

# 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)

<b>Features</b>	<b>Stock Investor Pro</b>
Pricing for annual Subscription	\$198 (\$247 non-members)
Platform	Windows
Update interval	monthly (CD), weekly (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 growth estimates along with 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

<b>Financial Statement Data</b>	<b>SI Pro</b>		<b>SI Pro</b>
<b>Income Statement</b>		<b>Balance Sheet</b>	
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
<b>Statement of Cash Flows</b>		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

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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**

**WeeklyDataUpdates**

- [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**

SI Pro subscribers...  
click here to download your

[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



**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	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	FCEN	Over the counter	Financial
1st Constitution Bancorp	1st Constitution Bancorp	FCCY	Nasdaq	Financial
1st Independence Financial Gro	1st Independence Financial Gro	FIFG	Nasdaq	Financial
1st Source Corporation	1st Source Corporation	SRCE	Nasdaq	Financial
1st State Bancorp, Inc.	1st State Bancorp, Inc.	FSBC	Nasdaq	Financial
2-Infinity, Inc.	2-Infinity, Inc.	TWMC	Over the counter	Technology
21st Century Holding Co.	21st Century Holding Co.	TCHC	Nasdaq	Financial
21st Century Insurance Group	21st Century Insurance Group	TW	New York	Financial
24/7 Real Media, Inc.	24/7 Real Media, Inc.	TFSM	Nasdaq	Services
24Holdings Inc.	24Holdings Inc.	TFHD	Over the counter	Technology
3CI Complete Compliance Corpor	3CI Complete Compliance Corpor	TCCC	Over the counter	Services
3Com Corporation	3Com Corporation	COMS	Nasdaq	Technology
3D Systems Corporation	3D Systems Corporation	TDSC	Nasdaq	Technology
3Dfx Interactive, Inc.	3Dfx Interactive, Inc.	TDFXQ	Over the counter	Technology

8601 stocks selected - ranked by Company name, ascending

NUM

# 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

The screenshot displays the 'Stock Investor Professional' application interface. At the top, there is a menu bar (File, Edit, Tools, Window, Help) and a toolbar with icons for file operations. Below the toolbar, there are dropdown menus for 'Portfolio: None', 'Screen: \*Zweig, Martin', and 'View: Standard'.

The main window, titled 'Stock Notebook #1 - Untitled', features a tabbed interface with tabs for 'View', 'Overview', 'Multiples', 'Growth', 'Ratios', 'Valuations', 'Estimates', 'Fin - Qtr', 'Fin - Ann'l', 'Custom', and 'Charts'. The 'View' tab is active, showing a table with columns: Company name, Company name, Ticker, Exchange, and Sector. The first row is highlighted in yellow:

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

At the bottom of this window, it indicates '8601 stocks selected - ranked by Company name'.

A second window, titled 'Stock Notebook #2 - Untitled', is overlaid on top. It also has a 'View' tab active, showing a table with the same columns as the first notebook. The first row is highlighted in yellow:

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

At the bottom of this window, it indicates '24 stocks selected - ranked by Company name, ascending'.

# Selecting a Company



**SI Stock Investor Professional**

File Edit Tools Window Help

Portfolio: None Screen: None View: Standard

Stock 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 Interstate Bancorp	S&Ls/Savings Bank				19.000	23.050	17.410
1st National Bancorp	Regional Banks				23.150	28.090	19.410
1st Source 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

**SI 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 Find: msft  
 By Company Name

Ok Cancel

Find window shortcut

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.	MIDP	Nasdaq	Financial	Regional Banks	No	None
Mid-America Apartment	MIDM	Nasdaq	Real Estate	Real Estate Operations	No	None
Mid-State Bancshares	MIDST	Nasdaq	Financial	Regional Banks	No	None
Midas, Inc.	MDS	Nasdaq	Business Services	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.	MDWYQ	Over the counter	Transportation	Airline	No	None
Midway Games Inc.	MWY	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

The screenshot shows the 'Stock Investor Professional' application window. The 'View' dropdown menu is open, showing options like '\*Multiples', '\*Prices-Ann'l', '\*Prices-Monthly Close', etc. A red arrow points to the 'View' button on the toolbar. A blue callout box with the text 'view editor shortcut' is positioned over the arrow. The main window displays a table of stock data with columns for Company name, Ticker, Exchange, and Sector. The status bar at the bottom indicates '8601 stocks selected - ranked by Company name, ascending'.

Company name	Ticker	Exchange	Sector
Microsoft Corporation	MSFT	Nasdaq	Technology
MicroStrategy Incorporated	MSTR	Nasdaq	Technology
Microtek Medical Holdings	MTMD	Nasdaq	Medical Equipment & Supplies
Microtune, Inc.	TUNE	Nasdaq	Semiconductors
Microvision, Inc.	MVIS	Nasdaq	Scientific & Technical Instruments
Microwave Filter Co., Inc	MFCO	Nasdaq	Electronic Instruments & Controls
Micrus Endovascular Corporation	MEND	Nasdaq	Medical Equipment & Supplies
Mid Penn Bancorp, Inc.	MBP	American	Regional Banks
Mid-America Apartment	MAA	New York	Real Estate Operations
Mid-State Bancshares	MDST	Nasdaq	Regional Banks
Midas, Inc.	MDS	New York	Business Services
Middleburg Financial Corp.	MBRG	Nasdaq	Regional Banks
Middleby Corporation, The	MIDD	Nasdaq	Misc. Capital Goods
Middlesex Water Company	MSEX	Nasdaq	Water Utilities
Middleton Doll Company, The	DOLL	Over the counter	Real Estate Operations
Midland Capital Holdings	MCPH	Over the counter	S&Ls/Savings Banks
Midland Company, The	MLAN	Nasdaq	Insurance (Property & Casualty)
MidSouth Bancorp, Inc.	MSL	American	Regional Banks
Midway Airlines Corp.	MDWYQ	Over the counter	Airline
Midway Games Inc.	MVY	New York	Software & Programming
Midwest Air Group, Inc.	MEH	American	Airline
Midwest Banc Holdings, Inc.	MBHI	Nasdaq	Regional Banks
MidWestOne Financial Group, In	OSKY	Nasdaq	Regional Banks

# 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

Stock Investor Professional

File Edit Tools Window Help

Portfolio: None Screen: None View: \*Multiples

Stock Notebook #1 - Untitled

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

Company name	Company name	Ticker	Exchange	Industry	Sector
MicroStrategy Incorporated	MicroStrategy Incorporated	MSTR	Nasdaq	Software & Programming	Technology
Microtek Medical Holdings					Health Care
Microtune, Inc.					Technology
Microvision, Inc.					Technology
Microwave Filter Co., Inc					Technology
Micrus Endovascular Corpora					
Mid Penn Bancorp, Inc.					
Mid-America Apartment					
Mid-State Bancshares					
Midas, Inc.					Services
Middleburg Financial Corp.					Financial
Middleby Corporation, The					Capital Good:
Middlesex Water Company					Utilities
Middleton Doll Company, The					Services
Midland Capital Holdings					Financial
Midland Company, The					Financial
MidSouth Bancorp, Inc.					Financial
Midway Airlines Corp.					
Midway Games Inc.					
Midwest Air Group, Inc.					
Midwest Banc Holdings, Inc.	Midwest Banc Holdings, Inc.	MBHI	Nasdaq	Regional Banks	

View Editor

Name: Web-Neff New

Description:

Ind. Payout ratio Y4  
Ind. Payout ratio Y5  
Ind. Payout ratio Y6  
Ind. Payout ratio Y7  
**Ind. PE**  
Ind. PE High - 3 year Avg.  
Ind. PE High - 5 year Avg.  
Ind. PE High - 7 year Avg.  
Ind. PE Low - 3 year Avg.  
Ind. PE Low - 5 year Avg.

Add >  
< Delete  
<< Delete All

Fields: 15

Save Save As Close

Company name  
Ticker  
Exchange  
Price  
PE  
**Ind. PE**  
Yield  
EPS Growth Es  
PE to Div adj EPS Est g  
EPS Cont-Growth 5yr

Company P/E ratio

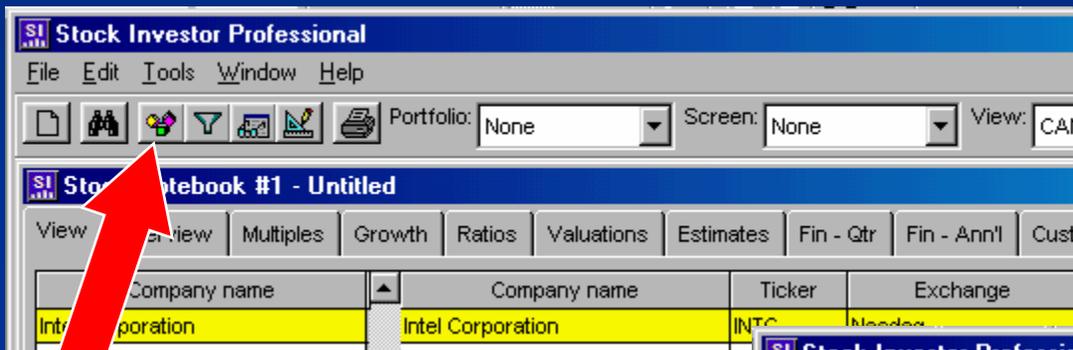
Industry P/E ratio

8601 stocks selected - ranked by Company name, ascending

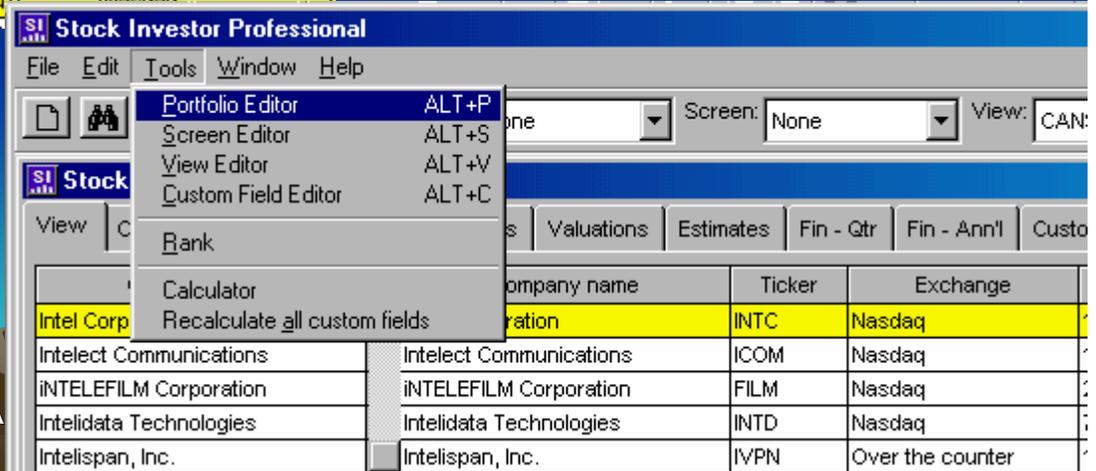
NUM

# 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

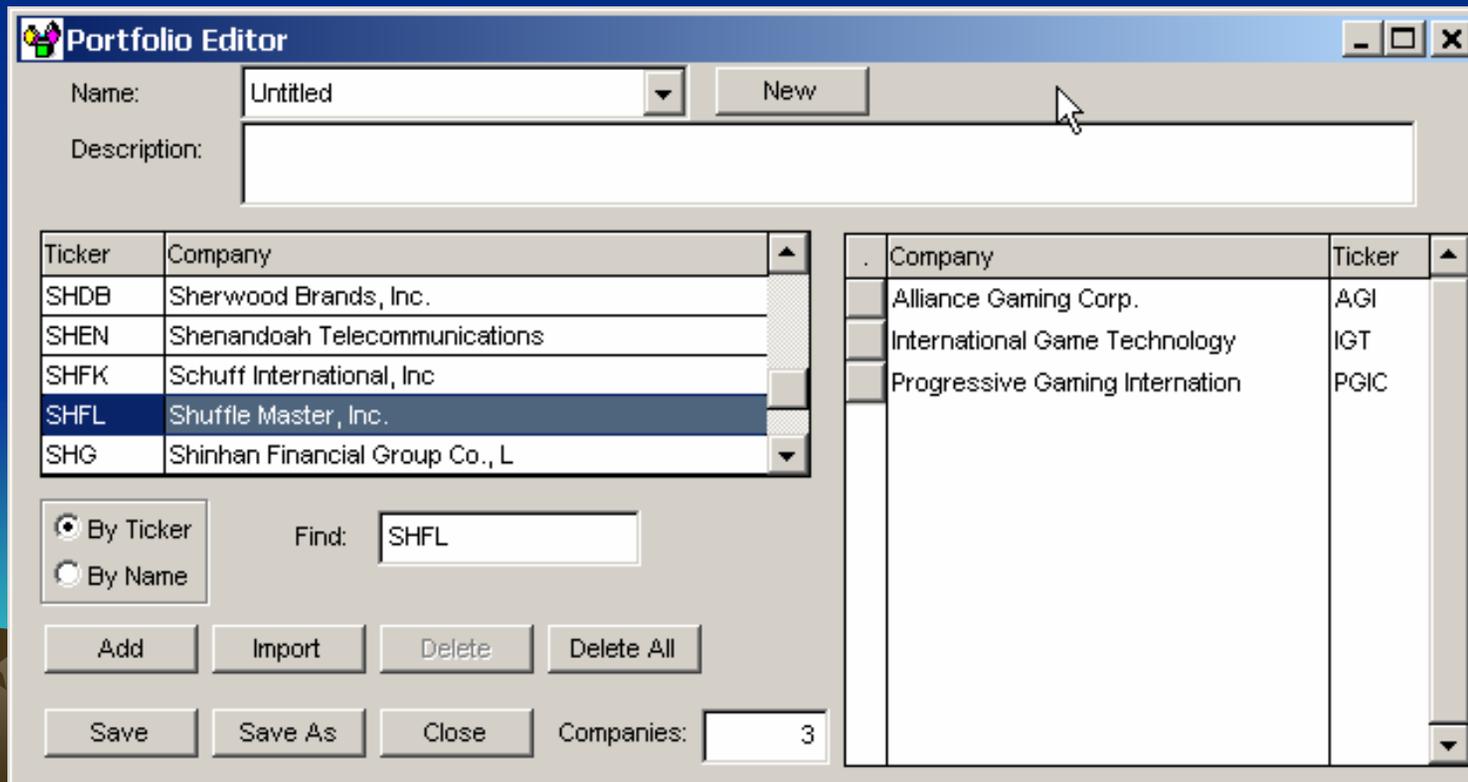


Portfolio editor shortcut



# 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



# Saving Portfolio

The screenshot shows the 'Stock Investor Professional' software interface. The main window is titled 'Stock Notebook #1 - Untitled' and displays a list of stocks. A 'Portfolio Editor' window is open, showing a list of stocks with columns for Ticker, Company Name, and Exchange. A 'Save Portfolio' dialog box is overlaid on the Portfolio Editor, with the following fields:

- Name: My Gaming Portfolio
- Description: (empty)

The dialog box has 'Ok' and 'Cancel' buttons. The background window shows a list of stocks with columns for Company name, Ticker, Exchange, Sector, Industry, and ADR/A. The status bar at the bottom indicates '8601 stocks selected - ranked by Company name, ascending'.

# Portfolios Are Loaded From Toolbar

The screenshot shows the 'Stock Investor Professional' application window. At the top, there is a menu bar (File, Edit, Tools, Window, Help) and a toolbar with various icons. Below the toolbar, there are dropdown menus for 'Portfolio:' (set to 'None'), 'Screen:' (set to 'None'), and 'View:' (set to 'Standard').

The main window displays a 'Stock Notebook #1 - Untitled' with a table of stock data. The table has columns for 'Company name', 'Exchange', 'Sector', 'Industry', and 'ADR/A'. The first row is highlighted in yellow: '1-800 CONTACTS, INC.' on 'Nasdaq' exchange, in the 'Services' sector, with 'Retail (Catalog & Mail Order)' industry, and 'No' for ADR/A.

A dropdown menu is open over the 'Portfolio:' field, showing a list of portfolios: 'None', 'My Gaming Portfolio', 'ADR 2003-11', 'ADR 2003-12', 'ADR 2004-01', 'ADR 2004-02', and 'ADR 2004-03'. A mouse cursor is pointing at 'My Gaming Portfolio'.

At the bottom of the window, a status bar indicates '8601 stocks selected - ranked by Company name, ascending'. Below the status bar, there is a copyright notice: '(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

The screenshot shows the 'Stock Investor Professional' application window. The 'Screen' dropdown menu is open, displaying a list of screen names including '\*Neff, John', '\*O'Neil (CAN SLIM Revised)', '\*O'Neil (CANSLIM)', '\*O'Shaughnessy Growth', '\*O'Shaughnessy Growth II', '\*O'Shaughnessy Value', and '\*Oberweis'. A red arrow points to the 'Screen' dropdown in the toolbar. A blue box with white text 'Screen editor shortcut' is overlaid on the left side of the window.

Company name	Ticker	Exchange	Location	Sector	Industry	ADR/ADS
ADE Corporation	AD			Technology	Semiconductors	No
Alliance Resource Partners, L.	AR			Coal	Coal	No
Deere & Company	DE	New York	Capital Goods	Construction & Agricultural Machinery		No
Dow Chemical Company, The	DOW	New York	Basic Materials	Chemicals - Plastics and Rubbers		No
ExpressJet Holdings, Inc.	XJT	New York	Transportation	Airline		No
Lan Airlines S.A. (ADR)	LFL	New York	Transportation	Airline		Yes
MicroStrategy Incorporated	MSTR	Nasdaq	Technology	Software & Programming		No
MIND C.T.I. Ltd.	MNDO	Nasdaq	Technology	Software & Programming		No
Nicholas Financial Inc.	NICK	Nasdaq	Financial	Consumer Financial Services		No
NovAtel Inc.	NGPS	Nasdaq	Technology	Electronic Instruments & Controls		No
Olympic Steel, Inc.	ZEUS	Nasdaq	Basic Materials	Misc. Fabricated Products		No
Orbital Sciences Corp.	ORB	New York	Capital Goods	Aerospace and Defense		No
TTM Technologies, Inc.	TTMI	Nasdaq	Technology	Electronic Instruments & Controls		No
Westell Technologies Inc.	WSTL	Nasdaq	Technology	Communications Equipment		No
Yellow Roadway Corp.	YELL	Nasdaq	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. The main window displays a stock list with columns for company name, ticker, exchange, and price. A red arrow points to the funnel icon in the toolbar, which is labeled 'Screen editor shortcut' in a blue box. The status bar at the bottom indicates 'Open the screen editor'.

Company name	Ticker	Exchange	Price
Net Technology Co	ATAC	Nasdaq	12.230
ArvinMer	ARM	New York	15.100
California 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			6.2
Mayl			9.5
Mont			4.3
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

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

Screen editor shortcut

# 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

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

# 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**

Conn	(	F	or	Factor	Compare To (field, value, industry)	)	Count On
		*O'Shaughnessy Growth					
		*O'Shaughnessy Growth II		.5	Median PE to Div adj EPS Est growth		249
And		*O'Shaughnessy Value			7		2858
And		*Oberweis			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

# Predefined Screens in Help System

The image displays a help system interface with three overlapping windows. The background window, titled "Help Topics: Stock Investor", features a navigation pane on the left with a tree view of topics. The "Index" tab is selected, and the "Stock Investor Overview" is highlighted. A "Display" button is located at the bottom right of this window. The middle window, titled "Stock Investor", shows the article "Growth Investing: A Look at the O'Neil C-A-N-S-L-I-M System". The article text includes: "Take an attention-grabbing book title, toss in an easy-to-remember acronym, and top it off with a daily business newspaper that supplies information required for preliminary analysis and you have the recipe for a popular investment strategy." and "In the July 1996 issue of the AAIL Journal, Maria Crawford Scott discussed the...". The foreground window, also titled "Help Topics: Stock Investor", shows a list of predefined screens. The "Index" tab is selected, and the list includes: "DRPs with High Yield", "EPS Est Revisions", "Fisher, Phillip", "Free Cash Flow", "Graham, Benjamin", "Insider Net Buys", "Inve\$tWare", "Lynch, Peter", "Murphy, Michael", "Neff, John", "O'Neil, William" (highlighted), "O'Shaughnessy, James P.", "Price-Earnings Relative Screen", "Screening on the Dual Cash Flow Method", and "Short Interest". At the bottom of this window are "Open", "Print...", and "Cancel" buttons.

**Help Topics: Stock Investor**

Contents Index Find

Click a topic, and then click Display. Or click another tab, such as Index.

- Stock Investor Overview
- Using the Notebook to View Financial Data
- Creating and Using Screen Filters
- Creating and Using Portfolios
- Creating and Using Views
- Creating Your Own Data Fields
- Pre-Defined Stock Screening Strategies
- Printing/Export Data
- Stock Investor Utilities
- Field Definitions
- Industries
- Sectors
- Weekly Updates

Display

**Stock Investor**

File Edit Bookmark Options Help

Help Topics Back Print << >>

## Growth Investing: A Look at the O'Neil C-A-N-S-L-I-M System

Take an attention-grabbing book title, toss in an easy-to-remember acronym, and top it off with a daily business newspaper that supplies information required for preliminary analysis and you have the recipe for a popular investment strategy.

In the July 1996 issue of the AAIL Journal, Maria Crawford Scott discussed the...

**Help Topics: Stock Investor**

Contents Index Find

Click a book, and then click Open. Or click another tab, such as Index.

- DRPs with High Yield
- EPS Est Revisions
- Fisher, Phillip
- Free Cash Flow
- Graham, Benjamin
- Insider Net Buys
- Inve\$tWare
- Lynch, Peter
- Murphy, Michael
- Neff, John
- O'Neil, William
- O'Shaughnessy, James P.
- Price-Earnings Relative Screen
- Screening on the Dual Cash Flow Method
- Short Interest

Open Print... Cancel

...il in his book titled "How to Make or Bad." O'Neil developed the "every big winning stock each year Daily, which presents stock and system.

...roven record of growth showing strong tions. O'Neil does not mind paying rich takes the stand that most stocks with by the market. O'Neil believes that it nten up your stock exposure when reen titled "O'Neil (CANSLIM) which

**: How Much Is Enough?**

...ith proven records of earnings growth study of winning stocks highlightedarnings per share performance prior to

...important to compare a quarter to the r compared to last year's secondarnings and comparing similar quarters













# Apply Button Runs Screen Against Notebook

The screenshot shows the 'Stock Investor Professional' interface. A 'Screen Editor' window is open, displaying a list of criteria for a stock screen. The criteria table is as follows:

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

At the bottom of the screen editor, there are several buttons: Insert, Move Up, Delete, Delete All, Print, How Many (set to 28), Duplicate, Move Down, Save, Save As, Close, and a highlighted 'Apply' button.

Below the screen editor, a status bar indicates: "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.

# Saving Results as a Portfolio

The screenshot shows the 'Stock Investor Professional' application. The 'File' menu is open, with 'Save Notebook As Portfolio' selected. The 'Screen Editor - Stock Notebook #1 - Untitled' window is active, displaying a criteria table. The table has columns for 'Field', 'Operator', 'Factor', 'Compare To (field, value, industry)', and 'Count On'. The criteria are:

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

At the bottom of the screen, a status bar indicates '28 stocks selected - ranked by Company name, ascending'. A tooltip at the bottom left reads 'Creates new portfolio from active notebook'.

# 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

The screenshot shows the 'Stock Investor Professional' application window. The title bar reads 'SI Stock Investor Professional'. The menu bar includes 'File', 'Edit', 'Tools', 'Window', and 'Help'. Below the menu bar is a toolbar with icons for file operations and a control panel with 'Portfolio: None', 'Screen: Untitled', and 'View: Standard' dropdown menus.

The main window is titled 'Stock Notebook #1 - Untitled' and has several tabs: 'View', 'Overview', 'Multiples', 'Growth', 'Ratios', 'Valuations', 'Estimates', and 'Fin'. The 'Overview' tab is active, showing the following information for LoJack Corporation (LOJN):

Description	Prices	Share Statistics
200 Lowder Brook Drive Suite 1000 Westwood, MA 02090 Web: <a href="http://www.lojack.com">http://www.lojack.com</a> 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

At the top of the Overview tab, the company name 'LoJack Corporation (LOJN)' is displayed next to its price '\$21.140 (\$22.700-\$10.110)'. Below the table is a text area containing a detailed description of the company's services and global reach.

# Monthly and Annual Price Data

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 - Qtr

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

Description Prices Share Statistics

Last Split Date: NA Factor

Date	High	Low	Close	Volume (K)
<b>Annual Prices</b>				
12/31/2004	12.850	6.920	12.090	24,366
12/31/2003	9.900	4.490	8.060	8,831
12/31/2002	5.650	3.350	4.940	12,046
12/31/2001	7.969	4.650	5.450	9,539
12/29/2000	8.875	6.500	7.563	13,903
12/31/1999	12.750	6.250	6.750	23,896
12/31/1998	15.625	8.000	11.875	17,845
<b>Monthly Prices</b>				
09/30/2005	22.144	18.170	21.140	4,447
08/31/2005	22.700	16.710	21.090	6,130
07/29/2005	19.180	17.140	19.120	2,457
06/30/2005	18.000	14.200	17.560	5,002
05/31/2005	15.500	13.880	14.740	2,683
04/29/2005	15.150	12.780	14.450	1,947
03/31/2005	15.390	12.710	13.770	2,467
02/28/2005	14.960	12.300	12.900	1,701

# 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	
<b>Share Info</b>			<b>Activity</b>		<b>Relative Strength</b>			
Index	Rank		Purchases	Sales	(S & P 500) Rank	% 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		<b>Relative Strength</b>		(S & P 500) Rank	<b>Price Change (%)</b>		
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		
<b>Volume</b>	Avg. Shares (K)	Rank	<b>Short Interest</b>	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

**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)

Sector 09 - Services Industry 0972 - Security Systems & Services

	Current	1 Year Ago	3 Year Average	5 Year Average	7 Year Average	2004 Average	2003 Average	2002 Average	2001 Average	2001 Average	2001
<b>Price/Earnings per Share</b>											
Company	26.8	19.3	22.3	23.5	22.3	15.4	14.1	37.5	33.2	17.1	18.3
% Rank	69	54	68	72	68	34	37	86	80	55	56
Sector	21.4	19.3	19.4	19.8	20.7	20.8	17.7	17.9	18.2	16.8	18.2
Industry	39.2	31.3	25.8	40.0	32.6	22.6	20.7	26.7	21.4	19.8	13.4
<b>Price/Book Value per Share</b>											
Company	4.72	4.79	3.11	3.96	5.10	2.41	3.67	3.24	4.89	5.61	7.42
% Rank	82	85	75	80	88						
Sector	2.1	1.9	1.8	1.8	1.8						
Industry	2.3	2.3	2.4	1.9	1.8						
<b>Price/Sales per Share</b>											
Company	2.22	1.28	0.83	0.98	1.31	1.06	0.85	0.57	1.14	1.28	1.76
% Rank	59	45	32	35	45						
Sector	1.2	1.1	1.1	1.4	1.3						
Industry	1.0	1.0	0.8	0.7	0.6						
<b>Price/Cash Flow per Share</b>											

28 stocks selected - ranked by Company name, ascending

# 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

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)

Sector 09 - Services Industry 0972 - Security Systems & Services

	1 Year	3 Year	5 Year	7 Year	1 Year Ago
<b>Sales</b>					
Company	15.8	20.0	10.1	10.1	25.9
% Rank	60	75	58	57	73
Sector	9.7	7.8	8.9	11.0	9.1
Industry	9.6	3.5	6.0	6.0	9.1
<b>Gross Income</b>					
Company	19.6	21.9	10.2	9.0	29.9
% Rank	60	72	57	53	
Sector	9.8	8.0	8.4	10.9	5.2
Industry	7.7	4.8	8.5	5.4	3.3
<b>Net Income</b>					
Company	36.8	51.3	2.7	0.7	55.6
% Rank	63	83	45	44	
Sector	11.9	14.6	5.5	5.7	11.2
Industry	-3.6	-27.7	-14.9	-6.4	-29.4
<b>EPS continuing</b>					

28 stocks selected - ranked by Company name, ascending

# 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

**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)

Sector 09 - Services Industry 0972 - Security Systems & Services

	Current	12/31/2004	12/31/2003	12/31/2002	12/31/2001	02/28/2001	02/29/2000	02/28/1999
<b>PROFITABILITY</b>								
<b>Gross Profit Margin</b>								
Company	53.0	52.4	50.8	49.1	50.0	50.6	52.2	53.7
% Rank	66	71	69	68	70	71	73	75
Sector	40.1	39.3	39.3	39.4	38.9	38.5	38.7	38.8
Industry	36.4	36.8	35.7	34.5	35.3	34.1	35.0	34.6
<b>Operating Margin</b>								
Company	12.7	11.1	9.9	2.6	5.5	11.9	15.7	19.8
% Rank	71	65	64	45	55	67	74	79
Sector	1.6	3.9	3.8	3.9	3.1	4.0	5.2	5.7
Industry	-7.9	-5.9	-5.3	-3.2	0.9	-1.4	0.5	1.5
<b>Net Profit Margin</b>								
Company	8.2	7.1	6.0	1.5	3.6	4.7	10.1	13.2
% Rank	66	65	64	50	60	59	75	83
Sector	1.8	1.6	1.4	0.9	0.6	1.6	2.5	2.9
Industry	-14.1	-10.3	-10.9	-3.1	1.0	-8.2	0.0	-0.9

28 stocks selected - ranked by Company name, ascending

# 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

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)

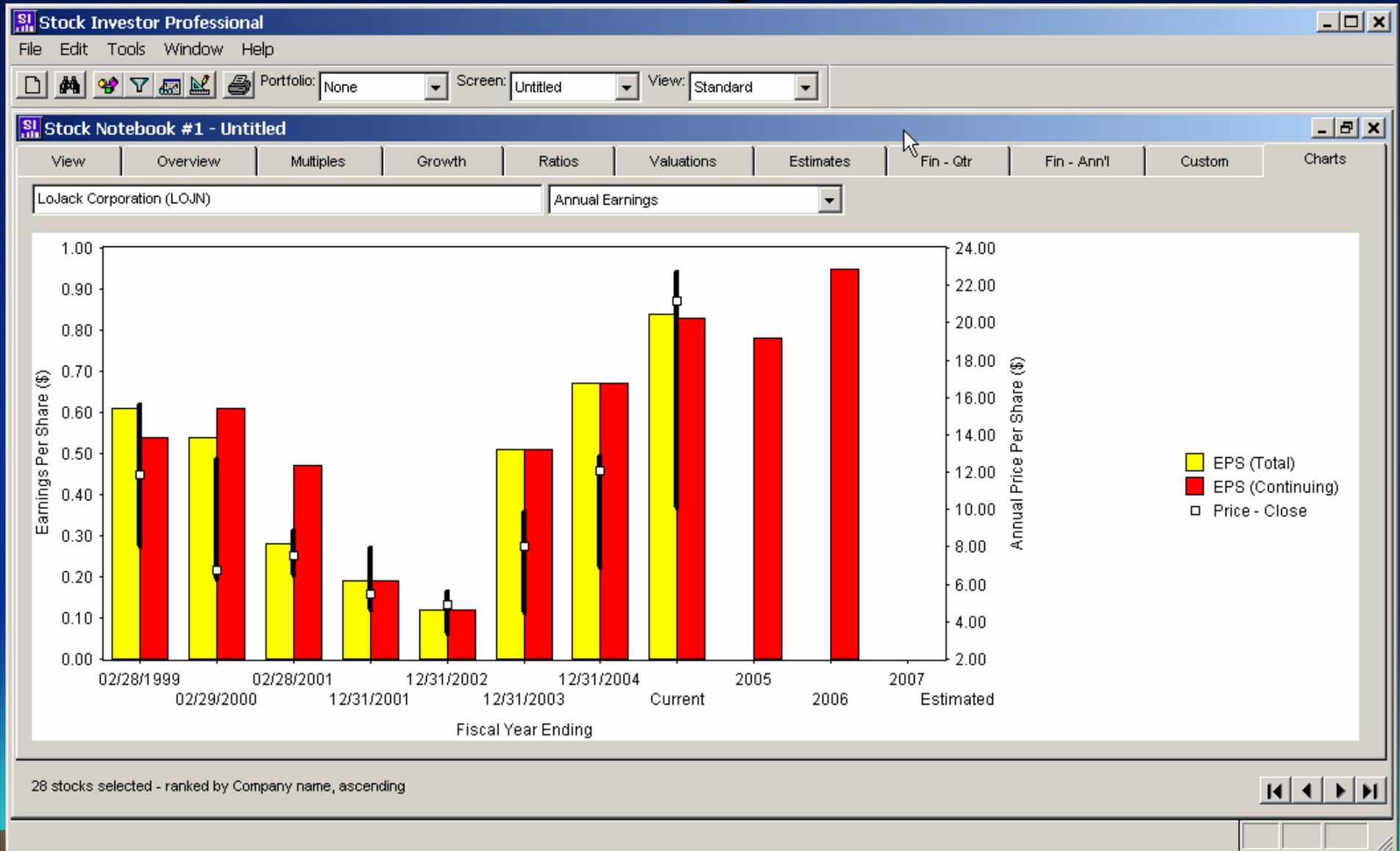
**Quarterly Earnings Surprise: Quarter Ending 6/2005**

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

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

	Qtr (9/2005)	Qtr (12/2005)	FY (12/2005)	FY (12/2006)	FY (12/2007)	Growth Rate	%
<b>Current Est.</b>	\$ .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	
<b>Current Est.</b>	\$ .21	\$ .17	\$ .78	\$ .95	NA	NA	NA
<b>Week Ago Est.</b>	\$ .21	\$ .17	\$ .78	\$ .95	NA		
<b>Month Ago Est.</b>	\$ .21	\$ .18	\$ .77	\$ .96	NA	NA	
# Revisions Up	0	0	0	0	0	0	
# Revisions Down	0	0	0	0	0	0	

# 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

SI 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
<b>SHARES OUTSTANDING</b>	M		17.8308	17.3914	16.5375	15.5010	15.3544	15.0277	15.3108	14.8364
<b>INCOME STATEMENT</b>										
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 - Gtr 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	
<b>INCOME STATEMENT</b>						
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
<b>SHARES OUTSTANDING</b>	M	17.8308	15.6052	14.9132	14.6922	15.2723	15.9101	16.6651	17.9199
<b>INCOME STATEMENT</b>									
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
<b>CASH FLOW STATEMENT</b>									
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
<b>BALANCE SHEET</b>									
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	
<b>BALANCE SHEET</b>										
<b>Assets</b>										
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	
<b>Liabilities</b>										
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	

28 stocks selected - ranked by Company name, ascending



# Percent Change Year to Year

SI Stock Notebook #1 - Untitled

View Overview Multiples Growth Ratios Valuations Estimates Fin - Qtr Fin - Annl 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	
<b>INCOME STATEMENT</b>									
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	
<b>INCOME STATEMENT</b>										
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	
<b>CASH FLOW STATEMENT</b>										
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	

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

Expression: 
$$\text{IF}([\text{Free cash flow/share 12m}] < 0, ([\text{Cash \& Mrk Sec per Shr Q1}] / \text{abs}([\text{Free cash flow/share 12m}])) * 12, \text{null})$$

28 stocks selected - ranked by Company name, ascending

Custom Field Editor

Name: Burn Rate - Months to Live New

Description:

Expression:

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

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

Add Function

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

Save Save As Verify Calculate Help Close

## [www.aaii.com](http://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](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](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](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

	<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	<		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

	<u>Field:</u>	<u>Operator:</u>	<u>Factor:</u>	<u>Compare to:</u>
	Country	Equals		United States
And	Exchange	Not Equal		Over the countr
And	Market Cap Q1	>=		200
And	Market Cap Q1	<=		2000
And	Pric	<		1.5
And	EPS	>		0
And	Rel	>	Week	Relative Strengt
And	Rel	>	Week	Relative Strengt
And	Rel	>	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

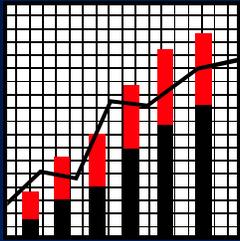
Criteria in the box are comparing the percent increase in EPS from continuing operations from each of the last four quarters and the percent increase in EPS from continuing operations in the period four quarters prior to the same quarter.



# 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  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		

Buttons: 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
Muhlenkamp	-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	44.4	-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	-37.7	-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										

# 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: IJIN)	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 *AII Journal*, the four screens were introduced and explained in detail ("Predicting the Markets of Tomorrow: The James O'Shaughnessy Approach"; accessible at [AII.com](http://AII.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 AII'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 AII Stock Screens area at [AII.com](http://AII.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

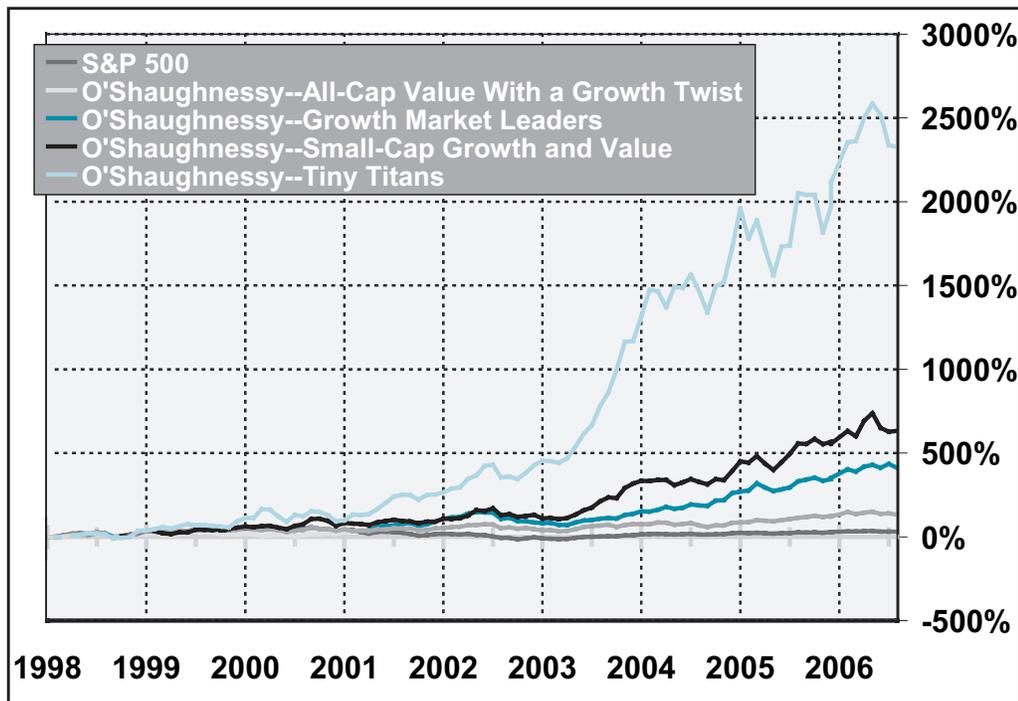
Table 3. Screening Criteria

For use with AAIL's *Stock Investor Pro*

Category	Field	Operator	Factor	Compare to
<b>O'Shaughnessy Small-Cap Growth and Value</b>				
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)
<b>O'Shaughnessy Growth Market Leaders</b>				
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)
<b>O'Shaughnessy Tiny Titans</b>				
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)
<b>O'Shaughnessy All-Cap Value With a Growth Twist</b>				
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, incorpor-

ated 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-

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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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