70               | 30.75               | No          | 36.98         |
| Taylor Woodrow  | Value     | <b>Nov 2005</b> | 242.39         | 363.59       | 36.36              | 312.25              | No          | 363.59        |
| Bellway         | Value     | <b>Dec 2005</b> | 724.40         | 1086.60      | 108.66             | 883.00              | No          | 1086.60       |
| Hunting         | Growth    | <b>Jan 2006</b> | 184.75         | 227.13       | 27.71              | 213.00              | No          | 277.13        |
| Wagon           | Value     | <b>Feb 2006</b> | t.b.a          | t.b.a        | t.b.a              | t.b.a               | No          | t.b.a         |

Wagon is shown as t.b.a. as the figures can only be calculated following the additional purchase.



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A discussion then took place about what we should do in April where there is no planned sale or purchase (as Crest Nicholson had been held until the November as it had gone above 50% rise in April). By default, we would do no trade but given our current level of cash, the question was raised as to whether we should make an additional purchase anyway, or create a third mechanical portfolio. All to consider options and discuss at next meeting.

### 5.3 Monthly Reports For Each Company in Fundamental Portfolio

|                |   |
|----------------|---|
| CodaSciSys     | HOLD – Not yet met sell criteria (see table in 5.5 below)                   |
| ISG            | HOLD – Not yet met sell criteria (see table in 5.5 below)                   |
| Parity         | No report but,<br>HOLD – Not yet met sell criteria (see table in 5.5 below) |
| Big Food Group | Has been delisted due to the imminent takeover                              |
| Infast         | HOLD – Not yet met sell criteria (see table in 5.5 below)                   |

### 5.4 Speculative Portfolio

|      |   |
|------|---|
| Cape | HOLD – Not yet met sell criteria (see table in 5.5 below) |
|------|---|

We have other holdings in our speculative portfolio but, as per Strategy, those do not currently justify the effort of doing a monthly report for them.

Discussion took place on revising the current exit criteria for Jarvis. As our holding is relatively small at the current share price, it was considered not worth having a sell condition below around 50p per share. It was agreed that we should remove the exit criteria for Jarvis and simply hold until the share price reaches 50p and review to set some at that time.

### 5.5 Stop Loss / Sell Criteria (as of date of treasurer's report)

The following is the summary of sell criteria for each stock held within the Speculative or Fundamental portfolios (the Mechanical holdings are dealt with as part of section 5.2 above). The stop loss is invoked against the "end of day" price, but the sell decision may wait for the opening price to avoid rogue trades at the end of day.

| Stock EPIC | Stock Name              | Reportee | "High" Price                                     | Stop Loss | Exit Criteria  |
|------------|-------------------------|----------|--|-----------|--|
| CSY        | CodaSciSys              | Richard  | 420  | 210p      | Hold until at least May 05 and then review. In addition, review following any trading or results statement that expects / reports a fall in either revenues or profits over the previous reporting period; Trailing stop loss of 210p to start from purchase price (based on mid-price due to large spread). (High = 420.0p) |
| ISG        | Interior Services Group | Dave     | 228.0  | 182.5     | 20% trailing stop loss   |
| PTY        | Parity Group            | Adrian   | 38.8p (based on average purchase price of 19.4p) | 5.0       | Sell half the holding if it should double to 20p or sell holding if it falls to below 5p.  |
| BFP        | Big Food Group          | Simon    | 103  | 51.5      | Wait for the takeover to go through  |
| CIU        | Cape                    | Richard  | 167.5  | 134.0     | 20% trailing stop loss   |



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| Stock EPIC | Stock Name | Reportee | "High" Price | Stop Loss | Exit Criteria  |
|------------|------------|----------|--------------|-----------|--|
| INS        | Infast     | Dave     | 22.0         | 18.0      | 4p trailing stop   |
| EGG        | Egg        | N/A      | 115.0        | 92.0p     | [a] 20% trailing stop loss from purchase<br>[b] Initiate a 20p stop loss if share price closes above 140p<br>[c] Sell if any sudden spike due to realistic bid speculation |
| JRVS       | Jarvis     | N/A      | 29.0         | N/A       | Hold until price reaches 50p then review.  |
| UBC        | UBC Media  | N/A      | 29.0         | ???       | ????? Still to be defined ?????  |

**5.6 New Buy Proposals**

There were no new buy proposals

**6 LUCKY LLAMA COMPETITION**

From Richard's mail....

"Decent rises from Fayrewood and Eliza Tinsley helped Richard to a 3.2% rise. Amlin and Roc Oil gave Simon a 4.3% gain. Chris was up 8.8% UBC was the best performer but McCarthy & Stone and Business Post Group also rose well. Adrian's 12.1% rise would normally have won but was only good enough for second spot this month. Each of his holdings of Egg, nCipher and ZI medical performed strongly. With a staggering 31.1% leap, Dave takes this month's honours. Colt Telecom did well for him but the main performer was Eurodis Electronics which all but doubled over the month.

Dave has now leapfrogged into the lead in the overall standings. It will take either a collapse from him or for someone else to do as well as he did this month to snatch the lead from him now. It is very tight for second spot with little between Richard, Chris and Adrian.

|         |             |
|---------|-------------|
| Dave    | £135,459.55 |
| Richard | £114,352.26 |
| Chris   | £113,389.83 |
| Adrian  | £112,058.01 |
| Kit     | £100,000.00 |
| Simon   | £92,584.67  |

NB: You can also find the Lucky Llama info (including past competitions) on the club web site."

Kit thought the pot llama could well be in storage along with lots of other things from his Crewe office. Simon to rummage through the storage to see whether the pot llama can be found.

**7 COMPETITIONS**

Simon had sent out details of the LSE's regional "Investaquest" competition and reminded everyone that the deadline was 4<sup>th</sup> March. All to attempt to register and submit an entry by the deadline.

Richard was asked to supply a list of all companies currently passing the growth filters to help with selections.



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### 8 SPENDING ON “FUN” AND “LEARNING”

Dave stated that we had bought 2 tickets for the Proshare Awards Dinner of 22<sup>nd</sup> March. It will be attended by Chris and Kit. Dave was told to consider attending as well. Dave to consider and buy an additional ticket as necessary (if additional tickets are available).

It was agreed that it would be useful if someone could take notes from the talks so as to allow some feedback to be given to those that don't attend. Simon to discuss this with Chris.



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**ACTIONS CARRIED FORWARD TO NEXT MEETING**

| Ref.  | Description & Progress   | Target Date |
|---|--|-------------|
| RW/1219/03  | <p>Find out which instruments can be traded via our stockbroker</p> <p><i>0123: No progress</i></p> <p><i>0227: No progress</i></p> <p><i>0323: No progress</i></p> <p><i>0421: No progress</i></p> <p><i>0520: No progress – need to also consider what can be traded via City Deal now that we are about to have an account with them too</i></p> <p><i>0629: No progress</i></p> <p><i>0720: No progress</i></p> <p><i>0817: No progress</i></p> <p><i>0907: No progress</i></p> <p><i>1004: No progress</i></p> <p><i>1102: No progress</i></p> <p><i>1207: No progress</i></p> <p><i>0106: No progress</i></p> <p><i>0222: No progress</i></p>  | 23/03/2005  |
| KP/0227/04<br><br>(changed from ALL/0227/04 at 23/03/204 meeting) | <p>Send Richard W your weighting values for the second mechanical portfolio</p> <p><i>0323: Kit still needs to send his weightings in to Richard</i></p> <p><i>0421: No further progress. Ideally Kit should get his weightings in by 14/05/2004 so that Richard can incorporate into screener ahead of the next run</i></p> <p><i>0520: Still awaiting Kit's</i></p> <p><i>0629: No further progress</i></p> <p><i>0720: No progress</i></p> <p><i>0817: No progress</i></p> <p><i>0907: No progress. Discussion took place about the adjusted weightings being limited to 10 for the Value portfolio. Richard to remove this restriction (see new action RW/0907/05)</i></p> <p><i>1004: No progress</i></p> <p><i>1102: No progress</i></p> <p><i>1207: No progress</i></p> <p><i>0106: No progress</i></p> <p><i>0222: No progress</i></p> | 23/03/2005  |



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| Ref.  | Description & Progress  | Target Date |
|---|---|-------------|
| AT/0720/03  | Issue Chairman's annual statement via email<br><i>0817: No progress</i><br><i>0907: No progress</i><br><i>1004: No progress</i><br><i>1102: No progress</i><br><i>1207: No progress</i><br><i>0106: No progress</i><br><i>0222: No progress</i>   | 23/03/2005  |
| ALL/1102/08   | Consider how we could get a better return from our cash pile<br><i>1207: No progress</i><br><i>0106: No progress</i><br><i>0222: Left open to allow us to consider whether we should open an account in trust with a higher rate of interest</i>  | 23/03/2005  |
| CB/0106/03  | Produce some exit criteria for UBC Media<br><i>0222: No progress</i>  | 23/03/2005  |
| CB/0106/04  | Prepare a further buy proposal for UBC Media if we should be spending more on UBC Media than just what was remaining in the Abbey account<br><i>0222: Left open just in case Chris was still considering this.</i>  | 23/03/2005  |
| CB&AT/0106/07<br>(action changed from DG/0106/07 at 22 <sup>nd</sup> February 2005 meeting) | Propose a form of words as a rule change to allow ad-hoc purchases of additional units and to remove upper limit on monthly subs<br><i>0222: Was done but has not been formally approved. Those attending voted unanimously to go with the rule change but we need 75% of the membership to agree before the rules can be changed. As neither Chris nor Adrian could attend the meeting, action left open until either one agrees the change or until both reject the change.</i> | 23/03/2005  |
| RW/0222/01  | Purchase appropriate "top up" of Wagon  | 23/02/2005  |
| ALL/0222/02   | Consider whether we should exploit the 'gap' in April in the mechanical portfolio to make a mechanical purchase, or create a 3 <sup>rd</sup> mechanical sub-portfolio. All to discuss at March meeting so decision can be made ahead of the April meeting   | 23/03/2005  |
| SB/0222/03  | Look in Kit's storage for the pot llama   | 23/03/2005  |
| ALL/0222/04   | Attempt to register and submit an entry for the Investaquest regional competition (as per Simon's email in January) as the deadline is 4 <sup>th</sup> March  | 04/03/2005  |
| DG/0222/05  | Consider whether or not to also attend the Proshare Awards Dinner and get a ticket as necessary   | 22/03/2005  |



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| Ref.       | Description & Progress   | Target Date |
|------------|--|-------------|
| SB/0222/06 | Discuss with Chris the possibility of taking notes during the Proshare Awards Dinner | 22/03/2005  |



## MEETING MINUTES

### PROPOSED AGENDA FOR NEXT MEETING.

**RSIC Monthly Meeting – Wednesday 23<sup>rd</sup> March 2005 - between 16:45 and 18:15**

**Venue: The Brocklebank**

1. Agenda Changes? (2 mins)  
[Any items for AOB or any suggested reordering of agenda?]
2. Date of Next Meetings (2 mins)  
[Agree a date for the next meetings]
3. Minutes of last meeting (1 min)  
[Any comments on minutes from previous meeting]
4. Actions from last meeting (10 mins)  
[Progress on actions]
5. Treasurer's Report (10 mins)
6. Portfolio Management (30 mins)
  - 6.1. Monthly "Money Management" threshold checks
  - 6.2. Mechanical Portfolio
  - 6.3. Monthly Report for each Company in Fundamental Portfolio
  - 6.4. Speculative Portfolio
  - 6.5. Latest sell conditions for each share held
  - 6.6. New Buy Proposals
7. Lucky Llama Competition (5 mins)  
[Latest positions and any new buy/sell decisions]
8. Competitions (1 min)
9. Spending of the "Fun" and "Learning" budgets (5 mins)

AOB