



Behind the Scenes at P&A: How We Pick Stocks

By Hannah

I think there is an air of mystery surrounding what financial advisors actually do. I imagine that many of our clients, much like myself not that long ago, wonder what really goes on at P&A between the hours of 8AM and 5 PM, Monday through Friday. When I came to work at P&A in October 2017, my experience with finance and investments was, in a word, lacking. I graduated from UNL with a degree in Spanish, a far cry from the world of stock indexes, interest rates, and brokerage accounts. 3+ years later, however, I understand a lot more of what happens around the office overall, and I want to share that with you.

While we can't give away our trade secrets (pun intended), we are huge proponents of transparency with our clients. From our intuitive client portal to our straightforward fee structure, we integrate transparency into as many facets of our business as we can. We believe it creates a deeper level of trust with clients. Thus, my idea for this blog post "series" was born: Behind the Scenes at P&A. I hope to offer a unique perspective as someone who knew nothing about the industry when she arrived in it, and I also intend to interview some of your favorite people on the P&A team in the process.

To start us off, I thought what better topic to broach than to answer one of, if not, *the* juiciest of questions: How do we pick stocks? After all, this might very well be one of the main reasons you hire us.

Before we delve into that process, I want to briefly note that account size (i.e. dollar amount) largely determines the strategy we use for that account. You may have heard terms like "Fireball", "Cannonball", or "Custom" thrown around - these are our equity (stock) strategies. You can learn more about them on our website under [How We Help](#). In this blog post, I am focusing on the process of picking individual stocks, which would generally show up in "Custom" accounts.

I did two things to prepare for this article: Attend one of our weekly research meetings, and then call up [a few members of the research team](#) to chat stocks: Shane, our lead analyst; John, an investment officer; and Audrey, a fellow Service Advisor like myself. My request? Walk me through the process from discovery to implementation in client portfolios - how does that look?

I got a chuckle out of Shane; in his words, picking stocks is "more art than science." Admittedly, I wasn't surprised by his answer - I inferred as much after my experience in the research meeting. I had expected an hour presentation of figures, percentages, and ratios flying right over my head. Instead, I was pleasantly greeted by a fluid conversation in which companies were discussed more palpably to my untrained ears: products/services offered, if and how we personally make use of these products/services, company relevance in the present, the potential for company relevance in the future...and, as John kindly added, "there is a healthy balance of [...] counter-views", too. Now, it's important to note that "figures, percentages, and ratios" definitely play a critical role in research; they're the first barrier to entry before a company even earns the right to a research meeting. If the numbers don't first add up, it's not going to get brought up in a meeting to begin with.

But before a stock even gets researched on any level, how is it discovered? It might present itself in an investment newsletter, be brought up by a fund manager we follow, make an appearance on the news, or simply be written across the appliances in our own homes. Your P&A team diligently looks for these opportunities, and if something catches our eye, research follows.

If you've ever stopped in our office, you may or may not have noticed the mystical Bloomberg terminal displays situated between Dan's and Pitt's desks on a revolving tabletop. As defined by good ol' [Wikipedia](#), "users can

monitor and analyze real-time financial market data and place trades on the electronic trading platform” as well as access news, quotes, etc. In other words, the research team spends lots of time in front of these monitors studying data, comparing companies, reading the news, and more.

Audrey in particular talked about using the Bloomberg to compare companies when researching a new stock. We discussed how it’s important to compare apples to apples when doing this, or at least realize if you’re comparing apples to oranges, even within the same industry. Certain companies might be known on the surface for a singular product they offer, but when you delve deeper, you may find they have a hand in other worthwhile (or worthless) dealings. This might lead to other companies with valuable intertwined business dealings being discovered, too.

Another item mentioned by both John and Audrey were 10k’s, also known as annual reports. These reports include general info about the industry, a look over the past year of business, audited financials, potential risks, stock prices, dividends paid, and more. The team also reads articles and reports offered by research vendors and other fund managers, and they will even go as far as to learn the intricate details of a product offered by a company itself.

Once some research has been done into a particular company and it’s showing potential, then it’s time to present to the research committee. The group may or may not bite. If the group does bite, then the company will make a reappearance in the following week’s research meeting, researched by all in the meantime. If the group doesn’t bite but the presenter has conviction, he/she may choose to put the stock on what’s called our Watchlist. This means it *could* come back for review in the future.

If, upon further review, the group decides a stock offers a good opportunity for our clients, then comes implementation in client portfolios. This isn’t a set event but rather happens over an unspecified period of time triggered by a variety of events including but not limited to: incoming cash, loss trading, or account rebalancing during our quarterly review process. More on the latter subject in next month’s blog post.

So what’s the takeaway? When I asked Shane to define what goes into finding and research a stock, he described it as a conglomerate of general interest and watching companies in multiple sectors, married with personal interest, the “grander scheme of things” (company relevance), and important factors (such as company performance, who are its customers, etc.), and more... I couldn’t scribble my notes as quickly as he was rattling off the items, but his point was, “It’s art and it’s arduous.” And we’re here to do it for our clients, Monday through Friday, 8:00 AM to 5:00 PM.

I hope this post has been enlightening as to what all goes into a stock being discovered, researched, and ultimately added to a client portfolio. As always, we’re just a phone call/email/meeting away if you have questions about your own portfolio, and we’re happy to help with any other finance-related questions you may have or decisions you may face. Thanks for reading!

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