



J.M. Hartwell L.P.

Investment Counsel Since 1961

The Investment Process

Hartwell Growth Stocks

The term "growth stock" has varying meanings within the investment industry. J.M. Hartwell defines a growth stock by several different criteria:

- Above-average sales, cash flow and/or earnings growth - this must reflect projected results over the next three to five years based on valid, consistent, and sound economic reasons.
- Competitive strengths - we look closely at a company's industry position, proprietary technology, differentiated products, and marketing skills.
- Pricing flexibility - measures include superior pre-tax margins and a high return on equity.
- Industry position - a company is usually number one or a close number two in its industry, product or market niche.
- A catalyst for the stock to appreciate - the potential price appreciation is greatest when the company's share price fails to fully reflect its future earnings.
- Other criteria include a strong balance sheet, a reasonable ability to grow without accumulating debt, conservative accounting practices, and a reputation for management and product quality.