

This document is being provided publicly in the following form. Please subscribe to FSInsight.com for more.

[Home](#) > [Guides](#) > [How To Pick Stocks Guide: Part 6 – How to allocate and create Tactical Po](#)

## Guides

# How To Pick Stocks Guide: Part 6 – How to allocate and create Tactical Portfolios?

November 18, 2020

FSInsight Team

Our Tactical Portfolios are also an important tool we use to manage a bit more actively. We generally construct these with a 6 to 12 month time horizon in mind. We have three tactical portfolios consisting of our Style Tilt between Value and Growth, our Seasonality Measure, and our PMI Recovery Above/Below 50. We'll discuss our thinking on each of these briefly.

Based on many of our proprietary indicators, we see a golden age of Value dawning. While we still like many growth stocks, we do not believe these champions of the COVID-19 era will lead the averages to new and impressive highs. We believe pure value plays and value cyclicals will lead this move to new ATHs. We think that the market has rediscovered valuation risk in the wake of coronavirus. We recommend getting exposure to pure value stocks and value cyclicals, especially to take advantage of this changing dynamic. We believe that as the strength of the virus diminishes that much of the wall of money that has gone into the big tech stocks over the last 9 months will rapidly and violently shift to these two groups of stocks.

Many people tend to forget what is in the *present value* of a stock. Most equity analysts and economists use discounting future cash flows to arrive at the stock's current value. What this means is that although current and near-term quarters should be weighted more than subsequent quarters because the cash-flow from these periods is more certain that even for a stock with a lower P/E ratio the future quarters are so many that they constitute a larger portion of present value than many investors realize. For example, if a stock has P/E ratio of 15 times earnings, then you should be discounting 60 quarters of future growth, and even though this quarter and next quarter might have severely depressed, or uncertain, results as a result of the virus, the following 58 likely will not. Obviously, the better the financial condition, balance sheet and management of the company the truer this is. In March, the market panic created many opportunities and beat down a lot of stocks that are undeniably undervalued by key fundamental metrics, particularly when incorporating discounted cash-flow analysis and proven survivability. We also like to follow the activity in adjacent markets like those for derivatives and debt to get a sense where the equities are going; developments in these areas are largely supportive of our portfolio theses.

### **Quick Navigation on this series**

[How To Pick Stocks Guide: Part 1 – How to Pick Stocks? The birth of “Granny Shots”?](#)

[How To Pick Stocks Guide: Part 2 – How We Apply ‘Granny Shots’ To The Stock Market?](#)

[How To Pick Stocks Guide: Part 3 – How Does The ‘Granny Shot’ Work In Investing?](#)

[How To Pick Stocks Guide: Part 4 – Impact on Technology, Digital transformation and Artificial Intelligence in the Stock Market](#)

[How To Pick Stocks Guide: Part 5 – Impacts on Inflation and Portfolios](#)

[How To Pick Stocks Guide: Part 6 – How to allocate and create Tactical Portfolios?](#)

[< Previous](#)

[Next >](#)

### FSInsight Team

### Disclosures (show)

This research is for the clients of FSInsight only. FSI Subscription entitles the subscriber to 1 user, research cannot be shared or redistributed. For additional information, please contact your sales representative or FSInsight at [fsinsight.com](https://fsinsight.com).

#### Conflicts of Interest

This research contains the views, opinions and recommendations of FSInsight. At the time of publication of this report, FSInsight does not know of, or have reason to know of any material conflicts of interest.

#### General Disclosures

FSInsight is an independent research company and is not a registered investment advisor and is not acting as a broker dealer under any federal or state securities laws.

FSInsight is a member of IRC Securities' Research Prime Services Platform. IRC Securities is a FINRA registered broker-dealer that is focused on supporting the independent research industry. Certain personnel of FSInsight (i.e. Research Analysts) are registered representatives of IRC Securities, a FINRA member firm registered as a broker-dealer with the Securities and Exchange Commission and certain state securities regulators. As registered representatives and independent contractors of IRC Securities, such personnel may receive commissions paid to or shared with IRC Securities for transactions placed by FSInsight clients directly with IRC Securities or with securities firms that may share commissions with IRC Securities in accordance with applicable SEC and FINRA requirements. IRC Securities does not distribute the research of FSInsight, which is available to select institutional clients that have engaged FSInsight.

As registered representatives of IRC Securities our analysts must follow IRC Securities' Written Supervisory Procedures. Notable compliance policies include (1) prohibition of insider trading or the facilitation thereof, (2) maintaining client confidentiality, (3) archival of electronic communications, and (4) appropriate use of electronic communications, amongst other compliance related policies.

FSInsight does not have the same conflicts that traditional sell-side research organizations have because FSInsight (1) does not conduct any investment banking activities, (2) does not manage any investment funds, and (3) our clients are only institutional investors.

This research is for the clients of FSInsight only. Additional information is available upon request. Information has been obtained from sources believed to be reliable, but FSInsight does not warrant its completeness or accuracy except with respect to any disclosures relative to FSInsight and the analyst's involvement (if any) with any of the subject companies of the research. All pricing is as of the market close for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, risk tolerance, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies. The recipient of this report must make its own independent decision regarding any securities or financial instruments mentioned herein. Except in circumstances where FSInsight expressly agrees otherwise in writing, FSInsight is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice, including within the meaning of Section 15B of the Securities Exchange Act of 1934. All research reports are disseminated and available to all clients simultaneously through electronic publication to our internal client website, [fsinsight.com](https://fsinsight.com). Not all research content is redistributed to our clients or made available to third-party aggregators or the media. Please contact your sales representative if you would like to receive any of our research publications.

