

The
SACRED
TRUTHS
of Investing



FINDING GROWTH STOCKS
THAT WILL MAKE YOU RICH

LOUIS NAVELLIER
WITH DAVID EVANSON

The Sacred Truths Of Investing

The Sacred Truths Of Investing

**Finding Growth Stocks That Will
Make You Rich**

Louis Navellier

With David R. Evanson

WILEY

Copyright © 2025 by John Wiley & Sons, Inc. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.

Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

Published simultaneously in Canada.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, (978) 750-8400, fax (978) 750-4470, or on the web at www.copyright.com. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at <http://www.wiley.com/go/permission>.

Trademarks: Wiley and the Wiley logo are trademarks or registered trademarks of John Wiley & Sons, Inc. and/or its affiliates in the United States and other countries and may not be used without written permission. All other trademarks are the property of their respective owners. John Wiley & Sons, Inc. is not associated with any product or vendor mentioned in this book.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Further, readers should be aware that websites listed in this work may have changed or disappeared between when this work was written and when it is read. Neither the publisher nor authors shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

For general information on our other products and services or for technical support, please contact our Customer Care Department within the United States at (800) 762-2974, outside the United States at (317) 572-3993 or fax (317) 572-4002.

Wiley also publishes its books in a variety of electronic formats. Some content that appears in print may not be available in electronic formats. For more information about Wiley products, visit our web site at www.wiley.com.

Library of Congress Cataloging-in-Publication Data

Names: Navellier, Louis, author. | Evanson, David R., contributor.

Title: The sacred truths of investing : finding growth stocks that will make you rich / Louis Navellier with David R. Evanson.

Description: Hoboken, NJ : John Wiley & Sons, [2025] | Includes index.

Identifiers: LCCN 2024049881 (print) | LCCN 2024049882 (ebook) | ISBN

9781394295869 (cloth) | ISBN 9781394295876 (adobe pdf) | ISBN

9781394295883 (epub)

Subjects: LCSH: Stocks. | Investments.

Classification: LCC HG4661 .N386 2025 (print) | LCC HG4661 (ebook) | DDC 332.63/22—dc23/eng/20241212

LC record available at <https://lcn.loc.gov/2024049881>

LC ebook record available at <https://lcn.loc.gov/2024049882>

Cover Design: Wiley

Cover Image: © DRN Studio/Adobe Stock

Author Photo: Courtesy of the Author

Contents

<i>Preface</i>		<i>vii</i>
PART I	Foundational Ideas	1
Chapter 1	To Build a Solid Foundation, Use Bricks	3
Chapter 2	Pessimism Generates Losses, Optimism Generates Wealth	9
Chapter 3	The United States Is an Oasis	17
Chapter 4	Don't Listen to the Economists	25
Chapter 5	Greed Is Not Good, But Patience Is	35
Chapter 6	Our Debt Is Unsustainable	49
Chapter 7	The Seasons Repeat Themselves in the Markets	57
Chapter 8	Boomer Assets Will Flood the Market	67
PART II	A Framework for Finding Growth Stocks	79
Chapter 9	Know Your Fundamentals	81
Chapter 10	Alphas, Betas, and Deviants	97
Chapter 11	Pulling It All Together	107

PART III Where to Look for Growth Stocks	119
Chapter 12 You Will Win With Homebuilders	121
Chapter 13 Own Monopoly Stocks	129
Chapter 14 Dividends Are Your Salvation	143
Chapter 15 Modern-Day Picks and Shovels	153
Chapter 16 Obscurity Is Your Friend	163
Chapter 17 Buy the Buybacks	169
Chapter 18 The 100,000% Club	179
<i>Acknowledgments</i>	201
<i>Index</i>	203

Preface

The last time I wrote a book was in 2007. It was called *The Little Book That Makes You Rich*. I hope that, for investors, the book delivered on its ambitions. Reviewing it as I worked on this book, it was validating to see the principles upon which *The Little Book* was premised remain the same. It's true. My methods for finding great growth stocks have not changed over the years.

This is, in and of itself, a testament to their strength and for investors should offer a sense of assurance that there are indeed sacred truths when it comes to investing. Wall Street is always coming up with new ideas to make you rich. Remember SPACs? But many of these ideas prove fleeting. Time-tested ideas, even though they are not always exciting, often prove more effective than the latest fad.

So what's different this time? First, while the principles for finding great growth stocks have remained the same, the stocks themselves have changed. This is because the world has changed. A lot. In 2007, artificial intelligence (AI) was still in the lab. Social media was in its infancy, and Facebook was still competing with Myspace. The Great Recession came and went, and a pandemic came and went with the latter changing the workplace forever. As a result, in this book, there are lots of examples related to companies in the vanguard of the markets. Apple, Microsoft, and Nvidia, as well as some less exciting names that are nonetheless important such as some Home Depot, McDonald's, and Oracle, are discussed.

But the reason my tried-and-true methods for finding great growth stocks remain relevant is that they are based on foundational truths that will not change either. As a result, in this book, I have laid out what these foundational ideas are and have given them the depth they deserve. For instance, the one foundational truth that may seem to be the least arresting – that you *must* be an optimist to be a successful investor – is in

fact one of the most important. This is true because while great growth stocks go up, they have periods of extreme volatility too. Nvidia, for instance, seems to have a lock on the chips that power AI, and its stock price over the last two years reflects this. But between November 2021 and September 2022, shares of Nvidia fell by nearly two-thirds. And wasn't the first time Nvidia shares took a perilous dip. Between August 2018 and the end of that year, Nvidia shares fell by 50%.

What keeps an investor in a stock that has been halved, or more, twice within five years? It's certainly not fear. It's optimism. And optimism produces wealth. Those who were optimistic about Nvidia have earned more than 1,000% since September 2022. I practice what I preach. Nvidia was a large holding for us in 2022, and today, it is the *largest* holding in our portfolio, and one of the reasons that we have reported our best year in nearly 40 years.

Another important principle that may seem as squishy as optimism is that the United States is an oasis for investors. In the current and complex environment we find ourselves in, this is sometimes forgotten. In this book, we take a closer look at the structural reasons for our special status as a nation, and some truly remarkable facts emerge about how and why we create unprecedented amounts of wealth.

Alongside the explanation of these sacred truths, we also explore how to find great growth stocks and along the way identify great growth stocks that we have owned over the years. For instance, in one chapter, we detail how a \$1,000 investment in a company grew to more than \$11 million in one generation and how it could plausibly grow to \$1 billion by the end of the next. We also provide details on another dozen companies whose returns have turned a \$1,000 investment into \$1 million. These stocks are members of what we like to call the 100,000% Club.

No spoilers here on who they are, however. I want you to delve into the many ideas in this book. This is not *The Little Book That Makes You Rich*. It is a slightly larger book that I hope makes you wiser, grateful for the times and the country we are living in, and, yes, I hope it makes you richer along the way.

—Louie Navellier

A Word from David R. Evanson

If you are in the business of getting media attention for an investment strategist, Louis Navellier (or Louie as he is universally referred to)

is a publicist's dream. Every day, sometimes twice a day, he has a view on the markets at large, the sectors of the market, the individual companies in the market, and the political and economic events that are shaping all three. Nor are his views confined to the United States. He is as comfortable talking with television hosts in Hong Kong as he is with markets reporters in the United States.

My work requires that I read and watch all of Louie's work. And I frequently fact-check him too. No matter how arcane the subject – say, how natural gas prices will influence fertilizer prices or what EV factory around the globe is closing and why – his command of the facts is unimpeachable.

With such a deep well of knowledge and experience at hand, a book project was a natural extension of Louie's day-to-day work finding and investing in great growth stocks. The premise of the work is true. There are sacred truths when it comes to investing, and Louis Navellier is the right person to tell you what they are.

—David R. Evanson

Part I

Foundational Ideas

1

To Build a Solid Foundation, Use Bricks

Here's a sacred truth that applies not just to investing but to life at large: who we are and how we perceive the world has a lot to do with our roots. Yes, lineage matters. But it's also the coincidences and chance encounters in our backgrounds that make a big difference too. Both apply in my case.

I grew up in the Bay Area, specifically, in El Cerrito, California, a block off Navellier Street. Having a street named after our family wasn't because we were the town's wealthiest or most prestigious citizens or because our ancestors committed extraordinary acts of civic achievement.

It had to do with longevity. Many of the streets in El Cerrito are named after early homesteaders who came to California following the gold rush. Initially, the town was called Rust after Wilhelm F. Rust, a German immigrant who arrived there in 1883. The population grew as refugees from the San Francisco earthquake and fire settled there, and in 1917 my town was renamed El Cerrito.

It was my great grandfather and namesake, Louis, who immigrated to the area in the 1880s, and it was his time there as a teacher that got him a lot of land, as well as his street. Back then land was granted for free to

those who would settle it, and initially, he had quite a few acres, but a lot of it was lost during the Depression. He came from Oloron-Sainte-Marie in the French Basque country. I think this is a not insignificant part of my makeup. The Basque are known to be fiercely independent, larger than most Europeans, and lovers of fine cuisine. Check, check, and check.

My grandfather did live on Navellier Street, and we lived behind him on Scott Street. Our houses backed up to one another, and my father and uncle built on land where my great grandfather had a chicken coop and a garden. Unfortunately, a bobcat got into my great grandfather's chicken coop, so that was tragic. Interestingly, the home my dad built was on the old family garden and had well water, which came in handy during the California drought in the 1980s.

My father, Ernest, was a bricklayer, which meant that I spent a good deal of time in my youth carrying hod, which is the art and drudgery of carrying bricks and mortar to the masons or bricklayers on a job site. I was lucky to be able to do it at all. My father, at the tender age of 18, was a ball turret gunner on a B-26 bomber in the European theater during World War II, a post that carried an enormously high mortality rate. He was lucky, since as a ball turret gunner, he rotated with different crews and unfortunately most of them died. To him perhaps, the rhythmic labor of laying bricks in the absence of mortal danger was enough to keep him happily occupied for a lifetime.

I should add that my father was also an excellent golfer and his putting skills were unmatched due somewhat to his geometry skills. For my part, I didn't hate carrying hod, but I didn't love it either. However, whenever I could, I tried to switch to being a caddy at a golf course, since I found that to be easier and more rewarding.

But there was one aspect to laying bricks and carrying hod that left an indelible impression on me. If you wanted it to, bricklaying could be a highly numerical exercise. I had to exactly match my father's pace to deliver the bricks not too soon or not too late to keep him moving at a steady pace. I had to adjust my pace when he got weary as the day wore on. His rate of production would tell me how long a day it was going to be. There were areas to be calculated, relationships between height and stability to be considered, incidences of defective bricks to be factored in, and calculations to determine how defect rates would impact production. Yes, algebra, geometry, statistics, and even, in rudimentary form, differential equations were all embedded in bricklaying, and ultimately these subjects played a large role in my career.

Going to college was all but certain. My father was still closely allied with his immigrant roots, so he was highly motivated to propel his children further than he got, and I was his only son.

Growing up in the Bay Area, we had no concept of going to a non-California school. I got into Cal State Berkeley but chose Cal State Hayward because I could complete a degree school faster there. In addition, I wouldn't have to take "bonehead" English, which I would've had to take at Berkeley. This was important to me. While I was among the top 1% in math based on the SAT exam, I was also in the bottom 11% in English. So, I decided to go to Hayward where I finished my B.S. degree in three years and finished an MBA a year later in 1979. Studying advanced math there was challenging and interesting, but I didn't see it as useful in solving everyday problems. Statistics, on the other hand, would tell you about outcomes. Though I didn't know it at the time, statistics and the ability to forecast a variety of outcomes would be one of the cornerstones of my career.

The course of one's life often depends on a few key decisions or chance encounters, and mine is no different. At Cal State, one of my professors was doing work for Wells Fargo. He was using Wells Fargo's mainframe computer to build the index products that were emerging at the time, and he asked me if I could help him.

At the time, I had a slide rule as well as a programmable calculator, just like most of my peers at Cal State. Getting access to a mainframe computer was a revelation. It was like giving a gold prospector a diesel-powered excavator to replace his picks and shovels.

My task was to build an index that tracked the Standard and Poor's 500 (S&P 500) with fewer than 500 stocks. After finding a subset of 320 stocks that I expected to precisely track the S&P 500, I failed miserably at that because my 320 stocks actually beat the market! Why? This problem was as exhilarating as it was vexing.

Digging deeper, I found a number of anomalies and inefficiencies. But the most interesting thing I discovered were stocks whose returns were uncorrelated to the market. At the time, this was a nascent concept that was pioneered by legendary economics professor William F. Sharpe. All of my other textbooks at the time said that a variable known as *Beta*, which measures the correlation between a stock and the market, is the primary determinant of performance. However, Professor Sharpe pointed out an uncorrelated relationship between a stock and the market was defined as *Alpha*.

I set out to prove that Alpha existed and could be used to price and value stocks. Even though I was still in college at the time, proving that Alpha did indeed exist, and putting it to work to discover great stocks, would become my North Star. The importance of Alpha is tackled in more detail in Chapter 10, which explains how it can be combined with other statistical calculations to identify stocks that are capable of delivering outsized returns.

My days at Cal State ended, and I continued to work on the statistical analysis of stocks but at that point had to earn a living. I took a job with the Federal Home Loan Bank Board as an industry development analyst. Savings and loan associations at the time required approval for every branch they opened, and my job was to ensure that the branches were in sustainable locations.

Things got more interesting when the savings and loan crisis hit in 1986. I was part of a team that oversaw the mergers and acquisitions of the banks as they scrambled to save themselves. It was an experience that stuck with me, but not in a good way. I saw too much sausage being made via bank accounting, and to this day you will see very few banks in our portfolios, mainly because many banks are very good at masking their delinquent loans.

I started with the Federal Home Loan Bank Board in 1979 and on the side began publishing my first newsletter. I ran an ad in Barron's in 1982, which tipped off the Federal Home Loan Bank Board to my side hustle, and we parted ways. While up until then publishing was an avocation, now I had to make it work as a business. In those early days, the operation looked exactly like any bootstrapping publishing company. The publisher, editor, and senior writer was the same person stuffing the envelopes and dropping the newsletters into the mail.

That first letter was called *OTC Insight*. Eventually, I added a partner, but after we parted ways, my newsletter was renamed *MPT Review*. MPT stood for Modern Portfolio Theory, which was a nod to my academic roots.

MPT Review evolved into *Emerging Growth* in 1983 and in 2019 reached its current incarnation with *Breakthrough Stocks* as the flagship publication alongside *Market 360*, *Accelerated Profits*, *Growth Investor*, and *Platinum Growth*, and with the total circulation in excess of 560,000 readers.

Although my publications have evolved, my approach has never wavered. We blend a quantitative analysis measuring risk and reward

indicators and combine it with a fundamental analysis focusing on exceptional profit margins, excellent earnings growth, and reasonable price/earnings ratios.

Quantitative and fundamental analysis are typically separate disciplines. Combining them is not revolutionary, but it is uncommon. Further, with respect to quantitative analysis, when measuring reward (alpha) and risk (standard deviation), the devil is in the details. After nearly 50 years of measuring stocks quantitatively, we have honed our analyses, and this evolution has led to improved performance over time. As this book went to press at the end of 2024, we notched our best year ever, thanks in large part to identifying stocks with exceptional growth potential before they became widely recognized by the market. Some of these stocks include *Eli Lilly*, *Novo Nordisk* and *Nvidia*.

While publishing has always been in my blood (some have said I have ink in my veins), asset management has been as well. In 1987, I formed Navellier & Associates in Reno, Nevada. Like the publishing operation, Navellier & Associates Inc. had humble beginnings. But after nearly 40 years, the company has grown, and we now manage more than \$1 billion in customer assets, and our staff has grown to nearly 20 talented analysts, portfolio managers, strategists, and customer service folks. I should add that I sold a big chunk of Navellier & Associates Inc. in 2013 so now the management company I founded is predominately a family office taking care of friends and family.

When I started in the business, the fee structure was quite different than it is today. At the time, many wealth advisors sold commission products, but over time this morphed into what are now called “AUM fees,” which refer to a percentage charged for all the assets under a wealth advisor’s care. The AUM model is an improvement over the commission system and now is nearly universal. The words “brokerage commission” may have been relegated to the dustbin of history along with the word “stockbroker.”

I’m proud to say that for many of the accredited investors we work with, we don’t charge an AUM fee, but rather manage the accounts for 10% of the profits, billed annually in arrears. While the transition from commissions to AUM fees has been mostly positive, it still comes up short in my view. One of the largest registered investment advisors in the country, which uses an AUM model, likes to say they structure their fees so that “We do better when you do better.”

This is certainly factually correct. When an investor does better because their assets grow, the advisor charging a fixed percentage fee is going to do better too. This is a mathematical certainty.

But the underlying reasoning is intellectually dishonest because it obscures what happens when the investor does worse. What happens is “when you do worse, we still do pretty well because we get our fee regardless.”

A look at the orders of magnitude shows how uneven the proposition really is. A client with \$1 million under management paying a 1% AUM fee will suffer a \$100,000 loss if their account declines by 10%. Because of the 10% decline in value, the advisor’s fee will fall from \$10,000 to \$9,000. So, the client’s assets are down by \$100,000 and the advisor’s income is off by \$1,000. Yes, no matter how badly you do, your advisor is going to do OK.

But when an advisor is working for a percentage of the profit, they have skin in the game, and the interests of the investor and the advisor are aligned. This is not to say that fees based solely on profits are perfect. Every compensation scheme has its flaws. I do reference it, however, to suggest that it represents a partnership with investors that requires a high degree of confidence on our part.

This confidence was developed over time based on analyses that were refined over decades. It may have begun when I was laying bricks with my father, feeding punch cards through programmable calculators, or stuffing early versions of our newsletters into envelopes late at night. But it has all added up to a strategy for finding growth stocks that can deliver outsized returns to investors. This strategy relies on many sacred truths of investing. Oddly, perhaps the most important one of them is the least numerical. That truth is to be a successful investor, you must be an optimist. I am. I always have been, and for that, I can thank my great grandfather, grandfather, and father who always believed that the future was going to be better. They were right.

2

Pessimism Generates Losses, Optimism Generates Wealth

If you are a pessimist, you are destined to be mildly to substantially uncomfortable during your entire tenure as an investor. And you will be poorer for it. Further, if you are pessimist, there's a case to be made that you should never invest in stocks.

The reason for this is simple. Stocks trade largely on the prospect of future growth. A stock that does not exhibit or forecast growth, will do worse than flatline. It will decline because without growth investors will look elsewhere to deploy their hard-earned capital. If you believe the worst outcome may be just around the corner, the stock market is not for you. Buy government bonds, let the interest roll, and enjoy a predictable, albeit monotonous ride.

To be a successful stock market investor, you must be an optimist. This is a sacred truth of investing. Optimists see possibilities, as do pessimists, but optimists have conviction these possibilities can be realized. Further, being an optimist enables you to stay the course, which is critical to successful investing. Amazon is a stock market darling today, but at the turn of the century, the picture was very different indeed. Later in this chapter, we document just how bleak the outlook was.

Optimism takes hard work. Seeing the downside is easy. Seeing the upside is not. But if you can put in the hard work of being an optimist, you will be richly rewarded for it.

★ ★ ★

One example of how optimism pays off occurred between 2021 and 2023. What was happening then? An unceasing, relentless fear of a recession. It was not an actual recession mind you, just the anticipation of one.

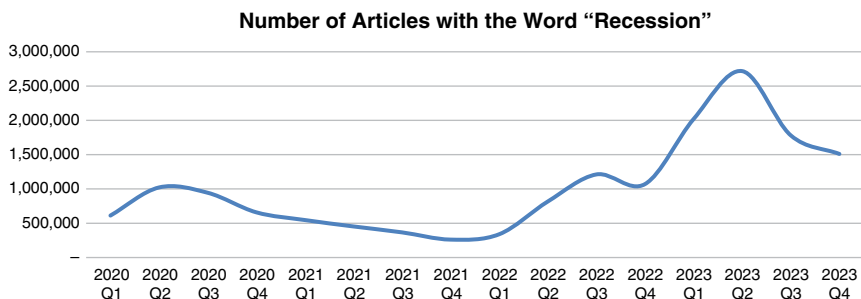
The fears began to surface in the spring of 2020, and ended in January 2022 when the Consumer Confidence Index began a sustained upward trajectory.

That 17-month run of negative sentiment was the second longest streak since 1987, trailing only the 18-month run from November 2007 to April 2009, the time period of the Great Recession.

If there was ever a time to indulge your inner pessimist, the Great Recession was it. Lehman Brothers failed, the largest mortgage company in the United States, Countrywide, failed; one of the largest insurance companies in the world, AIG, required a bailout; Merrill Lynch would have failed but for running into the arms of Bank of America; and finally, Goldman Sachs, run by the smartest people in the room, contorted itself into a bank-holding company so it could receive federal support.

Thus, the 17-month run of negative sentiment during 2021–2023, when nothing as perilous as the Great Recession was even on the horizon, is a sad commentary on the predictive intelligence of human beings. We are pessimistic even when there is nothing to be pessimistic about. And in this case, the worst never happened.

It's difficult to say who's to blame for the proliferation of pessimism. It's the media to some degree. Here's proof: the following chart shows how many news articles in the United States mentioned the word "recession" during the period in question.



Source: David R. Evanson, LLC; Meltwater.