Porter & Co.

The Big Secret on Wall Street

QUICK-START GUIDE

The Big Secret on Wall Street Quick Start Guide

Welcome to The Big Secret on Wall Street...

I'm Porter Stansberry. I have a 25-year history of being right... and of being hated.

In between 1999, when I started my first financial newsletter (*Pirate Investor*) from a beat-up laptop, and the IPO launch of my multimillion-dollar investment research company, MarketWise, in 2021....I've successfully predicted almost every major market event (the 2008 Global Financial Crisis, the dot-com crash, the fall of Fannie Mae, Freddie Mac, GM and GE)... I've helped the self-directed investors who follow me log thousands-of-percent gains...and I've been the repeated target of libel, slander, and lawsuits from folks who just didn't want to believe I was right.

It was a busy two decades. And it was just the beginning.

In 2022, in the midst of an extended battle over the direction and leadership of MarketWise – a battle I ultimately lost – I made the most fateful decision of my life.

I decided to renovate a barn.

The barn's a pretty nice place, to be honest. It's the old carriage house on my historic 100-acre farm in Stevenson, MD – and I outfitted it with an airy skylight, a full bar, some great taxidermy, and state-of-the art office equipment. Take a look.

In this haven – away from the red tape, boardroom skirmishes, and proxy battles that absorbed my time at MarketWise – I started writing my second independent newsletter: *The Big Secret on Wall Street*.

That newsletter changed my life… and the lives of some 10,000 (and growing) subscribers…

In it, I wrote exactly what I wanted (without any compliance team breathing down my neck and telling me I had to be politically correct). I dug into my very favorite ways to build permanent wealth… and explored a few new ones. I scouted out extraordinary capital efficient investments… businesses you can buy and hold forever. I made predictions you'd never hear in the legacy media. (And – surprise! – I was usually right.)

Most importantly, I wrote about the kinds of things I'd want recommended to me if I were in readers' place.

And, years after the first issue of *The Big Secret* went live, readers (like you!) constantly write in telling me that they're making money after following those recommendations. I love getting those letters. My goal is to make sure they never stop.

I'm now retired from MarketWise – and working full-time out of my barn. I've hired a small group of world-class analysts to help me (they all work in the barn, too)… and together, we've created a number of other bespoke investment advisories as the company has grown.

But my flagship publication will always be *The Big Secret on Wall Street* – and I'll always devote the bulk of my time and energy to making it the best it can be. Thanks for subscribing. I'm glad you're here with me.

In this guide, I want to walk you through exactly how The Big Secret works… what types of investments we recommend… and how you can get the most out of your subscription.

Please call Lance James, our Director of Customer Care, with any questions. You can reach him at **888-610-8895** or internationally at **+1-443-815-4447**. (He's in the barn, too.)

To your success,

Porter Stansberry

Porter Stansberry

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How We Build Permanent Wealth

Here at *The Big Secret on Wall Street*, our major focus is on capital efficient stocks. While we can and do occasionally recommend a growth stock… a bond… or, very infrequently, a short… the core of our portfolio is world-class businesses that you can buy and hold forever, and that prioritize returning significant cash to shareholders. In our view, this is the simplest and surest road to permanent wealth.

In this section, we'll talk about how these businesses work… how they make money… and how we find them and add them to our portfolio.

"Inevitability" is Warren Buffett's term for businesses whose competitive advantages are so clear and entrenched it's hard to imagine even a well-financed competitor making much of a dent in their margins.

As he explained in the 1996 Berkshire shareholder letter:

> *"Companies such as Coca-Cola and Gillette might well be labeled "The Inevitables." Forecasters may differ a bit in their predictions of exactly how much soft drink or shaving-equipment business these companies will be doing in ten or twenty years…*
>
> *In the end, however, no sensible observer – not even these companies' most vigorous competitors, assuming they are assessing the matter honestly – questions that Coke and Gillette will dominate their fields worldwide for an investment lifetime."*
>
> **Warren Buffett, 1996 Letter from the Chairman**

An "Inevitable" business checks off **five major green flags** … and we'll show you exactly how to spot them in a moment.

But, in broad terms, Inevitables are always highly *capital efficient*.

Capital efficiency describes how well a company can transform profitability into shareholder returns.

This is one of the least understood, but most important, parts of Buffett's investment framework, as we've been explaining since 2007…

> *"The importance of corporate capital efficiency – is the key to understanding Warren Buffett's success as an investor... I have come to believe evaluating capital efficiency gives us a permanent edge in the market, as almost everyone else ignores this crucial variable... Few people even understand the concept."*
>
> **Stansberry Investment Advisory, November 2007**

The concept is based on the idea that not all profits are created equal. When a business earns money, there are two places those earnings can flow to...

1. Back into the business to be spent on capital expenditures (i.e., replacing or upgrading the business' fixed assets including buildings, vehicles, machinery and land holdings).

2. Back to the business and its owners (that is, the money is returned to shareholders). Shareholder returns can come directly from dividend payments, or indirectly through share repurchases – where the business uses cash to buy back its own shares in the open market. This reduces the total outstanding equity, thereby increasing the ownership among the existing shareholders.

You can think about capital efficiency as the ability of a company to convert profits into shareholder returns, instead of being consumed by the capital needs of the business.
For virtually all business, some portion of profits must be diverted back into the capital spending, as part of the inevitable replacement or upgrading of plant and equipment, among other requirements. The most attractive companies have minimal capital requirements, which maximizes the free cash flowing into your pocket as the business owner.

Consider two businesses that, on the surface, appear to be equivalent in terms of their profitability – each generating $100 per share in operating profits. But digging a little deeper into the capital demands of the business reveals that the first company consumes $95 of that $100 in capital expenditures to support its ongoing operations (i.e., investing in plant and equipment). This leaves only $5 in free cash flow available to shareholders.

The second business only requires $70 per share in capital requirements, leaving $30 in free cash flow that can be delivered back to investors. In a choice between these two equally profitable companies, the second one, with lower capital requirements, will inevitably create more shareholder wealth over time:

The chart below shows how these two businesses may look identical on the surface level of operating profits (i.e., the blue bars). But a closer inspection of the flow of money through the cash flow statement, which accounts for capital expenditures and free cash flows, reveals a critical difference...

The second company spends substantially less on capital requirements (i.e., the red bars), leaving a much greater proportion of profits available as “free cash flow” (i.e., the green bars) that can be returned to shareholders:

This is the magic of capital efficiency – where companies with minimal capital requirements can send a large portion of profits to investors, instead of sinking it back into the business.

Warren Buffett says businesses with this feature have “economic goodwill.” But don’t let the nomenclature confuse you – whether it’s called economic goodwill or capital efficiency, it’s the same financial phenomenon.

Capital efficiency also ties in our concept of safe businesses – companies with robust economic moats. Because of their strong competitive positions, these companies can avoid allocating excess capital towards warding off competitors. Since they are secure in their financial position, they are free to return earnings back to shareholders.

Only businesses with high capital efficiency and strong competitive positions can enjoy a robust and growing earnings stream, while also having enough profit left over to support high shareholder payouts. And those are the businesses we – and Warren Buffett – call "**Inevitables.**"

Few companies in the world meet these criteria. But when you find one that does – and one that checks off the five green flags we're about to show you – it's like stumbling across an untapped gold mine.

In these rare situations, you can simply buy, hold and forget. The economy could be on the cusp of the biggest financial dislocation in 100 years, and you'll still do just fine.

The Five "Green Flags" of Inevitability

A capital-efficient "Inevitable" stock will check off each of the five boxes below.

Five "Green Flags" of Inevitability
High profitability (operating margins > 10%)
Growing (positive revenue growth over the last 10 years)
High free cash flow conversation (>10% free cash flow margins
Safe – a durable competitive advantage that will last for at least 10 years
Fair valuation – avoid paying a more than 10% premium to the market multiple

Green Flag 1: High profitability (operating margins > 10%)

Operating profits are what's left over when operating expenses – that is, recurring business costs like salaries, rent, and marketing costs – are subtracted from revenues. Operating profits exclude the impact of interest and tax payments – and thus reflect the economics of the core business, and don't reflect the impact of changing tax rates and/or interest expenses).

Broadly speaking, operating margins over 10% indicate a highly profitable core business with excellent potential for compounding shareholder capital.

Green Flag 2:
Growing (positive revenue growth over the last 10 years)

Screening for companies with growing revenue helps us avoid "value traps." These are companies that produce profits today, but which face growth challenges from technological disruption or competitors taking market share – which will limit future profitability.

In recent years, retail stocks like Sears or JC Penney are cautionary tales. These one-time industry stalwarts were unseated by the rise of Amazon and e-commerce. The shares of both appeared cheap at certain points – along the way to their ultimate demise. And falling sales provided a key warning signal of the disruption in their business models, no matter how cheap the shares appeared at the time.

Green Flag 3:
High free cash flow conversion (>10% free cash flow margins)

Free cash flow is defined as net profit minus capital expenditures. Capital expenditures include things like plant and equipment – spending necessary to maintain and/or grow the business.

In other words, free cash flow is the profits that are available to be returned to shareholders – after the capital needs of the business are met. We focus on companies that can convert at least 10% of sales into free cash flow, indicating the high potential for shareholder returns.

Green Flag 4:
Safe – a durable competitive advantage that will last for at least 10 years

As we mentioned earlier, Buffett describes inevitable businesses as those that enjoy competitive advantages so entrenched that it's hard to imagine even a well-financed competitor making much of a dent in their margins.

Another term Buffett uses to describe this phenomenon is a moat – or a virtually impenetrable barrier to entry, which secures the business against encroachment by competitors.

Green Flag 5:
Fair valuation – avoid paying a more than 10% premium to the market multiple

As with any general framework, some rules can be bent, and others can be broken. For a good enough business, you can afford to stretch on price, and occasionally pay a premium valuation above the 10% limit. In a moment, we'll show a tangible example of what this means in practice and also provide more context on how to think about valuations in general.

The bottom line is this: Find businesses that check off the first four green flags, and avoid overpaying. These opportunities don't come often. But the rare business with all five green flags is a bona-fide Buffett stock with serious potential for compounding capital at Buffett-like rates.

During recessions and bear markets, you can find shares in world-class businesses trading at fire sale prices across the board. That's your best bet to scoop up a wide selection of stocks trading at deep discounts – and thus secure life-changing returns on an absolute basis.

Because no one knows when a bear market will strike, it makes sense to simply have a shopping list ready when the sale happens...

Our Top Inevitables

And that brings us to our list of top Buffett-style "Inevitable" companies, complete with green flags that should make them ultra-safe to buy and hold for 10+ years... with the caveat that you wait to buy them at the right price.

Among all the rules in our framework, the question of defining the right price to pay is the one with the greatest amount of variability (largely due to the different growth rates of each company), and the greatest amount of room for "bending the rules" when it comes to making a buy decision. When one of these businesses crosses our radar for becoming attractively valued, we then roll up our sleeves to study its recent operating history and competitive position in great detail, to determine whether its price is attractive relative to its current business trajectory.

The table below shows the key metrics of capital efficiency for our top Buffett-style "Inevitables" that we monitor. It also shows a snapshot of these stocks' valuations as of October 2024. (Please note that these valuations are subject to change at any time.)

Buffett-Style "Inevitables" as of October 2024

Name	Ticker	Operating Margin	10-Yr Avg Sales Growth	Free Cash Flow Margin	P/E Multiple	Return on Invested Capital (ROIC)	ROIC (10-Yr Avg)	ROE (10-Yr Avg)
Starbucks	SBUX	16%	10%	10%	25.8	26%	24%	55%
Automatic Data Processing	ADP	26%	7%	21%	27.9	50%	31%	51%
NVR	NVR	20%	11%	15%	19.8	32%	26%	37%
Domino's	DPZ	19%	9%	11%	25.7	59%	76%	36%*
MSCI	MSCI	49%	9%	48%	36.6	32%	19%	36%
Visa	V	67%	11%	54%	26.0	31%	19%	32%
Moody's	MCO	43%	8%	32%	40.3	18%	25%	27%*
Home Depot	HD	14%	7%	11%	26.6	27%	32%	22%*
Electronic Arts	EA	22%	7%	25%	18.2	15%	19%	21%
LVMH Moet Hennessy	LVMUY	26%	12%	15%	23.1	14%	13%	20%
AutoZone	AZO	20%	7%	10%	20.3	40%	39%	16%

*Indicates that return on tangible assets was used to normalize negative common equity.

Source: Bloomberg

While the financial metrics above show that these are world-class businesses with tremendous capital efficiency, there's just one problem…

These stocks generally trade at premium valuation multiples of 20 – 30+ times earnings. This is the market simply reflecting their premium business models.

But we watch these stocks like a hawk – waiting for the occasional gift from the market gods to buy these stocks on sale – and regularly offer updates for Big Secret subscribers on the best times to buy.

You will hear from us when the stocks on this list fall into our target valuation range. This can happen on a one-off basis when a company suffers a short-term setback in its business. Alternatively, this can happen all at once – when stocks fall across the board during a financial panic or recession.

You'll also receive ongoing guidance on how to implement and stick with this process for the long haul. That goes beyond just alerting you to which capital efficient stocks have become cheap enough to buy. We'll keep you updated on which ones you should hold, and which ones you should sell if our thesis changes.

Best of all – you'll get access to our portfolio that tracks the performance of our process. Win, lose or draw – we hold ourselves accountable to the results of our research process, with a transparent track record that includes our very own "Hall of Shame."

Let's take a quick look at that portfolio – and its contents – now.

What's In Our Portfolio

If you visit our **portfolio** page, you'll find all of our current open positions in the portfolio of *The Big Secret on Wall Street*. Prices are updated after market close every day.

Here's a snapshot of how our portfolio looked in November 2024:

The Big Secret on Wall Street Portfolio

Ticker / Latest Update Link	Description	Entry Date	Cost Basis	Latest Close	Yield	Income Received	Total Return	Status / Risk Rating
ENERGY & COMMODITIES								
EQT EQT	U.S. Gas-Focused E&P	06/02/2022	$48.87	$44.28	1.42%	$1.54	-6.25%	Buy Under $50 / 4
VNOM VIPER ENERGY-A	Oil and Gas Royalty	09/01/2022	$29.68	$52.69	N/A	$4.64	93.16%	Buy Under $34 / 3
BSM BLACK STONE MIN	Oil and Gas Royalty	02/16/2023	$15.90	$15.17	9.89%	$3.03	14.43%	Buy Under $18 / 2
BTC/USD Bitcoin	Cryptocurrency	05/11/2023	$27,011.85	$90,534.62	N/A	$0.00	232.60%	Buy Under $50,000 / 4
BTU Peabody Energy	Coal Mining	06/22/2023	$21.29	$26.47	1.13%	$0.45	26.44%	Buy Under $25 / 4
CNX CNX Resources	U.S. Gas-Focused E&P	09/28/2023	$22.82	$39.02	N/A	$0.00	70.99%	Buy Under $30 / 3
CEIX CONSOL Energy	Coal Mining	07/18/2024	$99.98	$126.39	0.79%	$0.50	26.92%	Buy Under $120 / 4
ALB.PA Albemarle DO-A	Lithium Miner	09/11/2024	$42.89	$47.50	7.63%	$0.91	12.86%	Buy Under $48 / 3
TPL TX PAC LAND	Oil and Gas Royalty	09/25/2024	$927.73	$1,398.75	0.33%	$0.00	50.77%	Buy Under $1,000 / 3
BATTLESHIP STOCKS								
CACC Credit Acceptanc	Consumer Finance	07/28/2022	$560.28	$445.96	N/A	$0.00	-20.40%	Buy Under $500 / 3
WINA Winmark	Specialty Apparel Stores	09/15/2022	$217.60	$399.38	0.90%	$27.20	96.04%	Hold / 1
NVO Nordisk Sp ADR-B	Pharmaceuticals	10/27/2022	$53.31	$99.81	1.04%	$3.06	92.99%	Hold / 2
BWXT BWX Technologies	Nuclear Power Equipment	12/22/2022	$58.05	$125.95	0.76%	$1.88	120.21%	Buy Under $110 / 3
FNV Franco-Nevada	Precious Metals Streamer	05/11/2023	$154.77	$118.46	1.21%	$2.10	-22.11%	Buy Under $125 / 2
PYPL PayPal Holdings	Payment Processor	07/20/2023	$73.02	$84.67	N/A	$0.00	15.95%	Buy Under $75 / 3
FOREVER STOCKS								
PM Philip Mrrs Int	Nicotine Maker	07/14/2022	$89.62	$131.72	4.10%	$11.63	59.95%	Buy Under $125 / 1
DPZ Domino's Pizza	Restaurants	02/27/2023	$300.00	$444.90	1.36%	$9.37	51.42%	Buy Under $325 / 3
DE Deere & Co	Agricultural Machinery	08/31/2023	$410.94	$404.53	1.45%	$7.23	0.20%	Hold/ Stop Loss at $320/ 3

DEO Diageo Sp ADR	Alcoholic Beverages	12/14/2023	$145.72	$118.92	N/A	$4.14	-15.55%	Buy Under $160 / 3
DHR Danaher	Medical Technology	03/21/2024	$254.11	$230.06	0.47%	$0.81	-9.15%	Buy Under $270 / 3
NKE NIKE -B-	Athletic Footwear & Apparel	04/18/2024	$95.74	$74.89	1.98%	$0.74	-21.00%	Buy Under $100 / 2
HSY Hershey	Consumer Luxury Staples	04/18/2024	$184.86	$169.99	3.22%	$4.11	-5.82%	Buy Under $200 / 2
ULTA Ulta Beauty	Specialty Retail	05/30/2024	$385.58	$353.35	N/A	$0.00	-8.36%	Buy Under $425 / 3
HIGH YIELD								
BRW SABA CAP INM & OPP	High Yield Bond Fund	03/16/2023	$8.01	$7.56	13.49%	$1.82	17.10%	Buy Under $9 / 3
OCSL OKTR SPCLY LNDG	Specialty Investments	03/30/2023	$18.57	$16.15	13.62%	$3.37	5.12%	Buy Under $22 / 2
PROPERTY & CASUALTY INSURANCE								
WRB W.R.Berkley	P&C Insurance	05/25/2023	$37.40	$60.83	0.53%	$2.55	67.20%	Buy Under $62 / 2
PGR Progressive (Ohi	P&C Insurance	06/08/2023	$131.08	$256.52	0.16%	$1.35	96.73%	Buy Under $275 / 2
CB Chubb N	P&C Insurance	06/08/2023	$191.60	$288.73	N/A	$5.26	53.44%	Buy Under $355 / 2
SKWD SKYWARD SPEC	Specialty E&S Insurance	06/16/2023	$24.66	$50.60	N/A	$0.00	105.19%	Buy Under $59 / 2
KNSL Kinsale Capital	Specialty E&S Insurance	05/16/2024	$383.87	$462.75	0.13%	$0.30	20.63%	Buy Under $535 / 3
IGIC INTL GENL INS	Specialty Insurer	10/23/2024	$19.11	$25.07	0.20%	$0.00	31.19%	Buy Under $25 / 3
EXPONENTIAL GROWTH								
EVVTY Evolution UnSp ADR	Casinos & Gaming	11/30/2023	$103.87	$90.67	3.14%	$2.85	-9.97%	Buy Under $145 / 4
INMD INMODE	Medical Devices	01/11/2024	$21.19	$17.90	N/A	$0.00	-15.53%	Buy Under $20 / 5
BUR BURFORD CAP NPV	Litigation Finance	02/08/2024	$14.36	$13.39	0.93%	$0.13	-5.88%	Buy Under $20 / 4
CELH CELSIUS HLDGS	Energy Drinks	03/07/2024	$89.56	$25.79	N/A	$0.00	-71.20%	Buy Under $60 / 5
CPNG Coupang Inc	E-commerce	04/04/2024	$18.32	$24.36	N/A	$0.00	32.97%	Buy Under $25 / 4
PARALLEL-PROCESSING REVOLUTION								
ETN Eaton Corp -NPV-	Electrical Infrastructure	09/18/2024	$314.65	$357.83	1.05%	$0.94	14.02%	Buy Under $355 / 5*
VRT VERTV HOLDINGS-A	Data Center Infrastructure	09/18/2024	$87.66	$123.02	0.08%	$0.00	40.34%	Buy Under $110 / 5*
ARM Arm Hldg Sp ADR	Semiconductor Designs	09/18/2024	$138.36	$128.66	N/A	$0.00	-7.01%	Buy Under $160 / 5*
NVDA NVIDIA	Semiconductor Designs	09/18/2024	$113.37	$140.15	0.03%	$0.00	23.62%	Buy Under $135 / 5*
TSM Taiwan Semi Sp ADR	Semiconductor Manufacturer	09/18/2024	$167.28	$187.48	1.33%	$0.00	12.08%	Buy Under $200 / 5*
BETTER THAN THE MARKET								
SYLD CAMBRIA SHHLDR YLD	Yield Focused ETF	01/05/2023	$59.67	$73.12	1.31%	$2.49	26.71%	Buy Under $65 / 2
SHORTS								
BA Boeing Co	Aerospace Manufacturer	11/13/2024	$139.97	$143.87	N/A	$0.00	-2.79%	Sell short above $125 / 5**

In the main portfolio, you'll notice several different categories – for instance, Battleship Stocks, Property & Casualty Insurance, and Energy and Commodities – but the majority of these stocks have been picked on the basis of outstanding capital efficiency. You can click the blue link on each stock's "Entry Date" to read the full recommendation and learn more.

We also have a "Risk Rating" scale to help members appropriately allocate to our recommendations based on risk. Recommendations ranked closer to 1 are considered the “low risk, high allocation” stocks or bonds, whereas positions rated closer to a 5 are higher risk.

Some of the recommendations in the *Big Secret* currently trade above our “buy under” price range. In these cases, we urge patience to wait for an opportunity to buy when shares fall below the recommended price. As we explained earlier, we carefully analyze each company in the Big Secret portfolio to determine these buy prices, in order to give subscribers the best chance at generating market-beating returns — without taking on excessive risk from buying at high prices.

We will regularly **email you updates** on how the stocks in our portfolio are performing – with in-depth analysis on any big movers or notable events. You’ll get one of these emails at least once a month (and possibly more often).

We also do a roundup of how major stocks in our portfolio are behaving at the **end of each monthly recommendation** – so make sure you scroll all the way to the end. (More on that in just a moment.)

If you’d like to walk through our Portfolio page, and how it works, in detail – just **click here** to watch this short tutorial.

A Simple Way to Get The Most Out of The Portfolio

We acknowledge that our long list of portfolio holdings can be a little daunting at first glance. If you’re a new subscriber, it can be hard to know how to allocate your resources, what to buy first, or where to start.

One way to address this is to look at our list of Top 3 “Best Buys” in every issue that’s a portfolio review, or which has a new recommendation. Our goal at Porter & Co. is to bring you world-class investment research, focused on “inevitable” businesses that you can buy and hold forever… and we don’t believe in timing the market. That said, we keep a constant eye out for bargains – and we highlight the three current portfolio holdings of The Big Secret that are at a particularly attractive buy point. This list, which we regularly update, is an excellent starting point for new subscribers who are looking for what we think are the most compelling ideas in the portfolio today.

However… that's only part of the picture, because we've also developed an entire portfolio that history suggests will perform extremely well – at a significantly lower level of risk than the market as a whole.

This special portfolio allocation system to help you choose and organize your holdings is called ***Porter's Permanent Portfolio***. And if you set it up according to our guidelines, it can help you generate double-digit returns annually, with very minimal effort.

More than 50 years ago, one of my (Porter's) most important mentors, Harry Browne, devised a revolutionary way of building a portfolio. His concept was to create a set of assets that were balanced, so that, no matter what might happen in the markets, the overall value of the portfolio would continue to increase. The concept was called The Permanent Portfolio. It was the basis of a successful mutual fund (The Permanent Portfolio Family of Funds) that was launched in 1982.

In the late 1980s, these ideas were used again, as the foundation for what became the world's largest hedge fund, the All Weather fund at the investment firm Bridgewater Associates. The strategies applied by Browne and Bridgewater Associates are world class, because they offer stock market-like returns (over the long term) with much less volatility than the market.

The approach is exceptionally valuable for investors who want to continue to grow their wealth – but who cannot withstand the volatility of the stock market. Those who follow this approach can apply these concepts with more aggressive allocations (or even with leverage) to produce consistent, market-beating results.

I've designed a model portfolio that follows the same principles as Harry Browne's – with a few differences. One: *it works better*, delivering higher returns. And two: you can construct it mainly out of the top-performing holdings in *The Big Secret on Wall Street* portfolio, along with a few additional assets that I'll fully explain. No additional research is necessary.

Best of all, it's set-it-and-forget-it… meaning you can purchase your holdings, sit back, and allow them to generate permanent wealth that will serve you for decades.

In the report linked below, we outline the strategy of how we built the portfolio, the rationale behind its four sections, the holdings and allocations for each section, and finally an overview of each company and ETF in the portfolio. The report concludes with answers to what we anticipate to be frequently asked questions (FAQs).

Just click here to read the whole thing – and start setting up your own Permanent Portfolio.

Next, I want to walk you through a real-world example of the kinds of stocks we recommend... show you how we add them to our portfolio... and how we log winners (and dump losers) when the occasion arises.

How We Pick Winners And Log Gains

Every Thursday, you'll get an email from *The Big Secret on Wall Street*. Sometimes it will be a big-picture market story. Sometimes, it will be an in-depth portfolio update on the performance of our stocks (as mentioned above). But at least once a month, and sometimes more often, you'll receive a new stock recommendation – along with in-depth analysis.

You'll receive the full story and recommendation in your email – and also as a downloadable PDF, if you choose to read it that way.

It will look something like this – and will be located on our site, in the *Big Secret* section under **Issues and Updates**. (**Click here** to watch a video on how to navigate this section of our site.)

At the end of the issue, you'll see a section that sums up the recommendation, along with the buy instructions and risk rating.

This is how that section looked for our October 2024 recommendation of **International General Insurance (Nasdaq: IGIC)**:

How IGIC Shares Can Compound at 30% Per Year

Over the next decade, we believe IGI can grow its policy premiums at 15% per year, or about the same pace as the last decade. For the sake of conservatism, we don't assume any additional cost benefits from its growing economies of scale, and thus assume net income grows in line with policy premiums at the same 15% annual rate.

And as more investors discover this hidden gem, we assume its valuation will become more in line with its peer group, from a 7x price-earnings multiple to 15x.

Along the way, we assume the company continues funneling its excess capital into a steady pace of buybacks that will reduce the share count by 3% annually. That's less than the current buyback pace of 4.6% per year.

Adding it all up, these assumptions imply that the business will generate $2.3 billion in net policy premiums annually and $572 million in net income by 2034. Over the same period, the 3% annual pace of stock buybacks will reduce the company's share count from 44.2 million to 33.6 million, meaning the business will generate $17 in earnings per share by 2034. Assigning a 15x multiple produces a target share price of $255. Relative to its current share price of $19, that's a total return of 1,242% or 30% annualized over the next decade.

Best of all, we feel confident owning the business alongside a management team that has a huge amount of skin in the game, and one that has proven to be excellent stewards of shareholder capital. This includes a highly disciplined and profitable underwriting process, retaining a more than ample capital reserve for policyholders, while also keeping its balance sheet pristine and a conservative investment portfolio.

IGI has quietly become one of the greatest success stories in the insurance industry. And it's a story we don't expect to remain under the radar for long.

Action to Take: Buy **International General Insurance (Nasdaq: IGIC)** up to $25 per share

Note: we are assigning a risk rating of 3 for this recommendation. This is above the typical risk rating of 2 for most other insurance companies we've recommended, for two reasons. First, as noted earlier, IGI is classified as an "exempted corporation," and thus is not governed by the same SEC regulations as a typical U.S. publicly traded company. Second, the company is a small-cap stock with limited trading volume, averaging about $1.3 million in daily transactions, compared with, say, Kinsale at $70 million per day. For this reason, the shares are susceptible to significant short-term volatility. We also urge patience when building a position, and recommend using limit orders in order to ensure you get a good price when trading in the shares.

IGIC is a prime example of one of our favorite types of capital efficient business: property and casualty insurance. You can read our full writeup on the company, which we first recommended in October 2024, **here**.

When It's Time to Get Out

As we've now mentioned (quite a bit!) the bulk of our portfolio is composed of world-class, capital efficient businesses... the kind we want to buy and hold forever. That being the case, we don't issue exit instructions nearly as often as we issue recommendations.

Sometimes, though, we'll close out a position based on a temporary market situation, with plans to get back in when the time is right. (And occasionally, we'll just exit a position we should never have entered in the first place – as happened with the two stocks in our "Hall of Shame.")

When that happens, you may get a separate email about the exit (if it's urgent). If it's more of a housecleaning procedure, you'll see the notice to exit at the bottom of one of your regularly monthly issues. (This is why it's important to keep reading past the end!)

Here's an example of a temporary "housecleaning" exit that appeared at the bottom of **one of our regular issues** in October 2023. As you see, it includes a short explanatory analysis, and some direction about what we'll do with the stock in the future.

> Now is the time to pare back exposure to cyclical areas of the economy, especially in businesses with heavy debt burdens that could struggle under higher financing costs.
>
> This includes **Dream Finders Homes (DFH)**. With mortgage rates nearing multi-decade highs of 8%, and home prices near all time highs, housing has never been less affordable. Homebuilders like DFH have managed to keep sales afloat by subsidizing new home purchases with a variety of incentives. But in the sharp recession we see coming, even these subsidies won't prevent a dramatic decline in new home purchases.
>
> This means the housing market will likely get much worse before it gets better. That's why we're locking in profits in Dream Finders Homes. We plan to re-enter this stock when the recession strikes, and DFH trades at more attractive prices, with a wider margin of safety.
>
> **Action to take:** Sell Dream Finders Homes (DFH).
>
> For the purposes of our model portfolio, we'll record a 40% gain on the position, based on Thursday's closing price of $21 per share.

Contrast this with an **urgent exit** we sent in August 2024 – when our position in **Atkore (NYSE: ATKR)** didn't perform as expected and we decided to cut our losses...

This exit notice was sent as its own email, with the subject line **Sell Alert: Close ATKR Position as Q3 Results Disappoint**.

BIG SECRET ON WALL STREET

Sell Alert: Close ATKR Position as Q3 Results Disappoint

August 6, 2024 Porter & Co.

Share

We are recommending selling shares of electrical-infrastructure equipment maker **Atkore (NYSE: ATKR)**.

The company reported disappointing results for its fiscal Q3 earnings period (ending June 30). We'll provide an in-depth review of the results in the upcoming portfolio update on August 16. For now, the key takeaway is that the company has suffered from a sharper-than-expected decline in both volumes and pricing of products across its portfolio.

As a result, management cut its guidance for fiscal year 2024 earnings outlook down to $14.40 at the midpoint, or 13% below prior guidance of $16.50. The company also walked back its prior long-term estimate of $18 in earnings per share for its fiscal year 2025. Management didn't provide an update on what it expects for its next fiscal year, but noted that the current slowdown in the industrial economy will likely persist, and implied that 2025 earnings will likely come in lower than 2024.

Our original thesis on Atkore was that the company's exposure to wide-scale electrification, the fastest-growing segment of U.S. infrastructure spending, would make it immune from the overall weakness in the rest of the industrial economy. Based on the latest quarterly results reported this morning and commentary from management, it now appears that this thesis is no longer valid. The company called out weakness in a variety of its end markets, including in utilities – a key sector that was expected to drive greater demand for the electrification build out, but which has not materialized. The disappointing demand from utilities spending was amplified by ongoing weakness in other sectors, like single-family and multifamily home construction.

As a result, we believe there is further downside risk to the business results and to the share price. We recommend that you close your position in Atkore, which is currently trading around $102 per share.

Action to Take: Sell shares of Atkore (NYSE: ATKR)

Bottom line – if it's an important exit, we will make sure you receive it as a separate email. For less urgent matters, make sure you scroll to the bottom of your regular issue of *The Big Secret on Wall Street*.

But in general, you shouldn't receive too many exit alerts. As you saw above, our portfolio is large and it keeps on growing. Our preferred method is to buy stocks that we can hold forever, and most of the time, we do.

Now that you understand how we choose our stocks – how we organize them in our portfolio – and how we manage our entries and exits – let's finish up with a bird's-eye view of how our website works, and how you can get the most out of your subscription.

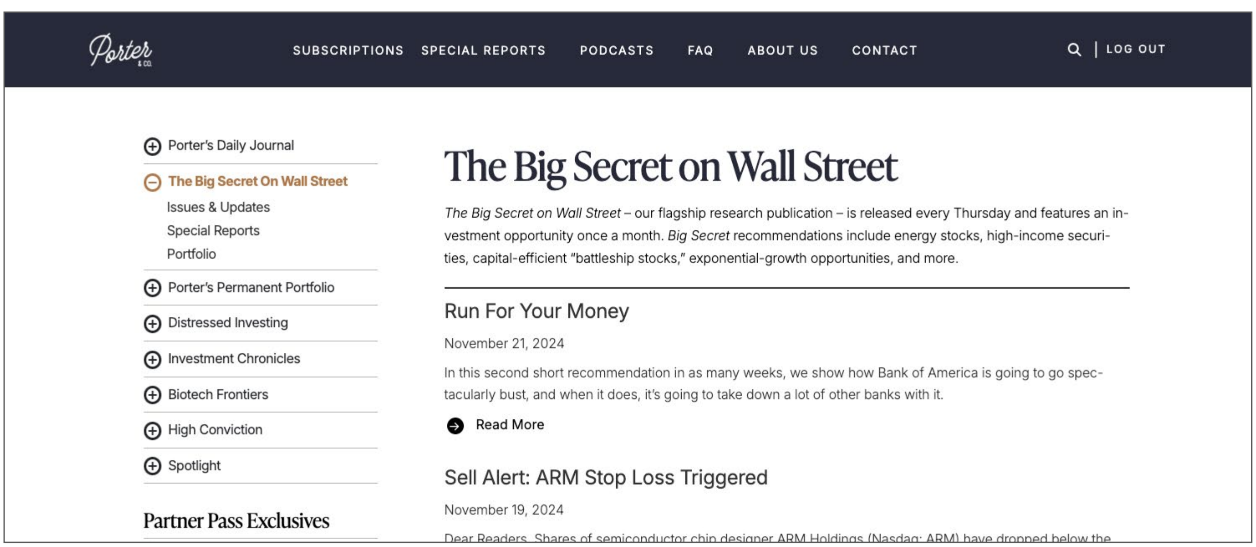
How to Get Started

If you're new to *The Big Secret on Wall Street* – or to Porter & Co. – our website can look a little challenging at first glance. We've filmed a number of short videos to help you get where you need to go.

This video will show you how to **create an account** with us, so you're able to access our website. And **this one** will help you **log in to our website**, so you can view our research.

Now that you're logged in... here's how to access all the moving parts of your *Big Secret* subscription. (You can also view this information as a video walkthrough **here**.)

Once you've logged in to our site, you should find yourself on the main Subscriptions page.



On the left-hand side, you'll see all of our products. This is the view you'll see if you have a membership to *The Big Secret on Wall Street*. Unlocking all of the padlocks is for our Partner Pass members only – if you have any interest in becoming a Partner Pass member, please reach out to Lance James, our Director of Customer Care, at **888-610-8895**.

To navigate to *The Big Secret on Wall Street*, clicking the "plus" button will reveal a drop down menu, where you will see Issues & Updates, Special Reports, and Portfolio.

Let's start with Issues & Updates.

This can be considered the "main" page for our product. From here, you'll be able to see every issue and update published by Porter and his team, in chronological order. This is where you'll find our stock recommendation issues... our market and portfolio updates... our urgent exit alerts... and any other mailings we send you as part of your *Big Secret* subscription.

To read the full issues, you can click either on the headline, or "Read More". From there, you'll be able to scroll through the issue at your leisure.

To get back to the main page, simply click the "Back" button.

Now let's take a look at Special Reports. Select the "plus" sign again to get to the drop-down menu, and click on "Special Reports".

Many times, new subscribers will get started with us from a video presentation that includes mention of different reports available within your subscription. All of those reports can be found here. The Special Reports section groups them out by different **categories** and **subject**. So for instance, you can see all reports that came with our presentation on "America's Last Election", all reports that delve into Property & Casualty Insurance, all reports centered around Energy & Commodities, and more.

To get back to *Big Secret's* main page, you can click on "Issues & Updates" and it will take you back to Issues & Updates.

Finally, let's take a look at the Portfolio page.

Here is where you'll find our full model portfolio for *The Big Secret on Wall Street*. We also have a walkthrough video of the portfolio page **here**.

To get back to the main page, go back up top and select "Issues & Updates".

We hope you found this quick tour helpful. Please continue to explore our website and your membership further, and if you ever have questions, feel free to reach out to our Customer Service team at **888-610-8895** or internationally at **+1-443-815-4447**. You can also reach us via email at **support@porterandcompanyresearch.com**.

Thanks again for being a member with us at Porter & Co. For everyone here, I (Porter) wish you the very best... and look forward to helping you build permanent wealth with The Big Secret on Wall Street.

Porter & Co.
Stevenson, MD