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Guides

How To Pick Stocks Guide: Part 3 – How Does The 'Granny Shot' Work In Investing?

November 18, 2020

FSInsight Team

Since the inception of the 'Granny Shots' portfolio methodology, we have beat the S&P 500 by 4,260 bps since inception. On a YTD basis, the S&P 500 has returned 9.4% while our Granny Shots portfolio has returned 34.1%, more than three-fold of what the broader index did. YTD Granny Shots is beating the S&P 500 by 2,540 bps.

Our 'Granny Shots' portfolio selects stocks by aligning our tactical 6-12 month stock portfolios with our thematic strategic portfolios, which have a horizon of 3-5 years. We have three of each. Based on our analysis, the more portfolios a stock is in, the better. We have four treasured stocks that we recommend to our subscribers that come across 4 categories. To understand 'Granny Shots' better, we will give you a little background on each of our themes for 2020.

Millennial Prime Earning Years/Wealth Transfer From Baby Boomers

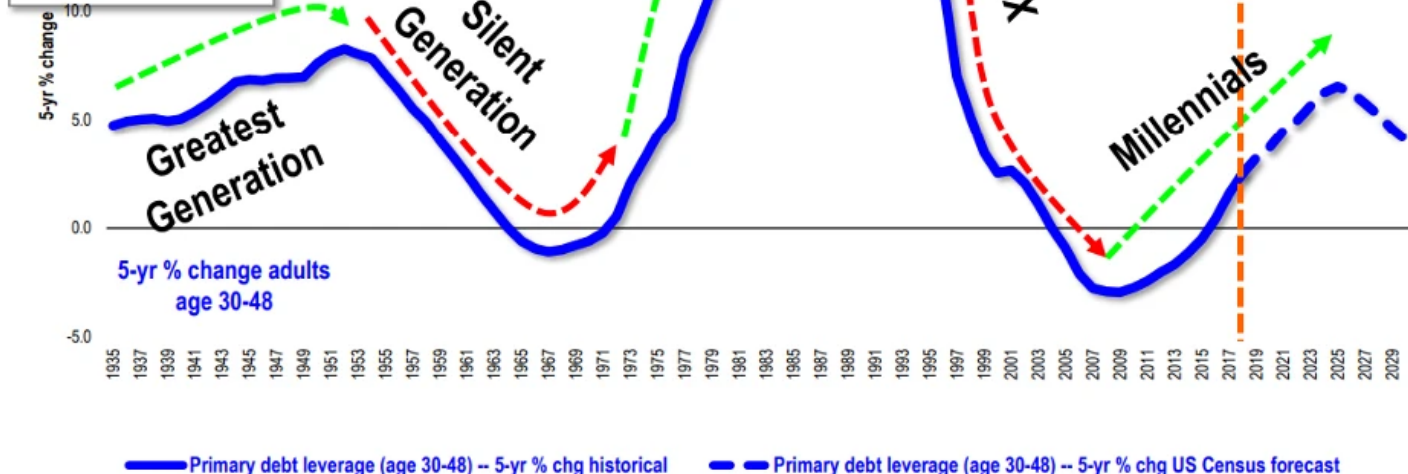
Figure: Innovations seen when each generation was in their 20s
General sources: Wired magazine.



One of the key thematic investing strategies we are implementing over the next 3-5 years will be the enormous transfer of wealth from baby boomers to millennials and millennials entering their prime 'leverage' years. The millennial generation will be making the key purchases that drive cyclical economic expansion in a way that only a large generation replacing a smaller one can. In the United States, millennials significantly outnumber Gen-X. They will soon be buying houses, cars, and other core needs consumers spend on as they advance through their lifecycle on a scale rarely, if ever, seen. This consumption will be fueled by the massive transfer of wealth from the Baby-Boomer generation through inheritance and other transfers to help support their progeny's economic advancement and security. The vast majority of 75 trillion dollars in wealth held by boomers will eventually be passed to millennials. This wealth will be coming to them, let's remember, *in addition* to their own earning power, which has the potential to be greater than any previous generation.

Figure: Prime Leverage years: # adults age 30-48
Since 1935 per the US Census Bureau

Generation...	Birth years
Greatest Generation	1910 1927
Silent Generation	1928 1945
Baby Boomers	1946 1964
GenX	1965 1980
Millennials	1981 2000
Generation Z	2001 2018



Source: FSI Insight, Bloomberg, BEA, National Association of Realtors, US Census Bureau

This will affect markets and the wider economy in profound ways, as massive generational shifts always do. We believe that generational effects on the stock market are amongst the least appreciated but also the most reliable and perennial drivers of markets and growth. The predictable patterns and needs of generations as they advance from one stage of life to another is a powerful economic force. Accordingly, millennials will also be the primary drivers of credit expansion. As millennials get more and more leveraged, they will begin to drive more GDP growth. Given that millennials are the most highly educated generation in history, their earning power should reflect this and opens the possibility that their days in the lifecycle limelight, so to speak, could lead to one of the most robust bull markets in history.

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