



David Sharek's Growth Stock Newsletter

Searching for Tomorrow's Stock Market Winners Today

January 6, 2012

My Top Ten Stocks for 2012



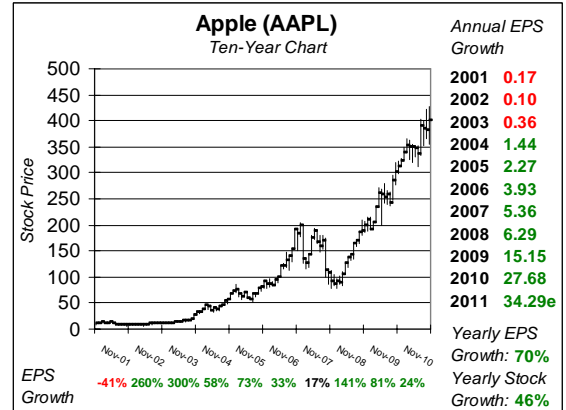
In 2009 I was too conservative as risky stocks took flight. In 2010 I went more aggressive and it paid off with the average stock in 2010's Top Ten rising 38% while the S&P 500 (the market) was up 13%.

Last year we got a big boost in the first

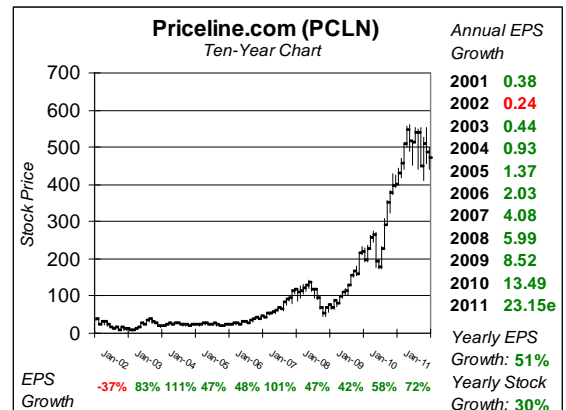
half of the year, then the market shifted from favoring growth stocks to favoring...well...nothing. In the end, my *Top Ten Stocks for 2012* gained only 2% and the market was flat (0%). My mistakes/regrets/poor investments were in high octane stocks.

2012 will be the Year of the Dow. But when I researched good value stocks with yield, the growth stocks below all looked like better investments. I took a more conservative stance this year because I feel the strong stable stocks will be the winners.

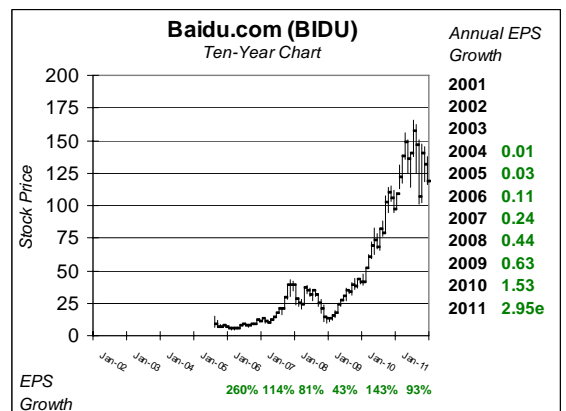
1	Apple (AAPL)	Sector: Technology				
<p>For the third year in a row Apple is #1 on my Top Ten list. The stock's doubled since early 2010 – but also gotten cheaper those two years as the P/E has dropped from 24 to 16 and now 12. The worlds best technology company deserves a P/E of 35 – which means huge upside. In fact most of the huge upside is located in the top three stocks of 2012's <i>Top Ten</i> list. <i>To the right of each selection is the company's ten-year chart.</i></p>						
Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This qtr	34.29	x	12	=	\$401	
2012 Est.	34.29	x	35	=	1200	199%



2	Priceline.com (PCLN)	Sector: Retail & Travel				
<p>Like AAPL, PCLN is not appreciated enough. Business is booming with profits looking to be up 72% in 2011. PCLN is worth 35 times earnings, yet the P/E has fallen in the last year from 28 to 16. This stock growth hasn't kept up with the profit growth, and those things usually even out over time. Business is booming in Europe, where only 1/3rd of travelers book online – that's growth opportunity. AAPL, PCLN and BIDU should have done more in 2011 and need to catch up.</p>						
Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr.	30.02	x	16	=	\$468	
2012 Est.	30.02	x	35	=	1051	124%



3	Baidu.com (BIDU)	Sector: Technology				
<p>BIDU isn't higher on this list because its P/E isn't as low as AAPL's or PCLN's. The last four quarters profits zoomed 178%, 120%, 106% and just recently 87%. Estimates show 76% and 66% growth coming the next two quarters. I usually think BIDU is worth 60-65 times earnings, but even a 55 P/E means upside of 100%. BIDU's estimated <i>Long Term Growth Rate</i> is 50%. BIDU means GROWTH.</p>						
Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	\$4.39	x	27	=	\$118	
2012 Est.	4.39	x	55	=	241	105%



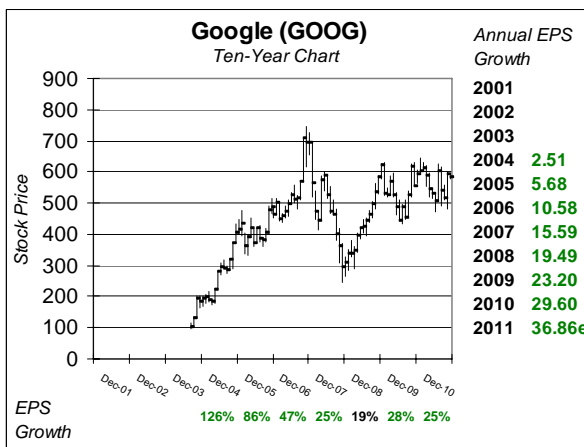
Changes to the Growth Portfolio

GOOG and CTSH fit my 2012 theme of strong and stable growth stocks. ACOM & WTW are good stocks, but I think if we have more certainty we can do well with less risk.

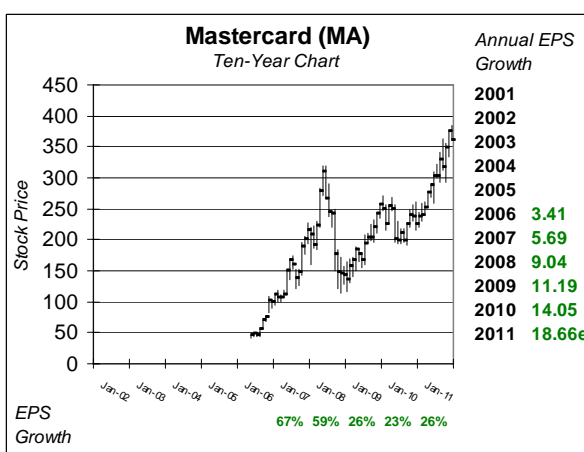
In 2011 the **Growth Portfolio** rose 2%, the **Aggressive Growth Portfolio** rose 6% and the market (S&P 500) was flat (0% return).

December 2011 Additions and Deletions						
Symbol	Stock	Buy Date	Buy Price	Sell Date	Sell Price	Gain/Loss
Bought						
GOOG	Google	12/13/11	633			
CTSH	Cognizant Tech. Solut.	12/30/11	64			
Sold						
ACOM	Ancestry.com	01/06/11	34	12/13/11	23	-32%
WTW	Weight Watchers	02/17/11	65	12/30/11	55	-15%

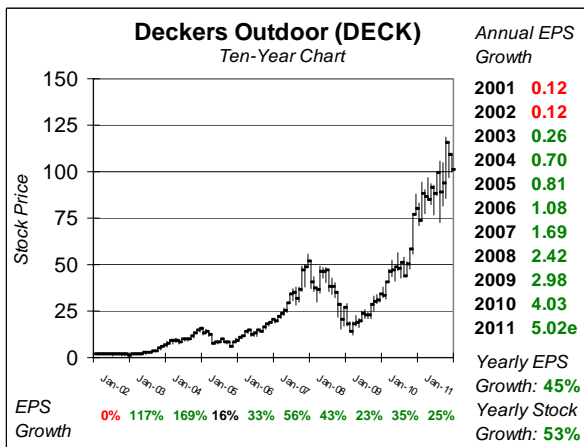
4	Google (GOOG)	Sector: Technology				
<p>I haven't been a fan of GOOG for a while. I'm not a fan of management not communicating with shareholders. But this 13 P/E is too hard to pass up. GOOG could grow profits 20% this year, and if the stock had a P/E of 18 it would be almost \$800 – the upside is solid. Google just broke out at \$630 and since it hadn't moved in a while, the stock has some catching up to do. The low P/E also gives GOOG limited downside. A solid selection for 2012. Strong. Stable.</p>						
Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	43.86	x	13	=	\$585	
2012 Est.	43.86	x	18	=	789	35%



5	MasterCard (MA)	Sector: Financial				
<p>MasterCard is very timely right now. Revenue in America is growing around 10%, and Internationally things are even better – 20% revenue growth. A lot of MA's extra revenue flows straight to profits, that's why 2011 profit growth will likely rise around 26%. MA was solid in 2011 but its still undervalued. Since the stock has been steadily rising, I think that trend will continue in the new year. This stock provides the portfolio with stability and its a Financial.</p>						
Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr.	21.73	x	17	=	\$360	
2012 Est.	21.73	x	22	=	478	33%



6	Deckers (DECK)	Sector: Retail & Travel				
<p>DECK is a little risky. UGG's aren't quite as hard-to-find as in years past. There could be an abundance of inventory out there, and if orders get cancelled then profits could come in under estimates. But its hard to bet against a company has pulled off a ten-year period of 45% profit growth and 53% stock growth – per year. With that kind of growth DECK is worth 25 times earnings. I feel a strong economy, and that's usually good news for shoes. Solid upside here.</p>						
Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	\$5.94	x	17	=	\$101	
2012 Est.	5.94	x	25	=	149	47%



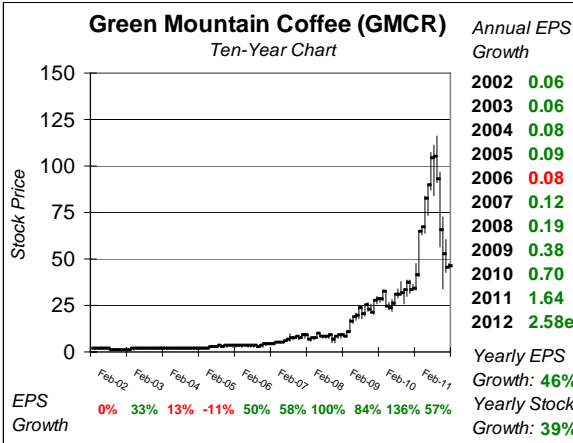
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7 Green Mountain Coffee (GMCR) Sector: Food & Necessities

GMCR has (had) some issues. For more on this read my latest GMCR research report on DavidSharek.com in the Stock Research section. Still, profits jumped 114% last qtr, are expected to double this qtr, and a 57% increase is expected for 2012. Look at the ten-year chart, cover the big spike with your hand, and notice GMCR is traveling along its trendline from 2009. Upside of 40% to Fair Value is great, but there's risk as K-cup patents expire soon.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	\$2.58	x	18	=	\$46	
2012 Est.	2.58	x	25	=	65	40%



What's Hot/What's Not

- Last year's Top Ten was a mixed bag. In the end my 2011 Top Ten was up 1.5% and the stock market (S&P 500) was flat.

What hurt was **Camelot Info. Systems (CIS)**, an IT Outsourcer from China. CIS dropped from \$23 to \$3 (-88%) on the year. I got CIS at \$26 and sold for \$15 (-42%), but year-to-date gain/loss is what matters in the Top Ten.

Energy was also a drag: **Peabody (BTU)** dove 48% and **Suncor (SU)** fell 25%. I lost 20% in SU and 21% in BTU.

- 2010's Top Ten was way better — up 38% compared to the market's 13% gain. This portfolio only had one loser, MasterCard, which lost only 12%.

- I strongly considered **Netflix (NFLX)** for this portfolio. Its easy to slam NFLX but if you look into the numbers you'd see the company is on the right track. But 2012 is a year of transition as the company is expanding into Europe. That will kill profits this year, but should yield fantastic returns in 2013.

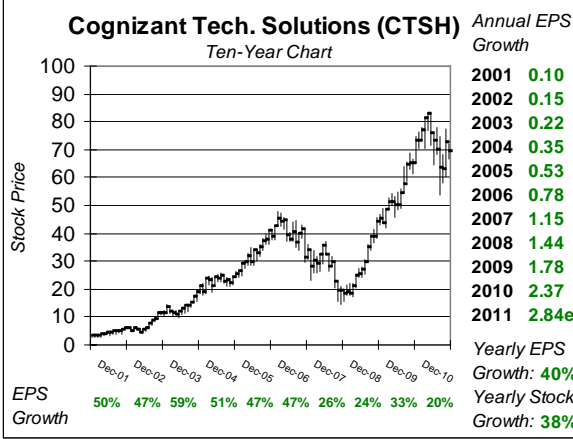
2011 Top Ten Results

Apple (AAPL)	+26%
Baidu.com (BIDU)	+21%
Express Scripts (ESRX)	-17%
Herbalife (HLF)	+51%
Catalyst Health (CHSI)	+12%
MasterCard (MA)	+66%
Camelot Info. (CIS)	-88%
Priceline.com (PCLN)	+17%
Peabody (BTU)	-48%
Suncor (SU)	-25%
Average	+2%
S&P 500	+0%

8 Cognizant Tech. Solutions (CTSH) Sector: Technology

Back to stability. I think the Dow is going to have a big year in 2012. Big stable companies are undervalued. I considered putting **IBM (IBM)** in this year's Top Ten but then changed my mind because IBM isn't "growth" enough (it's only a 12% grower). CTSH is a 20% grower. Last year I sold CTSH when it got high, and bought it back lower. This stock is on a slight dip, and its on sale a bit. The upside isn't great here, but I can count on CTSH.

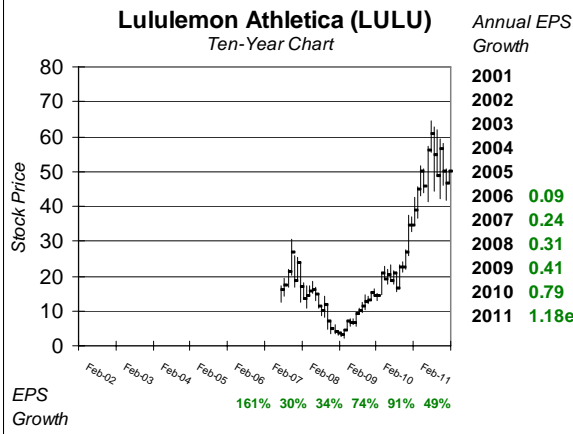
Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr.	\$3.40	x	20	=	\$70	
2012 Est.	\$3.40	x	25	=	85	22%



9 Lululemon (LULU) Sector: Retail & Travel

I wanted another Retailer in this portfolio (PCLN is more Travel) and LULU made the cut because **Body Central (BODY)** is less dependable in my eyes. LULU stock has been digesting gains for six months and could start another trend higher in 2012. I'm a little concerned a 45 P/E is asking too much. Lululemon has a lot of growth opportunity to expand, and often gets a P/E higher than its growth rate (this company is admired).

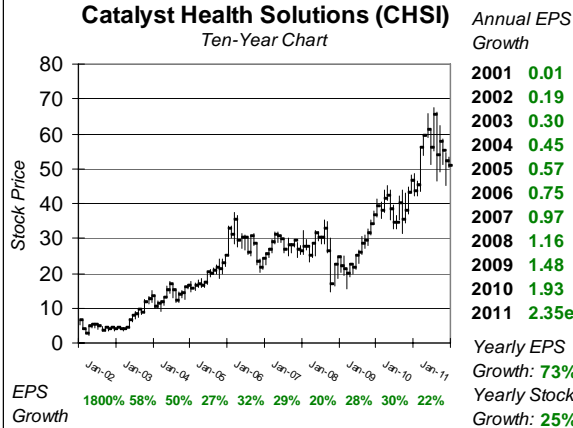
Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr.	\$1.48	x	34	=	\$50	
2012 Est.	1.48	x	45	=	67	33%



10 Catalyst Health Solutions (CHSI) Sector: Healthcare

CHSI is investing in sales, marketing and product development in early 2012, and profits should be seen from this in late 2012. Still, profit estimates for the first half of 2012 show 20% and 24% growth coming. This stock is worth 25 times EPS. Also, **Express Scripts (ESRX)** is going through some issues right now and its lack of focus could let CHSI land a few extra deals. CHSI stock has compounded at 25% a year during the last decade.

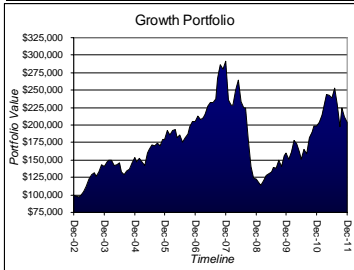
Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	\$2.71	x	19	=	\$51	
2012 Est.	2.71	x	25	=	68	33%



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Growth Portfolio		
Rank	Trend	Stock (Symbol)
1	↔	Apple (AAPL)
2	↔	Priceline.com (PCLN)
3	↔	Baidu.com (BIDU)
4	↑	Google (GOOG)
5	↑	MasterCard (MA)
6	↔	Body Central (BODY)
7	↔	Herbalife (HLF)
8	↓	Deckers Outdoor (DECK)
9	↔	Lululemon (LULU)
10	--	Cognizant Tech. Solut. (CTSH)
11	↔	Green Mountain Coffee (GMCR)
12	↔	Catalyst Health Solutions (CHSI)
13	↑	F5 Networks (FFIV)
14	↑	VMware (VMW)
15	↑	Buffalo Wild Wings (BWLD)
16	↑	Intuitive Surgical (ISRG)
17	↑	Chipotle Mexican Grill (CMG)
18	↓	Express Scripts (ESRX)
19	↓	Travelzoo (TZOO)
20	↓	Netflix (NFLX)

Growth Portfolio		S&P 500	
2003	41%	26%	
2004	9%	9%	
2005	1.6%	3%	
2006	1.5%	14%	
2007	4.2%	4%	
2008	-58%	-38%	
2009	31%	23%	
2010	24%	13%	
2011	2%	0%	
Avg. Annual Return	14%	6%	

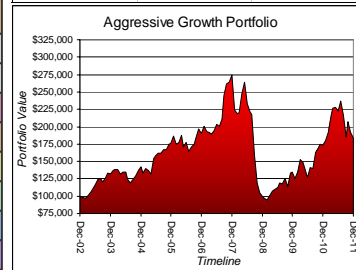


Above: A \$100,000 investment in David Sharek's Growth Portfolio on 1/1/2003 would have grown to \$203,873 through 12/31/2011.

Aggressive Growth Portfolio		
1	↑	Apple (AAPL)
2	↔	Priceline.com (PCLN)
3	↔	Baidu.com (BIDU)
4	↑	Body Central (BODY)
5	↑	Google (GOOG)
6	↑	MasterCard (MA)
7	↔	Herbalife (HLF)
8	↔	Lululemon (LULU)
9	↓	Deckers Outdoor (DECK)
10	↔	Green Mountain Coffee (GMCR)

Chopping Block	
Healthcare	
Food & Necessities	
Technology	
Financial	
Retail & Travel	
Energy & Commodities	

Aggressive Growth Portfolio		S&P 500	
2003	32%	26%	
2004	8%	9%	
2005	23%	3%	
2006	8%	14%	
2007	45%	4%	
2008	-63%	-38%	
2009	35%	23%	
2010	29%	13%	
2011 thru June 30	6%	0%	
Avg. Annual Return	14%	6%	



Above: A \$100,000 investment in Sharek's Aggressive Growth Portfolio on 1/1/2003 would have grown to \$183,183 through 12/31/2011.

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Learn the System, Follow the Portfolio, Own the Stocks

1. **Learn the System** by reading Sharek's book *The School of Hard Stocks*.
2. **Follow the Portfolio** on davidsharek.com.
3. **Own the Stocks** in one of two ways:
 - a. Follow the changes online and manage your portfolio yourself.
 - b. Have us manage your portfolio & get free access to our Stock Research.



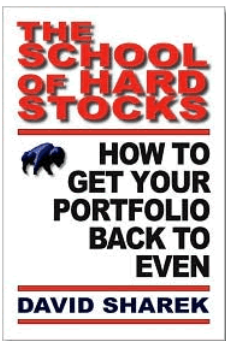
David Sharek is Chief Executive Officer and Portfolio Manager of DavidSharek.com (Shareks, LLC) which is registered as an investment advisor with the Securities and Exchange Commission.

David believes corporate profits (earnings) ultimately drive the prices of individual stocks and developed a system which, he believes, allows him to find tomorrow's stock market winners today.

Stock Education

It's time to get your portfolio back to even

The 2008 Bear Market took many portfolios down 50%, but in March of 2009 a new stock market was born. With the market and economy now showing signs of improvement, now is the time to start on the path of getting your portfolio back to even.



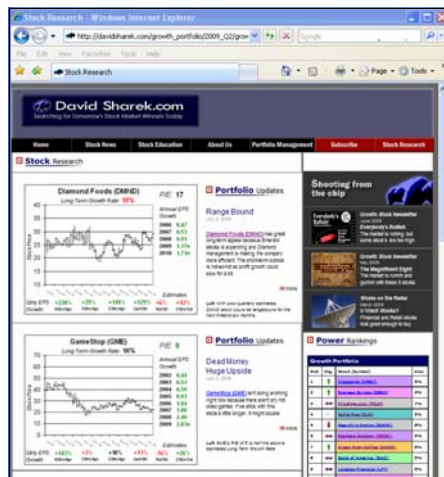
History repeats itself in the stock market. David Sharek's book *The School of Hard Stocks* shows investors A to Z the characteristics of stocks that give investors the largest gains over extended periods, so regular investors can start finding tomorrow's winners today – and work towards getting their portfolios back to even.

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Portfolio Management

Let us manage your stock portfolio

David Sharek manages individual stock portfolios on a fee-basis using the strategies mentioned here.

Client's own the stocks individually – i.e. 25 shares of AAPL, 20 PCLN, etc – unlike a mutual fund. David manages each portfolio individually. Shareks, LLC bills the client account 0.75% per quarter (3% per year) for portfolio management services. Clients may choose to leave the program at any time.

Accounts are held at Scottrade and Interactive Brokers, insured by SIPC, and can be viewed online, anytime.

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Portfolio management offered through:

