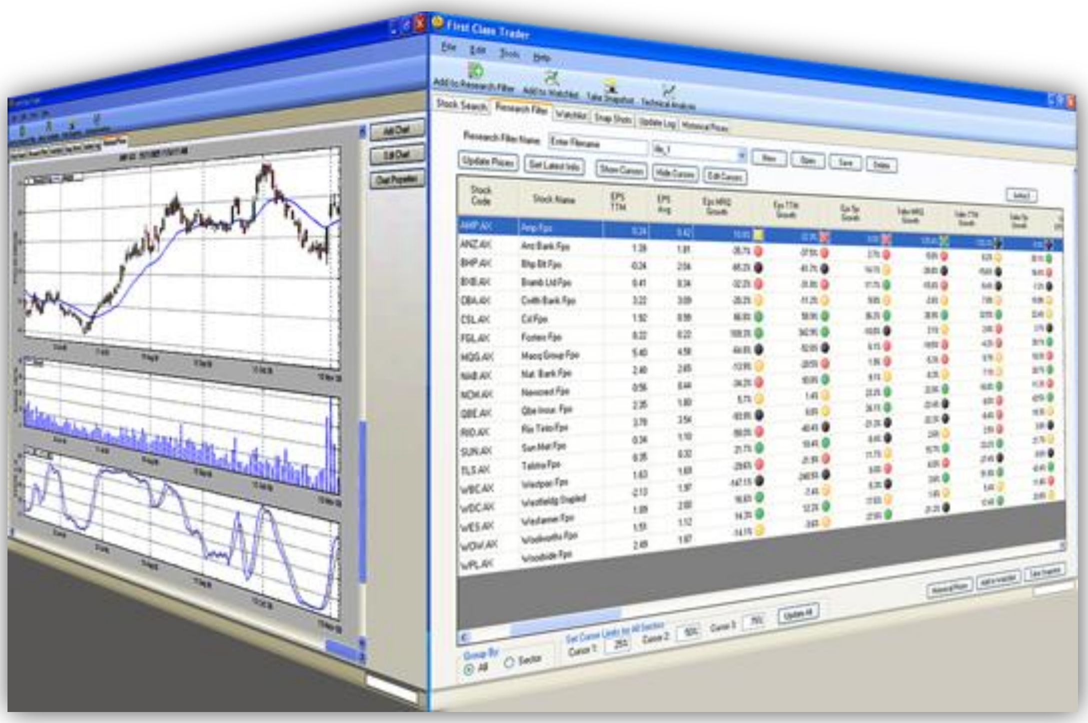
Stock Analysis and Investment Research Software



User Guide – Version 1.2

First Class Trader User Guide v1.2.

Latest revision: 8 May 2010.

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GLOSSARY

Earnings per Share (EPS):	EPS is the amount of profit per share (profit = net income –dividends).
Financial Performance Indicator (FPI):	FPIs are used to gauge insight into a company's financial performance. FPIs include Fundamental Analysis ratios and growth rates of key results.
Fundamental Analysis:	Fundamental Analysis is a business valuation process based on assessment of company financial statements.
Most Recent Quarter (MRQ):	MRQ is a period when financial results were released, usually from an interim report.
Technical Analysis:	A method for forecasting future stock price directions through the study of historical price (primarily) and volume trends
Trailing Twelve Months (TTM):	TTM is a period when financial results are valid for, in this case the past 12 months.

1. INTRODUCTION

1.1 Product Description – First Class Trader

First Class Trader is a powerful stock market analysis and investment research tool. Suggested usage for new users would be to:

1. Become familiar with the Stock Search tab to search through the First Class Trader financial database of over 5,000 stocks.
2. Add a list of companies from the Stock Search tab to the Research Filter to perform Fundamental Analysis based on reported financial results. The Research Filter will statistically rank each company based on 30 financial performance indicators.
3. Use the Research Filter rankings to identify companies in the strongest financial positions.
4. Add a list of companies from the Research Filter to a Watchlist to monitor automatic price updates throughout the day.
5. Take Snap Shots of a list of companies from the Research Filter to monitor financial performance over time.
6. View the historical stock price and volume changes.
7. Consult this User Guide for a more detailed look into the available features.
8. Contact the First Class Trader expert support team for any help or assistance.

1.2 Support

If you need support or would like to contact the First Class Trader team for any matter (feedback, feature requests, etc):

- Email our expert support team at support@firstclasstrader.com.
- Fill out an online contact form at www.firstclasstrader.com/contact/.

1.3 Additional Material

Additional material can be found at the First Class Trader website www.firstclasstrader.com/. You can also subscribe to receive updates on the latest posts via feed or email.

1.4 System Requirements

Operating System (Installed or Emulated)

- Windows 7, Windows Vista, Windows XP, Windows 2000 (SP4 or later)

Computer

- 256MB of RAM
- 50MB hard drive space

Internet

- Dial up connection or better to download the latest financial data and stock prices.

2. USING FIRST CLASS TRADER

2.1 Welcome Screen

When you open First Class Trader the Welcome Screen will be displayed (Figure 2-1) whilst downloading the latest financial results.

> *Trial Version Note: The trial version Welcome Screen will appear different to that of Figure 2-1 (quick launch options removed) and the load time is considerably faster (~20 seconds) due to the limited access to companies in the First Class Trader financial database.*

Figure 2-1: Welcome Screen Dialog

2.1.1 Quick Launch Options

While the latest financial results are being downloaded you have the option of selecting a saved Research Filter or Watchlist file to automatically load your previous data. Navigation through your stored files is easy with the quick launch sorting and ordering options.

Selecting the ‘New Project’ button or closing the Welcome Screen will load First Class Trader to the default Stock Search tab.

2.2 Currency Selection

First Class Trader’s default currency is set to ‘U.S. Dollars’. To change currencies, simply click on the ‘Change Currency’ button in the bottom right corner of the First Class Trader window and make a selection. The selected currency will be stored as the new default setting for each time you load First Class Trader.

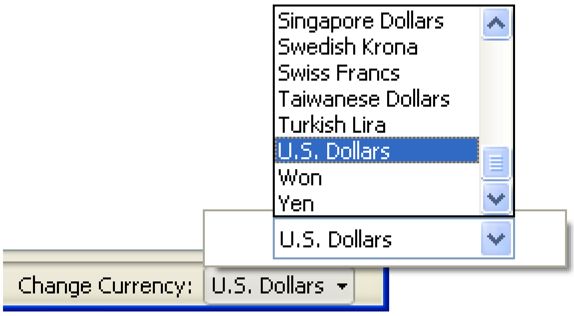


Figure 2-2: Changing the Displayed Currency

2.3 Stock Search

The Stock Search tab (Figure 2-3) allows you to easily navigate through the First Class Trader financial database to find a single company or an entire index list of companies.

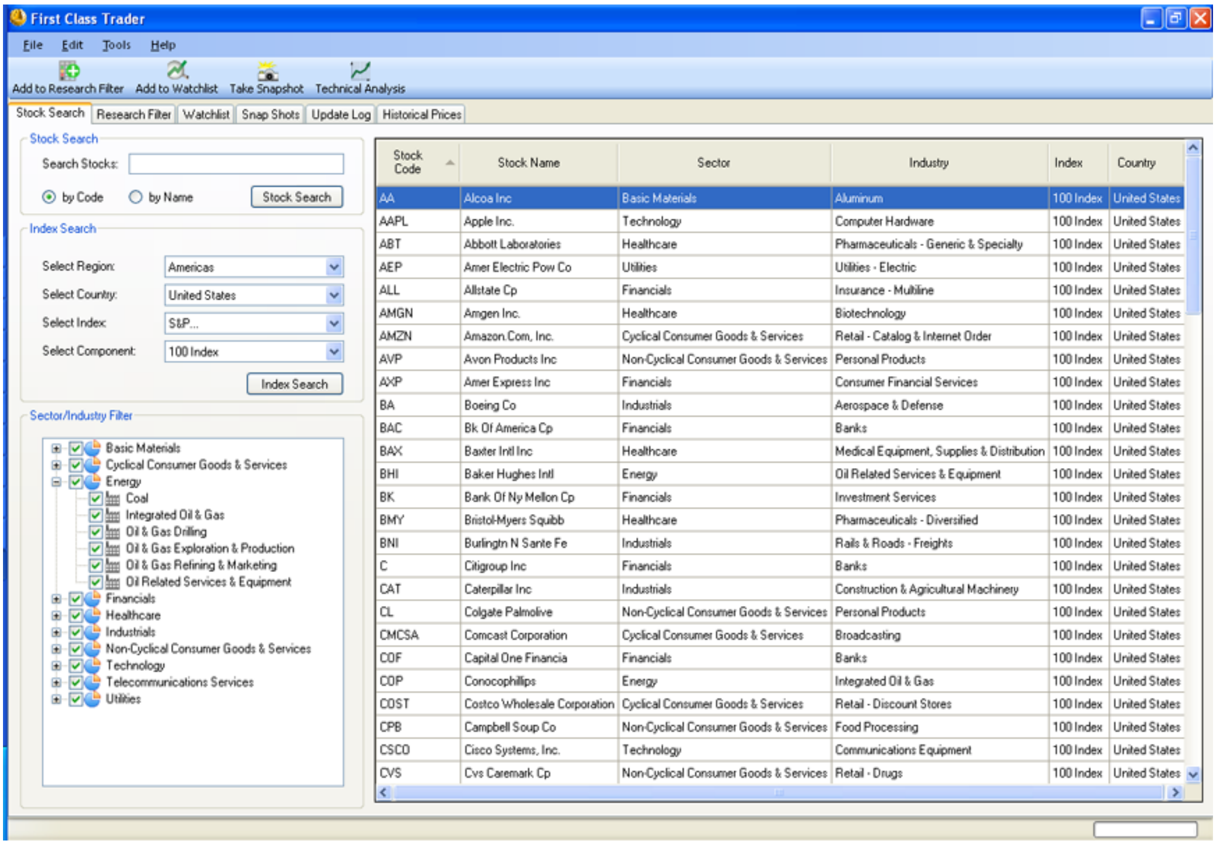


Figure 2-3: Stock Search Tab

2.3.1 Stock Search (Single Company)

The Stock Search text box (shown in Figure 2-4) is used to search through the First Class Trader financial database for a single company. Two options are available to search by:

- Stock Code (e.g. GOOG, AAPL)
- Stock Name (e.g. Google, Apple)

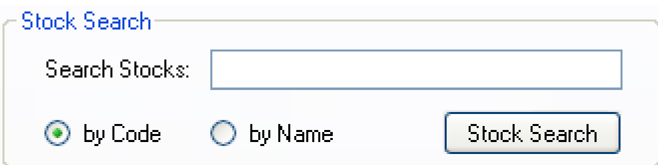


Figure 2-4: Stock Search Text Box

After each key stroke in the stock search text box the list of stocks matching your inputs are narrowed down, Figure 2-5.

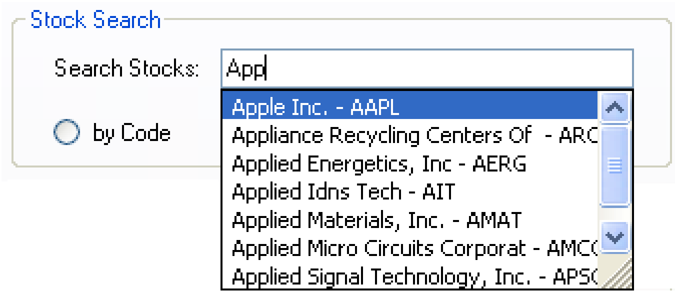


Figure 2-5: Stock Search Text Box – Search by Stock Name

Once you have located a company of interest the next step is to select the 'Stock Search' button which will add the company to the Stock Search results area as shown in Figure 2-6. Additional stock classification details are included such as:

- Sector
- Industry
- Index
- Country

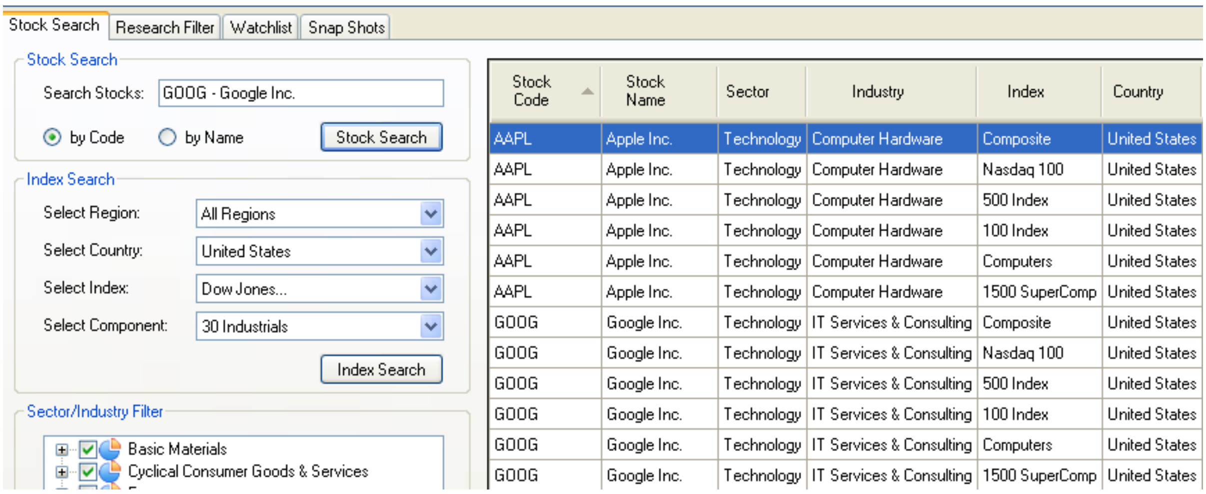


Figure 2-6: Stock Search Results

2.3.2 Index Search (List of Companies)

The Index Search options (Figure 2-7) are used to quickly locate a list of companies in the First Class Trader financial database. For the full list of Index Search options available, including the number of stocks listed in each index, please see www.firstclasstrader.com/global-indices/.

<u>New Investor Tip</u>: Start with an Index that contains familiar companies from your local exchange. The user friendly navigation through the Index Search results along with the ability to sort companies by Sector and Industry will help identify the available investment opportunities and their competitors.

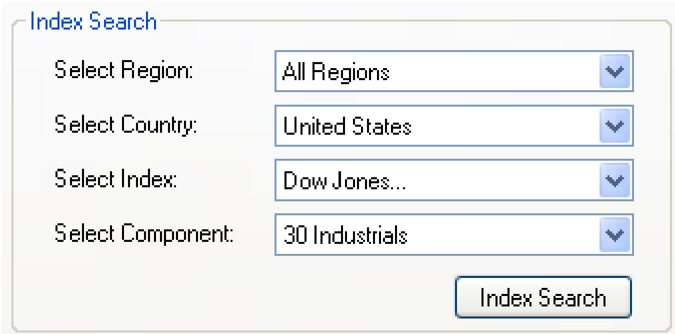


Figure 2-7: Index Search Options

An example of the Index Search results for United States >> Dow Jones >> 30 Industrials (sorted by Sector) is shown in Figure 2-8.

Stock Code	Stock Name	Sector	Industry	Index	Country
AA	Alcoa Inc	Basic Materials	Aluminum	30 Industrials	United States
DD	Du Pont E I De Nem	Basic Materials	Chemicals - Diversified	30 Industrials	United States
DIS	Walt Disney-Disney C	Cyclical Consumer Goods & Services	Media Diversified	30 Industrials	United States
HD	Home Depot Inc	Cyclical Consumer Goods & Services	Retail - Specialty	30 Industrials	United States
MCD	Mcdonalds Cp	Cyclical Consumer Goods & Services	Restaurants	30 Industrials	United States
WMT	Wal Mart Stores	Cyclical Consumer Goods & Services	Retail - Department Stores	30 Industrials	United States
CVX	Chevron Corp	Energy	Integrated Oil & Gas	30 Industrials	United States
XOM	Exxon Mobil Cp	Energy	Integrated Oil & Gas	30 Industrials	United States
AXP	Amer Express Inc	Financials	Consumer Financial Services	30 Industrials	United States
BAC	Bk Of America Cp	Financials	Banks	30 Industrials	United States
JPM	Jp Morgan Chase Co	Financials	Financial Services - Diversified	30 Industrials	United States
TRV	The Travelers Co	Financials	Insurance - Property & Casualty	30 Industrials	United States
JNJ	Johnson And Johns Dc	Healthcare	Pharmaceuticals - Generic & Specialty	30 Industrials	United States
MRK	Merck Co Inc	Healthcare	Pharmaceuticals - Diversified	30 Industrials	United States
PFE	Pfizer Inc	Healthcare	Pharmaceuticals - Diversified	30 Industrials	United States
BA	Boeing Co	Industrials	Aerospace & Defense	30 Industrials	United States
CAT	Caterpillar Inc	Industrials	Construction & Agricultural Machinery	30 Industrials	United States
GE	Gen Electric Co	Industrials	Industrial Conglomerates	30 Industrials	United States
MMM	3M Company	Industrials	Industrial Conglomerates	30 Industrials	United States
UTX	United Tech	Industrials	Aerospace & Defense	30 Industrials	United States
KFT	Kraft Foods Inc	Non-Cyclical Consumer Goods & Services	Food Processing	30 Industrials	United States
KO	Coca Cola Co The	Non-Cyclical Consumer Goods & Services	Beverages - Non-Alcoholic	30 Industrials	United States
PG	Procter Gamble Co	Non-Cyclical Consumer Goods & Services	Household Products	30 Industrials	United States
CSCO	Cisco Systems, Inc.	Technology	Communications Equipment	30 Industrials	United States
HPQ	Hewlett Packard Co	Technology	Computer Hardware	30 Industrials	United States
IBM	Intl Business Mach	Technology	IT Services & Consulting	30 Industrials	United States

Figure 2-8: Index Search Results Table – United States, Dow Jones, 30 Industrials

2.3.3 Sector / Industry Filter

The Sector/Industry Filter allows Stock Search results to be narrowed down by selecting the checkboxes of Figure 2-9. For example, in the results of Figure 2-8, if you wanted to avoid the Financials sector, instead of deleting entries manually, you could deselect the Financials checkbox.

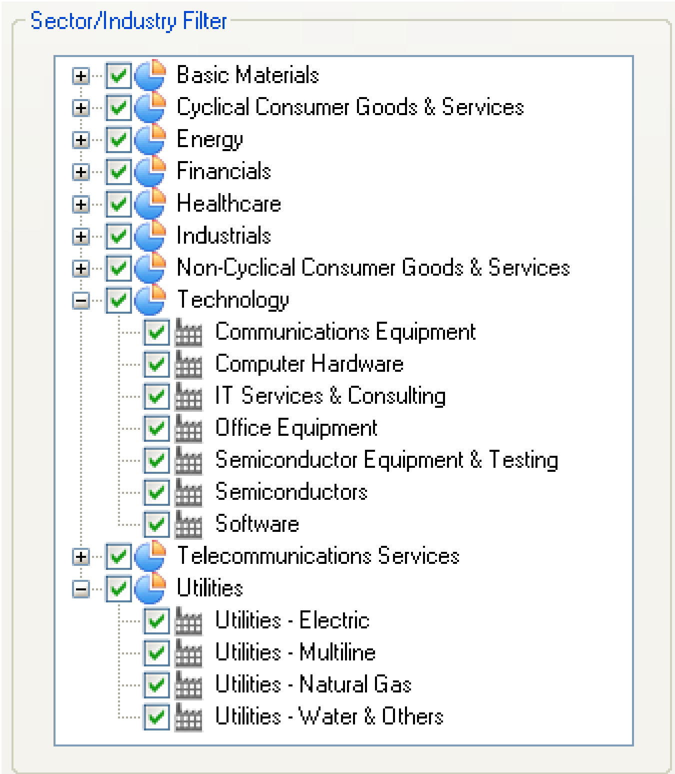


Figure 2-9: Sector / Industry Filter

2.3.4 Stock Search – Where to next?

At this stage you should be able to easily navigate through and select companies listed in First Class Trader's financial database. The next step is to perform stock analysis and investment research using First Class Trader's:

- Research Filter – Section 2.4. To identify companies:
  - Outperforming their competitors
  - In the strongest financial positions
  - Representing the best priced value investments
  - To avoid based on their poor financial performance
- Technical Analysis – Section 2.9.
  - View historical stock price and volume charts
  - Perform trend analysis using technical indicators
  - Look for oversold/overbought conditions for buy and sell indicators

Research Filter

The Research Filter is used to perform stock analysis by statistically comparing each company's financial health. This is achieved by clicking the 'Add to Research Filter' button (Figure 2-10).

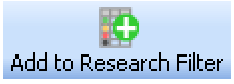


Figure 2-10: Add to Research Filter Button

Trial Version Note: The trial version Research Filter assessments are limited to companies identified through an 'Index Search' only. The trial version is therefore limited to companies listed on the Dow Jones Composite Index (65 stocks).

Technical Analysis

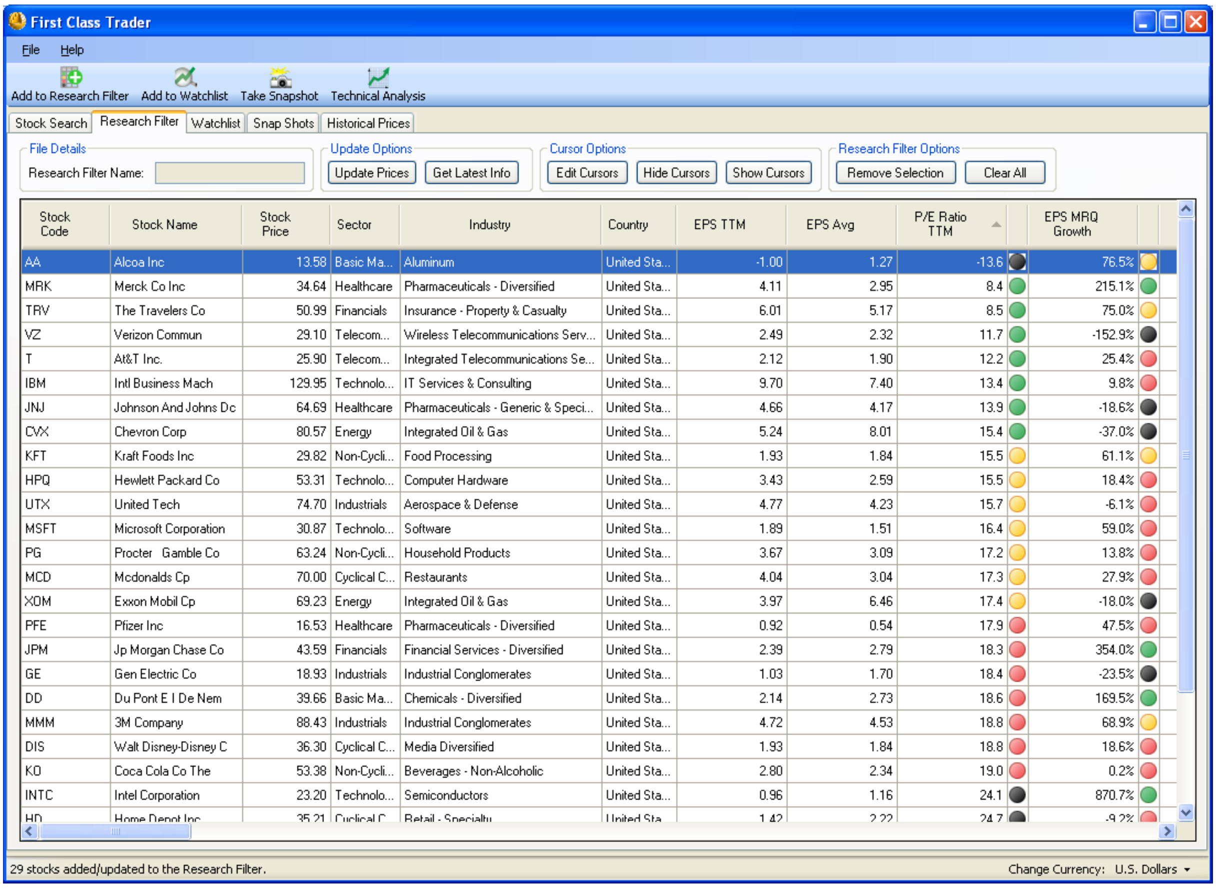
Technical Analysis is used to view historical stock price data and perform trend analysis using technical indicators. This is achieved by clicking the 'Technical Analysis' button (Figure 2-11) after selecting a stock code.

Figure 2-11: Technical Analysis Button

Trial Version Note: The 'Technical Analysis' button is disabled in the Stock Search tab using the trial version. This means that you can only view historical stock price charts and apply technical analysis signals after performing an 'Add to Research Filter' option.

2.4 Research Filter

The Research Filter is used to compare and rank companies in the strongest financial positions through to the weakest. The financial results of each company are presented in a spreadsheet style grid (Figure 2-12) allowing you to search through and compare each company's performance.



Stock Code	Stock Name	Stock Price	Sector	Industry	Country	EPS TTM	EPS Avg	P/E Ratio TTM	EPS MRQ Growth
AA	Alcoa Inc	13.58	Basic Ma...	Aluminum	United Sta...	-1.00	1.27	-13.6	76.5%
MRK	Merck Co Inc	34.64	Healthcare	Pharmaceuticals - Diversified	United Sta...	4.11	2.95	8.4	215.1%
TRV	The Travelers Co	50.99	Financials	Insurance - Property & Casualty	United Sta...	6.01	5.17	8.5	75.0%
VZ	Verizon Commun	29.10	Telecom...	Wireless Telecommunications Serv...	United Sta...	2.49	2.32	11.7	-152.9%
T	At&T Inc.	25.90	Telecom...	Integrated Telecommunications Se...	United Sta...	2.12	1.90	12.2	25.4%
IBM	Intl Business Mach	129.95	Technolo...	IT Services & Consulting	United Sta...	9.70	7.40	13.4	9.8%
JNJ	Johnson And Johns Dc	64.69	Healthcare	Pharmaceuticals - Generic & Speci...	United Sta...	4.66	4.17	13.9	-18.6%
CVX	Chevron Corp	80.57	Energy	Integrated Oil & Gas	United Sta...	5.24	8.01	15.4	-37.0%
KFT	Kraft Foods Inc	29.82	Non-Cycli...	Food Processing	United Sta...	1.93	1.84	15.5	61.1%
HPQ	Hewlett Packard Co	53.31	Technolo...	Computer Hardware	United Sta...	3.43	2.59	15.5	18.4%
UTX	United Tech	74.70	Industrials	Aerospace & Defense	United Sta...	4.77	4.23	15.7	-6.1%
MSFT	Microsoft Corporation	30.87	Technolo...	Software	United Sta...	1.89	1.51	16.4	59.0%
PG	Procter Gamble Co	63.24	Non-Cycli...	Household Products	United Sta...	3.67	3.09	17.2	13.8%
MCD	Mcdonalds Cp	70.00	Cyclical C...	Restaurants	United Sta...	4.04	3.04	17.3	27.9%
XOM	Exxon Mobil Cp	69.23	Energy	Integrated Oil & Gas	United Sta...	3.97	6.46	17.4	-18.0%
PFE	Pfizer Inc	16.53	Healthcare	Pharmaceuticals - Diversified	United Sta...	0.92	0.54	17.9	47.5%
JPM	Jp Morgan Chase Co	43.59	Financials	Financial Services - Diversified	United Sta...	2.39	2.79	18.3	354.0%
GE	Gen Electric Co	18.93	Industrials	Industrial Conglomerates	United Sta...	1.03	1.70	18.4	-23.5%
DD	Du Pont E I De Nem	39.66	Basic Ma...	Chemicals - Diversified	United Sta...	2.14	2.73	18.6	169.5%
MMM	3M Company	88.43	Industrials	Industrial Conglomerates	United Sta...	4.72	4.53	18.8	68.9%
DIS	Walt Disney-Disney C	36.30	Cyclical C...	Media Diversified	United Sta...	1.93	1.84	18.8	18.6%
KO	Coca Cola Co The	53.38	Non-Cycli...	Beverages - Non-Alcoholic	United Sta...	2.80	2.34	19.0	0.2%
INTC	Intel Corporation	23.20	Technolo...	Semiconductors	United Sta...	0.96	1.16	24.1	870.7%

Figure 2-12: Research Filter Financial Results Summary

__Note__: The Research Filter analysis can be performed against any custom list of stocks (selected with the Stock Search tool) from the First Class Trader financial database (5,000+ stocks).

__Note__: The recommended input to the Research Filter is for a list of stocks with similar financial structure and growth prospects. For example, stocks from the same Sector or stocks from similar Industries.

Figure 2-12 Note: With reference to Figure 2-12, the stocks added to the Research Filter are from a mixture of Sectors and Industries (Dow Jones Composite). This means there may be a large variation in financial structure between companies and therefore some of the financial performance indicators may not directly apply between companies. For instance, the P/E ratio (Price to Earnings) for Utility stocks is commonly much lower than the Technology sector due to typical Utility characteristics of low growth and steady earnings. This may result in Technology stocks being identified as performing below average (for the P/E performance indicator) whereas they may actually outperforming most of their sector, which is a more accurate assessment. In summary, use the Stock Search Sector/Industry filter to select similar companies before adding to the Research Filter for assessment.

2.4.1 How the Research Filter Ranks Company's Financial Health

The Research Filter ranks each company's financial health based on their current and historical (last 5 years) results over a range of 30 financial performance indicators. The performance indicators consist of Fundamental Analysis ratios and growth rates which have been obtained from reported (interim and annual) financial statements; income, balance sheet and cash flow statements. The performance indicators used focus on a comprehensive assessment of all aspects of each company's financial health:

- Income Statement Assessment
- Balance Sheet Assessment
- Cash Flow Assessment
- Efficiency & Profitability
- Institutional Holdings
- Debt Ratios
- Dividends

The full list of financial performance indicators used can be found in Appendix A.

Note: The financial performance indicators used in the Research Filter allow direct comparisons to be made between larger well established companies whose stock price may be $50 and a smaller company trading at $2. For instance, the smaller company's earnings and sales figures may seem miniscule however once each company's results are represented as Fundamental Analysis ratios such as P/E and P/S ratios (stock price to earnings and stock price to sales) they can be directly compared. This is the basis of the Research Filter analysis which statistically evaluates each company against 30 financial performance indicators.

2.4.1.1 Financial Performance Indicators

The financial performance indicators used in First Class Trader have been selected to capture an overall financial assessment of each company with the full list available in Appendix A. The performance indicators are easily identified in the Research Filter by the adjacent cursor columns used to rank each company (more on how companies are ranked in Section 2.4.1.2).

An example of 2 out of the 30 financial performance indicators used in the Research Filter can be seen in Figure 2-12 for the columns ‘P/E Ratio (TTM)’ and ‘EPS MRQ Growth’. Each performance indicator is based on commonly used terms so they are easy to interpret, for this example:

- **Price to Earnings Ratio (trailing twelve months):**
  P/E Ratio is the current price per share divided by the earnings per share (EPS = net income divided by the number of shares outstanding). Stocks with higher forecasted earnings will trade at a higher P/E (e.g. Technology companies) versus companies such as Utilities with stable earnings and lower growth potential. The assessment of P/E is therefore best performed against like for like companies with similar growth prospects, i.e. from the same Industry or Sector. If similar stocks were compared based on P/E ratio alone (not recommended as this will not represent the overall financial health), the stock with the lower P/E would represent a better value investment.
- **Earnings per Share most recent quarter growth:**
  EPS MRQ growth is determined by comparing the change in earnings (net income) recorded in the latest interim report (quarterly) to the same quarter one year ago. Most of the larger established companies are expected to have consistent positive earnings growth. If they were to report lower earnings for a quarter the stock price will likely drop unless there is a one-off reason. The EPS MRQ growth can also highlight a change in a company’s outlook with a trend reversal of previous reported growth rates. The Research Filter will identify companies outperforming their competitors based on earnings growth figures which will also reference the market average.

> *Note: Assessing companies against a small range of performance indicators (typical of a stock screener) may identify companies performing well in some aspects but going backwards in others, which may eventually lead to their downturn. To avoid this pitfall, the First Class Trader Research Filter assesses each company’s health against 30 financial performance indicators simultaneously.*

> *Note: The financial performance indicators used in First Class Trader are all based on common and easy to understand terms such as earnings, sales, debt etc. You can also hover on the column headings in the Research Filter for an additional description.*

2.4.1.2 Statistical Ranking of Financial Performance Indicators

The Research Filter compares and statistically ranks each company for each of the 30 financial performance indicators. A visual representation of the statistical rankings can be seen with the adjacent cursor columns of each financial performance indicator, Figure 2-13.

> *Note: The desirable financial results can vary depending on the Fundamental Analysis ratios (e.g. high values for 'free cash flow/debt' or low values for 'price to earnings') with the full range of performance indicators presented in Appendix A.*

P/E Ratio TTM	EPS MRQ Growth	EPS TTM Growth	EPS 5 year Growth	Sales MRQ Growth
-13.6	76.5%	-574.0%	0.0%	-4.5%
8.4	215.1%	81.2%	4.5%	1.8%
8.5	75.0%	33.5%	35.5%	11.2%
11.7	-152.9%	-43.0%	-9.4%	9.9%
12.2	25.4%	-1.9%	7.1%	-0.7%
13.4	9.8%	12.2%	17.9%	0.8%
13.9	-18.6%	-3.6%	9.9%	9.0%
15.4	-37.0%	-55.1%	-3.1%	7.7%
15.5	61.1%	9.1%	-8.9%	-5.8%
15.5	18.4%	-3.4%	22.3%	-8.4%
15.7	-6.1%	-16.0%	9.3%	-4.5%
16.4	59.0%	-2.7%	16.7%	14.4%
17.2	13.8%	1.7%	10.7%	6.4%
17.3	27.9%	9.3%	18.1%	7.3%
17.4	-18.0%	-53.9%	0.5%	6.1%
17.9	47.5%	63.2%	19.2%	9.9%
18.3	354.0%	165.3%	8.7%	0.0%
18.4	-23.5%	-42.4%	-8.3%	-10.3%
18.6	169.5%	-12.5%	1.8%	12.3%
18.8	68.9%	-7.7%	4.9%	11.1%
18.8	18.6%	-22.5%	9.6%	4.5%
19.0	0.2%	4.9%	7.1%	-4.2%
24.1	870.7%	-14.3%	-7.7%	28.5%
24.7	-9.2%	-22.7%	-6.1%	-8.0%
25.9	23.3%	-17.0%	8.3%	8.0%
30.0	124.2%	-37.5%	-5.9%	-3.5%
31.4	-66.6%	-75.1%	-13.1%	-38.9%
39.1	1552.9%	-49.3%	-3.5%	41.6%
43.4	-24.7%	-113.3%	0.0%	0.0%

Figure 2-13: Research Filter – Financial Performance Indicator Rankings

It can be seen from sorting the P/E Ratio column (in Figure 2-13), that the company's representing the best value (based on P/E Ratio alone) are assigned a green cursor ( ) through to black ( ), for companies that are suggested to be overpriced.

<u>Note</u>: The statistical rankings for each financial performance indicator are presented graphically with coloured cursors. The cursor settings are adjustable and define how the statistical rankings are assigned, e.g. stocks in the top 75-100 percentile band for the MRQ sales growth can be assigned a green cursor ( ). The Research Filter identifies the companies with the strongest financial health based on an assessment of each of the 30 financial performance indicators.

The initial Research Filter cursor settings are displayed in Table 2-1.

Table 2-1: Research Filter Initial Cursor Settings

Displayed Cursor	Stock Percentile Range	Results Category
	Top 75-100%	Results well above average
	Top 50-75%	Results above average
	Bottom 25-50%	Results below average
	Bottom 0-25%	Results well below average

<u>Note</u>: The Research Filter cursors can be turned on or off using the cursor options shown in Figure 2-14.

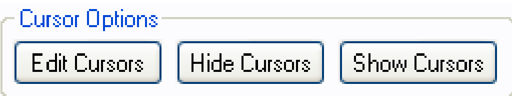


Figure 2-14: Research Filter Cursor Options

<u>Figure 2-13 Note</u>: The Research Filter results in Figure 2-13 show 5 out of 11 performance indicators from current and historical Income Statement results. Already there are a couple of stocks that may represent value investment opportunities and a few to avoid however the entire list of financial performance indicators will need to be considered to capture each company's overall financial health.

2.4.1.3 Ranking Overall Financial Health

To rank the overall financial health of each company, simply scroll to the far right of the Research Filter for the tallied financial performance indicator results, Figure 2-15. The top ranked companies will be a quick first pass assessment of the stocks representing the best value investment opportunities based on the strongest overall financial health compared to their competitors.

> *<u>Investing Note</u>: It is recommended that additional research be performed before investing based on the Research Filter results alone. For example, management review, recent company news and historical price evaluation.*

20	1	5	1
16	2	2	6
15	4	1	6
15	6	3	3
15	4	3	5
14	5	2	6
13	9	3	2
13	4	1	9
13	6	5	3
13	6	6	2

Figure 2-15: Research Filter Overall Financial Health Rankings

> *<u>Note</u>: Any companies highlighted as potential investments with the Research Filter should be investigated further into any areas where they may be under performing. This can easily be achieved by scrolling across to the columns where the performance indicator results are below average (highlighted with red or black cursor results). Then it comes down to an individual's chosen investment style to determine if the results that are below average are of big enough concern to avoid investing in that stock.*

> *<u>Note</u>: The Research Filter's statistical ranking criteria can be customised which is discussed in Section 2.5.*

2.4.2 Saving a Research Filter List

To save the current list of stocks and financial results displayed in the Research Filter simply click File > Save As, or press Ctrl+S. This will bring up the file manager form, Figure 2-16. Then you can enter a relevant file name and click 'Save'.

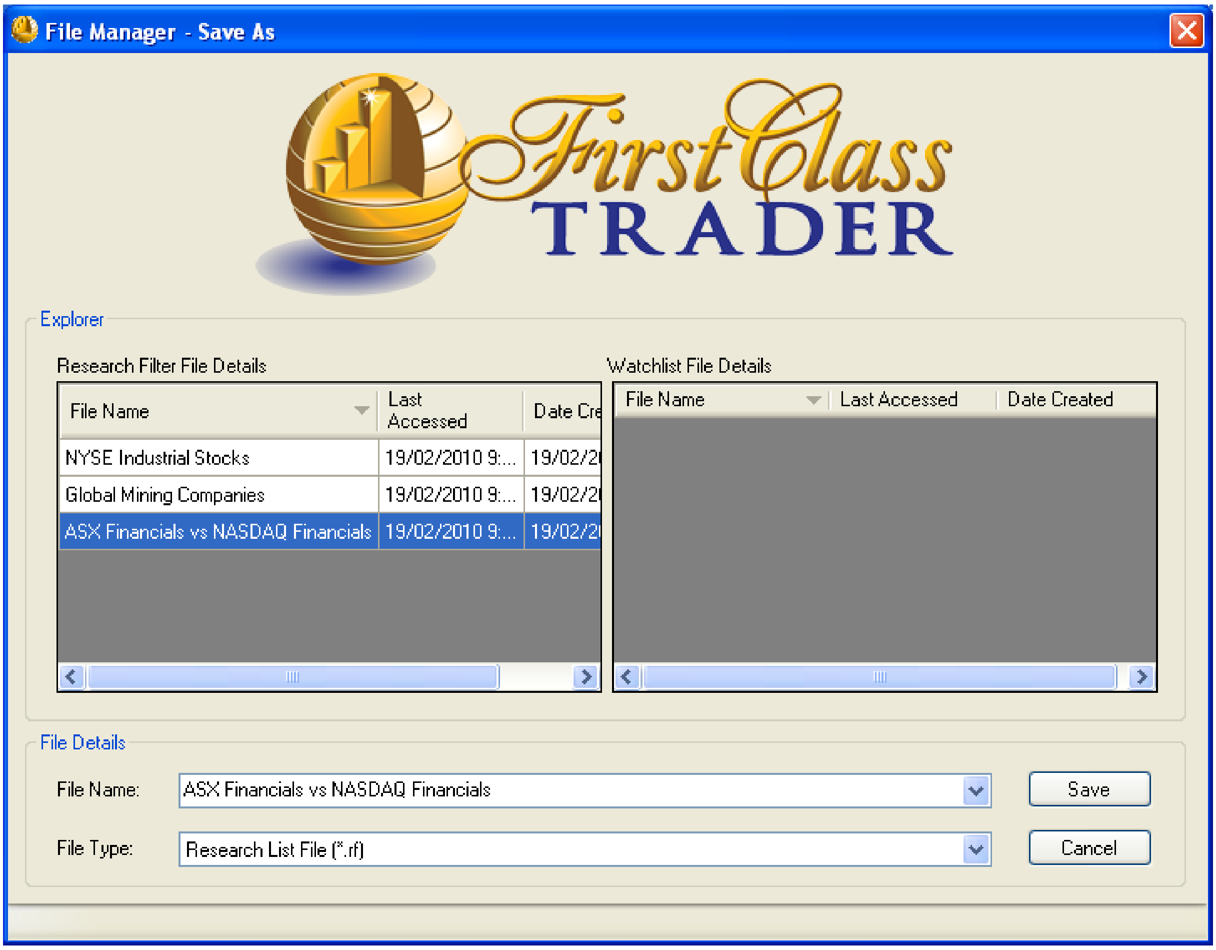


Figure 2-16: File Manager – Saving Research Filter Data

2.4.3 Research Filter Update Options

The Research Filter update options are shown in Figure 2-17.

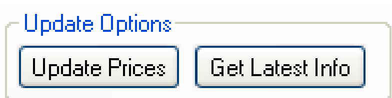


Figure 2-17: Research Filter Update Options

<u>Note</u>: Each time companies are added to the Research Filter they are automatically up to date with the latest available First Class Trader financial database information.

The ‘Update Prices’ button will download the latest stock prices, recalculate the financial ratios (concerning the latest stock price), then rank each company against the updated results and tally each company’s overall financial health.

The ‘Get Latest Info’ button will check the First Class Trader financial database for new reported results (either interim or annual). As financial results are reported quarterly and therefore aren’t updated as regularly the ‘Get Latest Info’ process will mainly be of benefit to check after opening a Research Filter file saved some time ago. If new financial results are available, the First Class Trader Update Log (Section 2.6) will be populated with a list of companies updated and the variation in financial results.

> *Trial Version Note: The ‘Get Latest Info’ button in the Research Filter tab is disabled in the trial version.*

2.4.4 Research Filter – Where to next?

Now that you have assessed companies based on their current and historical financial results you have the following options:

- **Stock Monitoring**
  - Snap Shots Tool – Section 2.7.
    - Capture a summary of a company’s current financial results
    - Monitor changes in financial results over time
    - Monitor your portfolio or prospective investments for the right times to buy or sell
    - Test the performance of stocks identified from different analysis criteria over time to fine tune your investing approach
  - Watchlist – Section 2.8.
    - Retrieve automatic market updates of key intra-day activity such as price and volume changes
    - Observe the daily market results with graphical indicators showing how your portfolio or potential investments are performing
- **Additional Stock Analysis**
  - Technical Analysis – Section 2.9.
    - View historical stock price and volume charts
    - Perform trend analysis using technical indicators
    - Look for oversold/overbought conditions for buy and sell indicators

To proceed with additional stock analysis or monitoring from the Research Filter, highlight the stock/s you are interested in and click the appropriate button shown in Figure 2-18.

Figure 2-18: Additional Stock Analysis and Monitoring Options from the Research Filter

2.5 Research Filter – Custom Statistical Ranking Criteria

The statistical ranking criteria of each financial performance indicator can be customised by clicking on the 'Edit Cursors' button in the Research Filter tab. The Edit Cursors tab (Figure 2-19) shows a graphical representation of each performance indicator, with the x-axis representing the number of stocks sorted in ascending order according by ratio results plotted on the y-axis. This allows an easy interpretation of how the companies are statistically ranked and divided into the different cursor results.

Note: The coloured shading on the chart highlights the cursor regions used to rank financial performance. Initially set to the 25, 50 and 75 percentile values.

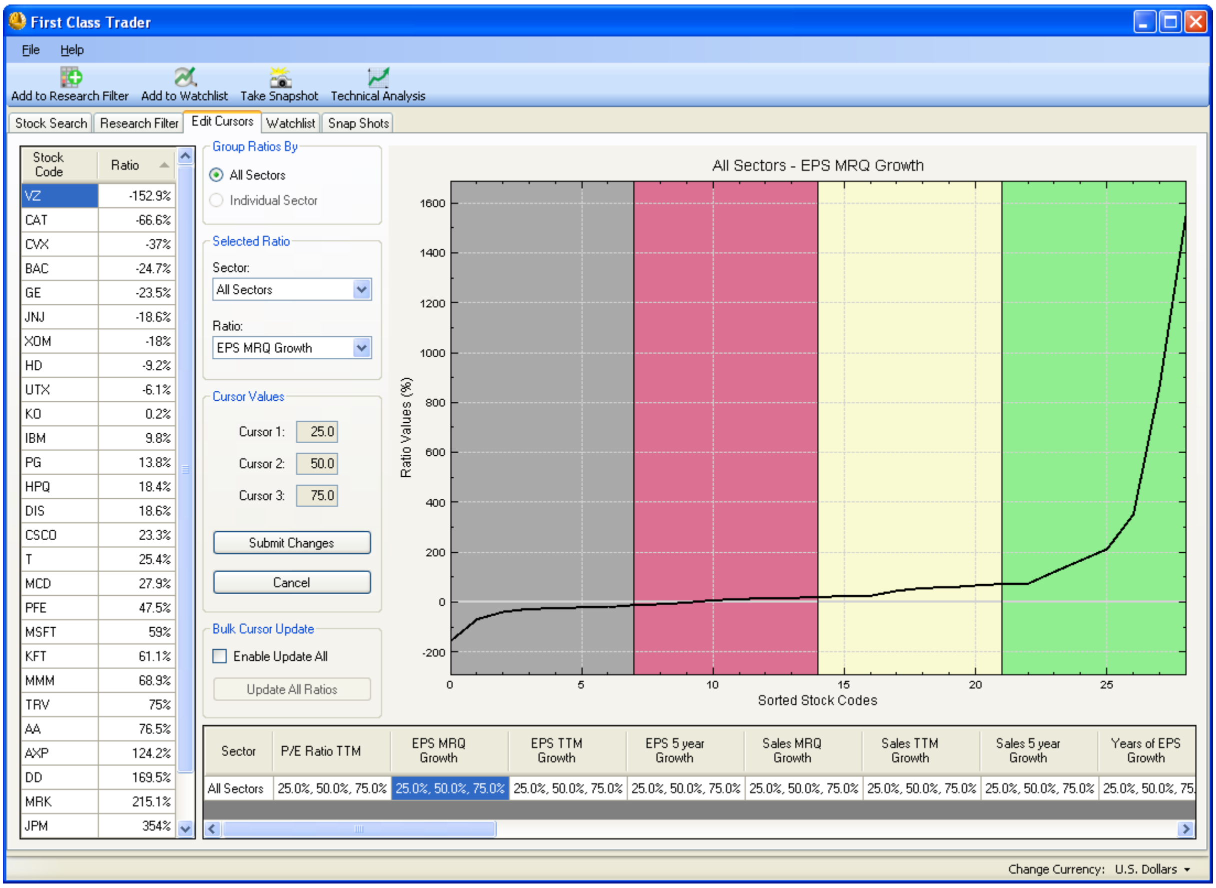


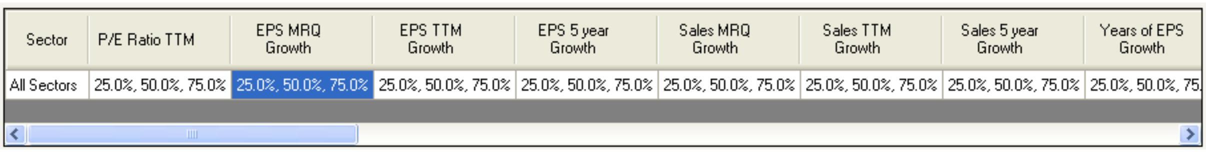
Figure 2-19: Edit Cursors Tab

Note: The middle cursor (red/yellow interface) initially represents the current median (~average). For example, if the Research Filter contains all of the stocks from the Financials sector of the NASDAQ Composite you can easily identify the Financials sector average and therefore the companies performing above average.

2.5.1 Selecting Different Financial Performance Indicators

There are two options for scrolling through each of the performance indicators. You can make selections from the ratio menu shown in Figure 2-20 or alternatively clicking and scrolling through the ratio navigation table shown in Figure 2-21. Each time you change performance indicators (ratios) the graph will change according to your selection.

Figure 2-20: Edit Cursors – Ratio Selection Menu



Sector	P/E Ratio TTM	EPS MRQ Growth	EPS TTM Growth	EPS 5 year Growth	Sales MRQ Growth	Sales TTM Growth	Sales 5 year Growth	Years of EPS Growth
All Sectors	25.0%, 50.0%, 75.0%	25.0%, 50.0%, 75.0%	25.0%, 50.0%, 75.0%	25.0%, 50.0%, 75.0%	25.0%, 50.0%, 75.0%	25.0%, 50.0%, 75.0%	25.0%, 50.0%, 75.0%	25.0%, 50.0%, 75.

Figure 2-21: Edit Cursors – Ratio Navigation Table with Cursor Settings

2.5.2 Changing Cursor Values – Bulk Updates

You can change each performance indicator's cursor settings in one operation using the bulk cursor update option. After selecting the 'Enable Update All' checkbox (Figure 2-22) you can change the cursor settings to new percentile values between 0-100.

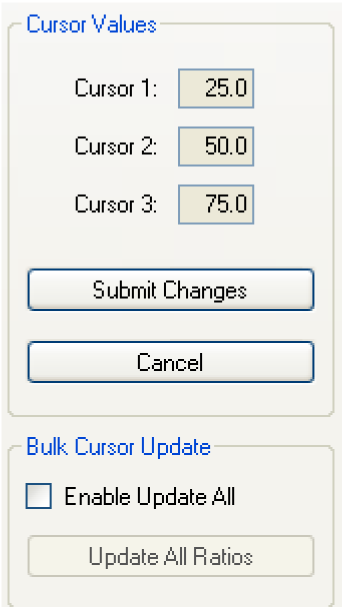


Figure 2-22: Edit Cursor – Bulk Update Options

Depending on your investing style, you could for example:

- Set a more stringent criteria (eg 15%, 50%, 85%)
- Look for companies consistently performing above average (eg 20%, 60%, 80%)

Once you have made the desired changes, clicking the 'Update All Ratios' button will store the new cursor settings. The Research Filter criteria results will be updated when you press the 'Submit Changes' button which will also close the Edit Cursors tab.

2.5.3 Changing Cursor Values – Manual Adjustment

Manual adjustment of the cursor settings is achieved by clicking and dragging the black cursor lines (in between the shaded regions).

> *Tip: Clicking and dragging along the y-axis will adjust the scale. Clicking and dragging the plot area will allow you to reposition the x-axis (y=0).*

An example of changing the y-axis scale of the original curve of Figure 2-19 is shown in Figure 2-23. The middle section of the curve can now be seen more clearly and the points where the graph becomes non-linear are now quite evident. The cursors have dragged across to these locations to further clarify the different sections of the curve.

> *Tip: Manually adjusting the black shaded region (worst performing stocks) to the point where the reported results decreases rapidly (as in Figure 2-23) is an effective way of screening out companies to avoid.*

> *Tip: For growth rates, manually adjusting the green shaded region (best performing stocks) to the point where the reported results increase rapidly (as in Figure 2-23) should be treated carefully as high growth rates aren't usually sustainable over time.*

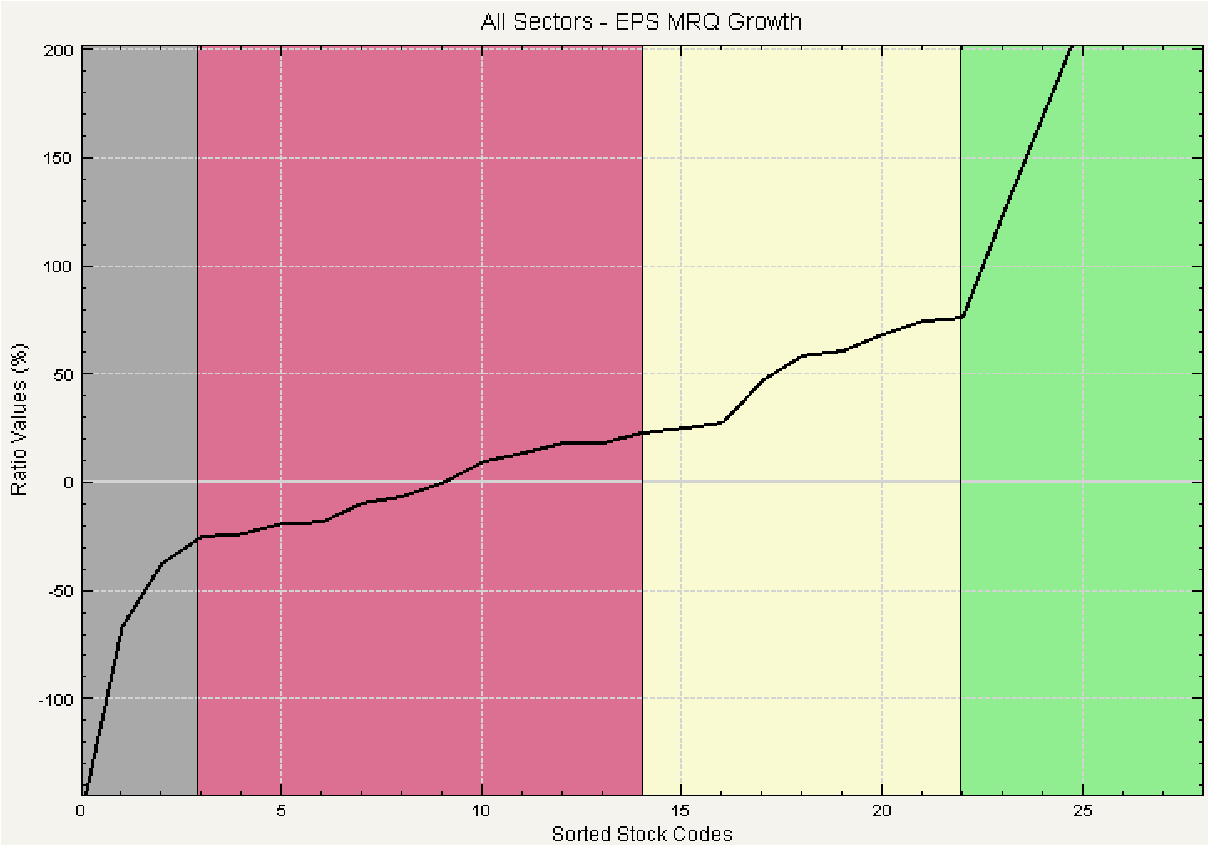


Figure 2-23: Zoomed Version of the Chart in Figure 2-19

<u>Figure 2-23 Note</u>: The input data used in Figure 2-23 was from the Dow Jones 30 Industrials Index. The input stocks are from a range of Sectors as can be seen from the list in Figure 2-8. Without going into detailed statistics, the chart presented in Figure 2-23 isn't a typical growth curve which usually sees the "tail" regions (rapid increase/decrease) located much closer to the 0 and 100 percentile marks. In this case it is probably due to the small input data set of 30 stocks and the correlation between different Sectors. Section 2.5.3.1 will consider a more typical growth rate curve.

2.5.3.1 Manual Adjustment – Example Usage

A typical growth rate curve is shown in Figure 2-24. As can be seen, it is quite noticeable where the "tail" regions are, which represent stocks with reported results that have a large standard deviation. The input data for this case is 160 stocks from the Materials Sector of the NYSE Composite Index.

A zoomed in version is shown in Figure 2-25 which shows the input data is correlated well by the smooth curve. The cursor setting have been adjusted and will be discussed following.

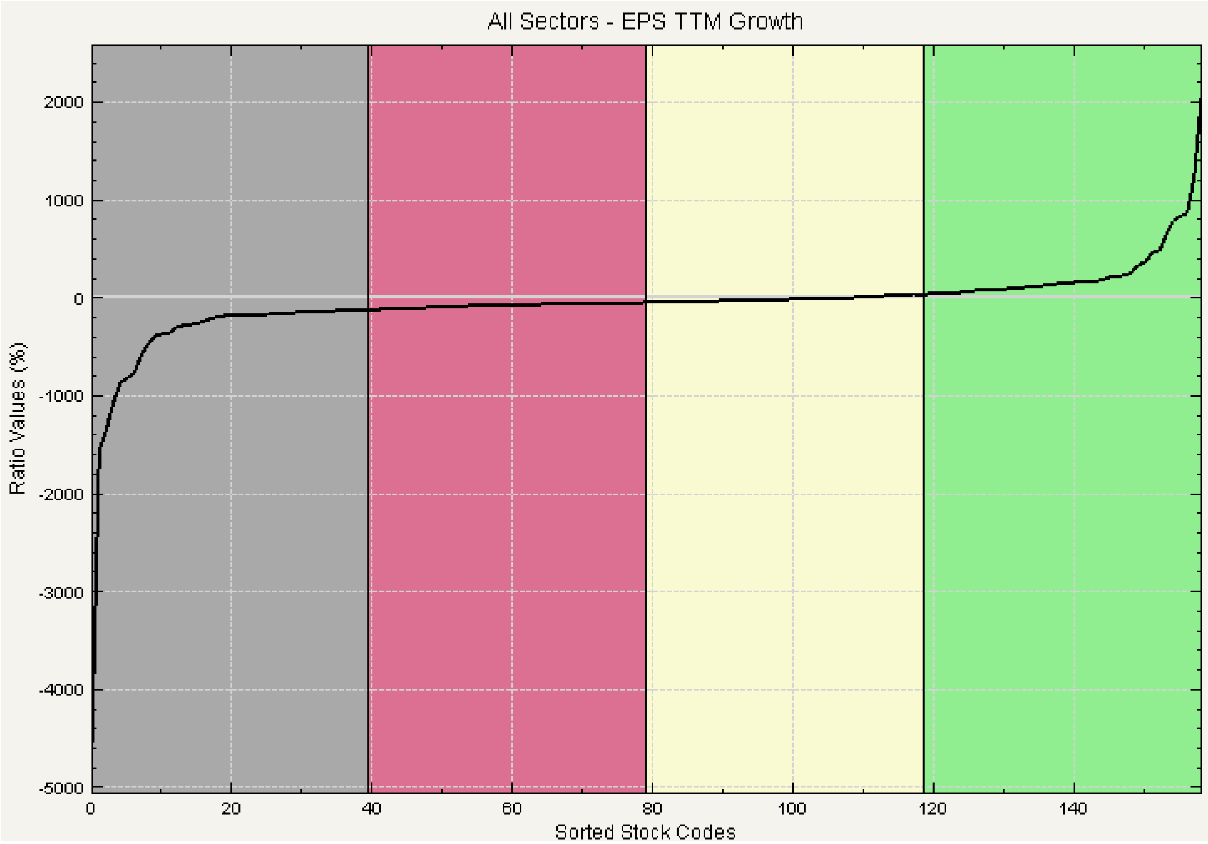


Figure 2-24: Typical Growth Rate (Financial Performance Indicator) Curve

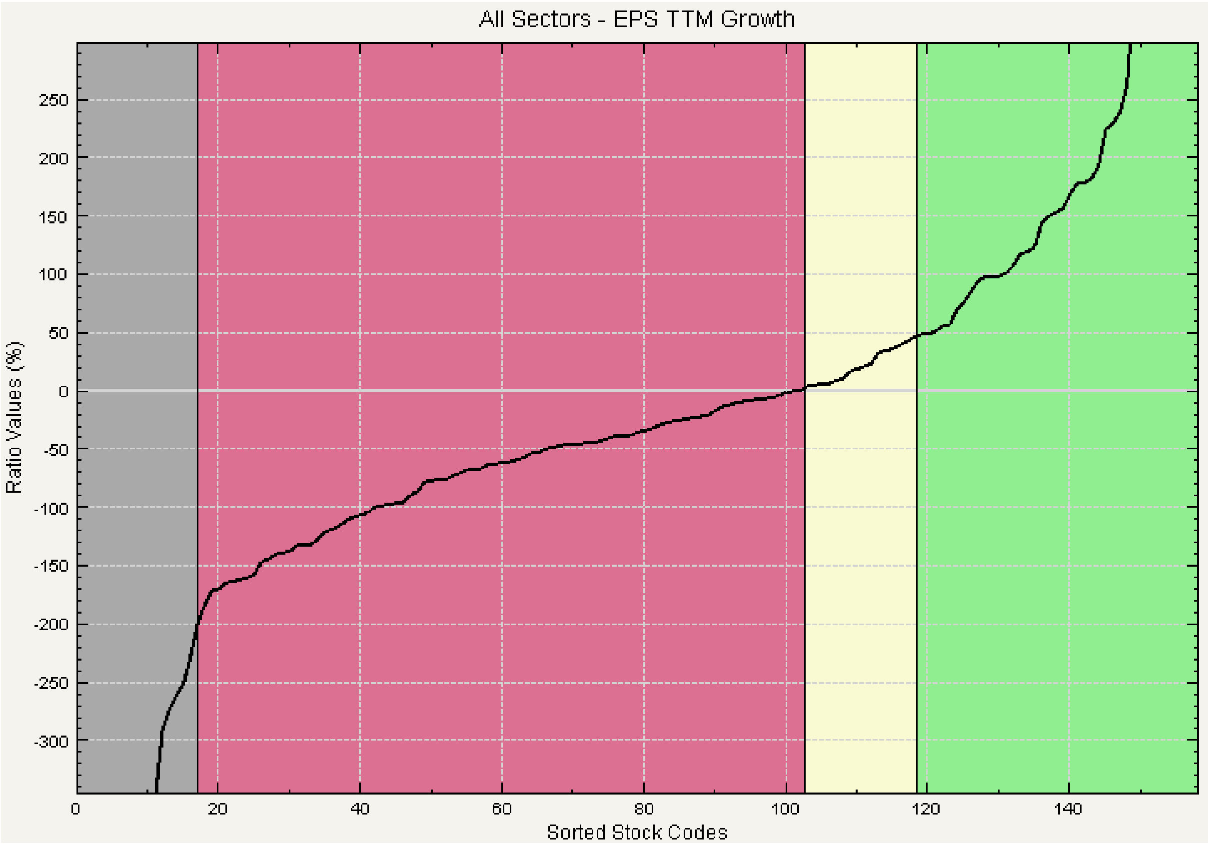


Figure 2-25: Typical Growth Rate (Financial Performance Indicator) Curve – Zoomed

With reference to Figure 2-25 the cursor settings have been shifted for the following reasons (however, these are just suggestions and come down to the individual's investing style):

- Black region has been shifted to the point where financial results deteriorate rapidly. Deciding to stay away from these company's at all costs!
- The red/yellow interface which initially highlights the Sectors average (median for the correct term) in this case was around -35% (nearby stock code 80 out of 160). This growth rate for EPS over the past 12 months is quite low so we have decided to shift the middle cursor along to the 0% cross over location. Any stock with EPS TTM growth above 0% is now regarded as performing above average.
- The green region remains relatively unchanged as companies in this region have recorded growth rates above 50%.

Note: These changes were all made in less than 30 seconds. Each financial performance indicator will have a different distribution profile of financial results. Now you are ready to customise the cursor settings of each performance indicator to help find the best value investment opportunities in companies that are outperforming their competitors.

Note: After manually adjusting the cursor settings you can update the Research Filter analysis rankings by clicking the 'Submit Changes' button, Figure 2-22.

2.6 Update Log

The Update Log is populated if new financial results are available for the companies currently listed in the Research Filter after selecting the ‘Get Latest Info’ button. The Update Log tab will only be shown if updated financial results have been identified. From that point on, each time you load First Class Trader you will see the Update Log tab unless you choose to delete the updated results summary.

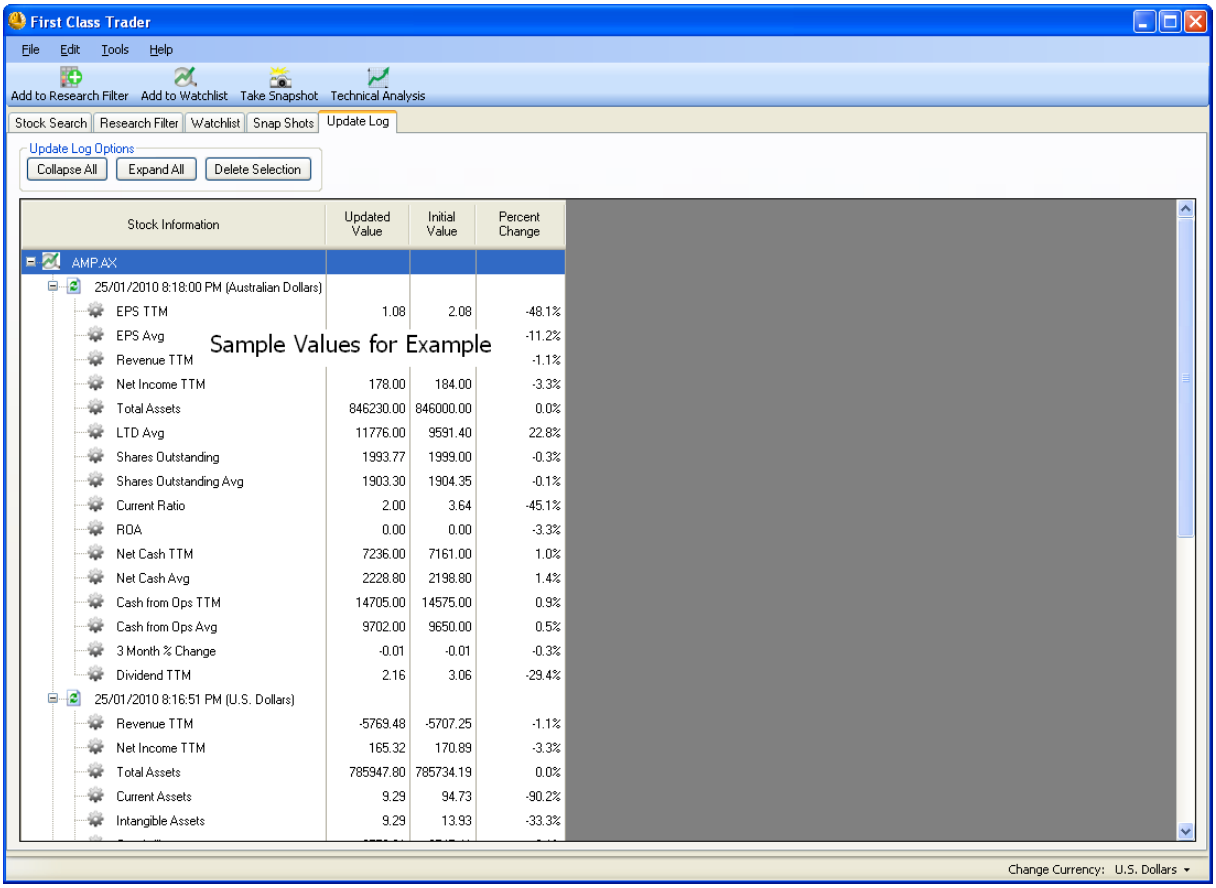
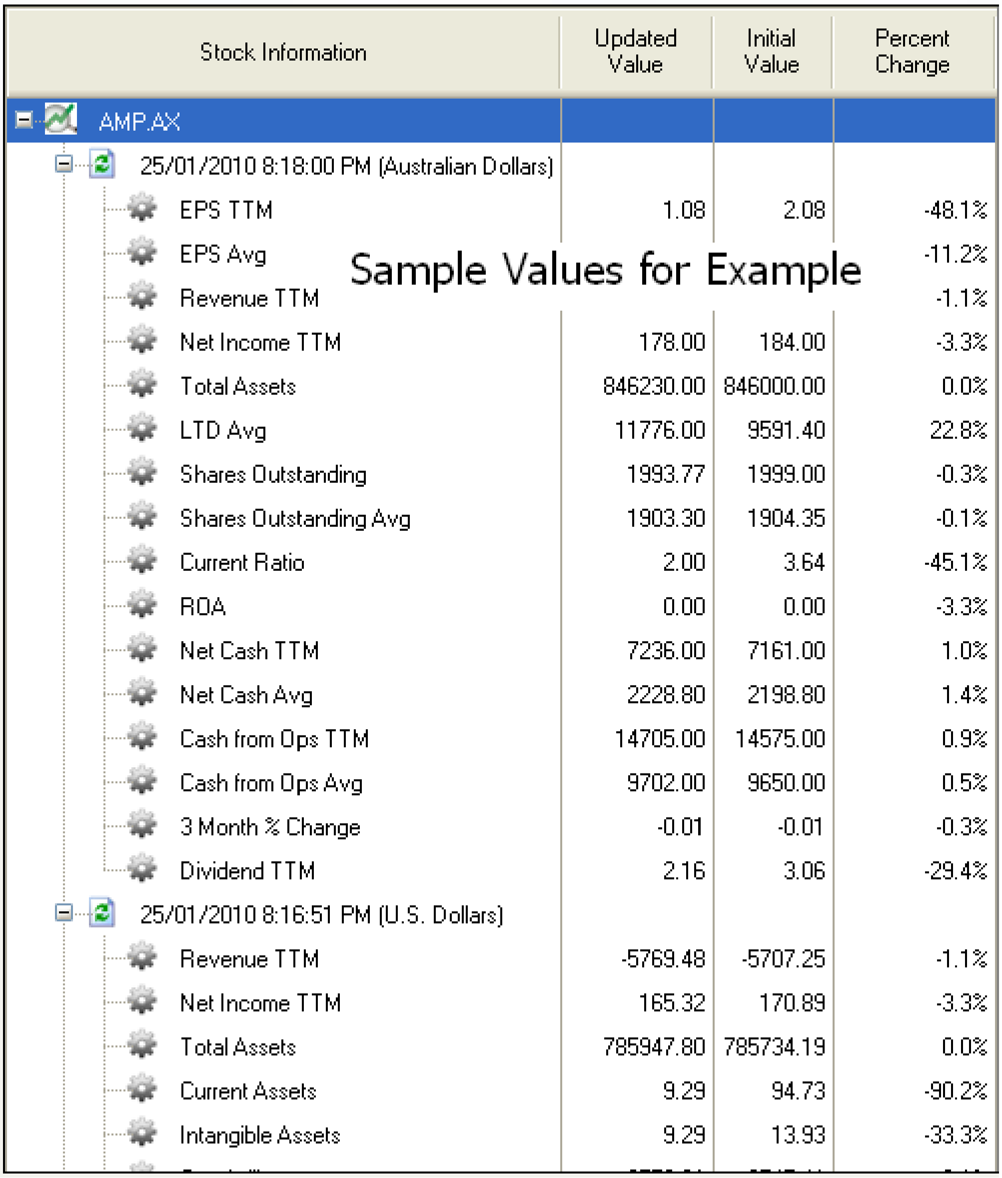


Figure 2-26: Update Log Tab

Zooming in on the updated financial results summary is shown in Figure 2-27. The Update Log data is easy to navigate through using the collapsible elements of the ‘Stock Information’ column. For instance selecting a stock code will expand to a list of dates when financial results were updated. Selecting a date will give you a summary of the financial results that have been updated, referencing their initial values and the percentage change.



Stock Information	Updated Value	Initial Value	Percent Change
AMP.AX			
25/01/2010 8:18:00 PM (Australian Dollars)			
EPS TTM	1.08	2.08	-48.1%
EPS Avg			-11.2%
Revenue TTM			-1.1%
Net Income TTM	178.00	184.00	-3.3%
Total Assets	846230.00	846000.00	0.0%
LTD Avg	11776.00	9591.40	22.8%
Shares Outstanding	1993.77	1999.00	-0.3%
Shares Outstanding Avg	1903.30	1904.35	-0.1%
Current Ratio	2.00	3.64	-45.1%
ROA	0.00	0.00	-3.3%
Net Cash TTM	7236.00	7161.00	1.0%
Net Cash Avg	2228.80	2198.80	1.4%
Cash from Ops TTM	14705.00	14575.00	0.9%
Cash from Ops Avg	9702.00	9650.00	0.5%
3 Month % Change	-0.01	-0.01	-0.3%
Dividend TTM	2.16	3.06	-29.4%
25/01/2010 8:16:51 PM (U.S. Dollars)			
Revenue TTM	-5769.48	-5707.25	-1.1%
Net Income TTM	165.32	170.89	-3.3%
Total Assets	785947.80	785734.19	0.0%
Current Assets	9.29	94.73	-90.2%
Intangible Assets	9.29	13.93	-33.3%

Figure 2-27: Update Log – Change in Financial Results

> *Note: Using the Update Log will provide an excellent recourse for comparing a company's latest financial results against their historical performance. Comparing the changes across interim and annual reported results over time will identify areas of growth and highlight strengths/weaknesses (e.g. continued earnings growth, a rapid increase in debt, etc).*

2.7 Snap Shots

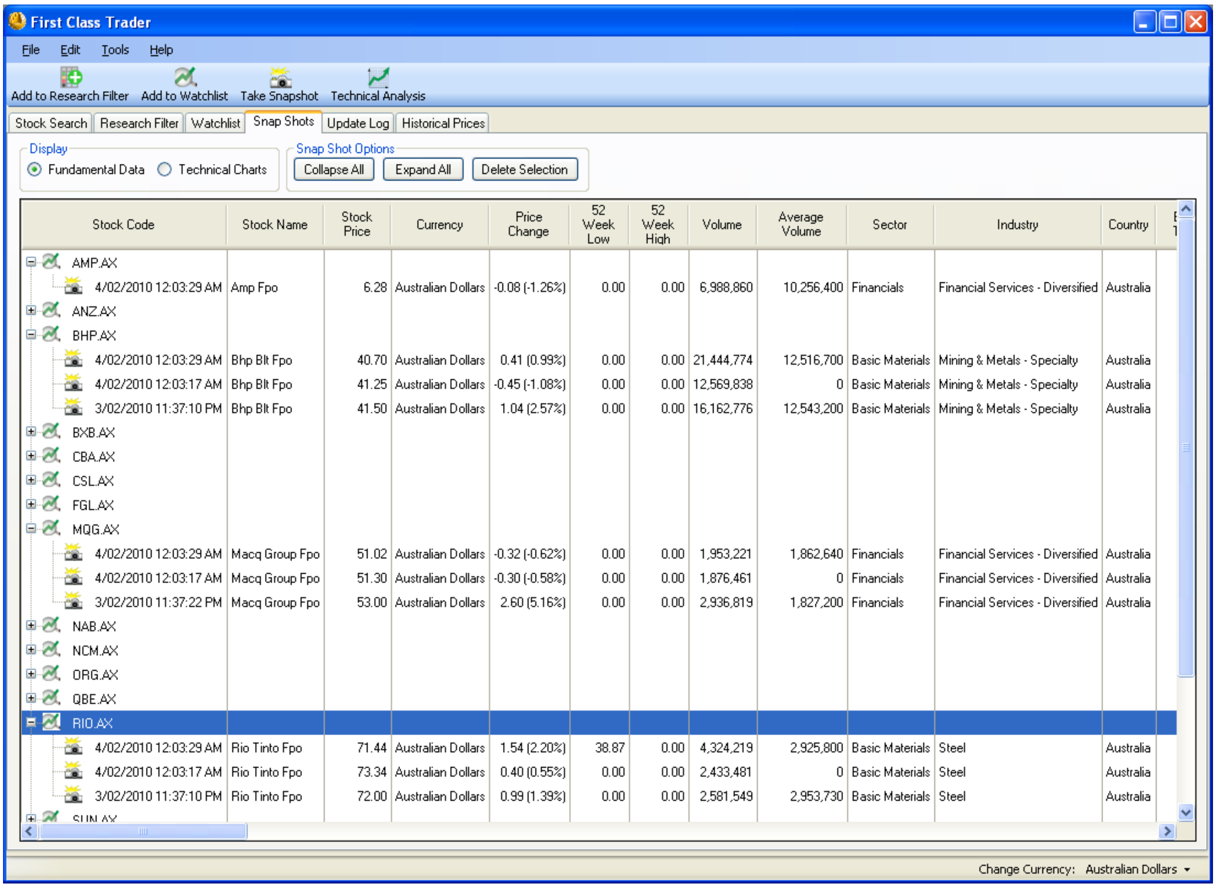


Figure 2-28: Snap Shots Tab

The Snap Shots tab (Figure 2-28) is used to access data that you have captured at a previous date. The two types of data that can be stored are:

- Fundamental Data (Financial Results)
- Technical Charts

The data currently displayed can be changed using the Snap Shot display options, Figure 2-29.

Figure 2-29: Snap Shot Data Display Options

Fundamental Data (Financial Results)

Taking a Snap Shot of a company's financial results can be performed using the Research Filter and Watchlist tabs. Storing a company's financial results over time will allow you to make comparisons with the current results which can help determine if the stock is trading at undervalued or overvalued levels. The Snap Shot tool will also help identify times to sell from a decline in financial results.

Technical Charts

Screen captures of stock price charts plus any technical analysis indicators applied can also be stored. This will become a valuable reference for monitoring the performance of the buy / sell signals used to help improve your investing strategy.

2.7.1 Comparing Snap Shot Data

The Snap Shot tool allows you to compare a company's recent and longer term financial performance. Click on a stock code to see a drop down list of dates when Snap Shot data has been taken, Figure 2-30.

Note: The Snap Shot tool can be used to determine if the change in a company's stock price over time is justified by the change in fundamental results. Taking a Snap Shot when you buy a stock will capture how the market valued that company (stock price) and the key results this valuation was based on; income, balance and cash flow results. Each Snap Shot taken into the future can be referred to these results to see if the change in stock price is reflected in the change in financial results. If the stock price has continued upwards whereas the financial results have deteriorated it may be time to sell. If the stock's financial results have continued to grow it may be time to accrue more shares.

Stock Code	Stock Name	Stock Price	Currency	Price Change	52 Week Low	52 Week High
AMP.AX						
4/02/2010 12:03:29 AM	Amp Fpo	6.28	Australian Dollars	-0.08 (-1.26%)	0.00	0.00
ANZ.AX						
BHP.AX						
4/02/2010 12:03:29 AM	Bhp Blt Fpo	40.70	Australian Dollars	0.41 (0.99%)	0.00	0.00
4/02/2010 12:03:17 AM	Bhp Blt Fpo	41.25	Australian Dollars	-0.45 (-1.08%)	0.00	0.00
3/02/2010 11:37:10 PM	Bhp Blt Fpo	41.50	Australian Dollars	1.04 (2.57%)	0.00	0.00

Figure 2-30: Snap Shot Tool to Compare Reported Financial Results

2.8 Watchlist

The Watchlist is used for monitoring your portfolio or future investments through real time market updates of key intra-day activity such as price and volume changes. Stocks can only be added to a Watchlist from the Research Filter tab.

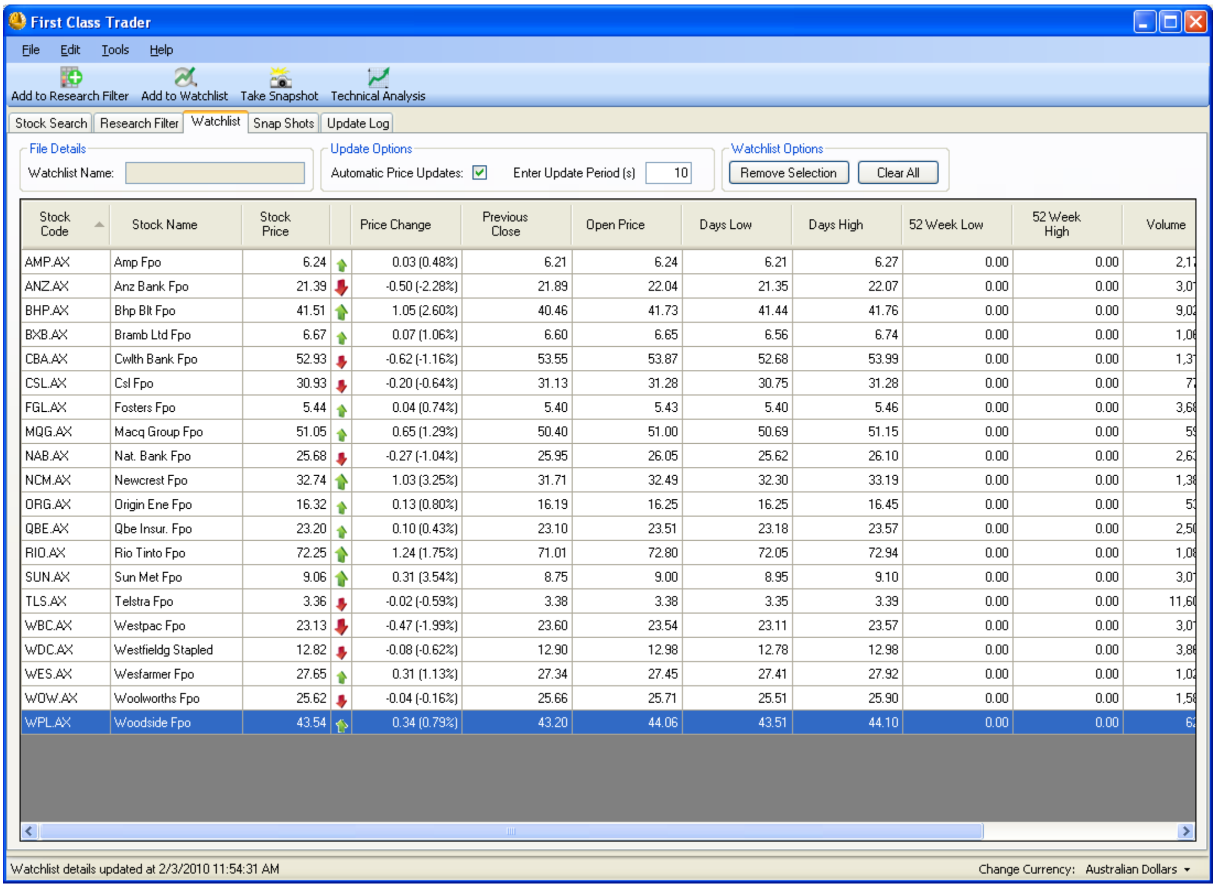


Figure 2-31: Watchlist Tab

2.8.1 Setting Automatic Price Updates

To configure automatic price updates, check the 'Automatic Price Updates' box in the Update Options settings as shown in Figure 2-32. You can also adjust the refresh rate by entering an update interval in seconds.

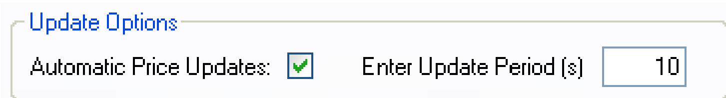


Figure 2-32: Watchlist Price Update Options

Note: Automatic price updates are limited to a Watchlist with 200 stocks or less.

Note: Prices stop updating when you change tabs and restart when you come back.

2.8.2 Summary of Daily Stock Price Movements

The Watchlist is a useful screen to have displayed whilst the market is open. The different sized arrows and colours provide a quick and easy to interpret summary of your portfolio's stock price movements.

Stock Code	Stock Name	Stock Price		Price Change	Previous Close	Open Price
AMP.AX	Amp Fpo	6.24		0.03 (0.48%)	6.21	6.24
ANZ.AX	Anz Bank Fpo	21.39		-0.50 (-2.28%)	21.89	22.04
BHP.AX	Bhp Blt Fpo	41.51		1.05 (2.60%)	40.46	41.73
BXB.AX	Bramb Ltd Fpo	6.67		0.07 (1.06%)	6.60	6.65
CBA.AX	Cwlth Bank Fpo	52.93		-0.62 (-1.16%)	53.55	53.87
CSL.AX	Csl Fpo	30.93		-0.20 (-0.64%)	31.13	31.28
FGL.AX	Fosters Fpo	5.44		0.04 (0.74%)	5.40	5.43
MQG.AX	Macq Group Fpo	51.05		0.65 (1.29%)	50.40	51.00
NAB.AX	Nat. Bank Fpo	25.68		-0.27 (-1.04%)	25.95	26.05
NCM.AX	Newcrest Fpo	32.74		1.03 (3.25%)	31.71	32.49
ORG.AX	Origin Ene Fpo	16.32		0.13 (0.80%)	16.19	16.25
QBE.AX	Qbe Insur. Fpo	23.20		0.10 (0.43%)	23.10	23.51
RIO.AX	Rio Tinto Fpo	72.25		1.24 (1.75%)	71.01	72.80
SUN.AX	Sun Met Fpo	9.06		0.31 (3.54%)	8.75	9.00
TLS.AX	Telstra Fpo	3.36		-0.02 (-0.59%)	3.38	3.38
WBC.AX	Westpac Fpo	23.13		-0.47 (-1.99%)	23.60	23.54
WDC.AX	Westfieldg Stapled	12.82		-0.08 (-0.62%)	12.90	12.98
WES.AX	Wesfarmer Fpo	27.65		0.31 (1.13%)	27.34	27.45
WOW.AX	Woolworths Fpo	25.62		-0.04 (-0.16%)	25.66	25.71
WPL.AX	Woodside Fpo	43.54		0.34 (0.79%)	43.20	44.06

Figure 2-33: Automatic Price Updates with the Watchlist

Table 2-2: Watchlist Price Change Indicators

Displayed Cursor	Stock Price Percentage Change
	< -5%
	-1.5% to -5%
	0% to -1.5%
	0%
	0% to 1.5%
	1.5% to 5%
	> 5%

2.8.3 Saving a Watchlist

To save the current list of stocks in the Watchlist simply click File > Save As or alternatively press Ctrl+S. This will bring up the file manager form, Figure 2-34. Then you can enter the relevant file name and click 'Save'.

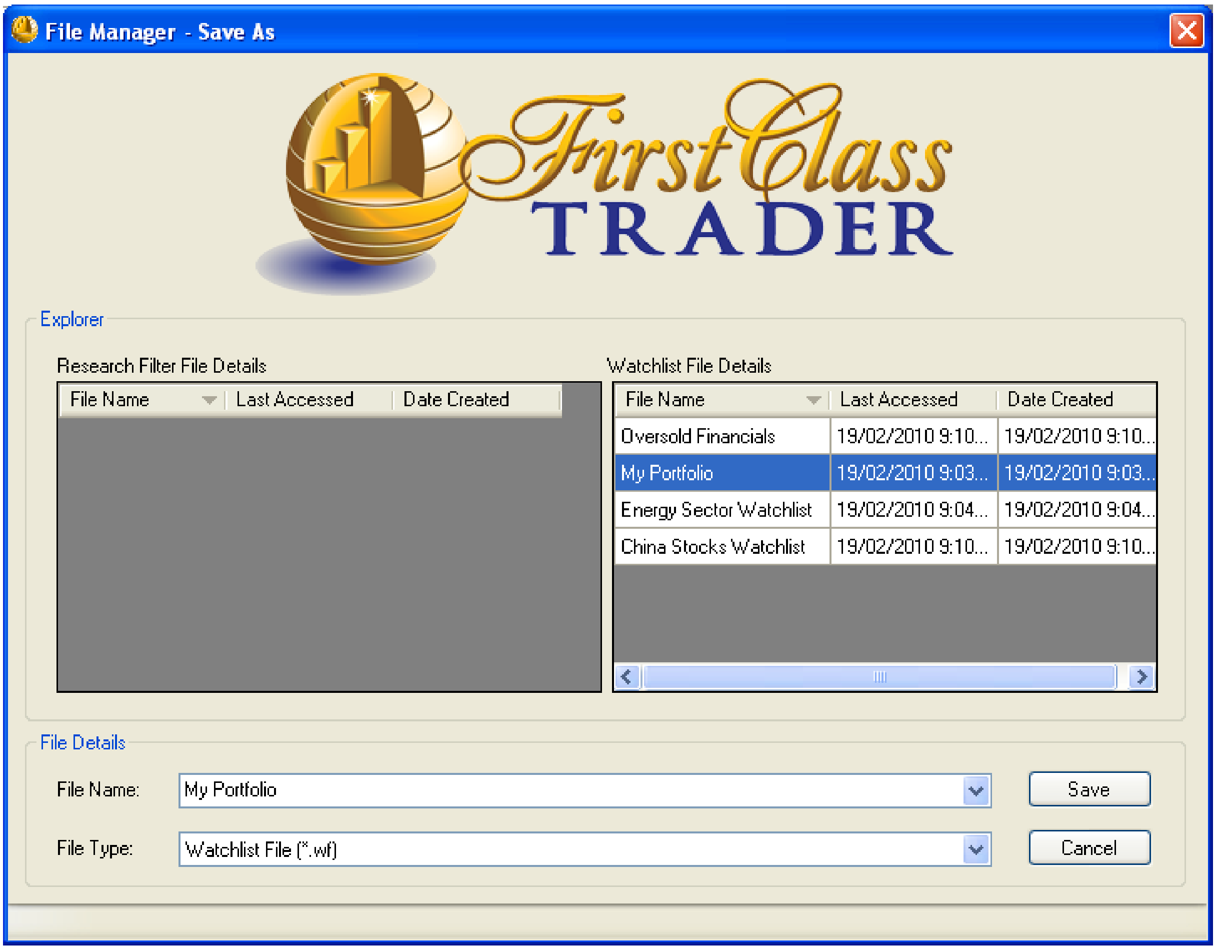


Figure 2-34: File Manager – Saving a Watchlist

2.9 Technical Analysis

The Technical Analysis tab is used to display stock price and volume changes. Results are presented graphically to make comparisons with historical performance and observe the latest trends, Figure 2-35.

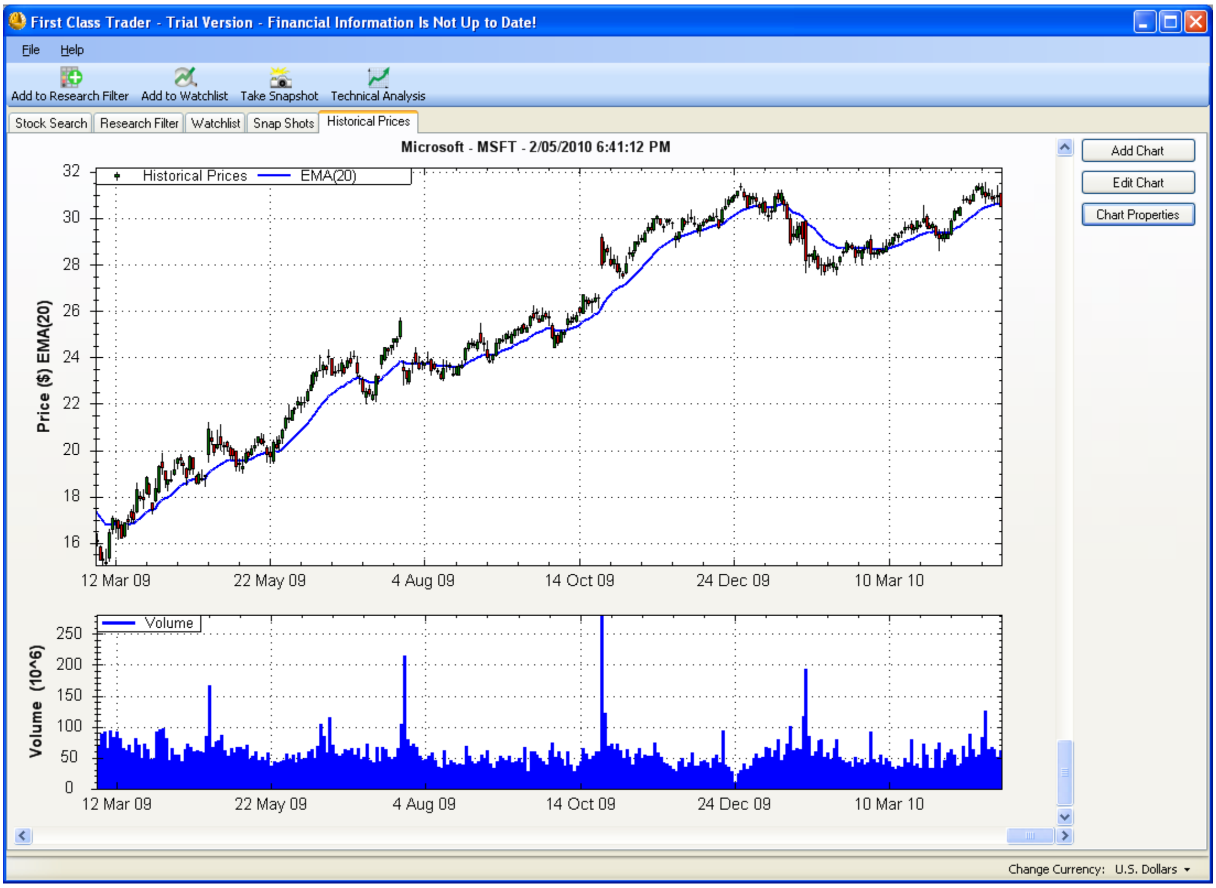


Figure 2-35: Technical Analysis (Historical Stock Prices) Tab

2.9.1 Default Display

The default display is a two chart layout showing price and volume changes. The price changes are summarised as a candlestick chart with a 20 day exponential moving average (EMA) overlayed. The volume changes are presented as a bar chart to determine the significance of stock price trends based on the amount of shares traded.

2.9.1.1 Candlestick Price Chart

The stock price chart is presented as a candlestick plot (Figure 2-36) which contains daily open, close, maximum and minimum prices with different colours to differentiate days of price rises and falls.

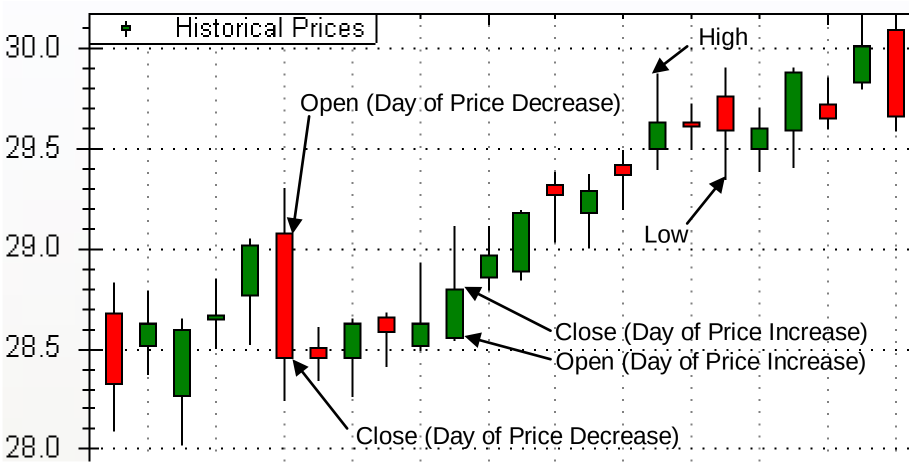


Figure 2-36: Candlestick Price Chart –Daily Open, High, Low and Close Prices

2.9.1.2 Exponential Moving Average (EMA)

Due to the volatility of stock markets, EMAs are used to identify the underlying stock price trends. The default EMA(20) signal takes a period of 20 days of price changes and calculates an average by applying more weight (exponentially) to the latest data. The period length can be varied to highlight shorter term to longer term price trends.

Moving averages are used for:

- Trend confirmations (stock prices trading above or below the EMA)
- Identification of support and resistance (Figure 2-37)
- Generating technical analysis signals

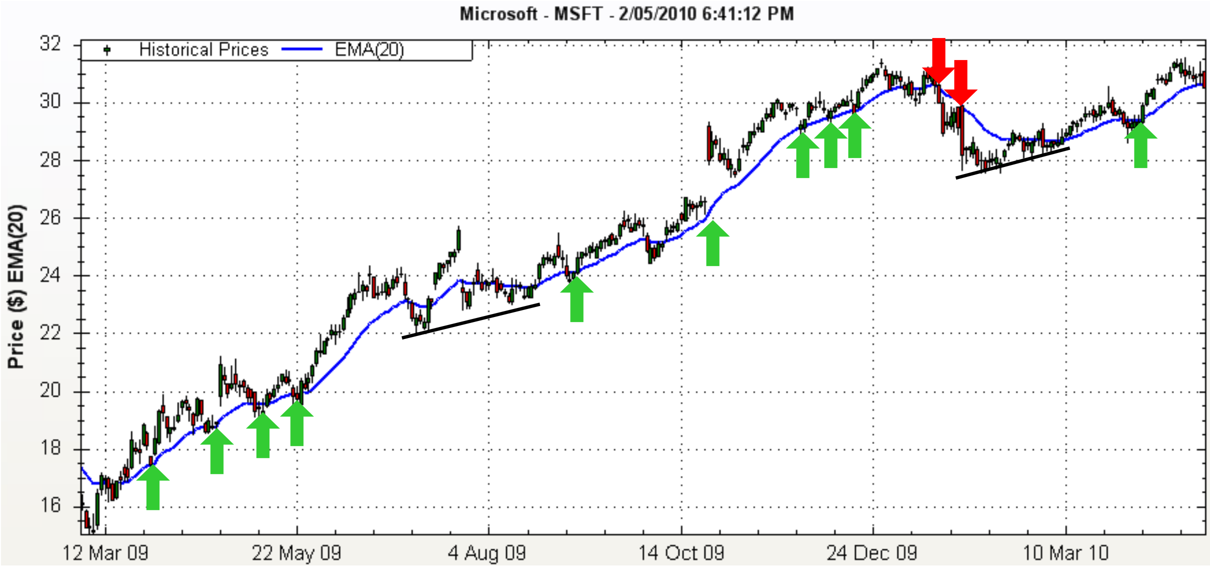


Figure 2-37: EMA to Identify Support and Resistance Levels

2.9.2 Chart Navigation

Navigation through the historical data can be achieved by clicking and dragging a zoom window on the chart layout, Figure 2-38.

Right click on a chart for the following options:

- Show Point Values: *Turns on/off display of price results when hovering mouse*
- Un-Zoom: *Zoom back to the last display settings*
- Undo All Zoom/Pan: *Returns to the initial display*

Figure 2-38: Chart Zoom Options

2.9.3 Adding a Technical Analysis Signal

Adding a Technical Analysis signal is achieved by clicking on the 'Add Chart' button which brings up the menu form shown in Figure 2-39.

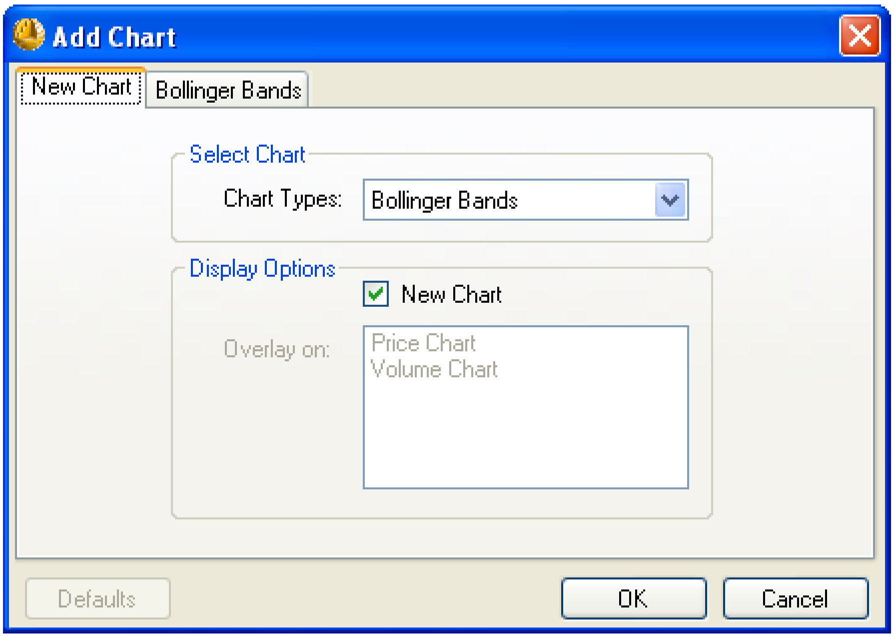


Figure 2-39: Add Chart Form

2.9.3.1 Available Technical Analysis Signals

The available technical analysis signals can be accessed through the 'Select Chart' menu box and have been reproduced below:

- Bollinger Bands (plus Bandwidth and %b)
- EMA (Exponential Moving Average)
- MACD (Moving Average Convergence Divergence)
- OBV (On Balance Volume)
- ROC (Rate of Change)
- RSI (Relative Strength Index)
- SMA (Simple Moving Average)
- STO (Stochastic Oscillator)
- Williams %R

Note: Users can add any number of the above signals with the only limitation being screen size.

2.9.3.2 Technical Analysis Signal Settings

Each of the available technical analysis signals have customisable settings and display options. For example, the Bollinger Band settings are shown in Figure 2-40.

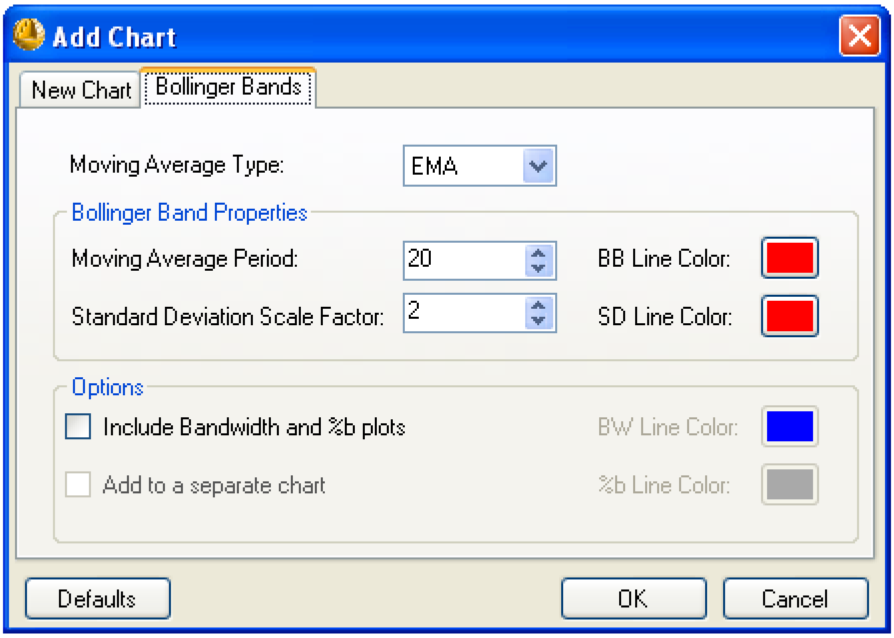


Figure 2-40: Bollinger Band Settings

<u>Note</u>: The number of custom settings available depends on the complexity of the technical analysis signal. To revert back to the commonly used settings for each signal simply click the 'Defaults' button.

2.9.4 Edit Existing Charts

Selecting the 'Edit Chart' button of the main screen (Figure 2-35) will allow you to delete a signal and also vary the display settings such as colour and line thickness.

2.9.5 General Chart Properties

Selecting the 'Chart Properties' button of the main screen (Figure 2-35) allows you to edit the general chart properties. An example of a customised display by altering settings available via the 'Edit Chart' and 'Chart Properties' buttons is shown in Figure 2-42.

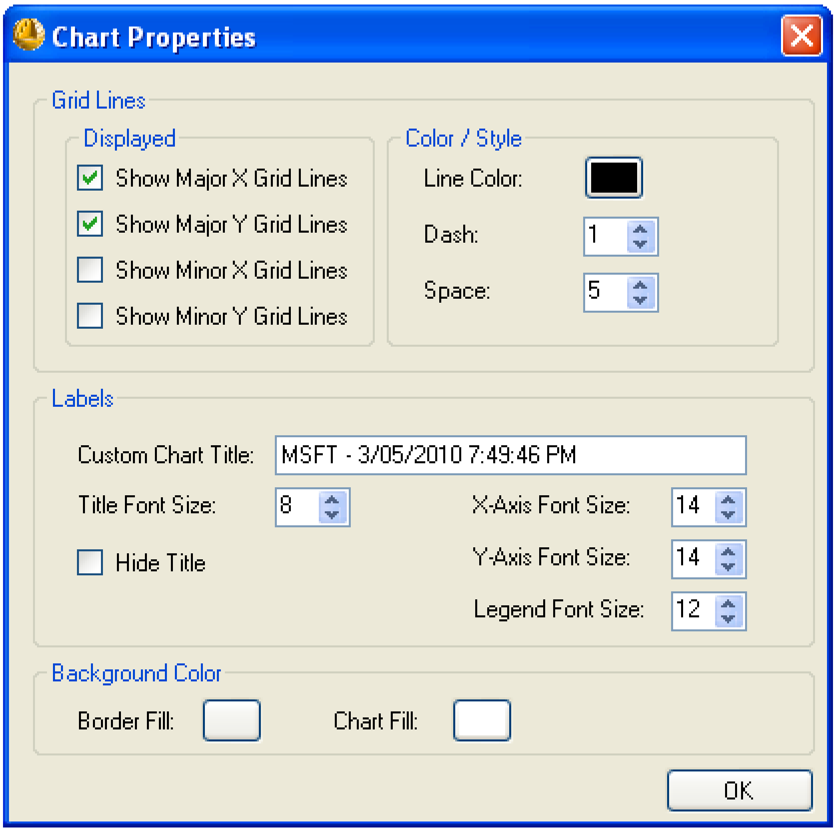


Figure 2-41: Chart Properties Dialog

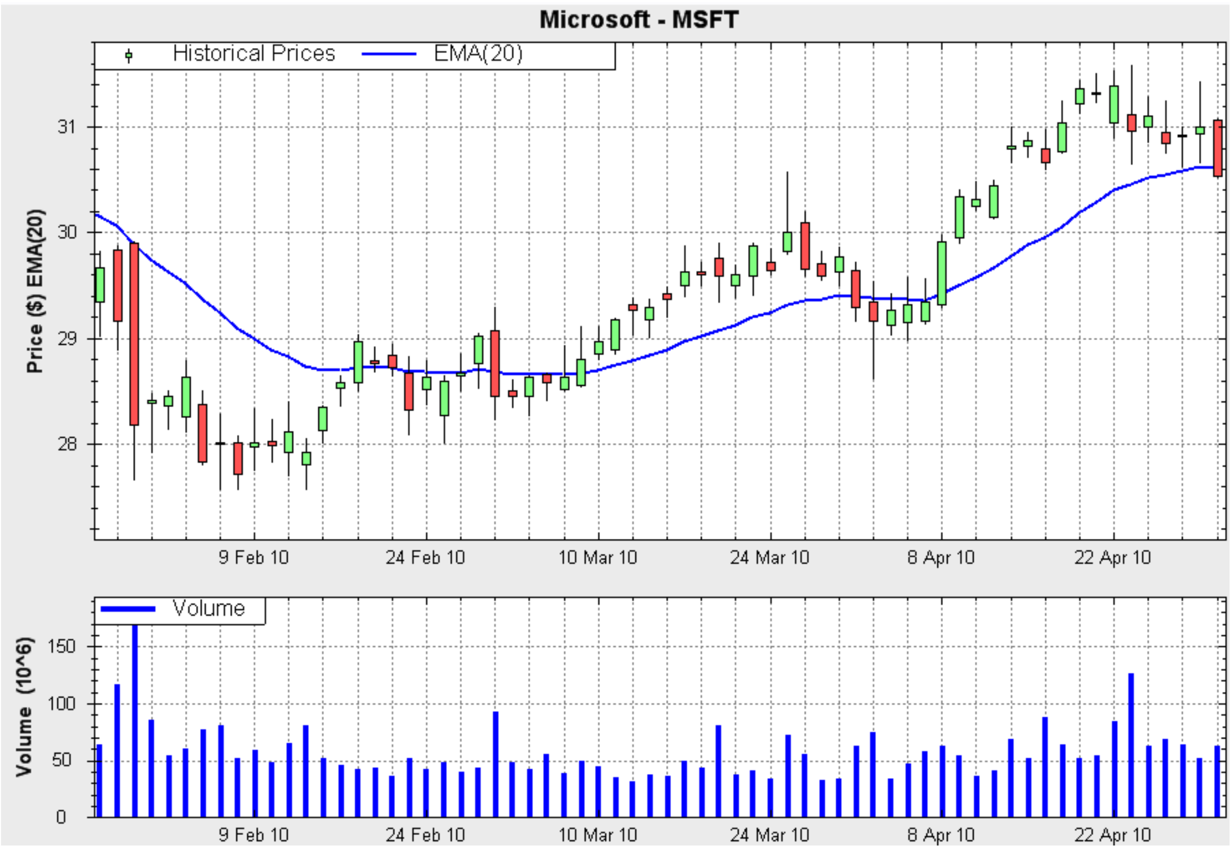


Figure 2-42: Customised Chart Display Example

2.9.6 New to Technical Analysis?

If you are new to the stock investing discipline of Technical Analysis you can practice using the different indicators on historical performance. The following example will look at the Relative Strength Index (RSI) and how it can be used to identify entry/exit points into the market with buy/sell signals.

Note: Technical Analysis signals can be back tested against historical stock price data to get used to the different signals.

2.9.6.1 Relative Strength Index (RSI) Example

The Relative Strength Index (RSI) is a popular momentum indicator used to signal overbought and oversold conditions. This is achieved by determining the strength of a stock's recent higher closing prices to the recent lower closing prices. The RSI indicator is plotted on a scale of 0 to 100 with 0 representing the most oversold conditions and 100 the most overbought.

There are two main methods of determining buy/sell signals using the RSI indicator:

- RSI Crossover Levels
- RSI Divergence

RSI Crossover Levels
Using the RSI to determine overbought and oversold conditions can be achieved when the signal rises or falls below predefined levels. These predefined levels are referred to as crossover levels and typical settings include 70/30 and 80/20. These levels are related to the RSI scale of 0 to 100 and for example with the 80/20 settings, overbought signals are generated when the RSI signal falls below 80 and oversold conditions when rising above 20. Additionally, overbought signifies that a price down-turn may be approaching and conversely a price up-turn after oversold conditions are met.

Using RSI crossover levels for buy/sell signals can be seen graphically in Figure 2-43, for Microsoft (MSFT) during the 6 months from February 2009. As can be seen there are two buy signals generated when crossing over the oversold level of 20. Two sell signals are also generated over the period when crossing the overbought level of 80.

Note: The RSI signal used in the example of Figure 2-43 has a period of 14 (default settings). Using a low period will generate more buy/sell signals however they may not all be accurate. A higher degree of confidence can be achieved basing buy/sell signals off a longer period RSI.

Figure 2-43: RSI 80/20 Crossover Levels Example – MSFT

RSI Divergence

Divergence is where two signals are trending in opposite directions. A divergence with the stock price and RSI signal can indicate that a stock price reversal may soon occur. RSI Divergence is best illustrated in the example shown in Figure 2-44 for IBM during the 8 month period from September 2008.

Around November 2008 the stock price was in a downward trend setting new lows however the RSI signal during that period was setting higher lows causing a divergence. The mid November price break-out confirmed the improving momentum which saw the stock price continue on an upward trend.

The two months from April 2009 saw a steady trend upwards in the stock price however the RSI was setting new lower highs causing a divergence. The stock price reversal came mid June 2009.

<u>Note</u>: Divergences occurring after a cross over into overbought / oversold conditions are much more reliable that when the RSI is at an intermediate level.

Figure 2-44: RSI Divergence Example – IBM

Investing Tip: Look for a confirmation of expected future price trends from one or more indicators before investing.

Appendix A Financial Performance Indicators

The full list of financial performance indicators used in First Class Trader's Research Filter stock selection process are listed in the categories below.

- Income Sheet Assessment
- Balance Sheet Assessment
    - Debt Ratios
- Cash Flow Assessment
- Efficiency & Profitability
- Institutional Holdings
- Dividends

A-1.1 Income Sheet Assessment

Table A– 1: Income Sheet Assessment – Performance Indicators

Ratio / Growth Rate	Desirable Value	Summary
Number of Years of EPS Growth (Out of the last 5 years)	Maximum of 4	The number of years the Earnings per Share (EPS) have increased out of the last five years
Number of Years of negative EPS Results (Out of the last 5 years)	Minimum of 0	The number of years of negative EPS results out of the last five years
Number of Years of Revenue Growth (Out of the last 5 years)	Maximum of 4	The number of years the Revenue (Sales) have increased out of the last five years
P/E Ratio (TTM)	Low	Price to Earnings ratio over the Trailing Twelve Months (TTM).
P/S Ratio (TTM)	Low	Price to Sales ratio. Compares company performance in the same Industry or Sector
EPS (MRQ) vs. Same Quarter 1 Year Ago	Positive and > Market Average	The EPS growth of the Most Recent Quarter (MRQ) results compared to the same quarter one year ago
EPS (TTM) vs. TTM 1 Year Ago	Positive and > Market Average	The EPS growth of the TTM results compared to the TTM one year ago
EPS 5 Year Growth	Positive and > Market Average	The EPS five year growth rate
Sales (MRQ) vs. Same Quarter 1 Year Ago	Positive and > Market Average	The Sales growth of the MRQ results compared to the same quarter one year ago
Sales (TTM) vs. TTM 1 Year Ago	Positive and > Market Average	The Sales growth of the TTM results compared to the TTM one year ago
Sales 5 Year Growth	Positive and > Market Average	The Sales five year growth rate

A-1.2 Balance Sheet Assessment

Table A– 2: Balance Sheet Assessment – Performance Indicators

Ratio / Growth Rate	Desirable Value	Summary
Current Ratio	High	Current Ratio = Current Assets / Current Liabilities. Measures the ability to meet short term debt obligations.
Price / Book Value	Low	Book Value is an estimation of a company's worth on paper. Price / Book Value is used to estimate if a stock is undervalued or overpriced.
Price / Tangible Book Value	Low	Tangible Book Value is a company's Book Value minus Intangible Assets and Goodwill. It is a closer representation of what would be received if a company were to go bankrupt.
Price / Working Capital	Low	Working Capital = Current Assets - Current Liabilities.

A-1.3 Cash Flow Assessment

Table A– 3: Cash Flow Assessment – Performance Indicators

Ratio / Growth Rate	Desirable Value	Summary
FCF / Market Capitalization	High	FCF = Free Cash Flow which equals the operations cash flow minus capital expenditure. Market Capitalization is the Stock Price multiplied by the number of shares outstanding. FCF to Market Capitalization is also known as FCF Yield.
FCF / Book Value	High	Free Cash Flow to Book Value
FCF / Long Term Debt	High	Free Cash Flow to Long Term Debt (LTD)

A-1.4 Efficiency & Profitability

Table A– 4: Efficiency & Profitability – Performance Indicators

Ratio / Growth Rate	Desirable Value	Summary
ROA	Positive and > Market Average	Return on Assets (ROA) = Net Income / Total Assets
ROA (5 Year Growth Rate)	Positive and > Market Average	ROA growth rate over the past five years
ROE	Positive and > Market Average	Return on Equity (ROE) = Net Income / Shareholder's Equity
ROE (5 Year Growth Rate)	Positive and > Market Average	ROE growth rate over the past five years

A-1.5 Institutional Holdings

Table A– 5: Institutional Holdings – Performance Indicators

Ratio / Growth Rate	Summary
% Owned by Institutions	The percentage of shares owned by Institutions (large funds etc)
3 Month % Change in Institutional Holdings	The three month percentage change by Institutions

A-1.6 Debt Ratios

Table A– 6: Debt Ratios – Performance Indicators

Ratio / Growth Rate	Desirable Value	Summary
Long Term Debt / Equity	Low	Long Term Debt (LTD) to Shareholder's Equity is a measure of how much debt a company has used in expanding operations
Long Term Debt / Working Capital	Low	Long Term Debt to Working Capital measures how leveraged a company is in terms of its Current Assets minus Current Liabilities
Capitalization Ratio	Low to Market average	Capitalization Ratio = LTD / (LTD + Shareholder's Equity). Indicates long term viability in regards to withstanding losses and economic downturns

A-1.7 Dividends

Table A– 7: Dividends –Performance Indicators

Ratio / Growth Rate	Desirable Value	Summary
Dividend Yield	High	Dividend Yield = Dividend per Share / Price per Share. Measures how much cash flow you will receive for the invested share price
Dividend Yield (5 Year Growth Rate)	Positive	Dividend Yield growth rate over the past five years.
Payout Ratio	Depends	Payout Ratio = Dividends per Share / Earnings per Share. Shows how companies are distributing their earnings