This Week…Some Homework and a Special Bonus Just for <u>YOU</u>!

As I continue to read the comments flowing in through customer service, I see some of the same concerns and goals repeatedly. I wanted to take some time this week to address those and lend a helping hand in pointing you in the right direction.

Three topics pop up more than any other. First, I receive a lot of comments from folks about wanting structure in their investments.

Second, folks want to deal with downturns in the markets and economy and not get their face ripped off as they did in 2002, 2008, and most likely 2020 when people tend to get caught holding the bag only to sell at the lows, never get back in, and miss the enormous buying opportunities on the rebound.

Third, I receive a lot of comments on navigating retirement. Either subscribers are already retired or close to calling it quits and wanting to live their golden years without worrying too much about finances.

It also appears some have procrastinated or are just "winging" it. That's understandable. If you fall into this category, it's not your fault. The U.S. ranks just above Botswana in financial literacy. I do not know much about Botswana. I have never been there. However, I will take a wild guess and suggest it's likely not a compliment that the U.S. ranks just above Botswana in financial literacy.

Politicians don't want you to be financially literate. They want you to depend on them. That way, they can continue to hold power.

The good news is the answers you seek are right in front of you. When you subscribed to this newsletter, two of the bonuses you received were *Unbounded Wealth* and *Rule of 72*.

I wrote these books because I had something different that I wanted to share with the world. The truth is, I do not enjoy writing books. I do not enjoy reading investment books either. If I am going to tackle a project, though, I want to do something different. This isn't easy in financial media. There have been tens of thousands of books written on the subject and millions of articles published. It isn't easy to do something new in the space.

That said, I feel like I accomplished my goals, and I wanted to point you in the direction and lend a guiding hand in using these bonuses to help address the questions and concerns I receive each day.

First, let’s tackle structure and how to deal with nasty market declines. Chapter 11 of *Unbounded Wealth* outlines my core investment strategy. The chapter starts on page 137 and runs about 13 pages.

I urge you to read Chapter 11. The beauty of the strategy is you should expect, over time, returns close to the stock market but with less risk. Often, a lot less risk. There's a built-in mechanism in the strategy to deal with downturns.

I have a substantial amount of capital devoted to the strategy.

Most people focus on returns. I focus on risk. If you buy the stock market and own it long enough, you will suffer several 50% declines. It’s going to happen. That’s just the way the world works.

No "guru," newsletter writer, or money manager is likely to save you from that sort of damage at some point.

However, some strategies can generate returns near the market or better with much less risk by not always being invested in just the market. If I can get close to the stock market return, but at a quarter of the risk, to me, that is the Holy Grail. That's why I outlined the strategy in Chapter 11.

This stuff has been around for decades. The great thing is it’s never been a better time to use these strategies.

Everyone has access to them. Fees have fallen out of the sky. There are no trading commissions. All of this adds up to more money in your pocket at the end of the day.

I have developed other strategies too. However, Chapter 11 starts with the simplest. I can implement the system in 2-4 trades a year, and it takes me about 10 minutes to execute. Then I can get on with life and go grocery shopping, tend to my garden, golf, ski, or do whatever. What I don't do is sit in front of the computer screen, obsessing about every little wiggle in the market.

Now, you may read it and find it's not for you. However, it may plant a seed in your head on how you may want to create and structure a portfolio that is right for you. There are free resources available to you on the Internet to do just that. Websites such as portfoliocharts.com and portfoliovizualizer.com are a great place to start.

The advantage of structure is that if you are consistent, you will, over time, rise to the 1%. It has to be that way.

Do you know how I know?

For the answer to that, you need to read chapter 5. I call it the George Costanza School of Investing after the character in the show Seinfeld. I back up my claims with data. Data that suggests if you have structure that the cream (that's you) will rise to the top. It's the only possible outcome.

The topic of retirement is very personal. I do not give personal financial advice. However, Chapter 2 of *Rule of 72* talks about risk. Risk is a complex subject, but this chapter is written in an easy-to-digest format. In addition, the topic of The Glide Path will help you think about the types of investments you may need and their proportion in your portfolio as you inch closer to retirement or if you're already retired.

Sadly, we can no longer "live off the interest" because there is no interest to be earned. Therefore, we need to think differently about retirement than in the past to make sure we do not outlive our money.

Those three chapters will help dramatically in dealing with these topics. Consider it a bit of homework. It shouldn't take more than an hour of your time, and you'll be ahead of 95% of the people out there when you finish.

I also wanted to announce that there will be an unadvertised bonus coming your way shortly. I appreciate the fact that you have subscribed to my newsletter, and I value your patronage.

This bonus will make your life easier, and I believe will have a positive impact on your financial health over time.

It has a list price of $1,997 and will be sold as a separate product, but you will pay nothing extra. There are no strings attached.

It will be integrated into this newsletter, and as long as you remain a subscriber, you will have access to this strategy. I will provide specific details shortly.

Happy trading,

John

Risk-O-Meter

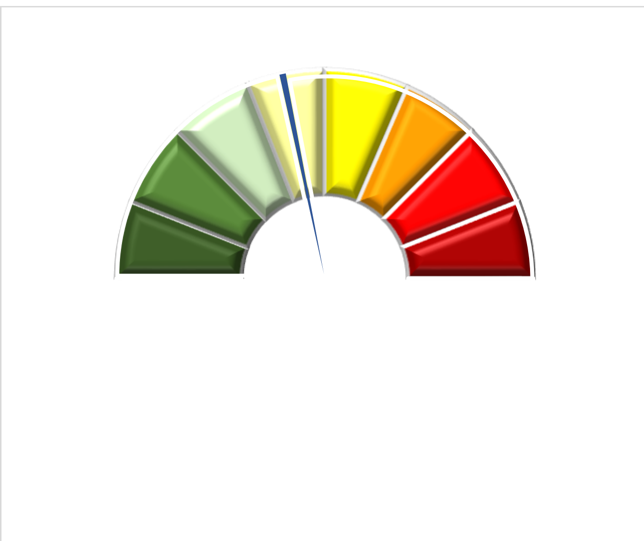
The *Risk-O-Meter* remains on a buy since July 2020.

Market bullishness continues to recede a bit each week from the ridiculously high levels seen a month ago. Last week I talked about how unpaid tax bills likely took a hit to speculators' overly bullish outlook.

Another factor is that growth sectors such as technology stocks and pot stocks have taken it on the chin recently. Pot stocks started the year on a huge run, more than doubling in the first five weeks of the year.

Since then, they've seen 30-40% declines. Those are big moves both ways and sure to affect the psychology of a segment of the market.

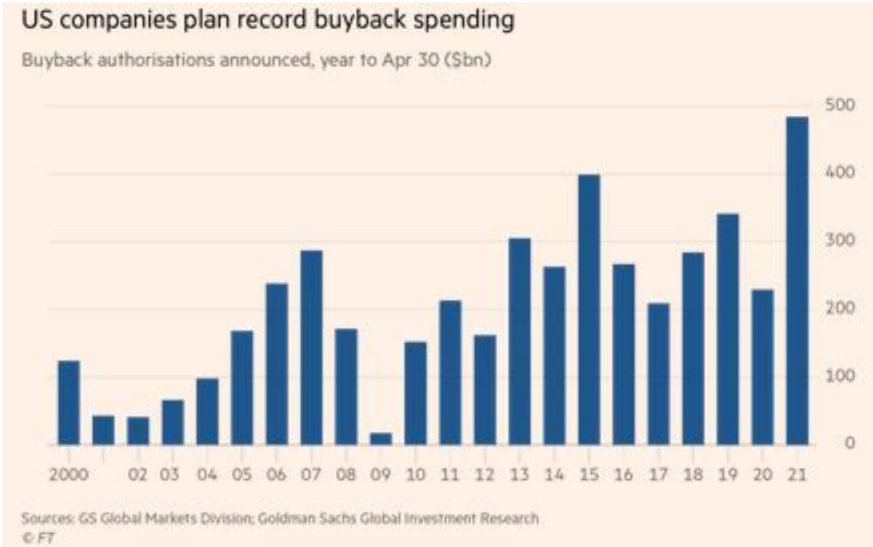
That said, bulls have not turned bearish. Once again, they are more or less on the "sidelines."



Volatility has picked up and remains a red flag. Meanwhile, credit market risks continue to ease. Market breadth remains strong. Those last two factors are bullish for stocks.

In addition, there's a boatload of liquidity flooding the market.

Check out this chart below:



Corporate buybacks are at record highs. Not only that, the daily activity is about 3x what might be considered aggressive and very bullish.

In the long-term, this might be a dangerous game. Managers are notoriously bad at timing stock purchases (they are great at selling their own stock, though). Look at the lows in 2009. *That* was the time to buy back stock. Yet management sat on their hands.

Some recent activity is just a catch-up from the suspension of dividends and stock buybacks that occurred when the COVID pandemic started. Life is getting back to normal, and buybacks are restarting.

The danger is that if managers replace stock with cheap debt, they could be in for a doozie the next time there's a bump in the road. When a business hits the skids and cash flow suffers, and you're stuck with an over-levered balance sheet, bad things happen. It won't matter if interest rates are low.

However, we aren't in that type of environment just yet.

So, for now, risks favor stock prices.

Micro-Cap Millions

I have attached a *Quick Start Guide* below and will continue to do so for at least a few months as new people come aboard as subscribers. The *User Guide* located in your member area addresses some ways to get started with the micro-cap strategy. I strongly urge you to read it.

I also would suggest being a bit tactical in trading the positions. That means using limit orders or spreading the orders out over a bit of time.

Micro-cap stocks are tiny, and the volume traded can be pretty low. This is not like buying shares of Apple.

This newsletter trades on Monday because the data needed to calculate all of the formulas is updated over the weekend.

There is nothing special about Monday. Fools rush in where angels fear to tread. Be reasonable.

Here's the portfolio for this week:

ALJJ	ALJ Regional Holdings, Inc.
CRAI	CRA International, Inc.
CRD.A	Crawford & Company Class A
DLHC	DLH Holdings Corp.
HMTV	Hemisphere Media Group, Inc.
ISDR	Issuer Direct Corp.
MAGIC	Magic Software Enterprises Ltd.
NAII	Natural Alternatives International, Inc.
TAIT	Taitron Components, Inc.
WSTG	Wayside Technology Group

Buy DLH Holdings Corp. **(Ticker: DLHC),** Magic Software Enterprises Ltd. **(Ticker: MGIC),** Taitron Components, Inc. **(Ticker: TAIT)**

Sell BK Technologies Corp**. (Ticker: BKTI),** Independence Holding Corp. **(Ticker: IHC),** Spark Networks SE **(Ticker: LOV)**

If you're a fan of Harry Dent's work, then Hemisphere Media Group, Inc. **(Ticker: HMTV)** is a stock that will pique your interest. I wanted to highlight Hemisphere because it's a good demographics play, which is Harry's bread and butter.

Remember, this is a quantitative strategy. Hemisphere could be out of the portfolio next week purely for mechanical reasons. That said, it warrants a look as a potential position in the rest of your portfolio.

The company focuses on Spanish-speaking media. If ever there was a positive demographic trend in the U.S., it is the growth in the Spanish-speaking market.

Over the past ten years, Hispanics have accounted for 52% of the population growth in the U.S.

Hemisphere operates the streaming service Pattaya which is available on Apple, Amazon, Google, and Roku. Growth has been tremendous. The three-year compounded growth rate is 114%, with over 900,000 subscribers. On average, subscribers are downloading over seven movies per month. Hemisphere is planning to offer original programming, which should further solidify its leading position.

The opportunity is massive because the target audience is over 65 million people. However, only 40% have an awareness of Hemisphere's offerings. Thus, there's still a lot of low hanging fruit in the marketplace to grow the business.

On another note…

Smaller growth stocks have suffered losses in recent weeks. I warned in the May 10 issue of this newsletter that slow starts are to be expected. The *Quick Start Guide* below offers several options, one of which is to ease into the strategy over a few weeks.

Given the oversold nature of small stocks, when they rebound, the moves can be dramatic. Not jumping in with both feet offers the advantage of averaging into the positions at the start to take advantage of a bounce from oversold conditions.

QUICK START GUIDE

It's time to get started! In just a few minutes, you'll be on your way to living life on *your* terms!

There are three ways to implement my strategy: Aggressive, Conservative, and Moderate. I use Option #3, Moderate. Choose the one that is right for you.

Option #1, Aggressive – Go all in. Just buy the stocks that are listed in the newsletter on Monday! It's entirely random whether the Monday you get started will help or hinder your returns. No one knows. But this is the easiest way to get on the program and by far requires the least decision-making. After that, you have one job; stick with the strategy!

Option #2, Conservative – Use the *Risk-O-Meter* and wait until there's a **new** buy signal **after** the next sell signal.

Bottoms are easier to spot than tops because once investors have sold, there's nothing left to sell.

Tops in the market are much harder to see. People can buy, and buy, and buy some more. The *Risk-O-Meter* went on a buy-in July 2020 and remained that way at least through April 2021 as I wrote this. This Bull Market will continue until it stops. **The *Risk-O-Meter* does not predict. It reacts.**

It could go red next week. Who knows? Some investors are more comfortable buying after a pullback. That's fine. It's up to you. In this case, waiting around would have cost returns of 30% to 50% or more.

The next time the *Risk-O-Meter* goes on a buy after the next sell, the world might look like there are many reasons not to buy stocks.

That will be precisely the time to buy. After that, you have one job; stick with the strategy!

Option #3, Moderate – The middle ground. If the *Risk-O-Meter* is currently on a buy signal, then dollar-cost average over four to six weeks, adding consistent dollar amounts to your portfolio each Monday, until fully invested. You won't invest everything at the top, and you won't catch the bottom. You will earn an average over the weeks that it takes to build a full position.

After that, you have one job; stick with the strategy! This is the approach I choose in my investing. I never jump in with both feet first. I work into the positions. The exception would be new buy signals after the *Risk-O-Meter* comes off a sell signal, at which point I would get fully invested.

You might have noticed that I repeated one line, "After that, you have one job; stick with the strategy!" There's a reason. The strategy is designed to be just that. It's a strategy.

It’s not a collection of individual stock picks. Of course, you can cherry-pick the stocks in the system if you want. That is your choice. But I don’t recommend it.

It’s a 10-stock portfolio because the performance is better than a 20-stock portfolio without much change in risk. 10 stocks are much easier to manage. I am all about the path of least resistance.

Of the 10 stocks, some will undoubtedly look more compelling than others. That doesn't mean anything, though. I certainly cannot differentiate which among the 10 stocks will outperform the others.

The best way to follow this strategy is to risk an amount of capital that will not prevent you from remaining invested when there are bumps in the road. There will be losses. There will be times when the system underperforms the broad markets. Often the financial markets feel as if they are designed to test your mental strength. When you jump ship, the ship usually rights itself, and the performance of the strategy starts to move in the right direction.

You must pick an investment approach that suits your own ability to stick with the system. Then you must stick with it through thick, thin, and hell or high water.

Do that, and you'll be way ahead of 99% of the other investors out there.