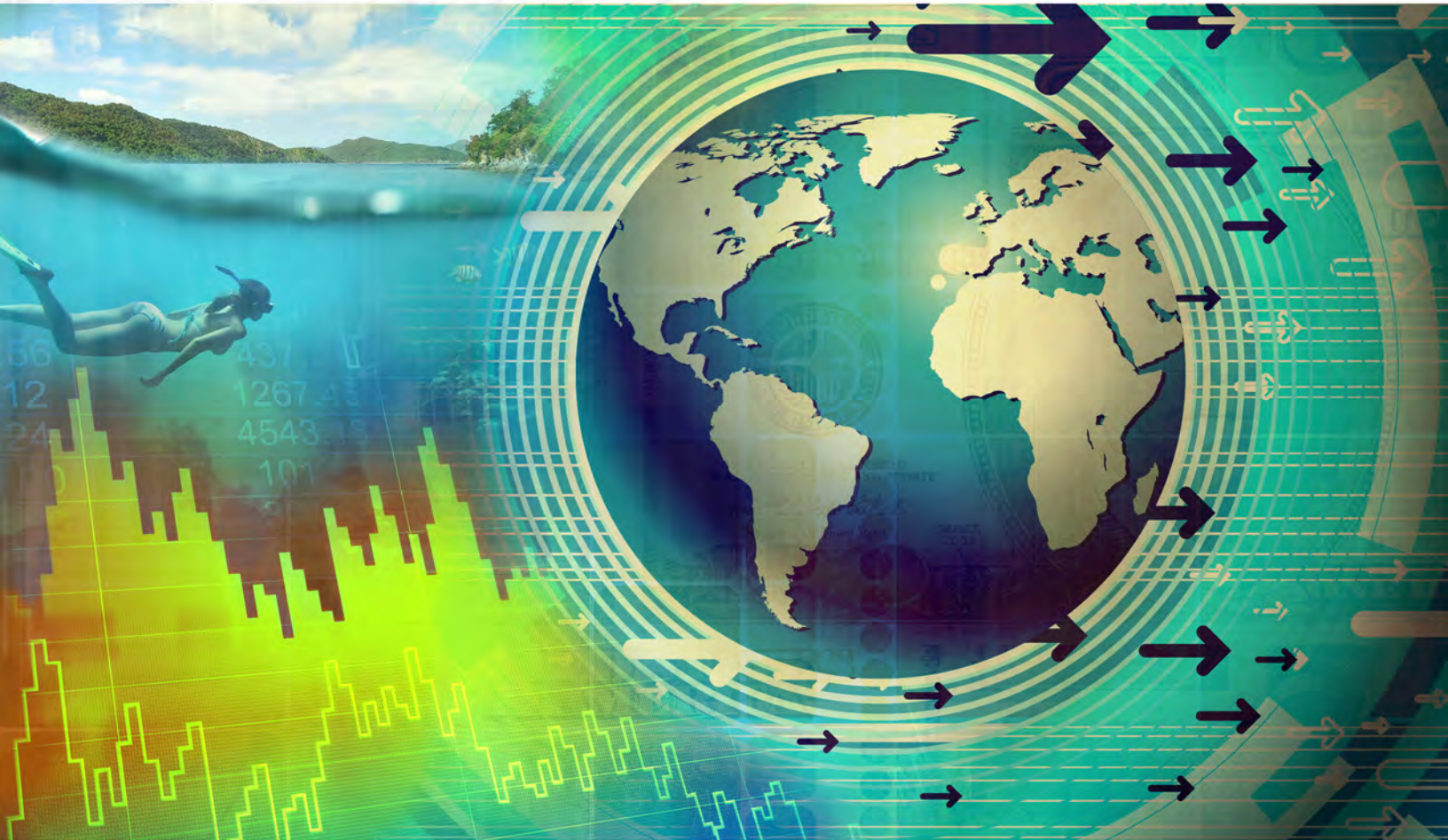




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Special Report



The Only Six Types of Stocks Part 4 **Turnaround**

The Only Six Types of Stocks

Part 4: Turnaround

Picking the Right Team

The year is 1984. The NBA has its annual draft selection event. This is the one chance that the worst performing teams of the previous season have to turn around the future of the organization in a meaningful way. The NBA drafts are the mechanism by which players that have been scouted playing for colleges, high schools, European teams, and international teams get to join the ranks of the best teams in the world. The purpose is to allow teams to rebuild after a lousy season.



Every team scouts dozens of potential picks to determine which could be an impactful addition and give them a chance at winning the NBA title. These players have proven themselves in major tournaments, and the NBA teams are betting on the fact that previous performance would indicate future results. It's very hard to predict which player will still deliver exceptional stats once playing the intense NBA season.

1984 was the year that the Houston Rockets had the 1st pick, the Portland Trail-Blazers the 2nd pick, and the Chicago Bulls the 3rd pick. All teams watched countless videos, conducted countless interviews, and tried to pin down who is the best player.

The Houston Rockets picked Hakeem Olajuwon. He ended up winning back-to-back championships for them. Portland Trail-Blazers picked Sam Bowie, an All-American sensation. This pivotal player won high school championships and college awards.

Chicago picked a guard. His name might be familiar to you – it's Michael Jordan. He also goes by "Air Jordan," "God," and many other nicknames. This one man brought the Bulls world fame and is the most popular athlete of all time.

Sam Bowie, who was picked by Portland, had a rough NBA career full of injuries and ups and downs. He is the symbol of a lost opportunity. A wrong bet.

Throughout the years, there have been many 1st picks that had pressure on them to build a franchise and failed miserably: Pervis Ellison (*who?*), Michael Olowokandi (*who?*) Andrew Bogut (*seriously?*)

Here are a few that worked out exceptionally well:
Tim Duncan, LeBron James, Magic Johnson

When turnarounds work, they can create legacies and championship teams. When they go wrong, they cost the teams millions of dollars and take years to rebuild.

Attaching Yourself to the Right Stocks for Long-Term Gains

Some stocks act in the same way. They lose their competitive advantage, and other companies gain part of their market share by better understanding what customers want. Somewhere down the line, they realize a change must be made.

IBM is one such example. They dominated the computer industry. They used to call it “Big Blue.” Then they lost their connection to their clients. Dell came in to the picture, offering smaller computers, and by 1992, IBM began a turnaround operation – a successful one. Shareholders who invested back then enjoyed a 16% annual return, almost 3 times more than the S&P 500 during that time, and much better than 99% of hedge funds. Every \$10,000 in 1992 would be worth \$352,000 today. That’s 35 times your money in 24 years. Many other companies lost their glory and never recovered: BlackBerry, Xerox, and Nokia are examples. Shareholders lost a lot of money.

Proper Company Management is Crucial

Management is the key to a successful turnaround, and so the more dynamic the industry, the more turnaround stories will come from it. You don’t get many chewing gum turnaround stories, since this industry has had relatively little change over the years, but consumer products and brands or technology companies perform miracle rags-to-riches revolutions.

The key to a successful one is to identify an insanely cheap company that the market has generally lost hope on, and really understand the new strategy that the company has in place. Then, through analysis and re-search -- and by making sure the numbers are improving -- you can build your position and see monstrous gains as the market realizes what you saw way ahead of the average investor.

Like in basketball, picking Jordan over Bowie isn’t easy, but there is a lot of time to research. Michael Jordan didn’t win his 1st championship until his 6th season, so you had plenty of time to foresee his rise to stardom and open up a Nike store in your own city. The message is clear: this group of stocks can make an impact on your portfolio, but they are, in the end, a speculation, and must be treated as such.

PWG Finds the Needles in the Haystack

PWG looks for the Jordans and LeBrons in a world full of Sam Bowies, and when we find one, you will be the first to know.

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