

AAII Stock Investor Pro

Andy Prophet

AAII Silicon Valley Chapter

November 2006

“Give an investor a fish and they will eat today

Teach an investor to fish and they will eat for a lifetime!”





Presentation Overview

- Introduction to Stock Investor Pro (SI Pro)
 - Program navigation
 - Views
 - Portfolio
 - Overview of data
- Introduction to Stock Screening
 - Overview of stock screening
 - Setting up a stock screen with SI Pro
- Homework assignment
 - Exporting a stock list to a spreadsheet
- Proposed SI Pro User's Group



Stock Investor can help you

- Screen stocks based upon their financial qualities
- Display and analyze screening results
 - Use organized program displays to study how a company stacks up to its competition
 - Print standard or custom reports for a single company or a group of companies
 - Export data to spreadsheet or text file for additional study
 - NAIC SSG data files for analysis within BetterInvesting's Stock Investor's Toolkit program
- Learn about screening and analysis through pre-programmed screens and articles
- Create tracking lists (portfolios) for further study



Stock Investor

- Powerful fundamental screening system providing rich company and industry data
 - 50+ preinstalled screening strategies
 - Ability to create your own screens
- Covers 8,600 companies
 - NYSE (2,148), Amex (597), NASDAQ National and SmallCap markets (3,123), and NASDAQ Bulletin Board stocks (2,733)
 - ADRs (520), REITs (255), Closed-end funds (193)
- Detailed sector and industry data
- Fundamental data supplied by Reuters and earnings estimates supplied by I/B/E/S (Institutional Brokers Estimate System)

Features	Stock Investor Pro
Pricing for annual Subscription	\$198 (\$247 non-members)
Platform	Window s
Update interval	monthly (CD), w eekly (Web)
Pre-defined screening filters	56
Create personalized screens	yes, using any data field
Company coverage	8,600 stocks
Industry data	12 broad sectors and 100 industries
Depth of company data	2,200+ per company
Company Financials	7 years of detailed income and cash flow statements and balance sheets
Earnings Estimates	quarterly, annual, and long-term grow th estimates along w ith recent surprise data
Price data	10 years of monthly h/l/c/v data
Charts & Graphs	6 charts
Stock ticker tracking	unlimited
Exporting data	yes, in 6 formats including Excel
Create custom fields	yes, 250 fields
Reports	7 standard plus custom reports
NAIC SSG Data files	yes, for all stocks

Financial Statement Data	SI Pro		SI Pro
Income Statement		Balance Sheet	
Sales	8Qs, 7Ys	Cash	8Qs, 7Ys
Cost of Sales	8Qs, 7Ys	Accounts Receivable	8Qs, 7Ys
Gross Income	8Qs, 7Ys	Inventory	8Qs, 7Ys
Depreciation, Amortization	8Qs, 7Ys	Short-Term Investments	8Qs, 7Ys
Research & Development Expenses	8Qs, 7Ys	Total Current Assets	8Qs, 7Ys
Unusual Expense/Income	8Qs, 7Ys	Net Plant & Equipment	8Qs, 7Ys
Total Operating Expenses	8Qs, 7Ys	Investments	8Qs, 7Ys
Operating Income	8Qs, 7Ys	Goodwill/Intangible Assets	8Qs, 7Ys
Non-Operating Income/Expenses	8Qs, 7Ys	Total Long-Term Assets	8Qs, 7Ys
Pretax Income	8Qs, 7Ys	Total Assets	8Qs, 7Ys
Income Taxes	8Qs, 7Ys	Accounts Payable	8Qs, 7Ys
Income After Taxes	8Qs, 7Ys	Short-Term Debt	8Qs, 7Ys
Nonrecurring Items	8Qs, 7Ys	Total Current Liabilities	8Qs, 7Ys
Net Income	8Qs, 7Ys	Long-Term Debt	8Qs, 7Ys
EPS (Basic, Continuing & Diluted)	8Qs, 7Ys	Total Liabilities	8Qs, 7Ys
Dividends	8Qs, 7Ys	Preferred Stock	8Qs, 7Ys
		Total Common Equity	8Qs, 7Ys
Statement of Cash Flows		Total Liabilities & Owner's Equity	8Qs, 7Ys
Net Cash from Operations	8Qs, 7Ys		
Net Cash from Investing Activities	8Qs, 7Ys		
Capital Expenditures	8Qs, 7Ys		
Net Cash From Financial Activities	8Qs, 7Ys		
Cash Flow	8Qs, 7Ys		
Free Cash Flow	8Qs, 7Ys		

Weekly Data Downloads

AAII Stock Investor Pro Weekly Data Updates - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Back Address http://www.aaii.com/stockinvestor/downloads/ Go

AAII American Association of Individual Investors

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PORTFOLIOS

- My Portfolio
- Intro to Portfolios
- Mutual Fund Portfolio
- Shadow Stock Portfolio
- AAII Stock Screens

PUBLICATIONS

- Free Content
- AAII Journal
- AAII Tax Guide
- Top Mutual Funds Guide
- Investing Pathways
- Computerized Investing
- Quarterly Mutual Fund Update
- Stock Investor Pro

STOCK INVESTOR

Weekly Data Updates

- [FULL WEEKLY UPDATE](#) (data as of 9/30/2005)
- [PARTIAL WEEKLY UPDATE](#) (data as of 9/30/2005)
- [PAST UPDATES](#)
- [Instructions](#) on loading the data to SI Pro
- [Troubleshooting](#) the weekly updates
- [Differences](#) between the data downloads

SI PRO DATA UPDATES


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[DATA UPDATES](#)

IMPORTANT LINKS

- [Getting Started Guide](#)
- [Troubleshooting](#)
- [Program Info](#)
- [Data Updates](#)

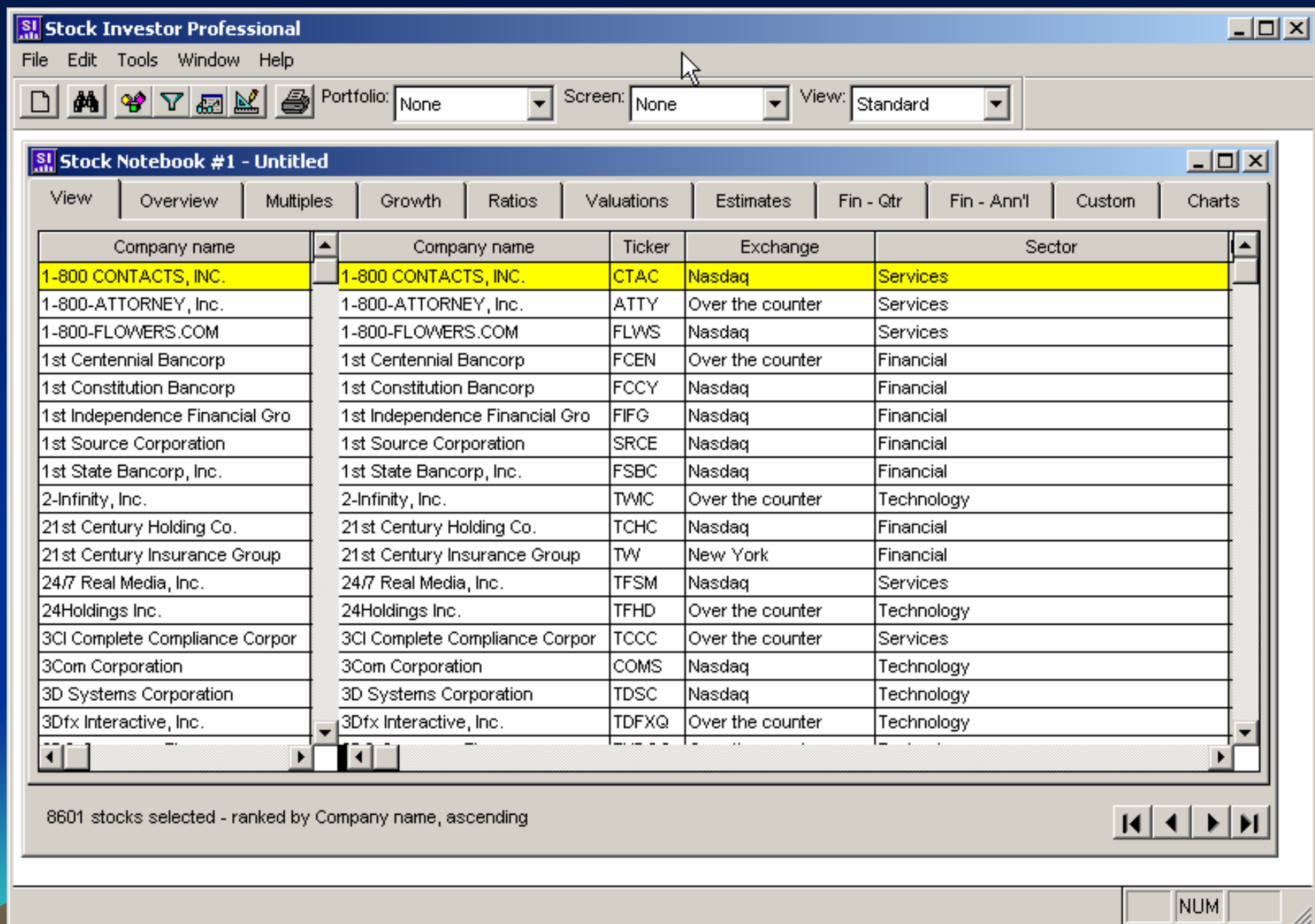
AAII Stock Screens



AAII Stock Screens provide you with valuable stock picking

Navigating Stock Investor Pro





The Stock Notebook

- Automatically opens with the program
 - Stock Notebook #1—Untitled
- Consists of 11 tabs
 - Each displays a related group of data
 - The View tab is the default tab
- Information about the notebook is displayed within the toolbar and lower portion of the notebook
- Multiple notebooks can be open at once

Multiple notebooks can be open at once

SI Stock Investor Professional

File Edit Tools Window Help

Portfolio: None Screen: *Zweig, Martin View: Standard

SI Stock Notebook #1 - Untitled

View Overview Multiples Growth Ratios Valuations Estimates Fin - Qtr Fin - Ann'l Custom Charts

Company name	Company name	Ticker	Exchange	Sector
1-800 CONTACTS, INC.	1-800 CONTACTS, INC.	CTAC	Nasdaq	Services
1-800-ATTORNEY, Inc.	1-800-ATTORNEY, Inc.	ATTY	Over the counter	Services
1-800-FLOWERS.COM	1-800-FLOWERS.COM	FLWS	Nasdaq	Services
1st Centennial Bancorp	1st Centennial Bancorp			
1st Constitution Bancorp	1st Constitution Bancorp			
1st Independence Financial Gro	1st Independence Financial Gro			
1st Source Corporation	1st Source Corporation			
1st State Bancorp, Inc.	1st State Bancorp, Inc.			
2-Infinity, Inc.	2-Infinity, Inc.			
21st Century Holding Co.	21st Century Holding Co.			
21st Century Insurance Group	21st Century Insurance Group			
24/7 Real Media, Inc.	24/7 Real Media, Inc.			
24Holdings Inc.	24Holdings Inc.			
3CI Complete Compliance Corpor	3CI Complete Compliance Corpor			
3Com Corporation	3Com Corporation			
3D Systems Corporation	3D Systems Corporation			
3Dfx Interactive, Inc.	3Dfx Interactive, Inc.			

8601 stocks selected - ranked by Company name, ascending

SI Stock Notebook #2 - Untitled

View Overview Multiples Growth Ratios Valuations Estimates Fin - Qtr Fin - Ann'l Custom Charts

Company name	Company name	Ticker	Exchange	Sector
Alliance Bancshares California	Alliance Bancshares California	ABNS	Over the counter	Financial
American Oriental Bioengineeri	American Oriental Bioengineeri	AOB	American	Health Care
AmSurg Corp.	AmSurg Corp.	AMSG	Nasdaq	Health Care
Atlas America, Inc.	Atlas America, Inc.	ATLS	Nasdaq	Energy
Burlington Resources Inc.	Burlington Resources Inc.	BR	New York	Energy
Center Financial Corporation	Center Financial Corporation	CLFCE	Nasdaq	Financial
Ceradyne, Inc.	Ceradyne, Inc.	CRDN	Nasdaq	Capital Goods
Eagle Materials, Inc.	Eagle Materials, Inc.	EXP	New York	Capital Goods
First Regional Bancorp	First Regional Bancorp	FRGB	Nasdaq	Financial
Forward Industries, Inc.	Forward Industries, Inc.	FORD	Nasdaq	Consumer Cyclical
Interwest Bancshares Corp	Interwest Bancshares Corp	IBCA	Nasdaq	Financial
Jupitermedia Corporation	Jupitermedia Corporation	JUPM	Nasdaq	Services
KB Home	KB Home	KBH	New York	Capital Goods
Learning Care Group, Inc.	Learning Care Group, Inc.	LCGI	Nasdaq	Services
LoJack Corporation	LoJack Corporation	LOJN	Nasdaq	Services

24 stocks selected - ranked by Company name, ascending

NUM

Selecting a Company



SI Stock Investor Professional

File Edit Tools Window Help

Portfolio: None Screen: None View: Standard

SI Notebook #1 - Untitled

Overview Multiples Growth Ratios Valuations Estimates Fin - Qtr Fin - Ann'l Custom Charts

Company name	Industry	ADR/ADS Stock	Dow stock	Standard and Poor stock	Price	Price--high 52 week	Price--low
1-800 CONTACTS, INC.	Retail (Catalog & Mail Order)	No	None	None	18.750	24.750	14.960
1-800-AT HOME, Inc.	Printing & Publishing	No	None	None	0.550	0.000	0.000
1-800-FLOWERS.COM	Retail (Specialty Non-Apparel)	No	None	None	7.010	8.950	6.450
1st Centennial Bancorp	Regional Banks	No	None	None	35.000	38.250	24.766
1st Constitution Bancorp	Regional Banks				19.500	21.900	15.305
1st Federal Bancorp	S&Ls/Savings Bank				19.000	23.050	17.410
1st Interstate Bancorp	Regional Banks				23.150	28.090	19.410
1st National Bancorp	Regional Banks				36.100	36.500	24.250
2-1-1	Computer Services				0.000	0.000	0.000
21st Century Holding Co.	Insurance (Property & Casualty)				13.490	15.270	9.910
21st Century Insurance Group	Insurance (Property & Casualty)				15.950	16.300	12.390
24/7 Real Media, Inc.	Advertising				7.040	7.230	2.760
24Holdings Inc.	Computer Hardware				0.037	0.070	0.011
3CI Complete Compliance Corpor	Waste Management				0.400	1.850	0.300
3Com Corporation	Computer Networks				4.080	4.930	2.960
3D Systems Corporation	Software & Program Development				22.230	26.490	10.890
3Dfx Interactive, Inc.	Software & Program Development				0.080	0.000	0.000
3DO Company, The	Software & Program Development				0.002	0.000	0.000
3DShopping.com	Advertising	No	None	None	0.006	0.000	0.000
3M Company	Conglomerates	No	Industrial	500	73.360	87.450	70.410
3Si Holdings, Inc.	Software & Programming	No	None	None	0.015	0.070	0.010
4 Kids Entertainment Inc.	Recreational Products	No	None	SmallCap 600	17.390	23.000	16.000
4-D Neuroimaging	Medical Equipment & Supplies	No	None	None	70.000	0.000	0.000

Find window shortcut

Find Stock Issue

Ticker	Company Name
MSEV	Micron Enviro Systems, Inc.
MSEX	Middlesex Water Company
MSFG	MainSource Financial Group
MSFT	Microsoft Corporation
MSGI	MSGI Security Solutions, Inc.

By Ticker ☒ By Company Name

Find: msft

Ok Cancel

8601 stocks selected - ranked by Company name, ascending

NUM

SI Stock Investor Professional

File Edit Tools Window Help

Portfolio: None Screen: None View: Standard

SI Stock Notebook #1 - Untitled

View Overview Multiples Growth Ratios Valuations Estimates Fin - Qtr Fin - Ann'l Custom Charts

Company name	Ticker	Exchange	Sector	Industry	ADR/ADS Stock	Dow stock
Microsoft Corporation	MSFT	Nasdaq	Technology	Software & Programming	No	Industrial
MicroStrategy Incorporated	MSTR	Nasdaq	Technology	Software & Programming	No	None
Microtek Medical Holdings	MTMD	Nasdaq	Health Care	Medical Equipment & Supplies	No	None
Microtune, Inc.	TUNE	Nasdaq	Technology	Semiconductors	No	None
Microvision, Inc.	MVIS	Nasdaq	Technology	Scientific & Technical Instruments	No	None
Microwave Filter Co., Inc	MFCO	Nasdaq	Technology	Electronic Instruments & Controls	No	None
Micrus Endovascular Corporation	MEND	Nasdaq	Health Care	Medical Equipment & Supplies	No	None
Mid Penn Bancorp, Inc.	MP			Regional Banks	No	None
Mid-America Apartment				Real Estate Operations	No	None
Mid-State Bancshares	MST			Regional Banks	No	None
Midas, Inc.	MDS			Business Services	No	None
Middleburg Financial Corp.	MBRG	Nasdaq	Financial	Regional Banks	No	None
Middleby Corporation, The	MIDD	Nasdaq	Capital Goods	Misc. Capital Goods	No	None
Middlesex Water Company	MSEX	Nasdaq	Utilities	Water Utilities	No	None
Middleton Doll Company, The	DOLL	Over the counter	Services	Real Estate Operations	No	None
Midland Capital Holdings	MCPH	Over the counter	Financial	S&Ls/Savings Banks	No	None
Midland Company, The	MLAN	Nasdaq	Financial	Insurance (Property & Casualty)	No	None
MidSouth Bancorp, Inc.	MSL	American	Financial	Regional Banks	No	None
Midway Airlines Corp.	MDVYQ	Over the counter	Transportation	Airline	No	None
Midway Games Inc.	MVY	New York	Technology	Software & Programming	No	None
Midwest Air Group, Inc.	MEH	American	Transportation	Airline	No	None
Midwest Banc Holdings, Inc.	MBHI	Nasdaq	Financial	Regional Banks	No	None
MidWestOne Financial Group, Inc	OSKY	Nasdaq	Financial	Regional Banks	No	None

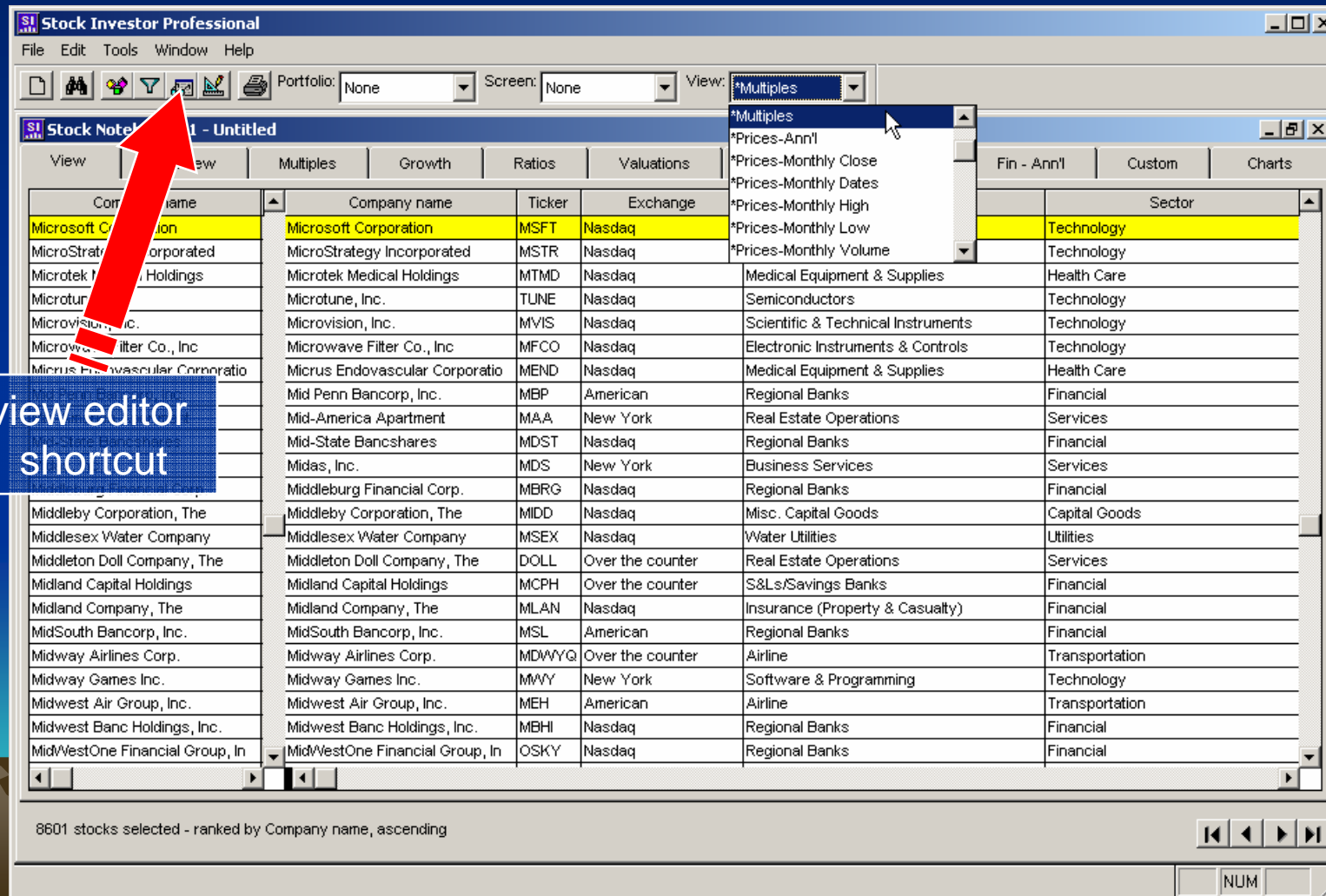
8601 stocks selected - ranked by Company name, ascending

NUM

“Active” company highlighted in yellow

Views Are Displayed Within Notebook

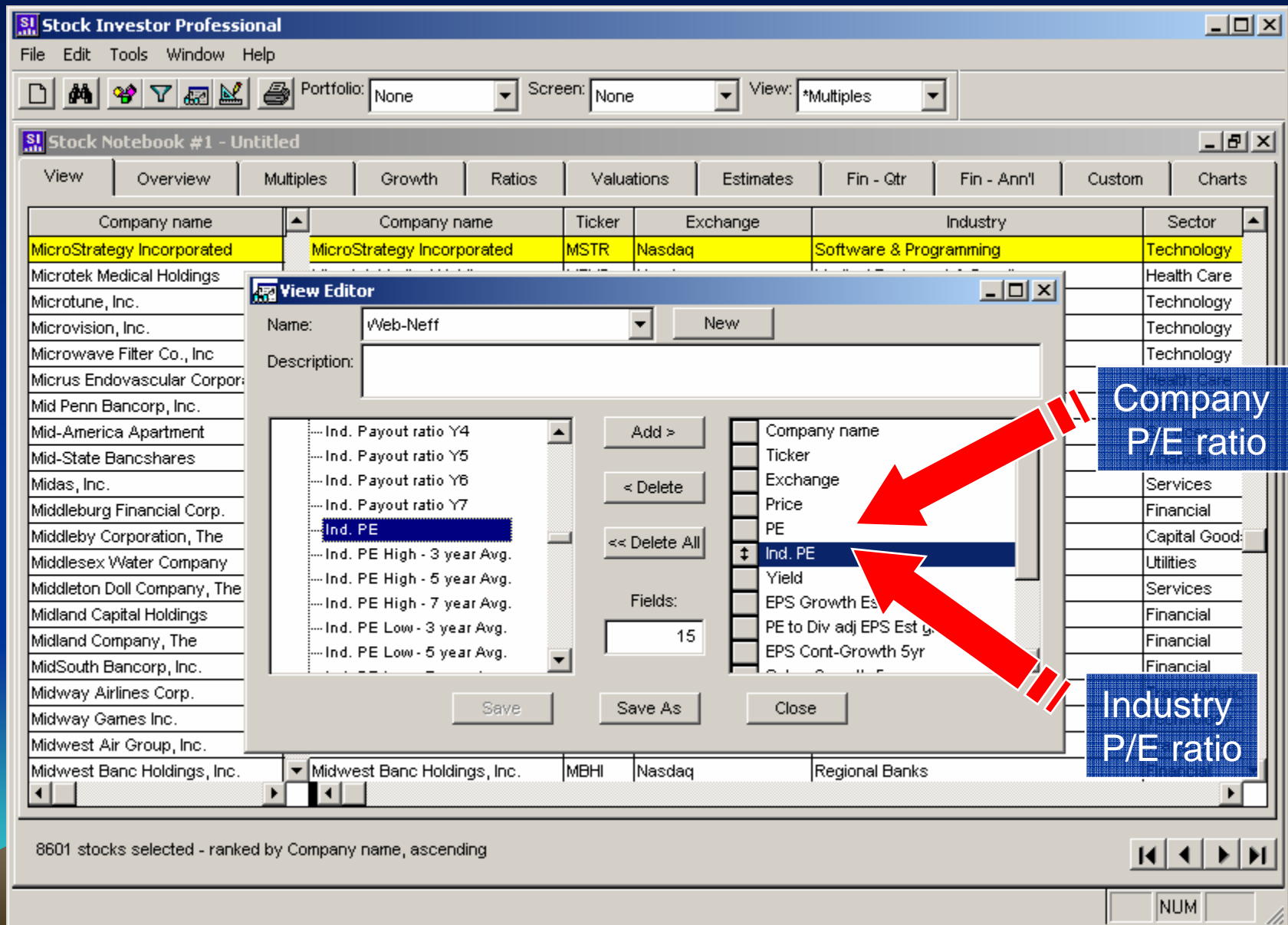
- Program starts up with “Standard” view
- Views are selected from the View menu on toolbar



View Editor

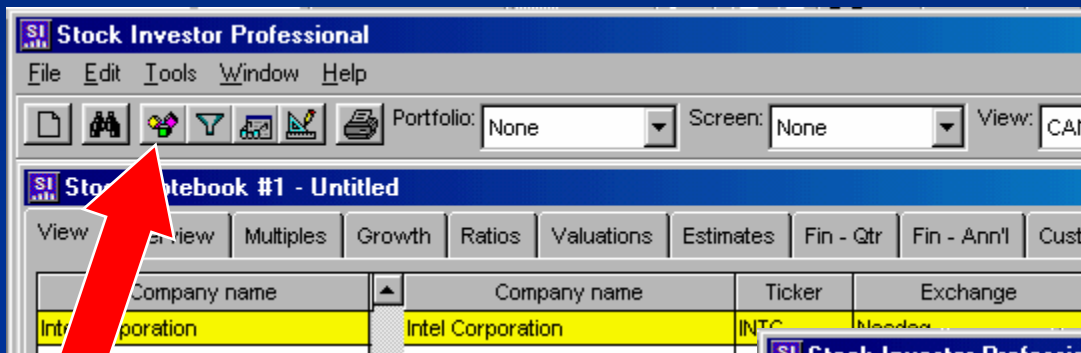
- Views contain company and industry data
- Standard field picker on the left side of the window
- Running count of fields is kept in lower box
- Fields are added by double-clicking or selecting field and clicking on Add >
- Double-clicking a field group will add all elements to the view
- Duplicate entries are not allowed
- Order can be changed by dragging the box in front of field name

View Editor

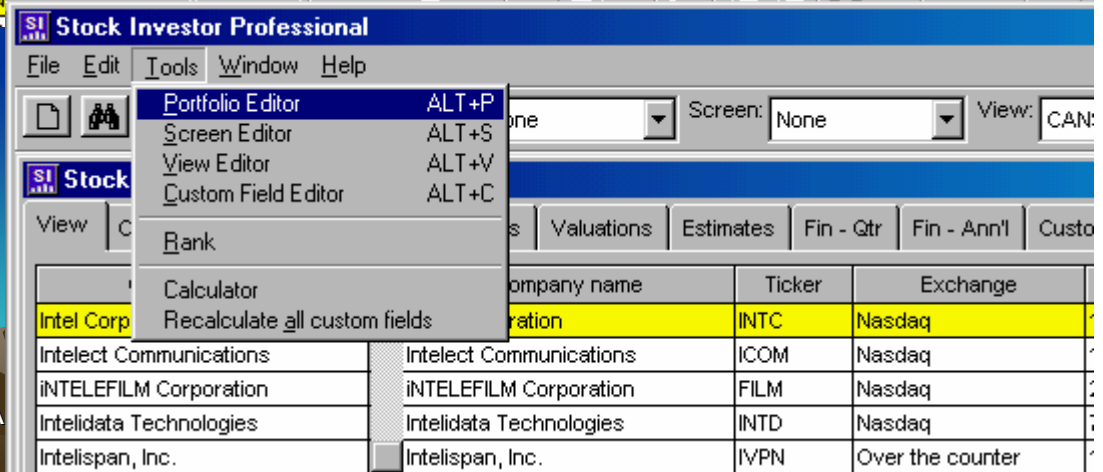


Portfolios

- A portfolio allows you to create a select group of securities and give it a name
 - Stocks that you own, a hypothetical portfolio, or securities that have passed a screen you created
 - Allows you to follow group from update to update



Portfolio editor shortcut



Portfolio Editor

- Enter by hand using company ticker or name
- Running count is kept within portfolio
- List is sorted by name
- Duplicate entries are not allowed

The screenshot shows the 'Portfolio Editor' application window. At the top, there's a title bar with the application name and standard window controls. Below the title bar, there's a 'Name:' field with a dropdown menu showing 'Untitled' and a 'New' button. A 'Description:' text area is located below the name field. The main area of the window is divided into two panes. The left pane contains a table with two columns: 'Ticker' and 'Company'. The right pane contains a table with two columns: 'Company' and 'Ticker'. Below the tables, there are radio buttons for 'By Ticker' (selected) and 'By Name'. A 'Find:' text box contains the text 'SHFL'. At the bottom, there are buttons for 'Add', 'Import', 'Delete', 'Delete All', 'Save', 'Save As', 'Close', and a 'Companies:' label with a text box showing the number '3'.

Ticker	Company
SHDB	Sherwood Brands, Inc.
SHEN	Shenandoah Telecommunications
SHFK	Schuff International, Inc
SHFL	Shuffle Master, Inc.
SHG	Shinhan Financial Group Co., L

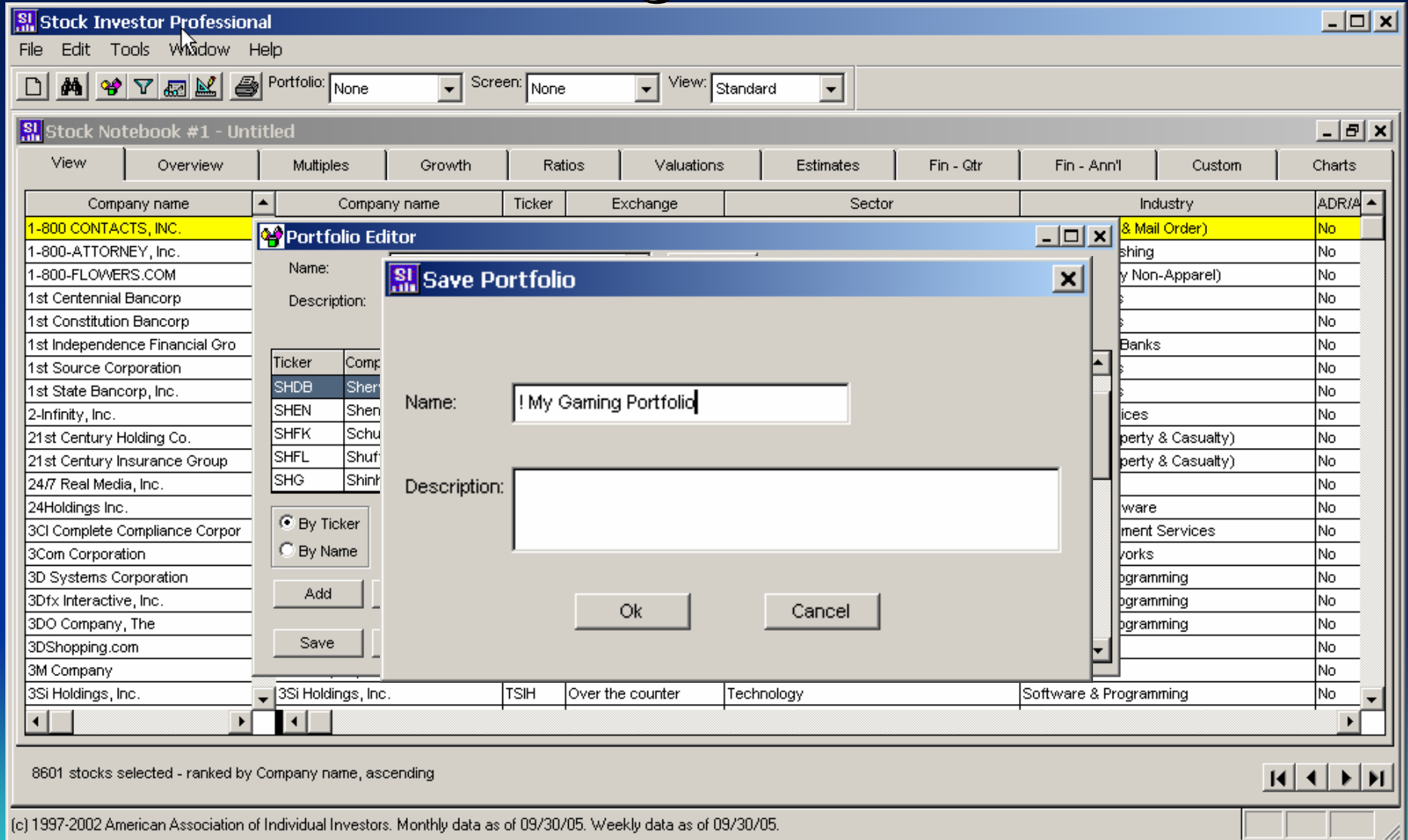
Company	Ticker
Alliance Gaming Corp.	AGI
International Game Technology	IGT
Progressive Gaming Internation	PGIC

By Ticker ☒ Find: SHFL
By Name ☐

Add Import Delete Delete All

Save Save As Close Companies: 3

Saving Portfolio



Portfolios Are Loaded From Toolbar

Stock Investor Professional

File Edit Tools Window Help

Portfolio: **None** Screen: **None** View: **Standard**

Stock Notebook #1 - Untitled

View Overview Multiple

Company name Exchange Sector Industry ADR/A

1-800 CONTACTS, INC.	Nasdaq	Services	Retail (Catalog & Mail Order)	No
1-800-ATTORNEY, Inc.	Over the counter	Services	Printing & Publishing	No
1-800-FLOWERS.COM	Nasdaq	Services	Retail (Specialty Non-Apparel)	No
1st Centennial Bancorp	Over the counter	Financial	Regional Banks	No
1st Constitution Bancorp	Nasdaq	Financial	Regional Banks	No
1st Independence Financial Gro	Nasdaq	Financial	S&Ls/Savings Banks	No
1st Source Corporation	Nasdaq	Financial	Regional Banks	No
1st State Bancorp, Inc.	Nasdaq	Financial	Regional Banks	No
2-Infinity, Inc.	Over the counter	Technology	Computer Services	No
21st Century Holding Co.	Nasdaq	Financial	Insurance (Property & Casualty)	No
21st Century Insurance Group	New York	Financial	Insurance (Property & Casualty)	No
24/7 Real Media, Inc.	Nasdaq	Services	Advertising	No
24Holdings Inc.	Over the counter	Technology	Computer Hardware	No
3CI Complete Compliance Corpor	Over the counter	Services	Waste Management Services	No
3Com Corporation	Nasdaq	Technology	Computer Networks	No
3D Systems Corporation	Nasdaq	Technology	Software & Programming	No
3Dfx Interactive, Inc.	Over the counter	Technology	Software & Programming	No
3DO Company, The	Over the counter	Technology	Software & Programming	No
3DShopping.com	Over the counter	Services	Advertising	No
3M Company	New York	Conglomerates	Conglomerates	No
3Si Holdings, Inc.	Over the counter	Technology	Software & Programming	No
4 Kids Entertainment Inc.	New York	Consumer Cyclical	Recreational Products	No
4-D Neuroimaging	Over the counter	Health Care	Medical Equipment & Supplies	No
4net Software Inc.	Over the counter	Services	Business Services	No

8601 stocks selected - ranked by Company name, ascending

(c) 1997-2002 American Association of Individual Investors. Monthly data as of 09/30/05. Weekly data as of 09/30/05.

Screens Are Use to Filter Portfolios

Stock Investor Professional

File Edit Tools Window Help

Portfolio: ! My Gaming Poi Screen: *Neff, John View: Standard

Stock Notebook #1 - Untitled

View Overview Multiples Growth Ratios Valuations Estimates Fin - Qtr Fin - Ann'l Custom Charts

Company name	Company name	Ticker	Exchange	Sector	Industry	ADR/ADS
ADE Corporation	ADE Corporation					No

Screen Editor - Stock Notebook #1 - Untitled

Name: *Neff, John New Companies in current portfolio: 17

Description: Value screen following the Neff principles outlined in the book "Neff on Investing."

Conn	(	Field	Operator	Factor	Compare To (field, value, industry)	)	Count On
		PE to Div adj EPS Est growth	<=	.5	Median PE to Div adj EPS Est growth		1
And		EPS Growth Est	>=	7			14
And		EPS Growth Est	<=	20			10
And		Sales-Growth 5yr	>=	7			12
And		Sales-Growth 5yr	<=	20			10
And		Free cash flow/share 12m	>	0			10
And		Free cash flow/share Y1	>	0			14
And		Operating margin 12m	>=		Industry Operating margin 12m		13
And		Operating margin Y1	>=		Industry Operating margin Y1		12

Insert Move Up Delete Delete All Print How Many 1

Duplicate Move Down Save Save As Close Apply

1 stock selected - ranked by Company name, ascending

Portfolios

- A portfolio allows you to create a select group of securities and give it a name
 - Stocks that you own, a hypothetical portfolio, or securities that have passed a screen you created
 - Allows you to follow list from update to update
 - Portfolio creation
 - Manually using Portfolio Editor
 - Import from text file
 - Save the results of a screen as a portfolio
 - A screen can be executed against a portfolio
 - Reports can be run on these specific securities

Screening

- You can either select a screen from the pull-down menu on the toolbar or through the Screen Editor
- By selecting a Screen from the toolbar, it runs and loads the passing companies automatically
- The Screen Editor allows you to edit screens, run them, and see how many companies pass each individual criteria

Screen Pull-Down Menu

Stock Investor Professional

File Edit Tools Window Help

Portfolio: None Screen: *Neff, John View: Standard

Stock Book #1 - Untitled

View Overview Multiples Growth Estimates Fin - Qtr Fin - Ann'l Custom Charts

Screen editor shortcut

any name	Company name	Ti	Sector	Industry	ADR/ADS
ADE Corporation	ADE Corporation	AD	Technology	Semiconductors	No
Alliance Resource Partners, L.	Alliance Resource Partners, L.	AR	Coal	Coal	No
Deere & Company	Deere & Company	DE	Capital Goods	Construction & Agricultural Machinery	No
Dow Chemical Company, The	Dow Chemical Company, The	DOW	Basic Materials	Chemicals - Plastics and Rubbers	No
ExpressJet Holdings, Inc.	ExpressJet Holdings, Inc.	XJT	Transportation	Airline	No
Lan Airlines S.A. (ADR)	Lan Airlines S.A. (ADR)	LFL	Transportation	Airline	Yes
MicroStrategy Incorporated	MicroStrategy Incorporated	MSTR	Technology	Software & Programming	No
MIND C.T.I. Ltd.	MIND C.T.I. Ltd.	MIND	Technology	Software & Programming	No
Nicholas Financial Inc.	Nicholas Financial Inc.	NICK	Financial	Consumer Financial Services	No
NovAtel Inc.	NovAtel Inc.	NGPS	Technology	Electronic Instruments & Controls	No
Olympic Steel, Inc.	Olympic Steel, Inc.	ZEUS	Basic Materials	Misc. Fabricated Products	No
Orbital Sciences Corp.	Orbital Sciences Corp.	ORB	Capital Goods	Aerospace and Defense	No
TTM Technologies, Inc.	TTM Technologies, Inc.	TTMI	Technology	Electronic Instruments & Controls	No
Westell Technologies Inc.	Westell Technologies Inc.	WSTL	Technology	Communications Equipment	No
Yellow Roadway Corp.	Yellow Roadway Corp.	YELL	Transportation	Trucking	No

15 stocks selected - ranked by Company name, ascending

Screen Editor Activated By:

The screenshot shows the 'Stock Investor Professional' application window. The 'Tools' menu is open, and 'Screen Editor' is highlighted with a mouse cursor. The keyboard shortcuts for the menu items are: Portfolio Editor (ALT+P), Screen Editor (ALT+S), View Editor (ALT+V), Custom Field Editor (ALT+C), Rank, Calculator, and Recalculate all custom fields. Below the menu, a table of stock data is visible. A red arrow points from a blue box labeled 'Screen editor shortcut' to the funnel icon in the toolbar. The toolbar also includes icons for a new screen, portfolio, screen, view, and print, along with dropdown menus for Portfolio (None), Screen (*Neff, John), and View (Web-Neff).

Company name	Ticker	Exchange	Price
et Technology Co	ATAC	Nasdaq	12.230
or, Inc.	ARM	New York	15.100
Amplifier	CAMP	Nasdaq	3.680
Centex Corporation	CTX	New York	46.720
Cleco Corporation	CNL	New York	14.250
ePlus inc.	PLUS	Nasdaq	7.300
First American Corp.	FAF	New York	20.020
First Cash Financial Serv	FCFS	Nasdaq	8.800
HEALTHSOUTH Corp.	HRC	New York	4.530
Helen of Troy Limited	HELE	Nasdaq	9.700
Household International	HI	New York	23.320
Lafa			
Mayl			
Mont			
Norsk Hydro ASA (ADR)	NHY	New York	38.810
Sealed Air Corp.	SEE	New York	15.900
Sportsman's Guide	SGDE	Nasdaq	5.910
Stoneridge, Inc.	SRI	New York	8.300
Tandy Brands Accessories	TBAC	Nasdaq	9.300
Tenet Healthcare Corp.	THC	New York	26.500
Universal Forest Products	UFPI	Nasdaq	17.999
Woodward Governor Company	WGOV	Nasdaq	39.900

Screen editor shortcut

Open the screen editor

- Clicking on “Funnel” within toolbar
- Selecting “Screen Editor” from Tools menu
- Pressing <Alt> S on the keyboard

Screens Are Run Against Portfolios

Stock Investor Professional

File Edit Tools Window Help

Portfolio: ! My Gaming Poi Screen: *Neff, John View: Standard

Stock Notebook #1 - Untitled

View Overview Multiples Growth Ratios Valuations Estimates Fin - Gtr Fin - Ann'l Custom Charts

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And		EPS Growth Est	>=	7			14
And		EPS Growth Est	<=	20			10
And		Sales-Growth 5yr	>=	7			12
And		Sales-Growth 5yr	<=	20			10
And		Free cash flow/share 12m	>	0			10
And		Free cash flow/share Y1	>	0			14
And		Operating margin 12m	>=		Industry Operating margin 12m		13
And		Operating margin Y1	>=		Industry Operating margin Y1		12

Insert Move Up Delete Delete All Print How Many 1

Duplicate Move Down Save Save As Close Apply

1 stock selected - ranked by Company name, ascending

Saved Screen Selection

- Selected from drop-down menu
- Over 50 preinstalled (predefined) screens identified with asterisk (*) in front of name (brings them to the top of the list)

Screen Editor - Stock Notebook #1 - Untitled

Name: *Neff, John New Portfolio none: 8601 companies active

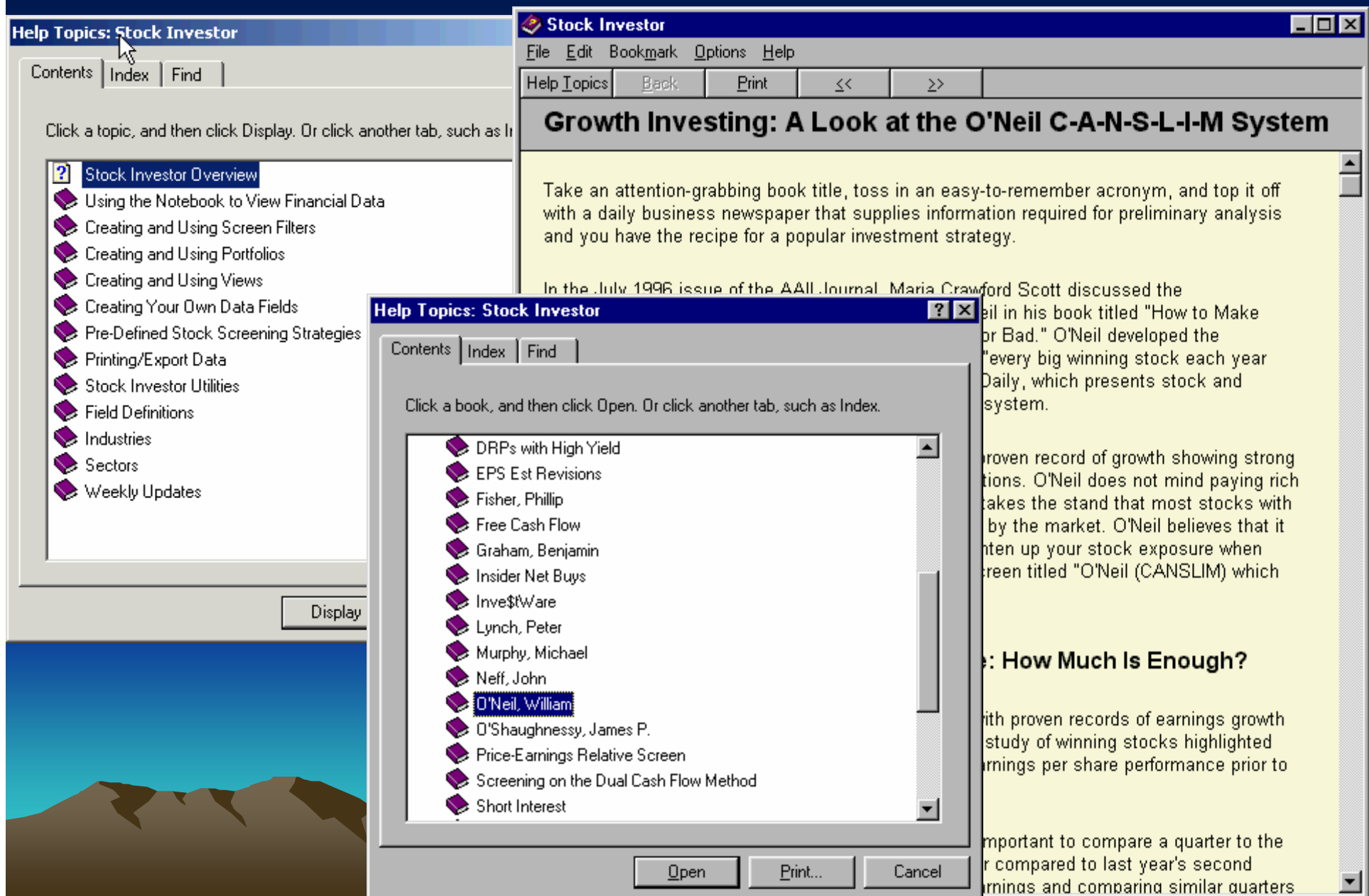
Description: *Neff, John
 *O'Neil (CAN SLIM Revised)
 *O'Neil (CANSLIM)
 *O'Shaughnessy Growth
 *O'Shaughnessy Growth II
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 *Oberweis

Conn	(Field	Operator	Factor	Compare To (field, value, industry))	Count On
		Median PE to Div adj EPS Est growth		.5			249
And					7		2858
And					20		2544
And		Sales-Growth 5yr	>=		7		3455
And		Sales-Growth 5yr	<=		20		5210
And		Free cash flow/share 12m	>		0		4013
And		Free cash flow/share Y1	>		0		4165
And		Operating margin 12m	>=		Industry Operating margin 12m		3882
And		Operating margin Y1	>=		Industry Operating margin Y1		3921

Insert Move Up Delete Delete All Print How Many 15

Duplicate Move Down Save Save As Close Apply

Predefined Screens in Help System



Select Items From Tree Menu

The screenshot displays the "Screen Editor - Stock Notebook #1 - Untitled" application window. At the top, there's a title bar with standard Windows controls. Below it, a form contains a "Name:" field set to "Untitled" and a "Description:" field. To the right, it says "Portfolio none: 8601 companies active".

The main area is a large grid with columns labeled: Conn, (, Field, Operator, Factor, Compare To (field, value, industry),), Count On, and a scroll arrow. A sidebar menu on the left lists various categories like "Dates and Periods", "Earnings Estimates", and "Growth Rates". Under "Growth Rates", several options are listed, including "Cash Flow-Growth" and "Dividend-Growth" for different periods. A mouse cursor is pointing at "Dividend-Growth 5yr".

At the bottom of the window, there are several buttons: "Insert", "Duplicate", "Collapse All", "Print", "Close", "How Many", and "Apply".

Operator Varies With Field Type

The screenshot shows a software interface titled "Screen Editor - Stock Notebook #1 - Untitled". At the top right are standard window controls (minimize, maximize, close). Below the title bar, there's a section for naming and portfolio selection. The "Name:" field contains "Untitled" with a dropdown arrow, followed by a "New" button. To the right, it says "Portfolio none: 8601 companies active". Below this is a large "Description:" text area. The main part of the screen is a table-like grid with columns: Conn, (, Field, Operator, Factor, Compare To (field, value, industry),), Count On, and a final blank column. A mouse cursor is hovering over a dropdown menu in the "Operator" column of the first row. The menu lists operators: Equals, Not Equal, >, >= (highlighted), <, and <=. The bottom of the window features a series of action buttons: Insert, Move Up, Delete, Delete All, Print, How Many (with an adjacent input box), Duplicate, Move Down, Save, Save As, Close, and Apply.

Compare to Field, Value, Norm

[illegible]

Count On/Off Toggle With Click

[illegible]

Link Criteria With And/Or Conn

[illegible]

Factor Is a Multiplier for the “Compare To” Element

[illegible]

Apply Button Runs Screen Against Notebook

Stock Investor Professional

File Edit Tools Window Help

Portfolio: None Screen: Untitled View: Standard

Stock Notebook #1 - Untitled

View Overview

Company name

Advanced Neuromodulation Systems, Inc.

Alliance Resource Partners, L.

American Physicians Capital, Inc.

Armor Holdings, Inc.

Biosite Incorporated

Capital Title Group, Inc.

CIGNA Corporation

Cummins Inc.

Devon Energy Corporation

eCollege.com

Fidelity National Financial

GATX Corporation

Intergraph Corporation

Komag, Incorporated

Lehman Brothers Holdings Inc.

LoJack Corporation

McDermott International

Mesa Air Group, Inc.

MicroStrategy Incorporated

Minas Buenaventura SA (ADR)

NovAtel Inc.

Screen Editor - Stock Notebook #1 - Untitled

Name: Untitled New Portfolio none: 8601 companies active

Description:

Conn	(	Field	Operator	Factor	Compare To (field, value, industry)	)	Count On
		EPS Cont-Growth 3yr	>=		15		4358
	And	PE	<=	0.75	Industry PE		1151
	And	Quarterly Surprise-SUE Q1	>		2		680
	And	% Rank-Rel Strength 26 week	>=		70		2614

Insert Move Up Delete Delete All Print How Many 28

Duplicate Move Down Save Save As Close Apply

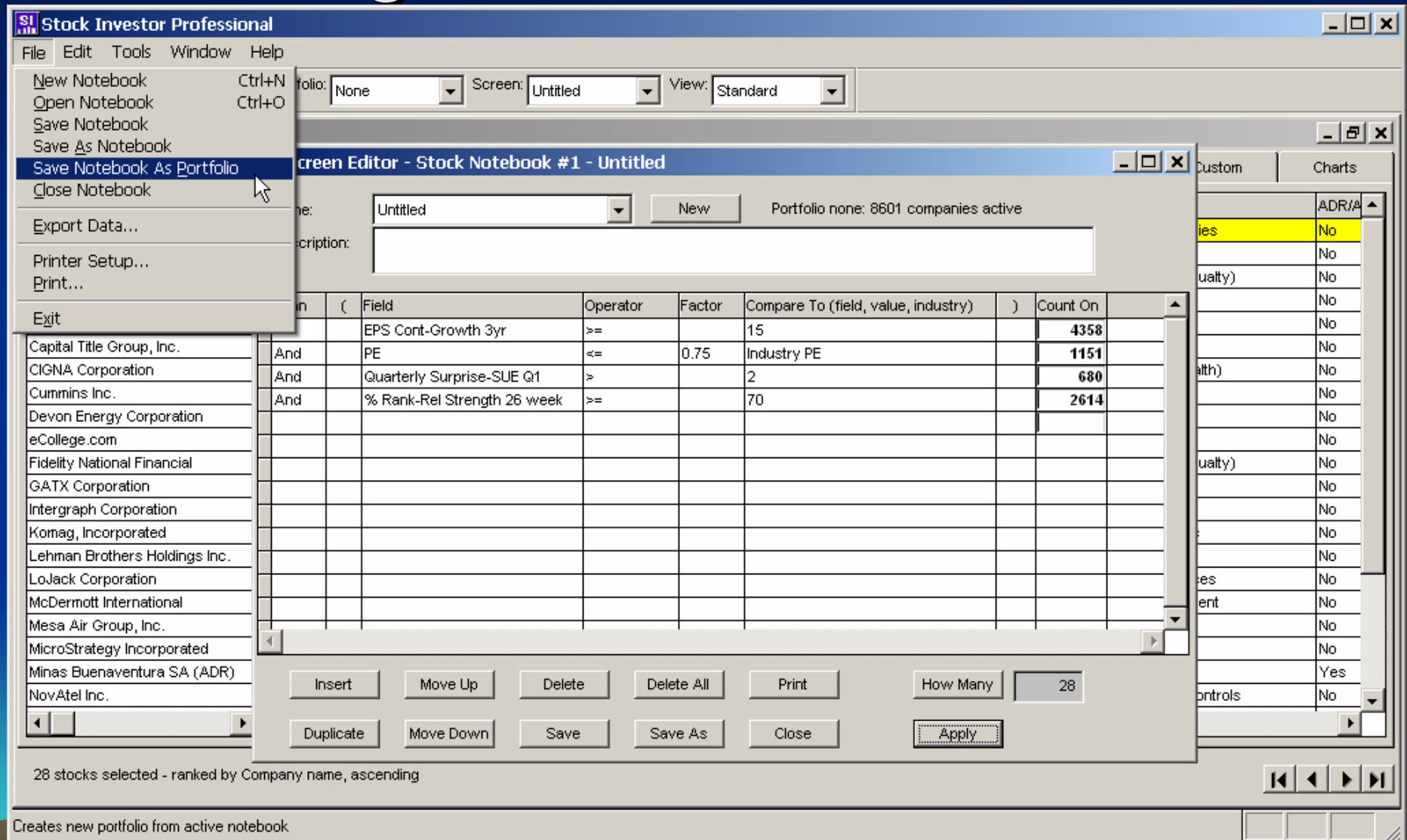
28 stocks selected - ranked by Company name, ascending

Custom Charts

	ADR/A
ies	No
	No
uality)	No
	No
	No
ath)	No
	No
	No
uality)	No
	No
	No
	No
es	No
ent	No
	No
	No
controls	No

(c) 1997-2002 American Association of Individual Investors. Monthly data as of 09/30/05. Weekly data as of 09/30/05.

Saving Results as a Portfolio



Stock Notebook Tabs



Overview Tab

- Consists of 4 sub-tabs
 - Description
 - Prices
 - Share Statistics
 - DRPs
- An introduction to the company, what it does, an idea of how it has been performing, and investment information

Company Description

SI Stock Investor Professional

File Edit Tools Window Help

Portfolio: None Screen: Untitled View: Standard

SI Stock Notebook #1 - Untitled

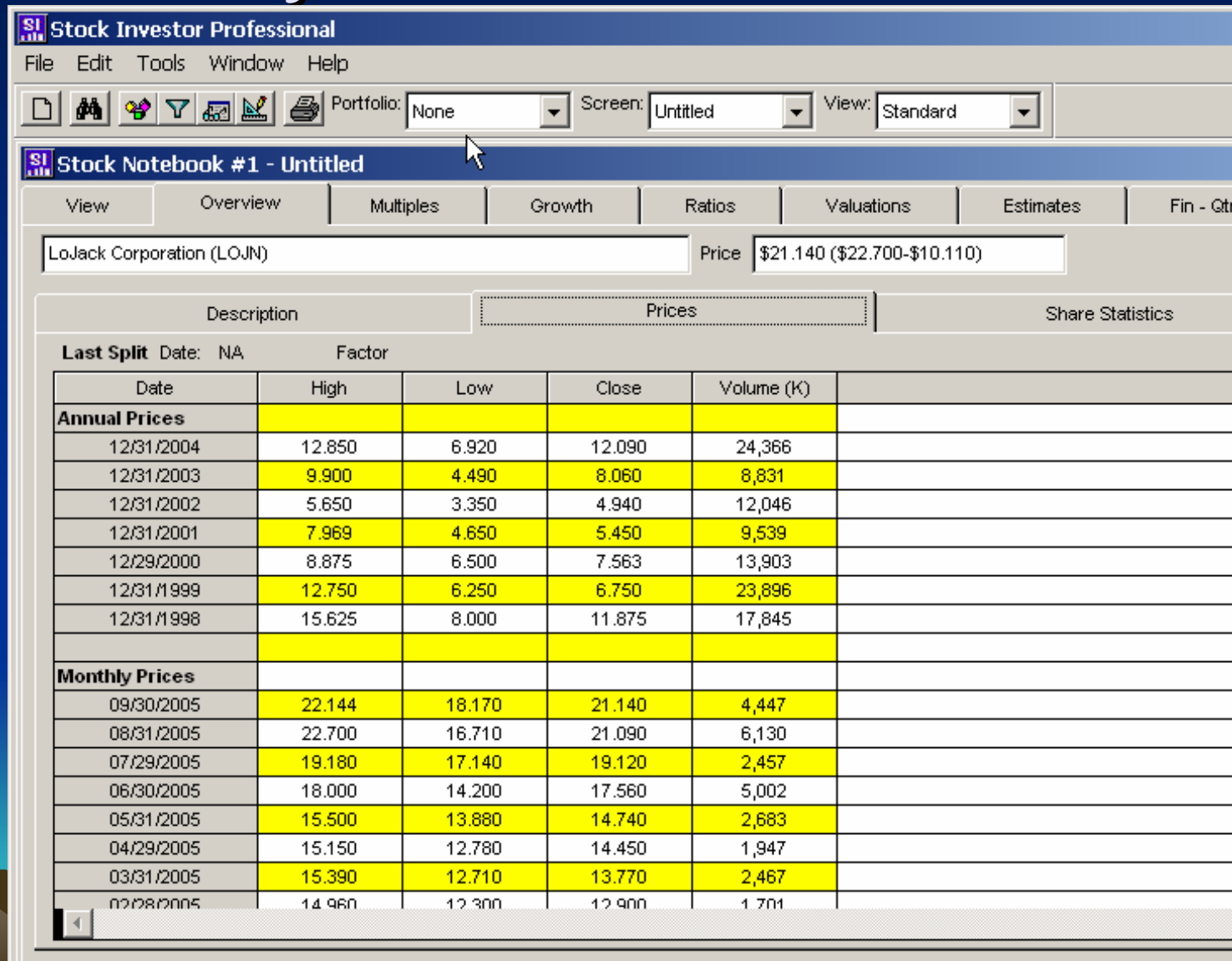
View Overview Multiples Growth Ratios Valuations Estimates Fin

LoJack Corporation (LOJN) Price \$21.140 (\$22.700-\$10.110)

Description	Prices	Share Statistics
200 Lowder Brook Drive Suite 1000 Westwood, MA 02090 Web: http://www.lojack.com Phone: 1-781-251-4700 Sector: 09 - Services Industry: 0972 - Security Systems & Services	Exchange: Nasdaq Dow: None S & P: None SIC: 3669 Employees: 805 Market Guide Average Senior Debt Rating: NA	<input type="checkbox"/> Shadow Stock <input type="checkbox"/> Optionable <input type="checkbox"/> ADR

LoJack Corporation (LoJack) is a provider of technology products and services for tracking and recovering valuable mobile assets. LoJack offers two principal types of systems: the LoJack System, which is based on radio frequency technology, and the Boomerang System, which is based on cellular technology and utilizes wireless networks. LoJack products are sold in 22 states and the District of Columbia in the United States, and in 25 countries internationally. At December 31, 2004, the Company's technology has led to the recovery of more than 150,000 vehicles globally. In

Monthly and Annual Price Data



Share Statistics

SI Stock Investor Professional

File Edit Tools Window Help

Portfolio: None Screen: Untitled View: Standard

SI Stock Notebook #1 - Untitled

View Overview Multiples Growth Ratios Valuations Estimates

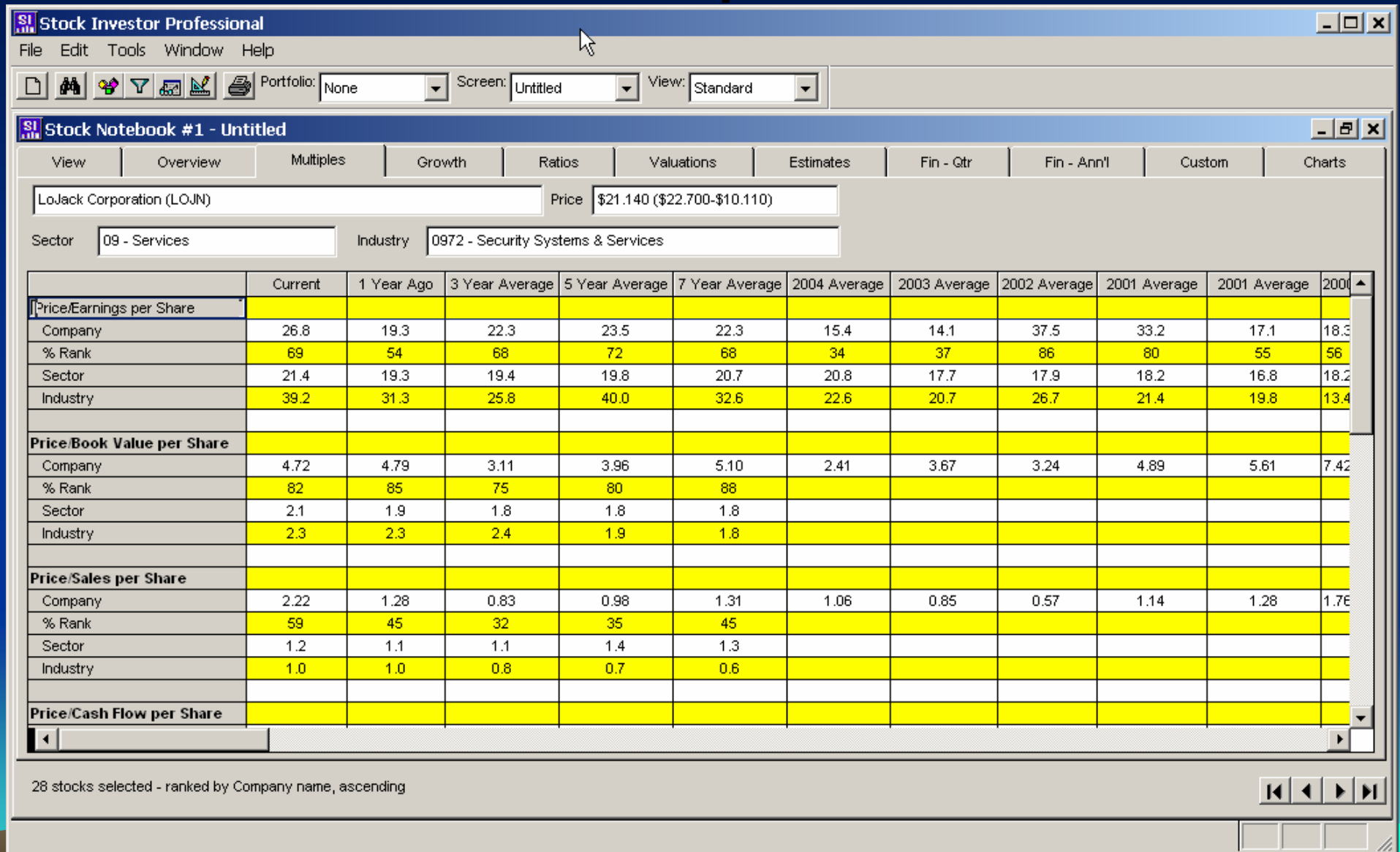
LoJack Corporation (LOJN) Price \$21.140 (\$22.700-\$10.110)

Description			Prices			Share Stat	
Share Info	Index	Rank	Activity	Purchases	Sales	% Owned	Number
Shares Out. (M)	17.8308		Institutions - Shares (K)	3224	2522	64.6	116
Float (M)	16.900	48	Insiders - Shares (K)	0	222	2.4	
Market Cap (\$M)	365.9	63	- Transactions	0	20		
Beta	0.45		Relative Strength	(S & P 500)	Rank	Price Change (%)	
Shares Per ADR	NA		4 Week	2	67		3
Split Date	NA		13 Week	12	75		15
Split Factor			26 Week	40	89		47
			52 Week	75	91		90
Volume	Avg. Shares (K)	Rank	Short Interest	Date	Shares (K)	Short Ratio (days)	% of Out. % of Float
Daily	140	64		09/08/2005	483	1.789	2.791 2.858
Monthly	4281	69		08/08/2005	484	2.933	2.796 2.864

Multiples Tab

- Collection of financial multiples
 - Yearly averages for each of the last 7 years
 - Historical perspective of the company's valuation level
 - Price/earnings ratios based upon estimates for the current year and the next 2 years
- Able to see how company ranks against companies in its Industry and Sector as well as in the overall Universe

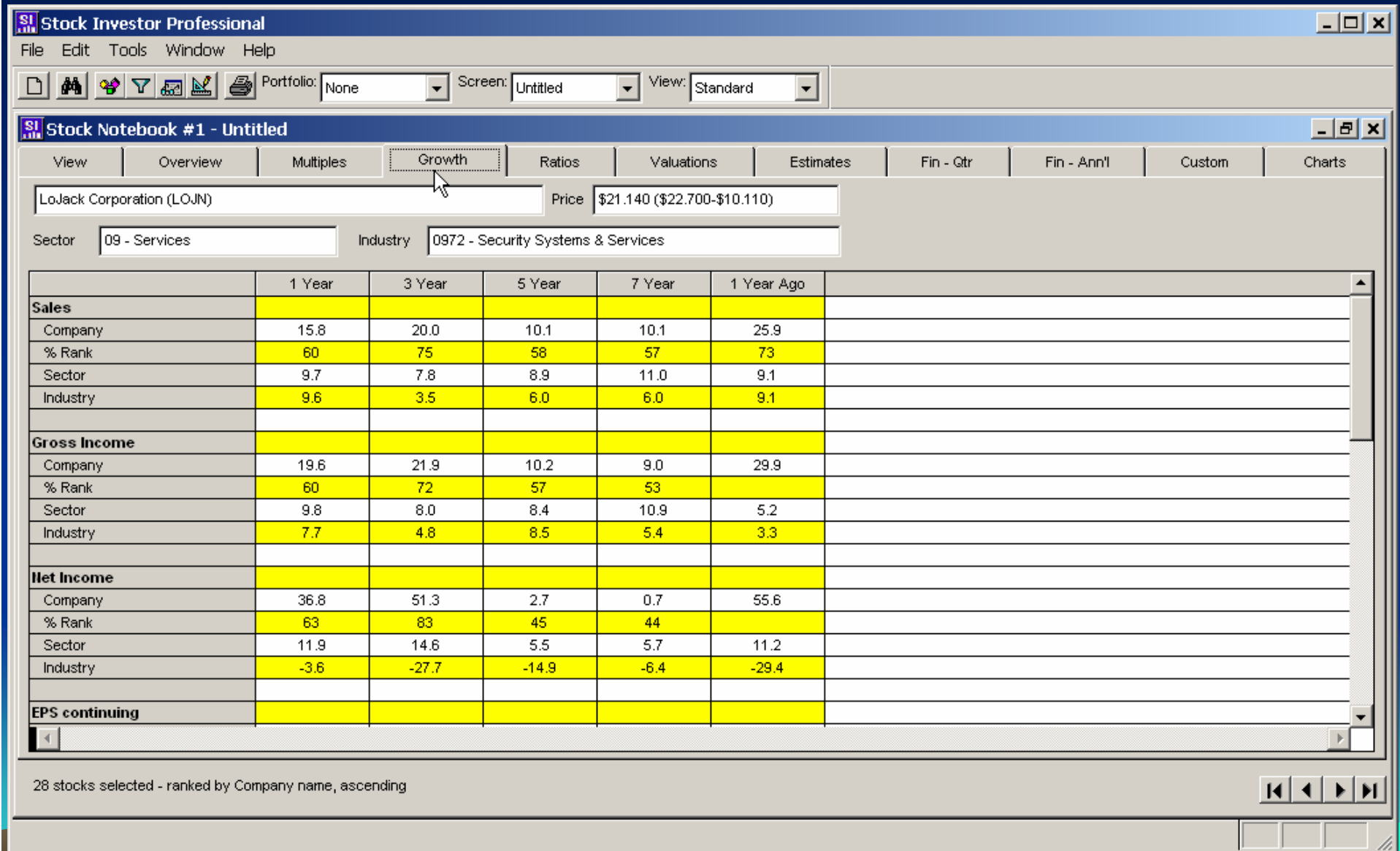
Multiples



Growth Rates Tab

- Growth rates for selected Income Statement and Statement of Cash Flow items
- 1-, 3-, 5-, and 7-year growth rates as well as growth rate 1 year ago
- Able to see whether growth rates are slowing or increasing
- Universe, Sector and Industry comparisons

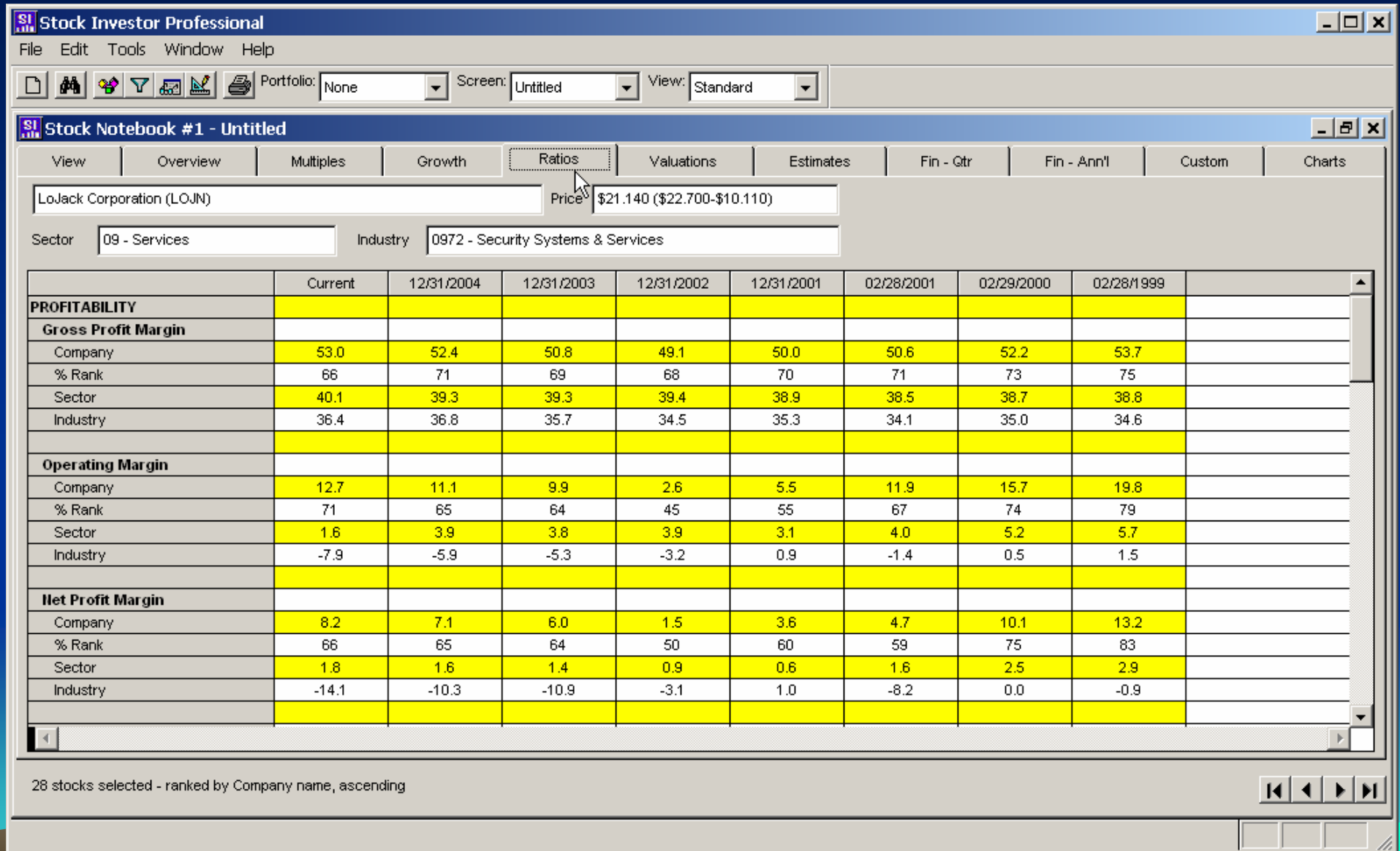
Growth Rates



Ratios Tab

- Profitability, Liquidity, Debt Management, and Asset Management ratios
- Current (last 12 months) and each of the last 7 years
- Universe, Sector and Industry comparisons
 - Many ratios are industry specific

Ratios



Estimates Tab

- Estimates are provided by I/B/E/S
- Earnings Surprise for past quarter
- Quarterly estimates given for the current and next quarter
 - Range for current estimate
 - Recent trend in estimates
- Annual estimates given for each of the next 3 years
- A long-term (5-year) growth rate in estimated earnings is also provided

Earnings Estimates

SI

Stock Investor Professional

File

Edit

Tools

Window

Help

File icon

Portfolio icon

Screen icon

View icon

Print icon

Portfolio:

None

Screen:

Untitled

View:

Standard

SI

Stock Notebook #1 - Untitled

View

Overview

Multiples

Growth

Ratios

Valuations

Estimates

LoJack Corporation (LOJN)

Price \$21.140 (\$22.700-\$10.110)

Quarterly Earnings Surprise: Quarter Ending 6/2005

Announced	Estimate	Actual	Difference	% Surprise	Std. Dev.	SUE Score
08/09/2005	\$.19	\$.26	\$0.07	36.8%	\$.01	7.00

Sue Score: M

the number of

deviations from

actual announ

earnings and

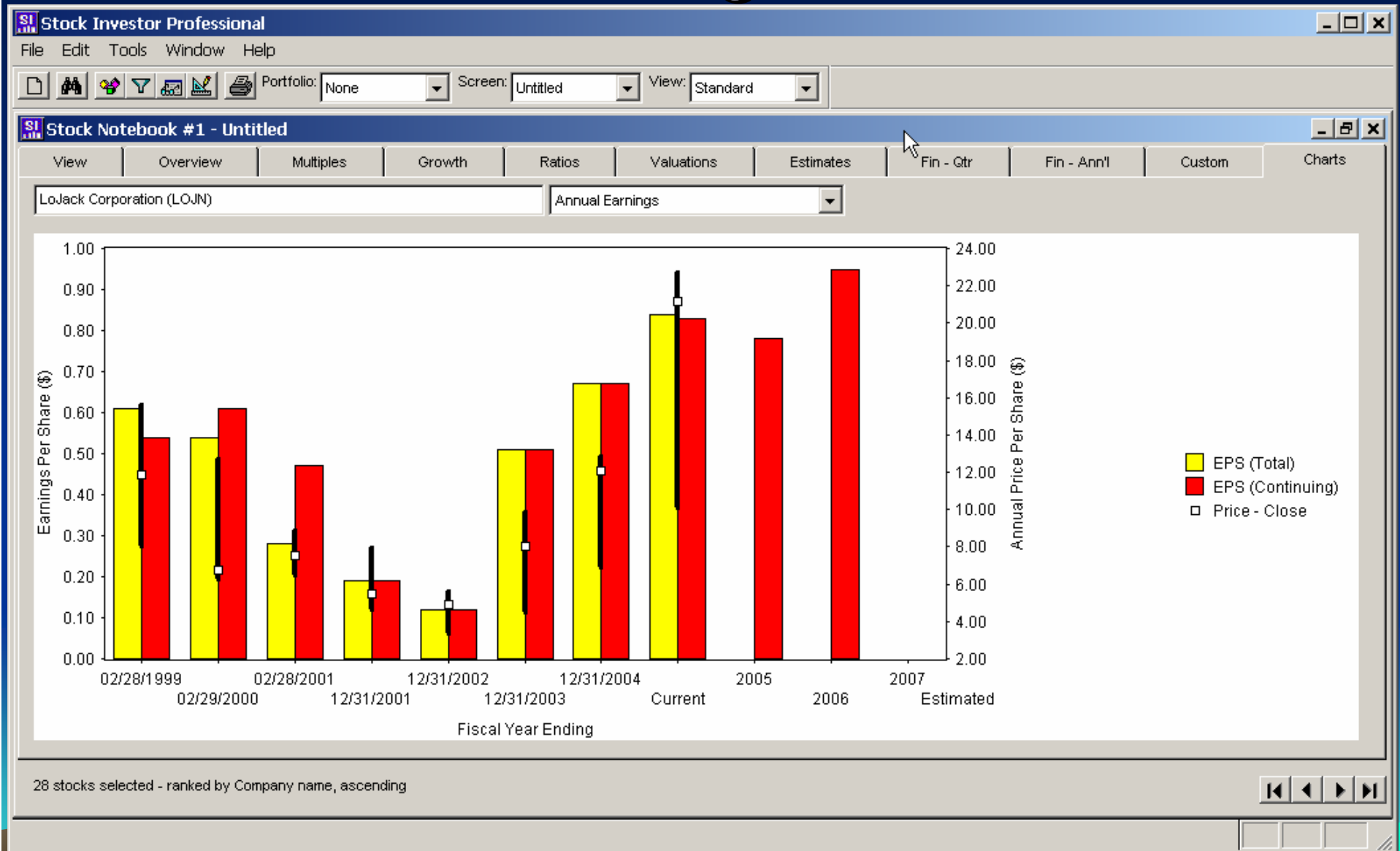
differs from th

estimated ear

	Qtr (9/2005)	Qtr (12/2005)	FY (12/2005)	FY (12/2006)	FY (12/2007)	Growth Rate	%
Current Est.	\$.21	\$.17	\$.78	\$.95	NA	NA	
High Est.	\$.23	\$.19	\$.78	\$.96	NA	NA	
Low Est.	\$.18	\$.15	\$.78	\$.94	NA	NA	
Std. Dev.	.04	.03	.00	.01	NA	NA	
# of Estimates	2	2	2	2	0	0	
Current Est.	\$.21	\$.17	\$.78	\$.95	NA	NA	NA
Week Ago Est.	\$.21	\$.17	\$.78	\$.95	NA		
Month Ago Est.	\$.21	\$.18	\$.77	\$.96	NA	NA	
# Revisions Up	0	0	0	0	0	0	
# Revisions Down	0	0	0	0	0	0	

Sue Score: Measures the number of standard deviations from the actual announced earnings and how it differs from the estimated earnings

Annual Earnings and Prices



Quarterly Financials

- Selected Income Statement, Balance Sheet, and Statement of Cash Flow items for each of the last 8 fiscal quarters
- Where “Flash” results are also posted
 - Quarterly sales and EPS figures that have been announced but not yet filed
- Sub-tab allows you to see the percent change in the financial data from quarter to quarter

Quarterly Financials

Stock Notebook #1 - Untitled										
View	Overview	Multiples	Growth	Ratios	Valuations	Estimates	Fin - Qtr	Fin - Ann'l	Custom	
LoJack Corporation (LOJN)			Price \$21.140 (\$22.700-\$10.110)							
FY' 01 Summ Q's reflect the restatement. FY'88 - '90 financials are restated due to merger. FY'87 Q's are reclassified. FYE changed from Feb. to Dec. in 2001.										
Financial Information						Percent Change One Year Ago				
			06/30/2005	03/31/2005	12/31/2004	09/30/2004	06/30/2004	03/31/2004	12/31/2003	09/30/2003
SHARES OUTSTANDING	M		17.8308	17.3914	16.5375	15.5010	15.3544	15.0277	15.3108	14.8364
INCOME STATEMENT										
Sales	\$M		49.2	43.0	39.6	38.0	35.9	32.1	33.0	33.8
Cost of Goods Sold	\$M		22.3	20.9	18.7	17.8	17.0	15.7	16.9	15.9
Gross Income	\$M		26.9	22.1	20.9	20.2	18.9	16.4	16.1	17.9
Depreciation and Amortization	\$M		1.5	1.3	1.3	0.8	0.6	0.6	0.6	0.6
Research/Development	\$M		1.0	1.4	0.5	1.3	1.4	1.5	1.2	0.7
Interest Expense	\$M		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unusual Expenses/(Income)	\$M		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Operating Expenses	\$M		41.8	38.6	34.5	33.3	32.1	29.6	29.0	29.7
Operating Income	\$M		7.4	4.4	5.1	4.7	3.8	2.5	4.0	4.1
Interest Expense - non-operating	\$M		0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0
Other Expenses/(Income)	\$M		-0.8	0.0	-0.2	-0.8	-0.1	-0.1	0.0	0.0
Pretax Income	\$M		8.0	4.2	5.1	5.5	3.9	2.6	4.0	4.1
Income Taxes	\$M		3.0	1.6	2.0	2.1	1.5	1.0	1.6	1.6
Income After Taxes	\$M		5.0	2.6	3.1	3.3	2.4	1.6	2.5	2.5
Adjustments to Income	\$M		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income for Primary EPS	\$M		5.0	2.6	3.1	3.3	2.4	1.6	2.5	2.5
Nonrecurring Items	\$M		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	\$M		5.0	2.6	3.1	3.3	2.4	1.6	2.5	2.5
EPS (Basic)	\$/Shr		0.28	0.15	0.19	0.22	0.16	0.11	0.16	0.17
EPS (Basic) - Continuing	\$/Shr		0.28	0.15	0.19	0.22	0.16	0.11	0.16	0.17
EPS - Diluted	\$/Shr		0.26	0.14	0.18	0.21	0.15	0.10	0.16	0.17
EPS - Diluted Continuing	\$/Shr		0.26	0.14	0.18	0.21	0.15	0.10	0.16	0.17

Percent Change From One Year Ago

Stock Notebook #1 - Untitled

View Overview Multiples Growth Ratios Valuations Estimates Fin - Qtr Fin - Ann'l Custom Charts

LoJack Corporation (LOJN) Price \$21.140 (\$22.700-\$10.110)

FY' 01 Summ Q's reflect the restatement. FY'88 - '90 financials are restated due to merger. FY'87 Q's are reclassified. FYE changed from Feb. to Dec. in 2001.

Financial Information		Percent Change One Year Ago			
		06/30/2005	03/31/2005	12/31/2004	09/30/2004
INCOME STATEMENT					
Sales	%	37.0	34.0	20.0	12.4
Cost of Goods Sold	%	31.2	33.1	10.7	11.9
Gross Income	%	42.3	34.8	29.8	12.8
Depreciation and Amortization	%	150.0	116.7	116.7	33.3
Research/Development	%	-28.6	-6.7	-58.3	85.7
Interest Expense	%	0.0	0.0	0.0	0.0
Unusual Expenses/(Income)	%	0.0	0.0	0.0	0.0
Total Expenses	%	30.2	30.4	19.0	12.1
Gross Operating Income	%	94.7	76.0	27.5	14.6
Interest Expense - non-operating	%	NA	NA	NA	0.0
Other Expenses/(Income)	%	-700.0	100.0	NA	NA
Pretax Income	%	105.1	61.5	27.5	34.1
Income Taxes	%	100.0	60.0	25.0	31.3
Income After Taxes	%	108.3	62.5	24.0	32.0
Adjustments to Income	%	0.0	0.0	0.0	0.0
Income for Primary EPS	%	108.3	62.5	24.0	32.0
Nonrecurring Items	%	0.0	0.0	0.0	0.0

28 stocks selected - ranked by Company name, ascending

Financial Statements—Income

Stock Notebook #1 - Untitled										
View	Overview	Multiples	Growth	Ratios	Valuations	Estimates	Fin - Qtr	Fin - Ann'l	Custom	Charts
LoJack Corporation (LOJN)				Price	\$21.140 (\$22.700-\$10.110)					
Total		Per Share		Percent Change				Common Size		
		Current	12/31/2004	12/31/2003	12/31/2002	12/31/2001	02/28/2001	02/29/2000	02/28/1999	
SHARES OUTSTANDING	M	17.8308	15.6052	14.9132	14.6922	15.2723	15.9101	16.6651	17.9199	
INCOME STATEMENT										
Sales	\$M	169.7	145.7	125.8	116.4	84.4	95.9	90.2	83.2	
Cost of Goods Sold	\$M	79.7	69.3	61.9	59.2	42.2	47.4	43.1	38.5	
Gross Income	\$M	90.0	76.4	63.9	57.2	42.2	48.5	47.1	44.7	
Depreciation and Amortization	\$M	4.9	3.4	2.3	2.3	1.6	1.9	1.9	1.8	
Research/Development	\$M	4.3	4.7	3.5	2.3	2.6	1.2	1.1	0.4	
Interest Expense	\$M	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Unusual Expenses/(Income)	\$M	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total Operating Expenses	\$M	148.2	129.5	113.4	113.4	79.8	84.5	76.0	66.7	
Operating Income	\$M	21.5	16.2	12.4	3.0	4.6	11.4	14.2	16.5	
Interest Expense - non-operating	\$M	0.6	0.2	0.1	0.2	0.2	0.3	0.3	0.3	
Other Expenses/(Income)	\$M	-1.8	-1.1	-0.2	-0.2	-0.3	-0.8	-1.0	-1.9	
Pretax Income	\$M	22.8	17.1	12.5	3.0	4.7	11.9	14.9	18.1	
Income Taxes	\$M	8.7	6.7	4.9	1.2	1.7	4.4	5.8	7.0	
Income After Taxes	\$M	14.1	10.4	7.6	1.8	3.0	7.5	9.1	11.0	
Adjustments to Income	\$M	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Income for Primary EPS	\$M	14.1	10.4	7.6	1.8	3.0	7.5	9.1	11.0	
Nonrecurring Items	\$M	0.0	0.0	0.0	0.0	0.0	-3.0	0.0	0.0	
Net Income	\$M	14.0	10.4	7.6	1.8	3.0	4.5	9.1	11.0	
EPS (Basic)	\$/Shr	0.84	0.67	0.51	0.12	0.19	0.28	0.54	0.61	
EPS (Basic) - Continuing	\$/Shr	0.83	0.67	0.51	0.12	0.19	0.47	0.54	0.61	
EPS - Diluted	\$/Shr	0.79	0.64	0.51	0.12	0.19	0.27	0.52	0.57	
EPS - Diluted Continuing	\$/Shr	0.79	0.64	0.51	0.12	0.19	0.45	0.52	0.57	
Dividends per Share	\$/Shr	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	

Cash Flow & Balance Sheet

Stock Notebook #1 - Untitled										
View	Overview	Multiples	Growth	Ratios	Valuations	Estimates	Fin - Qtr	Fin - Ann'l	Custom	Charts
LoJack Corporation (LOJN)				Price \$21.140 (\$22.700-\$10.110)						
Total		Per Share		Percent Change				Common Size		
		Current	12/31/2004	12/31/2003	12/31/2002	12/31/2001	02/28/2001	02/29/2000	02/28/1999	
CASH FLOW STATEMENT										
Total Cash from Operations	\$M	26.0	11.5	8.8	2.5	9.8	11.1	11.9	12.9	
Total Cash from Investing	\$M	-38.5	-29.7	-5.1	-3.1	-4.9	-3.2	-1.6	1.2	
Total Cash from Financing	\$M	28.2	29.1	-0.4	-4.0	-7.0	-5.9	-14.5	-9.4	
Net Change in Cash	\$M	15.8	11.1	3.4	-4.5	-2.1	2.0	-4.2	4.7	
Capital Expenditures	\$M	6.0	3.4	4.3	3.1	4.1	3.2	2.7	0.7	
Exchange Rate Effects	\$M	0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.0	
Cash Flow per Share	\$/Shr	1.06	0.85	0.66	0.28	0.29	0.56	0.63	0.67	
Free Cash Flow per Share	\$/Shr	1.10	0.50	0.30	-0.04	0.36	0.48	0.53	0.64	
BALANCE SHEET										
Assets										
Cash	\$M	23.8	15.9	4.7	1.4	5.9	8.0	6.0	10.2	
Short-Term Investments	\$M	11.8	5.6	0.0	0.0	0.0	0.0	0.0	0.0	
Accounts Receivable	\$M	36.1	29.7	23.2	19.2	16.2	12.9	12.1	9.7	
Inventory	\$M	10.0	12.6	10.0	8.0	5.9	4.6	3.6	5.7	
Other Current Assets	\$M	7.4	7.0	4.3	5.8	2.5	3.1	2.8	1.8	
Total Current Assets	\$M	89.1	70.7	42.3	34.2	30.4	28.7	24.5	27.4	
Net Property, Plant, Equipment	\$M	16.4	15.6	14.5	13.4	12.8	10.5	9.8	9.9	
Long-Term Investments	\$M	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	
Goodwill/Intangibles	\$M	51.6	53.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other Long-Term Assets	\$M	11.3	10.2	7.8	7.4	5.0	3.0	0.9	0.2	
Total Assets	\$M	168.4	149.5	64.6	55.0	48.2	42.2	35.2	38.5	
Liabilities										

Balance Sheet

Stock Notebook #1 - Untitled										
View	Overview	Multiples	Growth	Ratios	Valuations	Estimates	Fin - Qtr	Fin - Ann'l	Custom	Charts
LoJack Corporation (LOJN)				Price \$21.140 (\$22.700-\$10.110)						
Total		Per Share		Percent Change				Common Size		
		Current	12/31/2004	12/31/2003	12/31/2002	12/31/2001	02/28/2001	02/29/2000	02/28/1999	
BALANCE SHEET										
Assets										
Cash	\$M	23.8	15.9	4.7	1.4	5.9	8.0	6.0	10.2	
Short-Term Investments	\$M	11.8	5.6	0.0	0.0	0.0	0.0	0.0	0.0	
Accounts Receivable	\$M	36.1	29.7	23.2	19.2	16.2	12.9	12.1	9.7	
Inventory	\$M	10.0	12.6	10.0	8.0	5.9	4.6	3.6	5.7	
Other Current Assets	\$M	7.4	7.0	4.3	5.8	2.5	3.1	2.8	1.8	
Total Current Assets	\$M	89.1	70.7	42.3	34.2	30.4	28.7	24.5	27.4	
Net Property, Plant, Equipment	\$M	16.4	15.6	14.5	13.4	12.8	10.5	9.8	9.9	
Long-Term Investments	\$M	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	
Goodwill/Intangibles	\$M	51.6	53.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other Long-Term Assets	\$M	11.3	10.2	7.8	7.4	5.0	3.0	0.9	0.2	
Total Assets	\$M	168.4	149.5	64.6	55.0	48.2	42.2	35.2	38.5	
Liabilities										
Accounts Payable	\$M	9.6	9.2	9.0	11.0	6.7	2.1	3.0	3.4	
Short-Term Debt	\$M	4.5	4.2	0.9	1.5	1.5	1.5	1.6	1.3	
Other Current Liabilities	\$M	31.5	26.7	10.9	8.9	7.8	6.3	4.5	3.9	
Total Current Liabilities	\$M	45.6	40.2	20.8	21.4	16.1	9.9	9.0	8.6	
Long-Term Debt	\$M	16.3	20.9	0.2	1.1	1.0	1.1	1.2	1.4	
Other Long-Term Liabilities	\$M	26.8	24.5	14.5	12.2	11.4	9.3	3.7	3.4	
Total Liabilities	\$M	88.6	85.6	35.4	34.6	28.5	20.3	13.9	13.4	
Preferred Stock	\$M	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Common Stock Equity	\$M	79.8	64.0	29.2	20.4	19.7	21.8	21.3	25.1	
Total Liabilities & Equity	\$M	168.4	149.6	64.6	55.0	48.2	42.1	35.2	38.5	
Book Value Per Share	\$/Shr	4.48	4.10	1.96	1.39	1.29	1.37	1.28	1.40	

Percent Change Year to Year

Stock Notebook #1 - Untitled									
View	Overview	Multiples	Growth	Ratios	Valuations	Estimates	Fin - Qtr	Fin - Ann'l	Custom
Charts									
LoJack Corporation (LOJN)				Price \$21.140 (\$22.700-\$10.110)					
Total	Per Share	Percent Change							Common Size
		Current	12/31/2004	12/31/2003	12/31/2002	12/31/2001	02/28/2001	02/29/2000	
INCOME STATEMENT									
Sales	%	16.5	15.8	8.1	37.9	-12.0	6.3	8.4	
Cost of Goods Sold	%	15.0	12.0	4.6	40.3	-11.0	10.0	11.9	
Gross Income	%	17.8	19.6	11.7	35.5	-13.0	3.0	5.4	
Depreciation and Amortization	%	44.1	47.8	0.0	43.8	-15.8	0.0	5.6	
Research/Development	%	-8.5	34.3	52.2	-11.5	116.7	9.1	175.0	
Interest Expense	%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Unusual Expenses/(Income)	%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total Operating Expenses	%	14.4	14.2	0.0	42.1	-5.6	11.2	13.9	
Operating Income	%	32.7	30.6	313.3	-34.8	-59.6	-19.7	-13.9	
Interest Expense - non-operating	%	200.0	100.0	-50.0	0.0	-33.3	0.0	0.0	
Other Expenses/(Income)	%	-63.6	-450.0	0.0	33.3	62.5	20.0	47.4	
Pretax Income	%	33.3	36.8	316.7	-36.2	-60.5	-20.1	-17.7	
Income Taxes	%	29.9	36.7	308.3	-29.4	-61.4	-24.1	-17.1	
Income After Taxes	%	35.6	36.8	322.2	-40.0	-60.0	-17.6	-17.3	
Adjustments to Income	%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Income for Primary EPS	%	35.6	36.8	322.2	-40.0	-60.0	-17.6	-17.3	
Nonrecurring Items	%	0.0	0.0	0.0	0.0	100.0	NA	0.0	
Net Income	%	34.6	36.8	322.2	-40.0	-33.3	-50.5	-17.3	
EPS (Basic)	%	25.4	31.4	325.0	-36.8	-32.1	-48.1	-11.5	
EPS (Basic) - Continuing	%	23.9	31.4	325.0	-36.8	-59.6	-13.0	-11.5	
EPS - Diluted	%	23.4	25.5	325.0	-36.8	-29.6	-48.1	-8.8	
EPS - Diluted Continuing	%	23.4	25.5	325.0	-36.8	-57.8	-13.5	-8.8	
Dividends per Share	%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	

28 stocks selected - ranked by Company name, ascending



Common Size

Stock Notebook #1 - Untitled										
View	Overview	Multiples	Growth	Ratios	Valuations	Estimates	Fin - Qtr	Fin - Ann'l	Custom	Charts
LoJack Corporation (LOJN)					Price \$21.140 (\$22.700-\$10.110)					
Total	Per Share	Percent Change			Common Size					
		Current	12/31/2004	12/31/2003	12/31/2002	12/31/2001	02/28/2001	02/29/2000	02/28/1999	
INCOME STATEMENT										
Sales		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Cost of Goods Sold		47.0	47.6	49.2	50.9	50.0	49.4	47.8	46.3	
Gross Income		53.0	52.4	50.8	49.1	50.0	50.6	52.2	53.7	
Depreciation and Amortization		2.9	2.3	1.8	2.0	1.9	2.0	2.1	2.2	
Research/Development		2.5	3.2	2.8	2.0	3.1	1.3	1.2	0.5	
Interest Expense		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Unusual Expenses/(Income)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total Operating Expenses		87.3	88.9	90.1	97.4	94.5	88.1	84.3	80.2	
Operating Income		12.7	11.1	9.9	2.6	5.5	11.9	15.7	19.8	
Interest Expense - non-operating		0.4	0.1	0.1	0.2	0.2	0.3	0.3	0.4	
Other Expenses/(Income)		-1.1	-0.8	-0.2	-0.2	-0.4	-0.8	-1.1	-2.3	
Pretax Income		13.4	11.7	9.9	2.6	5.6	12.4	16.5	21.8	
Income Taxes		5.1	4.6	3.9	1.0	2.0	4.6	6.4	8.4	
Income After Taxes		8.3	7.1	6.0	1.5	3.6	7.8	10.1	13.2	
Adjustments to Income		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Income for Primary EPS		8.3	7.1	6.0	1.5	3.6	7.8	10.1	13.2	
Nonrecurring Items		0.0	0.0	0.0	0.0	0.0	-3.1	0.0	0.0	
Net Income		8.2	7.1	6.0	1.5	3.6	4.7	10.1	13.2	
CASH FLOW STATEMENT										
Total Cash From Operations		15.3	7.9	7.0	2.1	11.6	11.6	13.2	15.5	
Total Cash From Investing		-22.7	-20.4	-4.1	-2.7	-5.8	-3.3	-1.8	1.4	
Total Cash From Financing		16.6	20.0	-0.3	-3.4	-8.3	-6.2	-16.1	-11.3	
Net Change in Cash		9.3	7.6	2.7	-3.9	-2.5	2.1	-4.7	5.6	

28 stocks selected - ranked by Company name, ascending

Valuations Tab

- 12-month price projections based on Price-Earnings Ratio, Dividends, Cash Flow and Free Cash Flow, and Sales
- First find the “trend” in the value by taking current value and extending it by its 5-year growth rate
- Then take the trend value and multiply that by the current multiple (to find the valuation) or the 5-year average multiple (to find the average valuation)

Using Valuations

- Valuations allow you to get a feel as to whether the current price is fair relative to past valuation levels and growth rates
- Using the multiple, you are making an assumption that behavior will continue into the near future
- Using the 5-year average smoothes and normalizes the data

Valuations

SI Stock Notebook #1 - Untitled

View Overview Multiples Growth Ratios **Valuations** Estimates Fin - Qtr Fin - Ann'l Custom Charts

LoJack Corporation (LOJN) Price \$21.140 (\$22.700-\$10.110)

		EPS	Dividend	Cashflow	Free Cashflow	Sales	Formulas	
Latest Reported	\$/Shr	0.84	0.00	1.06	1.10	9.52	L	
MB/E/S EPS Estimate	\$/Shr	.78					EE	
5 year Annual Growth Rate	%	4.4	0.0	6.2	-1.2	10.1	AGR	
Trend	\$/Shr	0.88	NA	1.13	1.09	10.48	$T = L * (1 + AGR / 100)$	
Current Multiple	X	26.8	NA	19.9	19.2	2.22	CM	
5 year Average Multiple	X	23.5	NA	14.8	NA	0.98	AM	
VALUATION	\$	23.50	NA	22.40	20.87	23.26	$= CM * T$	
AVERAGE VALUATION	\$	20.61	NA	16.66	NA	10.27	$= AM * T$	
PE VALUATION	\$	20.90					$= CM * EE$	
AVERAGE PE VALUATION	\$	18.33					$= AM * EE$	

28 stocks selected - ranked by Company name, ascending

Custom Fields

- Custom fields allow you to create a new financial ratio, percent change, etc., by creating an algebraic formula that uses fields that already exist in the program
- Custom fields can be used in all program elements such as screens, views, other custom fields, etc.
- Limitations
 - 250 custom fields

250 Custom Fields

Stock Investor Professional

File Edit Tools Window Help

Portfolio: None Screen: Untitled View: Standard

Stock Notebook #1 - Untitled

View Overview Multiples Growth Ratios Valuations Estimates Fin - Qtr Fin - Ann'l Custom Charts

LoJack Corporation (LOJN) Price \$21.140 (\$22.700-\$10.110)

Name	Value	Description
*Cash to Price	6.15	Cash per share as a percent of stock price. Used in Cash Ric
*Net Cash to Price	NA	Cash per share minus current liabilities per share divided by p
*PE times Price/Book	126.50	PE ratio times Price-to-book-value ratio as used by Graham.
*Sales-Growth LS 5yr	10.09	Used in revised Investware screens
*Sales-Growth R2 7yr	81.48	Used in revised Investware screens
Asset turnover Q5-Q8	2.03	
Assets- current and long-term	2.90	Assets-current and long-term debt
Burn Rate - Months to Live	NA	
Cash & Mrk Sec per Shr Q1	2.00	
Cash & S.T. Inv.	35.60	
Corp Bond Yield	6.00	High Grade Corporate Bond Yield (10 yr AAA)
Current and long-term debt	61.10	
Current ratio Q5	2.50	
DCF - BSCF Q1	89.02	
DCF - BSCF Q2	101.86	
DCF - OCF Q1	-28.05	
DCF - OCF Q2	-46.28	
DCF Q1 R	-117.07	

IF([Free cash flow/share 12m]<0,([Cash & Mrk Sec per Shr Q1] / abs([Free cash flow/share 12m]))*12,null)

28 stocks selected - ranked by Company name, ascending

(c) 1997-2002 American Association of Individual Investors. Monthly data as of 09/30/05. Weekly data as of 09/30/05.

Custom Field Editor

Name: Burn Rate - Months to Live New

Description:

Expression:

IF([Free cash flow/share 12m]<0,([Cash & Mrk Sec per Shr Q1] / abs([Free cash flow/share 12m]))*12,null)

+ - / * ^ () Add Field ABS()

% Rank
Balance Sheet - Annual
Balance Sheet - Quarterly
Cash Flow - Annual
Cash Flow - Quarterly
Company Information
Custom Fields
Earnings Estimates

Add Function

Save Save As
Verify Calculate
Help Close

www.aaii.com

- Weekly updates for SI Pro users
- Archive of past updates
- Access archived issues of *Stock Investor News* at the Stock Investor section of the AAI Web site
 - Tips on how to better use SI Pro
 - Published quarterly
- Troubleshooting guide
- Proposed Silicon Valley User's Group under Computerized Investing

References



- Required reading
 - “Predicting the Market’s Future With O’Shaughnessy”, Cara Scantizzi, Computerized Investing, Sep/Oct 06, pages 23 – 27
- Optional references
 - “Predicting Markets of Tomorrow: A Contrarian Investment Strategy for the Next Twenty Years”, James P. O’Shaughnessy, Penguin Group, 2006 or “Predicting the Markets of Tomorrow: The James O’Shaughnessy Approach”, AAI Journal, Aug 06 (see http://www.aai.com/includes/DisplayArticle.cfm?Article_Id=2930)
 - “Martin Zweig’s Winning on Wall Street”, Martin E. Zweig, Warner Books, 1990
 - SI Pro Field Definitions List: <http://www.aai.com/stockinvestor/programinfo/proflddefs.pdf>
 - SI Pro Newsletters: Past Issues <http://www.aai.com/stockinvestor/sinews/pastissues.cfm>
 - SI Pro Stock Screens Performance Report <http://www.aai.com/stockscreens/performance.cfm>
 - SI Pro Frequently Asked Questions http://www.aai.com/includes/DisplayArticle.cfm?Article_Id=2856
 - Troubleshooting guide <http://www.aai.com/stockinvestor/troubleshooting/>
 - Getting Started Guide <http://www.aai.com/stockinvestor/gettingstarted/index.cfm>
 - Stock Screens 8-Year Performance (spreadsheet) <http://www.aai.com/stockscreens/monthly.xls>
 - Stock Screens 8-Year Month-by-Month Performance (spreadsheet) http://www.aai.com/stockscreens/monthly_cumulative.xls
 - RiskGrade Web Site <http://www.riskgrades.com/retail/myportfolio/table.cgi>
 - AAI Silicon Valley Web Site <http://siliconvalleyaai.org/>

Homework Assignments



- Assignment A: Screen for stocks using SI Pro
 - Use O'Shaughnessy Small Cap Growth & Value screen (see attached CI article entitled, "Predicting the Market's Future With O'Shaughnessy")
 - Add criteria to screen for steady growth in earnings
- Assignment B: Create a custom field called Sustainable Growth Rate (SGR) and add to the dividend screen
- Export the resulting list of stocks to a spreadsheet
- Next session will use the screened stocks from the custom screens



Homework Assignment: A

Step 1

AAll Stock Investor Screen Criteria Listing

Name: O'Shaughnessy Sm-Cap Gw-Val-e-r
Description: O'Shaughnessy Small-Cap Growth & Value
Screen with steady earnings growth & strong
relative strength

	<u>Field:</u>	<u>Operator:</u>	<u>Factor:</u>	<u>Compare to:</u>
	Country	Equals		United States
And	Exchange	Not Equal		Over the counter
And	Market Cap Q1	>=		200
And	Market Cap Q1	<=		2000
And	Price/Sales	<		1.5
And	EPS-Growth 12m	>		0
And	Relative Strength 13 week	>		Relative Strength-Weighted 4Qs
And	Relative Strength 26 week	>		Relative Strength-Weighted 4Qs
And	Relative Strength 52 week	>		Relative Strength-Weighted 4Qs

Homework Assignment: A

Step 2



AAll Stock Investor Screen Criteria Listing

Name: O'Shaughnessy Sm-Cap Gw-Val-e-r
Description: O'Shaughnessy Small-Cap Growth & Value
Screen with steady earnings growth & strong
relative strength

	Field:	Operator:	Factor:	Compare to:
	Country	Equals		United States
And	Exchange	Not Equal		Over the counter
And	Market Cap Q1	>=		200
And	Market Cap Q1	<=		2000
And	Price	<		1.5
And	EPS	>		0
And	Rel Strength 26 week	>		Relative Strength-Weighted 4Qs
And	Rel Strength 26 week	>		Relative Strength-Weighted 4Qs
And	Rel Strength 26 week	>		Relative Strength-Weighted 4Qs
And	EPS Cont-Growth from Q5 to Q1	>		0.2
And	EPS Cont-Growth from Q6 to Q2	>		0.2
And	EPS Cont-Growth from Q7 to Q3	>		0.2
And	EPS Cont-Growth from Q8 to Q4	>		0.2
And	% Rank-Rel Strength 26 week	>=		65

Add the
following
criteria to
this
screen

Homework Assignment: A

Step 2



AAll Stock Investor Screen Criteria Listing

Name: O'Shaughnessy Sm-Cap Gw-Val-e-r
Description: O'Shaughnessy Small-Cap Growth & Value
Screen with steady earnings growth & strong
relative strength

	Field:	Operator:	Factor:	Compare to:
	Country	Equals		United States
And	Exchange	Not Equal		Over the counter
And	Market Cap Q1	>=		200
And	Market Cap Q1	<=		2000
And	Price	<		1.5
And	EPS	>		0
And	Rel Strength 26 week	>		Relative Strength
And	Rel Strength 26 week	>		Relative Strength
And	Rel Strength 26 week	>		Relative Strength-Weighted 4Qs
And	EPS Cont-Growth from Q5 to Q1	>		0.2
And	EPS Cont-Growth from Q6 to Q2	>		0.2
And	EPS Cont-Growth from Q7 to Q3	>		0.2
And	EPS Cont-Growth from Q8 to Q4	>		0.2
And	% Rank-Rel Strength 26 week	>=		65

Add the
following
criteria to
this
screen

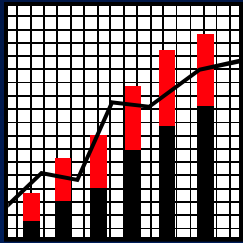
Criteria in the box are comparing the percent increase in EPS from continuing operations from each of the last four quarters and the percent increase in EPS from continuing operations in the period four quarters prior to the same quarter.



Homework Assignment: A

Step 3

- Sort the SI Pro database using the screening criteria described on the previous slide
- Export the list of stocks to a spreadsheet for further analysis
 - Export the screened stocks by clicking on:
 - File: Export Data
 - View: select “standard”
 - Type: select spreadsheet of your choice (Excel, Lotus etc)
 - To: designate the file location on your computer
 - Click “OK” to transfer the selected stocks to a location for the next class.
 - Or use the export feature available in xlqPlus
<http://www.qmatix.com/XLQ.htm> (xlqPlus can be purchased at their web site)



Homework Assignment: B

Step 1: Create a Custom Field

Custom Field Editor

Name:

Description:

Expression:

- ☐ % Rank
- ☐ Balance Sheet - Annual
- ☐ Balance Sheet - Quarterly
- ☐ Cash Flow - Annual
- ☐ Cash Flow - Quarterly
- ☐ Company Information
- ☐ Custom Fields
- ☐ Earnings Estimates
- ☐ Growth Rates
- ☐ Income Statement - Annual



Homework Assignment: B

Step 2: Add SGR to the Dividend Screen

Screen Editor - Stock Notebook #1 - Untitled

Name: *Dividend Yield w SGR New Portfolio none: 8675 companies active

Description: Screen that looks for undervalued stocks using the dividend-yield approach. includes SGR >= 12

Conn	(	Field	Operator	Factor	Compare To (field, value, industry)	)	Count On
		Exchange	Not Equal		Over the counter		
And		Industry	Not Equal		Misc. Financial Services		
And		Price Y7	>		0		
And		Dividend Y7	>		0		
And		Dividend Y6	>		Dividend Y7		
And		Dividend Y5	>		Dividend Y6		
And		Dividend Y4	>		Dividend Y5		
And		Dividend Y3	>		Dividend Y4		
And		Dividend Y2	>		Dividend Y3		
And		Dividend Y1	>		Dividend Y2		
And		Dividend 12m	>=		Dividend Y1		
And		Dividend, indicated	>=		Dividend Y1		
And		Dividend-Growth 7yr	>		3		
And		Yield	>		Yield-Average 7 years		
And	((	Sector	Not Equal		Utilities		
And		Payout ratio 12m	<=		50)	
Or	(	Sector	Equals		Utilities		
And		Payout ratio 12m	<=		85))	
And		Total liabilities/assets Q1	<=		Industry Total liabilities/assets Q1		
And		EPS Dil Cont-Growth 3yr	>=		Industry EPS Dil Cont-Growth 3yr		
And		Sustainable Growth Rate (SGR)	>=		12		

Insert Move Up Delete Delete All Print How Many

Duplicate Move Down Save Save As Close Apply

Homework Assignment: B

Step 3: Export to a Spreadsheet

- Sort the SI Pro database using the dividend screen with SGR set at 12
- Export the list of stocks to a spreadsheet for further refinements
 - Export the screened stocks for follow-on discussion in the next session





Proposed SI Pro User Group

- Exchange knowledge on how to use SIPro
- Meet on regular basis... once a quarter or more frequently if needed
- Setup a moderated listserver, where group members could exchange ideas and share files
- Discuss new and innovative screens
- Presentation topics could include:
 - Review popular screens and the underlining criteria
 - How to modify screens to suit ones own needs
 - How to use the list of stocks for further analysis
 - Educate group members on how to use pre-defined screens
 - Invite guest speakers from other regional user groups or the national office to present how they are utilizing SIPro
 - Discussion techniques for back testing screens
 - Provide feedback to SIPro developers for future features
- User's group is opent to AAll members who are users of SIPro

End

Any Questions



Table 1. Performance of Stock Screens on AAll's Web Site.

Value Strategies	YTD*	2005	2004	2003	2002	2001	2000	1999	1998	Total*	Monthly Variability (%)			Monthly Holdings	
											Std. Dev.	Gain	Loss	Avg. #	Turnover %
Cash Rich Firms	8.3	-2.5	18.6	64.0	-9.4	20.1	40.5	37.1	-3.8	314.3	6.6	17.6	-20.7	32	23.9
Dividend (High Relative Yield)	6.4	-1.0	19.1	27.9	0.4	24.1	23.3	-2.1	6.3	156.9	4.3	12.5	-12.0	37	21.3
Dividend Screen--DRPs	13.7	-1.5	17.4	28.3	-1.2	38.9	27.7	-1.1	-4.1	180.3	4.5	15.6	-14.2	30	25.3
Dividend Screen--Non-DRPs	6.8	7.1	22.8	40.5	28.6	54.7	16.5	-3.6	0.6	343.5	3.7	10.5	-13.6	30	28.8
Dogs of the Dow	21.4	-9.8	-1.3	20.4	-9.8	-1.2	4.1	5.7	9.8	39.9	5.2	16.1	-15.5	10	7.0
Dogs of the Dow--Low Priced 5	34.8	-11.8	6.1	17.6	-6.5	7.2	3.2	-2.0	24.6	87.4	6.3	19.4	-15.8	5	16.0
Dreman	8.4	18.7	24.2	37.7	8.3	26.4	38.0	-3.0	-1.5	297.3	4.5	12.6	-15.4	22	30.0
Dreman With Est Revisions	22.2	9.3	35.0	69.2	16.6	-29.9	38.7	6.7	10.7	308.2	6.4	15.2	-25.8	13	80.4
Fundamental Rule of Thumb	13.9	5.0	49.6	83.3	4.7	42.3	28.7	11.7	-9.4	536.1	7.8	33.8	-19.2	50	22.2
Graham--Defensive Investor (Non-Utility)	10.8	26.2	11.7	32.7	3.1	61.5	12.0	3.6	9.6	338.7	6.0	15.7	-14.6	17	21.1
Graham--Enterprising Investor	31.3	21.3	18.9	25.9	43.5	55.3	24.2	-5.0	-7.3	481.3	7.9	33.1	-18.7	5	34.6
Lakonishok	9.0	14.0	31.2	39.9	-5.2	-3.5	36.7	14.8	7.3	251.5	5.5	16.6	-13.7	27	90.5
Neff	2.7	7.7	29.5	85.1	15.0	65.2	37.3	17.4	9.3	786.7	7.0	26.8	-20.2	19	35.2
O'Shaughnessy--Value	12.1	2.2	20.2	47.2	-12.1	10.6	22.3	-3.9	7.2	148.3	5.3	15.5	-14.0	50	19.1
P/E Relative	11.9	17.2	24.7	51.1	11.1	16.1	20.3	-6.0	26.5	355.9	4.6	14.9	-12.4	35	77.1
Piotroski	-15.8	-8.5	82.2	154.6	-15.9	100.2	-0.9	27.1	17.9	793.3	8.5	34.3	-17.2	6	26.2
Price-to-Free-Cash-Flow	7.7	10.6	30.9	61.7	13.6	63.8	17.8	10.0	2.6	523.7	5.9	25.1	-14.4	30	23.6
Weiss Blue Chip Div Yield	8.1	6.4	16.6	48.9	-14.1	25.6	18.8	3.9	3.3	175.1	5.9	14.3	-14.8	11	26.5

Growth & Value Strategies	YTD*	2005	2004	2003	2002	2001	2000	1999	1998	Total*	Monthly Variability (%)			Monthly Holdings	
											Std. Dev.	Gain	Loss	Avg. #	% Turnover
Buffett--Hagstrom	5.9	11.4	27.6	35.2	-8.7	13.9	11.4	31.4	27.5	295.1	5.1	13.2	-15.5	30	22.6
Buffettology--EPS Growth	1.6	11.9	13.2	32.8	-10.9	25.7	5.9	17.7	4.0	148.6	5.6	15.0	-20.4	44	11.9
Buffettology--Sustainable Growth	2.4	9.5	17.5	37.6	-11.9	29.7	3.3	14.6	7.4	163.0	6.0	16.5	-18.0	31	15.1
Fisher (Philip)	-14.0	-11.7	-3.9	78.1	-10.7	70.7	-16.7	5.4	2.6	78.6	10.0	27.1	-27.9	24	32.4
Lynch	1.8	7.8	59.8	59.0	-7.2	39.3	3.2	8.9	1.3	310.2	5.2	18.9	-17.4	22	22.8
Muhenkamp	-12.2	23.6	31.0	41.2	5.9	43.5	22.2	12.8	-6.6	292.4	5.3	15.1	-17.6	20	24.9
Oberweis Octagon	18.3	4.1	42.3	67.8	-17.5	20.2	18.4	33.4	15.6	432.7	8.7	23.3	-23.2	19	41.2
O'Shaughnessy--All Cap	9.8	21.9	47.4	28.7	-11.8	63.7	6.3	-15.3	18.2	290.4	5.5	12.9	-15.0	25	35.7
O'Shaughnessy--Growth	4.0	14.4	45.1	90.3	10.1	19.2	11.5	19.5	19.4	585.9	6.8	18.6	-17.9	50	38.1
O'Shaughnessy--Growth Market Leaders	4.0	18.9	6.7	26.2	-8.9	5.7	-9.0	16.8	35.3	130.3	5.2	13.6	-15.7	10	43.0
O'Shaughnessy--Small Cap Growth and Value	20.9	19.1	26.8	107.5	0.8	13.4	13.2	21.1	33.6	693.0	7.0	18.5	-18.2	25	46.7
O'Shaughnessy--Tiny Titans	18.8	7.5	45.8	154.8	51.9	84.1	-6.6	53.8	38.1	2,530.6	9.1	37.4	-21.0	25	42.5
Price-to-Sales	6.5	16.9	11.1	69.8	1.3	43.3	23.3	21.1	13.2	475.6	5.9	14.8	-17.8	46	40.3
Stock Market Winners	-0.4	25.9	9.6	131.5	32.1	41.6	27.6	21.7	-12.0	712.7	6.8	22.0	-23.4	16	60.6
T. Rowe Price	-8.5	23.1	50.4	39.2	-15.1	8.4	35.2	-4.5	1.8	185.4	6.5	18.3	-18.0	12	33.8
Templeton	-1.3	4.7	21.9	46.8	-32.6	22.0	20.3	8.1	16.2	130.0	5.8	14.3	-18.2	24	27.3
Value on the Move--PEG With Est Growth	10.6	23.1	54.1	87.0	7.9	34.8	22.9	11.0	2.1	695.4	6.1	15.7	-23.1	49	44.4
Value on the Move--PEG With Hist Growth	0.4	17.2	32.5	50.1	12.1	22.4	19.4	18.0	1.5	359.1	4.6	12.7	-19.1	99	36.5
Wanger (Revised)	4.2	14.5	19.3	53.2	-13.1	21.1	-2.8	3.2	-2.4	125.1	6.8	22.8	-19.8	31	27.0
Zweig	5.6	27.8	49.5	88.8	16.9	57.9	46.2	17.1	54.5	1,756.9	8.3	32.7	-24.2	15	43.3

Growth Strategies	YTD*	2005	2004	2003	2002	2001	2000	1999	1998	Total*	Monthly Variability (%)			Monthly Holdings	
											Std. Dev.	Gain	Loss	Avg. #	% Turnover
Driehaus	32.2	4.3	-10.8	87.8	-42.6	-27.4	-8.3	107.4	nmf	83.0	11.5	51.3	-25.7	15	64.7
Foolish Small Cap 8	-1.3	22.6	10.1	107.7	-19.4	-8.6	24.2	80.9	17.7	439.1	9.7	38.8	-22.5	24	34.8
Foolish Small Cap 8 Revised	3.8	15.3	-3.9	67.8	22.2	29.5	51.5	36.5	12.4	610.4	9.0	26.6	-24.2	7	31.5
IBD Stable 70	-0.8	1.8	29.0	48.4	-11.0	9.5	23.9	3.6	21.9	194.6	5.0	12.0	-18.9	55	10.7
InvestWare Quality Growth	-1.5	14.9	18.0	33.3	-25.0	8.0	18.5	-3.0	14.5	89.8	5.6	18.2	-22.0	28	11.5
O'Neil's CAN SLIM	7.8	24.1	-3.8	79.0	20.5	54.4	38.0	36.6	28.2	935.3	6.8	23.6	-23.1	10	53.4
O'Neil's CAN SLIM Revised 3rd Edition	-7.4	-1.0	-2.6	74.7	-10.3	33.4	96.3	59.0	7.8	528.1	9.2	52.7	-26.7	10	62.4
Return on Equity	-1.7	17.6	26.2	46.9	-3.8	18.1	31.4	1.0	18.8	283.8	5.8	13.0	-22.2	35	20.3

Sector/Specialty Strategies	YTD*	2005	2004	2003	2002	2001	2000	1999	1998	Total*	Monthly Variability (%)			Monthly Holdings	
											Std. Dev.	Gain	Loss	Avg. #	% Turnover
ADRs	24.2	12.9	14.5	82.3	-4.4	-5.3	9.9	4.0	2.3	210.0	6.3	31.1	-17.7	22	42.6
Dual Cash Flow	11.5	10.4	24.7	66.9	-13.9	24.6	5.7	114.3	0.9	528.4	7.1	34.7	-16.2	61	31.3
Est Rev Down	4.8	-0.4	13.4	51.8	-43.8	26.7	-7.1	21.9	-15.0	23.2	7.3	17.6	-23.3	191	79.4
Est Rev Down 5%	12.8	2.5	8.0	70.9	-61.5	28.3	-4.2	27.8	-3.9	24.2	9.0	23.6	-23.2	69	89.3
Est Rev Up	13.2	17.3	25.2	57.3	0.8	-3.5	2.2	38.2	29.9	366.4	6.0	12.2	-18.6	171	81.2
Est Rev Up 5%	28.7	24.5	25.8	75.0	12.9	-8.1	3.6	107.1	43.3	1,024.8	9.1	30.8	-21.7	42	93.2
Graham--Defensive Investor (Utility)	14.8	18.5	16.2	16.6	-15.9	5.2	51.4	-8.4	14.6	159.0	4.4	12.0	-11.0	16	16.3
Insider Net Purchases	-2.4	-14.6	33.5	86.8	-20.9	21.8	-38.3	7.5	nmf	32.9	8.5	26.7	-19.0	27	29.2
Murphy Technology	-11.4	34.1	107.9	33.7	-79.6	26.7	-52.1	139.7	29.7	-37.1	15.6	58.5	-44.9	11	24.2
Short % Outstanding	-6.9	-14.6	-2.3	88.5	-35.6	8.3	-31.7	-26.9	nmf	-48.9	11.2	33.3	-26.2	25	18.1
Short Interest Change	-7.9	-29.9	11.7	120.5	-34.9	11.6	-51.8	111.1	nmf	17.4	11.0	34.1	-27.4	25	85.8
Short Ratio	2.8	-15.9	-1.7	52.1	-30.7	18.3	-40.9	2.2	nmf	-36.0	9.3	37.8	-24.5	25	52.2

Indexes	YTD*	2005	2004	2003	2002	2001	2000	1999	1998	Total*	Monthly Variability (%)		
											Std. Dev.	Gain	Loss
All Exchange-Listed Stocks	7.2	4.5	22.8	81.1	-13.3	21.2	-14.2	35.1	5.9	221.4	6.4	23.9	-20.2
Dow Jones 30	9.0	-0.1	2.6	25.3	-16.8	-7.1	-6.2	25.2	16.1	47.7	4.5	11.8	-15.1
Nasdaq 100	0.5	1.5	10.4	49.1	-37.6	-32.7	-36.8	102.0	85.5	67.1	10.1	25.0	-27.5
S&P 500	7.0	3.0	9.0	26.4	-23.4	-13.0	-10.1	19.5	26.7	37.7	4.4	9.7	-14.6
S&P 500/ Citigroup Growth (TR) (incl dividends)	5.1	1.1	7.0	27.1	-28.1	-16.1	-19.1	37.4	38.2	33.7	5.4	10.8	-15.8
S&P 500/ Citigroup Value (TR) (incl dividends)	7.1	8.7	15.0	30.4	-16.6	-8.2	-0.5	4.9	18.9	65.9	4.0	9.6	-13.1
S&P MidCap 400	2.2	11.3	15.2	34.0	-15.4	-1.6	16.2	13.3	17.7	126.3	5.3	12.0	-18.7
S&P MidCap 400/ Citigroup Growth (TR) (incl dividends)	-0.2	14.4	15.8	37.6	-19.7	-2.6	15.8	36.1	37.2	207.9	6.3	19.0	-22.2
S&P MidCap 400/ Citigroup Value (TR) (incl dividends)	5.1	10.8	17.2	33.8	-9.4	1.4	19.5	-2.6	3.7	102.5	4.5	10.9	-15.2
S&P SmallCap 600	6.0	6.7	21.4	37.8	-15.3	5.7	11.0	11.5	-2.1	105.2	5.7	13.3	-19.4
S&P SmallCap 600/ Citigroup Growth (TR) (incl dividends)	5.4	7.3	24.3	38.5	-16.6	3.0	7.6	19.7	-0.1	115.3	6.1	17.0	-21.7
S&P SmallCap 600/ Citigroup Value (TR) (incl dividends)	13.3	8.5	21.1	39.2	-12.9	9.5	15.8	4.9	-2.6	133.7	5.1	12.8	-16.9

Unless otherwise stated, figures do not include dividends or transactions costs.

*Through 9/29/2006

Predicting the Market's Future With O'Shaughnessy

By Cara Scatizzi

Investors have tried and will continue to try a multitude of strategies to predict the future of the stock market using fundamental analysis, charting and technical analysis. Sometimes dealing with a frustrating market can make you think that drawing tickers from a hat is the best way to pick stocks. While there is no surefire way to choose winning stocks, James O'Shaughnessy believes that looking at the past is the best way to predict where the market is headed in the future.

In his newest book, "Predicting the

Markets of Tomorrow: A Contrarian Investment Strategy for the Next Twenty Years" (Penguin Group, 2006), O'Shaughnessy argues that investors can predict where the markets are going by simply looking at historical long-term trends. Through an examination of stock market history, O'Shaughnessy developed a stock selection approach for individual investors that attempts to take full advantage of current market trends.

O'Shaughnessy examined data going back to the late 1790s and found that equity markets tend to move in

trends lasting about 20 years. Based on this pattern, O'Shaughnessy feels the U.S. market is currently in the midst of a 20-year trend that began in early 2000, during which greater returns will be earned by small- and mid-cap stocks as well as large-cap value stocks.

Overview

O'Shaughnessy introduced four new screens in his book: Growth Market Leaders, a large-cap screen that combines growth and value criteria; Small-Cap Growth and Value, which

Table 1. Companies Passing the O'Shaughnessy Small-Cap Growth and Value Screen

Company (Exchange: Ticker)	Market Cap Q1 (\$ Mil)	Price to Sales (X)	PE (X)	EPS Growth 12 Mo. (%)	Rel Strength			Description
					13-Wk (%)	26-Wk (%)	52-Wk (%)	
Knology, Inc. (M: KNOL)	227.6	1.0	na	62.0	-4	147	277	broadband communications servs
Chaparral Steel Co. (M: CHAP)	1,548.3	1.1	10.2	100.6	5	71	260	structural steel prods
NewMarket Corp. (N: NEU)	972.8	0.8	16.7	72.7	8	94	241	holding co for petroleum additives
Insteel Industries (M: IINN)	387.9	1.1	12.7	8.7	15	44	170	holding co for concrete reinforcing
Cray Inc. (M: CRAY)	320.2	1.5	na	78.4	87	59	167	supercomputers
General Cable Corp. (N: BGC)	1,838.3	0.6	17.2	73.0	6	38	133	wire & cable prods
Cenveo, Inc. (N: CVO)	1,014.0	0.6	na	81.5	14	36	127	commercial printing
Gerber Scientific (N: GRB)	302.7	0.6	103	142.3	33	24	115	specialty graphics; lens processing
Aleris International (N: ARS)	1,627.6	0.5	14.9	633.3	12	31	112	rolled aluminum prods
Alon USA Energy (N: ALJ)	1,999.2	0.8	13	98.2	33	115	110	petroleum prods
AEP Industries (M: AEPI)	360.0	0.5	16.7	119.4	24	67	104	plastic packaging films
Matrix Service Co. (M: MTRX)	243.8	0.5	na	100.0	0	14	102	construct servs for petrol indus
NATCO Group Inc. (N: NTG)	655.7	1.4	28.8	488.0	14	53	95	oil & gas production equip
National Beverage Corp. (A: FIZ)	599.3	1.2	27.5	28.3	15	75	93	beverage products
Waste Industries USA (M: WWIN)	337.4	1.0	22.5	8.0	39	57	92	solid waste servs
Imperial Sugar Co. (M: IPSU)	315.8	0.4	12.2	92.1	-2	27	87	processes refined sugar
EMCOR Group, Inc. (N: EME)	1,624.8	0.3	22.1	100.0	6	30	86	mechan & elec construct servs
Meadowbrook Insurance (N: MIG)	285.8	0.9	14.2	38.0	30	62	85	holding co for insurance
Ampco-Pittsburgh Corp. (N: AP)	259.5	1.0	13.6	884.0	-5	32	81	steel rolls & heat exch coils
L.B. Foster Co. (M: FSTR)	233.5	0.6	31.3	292.0	-3	36	80	surface transport prods
CPI Corp. (N: CPY)	207.9	0.7	24.3	191.3	52	76	79	portrait photo studios
Superior Essex Inc. (M: SPSX)	672.4	0.2	11.6	106.9	7	28	79	wire & cable prods
Valmont Industries, Inc. (N: VMI)	1,220.0	1.0	23.7	42.3	-6	22	77	engineered & utility support struct
Gardner Denver, Inc. (N: GDI)	1,858.3	1.2	17.9	79.6	-5	23	74	air compressors & liquid ring pumps
Sykes Enterprises, Inc. (M: SYKE)	753.8	1.5	28.5	91.4	20	55	74	contact mgmt solutions
Valley National Gases (A: VLG)	292.1	1.5	20.2	21.6	32	43	74	industrial & specialty gases

Exchange Key: M= NASDAQ National or NASDAQ Small Cap Market, N= New York Stock Exchange, A = American Stock Exchange.

Source: AAI's Stock Investor Pro/Reuters Research, Inc. Data as of 8/11/2006.

Table 2. Characteristics of Stocks Passing the New O'Shaughnessy Screens

Portfolio Characteristics (Median)	Small-Cap Growth and Value	Growth Market Leaders	Tiny Titans	All-Cap Value With a Growth Twist	Exchange-Listed Stocks
Price-earnings ratio (X)	17.6	10.8	16.4	11.2	18.4
Sales 12 mo. (\$ millions)	524	29,284	206	4,199	247
Sales growth 12 mo. (%)	14.4	12.9	16.7	13.7	14.8
Earnings per share 12 mo. (\$)	1.43	2.61	0.26	2.33	0.79
Earnings per share growth 12 mo. (%)	91.8	35.6	88.6	27.9	11.4
Price-to-sales ratio (X)	0.9	1.1	0.6	0.5	1.8
Cash flow per share 12 mo. (\$)	2.24	2.71	0.39	4.94	0.96
Market cap. (\$ million)	493.6	21,543.3	123.4	1,730.3	418.2
13-week relative strength vs. S&P (%)	13	1	7	3	-5
26-week relative strength vs. S&P (%)	44	14	38	16	-4
52-week relative strength vs. S&P (%)	94	38	102	20	-1
Monthly Observations					
Average no. of passing stocks	25	10	25	25	
Highest no. of passing stocks	27	12	27	27	
Lowest no. of passing stocks	24	9	24	24	
Monthly turnover (%)	46.5	43.0	42.6	35.9	

Data as of 8/11/2006.

looks for cheap stocks on the mend; Tiny Titans, an aggressive screen that searches for cheap micro-cap stocks with upward price momentum; and All-Cap Value With a Growth Twist, a combination of the Growth Market Leaders and Small-Cap Growth and Value screens.

In the August 2006 *AAII Journal*, the four screens were introduced and explained in detail ("Predicting the Markets of Tomorrow: The James O'Shaughnessy Approach"; accessible at AAII.com). That article focused on the four screens by explaining the criteria for each as O'Shaughnessy used them in his testing.

We built each of O'Shaughnessy's four new screens to use with AAIL's fundamental stock screening program *Stock Investor Pro*. The screens were backtested over an eight-and-a-half-year period from January 1998 to July of 2006. The screens were run using month-end data and tracked assuming that all stocks were bought in equal dollar amounts and held the entire month, when the screen was re-run.

While we backtested all four screens, this article focuses on only the Small-

Cap Growth and Value screen. An in-depth look at this screen as used in *Stock Investor Pro* is accompanied here by a list of current passing companies, screen characteristics and the screen's performance data. Table 3 lists the screening criteria used in *Stock Investor Pro* for all four screens. See the AAIL Stock Screens area at AAII.com for more details on the three other screens.

Applying the Small-Cap Screen

O'Shaughnessy believes that small- and mid-cap stocks will be in favor for about the next 15 years. The Small-Cap Growth and Value screen, as derived from its name, focuses on small-cap stocks with both growth and value criteria and those that have upward price momentum. According to O'Shaughnessy, the screen finds "cheap stocks on the mend."

Using *Stock Investor Pro*, we first limit the possible stocks to only U.S. stocks traded on the New York Stock Exchange, American Stock Exchange or NASDAQ. We exclude over-the-counter stocks due to their less strin-

gent filing rules. This narrows our universe to 5,196 possible stocks from 8,638 (using data as of August 11, 2006).

Market Capitalization

The next criterion for this screen eliminates large- and micro-cap stocks, as O'Shaughnessy is focusing on small-cap stocks only. He defines a small-cap stock as having a current market capitalization between \$200 million and \$2 billion. We used the long-term average

inflation rate of 3% per year to adjust the market capitalization limits each year. Using O'Shaughnessy's current market-cap values of \$200 million to \$2 billion, we worked backward to find a market-cap range of between \$160 million to \$1.6 billion for January of 1998. We continued to increase the numbers by 3% each year, ending in 2006 with a range of \$200 million to \$2 billion market cap.

Adjusting for inflation is important for more than simply calculating portfolio returns. By adjusting the market capitalizations when backtesting and going forward, you are better able to maintain a database of your desired cap-size stocks regardless of inflation's effect on asset size. Applying these size limitations to the database cuts our universe from 5,196 to 2,196 stocks. In the *Stock Investor Pro* database, 3,999 stocks have market capitalizations above \$200 million, while 7,188 stocks have market capitalizations less than \$2 billion.

The market caps for companies currently passing the complete screen (Table 1) range from just over the lower limit—CPI Corp. with \$207.9 million—

to just below the upper limit—Alon USA Energy, Inc. at \$1,999.2 billion. The median market capitalization for the passing stocks (Table 2) leans toward the lower end of the small-cap spectrum at \$493.6 million and is slightly larger than the median market capitalization of all exchange-listed

stocks (\$418.2 million).

Price-to-Sales Ratio

An important value element in the screen, the price-to-sales ratio serves as a defense against overpriced stocks. The price-to-sales ratio is calculated by dividing the current stock price by the

sales per share for the last four fiscal quarters (trailing 12 months).

Unlike earnings, sales are less subject to management assumptions, making them more difficult to manipulate, and are often less volatile. All viable companies have sales, so the majority of companies will have a meaningful

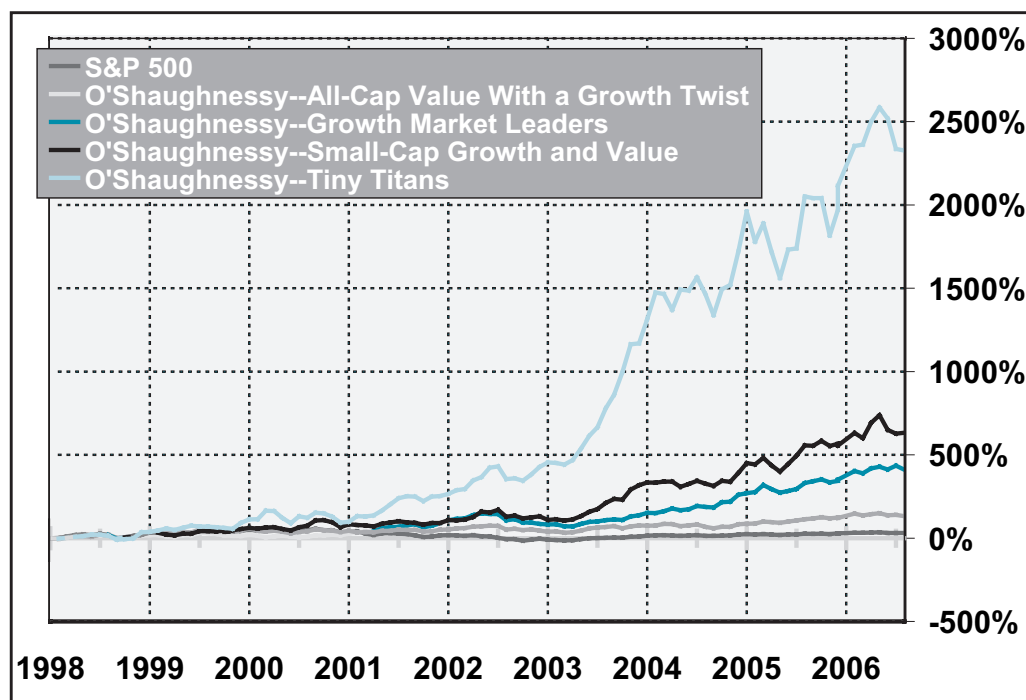
Table 3. Screening Criteria

For use with AAIL's *Stock Investor Pro*

Category	Field	Operator	Factor	Compare to
O'Shaughnessy Small-Cap Growth and Value				
Company Information	Country	Equals		United States
	Exchange	Not Equal		Over the Counter
Price and Share Statistics	Market Cap Q1	>=		200
	Market Cap Q1	<=		2000
Multiples	Price/Sales	<		1.5
Growth Rates	EPS-Growth 12m	>		0
Price and Share Statistics	Relative Strength 13 week	>		Average Relative Strength 13 week
Price and Share Statistics	Relative Strength 26 week	>		Average Relative Strength 26 week
Price and Share Statistics	Relative Strength 52 week	>		(adjust number until 25 cos pass)
O'Shaughnessy Growth Market Leaders				
Company Information	Country	Equals		United States
	Exchange	Not Equal		Over the Counter
	Sector	Not Equal		Utilities
Price and Share Statistics	Market Cap Q1	>		Average Market Cap Q1
	Shares Average Q1	>		Average Shares Average Q1
Cash Flow-Annual	Cash flow/share 12m	>		Average Cash flow/share 12m
Income Statement-Annual	Sales 12m	>	1.5	Average Sales 12m
Multiples	Price/Sales	<		*see footnote
Growth Rates	EPS-Growth 12m	>		0
Price and Share Statistics	Relative Strength 52 week	>		(adjust number until 10 cos pass)
O'Shaughnessy Tiny Titans				
Company Information	Country	Equals		United States
	Exchange	Not Equal		Over the Counter
Price and Share Statistics	Market Cap Q1	>=		25
	Market Cap Q1	<=		250
Multiples	Price/Sales	<		1
Price and Share Statistics	Relative Strength 52 week	>		(adjust number until 25 cos pass)
O'Shaughnessy All-Cap Value With a Growth Twist				
Company Information	Country	Equals		United States
	Exchange	Not Equal		Over the Counter
Price and Share Statistics	Market Cap Q1	>		200
% Rank	% Rank-Price/Sales	<		30
	% Rank-Price/CFPS	<		30
	% Rank-Yield	>		70
Price and Share Statistics	Relative Strength 52 week	>		(adjust number until 25 cos pass)

*Compare to the average price/sales ratio of Market Leaders (found by running criteria 1-7 of Growth Market Leaders screen).

Figure 1.
Performance of the New O'Shaughnessy Screens



	Return (%)										Monthly Std. Dev. (%)
	YTD*	2005	2004	2003	2002	2001	2000	1999	1998	Total*	
O'Shaughnessy--Small-Cap Growth and Value	11.7	19.1	26.8	107.5	0.8	13.4	13.2	21.1	33.6	633.0	7.1
O'Shaughnessy--Growth Market Leaders	4.9	18.9	6.7	26.2	(8.9)	5.7	(9.0)	16.8	35.3	132.3	5.3
O'Shaughnessy--Tiny Titans	9.6	7.5	45.8	154.8	51.9	84.1	(6.6)	53.8	38.1	2,327.0	9.1
O'Shaughnessy--All-Cap Value With a Growth Twist	13.3	21.9	47.4	28.7	(11.8)	63.7	6.3	(15.3)	18.2	302.8	5.6
All Exchange-Listed Stocks	4.0	4.5	22.8	81.1	(13.3)	21.2	(14.2)	35.1	5.9	211.9	6.5
S&P 500	2.3	3.0	9.0	26.4	(23.4)	(13.0)	(10.1)	19.5	26.7	31.6	4.5
S&P MidCap 400	0.1	11.3	15.2	34.0	(15.4)	(1.6)	16.2	13.3	17.7	121.5	5.4
S&P SmallCap 600	2.7	6.7	21.4	37.8	(15.3)	5.7	11.0	11.5	(2.1)	98.8	5.7

*Price performance of hypothetical portfolio rescreened and rebalanced monthly using month-end closing prices and no transaction costs.
Data through 7/31/2006.

price-to-sales ratio. O'Shaughnessy believes that a low price-to-sales ratio is a way to identify "cheap" stocks.

The Small-Cap screen eliminates any stock with a price-to-sales ratio greater than 1.5, meaning its stock price is no larger than 1.5 times its sales per share. Applying this criterion eliminates over 50% of the remaining companies, leaving the universe at 915 stocks. Overall, 3,491 stocks met the price-to-sales criteria.

The stocks that currently pass based on this criterion have price-to-sales ratios ranging from 0.2 to 1.5, while the median ratio is 0.9. The median price-to-sales ratio for all exchange-listed stocks is much higher at 1.8.

Earnings per Share Growth

Earnings per share (EPS) are defined as revenues minus cost of sales, operating expenses and taxes. EPS growth over a given period of time is a popular way to measure a company's growth potential and can play a critical role in a stock's price, mainly due to market expectations. Low or negative earnings are often signs of young companies; however, these start-ups attempt to grow earnings quickly and can be profitable investments.

The Small-Cap Growth and Value screen searches for companies with current earnings that are simply higher than the previous year. Using *Stock Investor Pro*, we can quantify

this by looking for EPS growth over the trailing 12-month period (the most recent four quarters) that is greater than zero. Adding this criterion shrinks the possible companies from 915 to 506 (4,545 companies meet this criterion alone).

Eleven of the 26 stocks that currently pass the complete screen have EPS growth of 100% or greater; the median is 91.8%. This is the highest median EPS growth rate of O'Shaughnessy's four screens and greater than the median of exchange-listed stocks (11.4%). A reasonable explanation is that most new companies are in the small- to mid-cap size range and, as mentioned before, these young companies tend to grow earnings fairly quickly.

The highest EPS growth rate, 884.0%, comes from Ampco-Pittsburgh Corp. A closer look reveals that this company, incorpo-

rated in 1929 and by no means a start-up, battled with small and negative earnings during 2004. The company blamed litigation fees and payouts for various lawsuits—including those alleging personal injury from exposure to asbestos-containing components used in certain products the company produced—as reasons for the negative earnings in 2004.

Additionally, in the fourth quarter of 2005 the company received a boost of \$0.37 per share due to a one-time insurance claim—one drawback of not using earnings from continuing operations, which exclude these extraordinary, or "one-time" items.

The earnings for the last three quar-

ters of 2004 (two of which reported a loss) and the first quarter of 2005 are the basis of comparison for calculating this growth rate. Currently, Ampco-Pittsburgh's earnings per share for the four most recent fiscal quarters are \$1.96. When you compare this number to a loss of \$0.27 per share for the four previous quarters, the huge growth rate is not surprising.

Although this does not mean Ampco-Pittsburgh would make a bad investment, it shows the importance of additional research to fully understand the basis of the underlying data.

Relative Strength

O'Shaughnessy's initial testing called for stocks with a greater than average three- and six-month price appreciation. Due to limited price data, O'Shaughnessy added the three- and six-month price appreciation criteria to his backtesting starting in 1963, while his other criteria were tested over the entire 52-year period.

He found that stocks with the highest price changes over the past year tend to produce the highest returns the following year. Although this can be a very effective filter, it is also a highly volatile approach. Stocks with high price appreciation may be at or close to their peak, meaning they may have smaller upside and larger downside potentials.

For use in *Stock Investor Pro*, we look for 13- and 26-week relative strength numbers greater than the universal average. Relative strength measures how well a stock has performed versus a benchmark (the S&P 500 index in *Stock Investor Pro*) over a certain timeframe. A negative number indicates underperformance, while a positive number denotes a stock has

outperformed the benchmark. Adding these criteria shrinks the universe from 506 stocks first to 224, and then to 169. Overall, 5,142 stocks meet the 13-week relative strength criterion and 4,786 stocks meet the 26-week relative strength criterion.

Lastly, O'Shaughnessy believes that proper diversification is a key factor in maintaining a profitable portfolio. He recommends at least 25 stocks in a micro-, small- or mid-cap portfolio and at least 10 in a large-cap portfolio. Smaller-cap stocks tend to be more volatile, so additional stocks are needed to mitigate some of the risks.

From the 169 passing companies, we pick the 25 stocks with the greatest 12-month price appreciation for the final portfolio. This is attained by adjusting the 52-week relative strength each month until only 25 companies pass.

As expected, the stocks passing the Small-Cap Growth and Value screen have higher 13-, 26-, and 52-week relative strength figures than the typical exchange-listed stock. Interestingly enough, the exchange-listed stock median relative strength numbers for all three timeframes are negative, meaning underperformance of the market over 13-, 26- and 52- week periods. The stocks passing the Small-Cap screen have outperformed the S&P 500 by 13%, 44% and 94% over these three time periods.

Monthly Portfolio Observations

Table 2 summarizes various portfolio statistics for all four screens. O'Shaughnessy recommends choosing 25 stocks for the Small-Cap Growth and Value portfolio; however, this number was sometimes as high as 27 and as low as 24 during the course of backtesting, due to securities with

identical 52-week price appreciation (which explains why the current passing companies list in Table 1 contains 26 names). This screen also produced a relatively high monthly turnover rate of 46.5%.

Performance

O'Shaughnessy's Small-Cap screen has outperformed both the S&P 500 and S&P SmallCap 600 indexes since 1998, logging a cumulative return of 633.0% (Figure 1). In 2002, the market sank. However, the Small-Cap Growth and Value screen managed a small 0.8% gain for the year, while the S&P 500 lost 23.4% and the S&P SmallCap 600 lost 15.3%. The screen's best year was 2003, a good year for most small-cap stocks: The Small-Cap screen returned an impressive 107.5%. Even in the rocky market we've seen recently, this strategy seems to find profitable investments. As of July 31, 2006, the strategy was up 11.7% year-to-date.

Conclusion

Over the years, O'Shaughnessy has created a variety of screens to offer investors a multitude of options. He encourages investors to choose the strategies that match their risk-tolerance and investment philosophies. As an advocate of diversification, he recommends combining many strategies to create a portfolio of small-, mid-, and large-cap growth and value stocks. By combining approaches, investors can reap the benefits of the upswings in one asset class while minimizing the effects of a slow or down market in another.

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