ADVISOR WHITE PAPER

Capital-FORCE ETF

Forget "Buy Low, Sell High."

If financial advisors want clients to own real leaders instead of permanent "bargains," they may need to teach why great winners are usually bought near new highs, not after ugly declines.

Summary of O'Neil's Framework

- Most clients arrive believing the old slogan: "buy low, sell high." It sounds prudent, but William O'Neil's decades of research[1] show that for growth stocks, it often backfires. The biggest winners weren't bought after ugly declines; they were accumulated near new highs, when earnings and sales were accelerating, institutions were buying, and the business had something genuinely new driving demand.
- This paper explains why "cheap" often gets cheaper and "strong" often keeps getting stronger, and shows advisors how to pivot clients from bargain hunting to leader buying. Using O'Neil's CAN SLIM framework, we highlight the traits that repeat in true market leaders—current and annual earnings strength, "new" catalysts, clear supply-and-demand signals, leadership in their group, institutional sponsorship, and alignment with the broader market trend.
- You'll get practical language, analogies, and behavioral tactics you can use in meetings: shifting watchlists from 52-week lows to new highs with strong fundamentals, using "best seller" examples, and framing risk around disciplined exits rather than low entry prices. The goal is simple: help clients own real leaders as they break to new highs, and sell when the story and momentum genuinely crack.

Why "Buy Low, Sell High" Backfires

The old slogan sounds reasonable. You buy when prices look cheap, then you wait for a rebound and cash out when the crowd catches up. In practice, you know how this often goes. The "cheap" stock gets cheaper, the story keeps deteriorating, and what started as a value idea turns into a value trap.

William O'Neil's research, laid out in "How to Make Money in Stocks," flipped that logic on its head. He studied decades of the biggest stock market winners and found a harsh pattern. The majority did not look cheap when they began their best advances. They were already making new highs, already trading at higher valuations, already scaring off investors who felt they were "too expensive."

For advisors, this matters. If you keep repeating "buy low, sell high," you subtly train clients to hunt for falling knives and laggards instead of emerging leaders. You anchor them to price, not to business quality, growth, and demand. O'Neil goes as far as calling the old rule "completely wrong" for growth stocks.

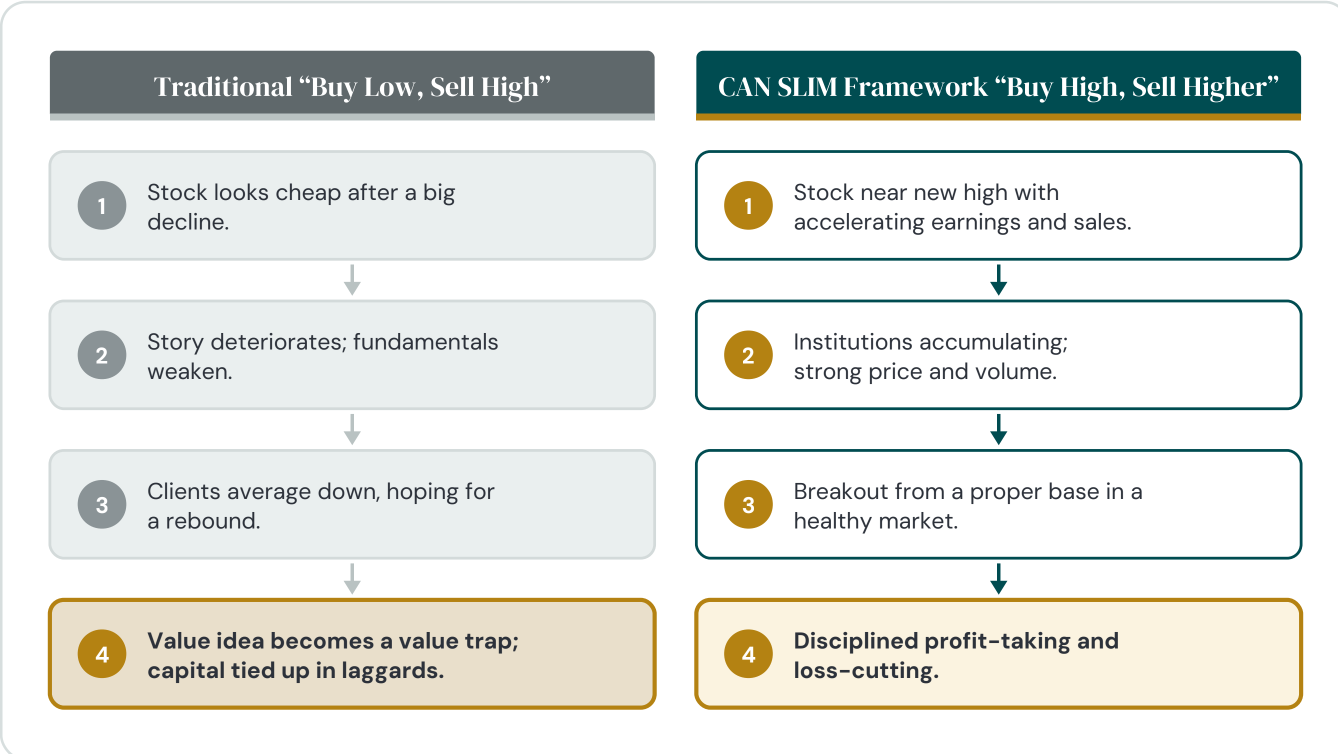

EXHIBIT 1 Two paths from the same instinct. The bargain-hunting path compounds into a value trap; the CAN SLIM path aligns with demand and ends in disciplined exits. Illustrative.

The Logic Of Buying Near New Highs

O’Neil’s core finding is uncomfortable but simple. What looks high and risky to most people usually goes higher. What looks low and cheap usually goes lower. He did not arrive at this by opinion. His team reverse-engineered hundreds of “super stocks” going back to the 1950s, tracking price, volume, earnings, and industry context before and during their explosive runs.

When you buy near new highs in the right kind of stock, you are doing a few things at once:

- You are aligning with strong demand, not fighting it. Rising prices with heavy volume show institutions are accumulating shares. That is fuel.
- You are betting on companies with accelerating earnings and sales, not “turnarounds” with deteriorating numbers. O’Neil’s winners typically posted 25–70 percent or more earnings growth just before their big moves.
- You are avoiding heavy “overhead supply.” Stocks breaking into new high ground have fewer frustrated holders waiting to sell at breakeven. That clears the path for further advances.

Put differently, the stock is expensive for a reason. Something new is working. A product, a service, new management, or a freshly favorable industry trend is pushing the business forward. O’Neil even builds “N for New” into his CAN SLIM framework to force investors to ask what exactly is driving that new high.

For advisors, that is a clean pivot. You move the conversation away from price alone and toward “What is new, and why is the market willing to pay up for it?”

> *“What looks high and risky to most people usually goes higher. What looks low and cheap usually goes lower.”*

CAN SLIM: A System Built Around Leaders, Not Laggards

O'Neil's CAN SLIM system is essentially a growth-stock filter that favors leaders near new highs. Each letter captures a trait he saw again and again in big winners.

C – Current earnings. Strong quarterly earnings growth, often 25 percent or more year-over-year.

A – Annual earnings. Several years of consistent annual growth, not a one-quarter fluke.

N – New product, service, management, or new high. Something fresh that changes the trajectory.

S – Supply and demand. Reasonable share count and clear institutional buying, visible in volume spikes.

L – Leader, not laggard. Top performer in its group, with high relative strength and price momentum.

I – Institutional sponsorship. Ownership by well-performing funds that can push the stock along.

M – Market direction. Buying aligned with a favorable overall market trend.

CAN SLIM Leader Profile BUY HIGH, SELL HIGHER	Typical "Cheap Stock" Profile BUY LOW, STAY LOW
☑ Current earnings: strong quarterly growth (often 25%+ year-over-year).	⚠ Weak or flat current earnings.
☑ Annual earnings: several years of consistent growth.	⚠ Spotty or declining annual earnings.
☑ New: product, service, management or new price high driving the story.	⚠ No "new" catalyst; just a lower price.
☑ Supply & demand: reasonable share count, clear institutional buying, volume spikes.	⚠ Heavy overhead supply; many frustrated holders waiting to sell at breakeven.
☑ Leader: top relative strength and price momentum in its group.	⚠ Low relative strength; lagging group and market.
☑ Institutional sponsorship: ownership by strong funds.	⚠ Limited or deteriorating institutional sponsorship.
☑ Market: aligned with a favorable overall trend (M in CAN SLIM).	⚠ Often bought against a weak or uncertain market backdrop.

EXHIBIT 2 Leader profile vs. "cheap stock" profile. A one-page tool for walking clients through what CAN SLIM screens for — and the laggard traits it screens out.

Notice how many of those favor stocks that are already strong. High relative strength. New highs. Strong earnings trends. Institutional buyers. None of that screams "dirt cheap." It screams "the business is working and the market knows it."

When advisors stick to "buy low, sell high," they nudge clients toward the opposite profile. Low relative strength, "cheap" valuation, weak or flat earnings, and industries under pressure. O'Neil's data shows those are precisely the names that rarely become the next Home Depot or Apple.

So reframing the advice becomes more than a clever marketing line. It aligns client behavior with a system that has historically produced exceptional long-term returns. The American Association of Individual Investors even found CAN SLIM delivered far higher gains than the broad market from 1998–2009, despite that period including a major crisis.

"Buy High, Sell Higher": How Advisors Can Explain It

Clients will resist this at first. You are telling them to buy a stock that is at a new high, probably trading at a premium multiple, and maybe up significantly from where it was a year ago. It feels wrong. That is where advisors earn their fee by reframing the story.

Here are practical angles you can use:

Price follows earnings, not wishes.
Show real examples of past winners where earnings growth exploded before the price did. O'Neil notes that about three-quarters of his best cases had very strong earnings growth right before their big price runs. The message is that you are paying up for current performance, not for a hope that things might turn around.

New highs reflect new information.
A stock breaking to a new high is reacting to updated data. A successful launch, positive clinical results, strong adoption, or improved industry conditions. It is not just "getting expensive," it is repricing based on better reality.

Strength begets more strength.
Historically, strong stocks often keep rising, and weak ones tend to stay weak. O'Neil repeatedly stresses that buying leaders and selling laggards is smarter than averaging down into losers. Clients can relate to this if you compare it to sports. You pick the team that is winning now, not the one that has lost ten straight and "should be due."

Risk is controlled by exits, not by hunting low prices.
O'Neil's first rule is cutting losses quickly, typically at 7–8 percent below your purchase price. That risk discipline matters more than whether you bought at 30 dollars or 50 dollars. Losing less when you are wrong keeps you in the game long enough for your winners to matter.

If you combine those elements, "Forget buy low, sell high" becomes less provocative and more logical. You buy high when the business is proving itself, when institutions are voting with their wallets, and when the broader market is supportive. Then you sell higher when the stock has run far above its last base and starts flashing signs of exhaustion.

Behavior Change: Moving Clients From Bargain Hunting To Leader Buying

Advisors are not just explaining a theory. You are trying to reshape ingrained habits. Many clients feel safer buying something that "has already dropped" because they think the downside is limited. O'Neil's line about the "hard-to-accept paradox" is useful here. What feels too high often goes higher. What feels cheap often goes lower.

To shift behavior, you can:

Change the default watchlist.
Instead of posting "52-week low" lists in client reports, highlight new highs with strong fundamentals. O'Neil points out that very few investors naturally look at new highs, even though that is where most winners start.

Frame leaders as "best sellers," not as "expensive."
O'Neil uses a clothing store analogy. You do not stock your store with yellow dresses that never sell just because they are cheap. You restock the red dresses that fly off the rack. Clients understand this instantly. It makes buying leaders feel like common sense, not contrarian finance theory.

Use small initial positions as "proof tests."
Clients can start with modest allocations in strong stocks breaking out of sound bases, then track what happens over 6–12 months. When they see that many leaders keep rising while some "cheap" names

continue to drift, the new mental model starts to stick. O'Neil observed that studying actual historical charts is one of the fastest ways to teach this pattern.

From bargain hunter to leader buyer

1. **Starting point: bargain-hunter mindset**
   Feels safer buying what has already dropped; believes downside is limited.
2. **Introduce the paradox**
   What feels too high often goes higher; what feels cheap often goes lower.
3. **Reframe with the "best seller" analogy**
   You don't stock unsold yellow dresses just because they're cheap — you restock the red dresses that fly off the rack.
4. **Implement new defaults**
   Watchlists and reports emphasize new highs with strong fundamentals, not 52-week lows.
5. **Proof tests and chart study**
   Small positions in leaders breaking out of sound bases; clients track performance over 6–12 months and review historical charts.

EXHIBIT 3 **The teachable path to leader buying.** A journey advisors can walk clients through in review meetings, anchored by O'Neil's "best seller" analogy.

You are not telling clients to blindly chase anything that is up. Breakouts from proper bases, with volume confirmation and real earnings power behind them, are very different from speculative spikes. O'Neil spends much of his work detailing the difference, including patterns such as the cup-with-handle and rules for avoiding "wide and loose" setups.

When "High" Is Actually Too High

Reframing the mantra does not mean you ignore risk or valuation entirely. O'Neil is focused on buying emerging leaders early in their move, not exhausted names after a massive run. You are looking for stocks just emerging from a consolidation zone into fresh high ground, not names that are already parabolic.

Advisors can bring nuance into the message:

Great winners are often bought near new highs, but near very specific kinds of highs.
The price is breaking out of a clear base, with heavy volume, supportive fundamentals, and a healthy overall market. That is very different from chasing a thin stock up 80 percent in a few days.

Selling rules matter as much as buying rules.
O'Neil's system includes explicit exit points, such as trimming around 20–25 percent profits in normal situations and cutting quickly if the stock reverses sharply. Advisors can frame this as helping protect gains and sanity. You are not riding every name forever.

Market context is non-negotiable.
Three out of four stocks follow the general market trend. Buying leaders near new highs during a clear bear market sets clients up for frustration. The "M" in CAN SLIM is your reminder to check the broader environment before committing capital.

So the refined guidance becomes: "Buy strong, proven businesses when they are breaking to new highs from sound bases in a healthy market. Then sell when they are extended and the data turns." You are not abandoning prudence; you are redirecting it.

Why This Reframe Fits The Advisory Business

At first glance, "Forget buy low, sell high" sounds like a catchy slogan. For an advisor, it is much more useful than that. It gives you a coherent story that connects the daily noise of price moves to real business performance and long-term client goals.

A few reasons it fits:

It aligns decisions with evidence.
O'Neil's work is grounded in large samples of real winning stocks, not one or two cherry-picked legends. When you echo his findings, you are basing advice on how the market has actually rewarded growth and leadership over decades.

It reduces emotional whiplash.
Clients chasing "cheap" names often swing between hope and despair. Focusing on companies that are already executing and already attracting institutional sponsorship stabilizes expectations. Good businesses still face volatility, but the underlying story is clearer.

It makes your process teachable.
CAN SLIM's criteria, plus the idea of buying near proper new highs, can be explained, documented, and repeated. That makes your practice more consistent and makes it easier for clients to understand why you are buying or selling something.

In the end, you are not simply retiring a tired phrase. You are giving clients a better mental model for how real stock market winners behave. Instead of "buy low, sell high," you steer them toward "buy great winners as they break to new highs, sell when the story and momentum genuinely crack."

> *" That pivot can feel small in words, but it is huge in portfolios. "*

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[1] William J. O'Neil, *How to Make Money in Stocks: A Winning System in Good Times and Bad*, 4th ed. (New York: McGraw-Hill, 2009).

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Important Information

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