

The Stock Advisor Way

Searching for Growth and Dividend Stocks and their role in Asset Allocation

"There are a few must-haves in life. They are (1) air, (2) food and drink, (3) clothing, (4) shelter, and (5) Motley Fool Stock Advisor. Everything else is optional."

— Phillip R., Anchorage, AK

DIFFERENT investors are at different stages of their lives with different financial needs. Some are looking to generate regular income, while others want to grow their savings.

In this exclusive interview with the analysts from The Motley Fool, David Kuo (DK), Chin Hui Leong (HL) and Chong Ser Jing (SJ), we got a sneak preview of the first ever conference co-organized with ShareInvestor.

What is the difference between dividend and growth stock and how can an investor identify them and decide which to include in their portfolio?

DK: By definition, dividend stocks are those that can send a regular paycheck to your bank account and growth stocks are from a company that has the potential to compound your wealth over a long time.

Before making any decisions, you must first understand them. During the conference, our analyst Chong Ser Jing will share on the four signs of a good income stock and Hui Leong will tell you about the "Six Signs of a Rule Breaker" that can help investors identify a good growth company.

More than that, they will each give you an example of such companies you can invest in today!

Can you share with us on your first growth stock and dividend stock?

HL: One of my first growth stock was Netflix which I have owned for more than a decade now. Today, NFLX is up over 40 times since I first bought it. For dividend stock, it's Suntec REIT which I've held for 12 years and counting. The distribution I've accumulated has also exceeded the price that I paid for it 12 years ago.

DK: My first growth stock was Vodafone, with it being one the first UK companies to enter the then nascent mobile phone market. But like many growth companies, it has morphed into an income stock over time and I think the lesson here is that growth companies can stop growing one day, so you need to be prepared. As for my first dividend stock, it was the British American Tobacco. Although the yield was not outstandingly attractive, they payout a lot of dividend as they did not need a lot of money to grow its business.

SJ: One of the stocks I bought in 2010 was Apple. I think it was both my first growth stock as well as my first income stock.

It's a growth stock because since I bought the share, its revenues, net profits, and free cash flow are up by 238%, 226%, and 221%, re-

spectively. My shares are also up 229%. Notice how closely Apple's stock price growth has tracked its business growth.

It's also an income stock because I have a nice yield of 5.3% based on Apple's dividend over the last 12 months and my initial purchase price. What's interesting is that Apple only started paying a regular dividend in 2012. This shows that a company's profile can change over time and straddle two worlds.

Let's change the scene a bit and look at REITs. What is one criteria and sector that The Motley Fool look at in a REIT?

DK: Beyond stock prices and financial statements, we spend time studying the underlying business. For REITs, we look at how the properties deliver value to its customers. For example, the higher the shopper footfall the more likely tenants can benefit from it.

In terms of asset allocation, how does The Motley Fool choose the weightage of different asset classes in your portfolio to maximize the yield?

DK: No single asset allocation method is fool proof. A general rule of thumb is to use the Rule of 100. To put it simply, subtract your age



David Kuo, CEO, The Motley Fool

from 100. That would be the proportion of shares you should hold in your portfolio. For example, a newborn should have 100% of his or her portfolio invested in shares. By the time they reach 20 years old, the portfolio should consist of 80% in shares and the remaining in either bonds or cash.

The search for dividend and growth stock may be tough, and the dream of turning your REITs into hard cash may seem far, but you can

take comfort in knowing that you are not alone when you are part of the Stock Advisor family at The Motley Fool Singapore. Be sure not to miss out on the "fool" proof vision for investment opportunities!

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