

Cabot Green Investor

Your Guide to Earth-Friendly Profits



How Cabot Green Investor Picks Stocks

By Brendan Coffey, Editor of Cabot Green Investor

What is a green stock? Good question. Green stocks are those leading the trend toward environmentally friendly ends, be they new sources of clean energy, products that mitigate the environmental impact and energy cost of existing technologies or those that profit from the increasing move by consumers to organic and efficient products. There's no hard and fast rule for what is green and what isn't. The definition, like the market, will change over time.

Cabot Green Investor seeks out growth stories, stocks that offer a reasonable shot at generating impressive investment returns.

These are going to be found in a number of market sectors. While many companies we track have incremental green benefits, such as making a coal-fired plant less polluting, a significant portion are in cutting edge industries forging potentially revolutionary products. Expect to see more worthy companies utilizing everything from nanotechnology to bioengineering to as-yet-unheralded advancements.

Many companies arguably can be said to having a 'green' angle. General Electric, for one, has units that perform many jobs we consider green, from efficient turbines that capture previously wasted energy to environmental services groups. But is it a green stock? Not quite. For one, green services are still a minority of the company's sales. At the moment, at least, GE and companies like it don't fit our criteria. If that changes, you'll read about them.

More importantly, we're looking to capitalize on trends, not to make value judgments. We approach the stocks solely as investors, not as a guide to making socially responsible investing, although almost by definition green stocks can be equated as socially responsible.

If the fundamentals are poor, the trend is bad or a company is over-valued, then it's a poor stock to buy now, regardless of how we may feel personally about the product or service.

What doesn't change is that the **Cabot Green Investor** looks for promising companies benefiting from the green trend. These firms may be headquartered in America, Europe, Asia or any other part of the world.

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Here's what they must have in common:

- (1) A large part of the company's growth must be the result of a 'green' business arm, product or innovation and
- (2) The stock must trade on a U.S. exchange.

But it's not enough just to buy companies benefiting from their countries' growth. Companies featured in the ***Cabot Green Investor*** also meet our strict fundamental and technical criteria. Our recommended companies must have healthy balance sheets and show solid growth.

Most important of all, the stocks of our companies are in solid uptrends. This is because stocks tend to trade on what the future holds. If a stock is exhibiting strength, it's an indication that business will continue to be healthy for the company.

Once the ***Cabot Green Investor*** owns a stock, it will be held for as long as the stock performs well. Our goal is to hold stocks for the long-term. But we let the stocks tell us when they should be sold. This is accomplished by applying the same time-tested proprietary tools that we've developed and refined for over 37 years—and have helped up deliver outstanding results for Cabot Market Letter and Cabot China & Emerging Markets Report.

Specifically, we pay close attention to each stock chart. Is the stock in a solid uptrend? Does trading volume show accumulation? Are corrections brief and shallow? We judge a stock's health using traditional technical analysis tools—trendlines, support/resistance, etc.—relative performance and volume analysis. In the event a loss develops, it will be limited to no more than 20% at the close of any trading day.

On the horizon, we also anticipate the initial public offerings of companies we expect should do exceptionally well. In cases like IPOs where no trading history exists, our recommendations will be based on a thorough understanding of the company's business model, the market, and a strict review of its balance sheet, past financial performance and its outlook beyond the expected volatility of a new issue's early days of trading. With green companies experiencing a steep uptrend that should last for many years to come, we are confident that by following the advice of ***Cabot Green Investor***, investors will earn strong, even stellar profits. Lastly, feel free to contact me at any time with your questions and comments at brendan@cabot.net. I appreciate your input.