User Guide
How to Get The Most Out of Your Subscription
Welcome!

Thank you for subscribing to *Cabot Top Ten Trader*!

It’s my pleasure to welcome you to Cabot Top Ten Trader, the #1 source of new stock ideas for both individual and professional investors. It was created and is published so that any investor can have access to the market’s strongest stocks, the ones that are under the greatest accumulation from large institutional investors.

After all, when you get down to it, most investors struggle in part because they have poor selection criteria. They either buy stocks they’ve heard of, or stocks in an industry they understand, or they look for something “cheap.” But those stocks, in general, don’t perform very well. In other words, investors get nothing-to-write-home-about results because they tend to buy nothing-to-write-home-about stocks.

Cabot Top Ten Trader is here to fix that. But I first recommend you go through this guide before getting started. It will make a big difference. And if this type of investing is new to you, I suggest you also read this section to help you get started.

And know this: Those big investors can’t buy their whole position in one or two days like you or I can. For big mutual, pension or hedge fund, it could take weeks or even months to build a position in a stock. And that means that when money begins flowing into a stock or sector, it’s likely to continue for a while...driving the share price higher.

That’s the main reason for the success of Cabot Top Ten Trader since we launched the advisory in 2002. Over the years, we’ve provided thousands of subscribers with a steady stream of actionable stock ideas, as well as follow-up in the Movers & Shakers email every Friday.

There’s much more to Cabot Top Ten Trader, as you’ll read further on in this guide, but I do want to relay one last thing. All the analysts at Cabot take pride in being available to help our subscribers with any questions or listen to any feedback. So, if something’s on your mind, please don’t hesitate to email me at Mike@CabotWealth.com.

Your guide to growth stock investing,

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Mike Cintolo
Chief Analyst, *Cabot Top Ten Trader* and *Cabot Growth Investor*
What’s in this guide...

Here’s What You Get
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Your Subscription to *Cabot Growth Investor* Includes:

**Weekly Issues**
Every Friday you’ll get a follow-up email with previous recommendations that are at good entry points as well as a comprehensive list of stops for stocks we’re riding higher.

**Weekly Movers & Shakers Email**
Every Friday you’ll get a follow-up email with past Top Ten recommendations that are at attractive entry or exit points.

**Special Stock Alerts**
When appropriate, special bulletins will alert you to important market developments to keep an eye on or that warrant action.

**Special Reports**
Our catalog of Special Reports provides further analysis that lets you dive deeper into the details of stock investing.

**Direct Contact**
Whenever you have an investment-related question, you can email me directly at Mike@CabotWealth.com. You can also call our Cabot Investor Services desk at 800-326-8826 anytime during business hours to speak with someone about your subscription. Or you can email our subscription support staff at Support@CabotWealth.com.

**24/7 Archives**
Your subscription gains you access to our vast online library of analysis, including past issues of *Cabot Top Ten Trader*, special reports, and related webinars.

**Make sure to visit the *Cabot Top Ten Trader* hub and bookmark the page!**
How We’ll Make You Money

Before we set you off to start investing with Cabot Top Ten Trader, I want to share the strategies we employ in our own investing. None of them are perfect, of course, but when we follow these principles, we’re sure to boost our portfolio’s profits.

As a note, many of the topics below refer to stock charts—we strongly urge you to use charts to help you make better buy and sell decisions. You don’t have to get fancy; using a bar chart with volume is as good as anything. And you can get these charts free online; our favorite website is stockcharts.com.

Here’s our approach:

**Cut all losses short.**
Cabot Top Ten Trader stocks are, by definition, some of the strongest and most volatile in the market. And no matter how hard you try, not all of the stocks you buy will be winners. So what do you do with the losers? We advise cutting them short, using our recommended loss limits for every Cabot Top Ten Trader stock you purchase. It’s like having a great defense in football or hockey: If the other team can’t score on you (i.e., if the market can’t take away much of your money), how can you lose? This is rule #1 of all the best investors.

**Watch the 25-day and 50-day moving averages.**
Moving averages simply smooth out a stock’s daily fluctuations. We like to examine the 25-day moving average for shorter-term moves, and the 50-day for the intermediate-term trend. With Cabot Top Ten Trader stocks, we generally find that any decisive break below the 50-day (and at times the 25-day for extra-strong stocks) will often result in a more severe correction. So if you’ve been sitting with a stock on a good ride higher, you should consider selling at least a chunk of your shares if the 50-day moving average is broken.

**Look for big volume clues.**
The people driving stocks up and down are not you or us, it’s the huge institutional investors; mutual funds, hedge funds, banks and pension funds that control hundreds of billions of dollars. They can’t hide when they’re getting in or out of a stock, as their activity shows up in total shares traded. If you see a stock take an outsized hit on more than double or triple its average volume, watch out! It means a bunch of big investors are jumping ship, and if they continue to do so, it can take down a stock lightning quick. It’s not an outright sell signal, but if you see a huge-volume drop, be sure to keep the stock on a tight leash.

**Watch industry peers.**
It’s a fact that most stocks within a sector tend to swim in the same direction. So if you own a leading oil stock or two, but notice that, say, Halliburton and Schlumberger are breaking down (falling through 50-day moving averages on big volume, etc.), you should keep your own oil stock on a tight leash. Oftentimes, weakness in a few leaders of a group will spread to the rest of the sector within a couple of weeks.

**Don’t fret over insider actions.**
Insider selling is something that attracts the attention of many investors. After all, if an officer of the company you own is dumping shares, shouldn’t you do the same? No ... at least not necessarily. Insider selling has never proven to be a reliable sell tool. Remember, many officers of young, dynamic companies (like many of those profiled in Cabot Top Ten Trader) have much of their wealth tied up in company shares. So selling is normal—all the big winning stocks in history have shown insider selling on the way up. What you should care about is what institutional investors think—and the way you do that is by watching the stock’s price and volume action (using some of the other rules listed here). So don’t obsess on insider actions; they’ll often mislead you.

**Be aware of earnings season.**
There are often some huge moves (both up and down) by stocks just after they report their quarter. We don’t think you should always sell before your stock reports earnings—contrarily, many times a strong stock in a strong
market will gap higher after a great quarterly report. But you should be cautious about buying stocks right before they report earnings (that's more like gambling than investing). Also, if you don't have a decent profit in a stock heading into its earnings report, you might consider lightening up or selling outright. Either way, you should be prepared for lots of volatility during earnings season.

Don't buy a stock right after it gaps down on earnings.
We put this one in here even though it concerns buying because so many investors are tempted to buy a “good company” that just got whacked after a quarterly earnings report. Don’t! If a stock collapses 10%, 15% or more on earnings, it’s telling you that perception has changed for the worse—all those big investors that were optimistic are now looking to get out ... and quick. But all these elephants can’t get out in one day! Our studies show that a stock that collapses on earnings usually (say, seven out of 10 times) continues lower in the weeks ahead, as the big investors take time to unload their holdings. Long story short, do yourself a favor and stay away from big earnings losers.

It’s OK to lighten up.
We definitely believe in the phrase, “Let your winners run, and cut your losses short.” So if a stock is marching higher week after week, just sit tight. However, the occasional Cabot Top Ten Trader stock will do well for a few weeks or months, but then spike higher on no news, running up 10%, 20% or 30% in one or two weeks, finding itself miles above its 25-day or 50-day moving averages. With these hot stocks, you can consider selling one-third to one-half your shares on such strength, allowing you to ring the register and lock in gains, while holding a smaller position in case the advance continues. You don’t have to own your entire position for the whole upmove to make big money in stocks.

Listen to the market.
Regardless of all the other factors, if the market as a whole transitions from a bullish phase to a bearish one (even if it’s just an intermediate-term correction), many fast-moving, leading stocks are going to come down hard, and quickly. If the market’s trend turns down, as shown by our market monitor on page one of every issue of Cabot Top Ten Trader, you should keep your stocks on tight leashes and look to raise cash.

Don’t sell because P/E is high.
Many investors worship at the altar of price-to-earnings ratios; they’ve been conditioned in life to look for bargains and avoid rip-offs, so they look to sell stocks that have elevated P/E ratios. Big mistake! Fact is, our studies tell us that when it comes to Top Ten-type stocks, valuation is the result of great stock performance, not the cause of it. There are only a few

New to this type of investing?
Here’s how to get started

OK,” you ask, “thanks for all the information to this point ... but how should I actually use Cabot Top Ten Trader?”
To be honest, there’s no one perfect way to use it; we have some subscribers who are swing traders, some who are longer-term investors, and many in the middle. Depending on how you approach things will affect how you should use it.

However, we do have a few guidelines and pieces of advice for you.

First, we don’t advice buying all 10 stocks every week.
Sure, in a great bull market you’ll probably do well, but buying and keeping track of all these names can be a headache for anyone ... even if you’re doing it full time. Instead, it’s better to focus on fewer names. But how can you narrow them down?

Start with the Top Pick each week.
It’s our highlighted stock (we specifically mention it on page 1 of every issue) because of the stock’s strong story and chart.

Follow the institutional money.
You should also look for any new themes—one of the biggest advantages of using Top Ten is finding out where the big, institutional money is flowing before most investors. When you suddenly start seeing a ton of industrial and cyclical-type stocks for the first time in many months, you can be sure that big investors are heading in that direction. So if you don’t own any of those names, you should consider putting one or two of them on your buy list. The same goes for sectors.

To help with this, keep an eye on our Friday Movers & Shakers email. In it we write about our current view of the market, and most importantly, highlight any previously recommended stocks that look to be at good buy or sell points.

You don’t need to catch every good stock.
Lastly, the one thing with Top Ten you should avoid is feeling like you have to catch every good stock. You don’t! In fact, it’s just the opposite—if you let your winners generally run, all you need is a few good stocks to make your year! With that in mind, then, the goal isn’t to grab every good stock—the goal is to buy strong stocks on pullbacks, keep losses small, and give your best performers a chance to run (at least while the market is in an uptrend). If you miss a few names, don’t fret ... they’ll likely show up in a future Top Ten issue, with new, low-risk buy ranges.
dozen leading stocks in any market cycle, and there are thousands of mutual, pension and hedge funds trying to buy them. So do yourself a favor—avoid selling a stock because its P/E is “too high,” and instead, focus on other, more proven selling strategies.

**Practice prudent portfolio management.**
Above all, remember that your goal in the market isn't to be right, it's to make money. Sounds simple, no? But many investors forget this simple fact. Thus, if you buy a stock, develop a decent profit (10% to 15%) and then see the stock start to unravel, don't let your decent profit turn into a loss. If you have a smaller profit (5% to 10%), there's no reason to wait for a loss of 10% to 15% of your initial purchase before you sell. And don't put all of your eggs in one basket—owning at least five or six stocks when fully invested (if not 10 or 12) will diversify your portfolio enough.

**Do your best to buy right.**
Wait, I thought this was about selling? Well, that's true. But our experience through thousands of purchases and sales is that buying right solves most of your problems. That is, if you buy a Cabot Top Ten Trader stock after a reasonable, controlled pullback (5% to 15% off its peak over a couple of weeks) that takes it down close to support or one of its moving averages, you'll likely get off to a good start. You'll have a profit, and from that point forward, the sell decision becomes a bit easier and less stressful. So work hard to use our suggested buy ranges—you might miss out on some stocks that never pull back, but your goal isn't to catch every big winner, it's to make money!

Like anything, selling stocks correctly takes work, as you constantly learn from your mistakes and attempt replicate your successes. Trust us, we still go through the process quarter after quarter, when we evaluate our buys and sells and figure out what we can do better. But if you stick to these principles, we're confident that you'll boost your results.
How To Read Your Cabot Top Ten Trader

Cabot Top Ten Trader is published every Monday. All 10 stocks have been screened by our proprietary software on the basis of their chart strength, then hand-picked based on chart patterns, market environment and fundamentals.

Cabot Top Ten Trader is produced in two formats: PDF and online digital. Your Monday email includes a link to both versions, which are hosted on the Cabot Wealth Network website. Even if you don’t have your email on hand, you can access both versions at cabotwealth.com (password required).

Many subscribers use the 12-page PDF for printing, and the online digital version for its larger charts, easy links to other stocks and real-time stock prices. The digital version is also easy to read on mobile devices.

Here’s a brief tour of a typical Cabot Top Ten Trader Monday issue.

1. **Company Name and Ticker Symbol**
   This also includes the stock’s price at the time of publishing.

2. **Why the Strength?**
   This section tells you just that. We dig into the company’s fundamentals to discover what positive fundamental changes investors are seeing ahead, whether its new management, a cyclical upturn in its industry or a new, revolutionary product or service.

3. **The Stock’s Charts**
   Here you’ll see the stock’s weekly and daily price action (represented by bars, which marks the high, low, and close of the stock) over the past year and four months, respectively. You’ll also see the relative performance (RP) line, represented by the solid black line. The RP line tells you how the stock is doing relative to the market as a whole. The 10-week and 40-week moving averages are indicated on the weekly charts, and the 25-day and 50-day moving averages are indicated on the daily charts.

4. **Technical Analysis**
   This section analyzes the chart and the stock’s recent price action. We explain the stock’s history, how it’s behaved in the past, and what might come next.

5. **Suggested Buy Range**
   No matter how hot a particular stock is, or how amazing the story seems to be, if you buy wrong, you can get burned. So we provide you with a suggested buy range—if we think a stock is temporarily too high, we’ll say so. Remember, if you miss one, you shouldn’t worry—there are always more to come. Note that these ranges are valid for two weeks. Beyond that timeframe, too many things can occur for us to forecast a good entry point.

6. **Suggested Stop Loss**
   We examine a stock’s volatility, the chart itself and the general market environment to give you an idea of the proper amount of time you should give the stock before concluding the uptrend is breaking.

7. **Fundamentals**
   Important details on how the firm is performing. Here you’ll find the current and forward P/E ratios, profit margins, sales and EPS growth and estimates for the next year or two. The best candidates for purchase often have tremendous sales and earnings growth and big profit margins.
8. Previously Recommended Stocks
This section is found at the end of every issue and give our latest ratings on previously recommended stocks – HOLD ratings for stocks that have already traded within our buy range, WAIT ratings for stocks that have yet to trade within our buy range, and SELL ratings for those that should be ditched.

Previously Recommended Stocks
Below you’ll find Cabot Top Ten Trader recommended stocks. These rated HOLD are stocks that traded within our suggested buy range within two weeks of appearing in the Top Ten and still look good; hold if you own them. Stocks rated WAIT have yet to dip into our suggested buy range...but can be bought if they do so within the next week.

Those stocks rated SELL should be sold if you own them; they will no longer be listed here. Finally, Stocks in the DROPPED category are those that failed to trade within our buy range within two weeks of our recommendation; that’s not a bad thing, we just never got the price we wanted.

Please use this list to keep up with our latest thinking, and don’t hesitate to call or email us with any questions you may have.

<table>
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<th>Final Top Price</th>
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We appreciate your feedback on this issue. Follow the link below to complete our subscriber satisfaction survey:

[Click here: www.surveymonkey.com/top10surv]
Glossary

Stock investing jargon and terminology can sometimes sound like a foreign language. Here are a few terms that are commonly used in the investment methods discussed in Cabot Top Ten Trader.

**Average Up**
Buying more of your best stocks, also called averaging up or pyramiding, is something most great investors through the years have practiced. However, like any tool, it can also be dangerous if misused.

**Bear Market**
A bear market is defined as one in which each successive decline carries the market to new lows. Falling prices and growing pessimism characterize a bear market.

**Benjamin Graham**
Benjamin Graham (1894–1976) was an American economist and investor. He was born in London, graduated from Columbia University at the age of 20, and became Warren Buffett’s teacher in 1950. Graham is the author of The Intelligent Investor, a seminal book on value investing that Warren Buffett called “by far the best book on investing ever written.” Buffett was just one of Graham’s disciples. Graham also taught or influenced Mario Gabelli, John Neff, Michael Price and John Bogle.

**Bond Ladder**
Bond ladders are a way of creating your own adjustable-rate income stream, by buying a series of bonds or bond funds with staggered maturity dates. Then, as each security matures, you reinvest the proceeds in a new security at the top of ladder, which becomes your new longest-dated security. If interest rates are rising, the new investments will have higher coupon rates than the investments rolling off the bottom of the ladder, and your yield will gradually rise.

**Bull Market**
A bull market is defined as one in which each successive advance of the primary trend peaks higher than the one preceding it. A bull market is characterized by rising prices and growing optimism.

**Call Options**
Call options give the buyer the right to buy 100 shares at a fixed price (strike price) before a specified date (expiration date). Likewise, the seller (writer) of a call option is obligated to sell the stock at the strike price if the option is exercised.

**Derivatives**
A derivative is a financial instrument—or, simply put, a contractual agreement between two parties—that has a value, based on the expected future price movements of the “underlying asset” to which it is linked. The underlying asset can be a stock, bond, currency or commodity. Strictly speaking, a derivative has no value of its own. It is not an asset; it is a contract. There are myriad kinds of derivatives; the most common are options and futures.

**Dividend**
A dividend is a bonus. An extra. It’s a portion of earnings that the company pays to investors on a quarterly or yearly basis.
**Dividend Reinvestment Plans**
Dividend reinvestment plans, otherwise known as “DRIPs”, are a way for income investors to build long-lasting wealth. Offered by some dividend stocks, dividend reinvestment plans allow you to have your quarterly dividend payments allocated toward buying more shares (or fractions of shares) of that stock instead of being paid directly to you in the form of a check. Thus, the amount of shares you own in a given stock automatically expands every quarter when you enroll in a DRIP, so long as that company keeps paying a dividend.

**Double Bottom Chart**
A chart pattern used in technical stock analysis to describe the fall in price of a stock or index, followed by a rebound, then another drop to a level that's roughly similar to the original drop, and finally another rebound. Consequently, the double bottom chart pattern resembles the letter “W”. This “W” pattern forms when prices register two distinct lows on a chart. However, the definition of a true double bottom is only achieved when prices rise above the high end of the point that formed the secondary low.

**Emerging Markets**
Emerging markets are economies whose gross domestic product (GDP) is growing at a much faster rate than more developed markets such as the U.S., Germany and Japan. Consequently, the stocks in those countries often grow at a faster clip than the average stock in a more mature market.

**ETFs**
An exchange-traded fund--or ETF, for short--is an investment fund that trades on a public stock exchange just like a stock. But unlike individual stocks, ETFs hold dozens and even hundreds of stocks, commodities or bonds, so you get the safety of diversification. In that way, they're like mutual funds.

**Futures**
Futures are contracts to buy or sell stocks or bonds, or commodities, at a stated price at a stated time in the future. These commodities include pork bellies, gold, currency, corn, wheat, orange juice, etc.

**Growth Investing**
Growth Investing involves a greater degree of volatility than dividend investing or even value investing. But it also has the potential for much bigger rewards. Growth investing involves investing in fast-growing companies that are typically less established than blue-chip companies such as General Electric (GE), Caterpillar (CAT) and Exxon (XOM). Those global behemoths were once growth stocks themselves, but their period of rapid growth is behind them. The best growth stocks are smaller companies whose best is ahead of them.

**Income Investing**
Income investors buy an investment, and that investment continues to reward them with cash just for that one-time purchase. Of course, there's a little more to it than that, but the general idea is that income investors are devoted to finding top-quality investments that generate steady and secure cash flow with minimal risk.

**Micro Cap Stocks**
Micro cap stocks are publicly traded companies with market capitalizations of less than $300 million but greater than $50 million. Like small cap stocks, micro cap stocks have the potential to net very high returns, but because of their even smaller size, micro caps carry even greater risk than small caps.
Mid Cap Stocks
Mid cap stocks are middle-sized publicly traded companies: larger than small cap stocks but smaller than large cap stocks. Mid cap stocks have a market capitalization between $2 billion and $10 billion. Mid caps aren't as risky as small cap stocks, but aren't as “safe” as large cap stocks. However, the advantage they have over many of the biggest large caps stocks is that their greatest period of growth is often ahead of them.

Net Current Asset Value
One of Benjamin Graham’s earliest analyses, created and tested 75 years ago, is the Net Current Asset Value (NCAV) approach. The objective of the NCAV formula is to find the minimum value a company would fetch if it was liquidated. The formula is:
Net Current Asset Value (NCAV) = cash and short-term investments + (0.75 * accounts receivable) + (0.5 * inventory) – total liabilities – preferred stock

Options Trading
An option is a binding, specifically worded contract that gives its owner the right to buy or sell an underlying asset at a specific price, on or before a certain date. The investor has the right—but not the obligation—to buy.

Small Cap Stocks
Investing in small cap stocks is a good way to earn huge returns. The smaller companies often have the most potential for growth. They also carry plenty of risk for investors. Anytime you buy shares of a small, little-known company, there are a bevy of unknowns. Some small cap stocks are clinical-stage biotechs whose drugs have yet to be approved for commercial use. Others are chipmakers or cloud-computing companies that have plenty of promise but have been simply misunderstood by the market.

Trading Volume
Trading volume reflects the overall activity of the market, indicating the sheer amount of buying and selling of securities. Next to price, it is one of the most closely watched indicators.
About the Expert

A growth stock and market timing expert, Mike Cintolo is a chief analyst of Cabot Growth Investor and Cabot Top Ten Trader. Since joining Cabot in 1999, Mike has uncovered exceptional growth stocks and helped to create new tools and rules for buying and selling stocks.

Perhaps most notable was his development of the proprietary trend-following market timing system, Cabot Tides, which has helped Cabot place among the top handful of market-timing newsletters numerous times.

Mike's work has appeared in a wide range of print and online outlets, including Forbes.com, The MoneyShow, Motley Fool, and CNBC.

About Cabot Wealth Network

Cabot Wealth Network, established in 1970, is a trusted independent source of advice for individuals striving to take control of their investments and find the best stocks. Its 20 investment advisory services and annual Summit event deliver high-quality advice to more than 200,000 individual investors and investment professionals in 141 countries. Headquartered in historic Salem, Mass., in a converted 1934 public library Cabot Wealth employees take great pride in providing intelligent investment advice and timely, personal service without the hype and fabricated claims. Cabot is a member of the American Association of Individual Investors, Better Business Bureau, Specialized Information Publishers Association, and the Salem Chamber of Commerce.