

# Neglected Stocks

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## Top 5 richest people:

- Elon Musk
- Jeff Bezos
- Bill Gates
- Bernard Arnault
- PotatoHead69



# AGENDA

- 1 **Understanding the neglected firm effect**
- 2 **How can YOU make profit out of it**
- 3 **Key takeaways**
- 4 **Example of this century**

# Understanding the neglected firm effect

## **First Point**

- Smaller firms aren't subject to the same scrutiny and analysis as larger companies

## **Second Point**

- Analysts have more information about blue-chips or large and well-known companies in general and therefore more opinion and recommendations
- Due to the high interest on well-known companies it's often times more lucrative to have much data about them

## **Third Point**

- Information on smaller firms is often limited to the fillings that are required by law -> therefore the firms are "neglected"

# Why do they outperform blue-chips?

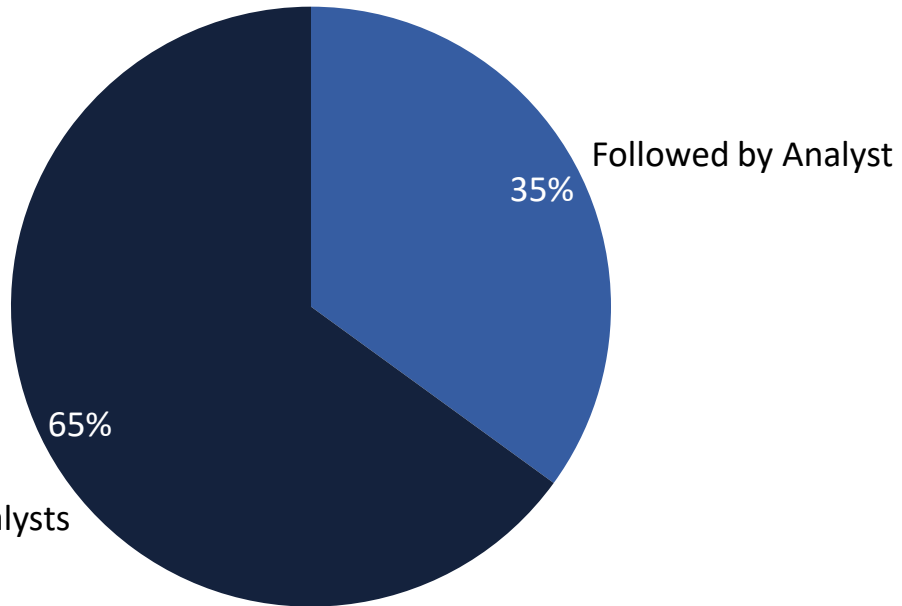
- Investors discover the stocks
  - Not enough interest for analysts
  - Investors usually use the RSI or the P/E Ratio to identify whether neglected stocks are worth buying or not
- The size of the stock plays a big role on how much the neglected stocks will outperform
- It is said that larger neglected stocks do not perform any better than expected while smaller stocks do

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# How can YOU make profit with it

## Comparison of followed and unfollowed stocks by Analysts



## How to interpret this

- Stock who recently got their first analyst and gets another one within a month
- Stocks who have many analysts
- Stocks where the amount of analysts decreased
- Stocks with no analysts

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# Key takeaways

- Prediction that stocks of lesser-known companies may outperform their more well-known peers in the market
- Neglected stocks have greater information inefficiencies that can be exploited by smart investors
- A increase of analysts on a relatively unknown stock is usually a good sign for investing



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# Example neglected stocks (Monster beverage)

