

INSIDE THIS ISSUE:

Football and Investing

Bonus Picks

KEY TAKEAWAYS

- ⇒ *Success on the gridiron and the stock market have similar characteristics*
- ⇒ *Building the core and ensuring you have the correct and diversified segments are major keys to success*
- ⇒ *Under Armour is one of the hottest brands and a primary cog in the sports apparel and gear arena*
- ⇒ *Microsoft may benefit from its exclusive deal with the NFL*

KEY STATISTICS

Index	Close	2014
DJIA	17137	3.3%
S&P 500	2008	8.7%
NASDAQ	4583	9.7%
Russell 2000	1170	0.5%

(figures are rounded)

USING FOOTBALL CONCEPTS TO INVEST

If you are a football fan, then this week's edition is tailor-made for you. Instead of our usual predictions, analysis, and pontifications, we detail the similarities between success on the gridiron and success in the stock market. As a bonus, we are highlighting two stocks that directly benefit from our this love-crazed sport and our NFL picks for this season.

It Starts in the Trenches

In the NFL, the old adage states that the team that wins the battle along the line of scrimmage tends to win the games. When investing, building a portfolio of solid, core assets via a core/satellite approach minimizes risk and ensures above-average performance.

Diversification is the Key

A team that does not mix it up on offense between passing and running the ball, along with varied formations, players and plays is doomed to failure. A portfolio that has a heavy concentration in a small number of stocks is destined to become susceptible to a similar fate.

The Right Personnel for the Right System

Drafting or signing a player that does not fit your team's system, or bringing in a player with a questionable background may offer upside but is usually not worth the risk. Buying a stock with a checkered past or with an extreme risk profile can slash the value of one's portfolio.

Establish a Plan, Stick with It

While the objective to win it all is obvious, sometimes it is tempting to deviate from the plan by taking shortcuts and not being patient. In the investing world, the real winners are those that realize achieving solid performance is a marathon, not a sprint and you must stay the course of your plan.

Football and Investing

Playing Strong Defense Puts You in a Position to Succeed

Without a strong defensive front or secondary, the game can easily run away from you. The same thing can occur if you do not utilize stop limits and options to limit one's downside risk. Alternatively, using a short sale or put option strategy with respect to competing stock or industry holdings can be considered a form of defense as well.

Give Your Quarterback Weapons

If the QB does not have the personnel to succeed he puts too much pressure on himself which causes mental and physical and mental errors via errant throws, fumbles, and interceptions. If you as a GM, coach, and QB of your portfolio do not provide yourself with the proper tools to manage your game plan and investments, mistakes are inevitable.

There Are Three Segments to Win the Game

In order to win a football game, one must dominate at least two of three parts of the game: offense, defense, and special teams. Investing's three segments include research, trading, and portfolio construction. Success in all three areas virtually guarantees big gains and pay dirt in two of three means you will win more than you lose, per trade or investment idea.

Bonus Picks

I admit that since the company is based here in Baltimore I am generally predisposed to be a big fan. Still, it is hard to argue the fact that **Under Armour (NYSE—UA—\$72.53)** is one of the country's most popular brands, and clearly one of the top brands in the sports and fitness world. In fact, a recent *Wall Street Journal* article noted that UA has now overtaken Adidas as the number two selling sportswear brand in the U.S., behind only **Nike (NYSE—NKE)**. The stock is at an all-time high and the company is a force in football and general fitness attire while it gains big traction in basketball. The brand is in vogue and its fans are rabid for the products. I see no reason why the stock should not continue to move higher, despite the fact that it trades 60x FY15 EPS of \$1.20, while growing earnings at 27% annually.

Bonus Picks (cont'd)

Microsoft (NASDAQ—MSFT—\$45.91) took a lot of heat for the initial lackluster sales of its SurfacePro product, even after closing its exclusive deal with NFL to provide units for use on teams' sidelines.

Microsoft's Surface is now the official tablet of the NFL, a title it bought last year in a \$400M, five-year partnership with the league. Microsoft has outfitted all 32 teams with Surface tablets for sideline use in analyzing formations and plays with photos from the new Sideline Viewing System. The tablets are owned by the NFL and are provided to teams just before kickoff and removed when the game is over.

Given the huge popularity of the NFL, and the exposure of the tablet on TV this season, it is possible that MSFT gets a boost from the ubiquitous scenes of coaches and players hovering over the products on the sidelines. Couple that with a reasonable 16x its June 2015 EPS forecast of \$2.72, and a 20% gain seems a certainty in the coming months.

Extra Bonus: Our NFL Playoff Picks

Division Winners AFC: Patriots, Bengals, Colts, Broncos

Wild Card AFC: Steelers, Texans

AFC Champion: Broncos

Division Winners NFC: Eagles, Bears, Saints, Seahawks

Wild Card NFC: Packers, Falcons

NFC Champion: Seahawks

Super Bowl: Seahawks over Broncos

Have a great week!



The Goldman Guide

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