TOOLKIT 6

Version 6.4.9
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Developed by

ICLUBcentral

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"Any normal person using the customary three percent of his brain can pick stocks just as well, if not better, than the average Wall Street expert."

— Peter Lynch, ***One Up on Wall Street***

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INTRODUCTION

Overview of *Toolkit 6*

ICLUBcentral provides individual investors with tools, data, and insight to help them successfully invest in the stock market. Among other things, the company is a leading provider of software to help individual investors manage their stock portfolios and investment clubs. More than 150,000 investors have used ICLUBcentral's software to help them to analyze long-term investing candidates, a larger installed base than any other investing software company in this market. In addition, more investment clubs use ICLUBcentral's software for club recordkeeping management and tax preparation than any other product.

This current version of Toolkit is the result of more than 20 years of experience as the best-selling fundamental investing software available in the U.S., as well as the result of listening and responding to the requests and desires of thousands of satisfied users. We believe that it will make investing in common stocks the ICLUBcentral way a simpler and more pleasant activity for you, as well as a much more profitable one.

What's New in *Toolkit 6*?

Version six of Toolkit is the result of years of user experience with five previous versions, and its enhancements have been distilled from the consolidated input from our users who told us what else they wanted. The program has been modified in order to take advantage of improvements in technology that would permit us to make life easier and better for our users. Because the Internet and the World Wide

Web are now so closely integrated into ***Toolkit 6***, an Internet connection is required for its use.

General Enhancements

Toolkit 6 includes, among others, the following enhancements.

Once again, an updated "**look and feel**" retains the comfortable familiarity that goes with the older version, but substantially increases "user friendliness" and ease of use.

First Impression: When you first import a new company or open a saved company with an incomplete judgment you are presented with the new **First Impression** window. This window is similar to the one found in ICLUB's popular Take Stock program (though the results will be slightly different in most cases), and provides a general assessment of the stock. Important data such as Price, Buy Price, Quality Rating, and Mood Indicator allow you to quickly determine if the stock is worth further investigation. If the **First Impression** is not favorable, the stock is not likely to be a good investment. Of course, as with all first impressions you may have about a stock, the **First Impression** is a simplified view, showing only part of the big picture. If you have reason to believe a stock is worth further investigation despite the **First Impression**, do not hesitate to continue—you may prove to be correct! (Note: this feature requires a StockCentral.com subscription, available separately.)

New Graph Items: There are now six additional metrics that you can choose to graph on the front page of your **Stock Study**! By opening the Visual Analysis screen you will see a legend at the top with six new values next to a check box. Placing a check in the box will display that value on the graph. The new values are: **Shares Outstanding**, **Dividends**, **Book Value**, **Net Income**, **Free Cash Flow/Share**, and **Long Term Debt.**

"Rogue Keys": In previous versions of Toolkit there are a number of advanced options that were not displayed and were activated by special key sequences (i.e., Alt +R). Many of these advanced options, collectively known as "Rogue Keys" are no longer hidden, and can now be seen as additional options on the relevant pages. Some have even been enabled by default, like showing section 2c, Debt/Equity, on the back page of the **Stock Study**.

StockCentral Interaction: ***Toolkit 6*** has further integrated web technologies to enable users to do more than just download data files from **StockCentral.com**. Investors can now upload a completed **Stock Study** for peer review as well as joining the community of fundamental investors in the message forums—without ever leaving Toolkit!

Access to the Roster of Quality Companies: For years the Roster of Quality Companies has been a favorite of ICLUBcentral users and other fundamental investors. With the Roster in hand you have a pre-screened list of companies that meet minimum quality requirements. These stocks are ranked by their quality, letting you know at a glance which companies are best suited for further analysis. In ***Toolkit 6***, for all StockCentral subscribers, all of the companies in the most recent Roster of Quality will be listed in the library as a portfolio. This portfolio will be locked, and will be updated automatically once a week.

Automatic notification for updated company data: Earlier versions of Toolkit alerted you on the Home Page when your company data was out of date. ***Toolkit 6*** takes this a step farther by checking your data against the latest data online with a "Smart Data Updater", displaying a message when you start the program if there is newer data available, allowing you to download it immediately.

Automatic import of Toolkit 5 data: When ***Toolkit 6*** is installed it will automatically import your database from Toolkit 5, if you have it installed in the default location on the same machine.

Future Fiscal Year Analysts EPS Estimates: Another feature highly requested by Toolkit users is the addition of Analyst Estimates to the historical graph of revenues and earnings. This feature has been added to the Visual Analysis screen of the **Stock Study**. Clicking on the button EPS Estimates will bring up a window where you can enter analysts' earnings estimates for future fiscal years, and then view them on the graph. In this way you can compare your EPS projection to the near-term projections of Wall Street's analysts.

Print Portfolio Overview: It is now possible to print the Portfolio Overview screen, in addition to the portfolio reports.

Revised error handling: In the event of an error, ***Toolkit 6*** has improved error reporting capabilities.

Navigation throughout the program has become even easier with a more "Web-like" interface that makes access to the tasks much more intuitive.

Data access has never been easier. Entering a ticker symbol or name automatically opens an **Stock Study** for virtually any company for which data is available. Users must be subscribed to ICLUBcentral's **StockCentral.com** to use this service.

Automatic program updating: Lets you know when a new version is available and installs it right away with your permission.

About This Manual: A Road Map

Organization of this Manual

This manual needs to serve two purposes. Of course, it is primarily an instruction manual written to helpfully guide you through the steps that you must take to get the most out of ***Toolkit 6***. Secondly, if you're new to Toolkit or to investing, we have to provide you with enough information about the investment methodology so that you can make sense out of what Toolkit is supposed to do for you. The trick is to satisfy both needs without imposing on you. Step-by-step instructions, buried in text, are difficult to find and to follow. Our solution has been to break up the manual into two sections: "**What you do and why you do it,**" followed by "**How you do it**."

These sections will cover the same ground but from different perspectives. Those who are just interested in finding out what buttons to push to accomplish a certain objective can go right to the "**How to**" section. Those who want some background information about each of the things that need doing can consult "**What and Why**."

Conventions Used in This Manual and in the Program

Selecting

Buttons and **Screen Names** appear in bold type.

Clicking

Click: Tells you to click the left button on the mouse to select a command or function.

Double-click: Tells you to click your left button twice, rapidly, on the selection.

Right-click: Tells you to click using the right mouse button.

Buttons, Keys, Screens, Windows, and Sections of the Manual

Button names are enclosed in quotes and are in bold type—for example, click on the "**Ok**" button.

Keyboard keys are enclosed in brackets as well as being in bold type—for example, Press the **[Enter]** key.

Windows or screens are referred to using bold type—for example, "Open the **Company** window and access the **Data** screen."

References to a section of this manual, the name of a form or a section of a particular form are written in bold type—for example, Review the **About Investing** section of the manual, or **Stock Study.**

Navigating

Navigate between entry boxes using the cursor, pressing the **[Tab]** key or pressing **[Enter]**. To move back, press **[Shift] + [Tab]** to move from right to left, bottom to top.

About Investing

About Investing is for the newcomer to fundamental investing. Starting with the few, basic terms you need to know, it explains long-term investing and why it is successful. It then explains the basic principles, identifies what good quality growth stocks are, and how to find them, and talks about where to get the data you need to analyze them.

If you are already familiar with Toolkit and the investment philosophy used in the program, you may wish to skip this section and go directly to the **How to** section. If you are new to ***Toolkit 6***'s method of investing, however, we recommend that you read and digest the information in that section to provide you with sufficient background to make the most of your experience with the program.

Organization of *Toolkit 6*

Toolkit 6 is comprised of eight forms for stock analysis: the **Stock Study** and **Stock Comparison**, **Stock Management Guide, Portfolio Review**, **Quarterly Trend Analysis** (with graphs), **Annual P/E Analysis** and the **Challenge.** New to ***Toolkit 6*** is the **First Impression** screen. Toolkit is conveniently oriented around **Companies** and **Portfolios**.

The Company

A **company** is the primary unit we study. You may view a company using the **SSG** button on the Main Toolbar. The primary **Stock Study** form is titled **Stock Study**. Clicking the “**SSG**” button on the Toolbar begins the process of acquiring or manually entering data for a **Stock**

Study. You can have as many as nine companies open at the same time. You can update a **Stock Study** by opening a company currently in your **Stock Library**, or you can begin a new study by manually entering data or by importing it electronically.

Once you have completed your stock studies on a number of stocks with the **Stock Study**, you may use the **Comparison** to compare the quality and potential return of as many as five of these companies. To begin the comparison, click the "**Comparison**" button on the Toolbar.

The Portfolio

A portfolio is a collection of companies. You may create and manage as many portfolios as you wish and use these portfolios to select just those companies you wish to work with as you go about your investment activity.

Toolkit 6 also includes portfolio management tools and reports that allow you to track, update and print out details of individual portfolios, or your entire stock library. See the **Tools for Portfolio Management** below for more on this.

The Stock Library

The **Stock Library** is the collection of companies for which you have saved data—whether or not they have been evaluated or assigned to portfolios. A click on the "**Library**" tab near the top left-hand corner of the Toolkit window gives you instant access to your **Stock Library**, its companies and portfolios whenever you need it.

Using *Toolkit 6*

The manual follows the normal pattern of investing activities, with emphasis on **Acquisition**—analyzing and evaluating stocks to determine if they are good companies and whether their stock is a good value, and then comparing them to see which of several would be the best investment. It goes through each of the tools, step-by-step, discussing each of the opportunities for judgment and some of the conclusions that you might draw from what you see.

The **What and Why** sections for each step give you detailed, simple guidelines for making your investment decisions as you use the program. You will find that it is not difficult to learn the elegantly simple ideas behind Toolkit's investment tools—and the steps required to use their computerized version. The basic principles are neither elaborate nor difficult to understand, and they are certainly successful.

Tools for Acquiring Companies

Stock Study

The **Stock Study** is the primary tool for analyzing, evaluating, and acquiring good stocks.

With Toolkit, you may enter data about the company you intend to study, either manually or electronically. Once entered, this data is distributed through the **Stock Study** (and other ***Toolkit 6*** forms) and plotted on a graph representing up to ten years of history.

The form provides you with the necessary visual evidence and calculations required, to assess the company's history and predict its future with some degree of confidence. You can challenge the relevance of the data and omit that which is not useful in forecasting future trends. The **Stock Study** also helps you evaluate management's ability to sustain the company's profitability.

With information that the program gives you, you can estimate with remarkable success the future price range into which the stock will probably fall, judge the measure of risk and reward that you are likely to encounter, and estimate the potential return on your prospective investment.

Stock Study

Company	Affiliated Computer	Price Date	06/12/09
Study by	ICLUB	Data Date	06/05/09
Sector	Technology	Data Source	StkCntrl
Industry	Information Technology Serv	Reference	Morningstr
Preferred($M)	0.0		
Common(M Shares)	98.0	% Insiders	2.4
Debt($M)	2,339.8	% Institutions	98.1
% to Tot.Cap.	50.1	Quality	1.1 (Take Stock)

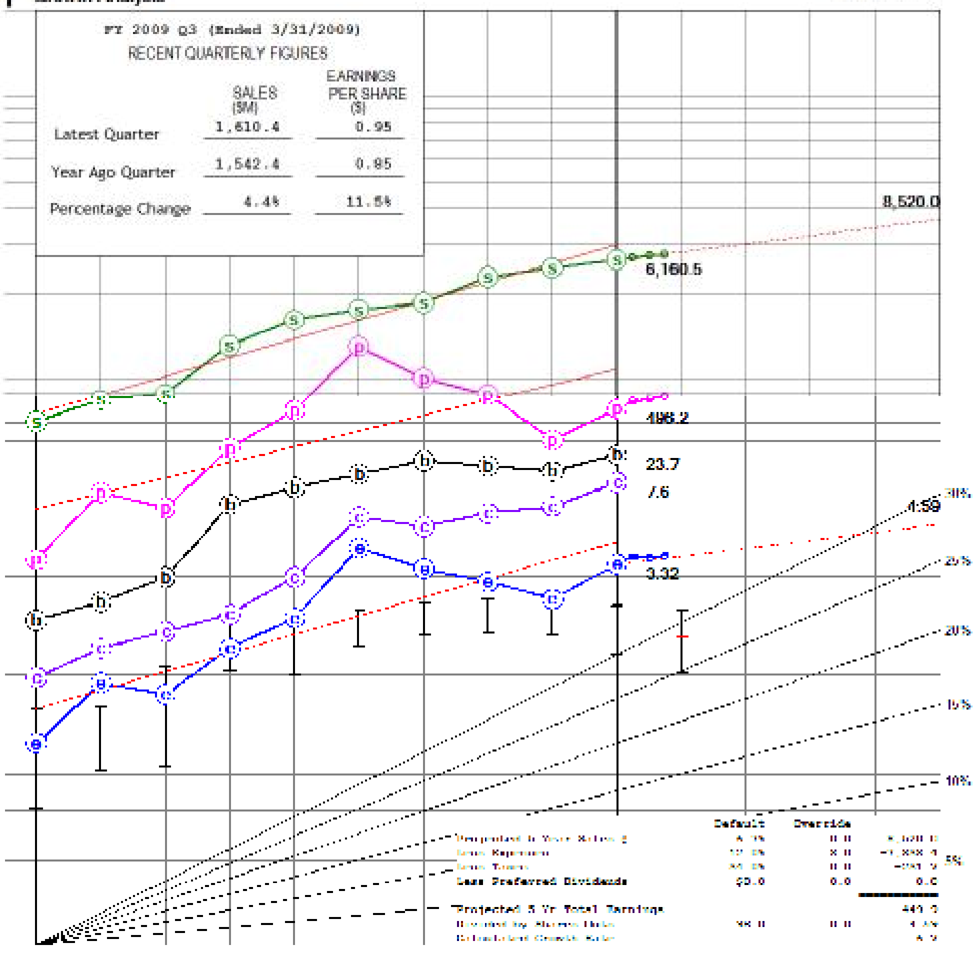
1 Growth Analysis

NYSE: ACS

FY 2009 Q3 (Ended 3/31/2009)

RECENT QUARTERLY FIGURES

	SALES ($M)	EARNINGS PER SHARE ($)
Latest Quarter	1,610.4	0.95
Year Ago Quarter	1,542.4	0.85
Percentage Change	4.4%	11.8%



(1) Historical Sales Growth 16.6 %

(2) Estimated Future Sales Growth 6.4 %

(5) Sales Growth R^2 0.96

(3) Historical Earnings Per Share Growth 16.3 %

(4) Estimated Future Earnings Per Share Growth 6.7 %

(6) Earnings Per Share Growth R^2 0.75

www.iclub.com

Compare

Having analyzed and evaluated a number of stocks with the **Stock Study**, you can select as many as five of them and compare their quality and potential for return. You may select from a variety of optional criteria on which you may compare the companies.

Compare

Prepared by Gerlach

Date 12/02/2008

See the *Toolkit Manual* for complete instructions

		NAME OF COMPANY			
GROWTH COMPARISONS (From Section 1 of the Stock Study)		AMDOCS LTD DOX	Oracle Cor ORCL	SAP AG SAP	
(1) Historical % of Sales Growth		20.3 %	9.2 %	12.9 %	
(2) Projected % of Sales Growth		13.0 %	6.9 %	13.0 %	
(3) Historical % of Earnings Per Share Growth		29.1 %	10.1 %	22.8 %	
(4) Projected % of Earnings Per Share Growth		13.0 %	3.4 %	15.0 %	
MANAGEMENT COMPARISONS (From Section 2 of the Stock Study)					
(5) % Profit Margin Before Taxes (Average for last 5 Years)	(2A) Trend	16.4 DOWN	36.2 DOWN	27.2 UP	
(6) % Earned on Equity (Average for last 5 Years)	(2B) Trend	16.3 DOWN	26.7 DOWN	29.0 EVEN	
(7) % of Common Owned by Management		5.2	22.3	8.3	
PRICE COMPARISONS (From Section 3-5 of the Stock Study)					
(8) Estimated Total Earnings Per Share For Next 5 Years		11.94	5.97	18.08	
(9) Price Range Over Last 5 Years	High (3A) Low (3B)	5.90~41.00	3.20~46.30	18.50~59.90	
(10) Current Price		18.09	15.98	35.53	
Price Earnings Ratio Range Last 5 Years: (11) Highest	(3D)	33.70	105.90	36.40	
(12) Average High	(3D7)	27.00	39.40	30.90	
(13) Average	(3-8)	20.90	28.80	26.30	
(14) Average Low	(3E7)	14.80	18.10	21.80	
(15) Lowest	(3E)	7.30	5.20	17.00	
(16) Current Price Earnings Ratio	(3-9)	10.10	14.20	15.70	

You may also selectively omit criteria that you think are not relevant as the **Compare** module helps you pick a winner.

Tools for Portfolio Management

Portfolio Review Report

If diligent use of the **Stock Study** can help you pick four out of five winners, then the **Portfolio Review** is the first line of defense in keeping the one out of five that might be a loser from damaging your portfolio. This tool permits you to view your companies' quarterly operations and the percent changes from the comparable periods in the previous year to receive early warning signals when you need to investigate sub-par performance.

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Portfolio: Sample Portfolio
Prepared using Toolkit 6

Toolkit 6
Portfolio Review

Date 09/15/2009

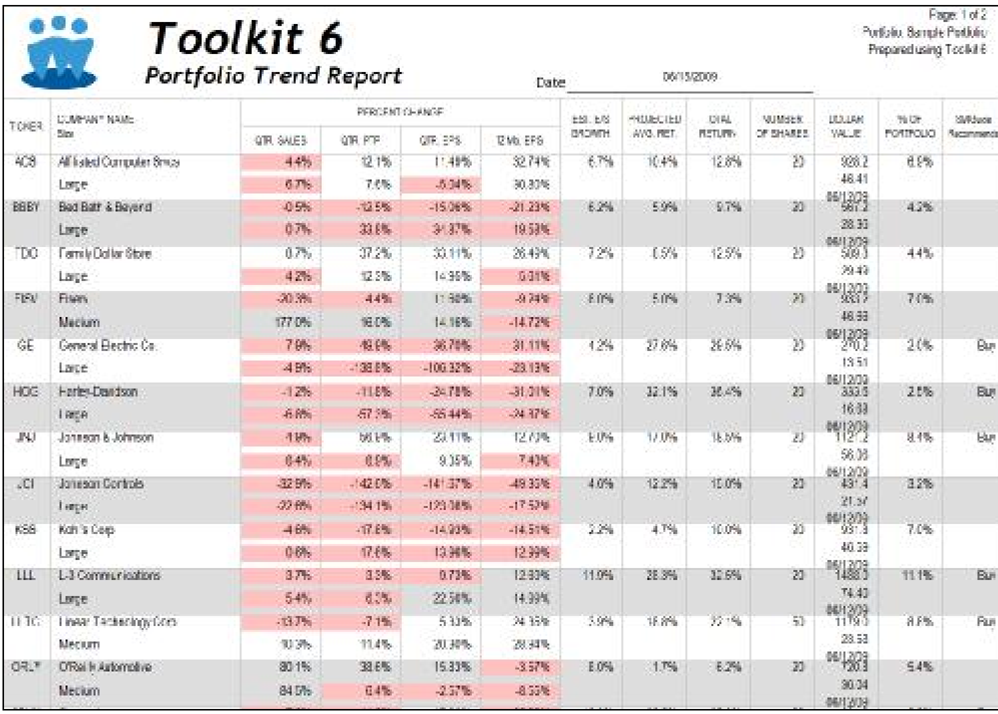
DIV	COMPANY	% YLD	EST EPS NXT 12 MO	EPS QTR END	EPS $	EPS % CHG	SALES MILL $	SALES % CHG	PRE-TAX PROFIT MILL $	PRE-TAX PROFIT % CHG	PRE-TAX PROFIT % SALES	TTM EPS $	TTM EPS % CHG	PROJ P/E	PRICE	PROJ RV	5 YR AVE P/E RATIO HI AVG LOW	EST EPS GROWTH	PEG RATIO	RWD / RISK	% TOTAL RETURN	EST FIVE YEARS LOW PRICE	EST FIVE YEARS HIGH PRICE
0.00	Affiliated Computer Srvcs	0.0	3.81	09/09 09/08	0.96 0.86	11.6%	1,610.4 1,542.4	4.4%	144.7 120.1	12.1%	9.0% 8.4%	3.57 2.69	32.7%	12.2	46.41 09/15/09	79.8	18.5 16.3 14.7	6.7	182.6	2.6	12.8	30.0	84.5
0.00	Bed Bath & Beyond	0.0	1.73	08/09 08/08	0.58 0.64	-10.1%	1,923.2 1,933.2	-0.5%	231.8 265.1	-12.6%	12.1% 13.7%	1.64 2.08	-21.2%	16.2	28.36 09/15/09	97.8	20.2 17.0 13.7	6.2	260.9	1.6	8.7	18.0	45.1
0.64	Family Dollar Stores	2.3	2.60	08/09 08/08	0.66 0.46	36.1%	1,902.3 1,822.6	8.7%	132.3 96.5	37.2%	6.9% 5.3%	1.86 1.47	26.5%	14.6	26.49 09/15/09	62.3	15.8 15.7 12.8	7.2	206.2	1.4	13.1	14.6	66.2
0.00	Fiserv	0.0	2.31	06/09 06/08	0.68 0.66	1.0%	1,044.0 1,310.0	-20.3%	165.0 158.0	4.4%	15.8% 12.1%	2.14 2.30	-9.2%	20.2	46.66 09/15/09	105.1	21.2 18.1 10.9	8.0	252.1	0.9	7.3	24.9	66.5
1.24	General Electric Co.	9.2	1.43	06/09 06/08	0.28 0.44	-36.7%	38,411.0 41,668.0	-7.8%	2,684.0 5,352.0	-49.9%	7.0% 12.8%	1.38 2.00	-31.1%	6.4	13.61 09/15/09	61.8	20.2 18.3 16.9	4.2	226.0	50.0+	36.2	14.1	44.7
0.40	Harley-Davidson	2.4	2.77	06/09 06/08	0.60 0.79	-24.8%	1,290.6 1,306.3	-1.2%	256.6 289.1	-11.0%	20.0% 22.4%	2.59 3.75	-31.0%	6.0	16.65 09/15/09	33.4	19.4 18.4 13.4	7.0	86.1	59.9+	37.8	16.3	78.0
1.96	Johnson & Johnson	3.5	5.03	12/08 12/07	1.01 0.82	23.4%	15,182.0 15,957.0	-4.9%	3,658.0 2,332.0	56.9%	24.1% 14.6%	4.62 4.10	12.7%	11.1	56.06 09/15/09	71.4	16.7 15.5 14.3	9.0	123.8	4.2	19.7	41.1	116.6
0.52	Johnson Controls	2.4	~~1.82~~ 2.51	06/09 06/08	-0.22 0.48	-141.7%	6,319.0 8,408.0	-22.9%	-166.0 387.0	-142.9%	-2.6% 4.1%	1.17 2.31	-49.4%	8.6	21.57 09/15/09	60	14.0 12.3 10.5	4.8	184.9	2.8	18.7	13.2	42.1
0.00	Kohl's Corp.	0.0	~~3.96~~ 3.22	01/09 01/08	1.06 1.28	-14.9%	5,336.0 5,457.3	-4.6%	543.0 660.8	-17.8%	10.4% 12.0%	2.89 3.37	-14.5%	14.6	48.59 09/15/09	84.1	23.3 18.2 13.1	3.3	647.6	1.4	12.	22.2	62.0
1.40	L-3 Communications	1.9	7.86	06/09 06/08	1.69 1.54	9.1%	3,626.0 3,506.0	3.7%	315.0 305.0	3.3%	8.7% 8.7%	7.03 6.23	12.7%	9.6	74.40 09/15/09	62.7	24.6 20.9 17.1	11.5	79.6	9.6	33.8	51.1	207.4
0.88	Linear Technology Corp.	3.7	~~1.63~~ 1.45	12/08 12/07	0.44 0.41	7.3%	249.2 288.7	-13.7%	121.4 133.9	-7.1%	49.9% 46.4%	1.81 1.45	24.3%	16.3	23.58 09/15/09	59.8	27.5 23.3 20.0	3.9	412.6	3.5	18.4	17.1	46.7
0.00	O'Reilly Automotive	0.0	~~1.72~~ 1.59	06/09 06/08	0.46 0.40	15.0%	1,163.7 646.2	80.1%	162.2 72.7	[illegible]	14.0% 11.4%	1.59 1.65	-3.6%	22.7	36.64 09/15/09	121.2	22.4 18.0 13.6	8.0	352.0	0.6	6.1	16.9	48.5

Using the **Portfolio Review** and the other portfolio management tools, you may be able to double your money every five years—the goal of all fundamental investors.

Both the **Portfolio Review** and the **Trend Report** permit ranking on all of the significant criteria so as to bring the good or bad performers to the top.

Portfolio Trend Report

A slightly different approach to your portfolio's potential, this report affords you a look at the "trend of the trends."



Toolkit 6
Portfolio Trend Report

Date 06/15/2009

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Portfolio: Sample Portfolio
Prepared using Toolkit 6

TICKER	COMPANY NAME Size	PERCENT CHANGE QTR. SALES	QTR. PTP	QTR. EPS	12 Mo. EPS	EST. EPS GROWTH	PROJECTED AVG. RET.	TOTAL RETURN	NUMBER OF SHARES	DOLLAR VALUE	% OF PORTFOLIO	SSGuide Recommends
ACS	Affiliated Computer Srvcs	4.4%	12.1%	11.48%	32.74%	6.7%	10.4%	12.8%	20	928.2	6.6%	
	Large	6.7%	7.6%	-5.34%	30.30%					46.41 06/12/09		
BBBY	Bed Bath & Beyond	-0.5%	-12.5%	-15.06%	-21.23%	6.2%	5.9%	9.7%	20	567.2	4.2%	
	Large	0.7%	33.6%	31.37%	19.53%					28.33 06/12/09		
FDO	Family Dollar Store	0.7%	37.2%	30.11%	26.49%	7.2%	6.5%	12.5%	20	589.3	4.4%	
	Large	4.2%	12.3%	14.95%	0.01%					29.49 06/12/09		
FISV	Fiserv	-20.3%	4.4%	11.90%	-9.74%	8.0%	5.0%	7.3%	20	933.7	7.0%	
	Medium	177.0%	16.0%	14.16%	-14.72%					46.69 06/12/09		
GE	General Electric Co.	7.9%	48.6%	36.78%	31.11%	4.2%	27.6%	26.5%	20	270.2	2.0%	Buy
	Large	-4.9%	-138.8%	-100.32%	-23.13%					13.51 06/12/09		
HOG	Harley-Davidson	-1.2%	-11.8%	-24.78%	-31.21%	7.0%	32.1%	36.4%	20	333.5	2.5%	Buy
	Large	-6.8%	-57.3%	-55.44%	-24.37%					16.68 06/12/09		
JNJ	Johnson & Johnson	1.8%	56.6%	23.11%	12.73%	6.0%	17.0%	16.5%	20	1127.2	8.4%	Buy
	Large	8.4%	6.8%	9.35%	7.43%					56.36 06/12/09		
JCI	Johnson Controls	-32.9%	-142.0%	-141.37%	-49.33%	4.0%	12.2%	15.0%	20	431.4	3.2%	
	Large	-22.6%	-134.1%	-123.38%	-17.52%					21.57 06/12/09		
KSS	Kohl's Corp	-4.6%	-17.6%	-14.93%	-14.51%	2.2%	4.7%	10.0%	20	931.3	7.0%	
	Large	0.6%	17.6%	13.96%	12.99%					46.39 06/12/09		
LLL	L-3 Communications	3.7%	3.3%	0.73%	12.93%	11.0%	28.3%	32.6%	20	1488.0	11.1%	Buy
	Large	5.4%	6.3%	22.56%	14.39%					74.40 06/12/09		
LLTC	Linear Technology Corp	-13.7%	-7.1%	5.33%	24.35%	3.9%	16.8%	22.1%	50	1179.0	8.6%	Buy
	Medium	10.3%	11.4%	20.30%	28.94%					23.58 06/12/09		
ORLY	O'Reilly Automotive	80.1%	38.6%	15.33%	-3.57%	8.0%	1.7%	6.2%	20	720.3	5.4%	
	Medium	84.5%	6.4%	-2.57%	-8.53%					36.04 06/12/09		

Displaying not one but two consecutive quarters of data, along with the percent change from the same periods in the previous year, you can see trends developing in time to do something about them.

This report also includes some valuable aids to analyzing your portfolio's diversification, both in terms of company size and industries.

Further Research

Quarterly Trend Analysis

If, in examining the **Portfolio Review** or **Portfolio Trend Report**, you have discovered one or more companies that appear to have run into some "heavy weather," you can double-click anywhere on the line for the company and access the **Quarterly Trend Analysis** to view up to nine years of detailed data for that specific company in a new window.

Quarterly Trend Analysis

Company Harley Davidson (HOG)

PERIOD	QUARTERLY DATA: EPS $	EPS % CHANGE	PRE-TAX PROFIT $ MIL	PRE-TAX PROFIT % SALES	PRE-TAX PROFIT % CHANGE	SALES $ MIL	SALES % CHANGE	INCOME TAX RATE	LAST 12 MONTHS DATA: EPS $	PRE-TAX PROFIT $ MIL	PRE-TAX PROFIT % SALES	SALES MIL	INCOME TAX $ MIL	INCOME TAX % RATE	% CHANGE EPS	% CHANGE [illegible]	% CHANGE SALES
03/03								34.7						34.6			
06/03	0.67		300.77	23.9		1,293.16		34.5						34.6			
09/03	0.62		290.18	23.6		1,133.00		34.0						34.6			
12/03	0.63		282.84	24.4		1,155.07		34.7						34.6			
03/04	0.63		317.18	25.5		1,246.20		35.0	2.57	1,198.36	24.0	4,828.1	415.7	34.7			
06/04	0.83	25.4	382.32	28.9	24.1	1,327.81	2.5	35.3	2.74	1,273.92	26.2	4,869.7	446.1	34.9			
09/04	0.77	24.0	355.81	27.3	22.3	1,333.65	14.7	35.8	2.89	1,338.35	26.6	5,032.8	470.1	35.1			
12/04	0.73	17.5	333.87	26.5	14.8	1,331.00	5.4	35.5	2.98	1,376.48	27.3	5,066.7	487.3	35.2			
03/05	0.77	13.2	353.37	28.9	11.1	1,235.40	-0.5	35.5	3.08	1,414.58	27.8	5,085.8	501.5	35.5	20.0	18.0	5.3
06/05	0.88	1.2	360.85	27.6	-4.8	1,333.26	0.4	35.5	3.09	1,399.31	27.5	5,090.4	496.8	35.5	15.0	5.9	4.6
09/05	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12/05	0.82	16.3	356.66	26.6	18.1	1,342.34	5.6	35.5	3.40	1,487.75	27.8	5,342.2	528.2	35.5	13.5	7.8	4.8
03/06	0.86	11.0	366.58	26.5	4.8	1,333.99	11.0	35.6	3.40	1,581.68	27.4	5,487.7	533.6	35.5	12.9	6.5	7.5
06/06	0.91	7.6	380.36	27.6	3.3	1,377.03	2.2	33.7	3.53	1,514.33	27.4	5,532.5	539.7	30.6	14.6	8.2	8.7
09/06	1.23	24.4	488.65	29.9	19.8	1,635.92	24.2	35.9	3.78	1,592.17	27.8	5,736.3	568.0	35.7	18.2	5.4	5.5
12/06	0.85	16.3	388.73	30.6	8.8	1,287.52	40.6	35.9	3.94	1,634.38	28.6	6,381.5	580.7	35.8	15.3	6.5	17.6
03/07	0.75	13.1	290.16	23.1	18.6	1,255.04	6.7	35.7	3.80	1,555.83	25.3	6,188.5	556.4	35.8	9.2	2.6	12.8
06/07	1.14	26.0	458.37	27.8	18.4	1,633.22	17.7	35.5	4.04	1,635.93	25.3	6,431.7	590.9	35.7	13.9	7.4	16.3
09/07	[illegible]	[illegible]	[illegible]	[illegible]	-15.9	[illegible]	[illegible]	35.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	35.6	[illegible]	[illegible]	[illegible]
12/07	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	35.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	35.5	[illegible]	[illegible]	-1.1
03/08	0.73	6.2	293.18	22.4	-1.7	1,336.31	1.4	35.6	3.73	1,443.78	24.6	5,854.3	512.2	35.5	-1.4	-7.3	-5.4
06/08	0.93	-17.2	340.18	22.1	-22.7	1,372.37	-2.5	33.7	3.30	1,340.49	22.3	5,886.6	478.3	30.6	-12.0	-17.6	-5.7
09/08	0.71	-33.4	269.33	18.9	-34.4	1,422.83	-7.7	38.4	3.20	1,199.21	23.3	5,688.1	425.3	30.8	-18.3	-22.0	-10.2
12/08	0.33	-55.4	133.33	9.5	-57.3	1,282.59	-6.6	36.7	2.70	1,033.38	16.5	5,594.3	373.3	36.1	-34.9	-50.0	-4.3

This information, both quarterly, and for the trailing twelve months, can help you determine whether the company is acting typically or is actually in trouble.

You can also look at a graphic depiction of the rates of change and compare them with zero growth or with your expected earnings or sales growth rates.

If some of your data is not available, the program will estimate it from other available data, if possible.

Annual P/E Analysis

The **Annual P/E Analysis** records a 10-year history of prices, earnings per share, P/E ratios, average P/E ratios, dividends, dividend payout, and % high yield. Using the **Annual P/E Analysis** report enhances one's analysis of historical P/Es and other items influencing estimates of future performance.

Annual PE Analysis

Company Harley-Davidson Symbol HOG

		PRICE RANGE		P/E RATIO		5 YR AVG P/E RATIO			DIV/	% PAYOUT		% HIGH
YEAR	EPS	HIGH	LOW	HIGH	LOW	HIGH	AVG	LOW	SHARE	THIS YEAR	5 YR AVG	YIELD
1999	0.88	31.3	20.3	35.5	23.0				.090	10.2		.4
2000	1.13	50.0	28.0	44.2	24.8				.100	8.8		.4
2001	1.43	53.0	35.2	37.1	24.6				.110	7.7		.3
2002	1.90	57.0	42.8	30.0	22.5				.140	7.4		.3
2003	2.50	52.5	36.0	21.0	14.4	33.6	27.7	21.9	.200	8.0	8.4	.6
2004	3.00	63.0	45.9	21.0	15.3	30.7	25.5	20.3	.410	13.7	9.1	.9
2005	3.42	62.2	44.4	18.2	13.0	25.5	21.7	18.0	.630	18.4	11.0	1.4
2006	3.93	75.5	48.0	19.2	12.2	21.9	18.7	15.5	.810	20.6	13.6	1.7
2007	3.74	73.9	45.1	19.8	12.1	19.3	16.6	13.4	1.060	28.4	17.8	2.4
2008	2.79	49.1	11.9	17.6	4.3	18.2	15.3	11.4	1.290	46.2	25.5	10.8
10 Year Avg.				26.4	16.6		21.5					

In previous Toolkit versions, anomalous data could be removed only from the most recent five years. Recognizing that as much as ten years of data provides a more reliable history—especially in view of the distorted markets of recent times—the ability to eliminate outliers within the **Portfolio Review** in all previous years has been added as a feature which can be helpful in estimating future multiples.

Stock Management Guide

The **Stock Management Guide** (or Portfolio Management Guide) takes you a step further and permits you to analyze the reaction of the investing public to the trends that were displayed in the **Quarterly Tend Analysis**.

The main purpose of the **Stock Management Guide** is to determine whether the price of the stock has put it in a possible "Buy" or "Sell" range based upon special criteria.

See the Toolkit manual
for instructions on the use of this guide.

Stock Management Guide

Stock (sample) Affiliated Computer   Analyst ICLUB

1 PRICE EARNINGS ZONES

Refer to Section 3, columns D and E, Line 7, of your Stock Study study of this company for the information in columns 2 and 3 below.

1	2	3	4	5	6
YEAR	Average Price Earnings Ratios for Previous Five Years		Sum of Cols. 2 and 3	Column 4 Divided by 2	Column 5 Multiplied by 1½
	High	Low		Low P/E Guide Line	High P/E Guide Line
2005	25.6	15.0	40.6	20.3	30.4
2006	25.2	15.4	40.7	20.3	30.5
2007	23.3	15.9	39.2	19.6	29.4
2008	21.4	15.4	36.9	18.4	27.7
2009	19.8	14.7	34.5	17.3	25.9

2 PRICE ZONES

See Section 4C of Stock Study. 1 below is top of Buy Zone. 2 Below is bottom of Sell Zone

YEAR	1. Consider Buying Below	2.Consider Selling Above
2005	76.2	115.0
2006	64.8	95.9
2007	57.5	80.9
2008	47.3	65.1
2009	44.5	71.6

3 CUMULATIVE EARNINGS AND CURRENT PRICE/EARNINGS RATIO COMPUTATIONS

1	2	3	4	5	6	7	8	9	10	11	12
3 Months	Earnings	Total Earnings	Date	Price	P/E Ratio at Time	Date	Price	P/E Ratio at Time	Date	Price	P/E Ratio at Time

Portfolio Summary

This **Portfolio Summary** report consolidates the information in the **Stock Management Guide** and allows you to regularly view your holdings along with information that both classifies and justifies their condition as a "Buy," "Hold" or "Sell."

PORTFOLIO SUMMARY 05/07/08

NAME: Club

TICKER	COMPANY NAME	DATE	PRICE	P/E	TOT RET	REL VAL	U / D	BUY BLW	SELL ABV	% Port	REC
FBC	FLAGSTAR BANCORP,	05/02/08	7.97	-12.3	1.26	-153.8	0.0	6.7	-3.6	1.74%	
BBBY	BED BATH & BEYOND	05/02/08	29.88	14.3	39.28	50.7	10.6	64.1	110.4	7.83%	Buy
ORLY	O'REILLY AUTOMOTIV	02/08/08	29.68	14.1	26.62	72.3	9.9	47.5	72.0	6.48%	Buy
INTC	INTEL CORPORATION	02/08/08	20.27	17.3	3.27	32.2	0.8	17.0	20.2	3.54%	
AMGN	AMGEN INC	08/07/08	42.61	11.1	51.16	41.7	99.9	141.3	238.8	37.23%	Buy
SDS	SUNGARD DATA SYSTE	02/08/08	64.77	44.4	-1.22	213.8	0.0	33.8	47.2	14.18%	Sell

Portfolio Defense

The **Defense Report** displays all of the stocks in your portfolio, highlighting those that failed to meet or exceed your threshold when comparing the fundamental performance with your expectations.

Toolkit 6
Portfolio Defense Report

Page: 1 of 2
Portfolio: Sample Portfolio
Prepared using Toolkit 6
Date: 06/15/2009

COMPANY	TICKER	QTR END	SALES			PRE-TAX PROFIT			EPS		ACTION
			FCST GROWTH	% CHG SALES	PERCT DIFF	FCST EPS GROWTH	% CHG PTP	PERCT DIFF	% CHG EPS	PERCT DIFF	
Affiliated Computer Srvcs	ACS	03/09	6.7	4.4	-34.1	6.7	12.1	81.3	11.5	72.3	
				6.2	-8.0		39.2	487.5	32.7	380.9	
Bed Bath & Beyond	BBBY	02/09	6.5	-0.5	-107.9	6.2	-12.5	-301.6	-15.1	-342.0	
				2.3	-65.3		-21.0	-437.8	-21.2	-441.1	

Portfolio Offense

Similar to the **Defense Report**, the **Offense Report** lists all of the companies in your selected portfolio and highlights those whose reward is less than, and/or the risk more than, the thresholds you have set for those measurements. Thresholds that are company-specific will be shown in blue.

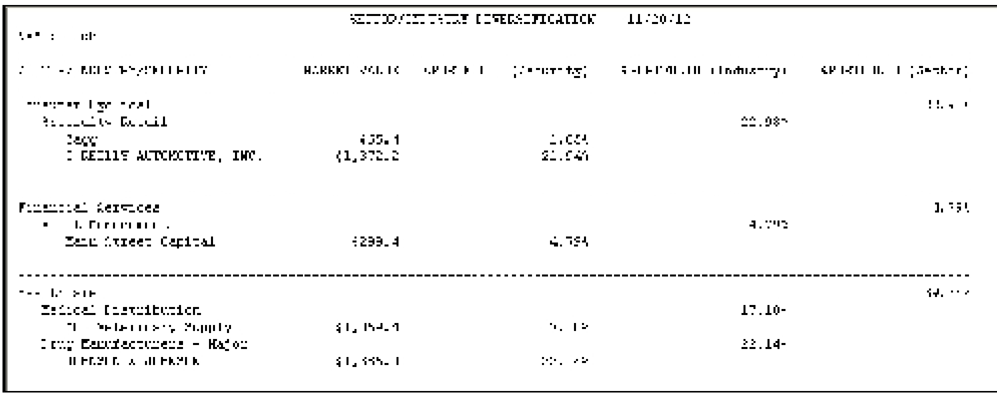
Toolkit 6
Portfolio Offense Report

Page: 1 of 1
Portfolio: Sample Portfolio
Prepared using Toolkit 6
Date: 06/15/2009

COMPANY	TICKER	QTR END	RELATIVE VALUE	PROJECTED REL VAL	RWD/RSK RATIO	TOTAL RETURN	TARGET RETURN	ACTION
Affiliated Computer Srvcs	ACS	03/09	83.9	78.6	5.1	11.5	15.0	
Bed Bath & Beyond	BBBY	02/09	104.2	97.8	1.6	9.7	15.0	
Family Dollar Store	FDO	02/09	98.8	92.3	1.4	12.5	15.0	

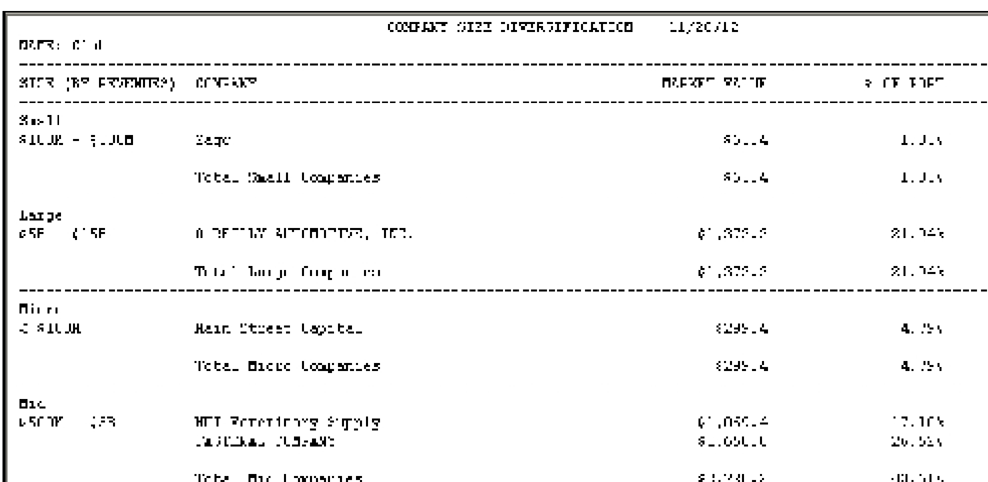
Sector/Industry Diversification

The **Sector/Industry** Report allows you to see if your portfolio is well balanced in a quick glance. The report is divided into different sections for each Sector of the companies you hold in your portfolio, with the subdivisions indicating their respective Industries for each holding.



Company Size

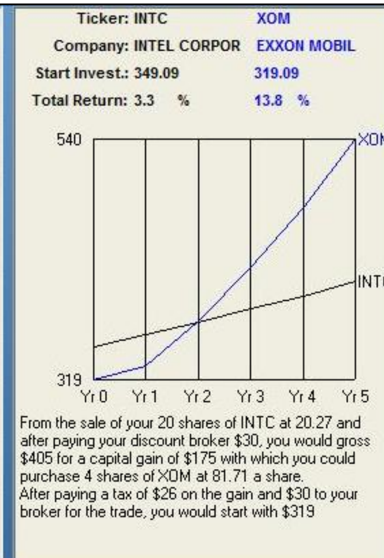
The Company Size Diversification Report classifies your portfolio's holdings by the size of the companies, based on a business's annual revenues.



Challenger

The **Challenger** is a simple tool, used when you have found a company that you believe you should replace with another. It analyzes the commission on the sale, the tax on any gain, the commission on the new purchase, and the difference in expected return.

Ticker:	INTC	XOM
Company:	INTEL CORPORATIO	EXXON MOBIL CORP
Hist Sales Growth:	6.1	10.4
Hist EPS Growth:	0.9	10.3
Sales R-Squared:	64.2	82.5
EPS R-Squared:	0.2	60.6
5-Year Profit Margin:	24.7	13.8
5-Year Avg. ROE:	14.0	20.7
Profit Margin Trend:	UP	UP
ROE Trend:	UP	UP
Quality Source/Rating:	S&P/A	S&P/A-
Current Price:	20.27	81.71
Gross Proceeds:	405.40	
Brokerage on Sale:	30.00	
Net On Sale:	375.40	
Capital Gain/Loss:	175.40	
Shares of Challenger:		3.9
Tax on Gain/Loss:		26.31
Brokerage on Purchase:		30.00
After Tax Starting Value:	349.09	319.09
After Tax Value End Year 1	360.3	331.0
After Tax Value End Year 2	372.0	373.7
After Tax Value End Year 3	384.0	422.2
After Tax Value End Year 4	396.4	477.4
After Tax Value End Year 5	409.2	540.2
Total Return:	3.3	13.8



You can see both numerically and graphically just how long it will take you to make up for the immediate loss that you will sustain. The results are often surprising.

Getting Started

System Requirements

Below are the minimum system specifications that your computer must possess in order to run this program.

- CPU: 1 GHz Processor
- Memory: 256 MB RAM
- Hard Disk Space: 20 MB Free

- Operating System: Microsoft Windows XP or Vista (32-bit)
- Monitor Resolution: 1024x768
- Disk Drive
- CD-ROM drive (If you wish to install Toolkit by Disc)
- Internet Access

Registering Your *Toolkit 6*

After installing your new ***Toolkit 6***, please take a moment to register your program. You must register your copy of ***Toolkit 6*** as you install the program. Simply follow the instructions on the screen to do so.

Benefits of Registration

As a licensed Registered User of ***Toolkit 6***, you will receive the following benefits:

Technical Support: Free technical support from ICLUBcentral.

Updates: Free software updates for Investor's ***Toolkit 6*** will be made available and will, with your permission, be downloaded and installed automatically.

Licensed to Individual User (Not a Club)

This policy must be perfectly clear:

This software is licensed to you as sole licensee and you may share with others only the printed output of this program and the data that this program generates.

This software is not licensed to an investment club or any other entity. Permitting anyone else to install this software on his or her computer is a violation of U.S. copyright laws and may jeopardize your license and your right to software support. Doing so may expose you to prosecution.

Installing *Toolkit 6*

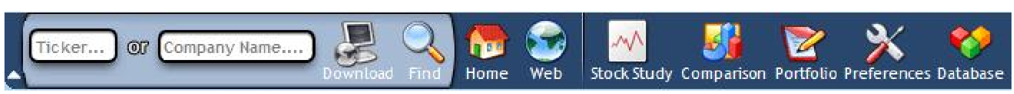
With Windows running, exit all programs. You may need to temporarily disable any anti-virus programs and firewalls that are running on your computer. Please refer to the installation instructions that were enclosed with the program.

Starting *Toolkit 6*

After running the **Setup** program, you are ready to start ***Toolkit 6***.

To start *Toolkit 6*, click on the ***Toolkit 6*** shortcut icon (which was created on your desktop when you installed ***Toolkit 6***). A ***Toolkit 6*** splash screen will appear briefly, after which your program will finish loading and be displayed on your screen.

You will notice a new **Main Toolbar** that allows you to easily access all of the features and functions of the program and your **StockCentral.com** subscription.



Click the small white triangle in the lower left corner of the Toolbar to hide it from view. Click the triangle again to bring the Toolbar into view once again.

Above the **Main Toolbar**, you will also see all of the traditional menus which you can use as well, if you wish to do so. You will also see a small "**Library**" tab at the upper left edge of your screen. Click this tab to reveal your stocks and portfolios.

The Home Page

The most prominent feature you will notice when you start the program is the **Home Page** which will show you what tasks you have to perform, items in your portfolio or stock library that require attention, and a **Portfolio Report Card** which will give you a status report of your portfolios.

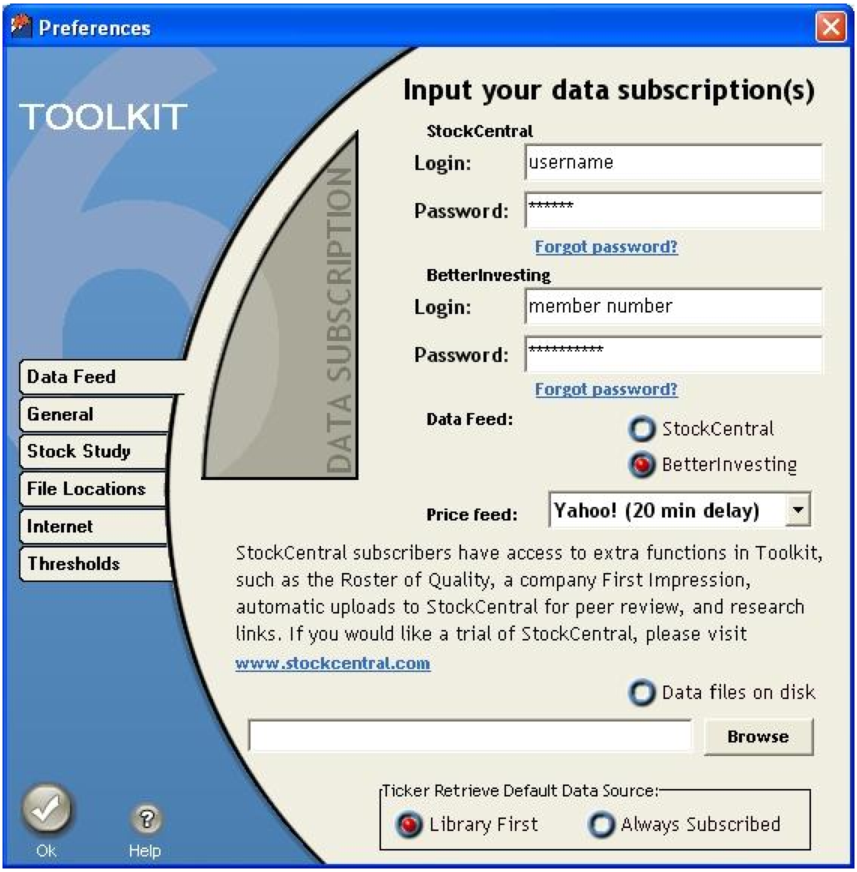
Setting Preferences

After you have installed ***Toolkit 6***, the first task that you may want to do is to review your **Preferences** to see if there are any you wish to set. To view the **Preferences** screen, click on the **Preferences** button on the Main Toolbar. Note the tabs on the left that direct you to the various **Preference** categories.

Data Feed

On this tab of **Preferences**, enter a username and password for StockCentral.com or BetterInvesting's Stock Data Service at the top of the section. You may enter subscription information for both if you subscribe to both services, and you may switch services by selecting it below, under **Data Feed**.

NOTE: The username and password are the ones that you used to set up your **data subscription** account when you purchased your subscription The username and password are the ones that you used to set up your data subscription account when you purchased your subscription.



Price feed: Choose which service Toolkit should use when updating prices for stocks in your library: **Yahoo**, for prices which have a 20 minute delay from the market, or **ICLUBcentral**, for the last closing price.

Data files on disk: Only use this option if you do not have a separate data subscription to StockCentral or BetterInvesting, **and** you will be receiving SSG data as individual files from another member, service, or source.

Ticker Retrieve Default Data Source: Permits you to have **Toolkit 6** first look in the stock library for company data when a company is requested in the **Main Toolbar** and, if not there, import the data from **online**—or to import the data from **online** each time you open a new **Stock Study.**

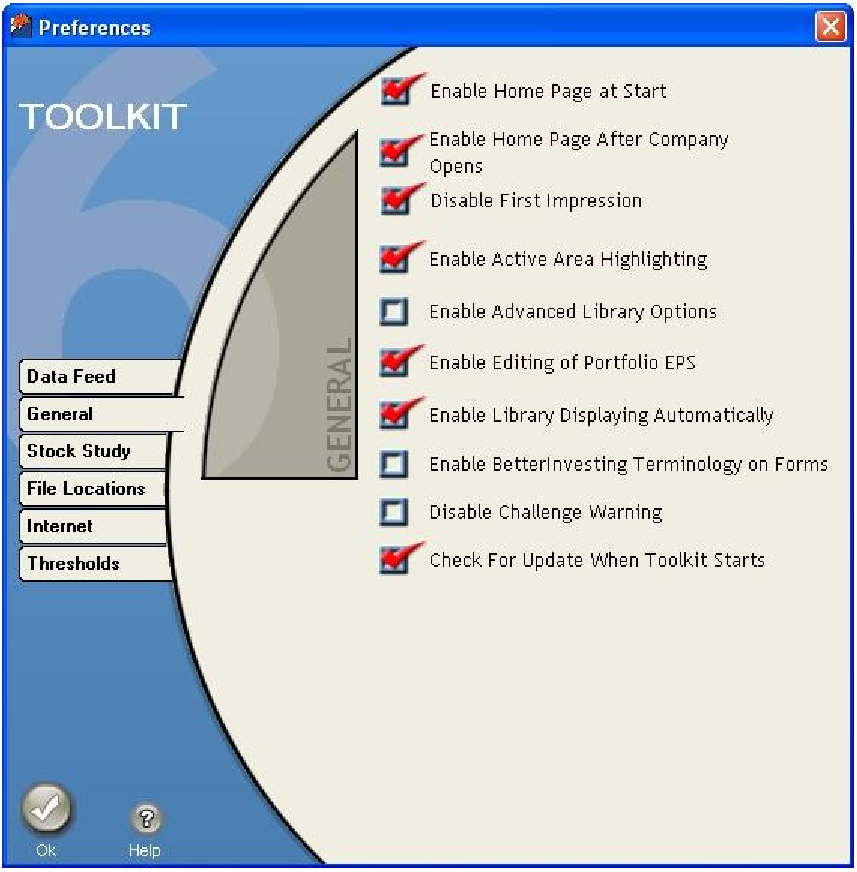
General

To set **General Preferences**, click on the appropriate box next to the selections to select or de-select each option.

> **Enable Home Page at Start:** Enables and disables the ability to show the Home Page Screen which begins the tasks that you have to perform during your **Stock Study**.
>
> **Enable Home Page After Company Opens:** Sets your Home Page to be displayed automatically when you close a company.
>
> **Disable First Impression:** Disables the automated display of the First Impression screen when you launch a new study of a stock.
>
> **Active Area Highlighting:** Enables or disables the yellow, green, or magenta boxes around areas where you **may** (*yellow*) or **must** (*green*) take some action or where you can access **supplementary charts** (*magenta*). This is useful to help new users find the places where judgment may or must be applied to complete the study or gain additional insight from the data. You may turn this off when you no longer need assistance in finding the active areas on the forms.
>
> **Enable Advanced Library Options:** Allows advanced users to create and use multiple Toolkit Stock Libraries. When checked, it will add a **Library** menu to the menu bar at the top of the screen, appearing only when all other windows are closed.

Enable Editing of Portfolio EPS: Turns on an option that allows you to enter your own earnings estimate rather than use the computer-generated estimate.

Enable Library Display Automatically: Provides for your **Stock Library** to be displayed automatically when you launch Toolkit, and disappear when you open companies to work on them.



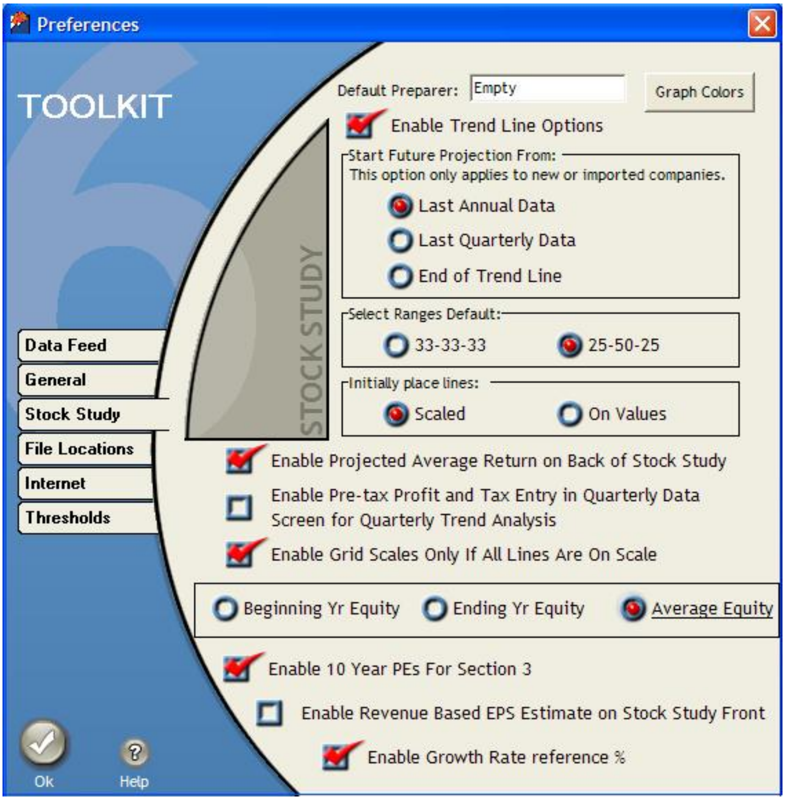
Enable BetterInvesting Terminology on Forms: Resets the Quarterly and Annual PE Analysis forms to their more traditional PERT-A and PERT-B names.

Disable Challenge Warning: Closes the warning window which appears whenever you open a new Challenge.

Check for Update whenever Toolkit Starts: Disabling this feature will force Toolkit not to go onto the Internet whenever the program launches to check for updates. You will have to manually go to **Help** > **Check for updates** to update your software.

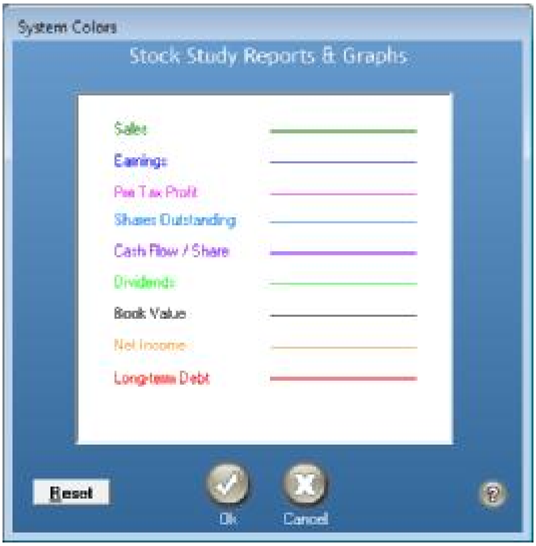
Stock Study

The **Stock Study** Preferences tab allows you to set various options related to the display and functions on the Stock Study form. Many of these options are considered to be more appropriate for "Advanced" users.



Default Preparer: Sets the default for the "Prepared by" entry in the Basic Data screen for all new companies. You are allowed ten characters to identify the preparer.

Graph Colors Button: Allows you to select any color you wish for the plotted lines on the Visual Analysis graph.



Click the "**Graph Colors**" button to display the "**System Colors**" dialog box. Click on any of the selections to display the color palette for that item. You may select a basic or a custom color, or, by clicking on the "**Define Custom Colors**" button, you may create your own. Clicking "**Ok**" will replace the color, and clicking on "**Ok**" after doing so will save the color for the future.

Click the "**Reset**" button to set all colors to the defaults.

Enable Trend Line Options (Advanced users): Enables or disables the appearance of the "**Start Projections**" button on the button bar in the **Visual Analysis** screen that permits you to select the starting point for your 5-year projections of sales and earnings. They may start from:

- The last fiscal year
- The last reported quarter
- The end of the 10-year trend line.

By selecting one of the choices in the **Stock Study** Preferences screen, you may set the default position of the projection starting points for any new **Stock Study** you do. By design, the trend line will *always* be drawn from the darker vertical line that represents the last full year; making a change to this setting will adjust the *vertical* point that the line starts from, so that it will begin from the end of the Trend line, end of the last fiscal year, or be drawn so that it intersects the last quarterly data.

NOTE: Changing this setting will only affect newly opened stocks. To change the setting for existing stocks, go to the **Visual Analysis** screen The Visual Analysis screen is accessed by clicking anywhere in the graph in Section 1 of the **Stock Study** or by clicking on the “Adjust Graph” text at the top of the company window.

Select Range Default: Permits changing the “Buy—Hold—Sell” price ranges in Section 4C of the **Stock Study** from 25%-50%-25% (the default) to 33%-33%-33%. The 33-33-33 is an older convention that is no longer recommended. Since the 33-33-33 range can indicate a “buy” when the Reward/Risk Ratio is as low as 2 to 1, the 25-50-25 range is now used by default, thus reconciling the “Buy” range with a 3 to 1 Reward/Risk Ratio and providing for a more conservative “Sell” option.

Initially Place Lines: You have two options for how the program displays the items on the Visual Analysis Graph.

> **Scaled:** Will scale the lines (multiply the data for each line by a percentage) so they may fit on a consistent number of grids and in a consistent and optimum order (sales, pre-tax profit, and EPS).
>
> **On Values:** Will place lines so their values match the numbers on the left of the graph. (Sometimes requires additional scales to be able to see lines.)

Enable Projected Average Return on Stock Study Back: Adds Projected Average Return (PAR) as a measurement of Total Return to Section 5.

Enable Pre-Tax Profit and Tax Entry in Quarterly Data Screen in Quarterly Trend Analysis: Adds Pre-Tax Profit and

Taxes to the data entry fields in the Company Data Screen (on the Quarterly Data tab).

Enable Grid Scales Only If All Lines Are On Scale: If checked, this option removes the grid scales (the numbers on the left side on the Visual Analysis graph) if all graphed items are plotted on their appropriate scale.

For Section 2 ROE calculations, use: : This option allows the user to calculate Return on Equity in Section 2B of the **Stock Study** form using one of three methods:

- **Beginning Year Equity**: The company's book value/equity from the beginning of the year (which is to say, the end of the previous year's equity)
- **Ending Year Equity** The company's book value/equity from the end of the year
- **Average Equity** An average of the Beginning and Ending year equity.

This advanced option provides two better measures of return on equity (using the Average or Beginning Year values) than the prior method of using equity at the end of the year.

Enable 10 Year PEs for Section 3: If checked, the program will calculate average P/E Ratios and other values in Section 3 of the **Stock Study** form using ten years of data instead of five years. If checked, an indicator will appear on the form in Section 3 noting that ten years of data are being used in the calculation of averages on line 6.

Enable Estimate Earnings per Share (Preferred Procedure) on Stock Study Front: If checked, the figures used in the Estimate Earnings per Share (Preferred Procedure) screen will also be included at the bottom right-hand corner of the Visual Analysis graph.

Enable Growth Rate reference %: If checked, this will display the % references on the far right margin of the Stock Study Front.

File Locations

The **File Locations** tab allows you to set defaults for exporting and importing data.

Default Path for Export: Click on **Browse** to select the path and destination for your exported files. Click the "**Look In"** window's down arrow to select the drive. Select the directory in the window below and click "**OK.**"

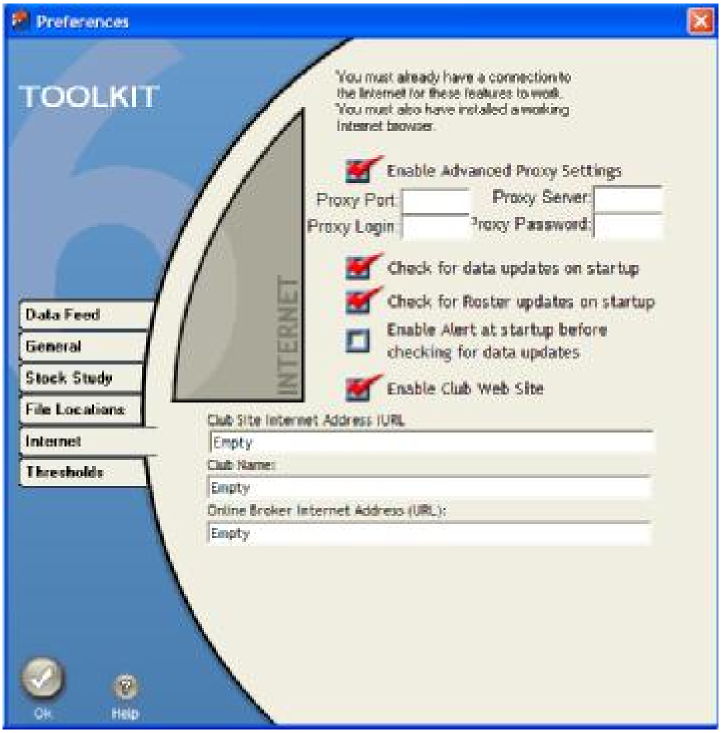
Toolkit Stock Library: This data field is here for reference only. You would only need to set this path if you selected **Advanced Library Options** from the **General** tab. In that case, the Library location can be changed in the **Library** menu that would appear between **Edit** and **Options**.

E-mail Attachments Folder: If you receive data files as e-mail attachments, enter the location of your email attachments folder (for example, C:\Program File\Eudora Mail\Attach).

Click on "**Browse**" to select the path on your computer, and the "Locate E-mail Attachments" screen will open. After you click on "**OK**," navigate to the location of your e-mail attachments to set up the future default path, e.g., at C:\Program Files \Eudora Mail\Attach. Click "OK" to select the path.

Internet

Since the Internet is no longer only for experts, ***Toolkit 6*** automatically enables all the features. You may add some additional conveniences in this dialog.



Enable Internet Proxy Settings: If your computer accesses the Internet through a proxy server, you may enter the settings here to allow ***Toolkit 6*** access to the Internet. Unless you have set up a proxy server for your system yourself, or are using a computer in an office, you need not be concerned about this. If you have, you will need to have the necessary information at your disposal. Enter the **Port**, **Proxy Server name**, **Login ID** and **Password** and then click the **"OK"** button to complete the process.

Check for data updates on Startup: Checking will ensure that the program always checks for data updates for your saved companies.

Check for Roster Updates on Startup: Checking will ensure that the program always checks for updates to weekly Roster of Quality list of companies. **NOTE**: If you do not have a subscription to the StockCentral.com data service, this update will not occur.

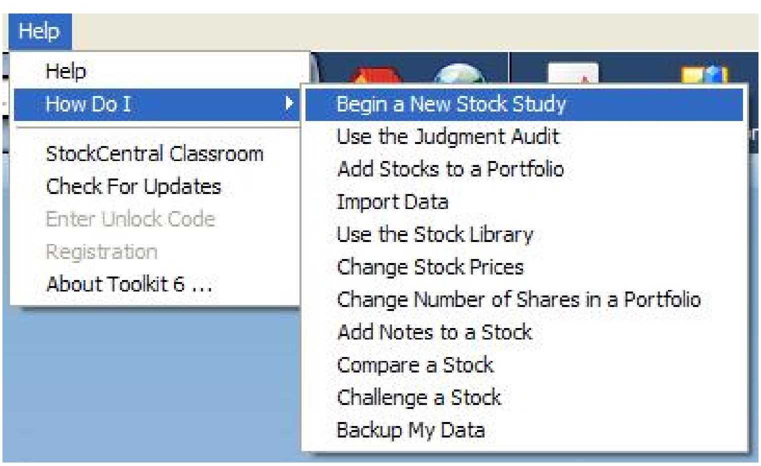
Enable Alert Before Checking for New Data at Startup: Allows you bypass the confirmation screen for the **Smart Data Updater** when starting the program each time.

Enable Club Web Site: Allows you to enter a Club Name and Internet Address (URL) on this screen, to be displayed along with the ICLUBcentral and Better Investing access buttons when you select the **"Web"** button on the **Main Button Bar**. Clicking on your Club button will take you directly to the Club Web site.

Online Broker Internet Address (URL): Allows you to enter an Online Broker's Internet Address. An "**On-line Broker**" button will also appear on the **Internet Access** ("Special") screen to provide immediate access to your broker's site and execute trades from within Toolkit.

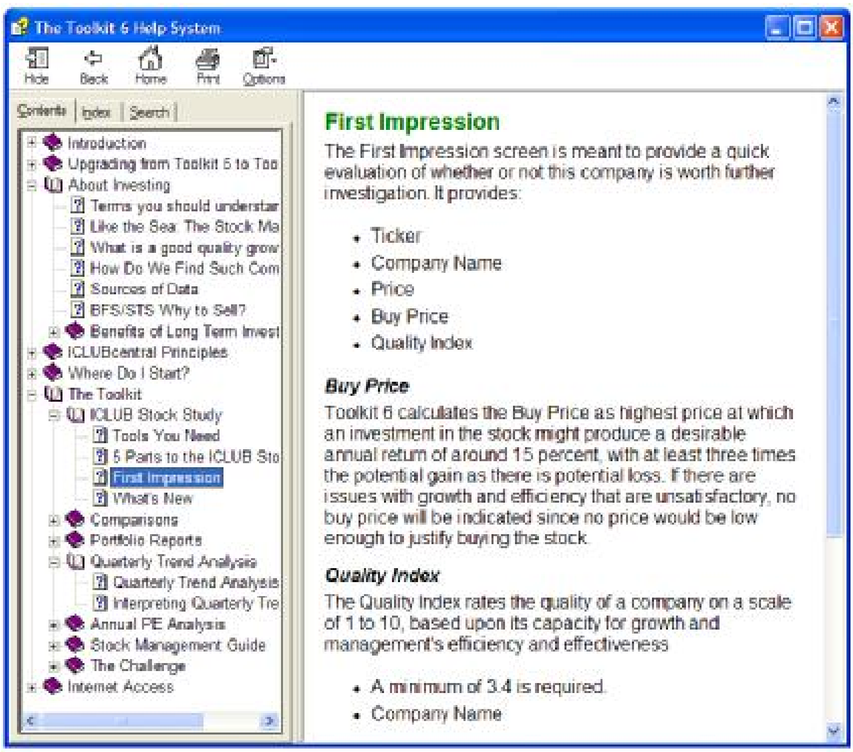
Help in Toolkit

How to Find Answers to Your Questions



Toolkit 6 includes a built-in help file where you can find answers to most all of your questions. **Context-sensitive** help is available for each screen or dialog box. Press the F1 key or click on the screen's "**Help**" button to access help for the specific screen that you are working on.

You can also access the general help file's Table of Contents by clicking on the "**Help"** button  on the main Toolbar. To see instructions on common procedures, select **How Do I** from the Help menu, and then select a topic from the list menu.



Using On-Screen Help

You can find information on Toolkit tools and commands by clicking the Contents, Index, and/or Search tabs.

Using the Help Contents Screen

The **Contents** screen lets you quickly access such information as *Investing*, *Using Toolkit*, *Glossary,* and *Menu Commands*.

To select a help topic, click one of the help books and then select a help topic below it.

Returning to the Previous Topic

To return to the previous topic screen, click on the "Back" button at the top of the Help screen.

Using the Index

An index allows users to quickly get to the information they need and want. There are two ways users get to topics using the index:

> **Typing—**Users can type a keyword or phrase and go directly to a topic or to a list of topics containing that keyword or phrase.
>
> **Browsing—**Users can also browse through the index, and then select a keyword or phrase. They either go directly to the topic or to a list of topics containing the selected keyword or phrase.

Searching for a Help Topic

To search for a Help topic based on a word or phrase, click the "**Search**" tab. The Search dialog box opens to permit you to type in a word or phrase to search for. After entering a word or phrase, then click the "**List Topics**" button. Click to select the topic you want to view and then click "**Display**." Click on the "**Back**," "**Next**," and "**Previous**" buttons to navigate through the screens and topics. Or click on "**Search**" to select and view another search result. You can refer back to Toolkit while leaving the "**Help**" file open. When you are finished using the online "**Help,**" just close the screen by clicking on the X in the top right-hand corner.

Updating Your Software

In ***Toolkit 6***, at each launch, the software automatically connects to the Internet and checks to see if you have the latest version of the software. If there is an update available, it will ask if you would like to update your software and download the update automatically.

You may turn this feature off within **Preferences.** Go to the **General** tab and deselect **Check for Updates when Toolkit Starts**, then click **OK**. If you have the program open, you can always check to see if an update is available by going to **Help > Check for Updates**. You must have an active connection to the internet to use this feature and download times may vary.

Technical Support and Customer Service

Terms of Support

When you purchase Toolkit, 6th Edition, Customer Support is available from ICLUBcentral's Support team.

Try This First

The help available from within Toolkit answers many frequently-asked questions. To get immediate software help:

> Select **Help > How do I...** and click on the option matching your question. If nothing matches your question, complete help is available under **Help > Help.**

Help from ICLUBcentral

Customer support is available through our Web site. To request help from the ICLUBcentral Support team fill out the brief Support Request Form at www.iclub.com/support/.

The Customer Support team will respond to you directly via email. To reach our ICLUBcentral Support team by phone, please call (877) 33-ICLUB, between 9:30am and 6pm Eastern Time, Monday through

Friday. Please note that the times and contact information governing Support Services may change, but our website will always have current Support contact information.

When Requesting Support

Use the following list as a guide to help our experts quickly answer your questions:

Write down the precise wording of any error message displayed, including the names of any files mentioned in the message.

Be familiar with:

- The version number of Toolkit (**Help** > **About Toolkit**).
- The version of Windows you are using (Right click on **Computer** and select **Properties**).
- The make, model and amount of memory (RAM) on your computer (Right-click on **Computer** and select **Properties**).
- The make and model printer if you have a question or problem regarding the printing of reports.
- Your Toolkit serial number and date of purchase/installation.

Return Policy

For information on ICLUBcentral's return policy, please contact ICLUBcentral Customer Support, at (877)33-ICLUB, between 9:30am and 6pm Eastern Time, Monday through Friday, or visit the ICLUBcentral website at www.iclub.com.

ABOUT INVESTING

If you are a newcomer to investing in the stock market, this chapter is for you! Starting with the few basic terms you need to know, it explains what long-term investing is and why it is successful. It then identifies basic investing principles, and explains what good quality growth stocks are and how to find them.

Although ***Toolkit 6*** is a great tool that simplifies stock analysis and portfolio management, you still must learn about investing to understand and judge the output. The "**What you do and why you do it**" sections for each module will give you more specific information. Here we try to provide you with some background information on such topics as:

- Terms You Should Understand
- What is a Good Quality Growth Company
- Benefits of Long-Term Investing

Terms You Should Understand

Before going too far, it is important to be familiar with the very few simple terms that are required to understand fundamental, long-term investment philosophy.

A stock is the registered documentation of the company's ownership. Shares of stock are portions of that ownership. They are evidence of a shareholder's "piece of the action." Their significance is in the ownership of a company and not that they can be traded like baseball cards for some intrinsic value.

The **Balance Sheet** is a "snapshot" of a company's financial status at a given point in time. There are only three terms on the balance sheet that we need to understand to begin with. All of the items on the balance sheet fall into one or another of these three general categories:

Assets are everything that the company *owns* at that moment.

Liabilities are everything the company *owes* at that moment.

Equity is the *difference* between the assets and the liabilities. This is the **net worth** of the company at that moment.

Book value (per share) is the company's equity divided by the number of shares of stock outstanding. This personalizes ownership and tells you, the shareholder, how much of that company you own.

The **Income Statement** is a report of the *operation* of the company over a **period of time**. The income statement contains *three* basic items that relate to each other much as do assets, liabilities, and equity. These are the items that produce the changes in the equity portion of the balance sheet:

> **Revenue (Sales)** is all of the proceeds from the sale of the company's goods or services.
>
> **Expense** is the costs the company incurred during that period.
>
> **Profit** is the *difference* between the revenue and expense.

Revenue, expense, and profit are used to calculate two items which are particularly important to investors:

> **Earnings per Share (EPS)** are simply the profits divided by the number of shares in the hands of the shareholders.
>
> The **Price/Earnings Ratio** (P/E or "Multiple") expresses the relationship between the price of a company's stock and its annual earnings and is calculated by simply dividing the current stock price by the company's annual earnings per share.

A simple way to grasp this is that, much like the price per pound of coffee or per gallon of gas is a "rate," so is the P/E a "rate" one pays for a dollar's worth of a company's earnings per share. These are all the terms you need to know to begin with.

Like the Sea

Hardly a traditional investment book lets you read more than a few chapters without making some reference to the fact that the stock market is like the sea. This is an excellent metaphor, but most books just don't carry it far enough. The stock market is indeed like the ocean because, as a cork floating upon the surface, the price of a stock is affected by many compounded influences at once. The broadest influence is, of course, the tide which ebbs and flows regularly and, in some places, rises as much as fifty feet or more above its low point. Upon the tide are the broad, rolling waves caused by the various disturbances at the sea bottom. Then there are the large waves that are caused by the storms and major changes in the atmosphere—all the way down to the various ripples and patterns caused by the whim of the local breeze that blows this way and that over a few square yards of the surface. The cork is buoyed by a composite of all of these—some rising, some falling at the same time. If you were to try to predict where that cork would be in relation to sea level in the next moment, you'd have a time of it. What a storm or even an underground earthquake will do to it at any given moment can't be predicted at all. If you add to that the effects of the winds and the little breezes, it's hopeless.

However, over the course of a day instead of a moment, you would be able to forecast, in general, where your cork would bob. This is because the tides are influenced by the position of the moon, gravity, Coriolis effect, and a variety of other things that are all scientifically predictable—so predictable, in fact, that almanacs are published that forecast the tides, for years ahead, right to the minute.

The stock market is governed by much the same set of influences. And, just as the sea, it too is predictable over the long term but not the short term. Over the life of a company, its P/E Ratio—the relationship between its earnings and its price—is virtually constant. It does, in fact, tend to decline slowly as the company's earnings

growth declines, which happens with virtually all successful companies.

For all practical purposes, however, that relationship is remarkably constant. For that reason, it is also remarkably predictable. When a company's earnings continue to grow and grow, so will the stock's price. Conversely, when earnings flatten or go down, the price will follow. The little things that make the Price/Earnings ratio fluctuate above and below that constant are not so predictable because they are all caused by investor perception and opinion—just like the winds that blow across the surface of the sea.

The broader moves are the undulations that are typically caused by the continuous rising and falling of analysts' expectations. When a company first emerges into its explosive growth period, the analysts expect it to continue to skyrocket. Earnings growth estimates in the 50% range are not uncommon.

As the company continues to meet these expectations, investor confidence booms along with it and more investors pay a higher and higher price for the stock. Of course the P/E rises like a meteor right along with the price. The faster the growth, the higher the P/E. Then one fine day, when the analysts' consensus called for a growth of 45%, the company turns in a "disappointing" growth rate of 38%. The analysts start wringing their hands because the company has not met ***their*** expectations, and some fund manager will sell.

Next, all of the lemmings on Wall Street will follow suit. And not long thereafter, you'll get a call from your broker telling you that you've had a nice ride, you've made a lot of money on the stock, and it's time to take your profit and get out. In the meantime, he's made his commission on your purchase, and he's about to make it on your sale. After a while, when the price and the P/E have plummeted and then sat there for a while, some analyst will wake up to the fact that a 34% earnings growth rate is really still pretty darn good. So, he'll jump in again. Soon the cycle is reversed. The market will start showing the company some respect again. And, you'll get a call from your broker. Of course, as a good fundamental investor, you didn't sell the stock in the first place.

Because you were watching the fine earnings growth all along, you chose the opportunity to buy some more. In the meantime, your broker's clients who were not so savvy took their profits (paid the taxes on them, by the way), and wished that they had been in there all along. By the time their broker called them again, the price had already climbed past the point where it made good sense to jump in again.

These are the kinds of influences that cause the longer-term undulations in the P/E. Shorter-term are the ripples and wavelets. Every little utterance of a government official or company officer, insider buying and selling (which may or may not mean anything), rumor, gossip, and anything else that can influence the whims of those on the street will. Many will use these stories to make or break a market in the stock.

It's best to assume that any price movement that is not related to the company's earnings is transient. If the stories—not the numbers—cause the price to move, it won't last. What goes up will come down, and what goes down will come up. Only when the sales, pre-tax profits or earnings drive the change do you have to be concerned—and then, only if you expect the performance decay to be a major, long-term problem.

Remember also, a sizable segment of Wall Street doesn't make its money on the ocean. They make it on the "ocean motion." Buying or selling, it makes little difference to them what you do. They make their money either way. But it sure makes a difference to you!

Fundamental Investing Principles

History has demonstrated that there are five basic principles that you should follow if you want to be truly successful

Invest Regularly in the Stock Market

You don't need a lot of money to start investing in the stock market. In fact, small amounts, invested regularly, will provide all of the protection you need against the vagaries of the market. Known as "dollar cost averaging," this principle allows you to purchase more shares of a stock when the price is low (that is, cheap) and fewer shares when it's high (expensive). As a result, over the long term you will own more shares at a lower price than if you had invested a single lump sum in that stock.

Reinvest all of Your Profits and Dividends

This principle provides for you to enjoy the "magic of compounding" which means that you earn money on the money you earn. Most of your gains should be "unrealized" (the appreciation in the market value of your portfolio without having to sell to "realize" the gains, known as "paper gains"). However, if you re-invest your dividend income and realized gains, you would double your money in five years with a portfolio that returns just a little less than 15% a year. If you "take what you make," your portfolio would have to return 20% to do the same.

Invest for the Long Term

"Long-term investing" implies that your fortunes are determined by the growth of the companies in which you invest, not simply by the price of the stock. It also means that you don't need to be considered about "timing the market," attempting to gauge if the overall market or a single stock is high or low before making a purchase or sell. During periods when the overall stock market is down, in fact, can be excellent opportunities to find under-valued stocks, which will increase your return as the market (and your stocks) rise. Though a "buy and hold" approach to the market does not mean "never sell," patience is a virtue well worth cultivating in when building a portfolio.

Invest Only in Good Quality Growth Companies

Depending upon the size or maturity of the company, you should look for companies whose "monotonous excellence" produces consistent annual earnings growth of anywhere from 7% to as much as 20%

compounded annually. As these companies grow, their share prices will ultimately follow, and your portfolio will reap the returns.

“Total Return” (the combination of both capital appreciation and dividend yield) is, certainly, the name of the game, but it’s best to invest in companies whose growth, rather than dividend income, is going to provide the bulk of the return.

But it’s not enough to simply invest in growing businesses. You should also set high standards of quality for the companies in which you invest. Companies of quality will outperform their peers, perform better in economic downturns, and/or see their share prices take large tumbles during the occasional stumble.

Diversify Your Portfolio

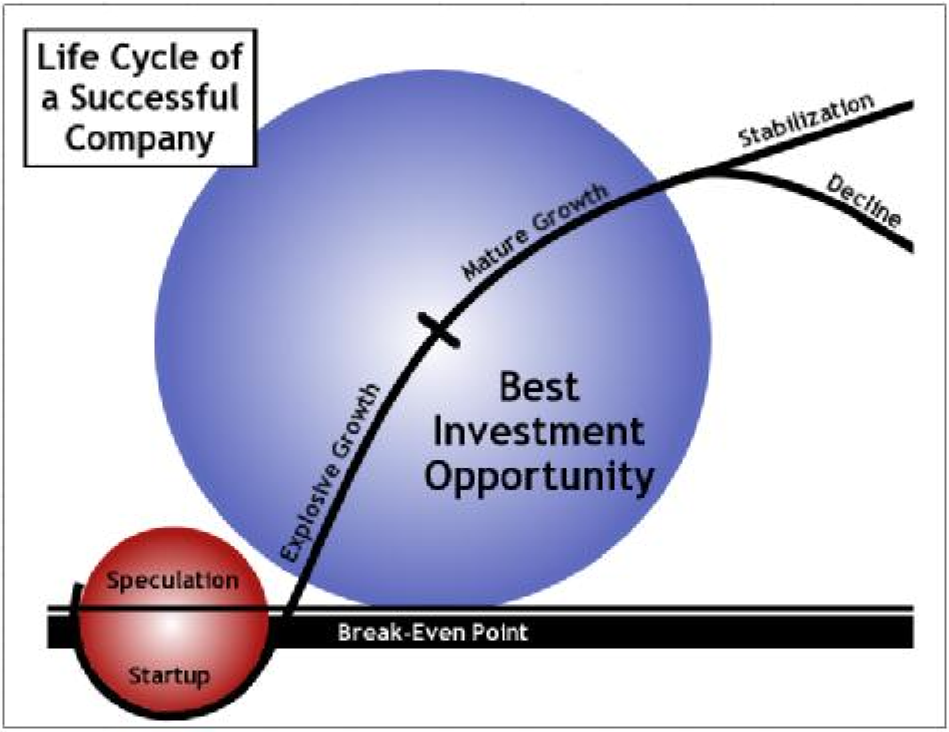
While the first three are principles that are essential to grow your capital, this “defensive” principle is important as a means of minimizing risk. Putting all of your eggs in one basket has never been smart, and we look for diversification in both size (risk/return considerations) and industry.

Strive to build a portfolio that contain approximately 25% small companies, 25% large companies, and the rest in between—divided among a variety of industries. In this way, you can reduce the overall risk in your stock portfolio and have a better chance of reaching your target return.

What Is a Quality Growth Company?

Of the five principles listed above, the fourth is the real “trick” as the others can be followed more or less mechanically. To invest only in high quality growth companies, you will have to prospect for good candidates and then analyze and evaluate each.

Just What Do We Mean by Growth?



As can be seen in the diagram above, a successful company will pass through several phases of growth:

- The startup phase when earnings are predictably below the break-even point.
- A period of explosive growth when the percentage increase in sales and earnings can be spectacular.
- The mature growth period when revenue becomes so large that it is difficult to maintain a consistent increase in the percentage of growth.
- The period of stabilization, or decline for companies that do not continue to rejuvenate their product mix or expand their target markets.

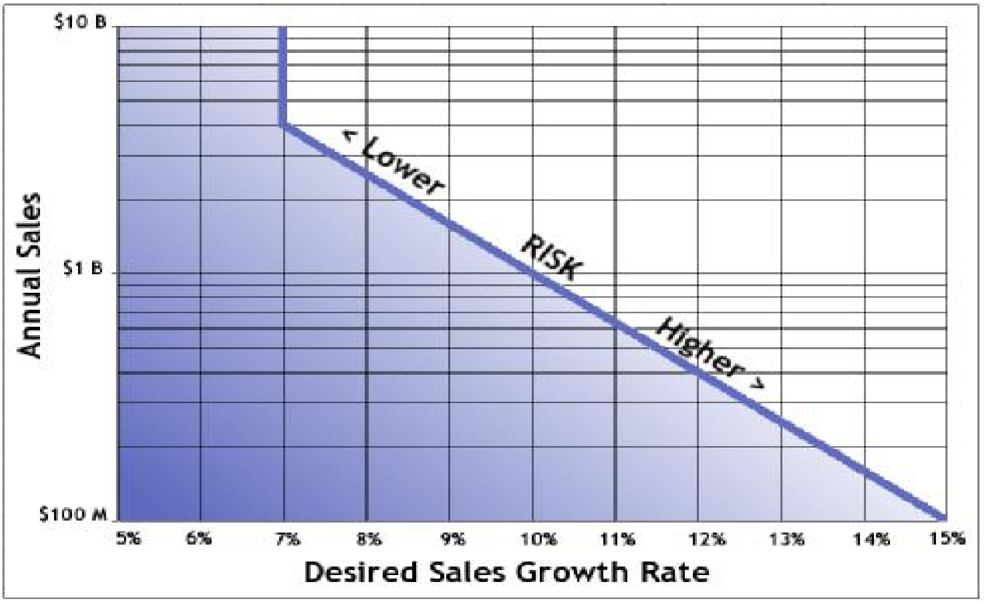
You should invest only in companies that have a track record as a public company for at least five years and for which the data is readily available.

We are therefore interested in investing in companies that are at least five years into their explosive growth periods but that have not gone past their primes. Obviously, the longer the company has had a successful track record—provided its management copes successfully with maturity—the more stable and risk-free it is apt to be.

Depending upon the size of the company, fundamental investors should expect growth rates that vary from a low of about 7% to a high of around 20%. Hence, if the company is an established one with sales over the $5 billion mark, a growth rate of as little as 7% might be acceptable. (The Total Return of such a company should have a substantial dividend yield component.)

At the other end of the spectrum, the newer company in its explosive growth period should show double digit growth. While we know that growth rates above 20% cannot be sustained forever, we look for higher growth rates as compensation for the increased associated risk.

The chart below provides a rough guideline for the kinds of growth rates that concept suggests. Anything in the light area is acceptable for companies whose revenues (sales) match the scale on the left side.



For example, if a company's sales for the current year are in the neighborhood of $300 million, we would look for a growth rate of better than 12%. For a company with $1 billion in sales, we would want at least 8%. These are the standards of growth that we will seek for investment. Higher risk situations involving companies early in their life cycles are speculative and not of investment quality.

How Do You Find Such Companies?

There are lots of good ways to prospect for likely candidates to study. Here are just a few:

- Find out the names of the companies that produce the products and services that you use and think are excellent.
- Ask your broker for a suggestion or two.
- Join an investment club.
- Attend local BetterInvesting chapter meetings, Investor's Fairs, the InvestEd or BetterInvesting national investing conferences, and other events where users of ***Toolkit 6*** may be present.
- Use one of a number of screening programs, such as **Stock Prospector** (also available from ICLUBcentral), to filter out from a large universe of companies only those that meet your criteria.
- Look in the newspaper for exciting companies.
- Subscribe an investing newsletter such as the *Investor Advisory Service* published by ICLUBcentral. Each issue features three recommended stocks with accompanying stock studies prepared using Toolkit.(www.investoradvisoryservice.com)

The point here is that you can get a good idea from almost anywhere. There are as many suggestions out there as there are companies, and one might be just as good as another. But, so long as you clearly understand that you should ***never, never, never*** buy a stock as a result of a "tip," you're going to do just fine.

Peter Lynch, one of the nation's most successful fund managers, said that one of his greatest picks was "L'Eggs"—the hosiery sold in the supermarkets. His wife came home one day, extolling the virtues of the product and the concept and he decided to take a look at the company! Notice that we didn't say "bought the stock." We said that he decided to "take a look at" the company. He did buy it, but only after doing a thorough job of homework on it.

Most "tips" fall in the category of either "inside information" or new product potential. In the case of the former, you must ask yourself, "If that information is so new, exciting, and/or secret, how come the person who told me about it knew about it?" (If it was your stockbroker, you may rest assured that the street has already discounted it.)

In the case of new product information—"ABC Company is about to introduce a revolutionary new widget"—you must ask yourself, "What percentage of current revenue could such a new product generate if that product or service is successful?" Usually the answer will be that sales of the new product will bring in only a tiny fraction of the current sales figures. If the company is so small that it would have that much effect on the company's bottom line, then it is probably still too small (new) a company to bother with or the introduction of the new product is too risky to gamble your capital on.

Write down any suggestions you receive, the names of firms that produce the products that you know are winners, or services you think are particularly important for the times. In short, the best criterion for finding a company that meets your needs is to find products or services that are successful.

Read the financial newspapers and newsletters and see what the analysts are saying about some of the "comers." Be sensitive to information about industries and specific companies in the regular newspapers and other media.

Common sense and a little observation are far better providers of stock tips than the average broker whose company may have its own interests at heart when it "suggests" he push a stock! The moral of the story is that you can find good candidates anywhere.

Once you have a company you are interested in—or a list of them—you can then go to work.

Obtaining Data

Once you have selected a candidate for study, you will then need to obtain the data required for analysis and evaluation using ***Toolkit 6***. Publicly held companies are required to report their financial results four times a year, and companies that are large enough to be of interest to you as an investor are also required to report those results to the Securities and Exchange Commission within a reasonable time after they close their books each quarter.

You may either enter it manually from printed reports or from the Internet, or you may import it electronically from an increasing number of sources that are currently available. This data comes in different forms and formats and is described in detail in the "**What You Do and Why You Do It**" section of this manual which follows.

Benefits of Long-Term Investing

80% Successful Stock Selection Record

Because long-term trends in the performance of companies are reasonably predictable, it is possible to pick as many as four winners out of every five stocks that you choose. Put another way, that's an 80% success rate

Money Can Double Every Five Years

It is also possible, with reasonable diligence, to replace the one out of five that may be a loser before it significantly damages your portfolio. Those who do can enjoy 15% (or even higher) compounded, annual growth in the value of their holdings—a rate that would double your money in five years.

Tax Benefits

The best gains are unrealized gains—the increase in the value of your stock as it sits in your portfolio. You don't have to pay taxes on your gains until you sell. Short-term investors tend to sell their winners and wait for their losers to grow. (They eventually wind up with a portfolio full of losers.) That's why they don't make out as well as the average long-term investor who stays with the winners for the long haul.

Simple Procedures

The fundamental investment methodology is not "rocket science." Anyone can learn it quickly and use it successfully for a lifetime.

Carefree Portfolio Maintenance

There is no need to anxiously watch your stock prices hourly, daily—or even weekly—as short-term investors and speculators do. If you wish to update your prices and watch your progress on a monthly basis, that's great. But you can do a fine job of managing your investments if you tend to them only every two or three months.

USING *TOOLKIT 6*: WHAT YOU DO AND WHY YOU DO IT

This section of the manual, "**What You Do and Why You Do It**" will walk you through the basic concepts behind your fundamental investing tasks. This section is broken into two distinct areas: the **acquisition** phase, in which you select, study, and evaluate stocks for purchase; and the **portfolio management** phase, in which you perform the tasks required to optimize the performance of the portfolio of stocks you have purchased.

Starting with an initial, rudimentary analysis using the **First Impression**, we'll take you through a more detailed and complete Stock Study using the **Stock Study Form.** Then we'll discuss the rationale behind comparing stocks using the **Comparison** module. This acquisition process is the keystone of fundamental investing, and the data developed in this pursuit is valuable for your portfolio management chores.

The second part of this section will be of special interest to you, since it's concerned with managing your portfolio of stocks after you acquire them. It builds on the information that you've assembled in the acquisition process and offers a different perspective of the same information in a fashion that is indispensable for your portfolio maintenance chores.

In ***Toolkit 6***, we have harnessed the real power of the computer to implement a process that eliminates a reliance on the paper forms on which early versions of Toolkit were dependent. Of course you may still access those reports as you have in the past if you're more comfortable doing so. However, you will see how the very same tasks are now accomplished automatically and with less confusion with the **Portfolio Report Card**, **Portfolio Overview**, and **Portfolio Alerts** which tell you all you need to know about the performance of your portfolios as a whole and the companies in them.

This process separates your urgent, defensive tasks from the less urgent but important offensive tasks. It calls your attention to the companies needing attention, and then allows you to make the "sell" or "hold" decisions with ease, following a simple and logical, step-by-step procedure.

The "**Smart Challenger**" simplifies the job of replacing an overvalued company with one with more promise, permitting you to see how all of the stocks in your stock library meet your needs.

This section parallels the last section in the manual, "**How you do it**"—the true software manual that tells you what buttons to push and menus to access to accomplish the things that we discuss in this section. Both permit you to either execute the step-by-step process with the computer as you read about it, or refer to the concepts behind the steps as you perform them with aroused curiosity.

About Data

Overview

Until recently, the selection of a source of data required to analyze companies was somewhat confusing. Favored among fundamental investors for the past two decades was the Value Line Survey, a source for manual data entry which had the unique benefit of "normalizing" data—stripping from the reported data those items that were either infrequent or unusual—so that the remaining data more closely represented what one could expect from a company on a regular, continuing basis.

With the advent of the computer, a number of electronic sources of data emerged and became the most popular source of data. Sources such as *Market Guide/Multex* (now *Reuters*) and Standard & Poor's came into popular use by users of ICLUBcentral software because of the convenience and speed with which it could be imported into that software, generating a **Stock Study** ready for judgment in mere seconds.

Today, ICLUBcentral offers its own data for ***Toolkit 6*** (and our other software programs) through our **StockCentral.com** web site. Using data provided by Morningstar, the data files and data reports available in ***Toolkit 6*** and on the StockCentral.com web site are available at a price all can afford.

Because it is the highest quality data, offers the most desirable configuration for analysts (diluted, normalized earnings from continuing operations, excluding extraordinary items), because it is so inexpensive, and because it imports so seamlessly into your Toolkit, we now assume that most who use ***Toolkit 6*** will have access to that data.

Even though manual data entry is still an option, we will no longer devote much attention to the manual data sources. Regardless of the source, however, it's important to understand the differences in the nature of the data you will use.

Data Types

Data comes in several "flavors," depending upon who provides it and what specifications are made by the data vendors who use or sell the information. All are correct, and, oddly enough, all are different.

Company Reported Data

This is data hot off the company's presses. It may or may not be filed with the SEC. It may or may not be audited. It is, nevertheless, what the company has said that it **is** (the balance sheet), and what it says it **has done** (the income statement).

Standardized Data

Standardized Data is company-reported data that has been analyzed by professionals who look at the details of income and expense and "map" these numbers into standard categories so that companies may be compared on similar terms. Fiscal year dates are adjusted to a regular standard. This data is *usually* taken from SEC filings and has *usually* been audited—at least the annual data. Bear in mind that there is a trade-off between the quality of company reported data and the timeliness of standardized data.

Normalized Data

Company reported data that has been analyzed and altered to reflect the deletion or addition of nonrecurring income and expense is referred to as "normalized." Value Line data is "normalized" but not standardized.

Other Issues

The most significant difference between the various types of data is in the manner in which earnings are reported. Some data providers offer earnings "as reported." Others offer "earnings from continuing operations," which implies that any earnings (or losses) from operations that have been discontinued are expunged from the data.

All of these methods of reporting data are "correct" even though they are different. All are presented as prepared according to "generally accepted accounting procedures." The most important point is that you as an investor, using a particular data source, understand the "differences" and their impact on your judgment, and that you take precautions not to mix your sources.

StockCentral data, of which we assume the great majority of Toolkit users will avail themselves, provides diluted, normalized earnings from continuing operation, less extraordinary, special items and other non-recurring events not regularly accounted for in ongoing operations. This is the most desirable form of data for the analyst.

Data Sources

Electronic Data

For years, it was necessary for computerized investors to laboriously enter the data by hand. While we have retained the provision for so doing—many still prefer **Value Line** data because it's what they are accustomed to—still more appreciate the immense benefits of having timely, accurate data available in a keystroke.

Electronic data eliminates inaccuracies, tedium, and procrastination and so ICLUBcentral makes available by subscription data files for ***Toolkit 6*** from **StockCentral.com** underlying data from Morningstar, Inc., a premier provider of financial data to web sites like Yahoo! Finance, Fortune.com, and Money.com. The data provided includes diluted earnings from continuing operations less extraordinary and special items as well as other non-recurring events not regularly accounted for in ongoing operations.

Toolkit 6 provides as seamless a process for importing this data as possible, and this data is also provided on-line in printable reports on the StockCentral.com web site. Once you have properly configured your program, the import of data requires no additional steps other than selecting the stock you wish to study or clicking on options for Toolkit to update or import the information for one or more stocks.

Manual Data Entry

The **Value Line Survey** is a popular source of information for manual entry, and the most comprehensive for your purposes. It is favored because it is a very concise representation, on a single page, of all the data necessary to complete the **Stock Study**.

The data is laid out so that it conveniently follows the flow of the program and, with a little practice, it will take you no more than five to ten minutes to input the data for a company. Value Line may be too costly to subscribe to for the average investor, but it is available in most libraries.

Standard and Poor's "tear sheets" have been made available to Toolkit users through some brokers and may be downloaded by their clients from their Web sites. This data is available in most libraries as well. It is not quite as concisely laid out (requiring both the front and back page) nor is the data quite as easy to locate; however, many Toolkit users have used this source for many years and have become accustomed to it.

As with the **Value Line** Survey, the data that you will use for your **Stock Study** is highlighted in the figure on the bottom, and is not nearly so intimidating as is the form at first glance.

At the end of every fiscal year, companies will publish an **annual report** that is intended to inform the stockholders about what has happened during the past year and what is expected in the future. While many of these reports make interesting reading and are good sources of data, there is no standard to which all reports comply.

Companies have a great deal of latitude in determining just how the data will be presented, how much of it needs to be presented, and what they say about the reasons for past and future performance. Because the information is not presented in a standardized fashion from company to company, it is frequently difficult to find all of the required data.

In many cases, there will be insufficient data for you to do your **Stock Study**. Some companies, for example, provide only three years of history. Much of the story is hidden in the footnotes to the financial statements, and it takes a financial "detective" to interpret all that is there.

All of these things make the annual reports the least desirable source of data; yet, you shouldn't overlook them if you are truly interested in a company. Digging out the data you want is a good exercise and learning experience, and you might be surprised how much you can learn about a company just by following the numerical paths and reading between the lines. Still, annual reports will most often merely be a source of additional or supplementary information.

We recommend that beginning investors stick with the first two sources for manual entry—or the next one.

EDGAR—The SEC

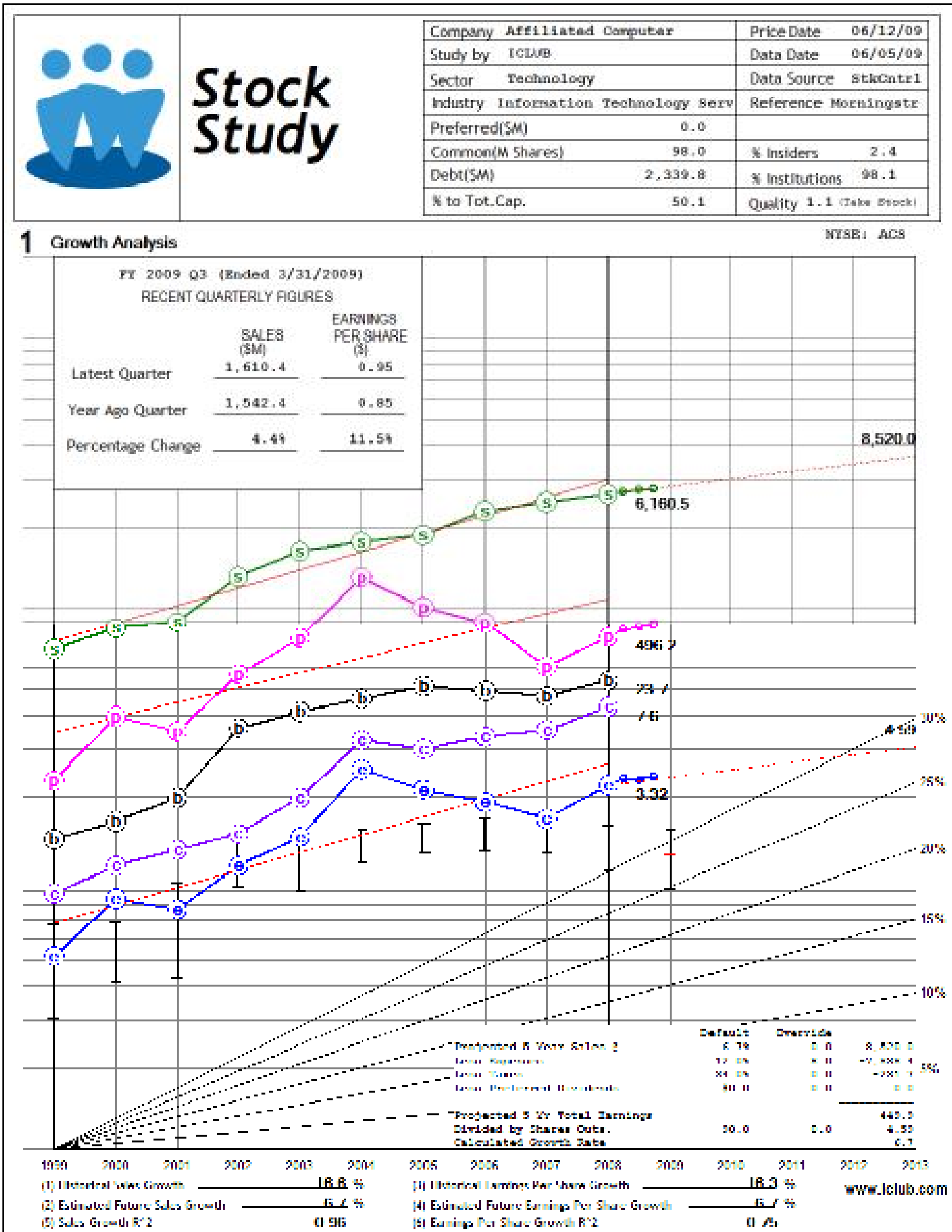
SEC filings contain data that can be used for manual data entry. EDGAR, an acronym for the Electronic Data Gathering, Analysis, and Retrieval system, is a database of forms that are required by law to be filed by companies with the U.S. Securities and Exchange Commission (SEC). EDGAR can be found at the SEC's site at www.sec.gov/edgar.shtml.

Quarterly and Annual SEC fillings—10-Q's and 10-K's— are more useful than annual reports. These reports are required by the SEC from each public company. They contain all of the same basic information as annual reports, but they are not dressed up with pretty pictures and self-serving text. And, they are in a more or less standard format. Data is easier to find, and the risks and other negative issues are stated more forthrightly.

Evaluation and Acquisition

Stock Study

Probably the most interesting and exciting part of the investment process is the evaluation and acquisition of a good portfolio of fine companies. Doing your "homework" diligently and conservatively is the key to success, and the tools that ICLUBcentral provides to do so are the **Stock Study** and the **Comparisons**. With them, you should be able to pick four winners out of every five stocks selected—assuming that you use these tools conscientiously and conservatively.


Stock Study
Company Affiliated Computer
Study by ICLUB
Sector Technology
Industry Information Technology Serv
Preferred($M) 0.0
Common(M Shares) 98.0
Debt($M) 2,339.8
% to Tot.Cap. 50.1
Price Date 06/12/09
Data Date 06/05/09
Data Source StkCntrl
Reference Morningstr
% Insiders 2.4
% Institutions 98.1
1 Growth Analysis
NYSE: ACS
FY 2009 Q3 (Ended 3/31/2009)
RECENT QUARTERLY FIGURES
SALES ($M)
EARNINGS PER SHARE ($)
Latest Quarter 1,610.4 0.95
Year Ago Quarter 1,542.4 0.85
Percentage Change 4.4% 11.5%
8,520.0
6,160.5
3.32
30%
25%
20%
15%
10%
5%
Default
Override
Projected 5 Year Total Earnings
Divided by Shares Outs.
Calculated Growth Rate
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
(1) Historical Sales Growth 16.6 %
(2) Estimated Future Sales Growth
(3) Historical Earnings Per Share Growth 16.3 %
(4) Estimated Future Earnings Per Share Growth
www.iclub.com

Of course, the first step is to prospect for good companies to study. Whatever your source, you should never purchase a stock until you have analyzed it using the **Stock Study**.

Stock Study—Purpose

The **Stock Study** is the keystone of the fundamental investment discipline. It has two purposes. The first is to determine if the company under consideration is a strong and healthy company, of good enough quality to warrant investment interest.

The second is to determine if its stock is selling at a price that would make it an attractive investment. **No matter how good the company is, if the stock is overpriced, it is not a good investment.**

Overview

To satisfy the two purposes described above, the **Stock Study** is divided into five sections of which the first two deal with the quality issues and the others with value. Just two items are sufficient to judge the quality of a company. If they are satisfactory, any other quality measures will usually take care of themselves:

The first is the growth of sales and earnings. These criteria are plotted on a semi-log graph in **Section 1—Visual Analysis**, where you can see if the growth is stable and strong enough to deserve your interest.

The second is, assuming that the growth is satisfactory, whether management has the capability of sustaining that growth.

Again, there are two questions that need to be answered to determine management's ability. These are dealt with in **Section 2—Quality Analysis**. Line 2A displays Pre-tax Profit margins and allows you to see if profit margins are stable, sufficient, and have not been trending down. Line 2B displays Return on Equity which tells you whether management is able to earn a steady and substantial return on the investors' money. Line 2C displays the debt/equity ratio for the company, a measure of the company's dependence on borrowed funds.

2 QUALITY ANALYSIS

Company **Affiliated Computer Srvcs** (ACS) 06/12/09

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	5 YEAR AVG.	TREND UP/DOWN
A	% Pre-tax Profit on Sales	8.9	12.8	10.7	11.8	13.0	20.2	14.7	10.4	6.6	8.1	12.0	DOWN
B	% Earned on Equity	25.1	18.9	14.5	13.6	12.5	10.7	14.9	12.9	11.7	14.9	14.8	EVEN
C	% Debt to Equity	50.8	65.7	63.7	32.5	19.0	13.1	25.4	59.5	111.1	21.3	46.1	DOWN

3 PRICE, PRICE/EARNINGS RATIO and DIVIDEND ANALYSIS

CURRENT PRICE 46.410 52-WEEK HIGH 57.200 52-WEEK LOW 34.840

	Fiscal Year	High Price	Low Price	EPS	High P/E	Low P/E	Dividend	% Payout	% High Yield
1	2004	57.5	43.0	3.79	15.2	11.3	0.000	0.0	0.0
2	2005	60.8	46.9	3.19	19.1	14.7	0.000	0.0	0.0
3	2006	63.5	47.5	2.87	~~22.1~~	15.6	0.000	0.0	0.0
4	2007	61.5	46.7	2.49	~~24.7~~	~~18.7~~	0.000	0.0	0.0
5	2008	59.8	40.4	3.32	18.0	12.2	0.000	0.0	0.0
6	AVERAGE		44.9		17.4	13.7		0.0	

AVERAGE P/E RATIO	15.5	PROJECTED P/E RATIO	12.2	TTM EPS	3.57
CURRENT P/E RATIO	13.0	PEG RATIO	1.8	FTM EPS	3.81
RELATIVE VALUE	83.9%	PROJ. RELATIVE VALUE	78.6%		

4 EVALUATING REWARD and RISK over the next 5 years

A FUTURE HIGH PRICE ANALYSIS NEXT 5 YEARS

Selected High P/E 17.9 X Estimated High Earnings/Share 4.59 = Forecast High Price $ 79.9

B FUTURE LOW PRICE ANALYSIS NEXT 5 YEARS

(a) Avg. Low P/E ~~13.7~~ 12.0 (as adj) X Estimated Low Earnings/Share 3.32 = $ 39.8

(b) Average 5-Year Low Price = 44.9

(c) Recent Severe Low Price 34.8

(d) Price Dividend Will Support = Present Divd. ÷ High Yield = 0.000 ÷ 0.000 = 0.0

Selected Estimated Low Price = $ 39.8

C PRICE RANGES

Forecast High Price 79.9 − Estimated Low Price 39.8 = Range 40.1 25% of Range = 10.0

BUY (Lower 25% of Range) = 39.8 to 49.8

MAYBE (Middle 50% of Range) 49.8 to 69.9

SELL (Upper 25% of Range) 69.9 to 79.9

Current Price 46.410 is in the Buy Range

D REWARD/RISK ANALYSIS (Potential Gain vs. Risk of Loss)

(Forecast High Price 79.9 − Current Price 46.410) ÷ (Current Price 46.410 − Estimated Low Price 39.8) = 5.1 To 1

5 TOTAL RETURN ANALYSIS

A CURRENT YIELD

Present Full Year's Dividend $ 0.000 ÷ Current Price of Stock $ 46.410 = 0.0 % Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. EPS Next 5 Years 4.03 X Avg. % Payout 0.0 ÷ Current Price $ 46.410 = 0.0 %

C % COMPOUND ANNUAL TOTAL RETURN

Average Yield 0.0 % + Annual Appreciation 11.5 % = Compound Annual Total Return 11.5 %

D % PROJECTED AVERAGE RETURN

Average Yield 0.0 % + Annual Appreciation 7.8 % = Projected Average Total Return 7.8 %

If—**and only if**—you determine from the above that the company is a good quality company, then the next issue is the price of its stock. Is it a good value? The objective is to determine if the value of your investment has the potential to double in five years.

Section 3—Price, Price/Earnings Ratio, and Dividend Analysis deals with the historical relationship between earnings and the price of the stock. It calculates historical averages that are used to develop estimates of future price ranges. This section also deals with the company's performance in paying dividends. Remember, your increase in value comes from both appreciation and dividends.

While you assess the historical rates of growth for sales and earnings in Section 1, take the opportunity to make a rough estimate of future sales and earnings growth based upon what you learned about the company's history.

In **Section 4—Evaluating Risk and Reward over the next 5 years**, you are now ready to use your evaluation of history and estimates for the future to determine the value of the investment. You have determined from Section 3 what you believe to be the highest P/E and lowest P/Es that investors would be willing to pay for this company's stock. You have also made a conservative forecast of the highest and lowest earnings per share that this company might make, assuming the company operates normally.

Multiplying the highest P/E multiple by the highest forecast earnings and the lowest multiple by the lowest, the program calculates, respectively, the highest and lowest prices the stock might sell for in five years. This price range, from the highest to the lowest, then permits you to determine:

- how the current price compares with that range
- how the risk you would take compares with the potential reward
- how the Current P/E multiple compares with the average

Finally, **Section 5—Five Year Potential** looks at the dividend income. It also calculates the possible total return you might expect to receive on your investment. With the information made available, you should be able to make a sound decision as to whether or not to buy the stock at its current price. You can also find out at what price the stock would become a reasonable buy if it isn't at the moment.

Entering Data

Now that you have an idea where to get company data, you need to learn how to input it into Toolkit. Data can be entered manually, or it can be imported electronically. This part of the manual will explain both in general terms. You will find detailed instructions for each step of the process in the "**How to"** section.

Manual Data Entry

Manual data entry is somewhat tedious to begin with. But, with a little experience, it will become relatively painless, taking just a few minutes per company.

As we discussed above, the most common sources for data for manual entry are **Value Line** and **Standard and Poor's Report**, both of which are available at most libraries or can be purchased by subscription. You may also obtain data from Internet sources that, while it is not in a format to import electronically, may be printed out and serve as a satisfactory source for manual data entry.

Navigating Data Entry Fields

Click on any space into which you want to input data. Use the **[Tab]** key to move from field to field about the screen. (To move "backwards" on the screen, hold down the **[Shift]** key and then use **[Tab]**.

In the **Basic Data** screen, the **[Tab]** key moves the cursor from one field to the next in a pre-determined order. On the **Quarterly** and **Annual Data** screens, the **[Tab]** key moves the cursor horizontally to the right (or to the left, if you hold the **[Shift]** key).

Drop-down lists open with a click on the menu arrow. (See the "Exchange," "Source," and "Month Fiscal Year Ends" fields.) Enter the appropriate data into each field from **Value Line, S&P,** or whatever source you choose. (Green-shaded areas indicate the minimum data elements required by the program to complete a **Stock Study.)**

NOTE: Context-sensitive **Help** is always available by clicking on the Help button on whatever screen you are viewing (or you may press the F1 key). Within the help screen that appears, in most cases you will be able to click on the appropriate picture of the screen itself for an explanation.

To help you locate the required data, sample **Value Line** and **S&P reports** are printed following the "Quarterly and Annual Data" section of this manual, highlighting their respective relevant data.

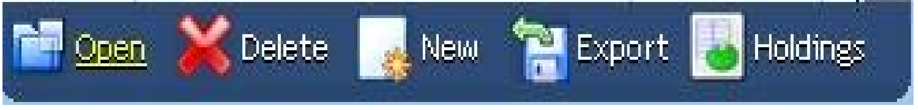
The New Company Data Entry Screen

To input your data, you will need to open a **New Company Data Entry** screen. You can do this several different ways:

- Click on the **"Stock Study"** button on the **Main Toolbar**, or the "**Begin a New Stock Study"** button on the Toolkit 6 Home Page, and then select "**Manual Data Entry from a data source such as Value Line of S&P Stock Reports**."

- Go to the **File** menu, and select "**New Company**"

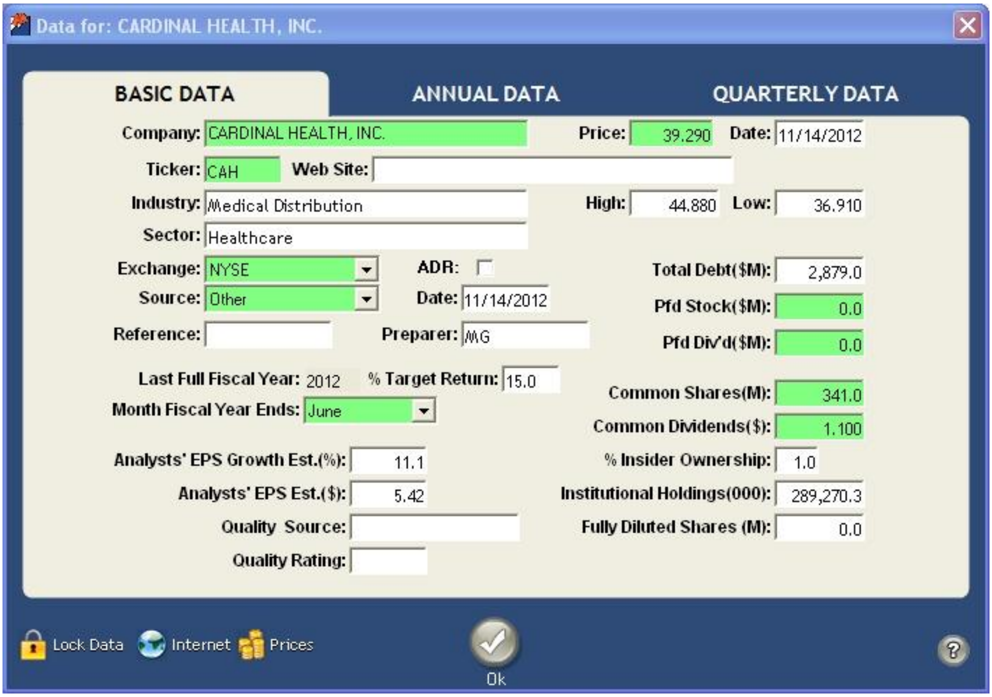
- Click the "**Library**" tab, and then the **New** button in your **Stock Library**:



The Data Entry screen will appear, and you may begin entering data.

Basic Data Screen

The **Basic Data** screen first opens so you can enter general and capitalization information, including the company's name, industry, capitalization, and other data that seldom change.



The green-shaded areas indicate where you must enter data so that **Toolkit** can perform the necessary calculations to complete the **Stock Study**.

To access **Quarterly** and **Annual Data** screens, click on their respective Tabs.

Annual Data Entry Screen

Annual Data entry captures the following data: high and low stock prices, earnings per share, dividends paid, book value, sales, net profit, tax rate (expressed as a percentage), and the average annual number of outstanding shares.

Year	High	Low	EPS	Div'd	Bk Val	Sales	Net Profit	Tax Rate%	Shs Outst'g	LT Debt	Free Cash Flow/Sh
2003	51.915	33.461	3.12	0.105	17.38	56,737.0	1,415.2	35.7	446.00	2,471.9	2.15
2004	54.959	39.313	3.47	0.120	18.53	65,053.5	1,526.8	33.1	434.40	2,834.7	5.03
2005	43.873	25.907	2.40	0.150	20.07	74,910.7	1,045.7	44.4	430.50	2,319.9	5.23
2006	54.385	40.936	2.90	0.270	20.33	81,363.6	1,242.7	35.4	421.20	2,599.7	3.96
2007	54.679	43.908	2.07	0.390	19.18	86,852.0	837.7	39.9	394.90	3,457.3	2.14
2008	51.362	35.349	3.61	0.500	21.71	91,091.4	1,314.0	35.8	358.20	3,687.4	3.12
2009	40.534	19.926	3.16	0.560	24.40	99,512.4	1,142.3	36.0	357.60	3,280.0	2.86
2010	36.660	20.802	1.62	0.720	14.80	98,502.8	585.5	54.2	358.80	1,896.1	5.20
2011	45.730	29.690	2.74	0.800	16.66	102,644.2	965.9	41.0	348.60	2,175.3	3.13
2012	47.060	37.530	3.06	0.883	18.04	107,552.0	1,067.9	39.7	345.00	2,418.0	2.62

You should enter as much data as you have available, with a minimum of five years being sufficient to complete a valid **Stock Study**.

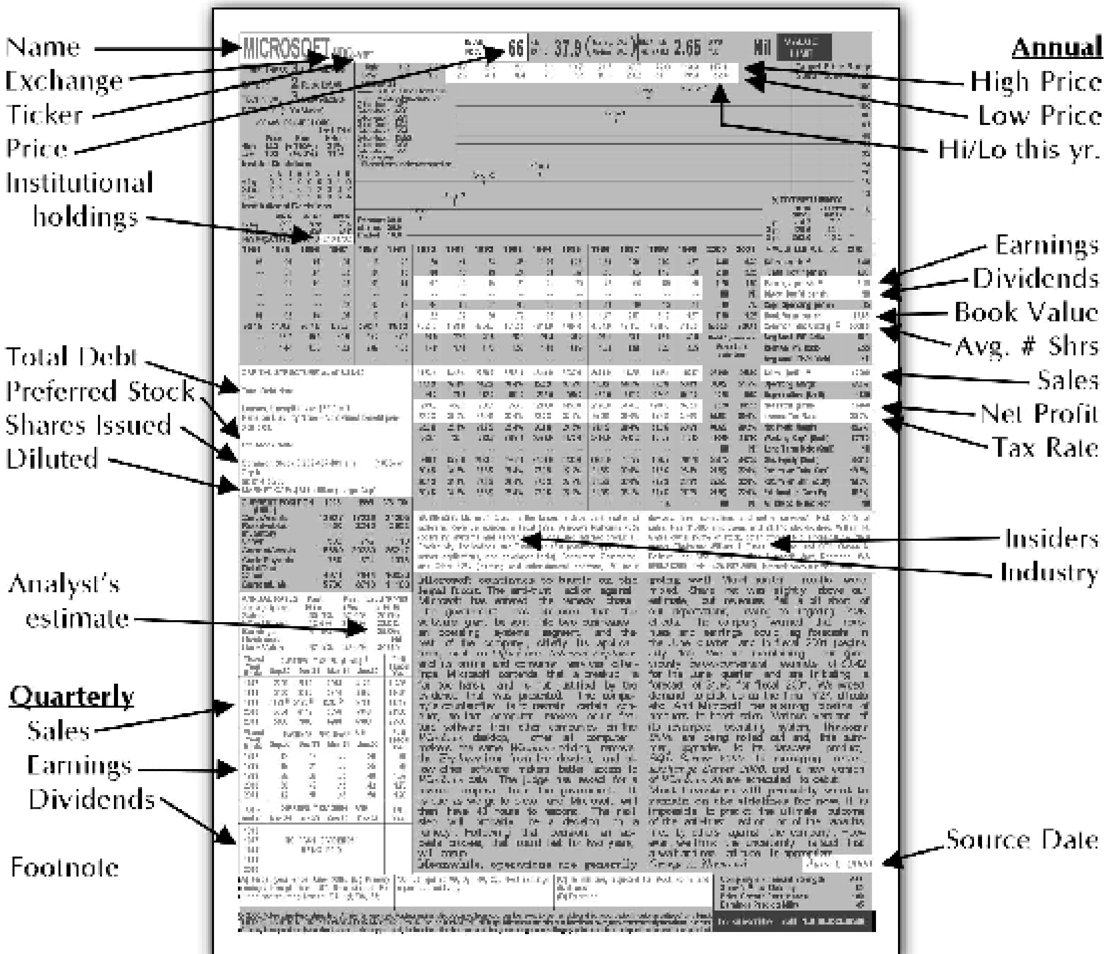
Quarterly Data Entry Screen

Quarterly Data accepts the reported Sales and Earnings per share (EPS) for five quarters. Pre-tax Profit (PTP) and Taxes may also be entered here (provided those additional fields have been enabled in your **Preferences**).

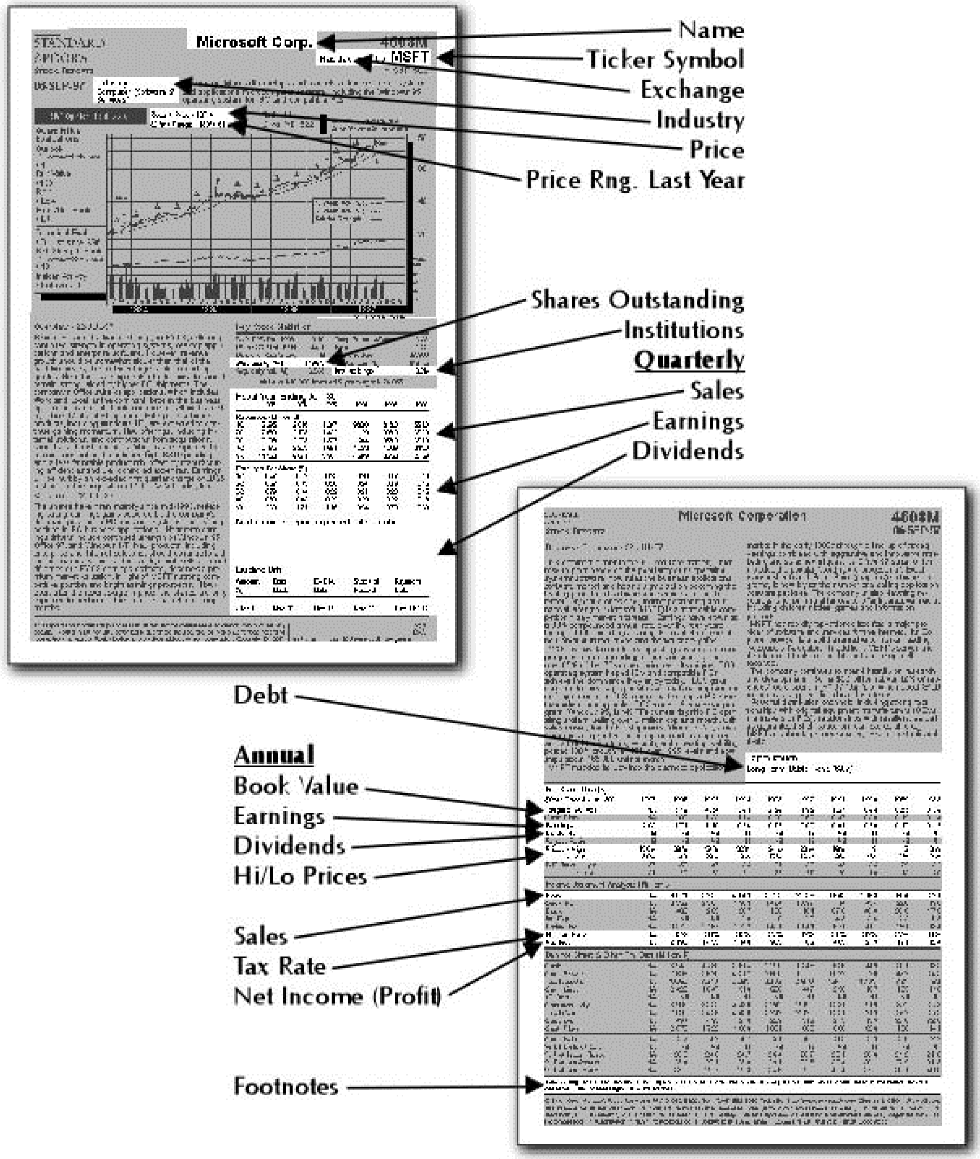
You will always use the most recently reported five quarters, so the last quarter showing at the bottom must be the most recent quarter for which you have data. If the last quarter showing is not the most recent data quarter, click in the "Last Quarter of Data" space (or the menu arrow located there) and select the quarter you wish to add to the screen.

Shown on the next pages are the **Value Line** and the **Standard & Poor's** pages, highlighting the data items that are used to manually complete the **Stock Study.**

Value Line Investment Survey Company Report



Standard & Poor's Company Report



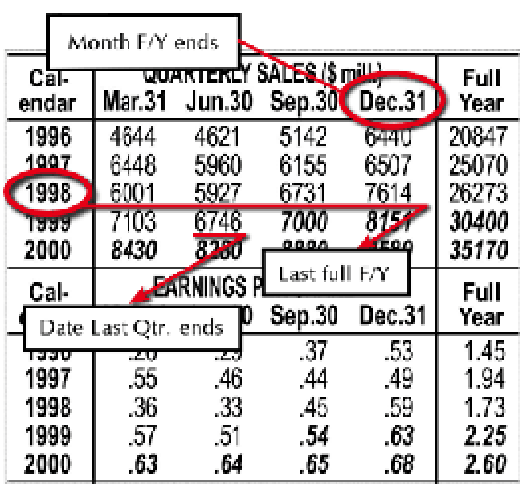
Determining the Proper Fiscal Year . . .

All companies keep annual books, most often divided into quarterly periods. These annual periods are called fiscal years. Some vary their reporting periods so that they don't end on precisely the same day each year (e.g., companies with 13-week reporting periods). About 40 percent choose fiscal years that don't coincide with the calendar year; i.e., end on other than December 31st.

Because of these variations, determining a company's ending dates for their reporting periods can sometimes be confusing. For example, it is quite possible for one company to end its fiscal year 2013 in June of 2013 and another to end the same fiscal year (2013) in June of 2014! The most important issue is consistency. You will do just fine if you consistently use the same method to determine the fiscal year and quarter ending dates.

. . . from the Value Line Survey

Let's look at **Value Line** and see how we can determine the correct dates. Probably the easiest way to do this is to look at the boxes in the lower left corner of the **Value Line** page for Quarterly Sales or Earnings per Share.



Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	4644	4621	5142	6440	20847
1997	6448	5960	6155	6507	25070
1998	6001	5927	6731	7614	26273
1999	7103	6746	*7000*	*8151*	*30400*
2000	*8430*	*8250*	[illegible]	[illegible]	*35170*

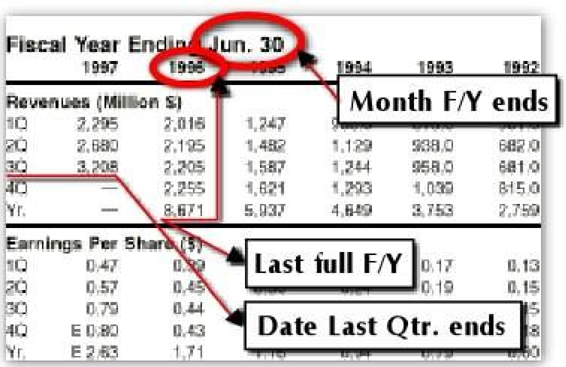
Cal-endar	EARNINGS PER SHARE Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1996	[illegible]	[illegible]	.37	.53	1.45
1997	.55	.46	.44	.49	1.94
1998	.36	.33	.45	.59	1.73
1999	.57	.51	*.54*	*.63*	*2.25*
2000	*.63*	*.64*	*.65*	*.68*	*2.60*

Above is an example from **Value Line's** report on Microsoft. Note that the Sales and Earnings sections have four columns that are headed with dates. The fourth column heading gives you the month that all fiscal year's end for this company. In the example below, Microsoft ends its fiscal year in June.

To find out the last fiscal year, you would locate the last row down that has no bold, italicized figures. In this case, it would be the third row of data from the top. This is the row that has four full quarters reported with no estimated data (which would be in italics and bold type). To the left of this row, you will find the fiscal year which, in this case, would be 2008. Microsoft's fiscal year 2008 therefore ends in June of 2008. The first quarter of FY '09 ends in September of 2009, and so on. To determine the date of the last reported quarter, you would look for the calendar month for the end of the last reported quarter, which, here, would be March of 2009.

. . . from the Standard & Poor's report

Following is an excerpt from the **Standard & Poor's** report on Microsoft.



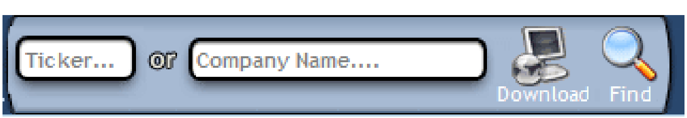
In this example, representing the same date as the **Value Line** example above, you will note that we again make use of the quarterly data to determine the date information that we require. You will find the month that the fiscal year ends at the top of the quarterly tabulation, labeled as such. To find the most recent fiscal year, look at the bottom of the Revenues (Sales) tabulation and find the last (left-most) column that has a total for the year. The year label at the top of that column represents the last full fiscal year. The quarter-ending date will require a little calculation. The first quarter of a new year will be three months after the last quarter of the previous fiscal year. The second will be six months later. The third, nine months following; and, of course, the fourth quarter will end as the fiscal year ends.

Looking at the example above, we note that the third quarter is the most recent quarter. Thus, the month that the last quarter ends will be March—nine months following the closing of the previous fiscal year in June of the previous calendar year. The quarter ending will be the third Quarter 2009 in this example.

Electronic Data

Using electronic data is as simple as typing in the ticker symbol or the name of the company and pressing a button to retrieve the data. Toolkit automatically opens the file, extracts the data, closes it, and records the data for your use. If you have used the Preferences to tell Toolkit where to find the electronic data files, the importing of data is seamless and speedy.

There are two kinds of electronic data. The first consists of data already saved in Toolkit, i.e., stocks already in your Stock Library. The other is data in one of several data file formats, created expressly for use in the software. These include files with either "*.SSG" or "*.ITK" file extensions. (File extensions are the last three characters of a file name, separated from the primary name by a period: "ABT.SSG").



Toolkit 6 has made accessing data from your online data subscription easy. Type in a ticker symbol or the name of the company you wish to study and then press the Download button to import from a selection of over 8,000 companies. Once you save the company it will be saved into your **Stock Library.**

Working with an existing Stock Study

There are a few ways to access companies within your stock library. If you are sure that the company resides in your stock library, simply follow the same steps you did in the previous section, type in the ticker symbol or name of the company that you wish to open. Toolkit will search your Stock library to see if you have previously saved this stock. If you have, Toolkit will open the company with the designation that it was opened from the stock library.

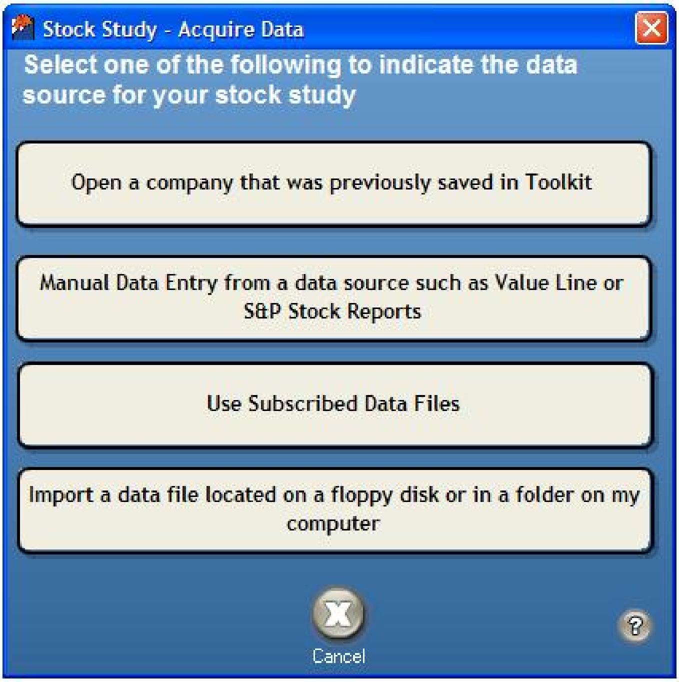
NOTE: If you do not see **(From the Stock Library)** when opening a stock this way, check the **Data Feed** tab of the **Preferences**, and make sure **Library First** is selected at the bottom of the window.

Another way to access a company located in your Stock Library is to click the "**Stock Study**" button on the Main Toolbar, or "**Begin a New Stock Study**" from the Toolkit 6 Home Page, and then click the "**Open a company that was previously saved in Toolkit"** button.

Using Subscribed Data

To use subscribed data, first click the **Stock Study** button on the main toolbar, or **Begin a New Stock Study** from the Toolkit 6 Home page. This will open the **Acquire Data** window.

The **"Use Subscribed Data"** button is used to import **Stock Study** data files from a paid subscription such as **StockCentral.com's Data Service** (available from ICLUBcentral), **BetterInvesting's Stock Data Service** or **AAII** Stock Investor PRO *.**SSG** data files. **Toolkit** will automatically import the data from the data file location you specified on the **Data Feed** tab of the **Preferences** screen. When you click on the **"Use Subscribed Data Files"** button, the **"Company Locator"** screen will open.



Company Locator

If you know the ticker symbol for your company, type it in, click on the "**Use It**" button (or double-click on the company that will be highlighted) and Toolkit will import the data, and open a new **Stock Study.**

You may also type the company name or sort by industry to locate a company. Toolkit has a "type ahead" feature, which automatically sorts the list of companies as you type. Just start typing in the company's name, or any word in the company's name (or the first letters of the ticker in that space), and Toolkit will sort and reduce the list, as you type, until you locate your company.

Once you locate your company, you can import the data to the **Stock Study** either by entering the Ticker symbol and clicking on "Use It" or by double-clicking on the highlighted company. Toolkit also allows you to sort by the different column headings, such as ticker, company, or industry by placing your cursor on the heading (Ticker, Industry, Company, Exchange) and, when your cursor changes to down arrow, click to sort that field.

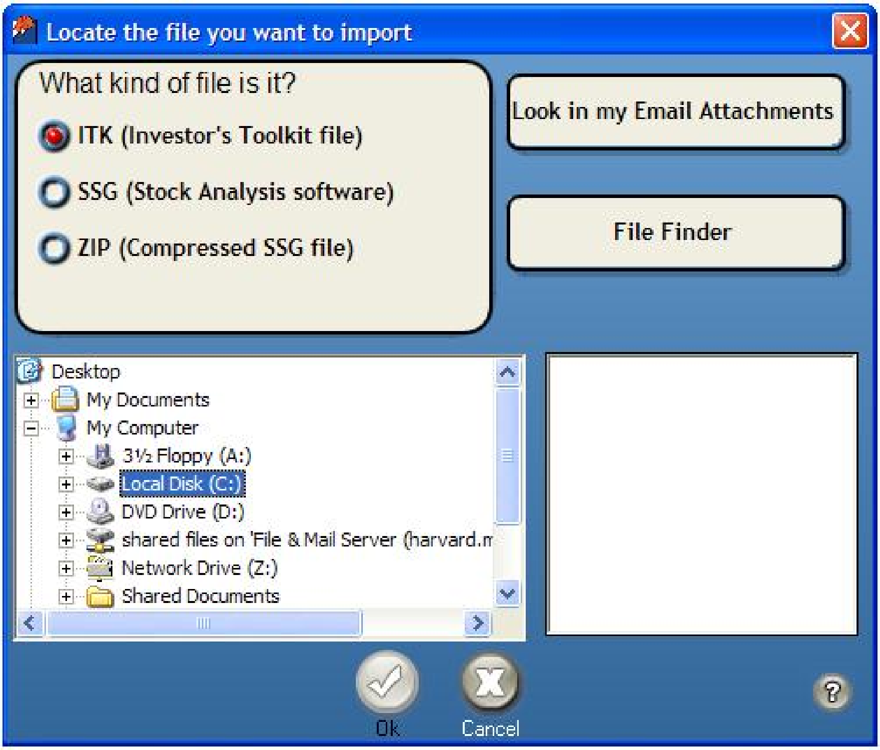
Once sorted, you can scroll down the list to look for the company.

After selecting a company, click either "**OK**" or "**Use It**" to import the data and open the company's **Stock Study**.

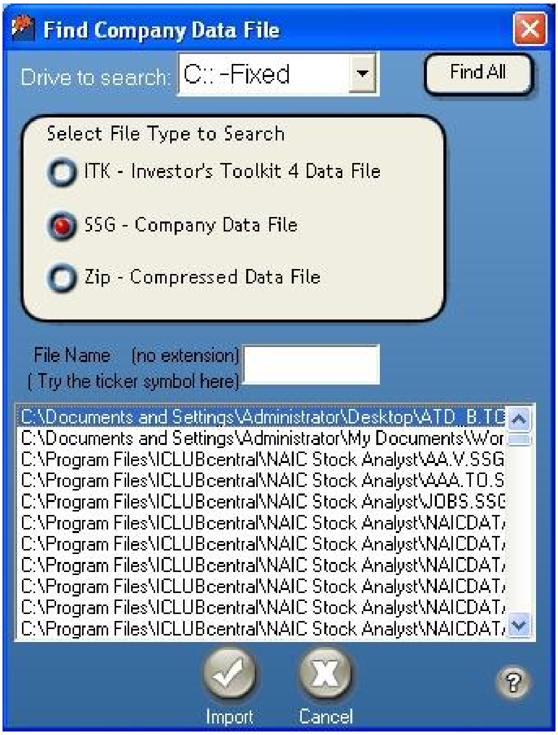
NOTE: The data files you subscribe to may not include all of the companies listed in the Company Locator database. New companies may not appear in the list, as well. The company database in Toolkit 6 is periodically updated when the program itself is updated.

Importing a Data File from a Floppy Disk or on Your Computer

From the Acquire data window, click on the **“Import a data file located on a floppy disk or in a folder on my computer”** button to import either a *.**ITK** or *.**SSG** data file for a company. This is normally used when you want to look at a company data file that someone either sent you as an e-mail attachment or gave you on a floppy disk. This opens the “**Locate the file you want to import**” dialog box.



You can search for a specific file in a known location, e.g., your e-mail attachment folder or on a floppy disk; or, if you don’t know where the file is located, click on the “**File Finder**” button to search your computer for the file.



From here, you can select a specific drive to search, as well as a particular file type (.**SSG** .**ITK** or .**ZIP**). As you can see from the image above, if you do not enter part of a company or file name, Toolkit will search for and show ALL files of a particular type.

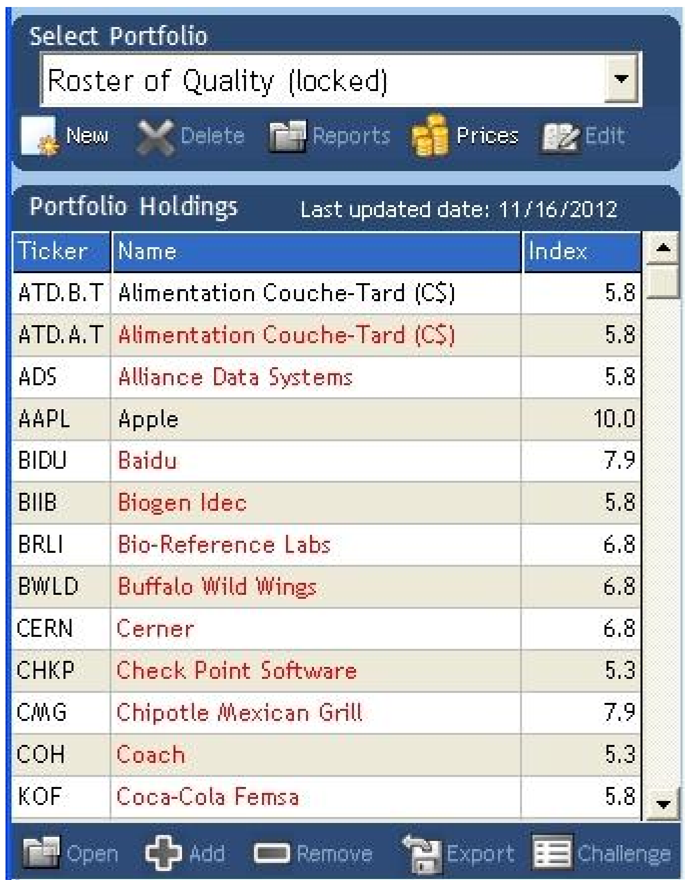
NOTE: Most *.**SSG** files use the company's ticker symbol for the file name. Do not enter file type extension (**ITK**, **SSG**, **ZIP**) after the ticker symbol. If the search does not locate the file, try selecting a different file type (**ITK**, **SSG**, or **ZIP**).

Tip

To find data files for all companies of the selected file type (ITK, SSG, or ZIP), just enter an asterisk (*) "wildcard" instead of the ticker symbol. The results of the "File Finder" search will appear in the pane below, along with the paths to their locations. Just click on the file to select it and click "Import" to open the **Stock Study**.

Roster of Quality Companies

For many years the **Roster of Quality Companies** has been a favorite of ICLUBcentral users and other fundamental investors as a source of high quality stock ideas. With the Roster in hand you have a pre-screened list of companies that meet some minimum quality requirements. These stocks are ranked by their quality, letting you know at a glance which companies are best suited for further analysis.



In ***Toolkit 6***, for all StockCentral subscribers, all of the companies in the most recent Roster of Quality will be listed in the Library tab as a portfolio. This listing is locked, which means that you may not add or delete companies from the Roster of Quality. The listing is updated automatically once a week, and the date of the last update is listed next to the Portfolio Holdings header ("Last updated date"). You may also select **File > Update Roster of Quality** from the menu to force the program to download the most recent listing of companies.

When you select the Roster of Quality, the Quality Index is displayed in the right column next to the company names. The Quality Index is calculated on a 0 to 10 scale, with 10 indicating the highest quality companies. Click on the column header to sort the companies by Quality Index in ascending/descending order.

Company names that appear in red text indicate that these stocks have not yet been studied and added to your Library. Company names in black text indicate that you have an existing study of those companies.

Quality Index

The concept of the **Quality Index** (which also appears on the First Impression screen) comes from ICLUBcentral's **Take Stock** software program, which has been incorporated into **StockCentral.com**.

The **Quality Index** rates the quality of a company on a scale of 1 to 10, based upon its capacity for growth and management's efficiency and effectiveness. A minimum of 3.4 is required, while 6.7 or better is considered desirable.

To learn more about the **Quality Index**, please see **Take Stock** 3rd edition, by Ellis Traub, published by ICLUBcentral, or visit StockCentral.com.

About "Judgment"

An indispensable ingredient in successful stock evaluation and selection is the application of "judgment." While not nearly so complicated as some would have you believe, this is nonetheless more of an art than a science. It's a personal skill that you will develop and fine tune as you gain experience.

However, don't be intimidated by your lack of experience if you're new at it. In fact, because you're apt to be more conservative than the investor who has been doing it for a while, you could very well have better results.

The essence of judgment, in this context, is the application of the wisdom that you gain about industries, the natures and "personalities" of companies within certain industries—or just in and of themselves—and the significance of the factors that contributed to the history that you are studying. Such items as the extent to which acquisitions—rather than increases in sales— contributed to growth, the extent of past and potential competition, the changes in management, and so on, all contribute to your judgment. Nor are these at all mysterious. They are all common sense issues that you will simply be more mindful of as you progress.

The approach described below is a very basic approach to help those of you who may be still learning fundamental investing to make the crucial judgment decisions. Each of these suggestions is directed toward the most conservative action to take on the basis of the numbers and the pictures that you see, alone. You may very well change these steps as you grow in experience and gain confidence.

The Three Levels of Judgment

There are three distinct levels of "judgment":

1. Discounting irrelevant data or "Cleaning up" data to be sure that only applicable data is used in assessing historical trends or performance.

2. Estimating future trends or performance based upon the historical assessment.

3. Estimating future price performance based upon those future trends.

Discounting Irrelevant Data

With respect to the relevancy of data, we know that history cannot be denied. What has happened has happened, and the only decision that you can make about an historical event is whether or not it is applicable in your study to influence your vision of the future.

Eliminating "outliers" is your way of discarding irrelevant data to make historical information more useful and to guide you toward the next step.

Estimating Future Trends

Using your conservative historical trends as starting points, you seek to predict what the future trends in the company's performance might be. Here again, you will want to be reasonably modest in your view of the future.

Analysts are paid to be accurate. You are rewarded for being right.

The more modest your estimates, the more likely you are to be right!

Estimating Future Price Performance

By making careful and conservative estimates of the **company's** performance, you can then forecast, within limits, how the stock's price will perform—and therefore what kind of return you might expect your investment to give you. We will go into detail in each case where judgment needs to be applied. Generally, it pays to accept the conservative alternative in all cases when decisions must be made. Lower estimates in projected growth rates will result in less optimistic price predictions. Since ***Toolkit 6*** focuses upon investing rather than speculating—and since there are many stocks available that can meet your requirements—it would seem foolish indeed to "fudge" the figures just to justify the purchase of a particular stock.

Opportunities for Judgment

In completing a **Stock Study** in ***Toolkit 6*** you are ***required*** to:

- Estimate the future growth rates of sales
- Estimate the future growth rate of earnings
- Estimate the future high and low P/Es used in the calculation of potential high and low prices five years in the future, and
- Estimate (or select) the potential low price five years in the future.

You are ***permitted*** to:

- Eliminate outliers by selecting data that you want to be excluded from the calculations
- Estimate (or select) the highest earnings that you believe the company might achieve over the next five years
- Estimate the lowest earnings that you believe the company might produce
- Estimate the future percent payout (the percentage of earnings that is paid out to stockholders in dividends).

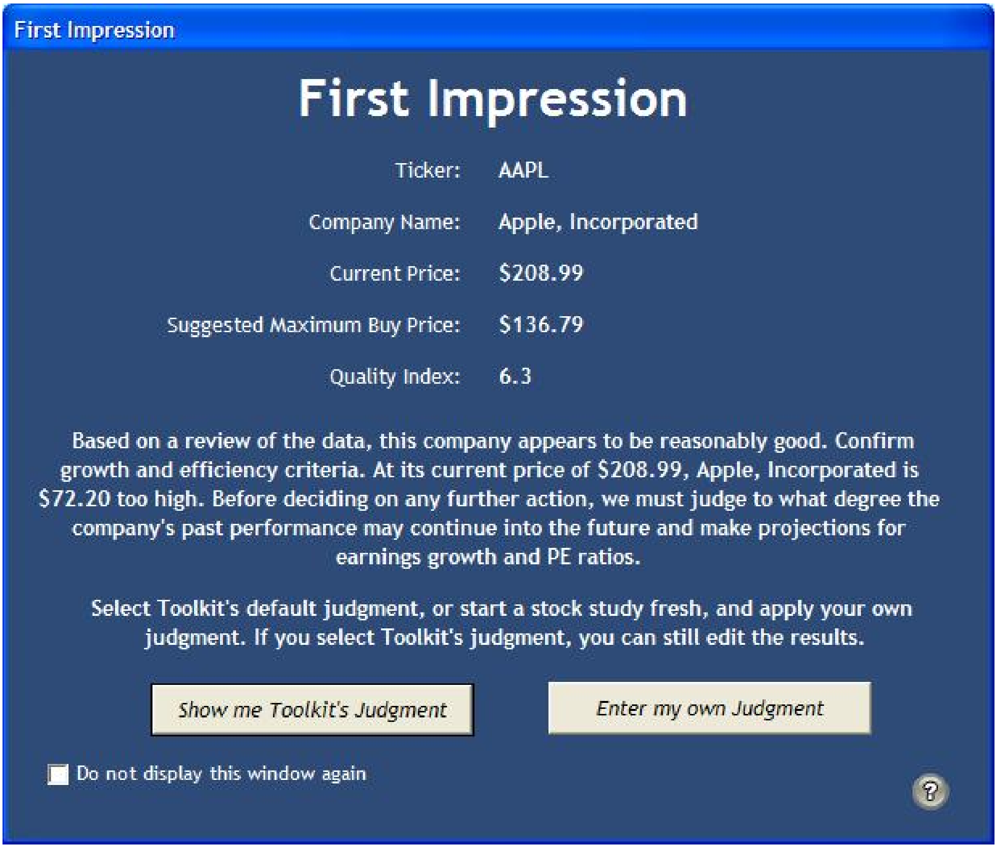
We will discuss these options in the order in which they come up as you go through the **Stock Study.**

First Impression

When company data is first downloaded, or a company with an incomplete judgment is opened from the library, Toolkit will display the **First Impression** screen. This screen will give you the option to automatically fill in the required judgment items on the **Stock Study** with ***Toolkit 6*** default values.

The First Impression screen is perfect for those who may still be learning to take a first look at a new company. Experienced users may want to enter the judgment data manually.

Tip: To review the First Impression at any other time in your analysis, return to the front of the **Stock Study** form and press [**Alt+Ctrl+I**] on your keyboard to launch the First Impression window.



NOTE: The **Quality Index** number depends on the Take Stock tool provided by the **StockCentral** data feed. This number will only appear if you have a StockCentral subscription, and have set StockCentral as your primary data source in the Toolkit 6 **Preferences**.

***Toolkit 6*'s Default Judgment**

The First Impression screen provides you with the opportunity to apply defaults for all judgment items at once. This default judgment is designed to make conservative choices in all areas that require users to make decisions. Please note that in some cases the default judgment may not be applicable to some companies and it is the user's responsibility to review and accept or reject the default judgment items.

The specific areas where judgment is applied include the following:

- **Projected EPS and Revenue Growth**. The program chooses the lower of the company's 10-year growth and 1-year growth of both EPS and Sales, subject to certain revisions to account for possible outliers. ***Toolkit 6*** will not project growth greater than 20%, and will not project Earnings per Share growth at a faster rate than projected Revenue growth in any case.

- **Selected High and Low Price/Earnings Ratios**. ***Toolkit 6*** will not select P/E Ratios higher than 30 (High P/E) and 20 (Low P/E) in calculating future prices.

- **Selected Future Low Price**. ***Toolkit 6*** prefers the calculated price in section 4B(a) using the EPS from the Trailing Twelve Months. In any case, the Selected Future Low Price will be at least 20% below the Current Price.

Tip: To apply default judgment at any other time in your analysis, return to the front or the back of the **Stock Study** form and press [**Alt+Ctrl+D**] on your keyboard. This will erase all user-entered judgment and apply the program's defaults instead.

Analyzing the Company, Step by Step

What follows should provide you with all of the basic information necessary to complete the **Stock Study**. Experience will add to your judgment skills as will exposure to the experience of others. However, the information below should be sufficient to offer a novice a good foundation on which to build.

If you entered the data manually or imported data for a single company, upon completion of the data entry your company will open to the front page of the **Stock Study**.

If you would like to open a company from those located within your **Stock Library**, click the **"SSG"** button on the Main Toolbar. In the **"Stock Study—Acquire Data"** box click the **"Open a company that was previously saved in Toolkit"** button. You can now select from any of the companies that are displayed and press the **OK** button to open the company. The company opens to the front page of the **Stock Study**.

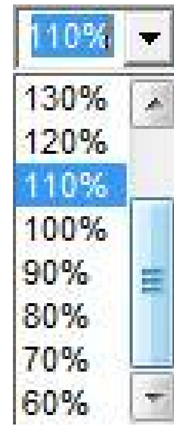
If you have selected to **Show Trend Line Options** within Preferences you will have colored highlights around some of the areas on the form. The **green** boxes indicate where **you must do something**, the **yellow** boxes indicate where **you may**, and the **magenta** boxes point out areas where a "**closer look**"—such as a helpful graph—is available. As you move your cursor around the form, pause it for a moment, and a little pop-up box will tell you where you are and what you are supposed to do.

You will find that the program has filled in all of the heading data. It has calculated the quarterly comparisons of sales and earnings. It has plotted all of the data points and drawn the lines connecting them. The program has plotted both of the trend lines for both sales and earnings, and, at the bottom of the page, it has entered the historical growth rates of sales and earnings represented by those trend lines. It has also calculated pre-tax profits and plotted them for you.

You may identify the plots of sales, earnings, and pre-tax profits by the little circles containing "s," "e," and "p," respectively. It has plotted the annual high and low prices and the high and low prices for the current year as well as the current price (a short horizontal red line in the current year's price bar). You will also find all of the data that is not dependent upon your judgment filled in on the back of the form.

Adjusting the Size of the Form

The first thing that you will wish to do, if this is your first **Stock Study**, is to adjust the size of the form on your screen to suit your needs. Since we have reproduced the forms exactly, you may or may not wish to be able to see the entire form at once. Changing the size to suit you represents a tradeoff between having the form small enough to see enough of it on the screen and having it large enough to read the information on the form. Only you can decide how large or small you want to make each view. Whatever you decide and do, each individual view will remain at that setting until you decide to change it. You may have different sizes for the front and back of each form, for instance, and the program will “remember” how you set each for the next time.



To do this, choose the zoom icon on the Toolbar. This takes you directly to the “**Select Zoom Percent**” dialog box. Here, you may either click on the Down Arrow to select a percentage or enter your own choice of enlargement or reduction percentage. The default value is 100%, which will usually fill your screen from side to side and make it necessary to scroll only vertically.

The Header

Company	Affiliated Computer	Price Date	06/12/09
Study by	ICLUB	Data Date	06/05/09
Sector	Technology	Data Source	StkCntrl
Industry	Information Technology Serv	Reference	Morningstr
Preferred($M)	0.0		
Common(M Shares)	98.0	% Insiders	2.4
Debt($M)	2,339.8	% Institutions	98.1
% to Tot.Cap.	50.1	Quality	1.1 (Take Stock)

NYSE: ACS

The first item is an “inspection” item. In the header information in the upper right hand corner of the page, in addition to the company name and other identifying items, you will find some data that may be of interest and bears some scrutiny.

It's a good idea to note how much ownership both **insiders** and **institutions** have in the company. While there are certainly exceptions, in general, insider ownership is "good," institutional ownership is "bad."

Substantial insider ownership indicates that those who make the decisions are making them in their own interests as well as yours.

Substantial institutional ownership (50% or more), on the other hand, puts the individual stockholder at a disadvantage because institutions are typically fickle and will desert the holding, driving the price down when you least expect it.

Expressed as a percentage, the **Debt-to-Total Capital Ratio** is an indication of how much of the company's capital is in a form that makes the company vulnerable should times turn bad. In most cases, we hope to see something less than 33% here, since a company with two thirds or more of its capitalization in common stock is in a great position to weather a slump. That's because it doesn't have to make large, regular payments of principal and interest to its common stockholders as it does to those who carry its debt.

The significance of this ratio will vary with the type of company. Companies that trade on debt are in a different set of circumstances. Financial institutions, insurance companies, and utilities aren't subject to the same rules of thumb as are manufacturers, retailers, or service providers. The long and the short of it is that the debt-to-capital ratio should not be a disqualifier if the company has a strong track record of sales and earnings performance, since its management obviously knows how to make good use of its debt.

Recent Performance

The **Stock Study** is a "progressive" form, meaning that you never continue with the next step until you are satisfied with the preceding one. The first place you might find that the company disqualifies itself from further consideration is in the quarterly performance section in the upper left hand corner of the graph. Here the form compares the sales and earnings figures of the most recently completed quarter to the same quarter a year ago.

FY 2009 Q1 (Ended 9/30/2008) RECENT QUARTERLY FIGURES	SALES ($M)	EARNINGS PER SHARE ($)
Latest Quarter	1,604.5	0.85
Year Ago Quarter	1,493.1	0.66
Percentage Change	7.5%	30.2%

While one quarter does not in itself make a case for abandoning the study, a negative or severely disappointing quarter will certainly raise the question, “why?” If the reason for the poor performance is transient and arguably non-recurring in nature, you would probably continue with your work. If, however, you find in the quarterly data entry screen that this is the second or third such quarter, and/or the reason could be characterized as a long-term problem, you would probably want to look for another company to study.

The Footer

Along the bottom of the **Stock Study** form are the year labels and six data fields representing historical sales growth, historical earnings growth, estimated (future) sales growth, estimated (future) earnings growth, and the R^2 values for sales and EPS growth.

(1) Historical Sales Growth	16.6 %	(3) Historical Earnings Per Share Growth	16.3 %
(2) Estimated Future Sales Growth	6.7 %	(4) Estimated Future Earnings Per Share Growth	6.7 %
(5) Sales Growth R^2	0.96	(6) Earnings Per Share Growth R^2	0.75

R^2 (R^2 or R-squared) is an indicator of how well the historical data conforms to the trend line that is calculated by the program. Toolkit uses the “least squares” to find the trend line that lies closest to all of the plotted points. The R-squared value measures how closely the plotted points are to the trend line, and ranges in value from 0 to 1. The closer the number is to 1 the better, with 1 representing perfect correlation and 0 representing no correlation. On the front page of the

Stock Study, the R-squared values are for all years of data, even if you have removed some years as outliers.

Section 1—Visual Analysis

Toolkit 6 has sought to replicate the familiar printed forms that investors used in the past. This has presented a technical drawback in that it is difficult for users to see the entire graph, in detail, when it appears on the screen. ***Toolkit 6*** overcomes that problem by allowing you to magnify the image of the graph itself and providing you with all of the controls you need to adjust the graph.

To access this screen to adjust the graph, simply click anywhere within the graph area, or click the "**Adjust Graph**" button. Your screen will display a graph on top of the one you just clicked on that will allow you to move the lines and eliminate outliers.

Notice that the graph lines are color-coded:

- Green for sales
- Magenta for pre-tax profits

- Blue for earnings per share
- Black for the annual high and low price bars

NOTE: These are the default colors, which may be changed in **Preferences** > **Stock Study** > **Graph Colors**.

Additional Graph Items

Toolkit 6 has introduced the capability to display additional items on the Visual Analysis graph. You can choose to display Shares Outstanding, Dividends, Book Value per share, Net Income, Free Cash flow per share, or Long-term debt on the graph by checking the boxes next to those items.

If you chose to display the optional items on the graph, these colors are used:

- Light blue for shares outstanding
- Light green for dividends
- Black for book value per share
- Orange for net income
- Lavender for cash flow per share
- Red for long-term debt

You may change these colors in **Preferences** > **Stock Study** > **Graph Colors**.

Navigation

At the top of the graph is a **Toolbar**, which allows further adjustments to the graph.

Growth Estimates: Opens a screen where you can enter your judgment for the percentage Estimated Future Sales Growth and Estimated Future Earnings Growth. You may also access the **EPS Estimate** to further fine-tune your estimates.

Analysts Est: Opens a screen where you can enter Analyst EPS estimates for the coming year, and the next five years.

Add Scale: Adds horizontal scale lines (10 lines) to the semi-logarithmic graph to help you adjust the growth lines.

Add Scale / Remove Scale: Adds or removes horizontal scale lines (10 lines) from the semi-logarithmic graph to help you adjust the growth lines.

Start Projection: Allows you to select where you want your five-year projection line to start from: Annual data from the last fiscal year; the Quarterly data from the most recent quarter; or the end of the Trend line. Since this is an "Advanced," feature it will be shown only if you made a selection within the section labeled "**Start Future Projection From**" within **Preferences**.

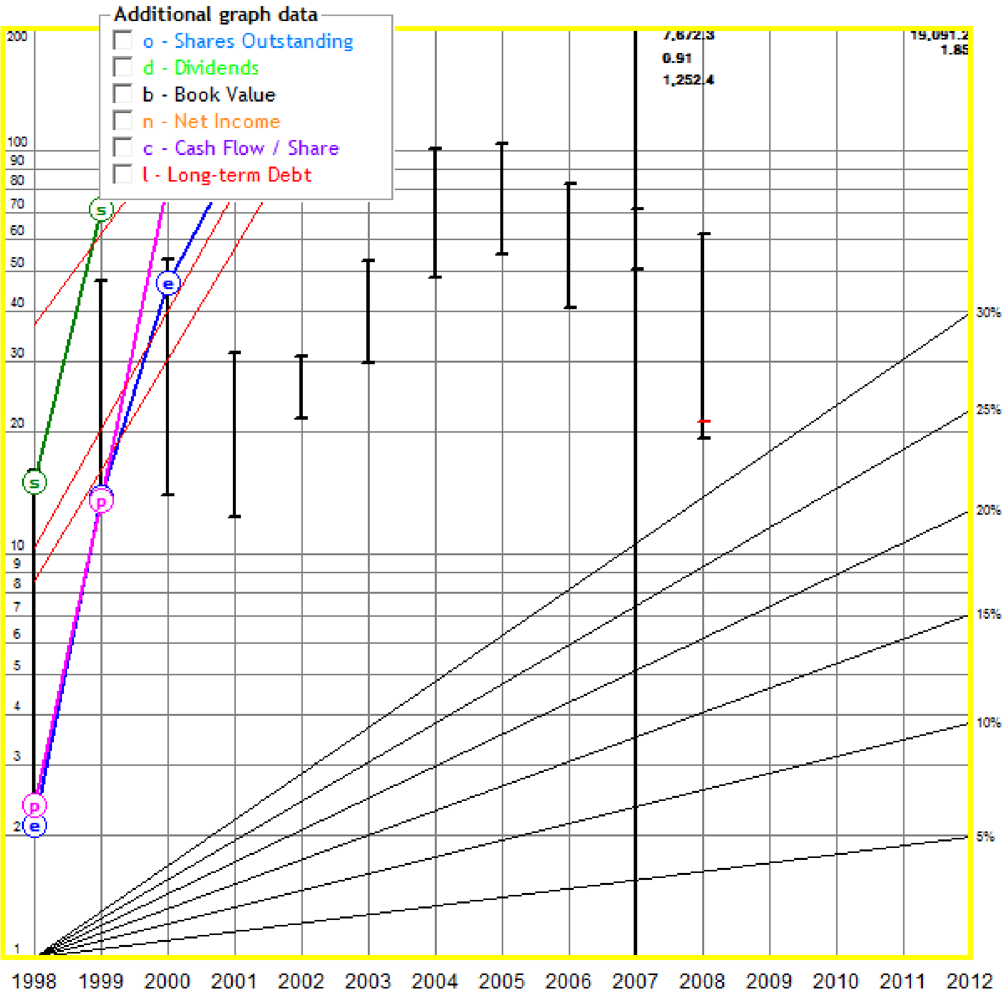
Historical Growth: Opens a historical growth profile window displaying the historical growth rates in both a graph and a table, along with a description box. At the bottom of the Toolbar is an "**OK**" button to return to the full **Stock Study**, and a question mark for help. Along the bottom of the graph are your year labels. Along the right hand side are listings for Percent Sales Growth, and Percent EPS Growth for the listed number of years, as well as an overall R-Squared value for the history of the stock.

Set Graph to Values: Click this button to show the lines on the graph according to the values they represent, rather than the default, which is spaced for legibility.

At the bottom of the Toolbar is an "OK" button to return to the full **Stock Study**, and a question mark for **Help**.

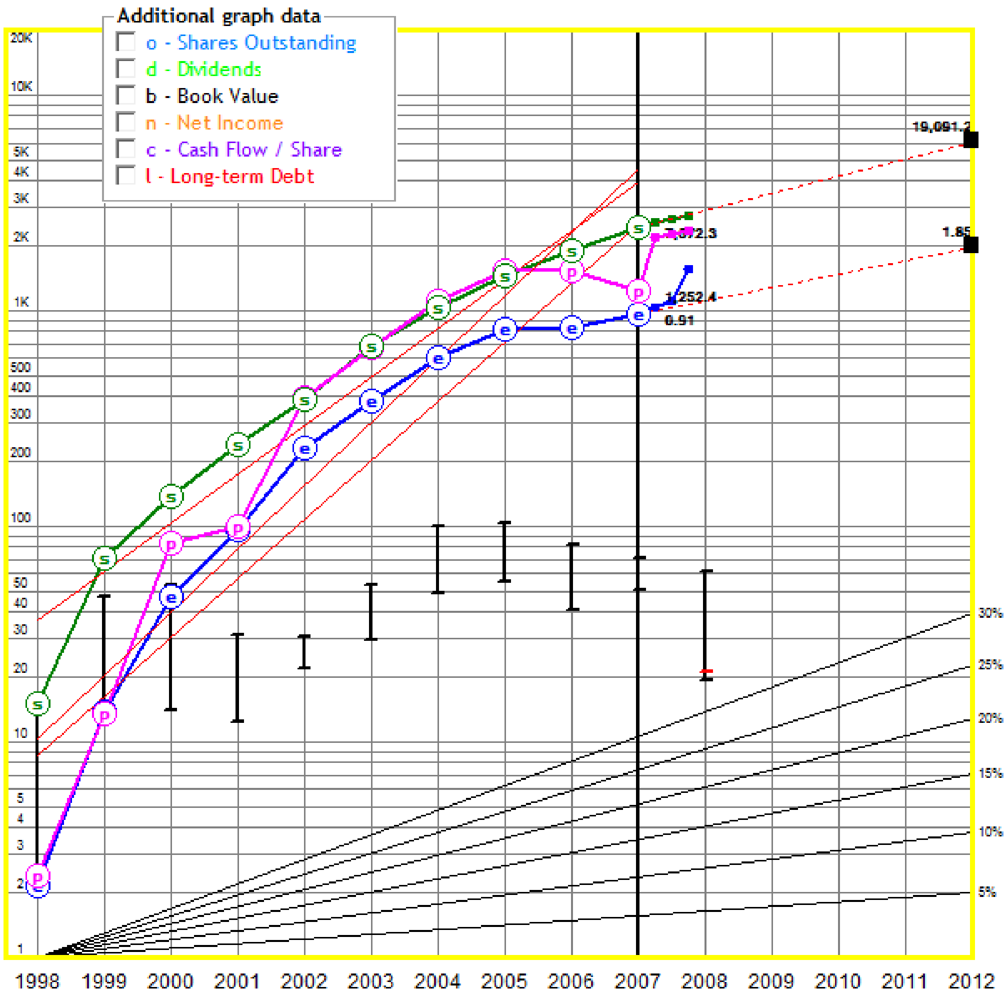
Sufficient Scales to Plot the Data

First, look at the following chart.



Are all of the plotted lines visible in their entirety? Do any of them go off the chart at the bottom or top? With some rapidly growing companies, there are not enough decades (scales of ten) because the data started so low and have grown so rapidly.

You may add additional scales to accommodate the growth by clicking on the **Add Scale** button one or more times:



Clicking the **Remove Scale** button will remove any unnecessary scales.

Adjusting Your Graph

Position of the Lines

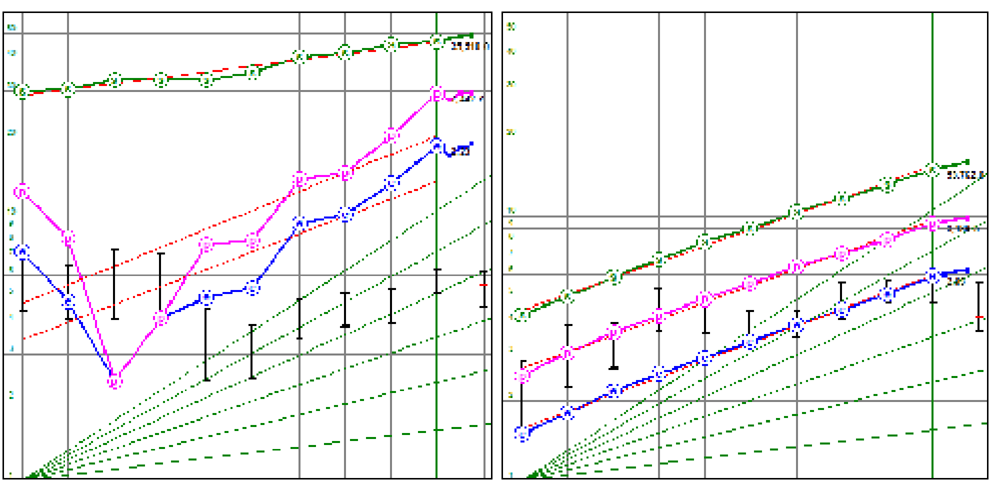
Now that the data fits on the graph, inspect the plotted data. Many investors prefer to arrange the data so that it matches the flow of an income statement: Sales on top, followed by Pre-tax Profits, and then by EPS.

If the plotted line is not where you want it, you may easily change its location. Pass your cursor over the line you wish to move. When an up/down arrow appears, it indicates that you are able to move the line. Click and hold down the left mouse button; moving your pointer up or down will adjust the line on screen as well. Release the button to place the line. There is no need to try to interpret the value from the scale on the side of the chart. Simply rest your cursor over the plotted point and read the actual data. To return the lines to their positions as determined by their value, click on the "**Set Graph to Values**" button on the menu.

Stability

When your chart appears the way you want it, you are ready to go to work. It is at this point that you should take a good look at the graph. Your first interest is in its general appearance—specifically you are interested in two attributes of growth: stability and strength.

Do you see relatively straight lines, or do you have "saw teeth"—jagged ups and downs—that show a chaotic history? The ideal is a company that displays "monotonous excellence" as it has grown steadily and substantially, especially in its recent history (for at least the last five years).



In just a glance, can you not tell which of these companies is likely to be the better investment? The one on the left, while a strong, blue chip company, is far less attractive than the company on the right. The instability of the Earnings trend is a giveaway. If you can tell the difference between a straight and a crooked line, and one that slopes up rather than down, you can tell most of what you need to know about a company's quality.

While you won't always see companies like Microsoft (MSFT), Abbott Labs (ABT), or Wal-Mart Stores (WMT) on your screens, the closer we can come to today's classic ideals, the better off we are. Your end results are based on a degree of predictability over the long term, and companies that display extreme variations in performance are certainly not predictable at all. If the company has had one or two deficit years in the last five years, you should probably look for greener pastures.

Eliminating Outliers

Throughout your analysis, you will study history to help you predict the future. While you can't alter what has actually happened in the past, you can decide if everything that has happened is applicable to the future, and, if not, eliminate that selected data from consideration.

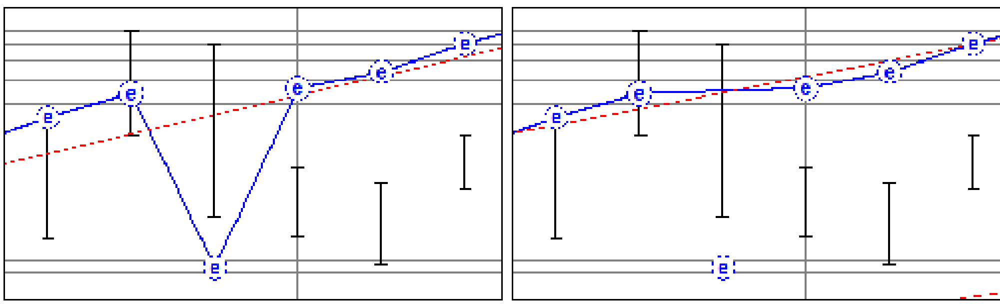
When Toolkit plots the annual Sales and Earnings points and draws the lines to connect them, short of actually changing the data, you can't do much to change the way the lines are plotted. However, the trend lines (the straight, red lines) are drawn to "fit" that data, which means that they are placed with mathematical precision in a unique position that is the closest to all of the data points plotted.

(**NOTE**: For the math major, the calculation is a least squares, exponential regression analysis of those points.)

There is little opportunity to change the way the trend lines are drawn because the computer eliminates the guesswork. There are, however, some changes you can make that will affect how that data is used. As you look at the graph, you may find some years where the data is noticeably out of step with the other years.

Should one or more of those years reflect irrelevant or unacceptable data—some non-recurring event or “outlier”—you may want to eliminate that data from consideration when the trend line is drawn.

With a simple mouse-click, you can remove such a point or points from the data and let the trend line be drawn closest to those remaining. This is your first chance to apply judgment as you look at the front of the **Stock Study** and do your visual analysis.



You will notice that, as you move your cursor in the vicinity of the line representing that year, or around the point that you want to get rid of, it changes shape. The minus sign (**—**) indicates that something can be taken away; the plus (**+**) indicates that something may be added (back). (See the illustration.) If, at this point, you click your mouse, the data for that year will be removed from the calculation of the trend line, and the year at the base of the graph will immediately be crossed out with a red line to indicate that the data for that year has been eliminated.

As you do this, you will see also that the “Historical Growth Rates” of both Sales and Earnings change to reflect the change in the trends as they are recalculated and the trend lines are redrawn. The lines connecting the plotted data bypass the points for the years that have been eliminated; however, the points, themselves, remain visible because it is useful to see the actual data and understand why the “outlier” was eliminated.

When your cursor passes over a point for which the data has already been eliminated, the character in the box on the cursor changes to a plus (**+**) sign. This indicates that you may add back the data to "un-eliminate" it in the same fashion as you eliminated it. You will also notice, when you rest your cursor on a data point, that an information Pop-up box appears with the annual figure for that point, for either Sales, Pre-Tax Profit, EPS, and Price (High and Low).

Non-recurring Events

In some cases, you will find one or two years when the sales—or, more likely, earnings—will show a severe dip. They may have broken through the bottom of the graph. You might choose to eliminate some of the early years of an emerging company when it operated at a deficit because, once it began to make money, it had a consistent record of healthy earnings growth. (Trend lines drawn with data that commences from too low a point in the early years produce much too steep a growth rate.)

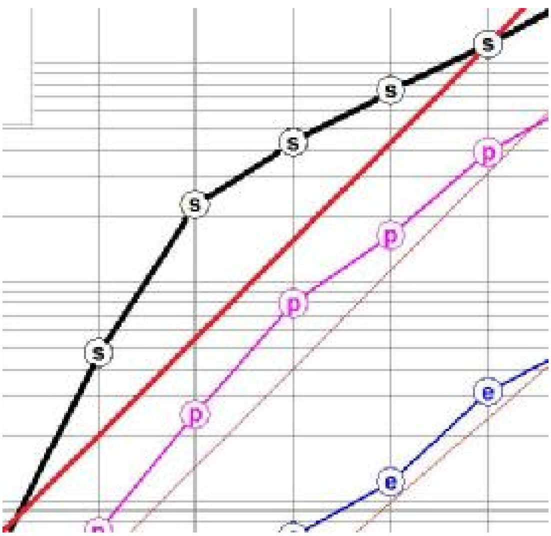
Suppose a company had, in one year, written off a huge expense that had long been accumulating, unreported. It is probably a non-recurring item. That event will not be repeated in the normal course of business— at least not for a very long time (we would hope). We would probably want to ignore that event in using the historical data to predict the future. This information can distort the assessment of the historical growth trends in Section 1 of the **Stock Study**, or it can impact our trends in profit margins or return on equity in **Section 2**.

If the event occurred during the last five years, it can grossly distort our high and low P/E's in Section 3 which will, in most cases, create an overly optimistic picture of the potential high or low price when we get to Section 4. When we discuss these sections below, we'll look at the opportunities for eliminating the appropriate outliers to overcome these problems.

For now, eliminating the early bad years will help to give more weight to the recent performance, and you will notice that the historical growth rates at the bottom of the page will decrease to a more conservative figure.

Eliminating Data for Information

Maybe you want to examine the growth rate between specific years. For example, if the company is a cyclical company, you may want to find out the historical growth rate between "peaks." You could then eliminate the "outliers" represented by the years between the "peaks"—just long enough to determine the growth rate—and then restore the data. It's very simple with ***Toolkit 6***. Another circumstance is the case of a company whose growth has been meteoric, but has been slowing over the course of the past ten years—perhaps from an average annual earnings growth of 45% down to a more modest 30%. Its plotted data looks like a bow. So, the ten-year trend line that describes the average growth looks like a string on that bow.

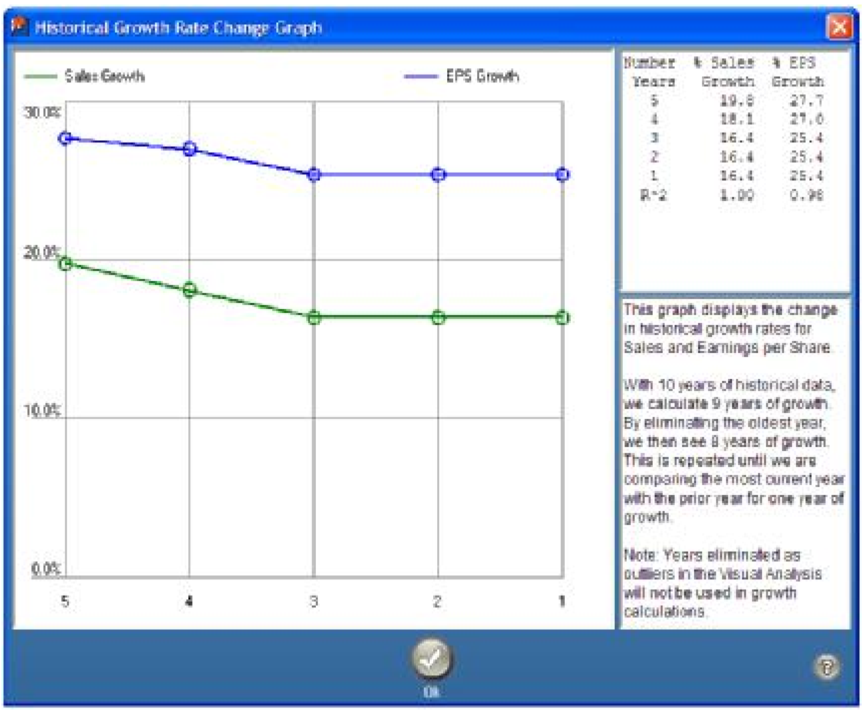


You are going to use the information that you gain to make a reasonable estimate of growth for the next five years. It's obvious, just from inspecting the plotted data and the trend line, that the ten-year average growth they describe is considerably higher than you can reasonably expect it to be in the future. Since you can see that the growth has continuously eased off each year, you would probably want to eliminate all but the most recent two or three, just to find out what the most recent growth has been. That new historical growth figure would then be the maximum you would use as a starting point for your estimate of future growth.

The main point here is that you learn from history to estimate the future. Furthermore, you use only the data that is relevant. As a conservative rule of thumb, when you eliminate outliers in this section, you should be suspicious of any deletion that **increases** the historical growth rate. A corollary is to strive (within reason) to better "fit" the trend line to the data by eliminating the outliers that **decrease** the historical growth rate.

Historical Growth Rate Change Graph

The **Historical Growth Rate Change Graph** is important because it displays the change in historical growth rates for Sales and Earnings per Share (EPS). To open it, click on the "**Hist. Growth**" button on the Visual Analysis toolbar. This graph will clearly show you if there has been a change in the growth rate of either Sales or EPS; it provides a visual representation of the data in the table in the top-right corner.



Often, the lines on the **Visual Analysis** graph will appear fairly straight, which can mask changes in Sales or EPS growth. But just a quick look at the **Historical Growth** graph will show you the real story, and maybe make you take a closer look at this company.

Start Projection Option

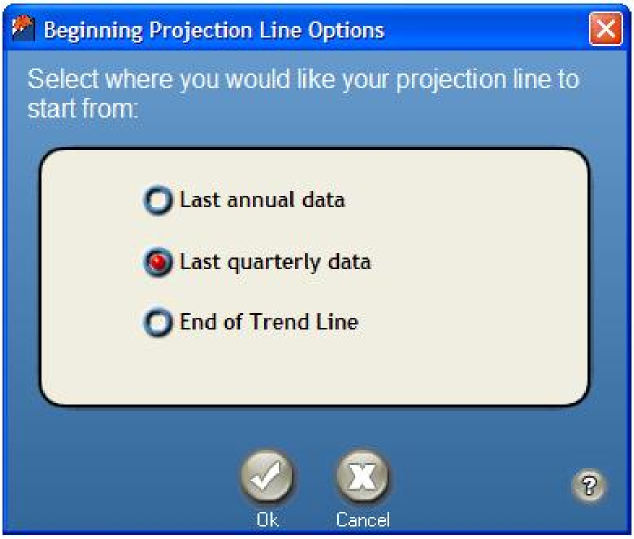
Before continuing on to estimate your growth rates, you can make another decision that affects the issue of projecting growth. This is the option to project your growth from one of three different points:

1. The most recent fiscal year annual data point;

2. The most recent quarterly data or;

3. The end of the trend line.

To do so, you will first need to make a selection within the section labeled “Start Future Projection From” within **Preferences** which permits you to select the starting point you would prefer the program to default to. Toolkit also provides radio buttons in the Visual Analysis screen to change it from the default setting to one you may think more appropriate for that particular **Stock Study**.



The first option, projecting from the most recent annual data, is the default setting, since most people figure on projecting out for the next five fiscal years. Analysts’ estimates are most often based upon those figures.

The second option considers that the quarterly data is already reported and projections should make use of the most up-to-date data. The third assumes that the trend line is the “norm” and the actual data points are “deviations from the norm.” The rationale here is that a projection from the end of the trend line will likely be closer to the norm in the future and deviation would be minimized.

On occasions when you've determined that the most recent year's poor performance should be eliminated as a non-recurring event—and you had better have a good reason for this—you will need to select either the trend line terminus or the most recent quarter to start your projection. Otherwise, you may not even have a place to start from.

Growth

Now we want to look at the historical sales and earnings growth appearing in the spaces at the bottom of the graph. These numbers reflect the compounded annual growth rate for the plotted data. In analyzing the estimates of future growth, you want to be certain a company is growing at a rate that is sufficient for its size.

You can use the above chart as a rough guide for the growth you should require for the size of the company. Remember that the smaller the company, the greater the risk and, therefore, the higher the growth needed to offset it. Suffice it to say, if the historical growth rates at the bottom of the page are sufficient to warrant your continued interest, you will continue with your **Stock Study**.

Estimate Sales and Earnings Growth

You have now taken a good look at the lines and trend lines. If necessary, you modified your historical growth rates of sales and earnings by eliminating the irrelevant data. Assuming that your company has passed the test of sufficient and stable growth, your next task is to estimate the future growth and to enter those estimates in the appropriate spaces at the bottom of the page. This will be your first step in preparing for the value assessment of the company's stock.

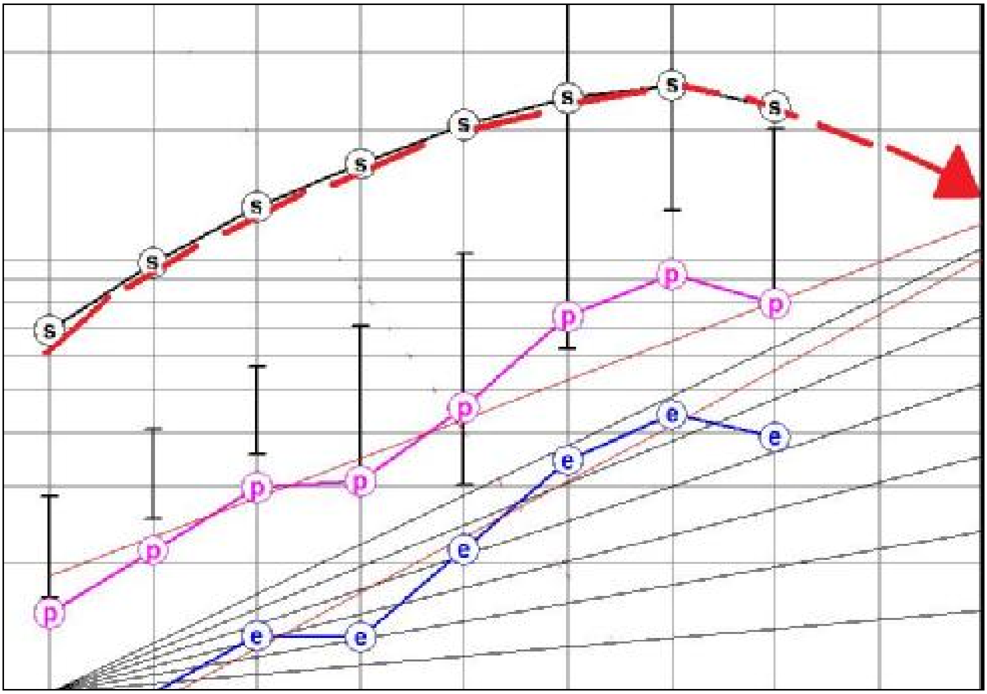
You will notice, if you have opted to enable "**Active Area Highlighting**" in Preferences, the spaces at the bottom of the form where you are to input your growth rate estimates are surrounded by green boxes, indicating that these spaces require you to enter something. When you click on either space (or green box) or the **Est. Growth** button, you will activate a dialog box that invites you to enter your estimate for future Sales and Earnings (EPS) growth.

Sales—Estimated Future Growth Rate

When considering the growth of sales, keep in mind that as a company continues to grow it becomes more and more difficult to maintain the same growth rate. It is far simpler for a company that has sold $100 million in one year to sell an additional $15 million the following year than it is for a company that has sold $2 billion to sell an additional $300 million to achieve 15% growth. As a company becomes successful and large, it is natural for its growth to taper off. There are, after all, only so many ways a company can increase revenues: it may increase sales of its established product lines or services using the existing facilities or resources; it may increase the variety of products or services it sells; it may increase the facilities or resources through which it sells its products or services; or it may raise prices. Successful companies—the ones that we wish to study and invest in—are those that do any and all of these aggressively.

Conversely, there are a great many things that can reduce a company's revenue growth: increased competition, failure to support adequate research and development, insufficient cash or credit to make acquisitions or to expand, or simply a complacent management. Determine whether there is any reason to believe that sales will grow at a rate lower than its historical growth rate. If you believe that increased competition or some other factor may tend to slow the growth rate of sales, by all means, err on the conservative side and decrease your estimate for future sales growth. If not, then you may feel justified in continuing it at close to the same rate.

Don't expect companies to grow at the same rate in the future as they have in the past. In most cases, you should deduct a percent or two from the historical growth, assuming no other factors call for further reduction. A further consideration is the fact that the less stable and steady the historical growth has been, the less predictable it will be. You may want to deduct yet another percent or two from your estimates if the growth has been at all erratic.

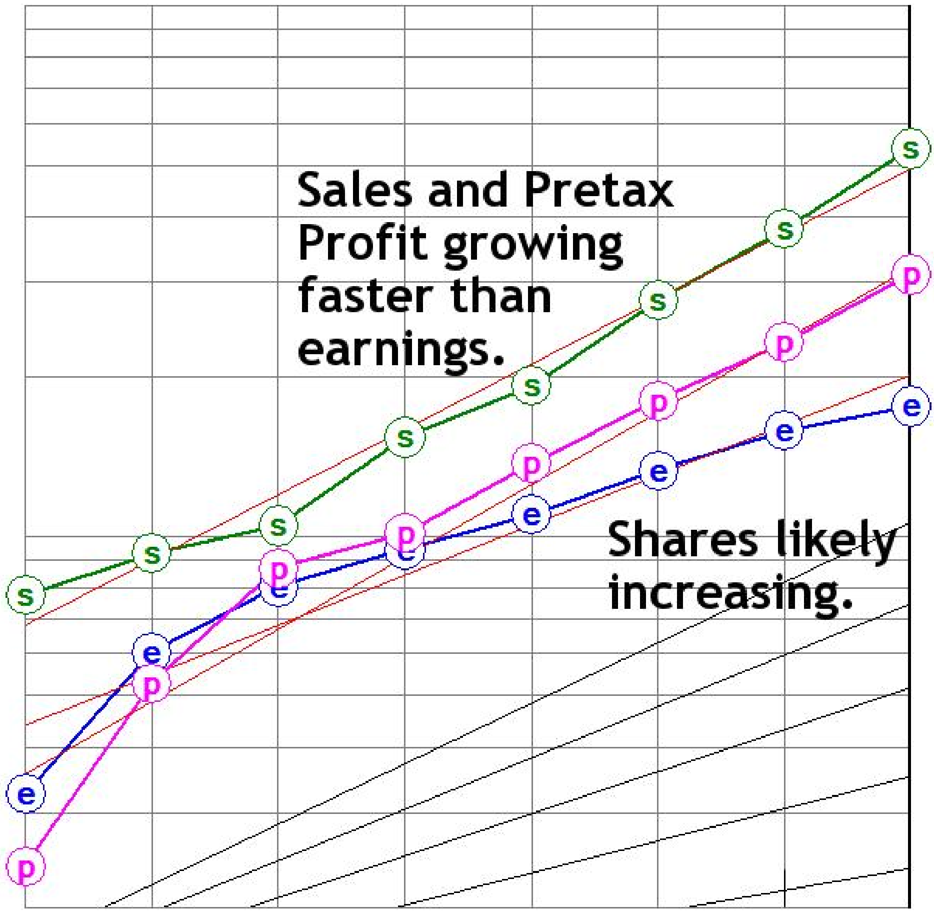


If, as depicted above, the growth describes a "trajectory" or bow, as many companies do in their early years when their uncommon growth starts to slow down, you might mentally draw a curve for the next five years that follows the curve for the first five or ten. See where that curve would cross the right margin, and don't let your future growth projection cross that margin any higher than that. Many of these considerations also affect your estimate of earnings growth.

Earnings—Estimated Future Growth Rate

There are many, many more factors that can impact the growth rate of earnings: flattening revenue growth, to begin with; the cost of materials and processes that are required to produce the product or service; fixed costs such as administrative payroll, the cost of operating the company jet, the interest paid on debt, the cost of maintaining the office buildings or plant, taxes, insurance; a change in the number of shares among which the company's profit is distributed. All of these factors, and many more, determine what a share of stock earns.

Management's skill in handling all of these variables is a major factor in determining how much earnings growth a company will be able to sustain. Because Toolkit has plotted the pre-tax profit for you, it's easy to see graphically some of the most important factors that might influence your decision. Is the pre-tax profit line growing at a faster clip than sales? If so, the trend in profit margins is rising and that's a good sign. The reverse is not so good.



If the relationship between the pre-tax profit line and the earnings line is diverging or converging, you know that the company's shares outstanding or its tax rate is influencing its bottom line. For example if, as above, sales are growing faster than earnings, it's helpful to see that the pre-tax profit line more-or-less parallels the sales line. This suggests that the profit margins are stable and that the cause is probably an increase in shares outstanding. This pattern is likely to occur as a company issues shares to acquire other companies. Or, perhaps the tax rate has punished management by allowing less to go to the bottom line than would otherwise show up there. Of course, the information about tax rates and shares outstanding is easily found in the **Annual Data** section of the company's **Data** screen.

Generally, except for rare exceptions, you should estimate earnings to grow no faster than sales. This is because the factors that would permit this kind of performance can't keep up very long. Obviously, earnings can't keep growing at a faster rate than sales without implying that profits can exceed revenues! Some industries seem to have invented "perpetual motion." The drug companies, for a long time, seemed to have found a formula by which the write off of research and development expense, and the ability to constantly raise the prices of proprietary products, appeared to grant them dispensation to continually produce earnings growth in excess of sales growth.

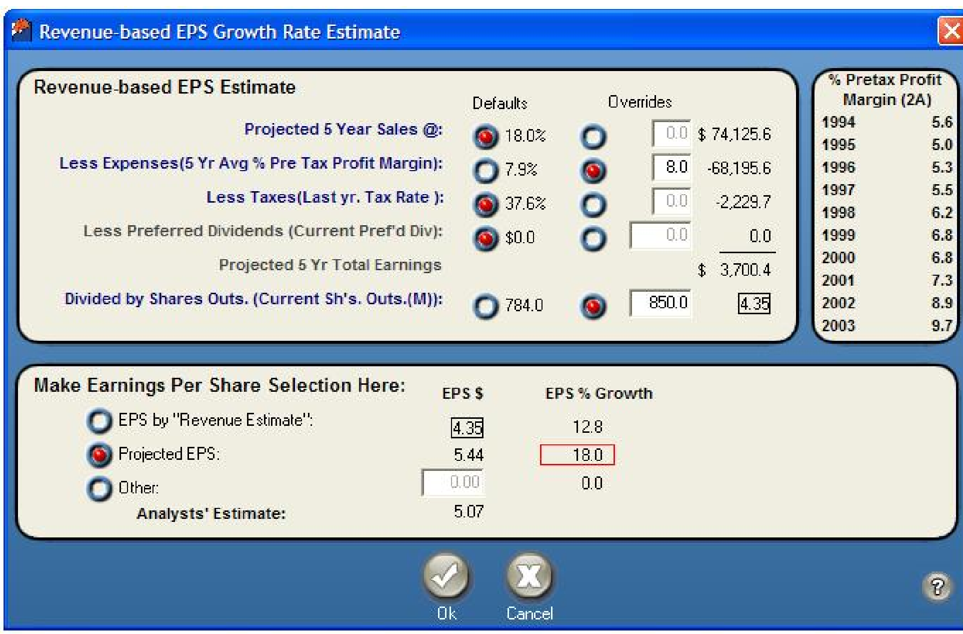
To be sure, this is the exception not the rule, and conservative investors, in such cases, might choose to limit the amount by which they let their estimate of earnings growth exceed that of sales to some consistent percentage of the difference (50%, for example). Thus, if sales for the past ten years had been growing at 10%, and earnings at 15%, they might then cap earnings growth at 12.5% for the next 5 years—if they were going to insist on forecasting earnings to grow faster than sales at all.

If you have entered or imported analysts' estimates, an "Analysts' EPS Growth Rate Estimate" may be displayed in the dialog box. This represents the average annual growth rate expected for earnings over the next five years by analysts following the stock. In general, analysts tend to be optimistic. You might do well, at least in the beginning, to keep your estimates below those of the professionals.

In any event, when you have decided on a growth rate for sales and earnings, enter your estimate for sales and EPS growth in the dialog box provided. Your estimates will appear in the proper spaces at the bottom of the form, and dotted lines will appear on the graph, depicting projected sales and earnings growth for the next five years along with the actual figures for those projections.

Revenue-based EPS Estimate

Below the space for the entry of your growth estimates is a bar marked **"Revenue-based EPS Estimate."** Briefly, the Revenue-based EPS Estimate develops earnings per share by looking at sales rather than historical earnings growth, because sales growth, over time, tends to be more consistent and stable.



Here's the rationale behind the Revenue-based EPS Estimate. It's all well and good to estimate your earnings growth for the next five years and, with that, project your earnings five years into the future. However, revenues typically show more stability and are more apt to follow projections than are earnings. After all, earnings are derived from revenues—only after deducting costs, taxes and preferred dividends, which can vary.

The Revenue-based EPS Estimate starts with your estimated sales growth and your projection of actual sales five years in the future. From this figure, the average expenses are deducted; next, the taxes, then the dividends paid to preferred stockholders (if any). Finally, the result is divided by the number of shares outstanding to calculate your earnings per share. This is the way companies do business, which is therefore the strength of this method. Its weakness is that while sales are the most predictable of statistics, all of the others are not. As a result, there are many more variables to be wrong about than if you were to simply forecast earnings growth.

The best use of the Revenue-based EPS Estimate is as a corroborative tool—a "second opinion" as to what future earnings might be. Since we need to be as "accurate" as possible when forecasting future earnings, it's useful to have this second opinion and the opportunity it gives you to consider additional judgments. The dialog box you encounter when you click on the "Revenue-based EPS Estimate" bar may seem complicated, but it's really not. The top portion of the dialog simply lists the various components of the process that we mentioned above. The figures to the right of the radio buttons represent the numbers either entered or estimated—or those that were calculated from those numbers. The results are displayed to the right of the entry boxes. Selecting one of the boxes will alter the figures on the basis of which the results were calculated.

When you do enter a check in the check box, a table will appear on the right that gives you all of the historical data available about the specific item so that you may make an intelligent decision as to what changes, if any, you may wish to make. For example, the second item is the profit margin, which is used to calculate expenses. The figure that the program has used is the average profit margin over the past five years.

To determine the company's expenses, the program has calculated the profit by multiplying the profit margin by the sales figure. Since the expense is everything that isn't profit, the profit is subtracted from sales to provide the figure for expenses. Looking at the historical data, you may be convinced that increasing profit margins might prevail and you might expect that, in the next five years, the profit margin will be greater than the historical five-year average. Entering your higher estimate of the profit margin in the space provided will raise the value of the "Earnings by Revenue-based EPS Estimate" calculation, accordingly.

After you are satisfied with the components of the Revenue-based EPS Estimate, you should compare the result with the projection of earnings already calculated to see if your own projection is reasonable or to consider changing your future earnings estimate. If you are using electronic data files, you may find a figure labeled "Analysts' Estimate" at the bottom of the dialog box. This figure is calculated using the "Analysts' EPS Growth Rate Estimate" to compound their estimate of the current fiscal year's earnings for four more years. If you are not using electronic data files, the figure there will be that which you entered on the data screen.

Again, before yielding to the temptation to simply plug in that figure, bear in mind that the professionals are judged by their accuracy. This means that they have an incentive to neither understate nor overstate the figure. However, you have an incentive to err on the conservative side. The more conservative you are, the more likely you are to be right! The only track record you need think about is your portfolio's performance!

In any event, you may accept the "Projected EPS" from your growth estimate, select the "EPS by Revenue Estimate," or select "Other" and enter an earnings figure of your own choosing. You may prefer using the Value Line's estimate of earnings, which is found in the right hand column of the Value Line page. (NOTE: This figure is actually an estimate of average earnings for the fourth-, fifth- and sixth-year out and may be a little "aggressive.")

To do so, click on "Other" and enter your earnings estimate in the "Other" space. As it does when you select "EPS by Revenue Estimate," any time you select any other figure than the "Projected EPS":

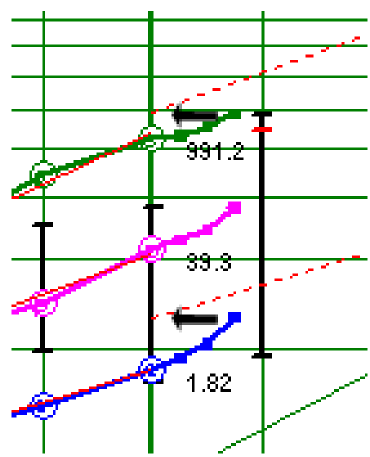
1. A new estimated future earnings per share growth rate will be calculated on the basis of earnings growing to achieve the new figure.

2. A new line will be drawn representing that growth rate.

3. The new E/S figure will appear on the right hand margin of the graph.

In this fashion, you will be able to "interactively" estimate a growth rate by working backward from an educated estimate of future earnings. You will have yet another opportunity to revisit the Revenue-based EPS Estimate as you "fine tune" your forecast of the potential high price on the back of the form.

At this point, you will have completed the front side of the **Stock Study** with your estimates of growth. If the company's historical sales and earnings appear to be strong and steady, and look to remain so in the future, you next need to evaluate the management and their ability to sustain this growth.



NOTE: When starting your projections from the latest Quarter, ***Toolkit 6*** moves the starting point and the entire projected line up or down on the vertical line for the most recent year, keeping it parallel to the plot for the most recent quarter to avoid extending the projection out into the right margin. This permits the entire five year growth to remain on the chart.

Section 2—Quality Analysis

The next point of analysis is **Section 2—Quality Analysis**. This is not a computer issue, but it is certainly a critical investment issue. It is at this point that you must decide whether the company is a "good" one or not. You have presumably decided that the company's track record of growth and earnings has been sufficiently stable and strong to warrant your consideration or you would have already abandoned the study.

This is the place where you assess the management team's capability to sustain that growth. **This is one of the most important judgments you will make.** Why? Because, if you're wrong, you may be "seduced" into thinking that the stock is a great value when, in reality, the stock is selling at a low price for a very good reason.

We cannot stress this point enough: *The worse a company performs, the better a value it will appear to be.*

Before you look at the averages and the trends, look at the data, especially for the most recent five years. How do the profit margins (% Pre-tax Profit on Sales) look to you? Are they fairly stable over the whole ten years? How about the last five? Are they substantial when compared to the company's industry average? (Industry averages may be found in the **Value Line Survey** or in other on-line sources such as at StockCentral.com.)

Eliminating Outliers

1996	1997	1998	1999	2000	2001	2002	2003	2004	LAST 5 YEAR AVG.	TREND UP	TREND DOWN
11.9	12.9	12.0	11.6	11.3	4.1	11.9	11.1	10.8	9.8	UP	
15.(											
0.0											

1996	1997	1998	1999	2000	2001	2002	2003	2004	LAST 5 YEAR AVG.	TREND UP	TREND DOWN
11.9	12.9	12.0	11.6	11.3	~~4.1~~	11.9	11.1	10.8	11.3		EVEN
15.0	9.8	11.5	8.2	6.4	8.1	12.1	14.9	13.6	11.0	UP	
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	EVEN	EVEN

Here you will want to look for data that is obviously out of step with the other data. If the anomalous data is in a year that you have already considered to be irrelevant and the event non-recurring, you may simply eliminate that data from the calculation of the 5-year average and the trend by clicking on it. A mark will appear in that data box to indicate that it has been deleted from the calculation. When you have decided that all of the data is relevant, look at the averages and the trends.

Suffice it to say that serious downtrends, especially in % Pre-tax Profit on Sales, would, for most fundamental investors, probably disqualify the stock from further consideration.

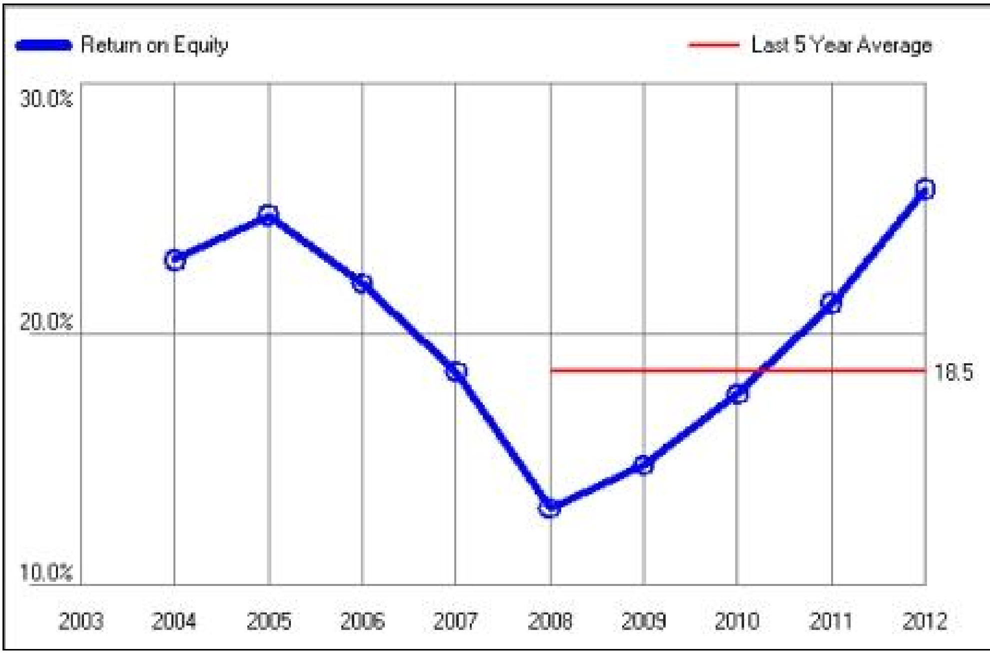
Pre-tax Profit Margin Graph

To see a graph of the % Pre-tax Profit on Sales (the Profit Margin), click in its "5 Year Average" box (the magenta box if "Active Area Highlighting" was selected in **Preferences**).

Often this graph will help you see a Profit Margin trend that you would not notice by just looking at the numbers. "**If you're in doubt, bail out**!"—especially if you're new at this. The chance to be led astray is too great if you go on with a company that is not up to par—and there are plenty more good ones out there.

Return on Equity (ROE) Graph

To see a graph of the % Return on Equity, click in its “5 Year Average” box (the magenta box if “Active Area Highlighting” was selected in **Preferences**).



As noted previously, Return on Equity show whether management is able to earn a steady and substantial return on the investors’ money. This graph helps show long-term trends, as well as a quick reference for the five year average return.

Debt-to-Equity Graph

To see a graph of the Debt-to-Equity, click in its “5 Year Average” box (the magenta box if “Active Area Highlighting” was selected in **Preferences**).

This graph helps illustrate the debt/equity ratio for the company, a measure of the company’s dependence on borrowed funds.

Section 3—Price, P/E Ratio and Dividend Analysis

The next task is to analyze the historical relationship between the company's earnings and the stock's price—its Price-Earnings History. Once again, an inspection of the data may reveal anomalies (or "outliers")—data that stands out as being a departure from the norm.

3 PRICE, PRICE/EARNINGS RATIO and DIVIDEND ANALYSIS

CURRENT PRICE (P/E) 70.24 (23.4) 52-WEEK HIGH (P/E) 71.45 (23.0) 52-WEEK LOW (P/E) 46.37 (15.5)

	Fiscal Year	High Price	Low Price	EPS	High P/E	Low P/E	Dividend	% Payout	% High Yield
1	2008	30.7	17.1	1.37	22.4	12.5	0.900	65.7	5.3
2	2009	29.4	17.5	1.55	19.0	11.3	0.900	58.1	5.1
3	2010	38.1	26.6	2.01	19.0	13.2	0.945	47.0	3.6
4	2011	45.5	28.1	2.47	18.4	11.4	1.040	42.1	3.7
5	2012	68.2	44.3	3.00	22.7	14.8	1.160	38.7	2.6
6	AVERAGE		26.7		20.3	12.6		50.3	

AVERAGE P/E RATIO	16.4	PROJECTED P/E RATIO	19.7	TTM EPS	3.00
CURRENT P/E RATIO	23.4	PEG RATIO	1.0	FTM EPS	3.57
RELATIVE VALUE	142.7	PROJ. RELATIVE VALUE	120.1	AVG TTM + FTM EPS	3.28

If one or more of the years produced figures that were abnormally low or high, you can click on the offending year and eliminate all of that year's data from the calculations. Or, you may select individual items of information and exclude those by simply clicking on them. (This is true only of the Year, the Low Price, the High and Low P/E, the Percent Payout, and the High Yield columns. These fields are surrounded in yellow highlights, if you enabled Active Area Highlights in Preferences.) The averages at the feet of the columns containing the excluded data will be affected by doing so.

Most important are the columns containing the Average High and Low P/E Ratios. Look carefully for extraordinary numbers. Most often, the high P/E will be radically inflated by a year with abnormally low earnings per share. This inflated figure, if not eliminated, can skew the average high P/E so much that, if the figure is accepted as calculated, it will make your future high price sky high! You'll think that you're really going to make a killing, when you're seeing only the effect of a bad year.

Of course, in the next section, you will have to select reasonable numbers for the average high and low P/E's; but, it will make it a good deal easier to be sensible if you have exercised diligence in excluding the irrelevant data here.

There is some additional information provided in the bottom rows of this table, including the following:

Trailing Twelve Months "TTM EPS" is the sum of the reported EPS from the last twelve months (four quarters).

Forward Twelve Months "FTM EPS" is calculated by applying your long-term estimated EPS growth rate to the **TTM EPS**.

Projected P/E Ratio is calculated by dividing the **Current Price** by the **FTM EPS**.

PEG Ratio is calculated by dividing the **Projected P/E Ratio** by the **Projected 5 year EPS Growth Rate** you chose on the front of the **Stock Study**.

Relative Value is calculated by dividing the **Current P/E Ratio** by the **Average P/E Ratio** and is usually expressed as a percentage.

Projected Relative Value is calculated by dividing the **Projected P/E Ratio** by the **Average P/E Ratio**.

High and Low Price/Earnings Ratio Graph

To help you spot any extraordinary numbers and their relation to the **Average High and Low P/E Ratio**, you should look at their graph. To open, click either the High P/E or Low P/E Average figures in line 6, which will be surrounded by a magenta box (if "Active Area Highlighting" activated in Preferences). Note also that the cursor changes to a magnifying glass in this area, signifying that you can take a closer look at the numbers by opening up a graph.

With the graph you can see what each year's High P/E is relative to the Average High P/E, and what each year's Low P/E is relative to the

Average Low P/E. The red line is the average for the High and Low P/E for the last five years.

Remember that the price/earnings ratio (P/E) is a numerical relationship that compares the stock price to the company's earnings per share. Because both the stock price and earnings increase as the company grows, in the case of a good growth company, the P/E should remain relatively constant since it is a ratio.

Example: $10 Price ÷ $1 Earnings = 10 P/E;
$100 Price ÷ $10 Earnings = 10 P/E.

Therefore, as a company grows, its High and Low P/E should remain more or less the same. A company's P/E is a reflection of investors' confidence and expectation that the company will be profitable in the future. This expectation drives up the stock price as a surplus of buyers purchase a limited number of stock shares. As the stock price goes up, but the current earnings remain the same, the result is a high P/E.

Example: $10 Old Price ÷ $1 Earnings = 10 P/E;
$100 New Price ÷ $ 1Earnings = 100 P/E.

As a reference point, the average P/E for companies on the Dow is around 15. This contrasts sharply with the P/Es of 100, 200, and even 300, for many of the Internet companies during the bubble of the late 1990s. At that time Alan Greenspan, chairman of the Federal Reserve, expressed concern about the "Irrational Exuberance" of investors and his concern was borne out by the performance of those companies when the inevitable bust came not long after.

The Price/Earnings Ratio is sometimes called a "P/E Multiple," or just a "Multiple," since the stock price is a multiple of the earnings. Perhaps the easiest way to think of it is as the rate one pays for a dollar's worth of earnings, much like the price per pound of coffee or gallon of gas.

Relative Value and Projected Relative Value

Where Toolkit used to have these figures as an addition at the bottom of section 4, they are now given more prominent placement in Section 3.

Part studying the history of High and Low P/E's, eliminating irrelevant data, and determining your historical average High and Low P/E's is to find average P/E figures over the past five years, potentially adjusted by the removal of outliers.

Consider this adjusted Average P/E as a sort of "signature P/E"—a "normal" relationship between earnings and the stock price.

As we've discussed before, stock prices are driven, over the long-term, by earnings. In the shorter term, prices may fluctuate up and down for a variety of other reasons, all transient and all depending upon the whim of the investing public.

Perceptions drive short-term stock price movement, and it can be fairly said that what goes up, **will** go down—and vice versa: what goes down, will go up. It's almost a sure thing, in fact, that any deviation in P/E that is not caused by earnings is only temporary. If this is true, then you can expect, whatever the P/E of a stock at the moment, it will tend to seek its "normal" or "signature" level.

The closest you can come to estimating that traditional relationship is the five-year Average P/E, and you will strive to purchase stocks whose Current P/E is not much above the average—better yet, is somewhat below it.

AVERAGE P/E RATIO	16.7	
CURRENT P/E RATIO	9.8	
RELATIVE VALUE	58.7	

You will use a measure called "**Relative Value**" (RV) to assess this condition; it means the relationship between the Current P/E and the Average P/E. It is calculated by dividing the Current P/E by the Average P/E and is usually expressed as a percentage. A stock with a Relative Value of more than around 110% **may** be overvalued.

On the other hand, if the RV is only 90% or 85%, it's an indication that something might be amiss. The lower it is, the more likely the possibility that someone knows something that you don't, and you had better get some questions answered before you begin thinking that it is so far undervalued that it's a great bargain! Is there something going on that will adversely affect earnings over the long term?

You will want to find out just why no one will pay more for the stock. If the company's earnings are continuing to grow, and there are no reports of impending catastrophe, you might be in a position to act the contrarian and buy some while it's really low. But, this doesn't happen often. Save for the times the entire stock market is down, the price is not likely to be severely depressed without some valid reason.

Projected Relative Value

"**Projected Relative Value**" is another measure of the same issue. Many investors believe that the current P/E should be calculated by using the earnings for the next twelve months instead of the trailing twelve. Their logic is that we buy stocks for their future performance and in the expectation of those future earnings. The program therefore offers this alternative. Projected relative value is calculated by dividing the estimated earnings for the next twelve months (Projected P/E Ratio), by the Average P/E ratio which ***Toolkit 6*** forecasts by growing last year's earnings at your estimated growth rate.

AVERAGE P/E RATIO	16.7	PROJECTED P/E RATIO	8.5
CURRENT P/E RATIO	9.8	PEG RATIO	0.5
RELATIVE VALUE	58.7	PROJ. RELATIVE VALUE	50.7

The projected relative value is always a lower number than relative value (since the P/E using a higher earnings figure will be lower). We also don't want to buy a stock with a projected relative value above 100% and are suspicious if it's below 80%.

Relative value and projected relative value must be used with care. A variety of circumstances can change the "normal" P/E of the company, and these must be taken into account when you assess them. Interest rates and their partner, inflation, can make the entire climate quite different for a fairly long period of time. Competition, trends in the industry, etc.—all can conspire to change the P/E point of reference. Perhaps not over the long term, but for a long enough time to make some difference. The factors that you need to keep your eye on are those that can affect the company's earnings. Investors who rely on using Relative Value as a primary measure do so at considerable risk if they fail to look at the actual P/E's that make up the measure. A favorable appearing Relative Value or projected relative value figure can be made up of an unrealistic current P/E being divided by an equally unrealistic average P/E.

Section 4—Evaluating Reward and Risk over the Next 5 Years

This section offers four opportunities to apply judgment:

- You **must** estimate the 5-Year Average High and Low P/E's to be used in the calculation of the potential high and low prices.
- You **may** refine your estimated high earnings by substituting what you derived from the ***Revenue-based EPS Estimate*** (or your own estimate) for the estimate that came from your earlier projection of earnings growth. This will have an effect on the projected high price that represents the top of your "Sell" range.
- You **may** revise your estimate of future low earnings.
- You **must** forecast the future low price of the stock.

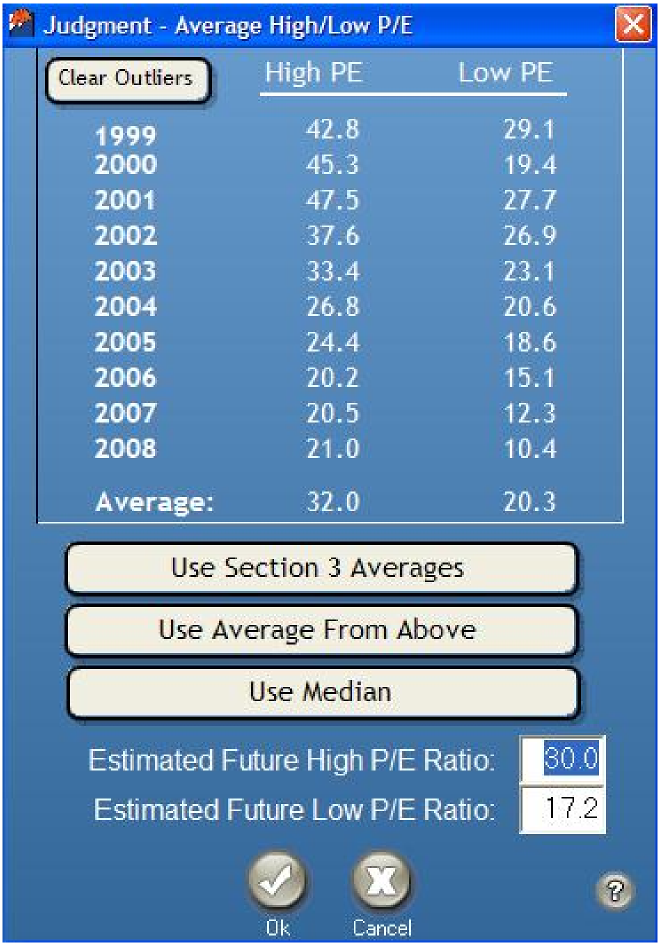
Forecast the High Price

The potential high price is the product of the selected average high P/E and the estimated future high earnings.

Estimating Average High and Low P/E

Having eliminated any outliers from the Average High and Average Low P/E's in Section 3 above, you are in a good position to estimate those figures for the future.

To modify the figures, simply click on either the space containing the Average High P/E in line 4A, or the one containing the Average Low P/E in line 4B (surrounded by a green highlight if enabled in **Preferences**), and the Judgment dialog box will appear.



You now have the opportunity to insert your own best estimate as to what average high or average low multiple (P/E) should be used in calculating your potential high and low prices for your price ranges. The default values that you find in the dialog box are taken from the average High and average Low P/E boxes from line 6 in Section 3, and assume that you are satisfied with the average of the historical P/E's.

Often, this assumption is a good one since you are looking at a five-year period, a period long enough to capture both the top and bottom of the average business cycle.

Toolkit 6 also has the option to view ten years of Hi and Low P/E ratios and eliminate outliers by clicking on the values. You may use the **5 year average** from Section 3, the **10 year average** or the **Median.**

NOTE: Using the 10 year Average without eliminating outliers would not provide a generally meaningful result because of the anomalous data from the early years of the company you are studying. However, there are other factors that might influence your judgment in this case. Look at the trend in Average High P/E's. Is the trend up, down, or both? If the trend isn't "both," then the cycle is probably longer than average and you will want to try to figure where the company is in its cycle. Now might be a good time to look again at the Section 3 High and Low Price/Earnings Ratio Graph

If the company has a good track record, and there are no negatives to indicate that the downtrend is a long-term or permanent trend, then you might be content with the historical averages.

If you want to be more conservative—or if the trend is going to be more long-term than you first thought—you will want to lower your estimates for the future. There are some, in fact, who won't often estimate the future average high P/E any higher than the average P/E.

You may remove additional outliers from Section 3 in order to average the lower ones and omit the highest. After recording the results, you should restore the outliers that you eliminated so that the calculations involving historical data (Relative Value and Projected Relative Value) won't be distorted as you look at them later.

See the "**How to**" section for details on using this feature.

Amending the Estimated High and Low Earnings per Share

The last task you performed on the front of the **Stock Study** was to forecast the future high earnings per share. You did this by estimating future earnings growth. You may have availed yourself of the opportunity at that time to use the **Revenue-Based EPS Estimate** dialog to calculate your future earnings estimates. The result, in either case, will be found in Section 4A, in the middle of the page.

Advanced Option

As you go through the process of forecasting the potential high price in Section 4A, you may wish to revisit the **Revenue-Based EPS Estimate** and fine-tune that estimate. One determining factor will likely be the profit margins (%Pre-tax Profit on Sales) from Section 2 above, which you should have noted. You may again want to look at the Pre-tax Profit Margin Graph.

Look carefully at the trend in the profit margin. If there is a substantial trend up (or down), you may wish to modify your estimate of future earnings based upon a more optimistic (or pessimistic) assessment of the cost factor as it affects the bottom line in the **Revenue-Based EPS Estimate**. (Of course, if it was a significant down trend, you would probably be looking at a different stock by now.)

Click on the appropriate space at the center of line 4A on the back of the **Stock Study** (If you have enabled “Active Area Highlighting” in Preferences, it will be highlighted in yellow). The program will display the **Revenue-Based EPS Estimate** dialog box for your use.

For general information on **Revenue-Based EPS Estimate**, see the Advanced Option earlier in this section.

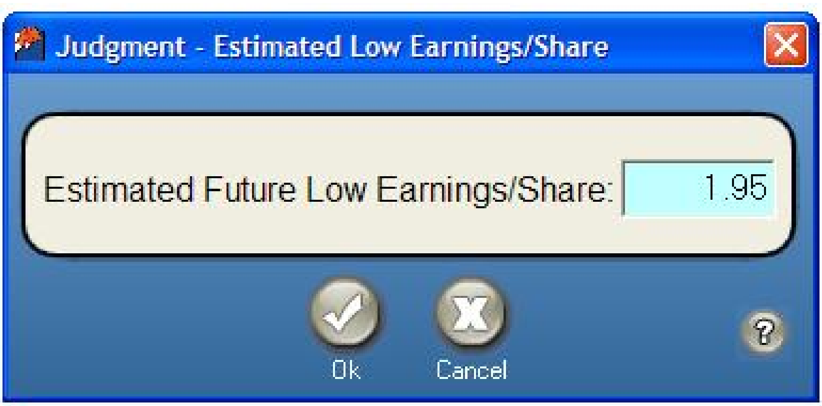
By default, the Forecast High Price is calculated as **Selected High P/E** multiplied by **Estimated High EPS**. With Toolkit 6, we have added the ability to edit this figure. Clicking the Forecast High Price line (surrounded by a yellow highlight if enabled in **Preferences**) will open a judgment window showing the Forecast High Price as calculated normally, as well as giving an option to select **Other** and enter your own selection for the High Price.

To calculate the low price, the program multiplies the estimated average low P/E by the estimated low earnings per share (EPS). We have already discussed the low P/E estimate; however, we haven't mentioned low EPS. Low EPS defaults to the value of the annual earnings for the most recently concluded fiscal year. The rationale for this is that, assuming that the company is a good growth company, it will earn no less five years out than it did last year. Therefore, this is a very conservative assessment of future low earnings.

You may, however, have a different idea about the potential. For example, many investors prefer to use the sum of the most recent four quarters, as the low EPS figure, since it represents factual data. It is conveniently displayed in Section 3 in the TTM (Trailing Twelve Months) EPS field.

TTM EPS	3.52
FTM EPS	3.76

Others will wish to be either more or less conservative. The space for Estimated Low Earnings in Section 4B will be highlighted in yellow, should that option be selected in the **Preferences**. To alter the estimate, simply click on the yellow box and enter your preferred figure.



Select the Potential Low Price

Just as on the printed **Stock Study**, you are offered a range of potential low prices from which you must select or estimate a potential low price to set the bottom of your “Buy” range.

If you have enabled the highlighting in the **Preferences**, the space will be highlighted in green indicating that it is a “must do.” Again, when your cursor passes over the box in which you are required to insert your low price estimate, it will enlarge and darken. Click on that space.

You will be presented with a dialog box that offers you the opportunity to either select one of the computed prices or to insert your own estimate. While there are many factors that will contribute to your decision, it may be helpful to consider these general guidelines:

Forecast Low Price: Used most of the time and a good choice for a growth company that does not pay a significant dividend.

Average Low Price for Last 5 Years: Typically used for a cyclical company (e.g. an auto maker).

Recent Severe Market Low Price: Perhaps used for turnaround situations or for companies for whom disaster is a normal state of affairs—volatile and unpredictable companies.

Price Dividend Will Support: Used for larger companies whose dividends contribute significantly to the stock's total return. This represents a price at which yield is high enough for the stock to commence competing with other income instruments for investors' dollars.

Price Variant Quotient: Determined by considering the ratio of low price to high price over each of the past five years, then projects a low price based upon this average volatility from the current year's high price.

80% of Current Price: This price represents what the low price might be if the stock fell 20% from its current level.

Other: Used for your own thoughtful estimate.

Selecting a low price is the last "must do" item on the form. Since the remaining parts of **Section 4** are used to decide whether or not to make a stock purchase, we'll discuss them in the "**To Buy or Not To Buy**" section.

If you have had to stop in the middle of your **Stock Study** and resume later—or if you have found that some of the items you thought should be filled out are not—you may click on the

"**Audit"** button on the Company Toolbar to find out what judgment items remain to be completed.

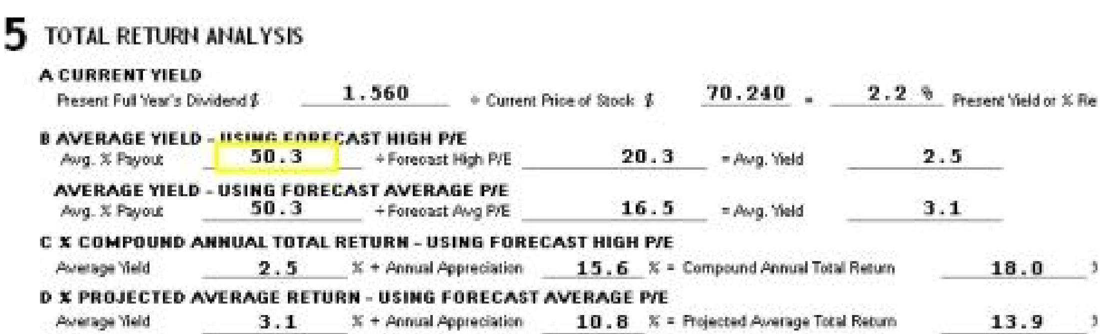
Section 5—Total Return Analysis

This section calculates your current and potential dividend yield and the potential return on your investment.

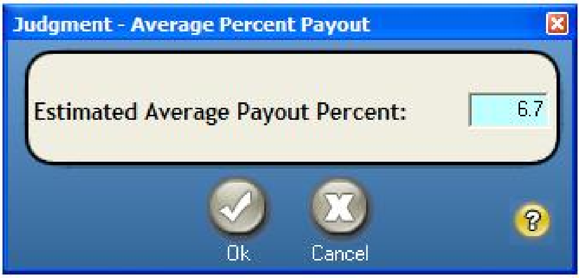
Percent Payout

The last opportunity you have to apply judgment is in Section 5, line B. Here, in order to calculate average yield over the next five years, you must estimate what the average dividend will be. To do so, the program will divide the average % payout (the averge % payout from the previous five years, as determined in Section 3) by the Forecast High P/E (the average of the previous five years' High P/E figures from Section 3).

Normally, the figure is simply taken from the calculation of the average in Section 3. However, you may wish to estimate the percent payout as a different figure. Perhaps the company has announced a new dividend policy, or maybe you're satisfied that the company is a mature company and will be paying substantially more of its earnings in dividends in the future.



Whatever the case, you have the ability to change that figure in Section 5B. As in the other "may do" areas, this one will be highlighted in yellow if you have opted to enable highlighting.



Your work is finished. It's that simple!

The remainder of the form will be filled out completely, and you are now ready to examine or print the completed **Stock Study** and assess your result.

To Buy or Not to Buy

Now that you have completed all of the necessary tasks, it's time to use what you have done to help you make a decision about the stock you have studied. There are four things to evaluate, all progressive as well. In other words, if the first doesn't make the grade, you don't need to bother with the next:

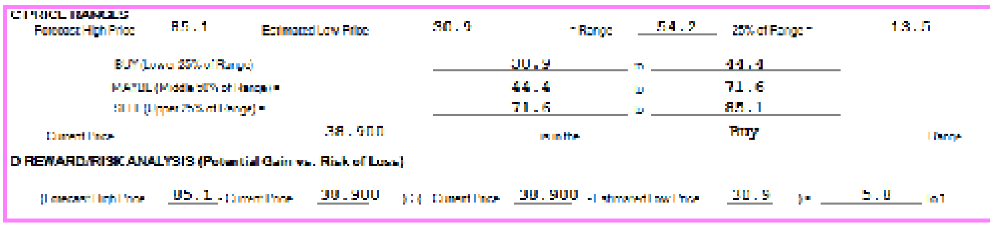
- Price Range
- Reward/Risk Ratio
- Relative Value
- Total Return

Price Range

When you complete the work on the **Stock Study**, the remainder of **Section 4** is calculated. The first thing to look at is the range of prices from the stock's current price to your estimated future low and high prices

The **Stock Study** divides the range between the potential low price and the potential high price into quarters, representing the "Buy," "Maybe," and "Sell" ranges.

If the current price fell into the lowest quarter, you would consider it in the "Buy" range and continue with your evaluation. If this is the case, you will find "Buy" in the field on line 4C. "Maybe" (or "Hold") is in the middle two quarters, and of course, "Sell" is in the top quarter.



In the next section, you will see why ***Toolkit 6*** has changed the default ranges from thirds (33%-33%-33%, as was used in prior versions) to 25%-50%-25%.

Reward/Risk Ratio

The next and most important item to consider is the **Reward/Risk Ratio**. This is the important measure of reward compared to the risk of investing in a particular stock at its current price.

The Reward/Risk Ratio is calculated by dividing the "distance" from the current price to the potential high price and dividing it by the "distance" from the current price to the potential low price. (The term "distance" might be clearer by looking at the graphic just below.)

The meaning is simple: How much risk I must take (how much I lose if the price goes down to the low) versus how much reward I might get (if the price goes from its current price all the way up to its potential high). It is generally a good value if you stand to gain three times as much as you might lose: a 3 to 1 Reward/Risk Ratio.

There is a potentially confusing paradox here. If you use the 33-33-33 ranges, a stock can be in the "Buy" range with an Reward/Risk Ratio as low as 2 to 1. In fact, a stock whose current price is the same as the top of the "Buy" range has a 2 to 1 Reward/Risk Ratio. This is because, under these circumstances, you have one third to lose and two thirds to gain (as the "Buy," "Hold" and "Sell" ranges are calculated).

It is therefore the preference of some investors to look at the "Buy" range as the lowest quarter of the low to high range. That way, a stock cannot be in the "Buy" range without having at least 75% to gain and 25% to lose (3 to 1).

This is why the default setting in ***Toolkit 6*** is 25%-50%-25% range. If for some reason you wish to change the default, click the appropriate selection within the **Select Zoning Default** section within your **Preferences.** This setting is global, meaning that these divisions will then prevail anywhere in ***Toolkit 6*** that these ranges are reported or considered.

NOTE: When the current price is above the **top** of the "Sell" range, the Reward/Risk Ratio is shown as "0.0 -" since negative figures are not meaningful; when the current price is below the **bottom** of the "Buy" range, it will appear as "99.9 +."

Graph of Price Ranges and Reward/Risk Ratio

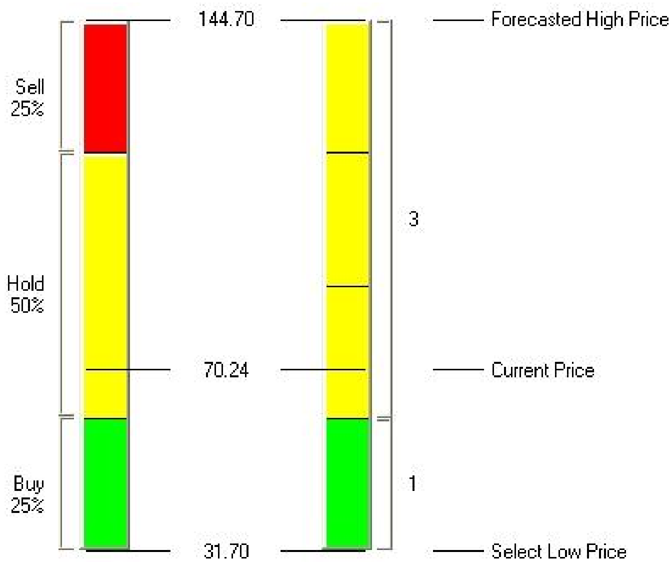
Toolkit contains a graph to help you better visualize the Buy, Maybe, and Sell price range zones in relation to the Reward/Risk Ratio.

To open the graph, click in the magenta box (if you enabled "Active Area Highlighting" in **Preferences**) around Section 4C & D—the cursor also changes to a magnifying glass in this area, indicating an opportunity to take a closer look.

The bar graph on the left is the Price Range you selected in **Preferences**, either 25%-50%-25% (the default, for a true 3-to-1 Reward/Risk Ratio) or 33%-33%-33%. The bar graph on the right shows the **Reward/Risk Ratio**, with the potential Reward of 3 and a Risk of 1. The Current Price is indicated in the middle, showing its relative position to the High and Low Prices and the Price Range and Reward/Risk Ratio.

Potential Return from Your Investment

The final and key determinant is the potential return on your investment. The term, "total return" means the annual return from both the investment's price appreciation and the dividend yield.



You are looking for a return **on your portfolio** of at least 15%, compounded annual return, in order to double your money every five years. This does not mean that every stock has to produce a 15% return; it means that the average of your portfolio must do so. You will find most of the larger, more mature companies will give you a lower return on your investment because their growth rates have slowed. You can balance these lower risk investments with stocks having a return in excess of 20%.

Here you have two measures to look at:

- Total Return
- Projected Average Return (PAR) (Available if selected in the **Preferences.**)

Total Return

Total Return, as it is used here, is the compounded, annualized figure that requires just under 15% to double your money. This number is the result of your purchasing the stock at today's price, selling it in five years at your projected **high** price, and adding to it the dividends that you expect to receive-the combination of compounded appreciation and dividend yield.

C % COMPOUND ANNUAL TOTAL RETURN						
Average Yield	0.0	% + Annual Appreciation	16.9	% = Compound Annual Total Return	16.9	%
D % PROJECTED AVERAGE RETURN						
Average Yield	0.0	% + Annual Appreciation	14.4	% = Projected Average Total Return	14.4	%

Projected Average Return (PAR)

PAR (available if enabled in **Preferences**) is the compounded, annualized figure that also requires 15% to double your money. PAR is the return on your investment when you purchase the stock at today's price and sell it in five years at an **average** price. That price is calculated by multiplying the high EPS by the **Average P/E** rather than the Average High P/E. This is a more modest figure and, certainly, a more realistic expectation.

If you are satisfied with the return you expect to make on your investment, based upon all of your conservative assumptions, then you would probably decide to purchase the stock.

The Judgment Audit

Overview

Toolkit 6 is not only a tool to implement fundamental investing methodology; it is also intended to be a useful instructional tool that can assist you in learning to making prudent decisions as they are required during your **Stock Study**.

The **Judgment Audit** combines several functions within the scope of a single button on the Company Toolbar. Clicking on the "**Audit**" button opens the **Judgment Audit** window.

The **Judgment Audit** offers three functions:

1. Scan the Judgment Items to see what you have yet to complete.

2. Reset the judgment items (clear all and start again).

3. View the Items to check to see where your decisions or the actual data raises questions.

Judgment Items

In the course of your study, in addition to such options as eliminating outliers (irrelevant historical data) or substituting values for default values, there are five estimates or forecasts you are required to make:

1. Estimate Future Sales Growth.
2. Estimate Future Earnings Growth.
3. Estimate Future High P/E.
4. Estimate Future Low P/E.
5. Select a Low Price.

If you have failed to enter any of these items, Toolkit cannot complete your study. Should you find that the **Stock Study** is complete only through the beginning of **Section 4—Evaluating Risk and Reward over the next 5 years**, you may find out what items remain to be estimated to finish the study. Those that remain will be displayed in "**Judgment Items**" in bold type. The items that are completed appear in plain type.

Reset Judgment

The "**Reset Judgment**" button below the "Judgment Items" list enables you to reset all judgment items you have entered. If you are dissatisfied with some of your decisions, or, if you have accessed a file that contains someone else's judgment and want to begin again using your own—say you imported one from StockCentral's data feed, for example—you may do so by clicking on the "**Reset Judgment**" button.

NOTE: All judgment items will be reset, including any outlier elimination that may have been performed.

Items to Check

This valuable aid keeps an eye on both the basic data and the results of your judgment, monitoring the critical items to see that they are within reason or that they follow certain conventions. Should any of the items listed be outside of the desired values, they will be denoted with a red check mark. Clicking on the checked item will open a dialog box, informing you why the item is checked.

NOTE: The purpose of this feature is not to qualify or disqualify the **Stock Study** on the basis of these issues. It is merely a device intended to invite your attention to items that may be questionable. These include:

> **Capitalization**: Invites you to evaluate the capitalization of the company as it is displayed in the header on the front of the **Stock Study** (for example, if more than one third of the company's capitalization comes from debt).
>
> **Recent Quarterly Growth**: Calls your attention to quarterly sales and earnings growth if it is lower than desirable or has declined.
>
> **Historical Sales Growth**: Suggests when you might consider eliminating irrelevant historical sales data from the graph, asks you to assess if growth has been steady enough to be reasonably predictable, and/or calls your attention to what might be serious growth deficiencies you should examine.
>
> **Historical Earnings Growth**: Same as Historical Sales Growth.
>
> **Forecast Sales Growth**: Cautions you when your estimates of future growth might be too optimistic.
>
> **Forecast Earnings Growth**: Same as Forecast Sales Growth.
>
> **Management Evaluation**: Calls your attention to possible inefficiency in management.
>
> **Historical P/Es**: Suggests when you might want to consider eliminating some historical High or Low P/Es as outliers.
>
> **Future P/Es**: Cautions you when your estimates of future P/Es may be too optimistic.

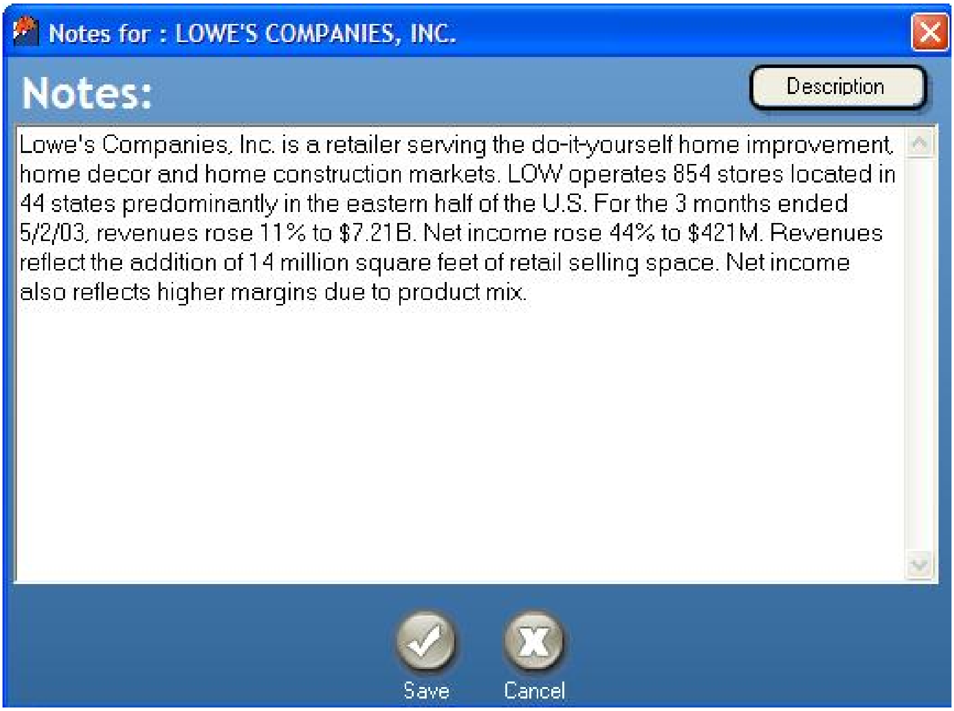
Low Price: Raises a caution flag if the current price appears to be too low compared with its price history.

Result: Suggests conclusions you might draw from the "Results" compiled and displayed in the **Judgment Audit** dialog box when all required judgment items have been completed.

Notes and Descriptions

A "notepad" is available to make notes or comments about each stock you study. You may want to record your reasons for making certain judgment decisions, the name and phone number of the company's Investor Relations person to answer your questions, items you want to bring to the attention of your club colleagues, etc.

To access your notepad, click on the word "**Notes**" on the Toolbar at the top of the company screen.



"**Notes**" will appear bold and italicized when there are notes available.

Company descriptions can now be added to the note section by clicking the Description button. Within this section you can create a snapshot of the company describing industry information and other relevant information.

NOTE: When you export in the ***.SSG** file format, the Notes may be exported with the file if you select the "zip" option. Exporting as an *.**ITK** file will keep **Toolkit** formatting, including Notes. When you back up your data, these notes are preserved in the backed-up database file.

Assigning Stocks to a Portfolio—Stock Library

The **Toolkit Stock Library** is the collection of all the companies in which you are interested. Some of the companies will have data only; some will have been analyzed and evaluated; and some will make it into your portfolios as you purchase them, either actually or hypothetically.

The mechanism you will use to assign stocks to your portfolio is the **Stock Library**. The **Library** window in ***Toolkit 6*** is an easy interface for accessing all of the companies in your **Stock Library** and creating and managing your **Portfolios**.

In the **Library**, you may:

- Create a new portfolio.
- Assign a stock or stocks to a portfolio.
- Change the numbers of shares of a stock in a portfolio.
- Delete a stock from a portfolio.

- Delete a portfolio.

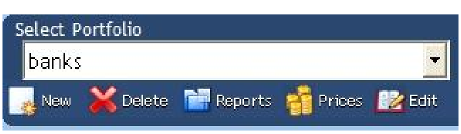
For detailed instructions on portfolio management and use of the **Stock Library**, see the "**How to**" section. Click on the blue "**Library**" button to open your **Stock Library**. The tab is always present, and the Library always accessible no matter what study you may be performing. Clicking on the blue "**Library**" button will re-open and expand the **Library** view. If "**Hide and Show Library Automatically**" is selected in **Preferences**, then the **Library** window will automatically open when no **Stock Study** screen is open. When you open a company, the **Library** window closes, but you may reopen it by clicking on the green "**Library**" button.

The **Library** window is divided into three vertical panes: **Stock Library**, **Select Portfolio**, and **Portfolio Holdings**.

The **Personal Library** (Stock Library) consists of all of the companies you have saved in your **Toolkit**.

The **Select Portfolio** pane allows you to create **Portfolios** into which you may add companies from that **Stock Library**. It also provides access to the **Roster of Quality** portfolio, which is a special locked portfolio of companies that meet specific attributes of quality. Each week, the Roster of Quality listing is updated and delivered to ***Toolkit 6*** (a StockCentral subscription is required).

Finally, the **Portfolio Holdings** pane displays the contents of the individual Portfolios. If the **Roster of Quality** is selected, the Quality Index is displayed in the right column. The Quality Index is a 0 to 10 scale, with 10 indicating the highest quality. You may not add or delete companies from the Roster of Quality.



To create a new Portfolio, click on the "**New**" button in the **Portfolios** pane. This opens an "**Add New Portfolio**" window in which you may enter a name for the new portfolio which will appear in the window with the list of portfolios.

To add stocks to your new portfolio, you can either click the Add button at the bottom of the Portfolio Holdings, or right-click on any of the companies displayed in the **Stock Library** and select "**Add to selected portfolio.**" Enter the "**Number of Shares**" in the space provided.

Some Helpful Tips

To facilitate finding a company, you can sort either the Stock Library or the Portfolio by column heading. Click on the column heading to sort in ascending order or shift-click to sort in descending order.

You may wish to create a "Watch List" portfolio by entering "0" as the number of shares.

Updating Your Stock Studies

Updating Your Data

Once you have acquired the data for a company for the first time, it will be necessary for you to keep the data current on a regular basis. ***Toolkit 6*** makes it very simple for you to do.

There are two types of updating that should be accomplished on a regular basis. They require a minimum of effort:

1. Price Update.

2. Company Data update.

Since this section deals with acquisition, we will discuss only the means for updating a single company. This is something you will want to do each time you do a **Stock Study** or review one that you have done. ***Toolkit 6*** has automated much of the task of keeping track of when data and prices need to be updated and performing the actual updates. These issues deal primarily with portfolio management tasks. Therefore a detailed discussion of updating prices and data for multiple companies will be found in the **Portfolio Management** section.

Price Update

While you are doing a **Stock Study** or whenever you revisit a stock to update your analysis, you will, of course, wish to update the price. For purposes of this discussion, it is assumed that you will be connected to the Internet and will update your prices electronically. This section will deal with the most convenient and frequently used means doing so. Consult the **How to..** section and following for the many other ways this can be accomplished.

Updating an Individual Company Price

Toolkit 6 completely automates this task for the investor. With the Company window open, click on the "**Price**" button on the Company Toolbar for an instant price update for that company.

You will also find a "Prices" button for that purpose within the Basic, Annual, and Quarterly dialog boxes.

Updating Multiple Prices

With a single mouse-click, you may update all the prices in the stock library, a selected portfolio, or just those whose prices are more than

a week old (or however old you wish to declare them "stale").

The most convenient method for updating either all stocks in the stock library or just the stale ones is by right-clicking on the

"Update Prices" button under "Requires Attention" on the Home Page and selecting either option from the displayed menu. The "Update Prices" button will be red any time there are any stocks whose prices are stale. Set the desired threshold in **Preferences > Thresholds**.

Data Update

Assuming you are connected to the Internet and have a valid **StockCentral.com** or **BetterInvesting.org** subscription, the data for an individual stock may be most easily updated from the Company window using the "**Refresh Data**" button. Clicking on the "Data" portion of the button as in this illustration will momentarily close the window and update the data with all of the new information. The data and price may be updated simultaneously by clicking on the top, "**Refresh**" portion of the button.

NOTE: You may have reason to want to retain the data in your database and have only the new data added to the file. You may do this using **File > Update Companies**. See "**Changes only**" in the **How to...** section.

Split Alerts

Occasionally, a stock split or stock dividend will have occurred in the period prior to your update. The data files from which you are importing the new data include fields that contain the split factor and the effective date of the split.

If there has been a split, Toolkit will analyze the existing data and determine if that data has been adjusted to accommodate the split. If it has not, you will be given the opportunity to accomplish that adjustment with a mouse-click. If you prefer not to do so for some reason, you may decline and the data will not be updated.

If there has been a split and your data appears to have already been adjusted, you will be notified of the split as well and simply informed that your data appears to have been appropriately adjusted.

Inconsistencies Between New and Old Data

Some investors alter the historical data to account for non-recurring events or other items that they feel should be adjusted to more accurately depict the company's historical performance. Some sources of data restate data when some operations have been discontinued. For these and other reasons, you may wish to use one or the other of the import options that are available in ***Toolkit 6***.

If ***Toolkit 6*** detects inconsistencies between the historical data and the same historical data in the file that is being imported, depending upon the circumstance and the option you have selected, you will be advised of the circumstances and given the opportunity to change your import option to one that may be more appropriate.

For example, if ***Toolkit 6*** senses a discrepancy and you have elected to use the "Full Update" option, you will be told that there is a discrepancy and given the opportunity to change to "Changes Only." If, for example, you had modified the historical data as described above, you would probably want to preserve those changes by updating only the latest data and not overwriting the data you had amended.

Comparisons

Purpose

Once you have evaluated a stock the next logical step is to find out whether that stock is better than others that you may be considering. Many investors who have been led to study a particular stock—even to "fall in love" with it—have found others in the same industry that are even more appealing and show greater opportunities for return. Therefore, it's a good idea, especially if you have the convenience of using electronic data, to quickly run through two or three additional **Stock Study** for companies in the same industry. You might just be in for a pleasant surprise.

Compare

Prepared by ______

Date 06/15/2009

GROWTH COMPARISONS (From Section 1 of the Stock Study)	NAME OF COMPANY: ABBOTT LAB ABT	American O AOB	GILEAD SCI GILD	
(1) Historical % of Sales Growth	8.9 %	68.4 %	44.8 %	
(2) Projected % of Sales Growth	12.0 %	20.0 %	17.0 %	
(3) Historical % of Earnings Per Share Growth	6.7 %	39.9 %	37.4 %	
(4) Projected % of Earnings Per Share Growth	12.0 %	20.0 %	17.0 %	
MANAGEMENT COMPARISONS (From Section 2 of the Stock Study)				
(5) % Profit Margin Before Taxes (Average for last 5 Years) (2A) Trend	20.8 EVEN	31.7 DOWN	50.1 UP	
(6) % Earned on Equity (Average for last 5 Years) (2B) Trend	25.9 UP	28.8 DOWN	41.1 UP	
(7) % of Common Owned by Management	0.3	21.1	0.6	
PRICE COMPARISONS (From Section 3-5 of the Stock Study)				
(8) Estimated Total Earnings Per Share For Next 5 Years	22.98	6.32	17.23	
(9) Price Range Over Last 5 Years High (3A) Low (3B)	37.60~60.00	1.10~13.90	12.90~57.60	
(10) Current Price	54.94	4.81	45.27	

One important function of the **Comparison** is to identify Growth Industries. Often, investors will complete a **Stock Study**, see that the company's stock is in the "buy" range, and rush out and purchase stock. Before doing that, it is important to compare that company to others in that industry. If the company is in a growth industry, typically **all** of the companies in that industry will appear to be attractive candidates and good investments. However, in a growth industry, you should invest only in the "best of the breed"–the company that has the best profit margins, the best management.

Because there might someday be a "shake out" in the industry with only the best companies remaining standing, you will want to own the best of the best. The **Comparison** will help you do that.

Overview

Comparison is the tool that you will use to compare up to five stocks—preferably, but not necessarily, in the same industry—to see which company would be the most desirable to own on the basis of a number of important criteria.

These criteria are grouped into four basic categories:

1. **Growth Comparisons**: Comparing both the historical and the forecast growth rates of revenues and earnings.

2. **Management Comparisons**: Looking at profit margins as a measure of management's ability to control costs, return on equity as a measure of its ability to make money on invested capital, and insider ownership as an indication of management's incentive to produce.

3. **Price Comparisons**: Comparing such items as the historical and Current P/E multiples, price ranges, Reward/Risk ratios, yield and forecast appreciation as indications of value.

4. **Other Comparisons**: Providing a potpourri of informational and comparative data as well as room for your choice of comparative items.

The **Comparison** lists these twenty-eight to thirty different criteria for each stock, most of the information coming directly from the **Stock Study**. The **Comparison** analyzes each row, determining which stock was the best in each category that can be judged competitively, and circles each winning entry. It then counts up the marks for each company to determine the winner.

A close look at the form, however, reveals that some of the items are not competitive. For example, the exchange on which the stock is traded or the various price ranges listed cannot be considered better for one than another.

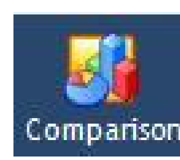
Also, other items may be considered of varying importance. As a case in point, the several measures of the historical P/E ratios, while saying something about investor confidence in a stock, cannot be given the same weight as the growth of earnings or revenues.

Toolkit 6 enables you to attach whatever weight you feel is appropriate to each of the criteria. In this fashion, the “winner” takes into account the importance of each item as it “grades” your selections.

It is important to note that, as in the **Stock Study** process, judgment is also important in performing the comparison. Although a convenient place to start, the Comparison must be used with care. You must resist the temptation to allow it to draw conclusions for you too mechanically. Only you will know which of the many factors is most important to you.

Starting the Comparison & Selecting the Companies

1) Click on the “Comparison” button on the Main Tool Bar, or the Compare Stocks button on the Toolkit 6 Home Page.

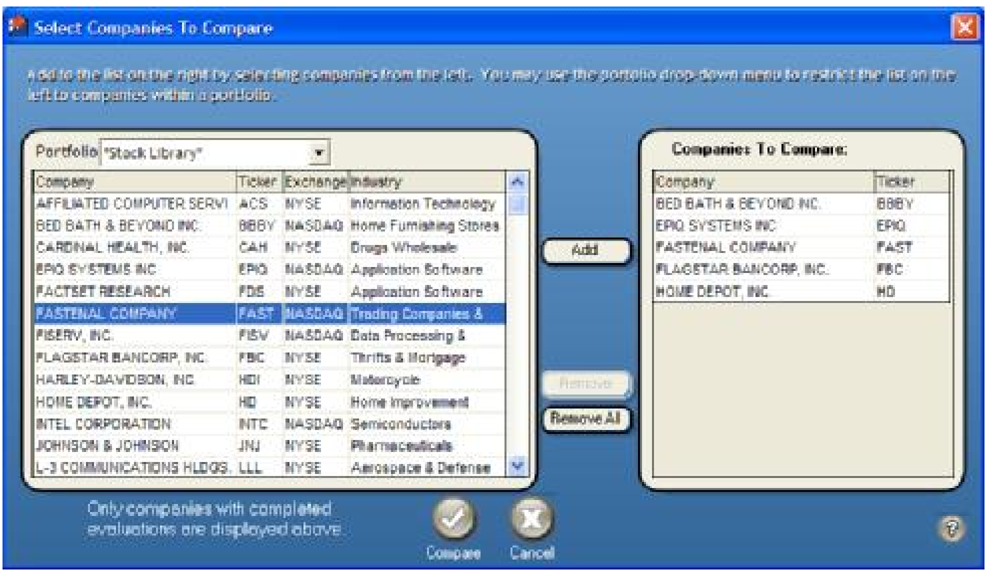


2) In the “Select Companies to Compare” screen, use the Portfolio drop-down menu to select a portfolio containing the companies you want to compare or select “Stock Library.”

3) Choose companies to compare by clicking on the company to highlight it and then clicking on the “Select” button (or double-clicking on the company name) to move the company to the right to the “Companies Selected” listing.

Note: Only companies whose Stock Studies have been completed with all judgments can be displayed in the “Select Companies to Compare” dialog box and can be viewed in the **Comparison**.

To remove companies from the “Companies Selected” column, click on the company to select it and click on the “Remove” button, or to remove all, click on the “Clear Selected List” button.



4) Click the “OK” button to open the **Comparison**. Assuming that you have already done **Stock Studies** on several other companies in the same industry, you should then use those companies for comparison.

Always the same industry?

You might ask, “Why do we worry about selecting stocks in the same industry when all we’re really interested in is what company would be the best investment?”

Actually, there are only two reasons that count:

1. We don’t want to compare “apples with oranges,” and

2. We want to consider diversification.

Apples to Apples: Companies in the same industry should have similar statistics so the comparisons will be more meaningful. The fact is that the only major difference to be seen is likely to be the average profit margin, and to some extent the return on equity figures, on lines 5 and 6, respectively, in the **Comparison**. Obviously, you wouldn’t make much sense out of comparing a food retailer with a handsome profit margin of 4% with a software company that’s running with a sub-standard 25%.

The program therefore ignores the numbers and circles the spaces with an “Up” or “Even” trend. So, at least mechanically, it ignores the disparity. You will, however, want to take note of the actual figures when you’re comparing companies in the same industry. If profit margins and return on equity for two or more companies are circled because of their trends, it’s certainly smart to look for the higher percentages.

Diversification: Many folks, having given some thought to diversification issues, decide that they would like to have a particular industry represented in their portfolio. Under those circumstances, it does make sense to search for other companies in that industry to see which would be the better addition. Some investment clubs, when looking for a new stock to buy, restrict themselves to companies in a single industry.

When all is said and done, if you're comparing companies and the only issue is which company represents the greatest potential, then, by all means, use the **Comparison** regardless of the industry.

Using the Comparison

It makes sense for all of the stocks under consideration to be displayed side-by-side to assist the user in comparing the more important issues. After selecting two or more companies, (you may select up to five,) click on the "**Compare**" button to look at the **Comparison**.

Accessing a Stock Study

You may access the **Stock Study** for any company displayed by right-clicking on the company name at the top of the **Comparison** column. Also, if you left click on the company name, a "quick-view" **Stock Analysis Graph** will open so that you may quickly reexamine the sales, profits, and earnings trend lines.

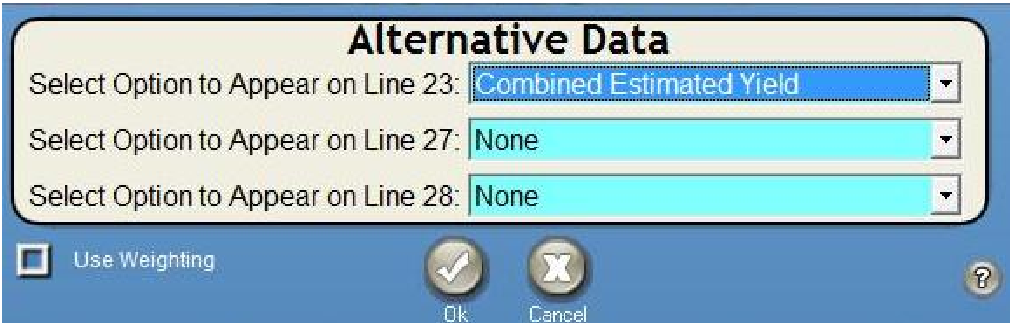
To switch back to the **Comparison** just close the **Stock Study**.

Applying Judgment

As with the **Stock Study**, there are opportunities for applying your own judgment to the comparison process. It's not a good idea to allow the computer to substitute for your own good thinking. Each of us has a different idea about what's important and what isn't, and it's up to us to apply this judgment to our work. Accordingly, ***Toolkit 6*** offers you two such opportunities.

Customizing your Criteria Options

In order to make the process as flexible as possible without altering the traditional form in any way, we have automated some of the things that you may already have been doing with a pencil.



Clicking on the **Criteria** button, on the **Comparison** Toolbar, opens a "**Specify Optional Criteria**" window. Here, you can easily add or change data in lines 23, 27, or 28.

Line 23—Combined Estimated Yield

Line 23 calls for the "**Combined Estimated Yield**." This is actually another name for "Average Total Annual Return." It represents the linear or simple total average annual return. In other words, it does not include compounding. For a company whose stock price had doubled in 5 years (appreciation is 100%), the result would be 20% plus the dividend yield. We recommend that you do not use this option.

"**Total Return**" as it is used here, on the other hand, is the **compounded** annual growth rate plus the expected dividend yield. The Total Return calculation assumes that you sell the stock, five years out, at the high P/E.

For the same company, **Total Return** would be just under 15% in compounded annual growth plus the dividend yield. (The "magic of compounding" can be clearly seen here since less than three fourths of the simple interest rate is required to double your investment—thanks to the interest paid on the interest.)

Projected Average Return: Total Return assumed that the stock sold at its High P/E. Projected average return instead uses the average P/E (selling the stock at its average price instead of its less likely high price). Assuming you can sell your stock at the same fair multiple of earnings as that at which you bought it, this is a more conservative estimate of your hypothetical return that doesn't rely upon your having to sell your stock at a high P/E.

Lines 27 & 28—Using the Blank Lines

You may select any two of the options listed below or elect to leave the line(s) blank. This allows some flexibility and additional judgment to enter the process as you decide which criteria are most important to you.

Debt/Capital: Less than 33% Total Debt (25% Long Term debt) is desirable in most cases. (Financial institutions whose "inventory" is borrowed money are, of course, excluded.) This is particularly important during bad times when creditors' demands upon the company's cash can impair its ability to survive.

Earnings Stability (R-Squared): An indicator of how well the data conforms to the trend line that appears on the front of the **Stock Study** (The line calculated by the "least squares" equation to be the one line that lies closest to all of the plotted points.) It compares how closely the plotted points are to the trend line and ranges in value from 0 to 1. The closer the number is to 1 the better, with 1 representing perfect correlation and 0 representing no correlation.

Relative Value: Ratio of Current P/E to Average P/E. Less than 110% is desirable. (Less than 90% could mean that the market may know something that you don't know—beware.)

Total Sales: A measure of company size for considerations of diversification. $400 million or less is considered a small company; $4 billion or more, a large company.

Projected Relative Value: Ratio of projected P/E to Average P/E. Less than 100% is desirable. (Less than 80% could mean that the market may know something that you don't know—beware.)

P/E: Projected Growth Rate (PEG): Recognizes the relationship between the rapidity of growth and the investor's confidence in the company's continued growth. This is calculated by dividing the projected P/E ratio by the five year projected growth rate. Less than 110% is desirable (and rare). The PEG is more useful as a comparative rather than an absolute figure.

Weighting Criteria

One way to exercise judgment in the comparison process is to vary the amount of weight given the different criteria. This is a valuable feature in ***Toolkit 6***.

You will notice under **Price Comparisons**, for example that there are five different categories of P/E:

Highest, Average High, Average, Average Low, and **Lowest**. The fact that higher multiples are evidence of higher investor confidence in the company certainly makes this criterion a mark in its favor to be circled.

Price Earnings Ratio Range Last 5 Years	(11) Highest	(3D)	25.70	24.70	41.10
	(12) Average High	(3D7)	22.70	22.10	31.10
	(13) Average	(3-8)	19.90	14.80	25.60
	(14) Average Low	(3E7)	17.10	7.40	20.10
	(15) Lowest	(3E)	14.20	3.60	17.00
(16) Current Price Earnings Ratio		(3-9)	16.80	6.80	21.50

It could be argued that high multiples are unfavorable rather than favorable since stocks with a higher multiple are more vulnerable in a down market than those with the lower P/E's. (This is true of the current P/E, to be sure, and we acknowledge that by normally circling the lower value.)

The importance of these figures is somewhat diminished, also, because these represent the actual multiples, whereas we may have modified the average high or low, or average P/E, when we applied judgment in doing our **Stock Study**.

Of far greater significance in the comparison are the four indicators of growth: Historical and Projected Sales Growth, and Historical and Projected Earnings Growth. Yet, were you give all of the P/E's equal weight, the five of them could outweigh the four growth criteria and unduly judge a stock with a lower growth rate a better choice than one with the higher multiples. In the lower left corner of the dialog you used to select alternative criteria, you will find a checkbox labeled "**Use Weighting**." Checking that box will display a drop-down dialog that permits you to grade each of the criteria on a scale of 1 to 5. To accord your desired weight to each of the criteria, select a value with 5 being the greatest weight. A zero is the equivalent of eliminating that item from being given any weight in the judgment at all. When you have completed your choices, click "**OK.**" The weight given to each item will appear adjacent to it on the Comparison.

As a quick method of eliminating items you deem of little value, simply click on the item itself and it will no longer be circled. In this case, the line will be marked with an "X" in the margin to the left of the criterion label to indicate that it has been removed. The options you select remain as default options until you change them—for future sessions as well as for the current one.

"Circle All" / "Circle None"

Many users like to start with all of the circles eliminated, activating them as they examine the relevant criteria. Click the "**Circle None"** button to eliminate all the circles at once. Each may be re-activated by clicking in the label for the individual item. All may be restored by clicking the "**Circle All"** button.

GROWTH COMPARISONS (From Section 1 of the Stock Study)	ABBOTT LAB ABT	American O AOB	GILEAD SCI GILD

And the winner is...

The winner is marked by a circle around the name field at the head of its respective column. We urge you to review each criterion to see that you are satisfied with the judgment that has been made. If you see that one of the "losers" appears to rival the winner in terms of the number of circles in it, make sure that you are satisfied that the circles are all significant and see what happens when you eliminate any item in question. Also, see what happens to the result if you were to use some of the customized criteria in lines 27 and 28.

Remember, the computer is not making an intellectual decision here. It merely circles all the "winning" entries and counts them up. The computer thinks the winner is the one with the most circles. You, on the other hand, know that some of the factors are more important than others, and only you can make that decision.

If, in the final analysis, you are left with two companies that are very close, you can probably draw two conclusions:

1) Your subjective judgment (Which one do you like better?) might be the next appropriate criterion to decide the issue;

2) They are so close that it won't much matter which you select!

Portfolio Management

Overview

The **Stock Study** and the **Comparison** are the only tools you will probably need for stock selection. With them, you should be able to pick four winners out of every five stocks selected assuming that you use these tools conscientiously and conservatively.

However, selecting the right stocks isn't all there is to successful investing. The job is only half done. It's now time to look at the "Sell" side-or at least to consider what happens after you own your stocks. This is where many investors begin to lose interest and fall by the wayside in their discipline. This is also the place where their track record can easily suffer.

Portfolio Management is the art of continually improving the quality of your portfolio to maximize your return.

You do this by:

- Watching the performance of the company rather than the stock.
- Selling a stock only when the company shows significant signs that it will not produce the sales and/or earnings growth that you expected when you bought it, and
- Replacing the stock you've sold or intend to sell with one of equal or better quality having a better potential for return.

It is not:

- Selling stocks that perform well, while keeping those that don't, in the hopes that they will. (Why sell your winners in hopes your losers will turn into winners? You'll wind up with a portfolio full of losers!)
- Letting the price influence your selling decisions. Portfolio tracking, performance measurement, or record keeping are often misconstrued as portfolio management. They are, in fact, merely ways of measuring how well you have managed your portfolio.

When and Why to sell

There is really no "time" to sell; however, there are certainly reasons to do so. Most investors, less successful than you will be, believe that you should watch for the price to rise "high enough"—whatever that means—and then sell it to take your profit. Successful fundamental investors know that "profit taking is often profit-losing."

"Rules" for Selling a Stock

The first rule for selling is . . . ***don't!*** . . . unless:

1) The company has had an adverse management change.

2) Profit margins are declining or the financial structure is deteriorating.

3) Direct or indirect competition stands to affect the company's long-term prosperity.

4) A company's success is too dependent upon a single product whose cycle is running out.

5) The company is in a cyclical industry and the cycle is about to start down.

6) You must, in order to maintain adequate diversification.

7) An issue of equal or greater quality offers more gain prospects on the upside and less risk on the downside.

8) The stock is way overpriced (at least 150% of the five-year Average P/E) and the company's earnings are growing at 12% or less. Even then, you might consider holding-or selling only some of it.

Note that, of the eight reasons for selling listed above, only the eighth suggests that you might sell to take a profit-and then only if: a) the price is way above average; and b) the company is growing relatively slowly.

The first five of the rules call for chucking losers. The sixth suggests "weeding and feeding" in order not to be grossly over weighted in any particular industry or market sector. The seventh and eighth call for replacing a stock with a low potential only when you can find one as good or better with a greater possible return.

Toolkit 6 provides you with a complete arsenal of tools for evaluating the performance of the companies in your portfolio and helping you manage it effectively. These include:

> **Portfolio Review Report**, **Portfolio Trend Report**, **Quarterly Trend Analysis**, **Annual P/E Analysis**, the **Stock Management Guide**, and the **Challenger**.

However, **Investor's Toolkit 5** took a giant step forward, and turned these forms into a byproduct of a portfolio management **process–** rather than having the forms drive that process. This process allows you to perform all the steps involved in both your defensive strategy, which deals with protecting your portfolio from harm and preventing loss, and your offensive strategy, which deals with enhancing the return on your portfolio.

In earlier versions of **Toolkit**, portfolio management began with a version of the Portfolio Review Report and continued progressively through the various forms, leaving it to the user to translate what appears to be a very complex form into an action plan. Because the

Portfolio Review Report will always be a significant tool in the portfolio management practice, and because investment clubs will want to study this report for their club meetings, etc., ***Toolkit 6*** will continue to produce that form and the others as output. However, the important functions of those forms have been abstracted and are now a part of the process.

The Portfolio Management Process

The portfolio management process consists of two distinct strategies, **Defense** and **Offense.**

Defense

No matter how diligently and conservatively you may have done your homework in selecting and following the stocks in your portfolio, conventional wisdom and history tell us that one out of every five stock you select will do poorly. The good news is that the other four will make money for you, with one of them usually surpassing your expectations. Known as the “Rule of Five,” this statistical wisdom should give you some comfort when you’re tempted to be too critical of yourself as those companies invariably fall by the wayside.

Such failures occur most often for reasons well beyond anyone’s ability to predict them. Such unforeseen events range from the collapse of the **Enron**’s and **WorldCom**’s of the world, companies whose unscrupulous corporate governance surfaced and brought them down, to the likes of Bruno’s, a flourishing food chain that fell when its entire corporate staff perished in an airplane accident. Usually, the conditions that cause the decline of companies you expected to be winners are so unpredictable they take company managements, analysts, and other financial professional by surprise as well. You certainly can’t blame yourself for failing to foresee something that people whose every waking hour is devoted to running or following those companies couldn’t predict and compensate for!

As the word implies, defense is the process of protecting your portfolio from the damage that can be inflicted on your portfolio’s performance by that one out of five companies whose actual, fundamental performance fails to live up to the expectations you had when you purchased the stock. It is not at all related to the price of your stock. Declining prices are sometimes, but certainly not always, a result of declining fundamentals.

Once you have selected the portfolios that require your attention and updated the company data and prices, continue with these steps:

1) **Compare**: Determine the percent of change between the current values of Sales, Pre-tax Profits, and Earnings per share and the values for the same period the previous year, selecting for further analysis those companies whose growth has not met the expectations you had when you bought the stock.

2) **Analyze**: Examine additional history to further refine your selection of companies that may be candidates for sale, determining if there has been a marked trend.

3) **Decide**: For those companies that remain of concern, use the resources available on the Internet to determine why performance has declined, selling as soon as possible those whose prospects for returning to the strong and steady growth that attracted you are remote.

Offense

Offense is the strategy of proactively improving the performance of your portfolio by replacing the fine companies whose stock prices have been bid up by investors to the point where they no longer can produce a desirable return. Of course, this discipline relates strictly to the price.

Once you've determined that the stocks in your portfolio are all companies with sound quality attributes:

1) **Check Risk and** Reward: Select those companies whose Relative Value, Reward/Risk Ratio, and Total Return indicate that they are overpriced and offer insufficient return, and at too great a risk.

2) **Reevaluate**: Review your **Stock Study** for each of those stocks, being sure your estimates of earnings growth and forecast high P/Es are reasonable in view of current performance.

3) **Challenge**: Replace those companies whose return and risk remain unsatisfactory with other companies of equal or better quality and better potential returns

Implementing the Process with *Toolkit 6*

Because protection is crucial, defensive strategy is by far the most urgent and should be implemented conscientiously and regularly. However, because the data on which defensive strategy is based changes only four times a year for each stock, it will require your attention only when new financial results are reported each quarter.

Scheduling Defense

Approximately 60% of U.S. companies match their fiscal years with the calendar year. Retailers typically delay the end of their fiscal years for a month or two in order to capture the holiday activity at the end of the year. The majority of the remaining companies end their fiscal years at midyear, with the rest scattered throughout the other months.

The Securities and Exchange Commission (SEC) gives companies ninety days after the end of the fiscal year to report their results and forty-five days to report after the close of the intervening quarters. From this, it can be seen that the majority of your defensive workload will come right around tax season when most companies who close their books on December 31st will have until the end of March to report. By the time the data reaches the data providers and you have access to it—perhaps another two weeks—you're in the middle of April. For this reason, you should set aside some time just after you have filed your income tax to do your defensive management. For those companies, you will expect to look at the first quarter's results in early June, the second quarter in early September, and the third quarter in early December— forty-five days to report, plus two weeks for the data providers to prepare the data for you.

Data Triggers

Toolkit provides an automatic reminder that lets you know when the data for any company is due. You may set the number of days following the end of the fiscal year and quarters by accessing the Preferences and clicking on its Thresholds tab to enter your choices under Data Triggers:

Set your data triggers for at least 60 days beyond the end of the quarter and 105 days beyond the year end to allow ten days after reporting for processing. Entering triggers larger than that may prevent your being alerted to update your data prematurely; but, if you're intent on checking your portfolio as soon as possible after the data is reported, don't extend that period much beyond the recommendations.

Here, you may decide when price data becomes stale and be notified of that as well. ***Toolkit 6*** keeps track of the dates when the quarters and fiscal year's end; and, when that date has passed, will notify you in the "Requires Attention" section on your Home Page that there are companies whose data is due to be reported.

Home Page

Clicking on "Update Data" in the "Requires Attention" box will display those companies whose data should be available and you may elect to update any company individually or all of them at once.

Although defense has nothing to do with the price of the stock, you might as well click on "Update Prices" while you're at it. This will update all of the prices in your system in a couple of seconds. Now, you're ready to go to work on your portfolio(s). The "Portfolio Report Card" and your Home Page is probably the most convenient place to start. Any portfolio containing a company or companies requiring your attention— either as a candidate for defensive or offensive action—will be listed in red. Here you can see the aggregate return and risk for that portfolio as well as its total value. Double-click on that portfolio to display its Overview window.

Overview Window

The Overview window is a comprehensive look at your selected portfolio as a whole. At the heart of the portfolio management process, it permits you to see how recent the data and prices are, to update the data and/or prices for either for a single stock or for the entire portfolio, to add or delete holdings, and to view the related reports and worksheets. You may use the pull-down menu at the upper right to change to another portfolio without having to return to the Home Page or docked Stock Library. The dollar-weighted averages provide you with the portfolio's important aggregated and dollar-averaged criteria (based on dollars invested rather than number of shares).

Total Return

Total Return for each stock in your portfolio is the annualized, compounded return you might expect on that investment, based on purchasing it at the current price, selling it after five years at its forecast high price, and receiving any dividends expected to be paid in the intervening years. It is expressed as a percentage. The portfolio's average Total Return is the dollar-weighted average of all of the stocks in your portfolio. Since your goal is to produce or exceed an average portfolio return of 14.9%, this is a valuable measure of whether or not your portfolio is in a position to give you that desired hypothetical return. When you make any changes in the composition of your portfolio, the result will show up here, giving you guidance as to how those changes might affect its performance. (See the Glossary for the calculation.)

Projected Average Return.

This is a value calculated in the same way as Total Return but the calculation uses the forecast Average P/E rather than the forecast High P/E to determine the price at which the stock would be hypothetically sold. While P/E expansion is an important part of investment return, it is useful to determine what kind of return you might expect should there be little or no increase in the price investors would pay for a dollar's worth of your companies' earnings. (See the Glossary.)

Reward/Risk Ratio

This is the standard measure of risk versus reward. Applied to the portfolio as a whole, it can provide you with a check on the portfolio's vulnerability. You will strive for a continuing ratio of reward to risk of three to one and, should that value decline substantially, you will want to ferret out those stocks whose Reward/Risk Ratio erodes the portfolio's average. (See the **Glossary**.)

Relative Value (RV)

The dollar-weighted average Relative Value of the portfolio tells you how the aggregate prices of all your stocks—expressed as a multiple of their earnings—compare with the prices investors have historically paid for those shares. The assumption is that, barring any specific reasons to the contrary, the Price Earnings ratios of all stocks will tend to gravitate toward their average value or "signature P/E." (See the Glossary.)

A RV of more than 110% for your portfolio indicates that some shares in your portfolio are probably overpriced at the moment, compared with what they have been historically. A low RV, below 85% or lower, indicates shares in your portfolio are selling at a lower P/E than they have historically.

You might wish to investigate whether one or more holdings is selling for an especially low multiple indicating that there may be some problem with the company that bears further research.

Rational Value

This value is the "flip side" of RV. If Relative Value tells you how the current P/E of your holdings compares with the average P/E of those holdings, Rational Value goes one step further and tells you what your holdings would be worth if investors were paying the average P/E for them. The aggregate Rational Value shows you what your portfolio would be worth if your shares were selling for their "normal" price based on the earnings of the underlying companies. This is especially useful to you when the market is either extremely overpriced or undervalued. It can tell you the real value of your portfolio were it not to be influenced by the vagaries of the marketplace, keeping your feet on the ground during a "bubble" and your head high in a "bust."

In the "Holdings" grid beneath, you can see the contribution each company makes to the portfolio you're working on. Here you may analyze each company's data and price for timeliness, view or alter the number of shares, and look at the risk, reward, and relative value of each holding. You can also update the data and prices for one or all of the stocks in the portfolio.

NOTE: Companies whose **Stock Studies** have not yet been completed are displayed in red in the **Overview** window. You may double-click on that company to finish adding judgment to the **Stock Study** and permit it to be included in your defense and offense analyses.

The Alerts Window

The first step in either defense or offense is accomplished by clicking on the "**Alerts**" button at the top left corner of your **Overview** window. This will display for you all of the stocks in the portfolio requiring either defensive or offensive attention. You may toggle between the **Overview** and **Alert** windows using that button, now labeled **Overview**. Again, you may also select another portfolio at any time from the pull-down menu in the top right corner of this screen.

Note that the **Alert** window is divided into two grids, "**Defense**" and "**Offense**." **Defense** is the most critical and should be handled on a regularly scheduled basis. The schedule for your offense task is not so critical, but should be addressed only when you're satisfied that all of the stocks in your portfolio would survive your defensive scrutiny and remain in your portfolio. In most cases, a company that is a prospect for sale for defensive considerations (i.e., whose fundamental performance has declined) will show a decline in price because its performance will induce investors to sell. This reduction in price will tend to elevate the hypothetical return and reduce apparent risk. For this reason, it is unlikely that companies that are marginal will appear on both of the Alert grids at the same time.

Occasionally, however, a favored company whose fundamental performance has foundered will enjoy a slow reaction from investors. In such a case, investors will continue to pay too high a price for the stock in view of its apparent future earnings capability. Should this reduction in forecast earnings result in a reduction in the future high price—and the hypothetical return be reduced accordingly—it is possible for the stock to show up both in both the **Defense** and **Offense** grid. In such cases, you should be aware of this dichotomy when you perform your defensive review and sell the stock if you can't justify holding it on the basis of future return. If you should decide to hold the stock because you believe management will turn around a short term problem, you should make certain that your **Stock Study** reflects the return you would expect from the turn-around and does not stay in your portfolio despite its unacceptable forecast return.

Defense: Compare, Analyze, Decide

Toolkit 6 provides you with a simple mechanism to easily implement the three basic steps for your defensive strategy.

Compare

Toolkit 6 saves you all the trouble of scrutinizing the **Portfolio Review Report** to find the problem companies. In the **Alerts** screen, it abstracts from your portfolio and displays only those companies that should claim your attention. Thus the "**Compare**" step is completed automatically just by clicking on the **Alerts** button.

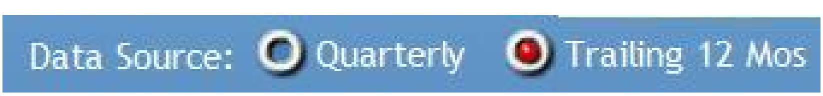
Analyze

In the **Defense** grid you will find listed all the stocks in the portfolio whose recent growth falls below your original expectation when you purchased the stock. Your goal here is to identify the companies that appear to be seriously and/or steadily declining from the growth rate you used as your estimate. Needless to say, it would not be a sound decision to simply sell all those whose faltering performance has landed them on the **Alert** page. While all displayed will have slipped below your threshold of expectation, some have not performed badly enough to bother with further action and you will want to give them another quarter or two to see what happens. Those remaining will require further steps.

Your estimates for sales and earnings growth determine your expectations, and those expectations are displayed in the "**Sales Exp**" and "**EPS Exp**" columns for each stock.

NOTE : Because you had no opportunity to forecast a growth rate for Pre-tax Profit, your selected EPS growth rate serves as its proxy. Actual performance is displayed in the "**% Change Sales**," "**% Change PTP**," and "**% Change EPS**" columns. Compare these values with your expectations.

These columns represent the annual growth of the displayed companies over the last twelve months. Note that you may click on the text, "**Quarterly**" or "**Trailing 12 Mos.**", just above the grid. Clicking on "**Quarterly**" displays the percent change between the most recent quarter and the same quarter the year before. "**Trailing 12 Months**" displays the percent change between the sum of the most recent four quarters and the same period for the previous year.



It's best to select "**Trailing 12 Months**" above the grid for your initial analysis. Doing so will tend to dampen the effect of changes in individual quarters. When performance is bad enough to cause a serious decline in the trailing twelve month performance, it will warrant looking further to see if the cause was a single quarter bad enough to have dragged the entire year down, or a series of quarters that have trended down and have finally taken their toll. Each of these conditions would warrant a different approach to researching the problem when or if it's necessary.

Ticker	Name	Sales Exp	% Chg Sales	% Diff	EPS Exp	% Chg PTP	% Diff	% Chg EPS	% Diff	Action
ACS	Affiliated Computer Srvcs	6.7	4.4	-34.1	6.7	12.1	81.3	11.5	72.3	
BBBY	Bed Bath & Beyond	6.5	-.5	-107.9	6.2	-12.9	-301.6	-15.1	-342.0	
CAKE	The Cheesecake Factory (samp	14.9	-.3	-101.7	14.0	-36.8	-362.5	-19.6	-240.1	
EBAY	eBay (sample)	20.0	-7.8	-139.1	15.2	-22.8	-250.0	-17.5	-215.5	
FISV	Fiserv	8.0	-20.3	-353.8	8.0	4.4	-44.6	11.6	45.1	

The columns adjacent to the "**% Change**" columns, titled "**% Diff**", display the magnitude of the difference between expected and actual performance, expressed as a percentage of your expected growth rate. These columns enable you to see clearly which companies require your attention most urgently.

Ranking

Any column can be ranked in ascending or descending order by clicking or shift-clicking, respectively, on the column header. This enables you to bring the worst or best performers to the top of the list and deal with them in order of severity. For both defense and offense, it's best to sort the "**% Diff**" column in ascending order to highlight and bring the worst cases to the top of your list.

You may want to try ranking on the "**% Change**" column to see the difference in the way the companies are ranked (if any) and why it's better to sort on the "**% Diff**" field. You will want to look at each of the three parameters in this order: Sales, Pre-tax Profit and EPS for the purpose of selecting those that you feel warrant further action. With only a few companies displayed there, it's a simple matter to "eyeball" those whose performance warrants further research and go on to the next step. However, if the list is long enough to require scrolling to see all of the questionable stocks, you will want to apply a simple, systematic process to this second step:

1) Click on "**Trailing 12 Months**" above the grid to display the performance for the 12-month figures.

2) Next, rank them in order of **% Diff** for sales.

3) Scroll down the list until you reach the point where the difference between expectation and actual performance is acceptable.

4) Select each of the stocks below that point and click on the "Hold" button to mark them for retention.

5) Repeat the process for **Pre-tax Profit**, ranking the stocks on **"% Diff**." You will probably find one or more whose Pre-tax Profit performance is unacceptable even though sales growth was. Click the "**Hold**" button for any such stocks to remove the "**Hold**" action and return them to "further investigation" status.

6) Do the same for **EPS**.

When you have completed this step—time permitting (or your own conservative nature demanding it)—you may wish to add any companies to your list to investigate whose most recent quarter was poor, notwithstanding the fact that the trailing twelve month performance was not disappointing enough to have caused you concern. While single, quarterly changes are often not significant enough, in themselves, to warrant taking immediate action, they can be significant alert signals to detect the possible onset of longer-term trends.

Click again on each of the **"% Diff**" columns to rank them by their severity and then toggle between the "**Quarterly**" and "**Trailing 12 Months**" buttons to bring the poor quarterly performance to the top. Should you see especially large negative values for the **"% Diff**" and a "**Hold**" in the action column, click again on the "**Hold**" button to include the stock in your investigation list.

As you perform this task, look for companies for which you may have deliberately set your growth expectations below what you considered desirable because P/E expansion was sufficient to present you with an attractive return. (P/E expansion is simply an increase in the price people are willing to pay for a dollar's worth of earnings and, as positive fundamental performance influences investors, that price can increase, especially if it's low to begin with.)

Challenge any such stocks during this process. P/E expansion can offer the required return in the absence of adequate earnings growth only when the price is well below a reasonable price. You will want to investigate to find out why the price is as low as it is before you can be comfortable about keeping this stock in your portfolio. If the new data doesn't give you reason to be as optimistic as you were when you first accepted the less-than-desirable growth, you should probably get rid of it. At the very least, you should confirm your quality assessment.

When you have systematically combed through your **Defense** list in this fashion, all companies that require a decision will show a blank in the "**Action**" column and you are ready to complete the last phase of the **Defense** process.

Decide

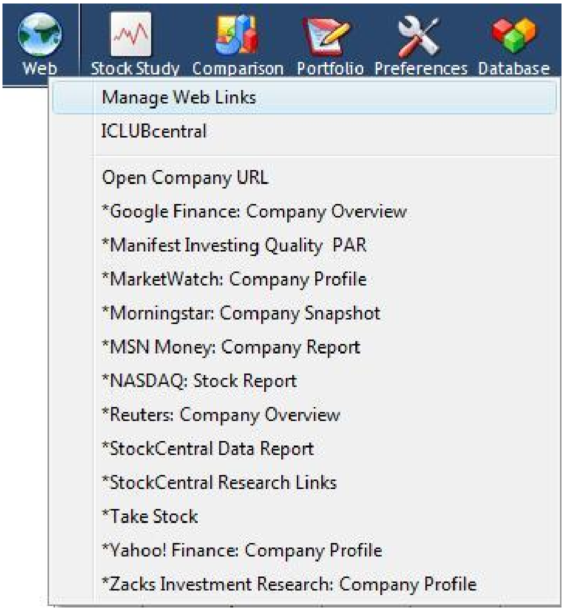
Now that you've assembled the companies you want to investigate, it's time to research each of them to decide whether the problems call for dumping it or giving management a further chance to correct the problem. This is a structured process as well:

1) Rank on the "**% Diff**" for **Sales.**

2) Select each company at a time that has a blank action line and click on the "**Check Trends**" button to the right of the grid (or double-click on the grid line). This will bring up the **Quarterly Trend Graph**. It tabulates as much quarterly information as you have in your database, up to nine years.

3) Examine the quarterly and trailing twelve months' data, looking for trends. You may do this using the tabulation displayed on the **Quarterly Trend Analysis** form, or you may find it more meaningful to select "**Quarterly Trend Graph**" from the pull-down menu on the upper left of the window and see the same information displayed graphical-

ly. See below for a more detailed discussion of this form and its graph. If the company shows a trend that indicates a long-term decline that has remained below your expectation for more than a couple of quarters without starting back, return to the **Alert** screen and click on the "**Sell**" button. If the trend is short, is a matter of a single quarter, appears to be on its way to coming back, or gives you cause for optimism, go to the next step.



4) Click on the "**Web**" button at the top of your screen to explore your favorite research sites. (See the "**How to...**" section for instructions on adding or deleting addresses in this pull-down menu.) You are interested in finding any comment that pertains to the poor performance that attracted your attention. If you find that explanations given by the company, analysts, or journalists in news reports are credible and optimistic, you may decide to Hold the stock for another quarter to see if your optimism is warranted. Return to the Alert screen and click "Hold." If you find no encouragement and remain in doubt, return to the Alert screen and click "Sell."

5) Repeat this process, sorting on the "**Quarterly Trend Analysis.**" for **Pre-tax Profit** and finally for **EPS**.

6) When you have filled all of the blanks in the "**Action**" column, click on "**Reports**" and print out your **Defense Report** to give you guidance when you contact your brokerage to follow through on your "**Sell**" decisions.

The basis for making such a decision is the nature of the problem that has caused the disappointing performance. The question that must be answered is whether the problem is a transient one that is within management's capacity to handle, whether it's a longer-term issue that management is likely to be helpless to resolve, or whether the problem is likely to last long enough that your money would be better utilized elsewhere.

To Sell or Not To Sell

Toolkit 6 gives you all the tools you might require to learn what you need to learn and make the final decision for the current quarter. The mechanical steps are simple, but the judgments that result from them are somewhat more subjective and a bit less intuitive. You do not want to sell capriciously the stocks you worked so hard to select. So long as it makes sense to do so, you will want to give them the chance to correct problems that arise in the course of business. However, your own common sense is good enough to tell you whether the problems besetting the company are serious.

If, after looking at what the company, analysts covering the company, and the news reports and releases have to say about the problems, you are still uncertain, the best advice is, "**When in doubt, throw it out!**" Look at Sales first for two reasons. First, a downturn in revenue will ultimately result in a downturn in profits and ultimately in earnings. If you can catch a trend before it reaches the bottom line, you may be able to sell the company before other investors have reacted to the decline in earnings that will follow and save yourself some money.

Secondly, like a huge ship under way, it takes a strong force and a lot of time to change direction. Sales are generally the most stable statistics, and the market for a product or service doesn't drastically change overnight unless there's a significant reason. The impact of the introduction of a competitive product or service—one that makes the product suddenly obsolete—is the kind of thing that can cause a dip in sales with long-term implications. Marketing gaffes, large-scale catastrophes, a demoralized sales force—all can impact sales and need to be analyzed to determine how well management may handle them.

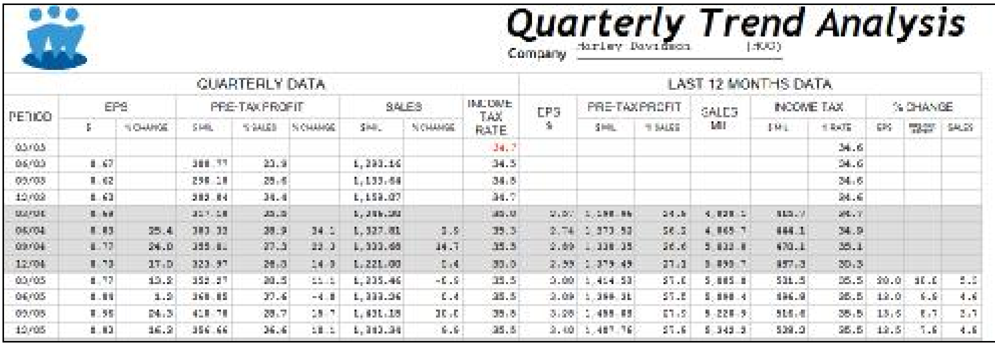
There are some things peculiar to various industries, of course. Companies whose businesses depend upon the weather or other unpredictable conditions are an example. Gas or oil sales can be off because of a mild winter, for instance. Next in importance is the percent change of Pre-tax Profit, which would be the first indicator of a future downtrend in earnings. More than a quarter period of decline in profits will nearly always result in a downtrend in both earnings and in the stock price. It may well be a harbinger of things to come in terms of the ability of the company's management to sustain its previous rosy rate of earnings growth.

The 12-months trailing earnings, and then the quarterly earnings, are last in priority because it's likely that the investing public will have already reacted to that decline. By the time the problems have hit the bottom line, it's probably already too late to do anything but cut your losses and get out.

The Quarterly Trend Analysis

When you first did your **Stock Study** you looked critically at the **Pre-tax Profit as a percent of Sales** (profit margins) in Section 2A. You did so to see if the company's management was managing its costs in a fashion that would enable its growth in sales to be paralleled or exceeded by its earnings growth.

Now that you own stock in this company, your interest in the same factors should be even keener since your money is now in the care of that management team. The **Quarterly Trend Analysis** allows you to see subtle, insidious downtrends that may not have alarmed you on a quarter-to-quarter basis, but that, over time, might have aggregated into a substantial decay in performance.



The **Quarterly Trend Analysis** data can give you a great deal of insight into the past behavior of the company if you have accumulated sufficient data.

For example, looking at the trends in Sales, Pre-tax Profit, and Earnings, you should be able to see how much of the growth in Earnings might have been caused by reduced taxes as opposed to increased sales. You should be able to track the company's performance during periods when times were bad to see how successfully the management team led the company through the "thin" as well as the "thick."

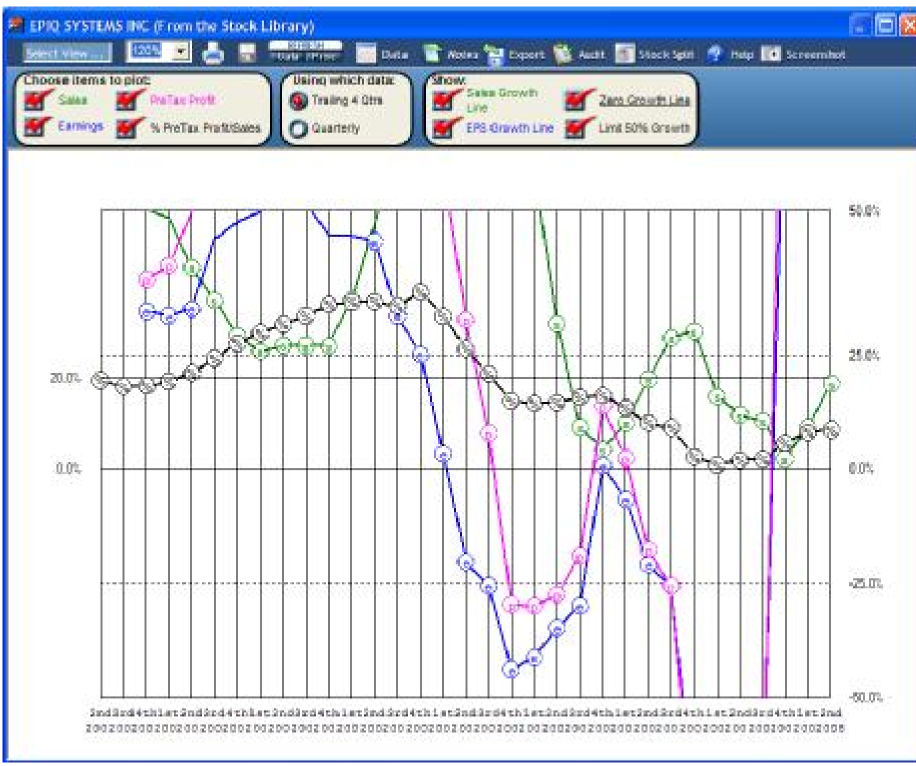
Perhaps you will be able to see instances of similar performance in the past that can tell you how well the company has managed them. A word of caution is in order. Needless to say, the further back in history you go, the less relevant is the information— recognizing that a myriad of changes in the management team, the market, or the product line might have occurred in the intervening years. It may well have been, for instance, that a change in management was responsible for a previous turnaround, and an entirely different set of factors are taking a toll on this occasion.

Looking at the right side of the form will give you more significant data, because the sharp edges are smoothed by comparing the total of four quarters, instead of a single quarter, with the same period in the previous year.

Quarterly Trend Graph

Click on the pull-down menu to the left of the screen and select **Quarterly Trend Graph**.

Probably the most informative part of the Quarterly Trend analysis is the graphic display of the percent changes and profit margins. Click on the "**Quarterly Trend Graph**" button at the top of the **Quarterly Trend Analysis** to display it. The **Quarterly Trend Graph** will open with the Sales and Earnings Growth already displayed.



The **Quarterly Trend Graph** can display the percent change of any or all of Sales, Earnings, Pre-tax Profit, or % Pre-tax Profit on Sales (profit margins) on either a quarter to quarter or for the (annual) sum of the quarterly trailing 12 month period. The % Pre-Tax Profit/Sales displays the profit margins for each period. Selection of Sales, Earnings or Zero Growth Lines permits you to compare actual performance with your expectations.

"**Limit 50% Growth**" restricts the display to 50% above or below zero in order to make the graph more meaningful when wide variations occur. You may overlay a zero growth line or, better still, your expected earnings and/or sales growth lines. This provides you with a graphic depiction of the percent changes relative to the growth you had anticipated, and you can clearly see if, when, and how severely the actual performance fell below your expectations.

Percent Change

This chart has been the source of considerable confusion for those who compare it with charts showing the raw data. Remember, the points on this graph represent percentages and are either the percent change for a single quarter compared with its counterpart the previous year, or for the sum of four quarters, compared with a similar period the year before. You are analyzing the trends in those percentages and not in the data itself.

Print a Defense Report

On completion of the defensive process, you may print out a "**Defense Report**" to chronicle the reasons for your decisions and to serve as a reminder should you need to sell any of your holdings. You may access this as well as any of the other forms by clicking the "Reports" button on the Alerts screen. For a more detailed description of the **Defense Report**, see below.

Offense: Check Risk & Reward, Re-evaluate, Challenge

The offensive strategy may be applied at any time the spirit moves you. It's not nearly so urgent as is the need for defensive strategy because the companies in question not only are good companies that are presumed to be performing at or close to your expectation, they are those that the investing public is or has been rewarding by paying a higher and higher price for their stock.

The consequence of leaving such companies in your portfolio is not all that dire because they are fine companies and you aren't likely to lose money on them. The point is, however, you're not likely to make money on them either! You should be especially alert for the need for this strategy when the stock market is acknowledged to be in overvalued territory. This is when that "rising tide that lifts all boats" is most likely to produce companies whose stock prices are so overvalued as to give you an excellent opportunity to capture the excessive gains and put the money into as good companies whose stock prices have yet to be pushed into overvalued territory.

If you follow this strategy diligently, you'll never be caught in a bursting "bubble," and your portfolio will be able to deliver its maximum performance.

NOTE: Offensive strategy should not be implemented unless all of the stocks in the portfolio have been subjected to and survived defensive scrutiny. As with the **Stock Study**, decisions based on price are of no value unless the Quality criteria are met. Companies whose fundamentals are sub-par will usually sell at lower prices and exhibit risk and return values that appear seductively favorable. For this reason, they will rarely appear as candidates for offense.

As with Defensive strategy, the portal to the offensive portfolio management process is the Overview window. This is best accessed by double-clicking on the desired portfolio displayed on the Home Page. Any portfolio requiring either offensive or defensive attention will be shown in red in the **Portfolio Report Card**.

While you can readily analyze the "Total Return and "Reward/Risk Ratio columns and see if any of your companies are approaching an overvalued state, again, the easiest way to segregate those that exceed your thresholds for risk and reward is to click on the Alerts button at the top, left of the screen. As it did with defense, this automatically takes care of the first step, "Check Risk and Reward," when you do so. All of the companies whose return is below and/or whose risk is above your thresholds will be abstracted from your portfolio and displayed in the Offense grid.

Thresholds

It's your choice as to how sensitive these thresholds should be. If you wish to have every company highlighted whenever the new price drives it below your desired 15% return or 1:1 Reward/Risk Ratio, you need do nothing. With prices as volatile as they are, however, you may wish to pursue your offensive strategy only at the point when your companies' potential return declines and/or their risk increases to a more critical level, so as not to be bothered with reminders unless there is a substantial opportunity to benefit from a company's replacement.

If so, you may reduce your thresholds to a more modest level in the "**Preferences**" dialog, under the "**Thresholds**" tab. This will limit the occasions when you'll be advised that there's an opportunity to upgrade your portfolio's potential return.

In the Alerts screen, you also have the opportunity to set the threshold to a different value for individual companies if you wish. Just select the company and click on the **Threshold** button and you will be able to do so.

It's unlikely, unless the market is experiencing another "bubble," for more than a few stocks to be in the overvalued range. However, if there are enough to produce a scroll bar on the right side of the grid, you may wish to rank the companies by clicking on "Total Return" to bring the stock with the lowest return to the top of the list and work in that order.

Later on, if you wish to adjust the **Target Return** for a particular company, you may also edit it in the **Data Entry** screen for that stock.

Reevaluate

Starting with the company having the lowest potential return and/or Reward/Risk Ratio, double-click on the line for the first company to bring up its **Stock Study**.

Your goal in reevaluating this company is to bring your expectations more into line with the company's actual performance than with the conservative and modest forecasts you made when you were considering purchasing the company. It's certainly conservative to understate estimated future performance when you contemplate buying a stock; but, once you own it, you can afford to be a bit more aggressive in your forecasts to avoid selling a stock prematurely. You certainly don't want to incur the cost of replacing a company when its current performance can make you money. Of course, it goes without saying that you don't want to overstate current or expected performance either.

Is this company growing at a faster rate than you estimated it would? If so, you might want to raise your estimate of future earnings growth some. It's probably not a good idea to raise it more than half-way between the estimate and its current performance. This will provide you with a bit of a cushion should growth start to decline.

Next, turn the **Stock Study** over [**Ctl+F**] and look at your forecast for the future High P/E in Section 4A. How does it compare with your actual high P/Es in Section 3? You may have capped it at 30 because you know a higher multiple is not sustainable; but investors may be paying as much as 40 times earnings or more. Again, you can raise your forecast reasonably and modestly staying below the half-way point or, perhaps, limiting yourself to an additional five points.

When you have finished with whatever reasonable alterations you are comfortable with, save the **Stock Study** and return to your Alert window. Continue the process until you have reevaluated each of the companies displayed. Some or all may have disappeared, in which case the revised return and risk now meet your threshold requirements. If any Companies remain in the Offense grid, go on to the next step.

Challenge

One of the most difficult tasks has been to select a worthy replacement for an overvalued company. You are admonished to pick a company to replace the overvalued one with one that is of equal or better quality and that has a better potential return. This means its growth and efficiency characteristics must be as good or better. In the past, you had to maintain a watch list of stocks that might be suitable and select one or another from that list to compare with the challenged stock. This process has now been made simpler with the “Smart Challenger”

Smart Challenger

To activate the **Smart Challenger** in your **Offense** grid simply select the stock you wish to replace and click the “**Challenge**” button. (You can also invoke the **Smart Challenger** by selecting a stock in the **Portfolio** section of the **Stock Library** and clicking on the **Challenge** button at the bottom.)

In the dialog that appears, enter the price you paid for the stock when you purchased it. (You may have to answer some other questions if you didn’t do so when you created the portfolio initially.)

You will now find the challenged stock listed and highlighted with all of the other stocks in your stock library. Those stocks are ranked in order of return so that all that appear above the challenged stock will have greater return while those below will offer less.

Ticker	Name	Industry	Quality	Tot Return	Sales Growth	EPS Growth	Profit Margin	Trend PTP	Sales R^2	EPS R^2
IRM	Iron Mountain, Incorporated	Business Services		132.5%	24.8	156.4	9.1	DOWN	0.88	0.78
FLWS	1-800-Flowers.com, Inc.	Specialty Retail, Other		116.2%	12.4	140.7	2.9	EVEN	0.99	0.61
NVDA	NVIDIA Corporation	Semiconductor - Specialized		53.5%	28.4	28.6	13.0	UP	0.87	0.66
BBBY	Bed Bath & Beyond, Incorpora	Home Furnishing Stores		49.6%	22.5	27.2	14.7	DOWN	0.98	0.99
BBY	Best Buy Company, Incorporat	Electronics Stores		43.2%	17.3	27.2	5.4	UP	0.98	0.94
ORCL	ORACLE CORP	Systems Software	B	37.8%	13.4	25.2	36.0	UP	0.76	0.93
MSFT	Microsoft Corporation	Application Software		27.1%	13.6	9.9	40.2	DOWN	0.98	0.79
TCHC	21st Century Holding Company	Property & Casualty Insuranc		25.6%	22.1	47.6	13.4	UP	0.98	0.12
BBBY	BED BATH & BEYOND INC	Specialty Stores		21.3%	29.5	31.7	12.7	UP	0.99	1.00
MMM	3M Company	Conglomerates		19.9%	5.6	12.1	21.3	EVEN	0.93	0.87
GE	General Electric 2	Conglomerates		15.7%	5.6	8.4	14.4	EVEN	0.94	0.96
T	AT&T, Incorporated	Telecom Services - Domestic		7.2%	9.4	2.6	17.0	DOWN	0.43	0.24

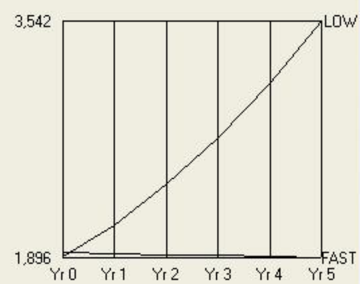
To select an appropriate challenger, begin at the top of the list. Each company is displayed with its industry, quality rating, total return, sales and earnings growth, profit margin, and PTP Trend (actually the trend in Pre-tax Profit Margins). If diversification by industry is important to you when you replace a stock, you can look down the list until you find a company in the same industry as that which you're challenging.

Challenge for: FAST - FASTENAL COMPANY

Parameters Company List Print Help

Ticker:	FAST	LOW
Company:	FASTENAL COMPANY	LOWE'S COMPANIES
Hist Sales Growth:	16.5	16.9
Hist EPS Growth:	17.7	22.9
Sales R-Squared:	98.9	98.0
EPS R-Squared:	89.7	97.1
5-Year Profit Margin:	16.8	10.0
5-Year Avg. ROE:	19.9	18.1
Profit Margin Trend:	UP	DOWN
ROE Trend:	UP	DOWN
Quality Source/Rating:	StkCntrl/	StkCntrl/
Current Price:	50.90	54.00
Gross Proceeds:	2,036.00	
Brokerage on Sale:	30.00	
Net On Sale:	2,006.00	
Capital Gain/Loss:	486.00	
Shares of Challenger:		35.2
Tax on Gain/Loss:		72.90
Brokerage on Purchase:		30.00
After Tax Starting Value:	1,933.10	1,903.10
After Tax Value End Year 1	1,925.6	2,123.5
After Tax Value End Year 2	1,918.0	2,406.8
After Tax Value End Year 3	1,910.5	2,733.2
After Tax Value End Year 4	1,903.1	3,109.2
After Tax Value End Year 5	1,895.7	3,542.3
Total Return:	-0.4	15.2

Ticker:	FAST	LOW
Company:	FASTENAL COM	LOWE'S COMPA
Start Invest.:	1,933.10	1,903.10
Total Return:	-0.4 %	15.2 %



From the sale of your 40 shares of FAST at 50.90 and after paying your discount broker $30, you would gross $2,036 for a capital gain of $486 with which you could purchase 35 shares of LOW at 54.00 a share.
After paying a tax of $73 on the gain and $30 to your broker for the trade, you would start with $1,903

Close

Then check out the growth and other quality statistics to make sure it's of as good quality. If not, keep coming down the list until you satisfy that requirement. When you come to a company that looks promising and displays both superior, or at least similar, quality criteria and has a better hypothetical return (which it will, so long as it is above the challenged stock in the list), you may double- click on that company to reveal the individual Challenger.

Here is where you can see the detail of your proposed replacement transaction. Check out the Quality criteria at the top of the page. Then note how long it will take for the replacement to outdistance the return on the stock you are challenging. If the lines cross sometime within the first couple of years, the chances are it would be a sensible replacement.

Print an Offense Report

On completion of the offensive process, you may print out a "**Offense Report**" to chronicle the reasons for your decisions and to serve as a reminder should you need to replace any of your holdings. You may access this as well as any of the other forms by clicking the "**Reports**" button on the **Alerts** screen. For a more detailed description of the **Offense Report**, see below.

The Portfolio Management Forms

Toolkit 6 provides all of the forms of the earlier versions and more. These forms may be printed as a by-product of the process described above. Below, you will find descriptions of the forms and of the portfolio management process using those forms.

Some will still prefer to continue to go directly to those forms to do their work as they have in the past. We would not wish to take anything away from those that do. Whether you are one of those, or are one who prefers to take advantage of the new processes in ***Toolkit 6***, you may still find something of interest in the following.

Portfolio Forms

To open any of the portfolio forms (Portfolio Review Report, Trend Report, Portfolio Summary , Defense Report, Offense Report, Sector/Industry Diversification, or Company Size Diversification), click on the Reports button on either the Overview or the Alerts windows.

They may also be selected from the pull-down menu at the top, left corner of any of the other portfolio management forms.

Portfolio Review Report

The Portfolio Review Report has been the basic portfolio management tool—your first line of defense against loss. With it, on a quarterly basis, you can do as many professional security analysts do and monitor the actual **operation** of the companies you have chosen—not simply the movement of the price of their stock. To be successful, the investor must watch the trends in all of his company selections to spot the early warning signals that such problems may be imminent or already exist. This is the main objective of the **Portfolio Review Report**.

Defense

The Portfolio Review report is the first defensive weapon in your portfolio management arsenal. It is essentially a **Stock Study** summary for each of the stocks in your portfolio. And, like the **Stock Study**, it deals with both the quality issues and the value issues. It is upon the quality issues that the defensive value of the Portfolio Review Report relies. And it is the defensive function that carries with it the greatest urgency since defense entails protection from harm and against loss.

	EPS		SALES		PRE-TAX PROFIT			TTM EPS	
QTR END	$	% CHG	MILL $	% CHG	MILL $	% CHG	% SALES	$	% CHG
03/09	0.95		1,610.4		144.7		9.0%	3.57	
03/08	0.85		1,542.4		129.1		8.4%	2.69	
		11.5%		4.4%		12.1%			32.7%
02/09	0.55		1,923.3		231.8		12.1%	1.64	
02/08	0.64		1,933.2		265.1		13.7%	2.09	
		-15.1%		-0.5%		-12.5%			-21.2%

Columns F through O (5th through 8th) represent the heart of the Portfolio Review Report. They reveal, respectively, the percentage difference in quarterly earnings per share, quarterly pre-tax profits, quarterly sales, and the trailing 12-months' (TTM) earnings per share over the same figures for a year ago.

Offense

Where defense is required to prevent loss, offense is the part of the game that wins it. So it is with the offensive side of portfolio management.

Offensive portfolio management deals with the value side of the **Stock Study**--the right side of the Portfolio Review Report. Remember, when we discussed the **Stock Study**, we made the point that "**the worse a company performs, the better a value it will appear to be.**"

So it is with the Portfolio Review Report. Again, don't be seduced by what you see on the right side of the form if the left side, which deals with the quality issues, has revealed less than desirable performance. The key columns to look at here are the columns labeled "**Reward/Risk Ratio**" and "**% Compounded Annual Return**." These will tell you if an otherwise good quality company continues to show the potential you looked for when you bought the stock and if the risk you must take to realize it is realistic.

You have presumably taken the trouble to set up portfolios and to assign your stocks to them. If not, see the "Managing the Stock Library" section for detailed instructions on setting up your portfolios. The Portfolio Review alerts you when the numbers fall outside of the normal range:

- The EPS, Sales, Pre-Tax Profit and Trailing 12 months EPS will be pink if their growth rates are **less than** the estimated growth rates EPS.

- The Rwd/Rsk (Reward/Risk) Ratio will be pink if the ratio is less than 3 to 1.

- The RV (Relative Value) will be yellow if the RV is less than 80 percent or higher than 150%.

- % Compounded Annual Rate of Return (Total Return) will be yellow if it falls below 10%.

The date when the stock price was last updated will be in red if it is more than seven days old.

View the Big Picture

Each company should be viewed in the context of the entire portfolio, for slight downturns in quarterly performance are far less significant when most of the companies have had a similar story, as might happen in a recession. Companies that stand out among the rest should be noted— whether their performance is more or less favorable than the others.

It follows, then, that the Portfolio Review Report is also useful as a tool to assess the economic climate as well as to look for individual companies whose performance is noteworthy.

Be a Contrarian

A third and no less important function of this tool is the converse of its primary job. That is to confirm your contrarian judgment when the market is giving one of your companies a bad time. When all of the Portfolio Review indicators tell you that the company continues to be strong, to perform as you expected, but the price is going down, you can smile smugly and buy some more.

Portfolio Trend Report

The Portfolio Trend Report was developed to serve a particular purpose not contemplated before the arrival of the computer on the fundamental investment scene.

Because the value of the Portfolio Review Report lies in analyzing trends, it stands to reason that it would be most valuable to view two successive Portfolio Review Reports at the same time. The Portfolio Trend Report permits you to view the “trend of the trends.”

Where the Portfolio Review Report lists the actual quarterly and annual data to permit easy calculation by those who do it manually, this is unnecessary in the computerized version (although all of the data is displayed on the Portfolio Review Report). However, the results may be somewhat cluttered and difficult to see.

The Portfolio Trend Report eliminates the actual data from the listing and clearly displays **only the percent changes** between the current quarter and the same period a year ago. This information is on the top line for each company. On the second line is the same information **for the previous quarter,** comparing it with **its** counterpart the year before. This allows you to spot quarterly and/or annual performance that has not met your **expectations for two consecutive quarters**—a great deal more significant than the results of a single quarter.

Toolkit 6

Portfolio Trend Report

Page: 1 of 2
Portfolio: Sample Portfolio
Prepared using Toolkit 6

Date 06/15/2009

TICKER	COMPANY NAME Size	PERCENT CHANGE QTR. SALES	QTR. PTP	QTR. EPS	12 Mo. EPS	EST. EPS GROWTH	PROJECTED AVG. RET.	TOTAL RETURN	NUMBER OF SHARES	DOLLAR VALUE	% OF PORTFOLIO	SSGuide Recommends
ACS	Affiliated Computer Srvcs	4.4%	12.1%	11.49%	32.74%	6.7%	10.4%	12.8%	20	928.2	6.9%	
	Large	6.7%	7.6%	-5.04%	30.30%					46.41 06/12/09		
BBBY	Bed Bath & Beyond	-0.5%	-12.5%	-15.06%	-21.23%	6.2%	5.9%	9.7%	20	567.2	4.2%	
	Large	0.7%	33.6%	31.37%	19.59%					28.33 06/12/09		
FDO	Family Dollar Store	0.7%	37.2%	30.11%	26.49%	7.2%	6.5%	12.5%	20	589.3	4.4%	
	Large	4.2%	12.3%	14.95%	6.01%					29.49 06/12/09		
FISV	Fiserv	-20.3%	4.4%	11.90%	-9.74%	8.0%	5.0%	7.3%	20	933.7	7.0%	
	Medium	177.0%	16.0%	14.16%	-14.72%					46.69 06/12/09		
GE	General Electric Co.	7.9%	49.6%	36.70%	31.11%	4.2%	27.6%	26.5%	20	270.2	2.0%	Buy
	Large	-4.9%	-138.8%	-100.32%	-23.13%					13.51 06/12/09		
HOG	Harley-Davidson	-1.2%	-11.6%	-24.78%	-31.01%	7.0%	32.1%	36.4%	20	333.5	2.5%	Buy
	Large	-6.8%	-57.7%	-55.44%	-24.37%					16.68 06/12/09		
JNJ	Johnson & Johnson	1.8%	56.6%	20.11%	12.70%	6.0%	17.0%	18.5%	20	1127.2	8.4%	Buy
	Large	0.4%	6.8%	9.35%	7.40%					56.36 06/12/09		
JCI	Johnson Controls	-32.9%	-142.0%	-141.37%	-49.30%	4.0%	12.2%	15.0%	20	431.4	3.2%	
	Large	-22.6%	-134.1%	-123.38%	-17.52%					21.57 06/12/09		
KSS	Kohl's Corp	-4.6%	-17.6%	-14.93%	-14.51%	2.2%	4.7%	10.0%	20	931.3	7.0%	
	Large	0.6%	17.6%	13.96%	12.99%					46.33 06/12/09		
LLL	L-3 Communications	3.7%	3.3%	0.73%	12.93%	11.0%	28.3%	32.6%	20	1488.3	11.1%	Buy
	Large	5.4%	6.3%	22.58%	14.39%					74.40 06/12/09		
LLTC	Linear Technology Corp	-13.7%	-7.1%	5.33%	24.35%	3.9%	16.8%	22.1%	50	1179.3	8.8%	Buy
	Medium	10.3%	11.4%	20.39%	28.84%					23.58 06/12/09		
ORLY	O'Reilly Automotive	80.1%	38.6%	15.33%	-3.57%	8.0%	1.7%	6.2%	20	720.3	5.4%	
	Medium	84.0%	0.4%	-2.37%	-8.53%					36.04 06/12/09		

The Portfolio Trend Report may be sorted on most of its columns, as may the Portfolio Review Report. The Portfolio Trend Report is a **call to action!** Where one bad quarter noted in the Portfolio Review Report might raise the warning flag, two in a row demand that you find out the cause.

Two negative or significantly sub-standard quarters should compel you to research the problem to find out whether the cause of this poor performance is something transient, or long-term. Use the convenient capabilities of Toolkit to do your research using the Internet.

Additional Data

Along with the view of the changes, you will see some other information on the Portfolio Trend Report that, while not quite so important as the basic data, is nevertheless useful:

Estimated E/S Growth: This is taken from your completed SSG, to help you match up what has happened historically with the judgments and calculations made in the stock study.

Projected Average Return (PAR): Total return if the stock is purchased at today's price, is sold in 5 years at the **Average P/E**, and it pays the estimated average dividend yield.

% OF PORTFOLIO
6.9%
4.2%
4.4%
7.0%

Total Return: The total of the return if the stock is purchased at today's price, is sold in 5 years at the Average High P/E, and it pays the estimated average dividend yield.

SMG Recommendation: This report will display the "**Stock Management Guide**" recommendations in the last column.

Diversification

One of the four basics of sound investing—and the purely "defensive" one—is that the portfolio should be adequately diversified both in terms of industries and in terms of size of companies. ***Toolkit 6*** provides a helpful tool for analyzing that aspect of your portfolio. The Portfolio Trend Report displays columns for the number of shares of each stock held in the portfolio, the dollar value of each holding (for current and previous quarters), and the dollar-weighted percentage of the total portfolio represented by each.

Where in the past, many have tried to appraise their portfolios' diversification by looking at the stock list and counting only how many stocks are in a particular category, you may now measure true diversification. By that we mean the percentage of your portfolio's total **dollar value** that is devoted to each holding.

By Industry

To take a good look at your diversification by industry, "Sort Down" your report on the "**% of Portfolio**" column and see which positions occupy the largest percentage of your portfolio. There are a number of industry sector breakdowns that may be used to group the host of industries represented in the stock market. Many brokerages and data providers use broad category breakdowns that you could adopt. Or, you may come up with yet another that pleases you. Generally, the most effective groupings are those that segregate the industries by groups that are not similarly affected by the business cycle, or the ups and downs of the economy. Suffice it to say that you should select a sector breakdown that makes sense to you.

Theoretically, you should have a roughly equal percentage of your investment in each of the industry sectors. If you are heavily overloaded in any single industry or sector—no matter how well it appears to be behaving at the moment— you are probably vulnerable. It may pay you to explore more aggressively the possibility of selling a portion of a holding whose great success has already caused it to represent a very lopsided portion of your portfolio. In any event, by ranking your percentage of portfolio column from largest to smallest, you can get a much clearer picture of your diversification situation and act accordingly.

By Size

It is recommended that you strive for roughly 50% of your portfolio to be in medium sized companies with the rest split between larger and smaller. The **Portfolio Trend Report** provides you with a simple tool to monitor this diversification.

At the bottom of each page of the report, to the left of your portfolio dollar total, you will find a breakdown of the percentage of your dollars that are invested in “Small,” “Medium,” and “Large” companies. You will also find a figure that represents the total value of your portfolio. While there are many accepted ways to determine size (e.g. market capitalization, revenues, net profit, etc.), ***Toolkit 6*** uses a very simple method that is about as good as any rule of thumb.

Small: 12.9%	Medium: 11.3%	Large: 75.8%	Total Dollar Value: $738

Any company whose **annual** sales figure (found in the Portfolio Review Report) between $500 million to $5 billion is considered a “Medium” size company. Those with fewer are considered “Small” companies, those with more are considered “Large.”

Portfolio Summary Report

Toolkit’s philosophy is to “buy and hold”—and the occasions when you would be likely to sell due to a high price are rare. For that reason, the **Stock Management Guide**’s greatest value will most often be found in its ability to flag opportunities when you might consider adding to an existing position.

PORTFOLIO SUMMARY 11/25/08

NAME: Sample Portfolio

TICKER	COMPANY NAME	DATE	PRICE	P/E	TOT RET	REL VAL	U / D	BUY BLW	SELL ABV	% Port	REC
ACS	[sample] Affiliate	11/19/08	30.90	11.1	16.95	64.5	5.0	44.5	71.6	7.96%	Buy
BBBY	[sample] Bed Bath	11/19/08	18.75	9.8	25.21	57.6	53.5	27.9	47.8	3.31%	Buy
FDO	[sample] Family Do	11/19/08	27.06	16.3	14.05	101.9	1.8	23.3	40.8	5.54%	
FISV	[sample] Fiserv	11/19/08	31.20	15.5	16.36	79.5	7.0	37.6	62.0	6.38%	Buy
HOG	[sample] Harley-Da	11/19/08	13.97	4.4	45.66	26.5	99.9	27.7	80.4	2.06%	Buy
JCI	[sample] Johnson C	11/19/08	14.35	6.0	22.80	46.9	21.0	19.4	31.7	2.91%	Buy
KSS	[sample] Kohl's Co	11/19/08	27.08	8.6	24.87	47.0	11.2	37.2	67.2	5.54%	Buy
LLL	[sample] L 3 Commu	11/19/08	67.57	10.4	31.28	46.6	11.5	102.7	206.1	13.82%	Buy
ORLY	[sample] O'Reilly	11/19/08	22.91	14.9	19.19	81.9	5.1	26.4	45.5	4.69%	Buy
SBUX	[sample] Starbucks	11/19/08	8.11	10.5	16.75	26.1	78.2	19.4	43.3	1.66%	Buy
SYY	[sample] Sysco	11/19/08	23.11	12.6	21.42	64.6	6.4	27.5	46.9	4.73%	Buy
TGT	[sample] Target Co	11/19/08	27.37	8.2	25.77	47.7	24.7	39.8	69.1	5.60%	Buy
CAKE	[sample] The Chees	11/19/08	5.95	6.0	41.20	26.9	99.9	13.0	26.9	1.22%	Buy
WMT	[sample] Wal-Mart	11/19/08	52.19	16.7	13.90	88.7	6.0	59.7	94.6	10.68%	Buy
EBAY	[sample] eBay	11/19/08	11.93	8.2	36.00	14.6	52.7	22.2	41.4	2.44%	Buy

The **Portfolio Summary Report** is based upon the information that the **Stock Management Guide** provides. While not nearly so significant as a “defensive weapon” or portfolio management tool, it is nevertheless an important and useful feature of Toolkit.

Essentially, the **Portfolio Summary Report** is a list of the companies in your portfolio(s)—or your **Stock Library**—and **Stock Management Guides** current assignment to their respective “Buy,” “Hold,” or “Sell” zones. Going down the “Rec” (Recommendation) column, the “Sells” and “Buys” are marked. The “Holds” are not. The data provided is very useful. And it can serve as a veritable “shopping list” of stocks in which you are interested that meets the qualifications for purchase or possible sale.

In addition to the name and ticker symbol, the report offers the following information, which is important to consider:

Date: The date the stock was priced

Price: At your last price update

P/E: The Current P/E

Relative Value: the Current P/E compares to the Average P/E

Reward/Risk: The reward to risk assessment

Buy Below: The top of the "Buy" range

Sell **Above**: The bottom of the "Sell" range

Recommendation (Rec): An assessment of whether the price and P/E qualify the stock for possible addition to your portfolio or an overvalued condition that might suggest selling. (See the discussion of these criteria in the **Stock Management Guide** section.)

A "Buy" recommendation is flagged (*) when the Reward/Risk ratio is less than 3 to 1. (This source of confusion will only appear if you override the default in the **Preferences** > **Stock Study** tab and use 33-33-33 ranges.)

The **Portfolio Summary** is an especially popular and useful report for an investment club. Extremely versatile, it can be edited in Toolkit, then copied and pasted into any number of writing or email programs for distribution.

Defense Report

Toolkit 6

Portfolio Defense Report

Page: 1 of 2
Portfolio: Sample Portfolio
Prepared using Toolkit 6
Date: 06/15/2009

COMPANY	TICKER	QTR END	SALES			PRE-TAX PROFIT			EPS		ACTION
			FCST GROWTH	% CHG SALES	PERCT DIFF	FCST EPS GROWTH	% CHG PTP	PERCT DIFF	% CHG EPS	PERCT DIFF	
Affiliated Computer Srvcs	ACS	03/09	6.7	4.4	-34.1	6.7	12.1	81.3	11.5	72.3	
				6.2	-8.0		39.2	487.5	32.7	390.9	
Bed Bath & Beyond	BBBY	02/09	6.5	-0.5	-107.9	6.2	-12.5	-301.6	-15.1	-342.0	
				2.3	-65.3		-21.0	-437.8	-21.2	-441.1	
Family Dollar Store	FDO	02/09	7.2	8.7	21.0	7.2	37.2	416.3	33.1	359.9	
				6.1	-15.9		22.9	218.3	26.5	268.0	
Fiserv	FISV	03/09	8.0	-20.3	-353.8	8.0	4.4	-44.6	11.6	45.1	
				10.7	33.8		-2.3	-129.3	-9.2	-215.5	
General Electric Co.	GE	03/09	5.2	-7.9	-250.3	4.2	-49.9	-1294.0	-36.7	-979.0	
				2.1	-60.5		-43.8	-1150.2	-31.1	-845.2	
Harley-Davidson	HOG	03/09	7.0	-1.2	-117.1	7.0	-11.8	-268.1	-24.8	-454.0	
				-4.7	-167.3		-30.7	-538.9	-31.0	-543.0	
Johnson & Johnson	JNJ	12/08	10.0	-4.9	-148.6	9.0	56.9	531.8	23.4	160.1	
				4.3	-56.6		15.3	79.4	12.7	41.1	

The **Defense Report** is provided as both a reminder of the reasons for defensive “sell” decisions and the “hold” and “sell” status of our portfolio to help when you contact your broker to execute the trades required to implement your defensive strategy.

The form displays all of the stocks in your portfolio, highlighting those that failed to meet or exceed your threshold when comparing the fundamental performance with your expectations. For each company, you will find the quarterly data on the upper line and the data for the trailing twelve months on the line beneath.

Displayed with the name, company ticker symbol, and quarter ending date, are the same items displayed on the Defense grid in the Alerts window:

- forecast sales growth.
- actual percent change between sales this year and last.
- the percent by which actual sales growth differs from expected growth.
- forecast earnings growth.
- actual percent change between pre-tax profit this year and last.
- the percent by which actual pre-tax profit growth differs from expected earnings growth.
- actual percent change between earnings this year and last.
- the percent by which actual earnings growth differs from expected growth.
- Action: "sell" or "hold"—If the "Action" is blank, it means the stock did not fall below the defensive threshold and is a "hold" by default. "Hold" or "Sell" represents a conscious decision to do either.

Offense Report

The Offense Report is, like the **Defense Report**, an abstract of the Value parameters on which you base your judgment that a stock is overvalued. With the company name, company ticker symbol, and quarter end date, there are columns for Relative Value, Projected Relative Value, Reward/Risk Ratio, Total Return, the Target Return, and the Action to be taken, if any. Again, it lists all of the companies in your selected portfolio and highlights those whose reward is less than, and/or the risk more than, the thresholds you have set for those measurements. Thresholds that are company-specific will be shown in blue.

Toolkit 6

Portfolio Offense Report

Page: 1 of 1
Portfolio: Sample Portfolio
Prepared using Toolkit 6
Date: 06/15/2009

COMPANY	TICKER	QTR END	RELATIVE VALUE	PROJECTED REL VAL	RWD/RSK RATIO	TOTAL RETURN	TARGET RETURN	ACTION
Affiliated Computer Srvcs	ACS	03/09	83.9	78.6	5.1	11.5	15.0	
Bed Bath & Beyond	BBBY	02/09	104.2	97.8	1.6	9.7	15.0	
Family Dollar Store	FDO	02/09	98.8	92.3	1.4	12.5	15.0	
Fiserv	FISV	03/09	113.5	105.1	0.9	7.3	15.0	
General Electric Co.	GE	03/09	53.8	51.8	99.9+	29.5	15.0	
Harley-Davidson	HOG	03/09	41.8	39.4	99.9+	36.4	15.0	
Johnson & Johnson	JNJ	12/08	77.6	71.4	4.2	18.5	15.0	
Johnson Controls	JCI	03/09	128.7	60.1	2.5	15.0	14.2	
Kohl's Corp.	KSS	01/09	94.2	84.1	1.4	10.0	15.0	

As in the case of the **Defense Report**, Assuming you have followed the process as described above, “Hold” or “Sell” represents a conscious decision to take that action. Companies not marked in the “Action” column were either not eligible for replacement as overvalued or simply not acted upon when they should have been. This report is useful as a reminder of the reasons for any “sell” decision you might make and as a “to do” list when you contact your brokerage.

Sector/Industry Diversification

The **Sector and Industry Diversification Report** allows you to see if your portfolio is well balanced in a quick glance. This report quickly shows you if you need to diversify your portfolio or if you own too many shares or companies in a particular sector or industry. Spreading out your holdings in many different sectors and industries helps to protect your portfolio from disasters -- remember the 1999-2000 tech sector meltdown?

The report is divided into different sections for each Sector of the companies you hold in your portfolio, with the subdivisions indicating their respective Industries for each holding. The **Sector & Industry Diversification Report**, along with the **Company Size Portfolio Diversification Reports**, are a great way to analyze how your portfolio is shaping up. If your portfolio is over-balanced in a certain industry, or is holding way too many large company stocks, these reports will make it obvious.

SECTOR/INDUSTRY/SECURITY	MARKET VALUE	%PORTFOLIO (Security)	%PORTFOLIO (Industry)	%PORTFOLIO (Sector)
Technology				76.19%
Health Information Services			55.97%	
CERNER CORP	$848.1	45.21%		
QUALITY SYSTEMS INC	$202.0	10.77%		
Information Technology Servi			20.22%	
ACCENTURE LTD	$379.3	20.22%		
Consumer Cyclical				23.81%
Specialty Retail			23.81%	
BED BATH & BEYOND INC	$446.7	23.81%		
TOTAL	$1,876.0			100%

Company Size Diversification

The **Company Size Diversification Report** classifies your portfolio's holdings by the size of the companies. Sound portfolio management practices include diversifying your portfolio among companies of varying sizes, allowing you to take advantage of the stability of larger companies with the faster growth of smaller firms.

"Size" is measured by a business's revenues for the previous twelve months. A small company has revenues less than $500 million a year and a large company's revenues are greater than $5 billion a year (and, naturally, a mid-sized company is in between). Common guidelines suggest that people invest 50% of their portfolios into mid-sized companies, 25% in small, and 25% in large company stocks. The Company Size Diversification Report takes this one step further and adds Micro and Mega categories to further help you refine your diversification target. Micro companies have revenues less than $100 million a year, and mega companies are the behemoths with revenues greater than $15 billion a year.

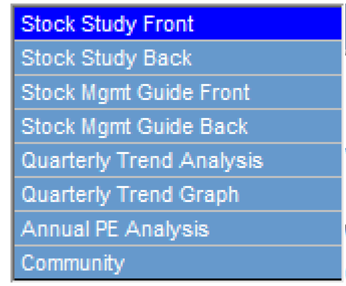
SIZE (BY REVENUES)	COMPANY	MARKET VALUE	% OF PORT
Mid			
$500M - $5B	CERNER CORP	$848.1	45.21%
	Total Mid Companies	$848.1	45.21%
Large			
$5B - $15B	BED BATH & BEYOND INC	$446.7	23.81%
	Total Large Companies	$446.7	23.81%
Mega			
> $15B	ACCENTURE LTD	$379.3	20.22%
	Total Mega Companies	$379.3	20.22%
Small			
$100M - $500M	QUALITY SYSTEMS INC	$202.0	10.77%
	Total Small Companies	$202.0	10.77%
	Total	$1,876.0	100%

Printing Your Portfolio Report Forms

With any report or form displayed, simply click on the printer icon (or select **File** > **Print**) to bring up the printing dialog.

Select the form or forms you wish to print and click “Ok.”

Company Forms



All company forms may be accessed by selecting them from the pull-down menu at the top of any other company form (Stock Study, **Stock Management Guide**, Quarterly Trend, or **Annual P/E Analysis**) or by double-clicking on the company's line on the Portfolio Review Report, Trend Report, Defense, or Offense Report.

Stock Management Guide

The information on the **Stock Management Guide** was originally conceived to serve a single, simple purpose. It was to tell an investor, after he or she had posted a new stock price, whether that stock might be considered a "Buy," a "Sell," or simply a "Hold."

With the advent of the computer, it is no longer necessary to examine the graph on the back of the form to see whether the stock, with the latest price update, meets the **Stock Management Guide**'s criteria to be considered a possible "Buy," "Hold" or "Sell." The calculations are done automatically, as soon as the price is entered, and the results are accessible in several places in Toolkit.

A secondary purpose was the graphical display of the historical trends in the stock's price and P/E movement. Investors should not consider the movement of prices and/or P/E Ratios when making a decision to buy or sell. Nevertheless, the fact is that, on rare occasions, a stock may be so overvalued that it might make sense to sell some of the position.

Stock Management Guide

See the Toolkit manual for instructions on the use of this guide.

Stock (sample) Affiliated Computer Analyst ICLUB

1 PRICE EARNINGS ZONES

Refer to Section 3, columns D and E, Line 7, of your Stock Study study of this company for the information in columns 2 and 3 below.

1	2	3	4	5	6
YEAR	Average Price Earnings Ratios for Previous Five Years		Sum of Cols. 2 and 3	Column 4 Divided by 2	Column 5 Multiplied by 1½
	High	Low		Low P/E Guide Line	High P/E Guide Line
2005	25.6	15.0	40.6	20.3	30.4
2006	25.2	15.4	40.7	20.3	30.5
2007	23.5	15.5	39.2	19.6	29.4
2008	21.4	15.4	36.9	18.4	27.7
2009	19.8	14.7	34.5	17.3	25.9

2 PRICE ZONES

See Section 4C of Stock Study. 1 below is top of Buy Zone. 2 Below is bottom of Sell Zone

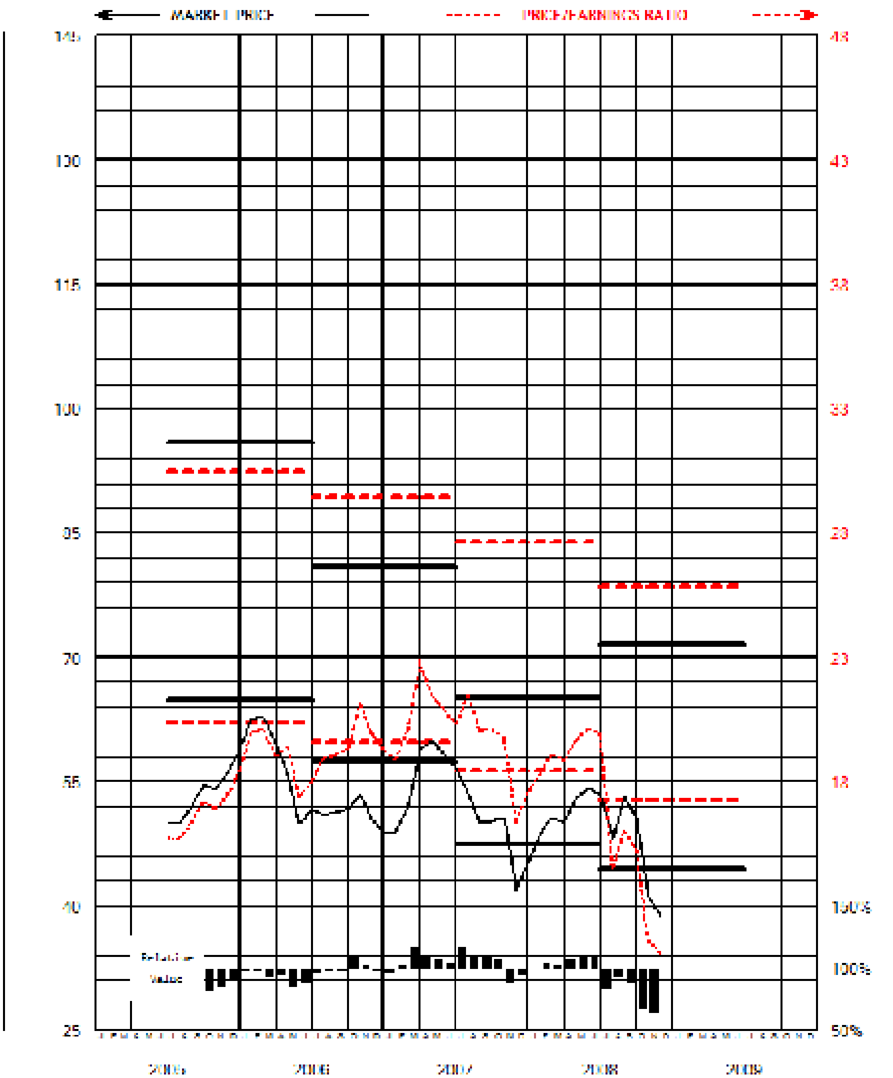
YEAR	1. Consider Buying Below	2.Consider Selling Above
2005	76.2	115.0
2006	64.8	55.5
2007	57.5	80.9
2008	47.3	65.1
2009	44.8	71.6

3 CUMULATIVE EARNINGS AND CURRENT PRICE/EARNINGS RATIO COMPUTATIONS

1	2	3	4	5	6	7	8	9	10	11	12
3 Months Ending	Earnings per Share	Total Earnings for last 4 Quarters	Date	Price	P/E Ratio at Time of Meeting	Date	Price	P/E Ratio at Time of Meeting	Date	Price	P/E Ratio at Time of Meeting
09/03	0.60		10/03	48.93		11/03	50.14		12/03	54.40	
12/03	0.52		01/04	55.48		02/04	48.26		03/04	51.90	
03/04	0.71	2.42	04/04	48.50	20.0	05/04	49.82	20.6	06/04	52.94	21.8
06/04	1.05	3.79	07/04	51.90	13.7	08/04	54.33	14.3	09/04	55.67	14.7
09/04	0.72	3.90	10/04	54.55	14.0	11/04	58.10	15.2	12/04	60.19	15.4
12/04	0.73	4.11	01/05	54.19	13.2	02/05	51.70	12.6	03/05	53.24	13.0
03/05	0.88	4.28	04/05	47.67	11.1	05/05	51.73	12.1	06/05	51.10	11.9
06/05	0.85	3.18	07/05	48.97	15.7	08/05	51.95	16.3	09/05	54.00	17.2
09/05	0.74	3.20	10/05	54.11	16.9	11/05	55.70	17.4	12/05	59.10	18.5
12/05	0.66	3.13	01/06	62.60	20.0	02/06	62.92	20.1	03/06	58.66	19.1
03/06	0.62	2.87	04/06	55.76	19.4	05/06	49.92	17.4	06/06	51.61	18.0
06/06	0.67	2.69	07/06	50.92	19.0	08/06	51.24	19.1	09/06	51.66	19.3
09/06	0.59	2.53	10/06	53.40	21.1	11/06	50.55	20.0	12/06	48.84	19.3
12/06	0.72	2.59	01/07	48.99	18.9	02/07	51.97	20.1	03/07	58.80	22.7
03/07	0.82	2.79	04/07	59.91	21.5	05/07	58.35	20.9	06/07	56.72	20.3
06/07	0.27	2.49	07/07	53.46	21.5	08/07	50.03	20.1	09/07	50.24	20.1
09/07	0.66	2.56	10/07	50.66	19.8	11/07	41.94	16.4	12/07	45.10	17.6
12/07	0.81	2.66	01/08	48.75	18.4	02/08	50.78	19.1	03/08	50.11	18.9
03/08	0.85	2.69	04/08	52.97	19.7	05/08	54.20	20.1	06/08	53.49	19.9
06/08	1.00	3.32	07/08	48.20	14.5	08/08	53.24	16.1	09/08	50.63	15.3
09/08	0.85	3.52	10/08	41.00	11.7	11/08	38.90	11.1	12/08		
12/08			01/09			02/09			03/09		
03/09			04/09			05/09			06/09		
06/09			07/09			08/09			09/09		

Company: (sample) Affiliated Computer (ACS)

4 CHART OF PRICES AND PRICE/EARNINGS RATIO



Once again, the computer has added value to what was once a secondary purpose, and the ability to study the graph of P/E and price movement **in conjunction with the Quarterly Trend Analysis** has made this tool much more useful.

Specifically, the **Stock Management Guide** criteria for considering **selling** are three in number:

- The price is in the **Stock Study**'s "Sell" range,
- The P/E is at least 150% of the 5-Yr Average P/E (a Relative Value of 150%)
- The Projected EPS Growth Rate is less than 12%

The two criteria for considering **buying** more are:

- The price is in the **Stock Study** 's "Buy" range, and
- The P/E is at or below the 5-Yr Average P/E (relative value of 100% or less). Otherwise, barring some adverse change in the fortunes of the company, it is probably prudent to continue to hold the stock.

Note that there is no mention of Reward/Risk Ratio in the "Buy" criteria. Yet we know that one of the most important issues in considering a "Buy" is the risk versus reward.

If you have changed the price ranges to default to thirds, this form can signal a "Buy" with the Reward/Risk Ratio as low as 2 to 1. By retaining the default ranges in Preferences to 25%-50%-25%, you will have assured yourself that any stock that shows in the "Buy" range does indeed have a Reward/Risk Ratio of 3 to 1 or better.

The computer not only takes all of the drudgery out of performing the calculations and plotting the data on the form, it provides new ways for the results to be displayed. Whenever a price is updated—whether manually or electronically—***Toolkit 6*** does all of the calculations necessary to determine if a stock fits in either the "Buy," "Hold," or "Sell" category according to the SMG.

The moment the price is updated, the **Stock Management Guide** recommendation, based upon the criteria above, is posted in three places:

1) **Price Update Screen** (where you update the prices manually or electronically),

2) **Portfolio Trend Report**, and

3) **Portfolio Summary Report** ("Summary" in the Portfolio Review—Portfolio screen).

Quarterly Trend Analysis

Because the **Quarterly Trend Analysis** and its companion graph are included as an integral part of the portfolio management process, it has already been discussed earlier. Its utility in discerning longer term trends, especially when viewed graphically, makes the job of identifying potential long-term problems easier.

Annual P/E Analysis

Annual P/E Analysis records the past fundamental data in exactly the same way as Section 3 of the **Stock Study**, only it provides a ten-year history of EPS, Price Ranges, P/E Ratios, Dividends per Share, % Payout, and % High Yield.

This is a valuable form because it is the only form on which ten years of Price Earnings Ratios may be viewed. The bubble and bust around the end of the twentieth century illustrated dramatically that business cycles don't necessarily hold to five years, give or take a year or two. The **Stock Study** provides only five years of recent history on which to base a determination of what a "normal" or "signature" P/E should be; and, given the aberrations during the market upheaval, it's obvious that you can get a better "feel" for the average price of a dollar's worth of earnings by looking at a ten-year span.

Toolkit 6 now permits you to eliminate P/E Ratio outliers reaching back ten years to see the relevant averages of the remaining data. You may do so by clicking in the appropriate boxes. No entries are required on this screen. The Toolkit automatically transfers data from Company Data screens and completes all necessary computations. When there is insufficient data to compute a 5-yr average, Toolkit averages the years available.

Annual P/E Analysis is useful in looking for significant changes in:

EPS: The amount of net income (after taxes) attributable to each share of common stock outstanding. A low or declining figure could signal problems with inefficient management, too many fixed obligations, or heavy investment in research and development. Negative earnings indicate a company is losing money; shareholder equity is being used to keep the company operational. Declining earnings per share can signal a decline in profitability or an increase in the number of shares outstanding.

P/E Ratios: The relationship between earnings and the price that people are willing to pay for every one dollar of earnings that a company has. They are a measure of investor confidence (or overconfidence) in a company. Past P/Es may provide clues as to what can be expected in future P/Es. Also referred to as the multiple, it is the price divided by the common stock earnings per share. Typically, the higher the price-earnings ratio, the riskier, more volatile the investment. Older, safer, more mature companies have lower price-earnings ratios than do young, faster-growing, riskier companies, since investors are willing to pay a higher premium for faster growth rates.

5 Year Average P/E Ratios: The rolling five years' average of High/Low P/E Ratios. When there is insufficient data to compute a 5-year average, Toolkit averages the years available. Elimination of outliers will affect these values.

Dividends/Share

Dividends are the per share distribution made, out of retained earnings, to stockholders in the form of cash or stock.

% Dividend Payout: A measurement of the percent of earnings per share returned to investors as dividends. Increased payouts may signal a transition from true growth (earnings retained for future growth), to a more mature phase (an increasing portion of earnings distributed to stockholders) due to less need for expansion or working capital. The 5 Year Average % Payout is the rolling 5 years' average of % Payouts.

% High Yield: (Not used if there are no dividends) Reflects the dividend per share divided by the low price for the year. Significant changes in yield should direct your attention to any trend in the low price or dividends per share.

High/Low Price Range (Annual): Look for volatility, not only year-to-year, but high-to-low as well. Stocks with wide swings between high and low prices are less predictable and may be of greater risk.

Printing Your Company Forms

With any company form displayed, simply click on the printer icon (or select **File** > **Print**) to bring up the printing dialog:

Select the form or forms you wish to print and click "Ok."

The **ASCII Report** button provides you with the option to print a text file that contains a stripped-down version of the forms with no graphics. This can sometimes be useful for emailing the results of your analysis.

USING *TOOLKIT 6*: HOW YOU DO IT

Working with the Software

The following sections deal exclusively with how to use ***Toolkit 6*** and contain little information concerning the "what's" and "why's." As you make use of the following information, should you find that you are interested in more detail about making the decisions that these steps implement, you will find references to the sections in the "**What and Why**" portion of the manual where you may find further information.

These "**How to**" steps are recommended for the first time user, but others will wish to use this section as a reference. Those upgrading from Toolkit Version **5** may wish to review the "**What's New**" listing of new features and functions. (See "There's Lots New in Version 6" located within the **Introduction**).

A Review of Conventions

Click: Tells you to click the left button on the mouse to select a command or function.

Double-click: Tells you to click your left button twice, rapidly, on the selection.

Right-click: Tells you to click using the right mouse button.

Buttons, Keys, Screens, Windows, and Sections of the Manual

Button names are enclosed in quotes and are in bold type—for example, click on the "**Ok**" button.

Keyboard keys are enclosed in brackets as well as being in bold type—for example, Press the **[Enter]** key.

Windows or screens are referred to using bold type—for example, open the **Company** window and access the **Data** screen.

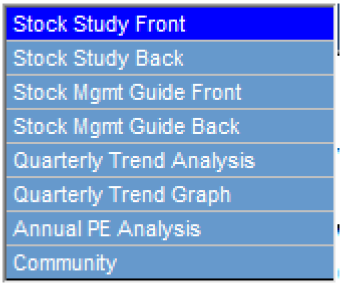
References to a section of this manual, the name of a form or a section of a particular form are written in bold type—for example, Review the **About Investing** or the **Stock Study** section of the manual**.**

Navigating

Navigate between entry boxes using the cursor, pressing the **[Tab]** key. To move back, press **[Shift] + [Tab]** to move from right to left, bottom to top.

Basic Navigation

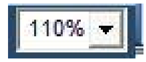
The **Stock Study** is the primary view of a company and is found on a company screen. In the company screen, you may also look at the company's Data.



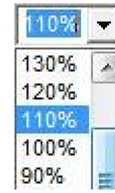
To access the other forms/views, select the form from the drop down list.

NOTE: When viewing a form, move your cursor over the form navigation drop down list to select that form's alternative view (e.g., "**Stock Study Back**").

To change the size of your display:

1) Click on the button 

on the **Company Toolbar**. Either enter a desired percentage and then click the **[Enter]** key, or select a preset percentage from the drop-down menu.



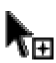
To access context-sensitive help:

Click on the  or the [**F1**] key. In many areas of the program cursor help is available. To display it, rest your cursor over the area in question for about two seconds. A small information box will appear. Moving the cursor will remove it.

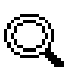
Cursors

In addition to your normal cursor, the following cursor formats are used in Toolkit:

 The cursor enlarges to indicate that a click will do something. It usually takes you on to some other view or magnification of view for data entry.

 or  indicates that clicking will remove or restore something.

 or  indicates that you may sort in ascending or descending order respectively.

 indicates that you can take a closer look at an item. (Clicking on the item opens a graph, for example).

Keyboard Shortcuts

In addition to using the cursor and/or mouse, certain screens may be accessed by pressing a combination of keys.

Open Company	[Ctrl + O]

Flip the page	[Ctrl + F]
Company Data	[Ctrl + D]
Stock Study (Front)	[Ctrl + F1]
Save	[Ctrl + S]
Print	[Ctrl + P]

Data

With the availability of data services from BetterInvesting and StockCentral.com, computerized stock analysis is easier than ever. But the ability to access up-to-date, quality data from the Internet with the click of a button, and at a price that all could afford, has brought out the best in the software.

Setting Up Data and Price feed information

Properly set up in ***Toolkit 6***, a simple mouse-click will import or update the data without your even being aware that you are accessing the Internet.

1) Subscribe to the **StockCentral.com** service from ICLUBcentral at www.stockcentral.com, or the **BetterInvesting Stock Data Service** at www.betterinvesting.org While there are some differences in price and web site features, both services use the same data, and will give the same results in ***Toolkit 6.***

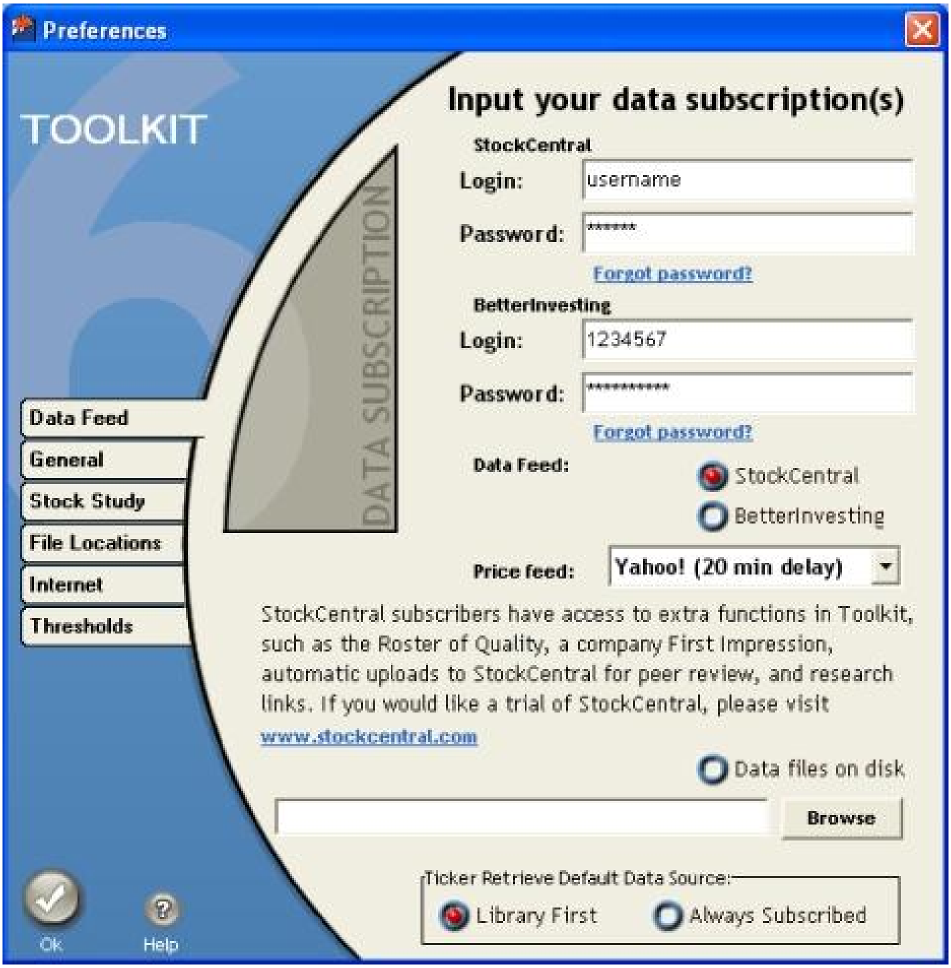
2) Regardless of which service you choose, make *certain* to note your user name and password.

3) In ***Toolkit 6***, select **Preferences > Data Feed**.

4) Enter your username and password for your **StockCentral.com** or **BetterInvesting** data feed subscription. If you subscribe to both data feeds, you may enter your username and password for both in the boxes provided.

5) Below the username and password boxes is a radio button selector to choose which data subscription to download company data from.

6) After choosing which data feed you will use, Toolkit 6 also now offers the option to use prices take directly from Yahoo!, with a 20 minute delay, or from StockCentral using end of day prices.



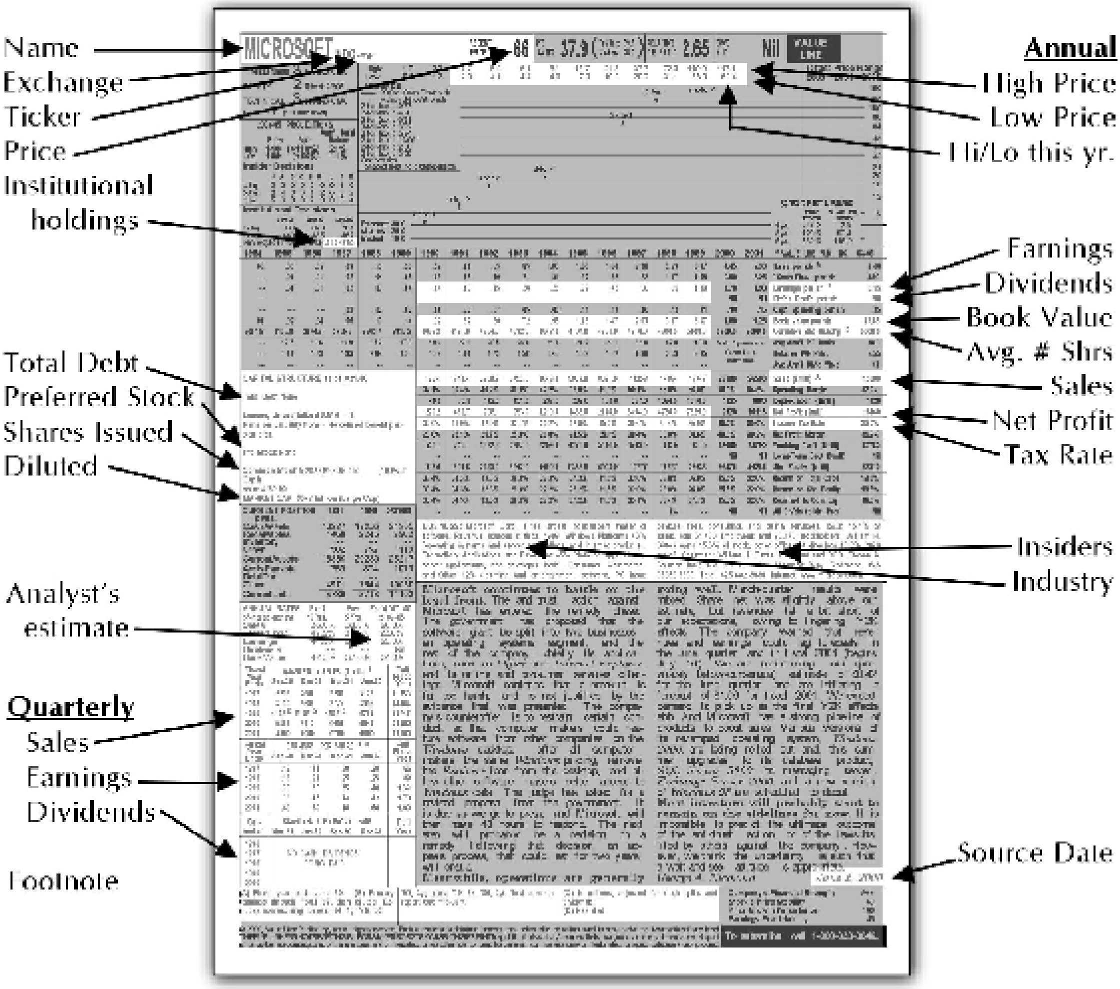
Note: Only one data feed can be active at a time. Some ***Toolkit 6*** extras (such as the Roster of Quality portfolio) are only available to subscribers to StockCentral.com.

Manual Data Entry

With Version 6 of Toolkit, we recommend that you subscribe to and use **ICLUBcentral's StockCentral.com Data feed**. Many advanced features of the new Toolkit assume its use. However, what follows is for those who wish to enter their data manually from some source such as *Value Line* or *Standard & Poor's* tear sheets. Details for data entry are provided under "**Stock Study**" below, however the information to be gathered for both is essentially the same.

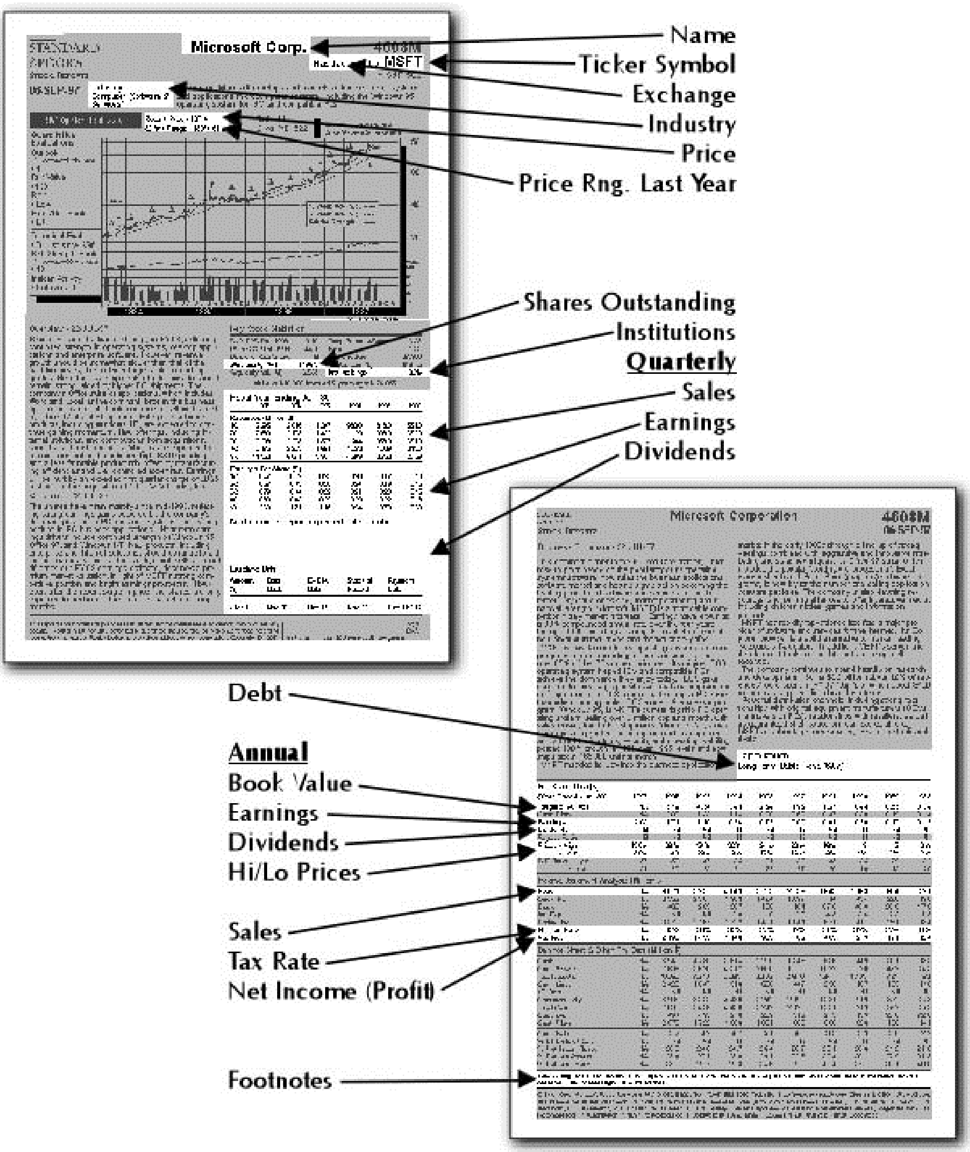
Shown below are the *Value Line* and the *Standard & Poor's* pages showing the data items used to manually complete the **Stock Study**. (See the "**What and Why**" section for a discussion of the differences in data and data sources.)

Value Line



Name
Exchange
Ticker
Price
Institutional holdings
Total Debt
Preferred Stock
Shares Issued
Diluted
Analyst's estimate
Quarterly
Sales
Earnings
Dividends
Footnote
Annual
High Price
Low Price
Hi/Lo this yr.
Earnings
Dividends
Book Value
Avg. # Shrs
Sales
Net Profit
Tax Rate
Insiders
Industry
Source Date
MICROSOFT

Standard & Poor's



Evaluation and Acquisition

Stock Study

Acquiring/Entering Data

The first step in completing a **Stock Study (Stock Study)** is to obtain the required historical company data. For a full explanation about the types and sources of data, see "**What and Why….**"

Using Subscribed Data

Once set up, assuming you have a "live" connection to the Internet, the easiest way to access the data for a company is to enter either the ticker symbol or name of the company in the appropriate field at the left end of the main toolbar.

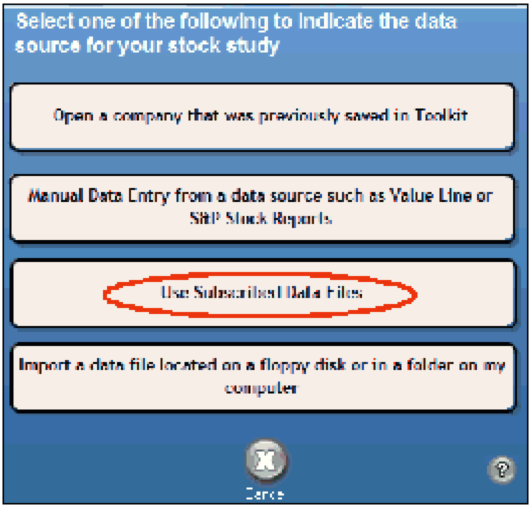
If you do not have the company already in your database, ***Toolkit 6*** will import the data instantly, presenting you with an open **Stock Study** awaiting your judgment. If you do, Toolkit will use that data to open your **Stock Study**.

NOTE: You have the option in **Preferences > General**, at the bottom of the screen, to bypass the search of the existing database and go directly to **StockCentral.com** data on each request.

Another way to access the StockCentral data is to click on the "**Stock Study**" button on the **Main Toolbar**.

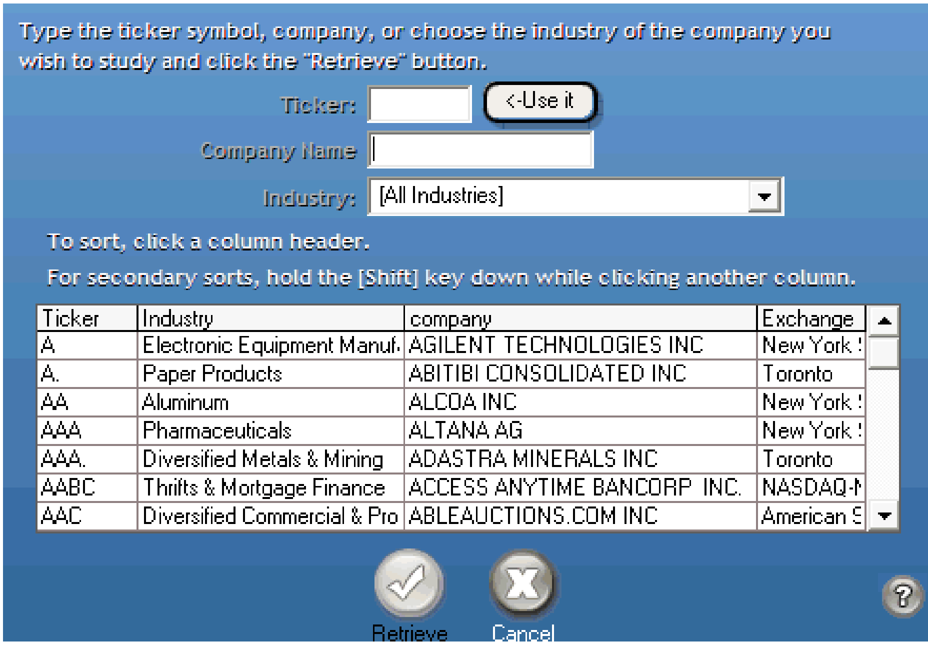
To begin a new **Stock Study** click the “**Stock Study**” button on the **Main Toolbar**. This opens the “**Stock Study—Acquire Data**” screen, which offers five sources for your data.

Subscribed Data



The “**Use Subscribed Data**” button is used to import data from a *.SSG data file, such as from a paid subscription for ICLUBcentral’s StockCentral.com).

Toolkit will automatically import the data from the data file location you specified in your **Preferences > Data Feed** screen. (If you did not set this preference, see “**Setting up Data and Price feed infomation**” above.)



1) Click on the "**Use Subscribed Data**" button to open the "**Company Locator**" screen.

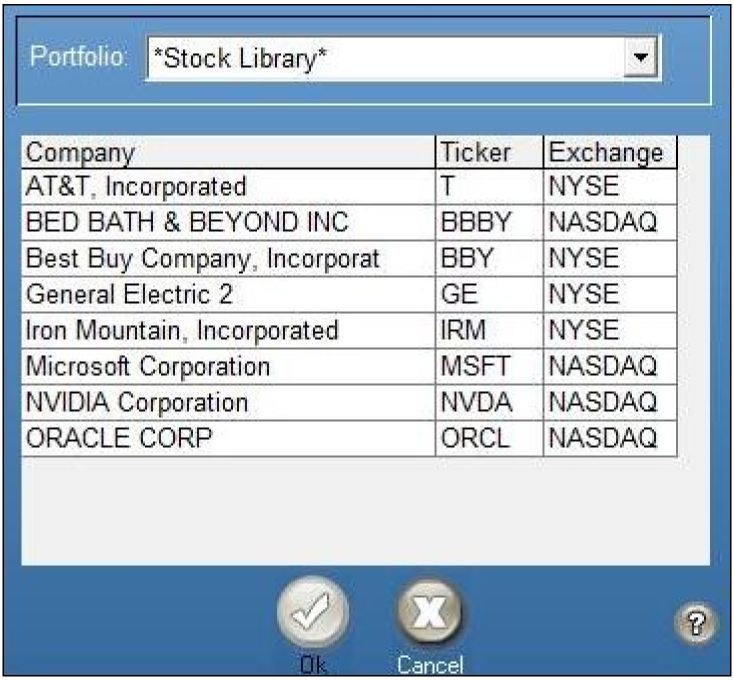
2) **Company Locator—**Using the "type ahead" feature, begin typing in the "Ticker" symbol or the company name. As you type, Toolkit will sort and reduce the list, until you locate your company. You can also sort by the different column headings, such as ticker, company, or industry. To sort by the column heading, just place your cursor on the heading (Ticker, Industry, Company, Exchange) and, when your cursor changes to a small down arrow (È), click to sort. Then you can scroll down the list to look for the company. After selecting a company, click either the "**Retrieve**" or "**Use It**" button to import the data and open the company's **Stock Study**.

NOTE: If you haven't set up a data subscription, or you have entered an incorrect username and/or password, you will be greeted with this message which will allow you the opportunity to correctly enter the required information to access your account.

Opening a Saved Stock Study

1) To open a previously saved **Stock Study,** first click the "**Stock Study**" button on the **Main Toolbar**. This opens the "**Stock Study—Acquire Data**" screen.

2) Click on "Open a company that was previously saved in Toolkit."



3) Accept the default "**Stock Library**" or select a different portfolio in the "**Portfolio**" dropdown list.

4) Click on a company name and click "**OK**" (or double- click on your selected company) to open it.

NOTE: You may quickly find the company in a long list with the "type ahead" feature. As you type in the company name (or any word in the company name), Toolkit will sort and reduce the list until you identify your company. Or, you may scroll down the list by clicking on the scroll bar.

Importing Data from a Floppy Disk or Folder

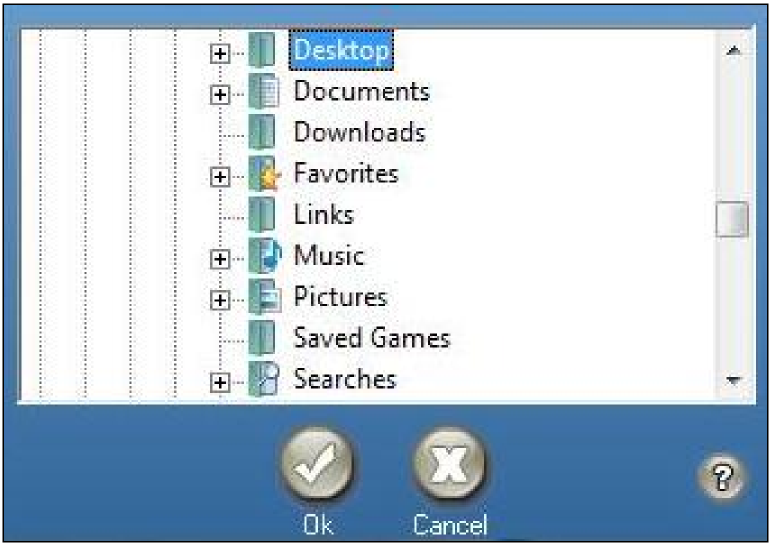
1) To open an existing **Stock Study** that isn't already in Toolkit, first click the "**Stock Study**" button on the **Main Toolbar**. This opens the "**Stock Study—Acquire Data**" screen.

2) Click on the "**Import a data file located on a floppy disk or in a folder on my computer**" button to import either an ITK, SSG or ICF data file for a company. This is normally used when you want to look at a company data file that someone either sent you as an e-mail attachment, or gave you on a floppy disk. This opens the "**Locate the file you want to import" dialog box**.

zz

3) Select the type of file (ITK [Toolkit 4—6], SSG, or ZIP [contains both a *.SSG file and a *.TXT file of your "Notes"].

4) If you know where on your system the file is located, navigate to that location, e.g., an ITK file on your Desktop. The type of file you select will appear in the right pane if that type of file is at the location you navigated to. If the file was e-mailed to you as an attachment, click on the "Look in My E-mail Attachments" button to locate the selected type of file you received as an e-mail attachment. Toolkit will automatically go to your email's attachment folder at the location you specified in your Preferences screen, e.g., a *.SSG file in your Eudora Mail\Attach folder, or AOL\Downloads folder. The type of file you selected will appear on the right if that type of file is in your e-mail attachment folder.



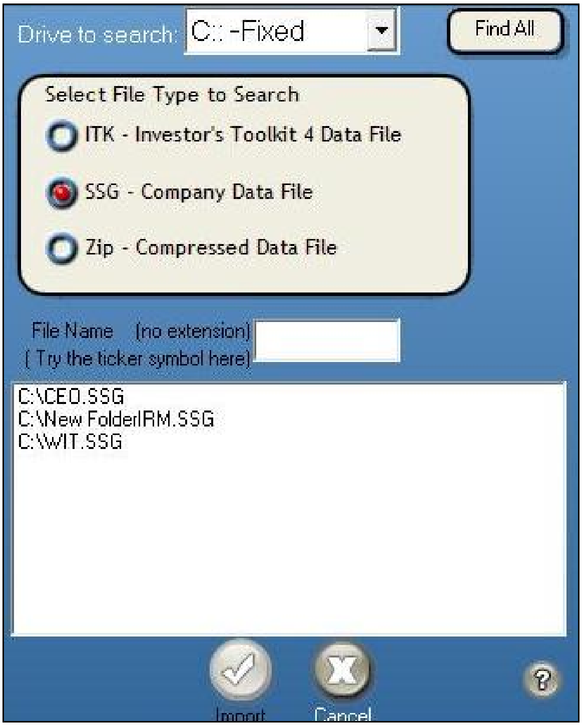
5) Click on the file to select it and "OK" to open it.

NOTE: If you did not set this up in your Preferences screen, then the first time you click the "**Look in My E-mail Attachments**" button, a "**Select your E-mail Attachments**" screen will appear. Navigate to your data file location to set up the future default path.

6) You may also click on the "**File Finder**" button to search your computer for the selected type of stock analysis file (**ITK, SSG, ZIP**). This will open the "**Find Company Data File**" dialog box where you can click to select one of the options under "**Select File Type to Search For**" (**ITK, SSG, or ZIP**).

7) If the file is not located on your "C:\" drive, then click on the "**Drive to Search**" drop-down arrow q to select another drive on your computer, e.g., your "D:\second hard drive."

8) Enter the company's ticker symbol in the "File Name" box and click "**Find All**" to run the search.



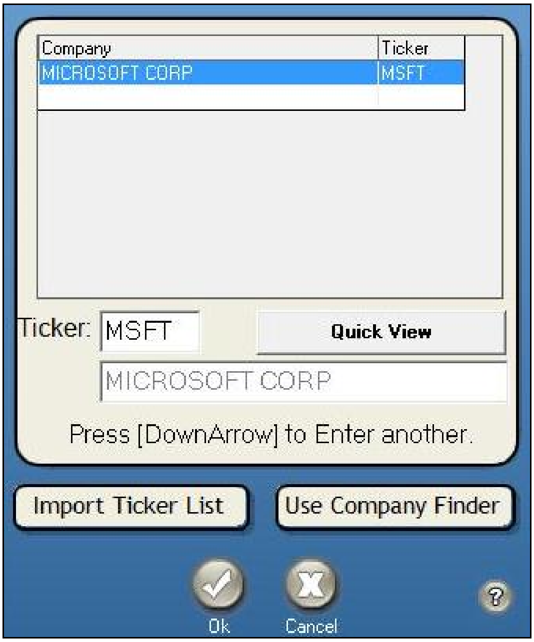
NOTE: Most **SSG** files use the company's Ticker symbol for the file name. Do not enter file type extension (**ITK, SSG, ZIP**) after the Ticker symbol.) If the search does not locate the file, try selecting a different file type (**ITK, SSG, or ZIP**).

TIP: To find data files for all companies of the selected file type (**ITK, SSG, or ZIP**), do not enter anything for the Ticker symbol. The result of the "**File Finde**r" search will appear in the pane below with the path to their location. Just click on the file to select it and click "**Import**" to open the **Stock Study**.

Importing More Than a Single Company

If you want to import an entire portfolio or list of companies rather than to import one at a time, you may do so.

Select **File** > **Import Company** > **Import Several at Once** > **Subscribed data source**.



This will bring up the **Import Data File** dialog box.

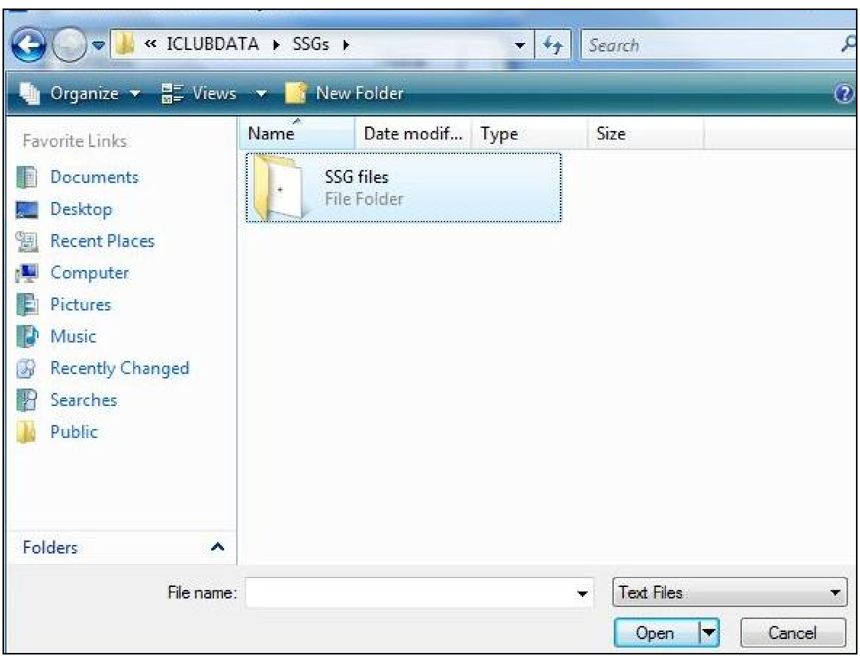
The easiest way is to enter the ticker symbols one at a time. When you enter a ticker symbol, Toolkit will instantly look for the company whose ticker symbol most closely matches what you have typed. As you add letters, it will continue to look for a match and may well find your company before you have entered the entire symbol.

If you are unsure of a company name or ticker symbol, you may click on the "**Company Finder**" button to retrieve the ticker symbol of the company you're looking for. When you have found the company you're looking for, clicking "**Use it**" or the "**Retrieve**" button will enter the company in the list you are creating.

Use the down-arrow to record the company in the list and move on to the next. To erase a company, delete the ticker symbol. When you have finished entering your list, click "OK" to import them all. No **Stock Study** will open in this case. All of the companies' data is saved directly in the database.

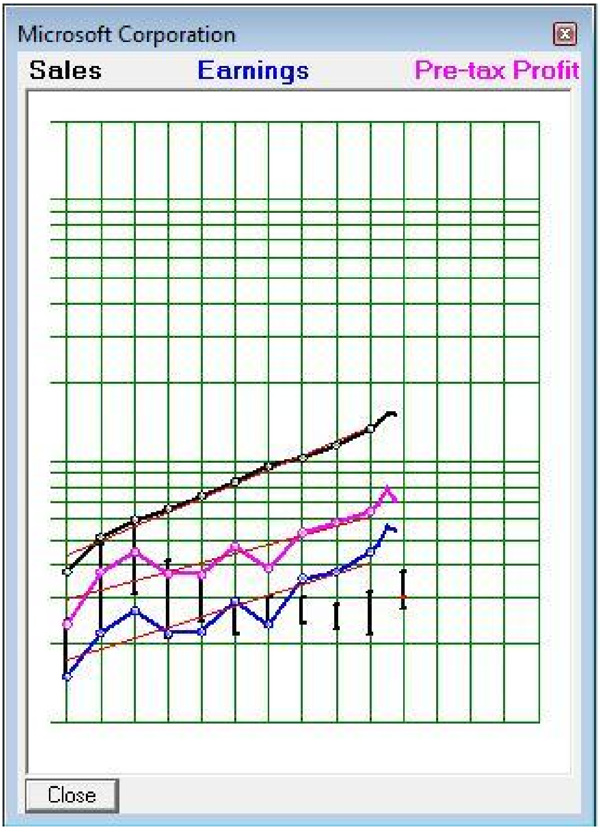
List of Ticker Symbols

You may have created a list of ticker symbols using other software. Some screening products produce such a list in text file format (.txt). Or, you may have created it yourself in some other fashion. You may import this list by clicking on the "**Import Ticker List.**"



Navigate to the text file containing the list, select it, and click "**Open.**" All companies will be displayed in the dialog as though you had entered them one at a time.

If you care to, before hitting the "**Ok**" button to import your list, you may look at a small image of the Visual Analysis graph of your companies. Select a company and click on the "**Quick View**" button to do so.



Manual Data Entry

If you wish to enter the data manually from Value Line, S&P or some other source, click on the "**Manual Data Entry from a data source**

such as Value Line or S&P Stock Reports.” On the Stock Study - Acquire Data window

Navigating Data Entry Fields:

1) Click on the space into which you want to input data.

   a. Use the [Tab] key to move Left to Right through the fields

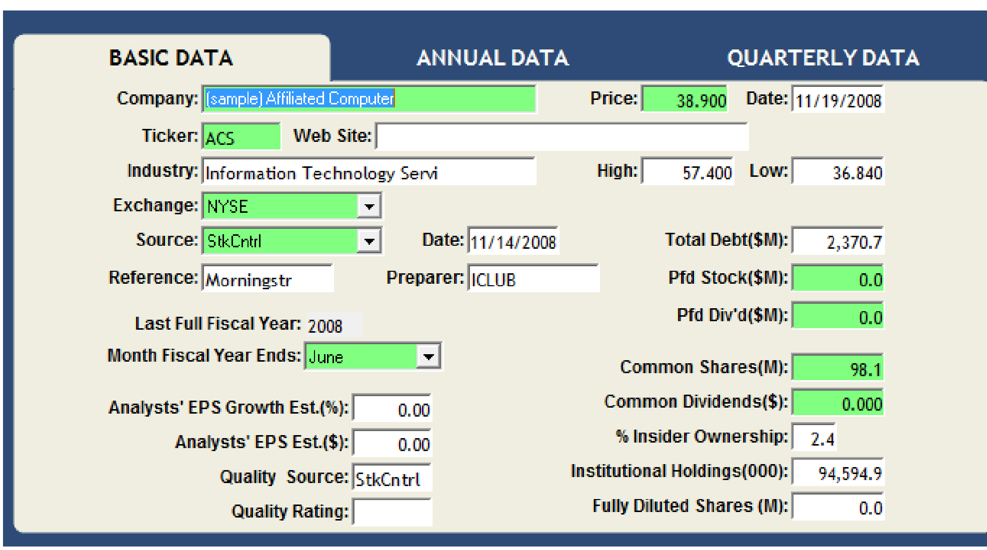
   b. Use [Shift+Tab] to move Right to Left.

2) Drop-down menus open with a click on the menu arrow.

3) Use the [**F1**] key (or click on  to open the Help file

Basic Data Entry Screen

As on the regular SSG, areas in green are required to be filled in, for the ssg to be complete.



Annual Data Entry Screen

Click on the "**Annual Data**" tab to access the Annual data entry screen and continue to enter the data from your data source.

BASIC DATA | ANNUAL DATA | QUARTERLY DATA

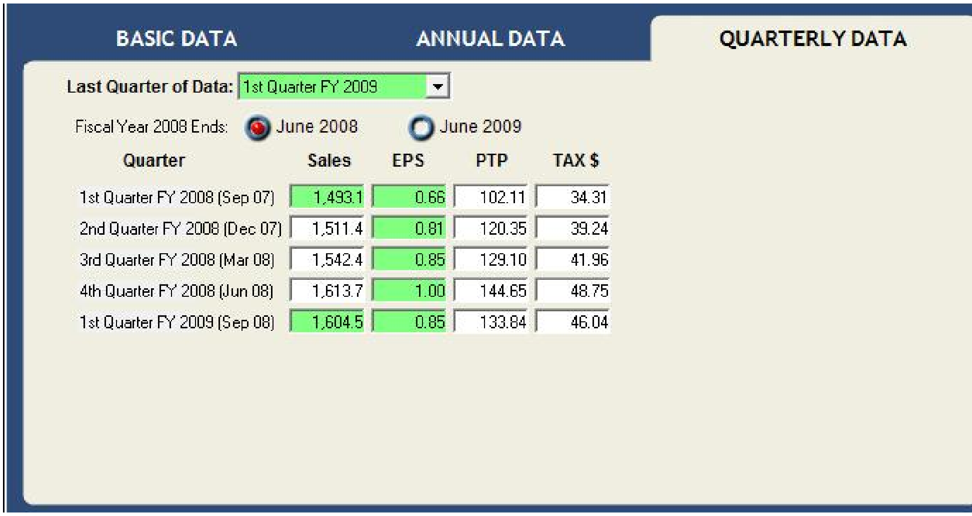
Last Full Fiscal Year: 2008

Year	High	Low	EPS	Div'd	Bk Val	Sales	Net Profit	Tax Rate%	Shs Outst'g	LT Debt	Cash Flow/Share
1999	25.813	11.531	0.78	0.000	6.17	1,642.2	86.2	40.8	111.00	349.0	1.55
2000	26.282	15.656	1.26	0.000	7.17	1,962.5	141.0	44.0	112.00	526.0	1.96
2001	36.585	16.282	1.15	0.000	8.75	2,063.6	134.3	39.3	116.00	649.0	2.25
2002	56.750	35.480	1.67	0.000	15.87	3,062.9	229.6	36.3	137.00	708.0	2.58
2003	56.170	33.880	2.14	0.000	18.24	3,787.2	306.8	37.5	143.00	498.0	3.50
2004	57.460	43.000	3.79	0.000	20.29	4,106.4	529.8	36.1	140.00	372.0	5.70
2005	60.760	46.850	3.19	0.000	22.67	4,351.2	415.9	35.1	130.00	750.0	5.31
2006	63.460	47.530	2.87	0.000	21.71	5,353.7	358.8	35.7	125.00	1,614.0	5.89
2007	61.450	46.740	2.49	0.000	20.75	5,772.5	253.1	34.0	102.00	2,342.0	6.23
2008	59.790	40.390	3.32	0.000	23.73	6,160.5	329.0	33.7	99.00	500.0	7.58

Estimated Tax Rate: 34.0

Quarterly Data Entry Screen

Click on the "Quarterly Data" tab to complete the data entry.



Stock Study—Analyzing the Company

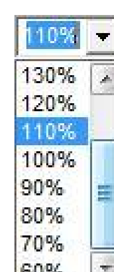
Getting Started

If you entered the data manually or imported a single data file, your company will open to the front page of the **Stock Study**. If you imported the data electronically for more than one company:

1) Click "**Stock Study**" on the Toolbar.

2) In the "**Stock Study**—Acquire Data" box click the "Open a company that was previously saved in Toolkit."

3) Select a company from those shown in the dialogue box.



Adjusting the size of the form

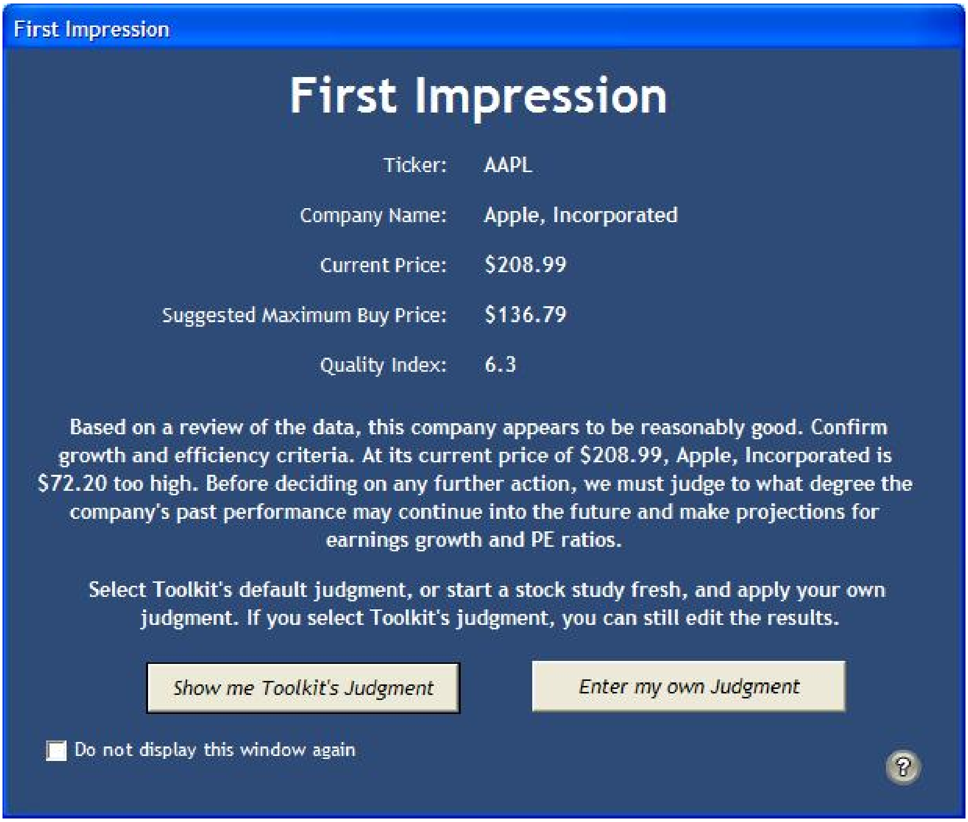
1) Click on the button on the Toolbar.

Click on the drop-down menu to select a percentage or enter your own choice of enlargement or reduction percentage.

The default value is 110%, which will usually fill your screen from side to side and make it necessary to scroll only vertically. This is the best size for reading the text and numbers on the form.

Before You Begin—First Impression

When you download a new stock or open an existing stock that does not have a completed judgment the First Impression screen will appear. The purpose of this screen is to give you an initial view of the stock. The First Impression shows you the Current Price, the Buy Price (if applicable), Quality Rating (If you are using a StockCentral data subscription), and the Mood Indicator.



The First Impression also gives you the opportunity to fill in all the required judgment items with Toolkit default values. This allows you to view a completed **Stock Study** in mere seconds. To apply this judgment, click the “Show me Toolkit’s Judgment” button. To input your own judgment values manually, click the “Enter my own judgment” button. Using Toolkit default judgments allows for a conservative first look at a new company, before you invest time making manual judgments. You are also able to manually edit the default judgments as you wish, to fine tune the default values to values more in line with your personal judgments.

Section 1—Visual Analysis

Customizing the Chart

The Section 1 graph may be customized by using the **Visual Analysis** screen. To access the **Visual Analysis** screen, click the "Adj. Graph" button on the Toolbar or click anywhere within the graph area. The graph area will "zoom" to allow you to see the full screen with the graphic depiction of up to ten years of your company's historical data and five years for your sales and earnings projections. You may move the window by clicking in the title bar and dragging it wherever you wish. You may also size the window by clicking and dragging any corner or edge of the window. You have a great deal of flexibility with this window. Once having set it, it will always take the same shape and position until you change it once again.

Cursor Pop-up box: A pop-up information box, containing the actual value for each point, appears when you rest your cursor over a data point.

Arranging Lines: To arrange the growth lines on the graph, click and hold the mouse button to drag the line up or down. The **lines** are color coded to match the colors of the growth lines:

> **S** = Sales (Green line)
>
> **P** = Pre-Tax Profit (Magenta line)
>
> **E** = EPS [Earnings per Share] (Red line)

The Black vertical bars are the **Price Bars**.

In addition to the values listed above, ***Toolkit 6*** now adds the ability to display additional metrics on the **Stock Study** front page. At the top left of the Visual Analysis is a new legend labeled "**Additional Graph Data**" that shows six additional data points that are relevant when viewed on a semi-log graph. Place a check mark in the box next to any item you would like to display on the front of the **Stock Study**.

(**NOTE:** This will only affect the currently viewed company.) The additional items that can be added are:

O = Shares Outstanding (Light blue line)

D = Dividends (Light green line)

B = Book Value (Black line)

N = Net Income (Orange line)

C = Free Cash Flow/Share (Lavender line)

L = Long-Term Debt (Red line)

At the top of the "**Visual Analysis**" screen are buttons for:

Growth Estimates: Opens a dialog box where you can enter your estimates of future sales and earnings growth and access the Revenue-Based EPS Estimate to further corroborate your estimates.

Analysts Est.: Opens a dialog box where you can enter Analyst EPS Estimates for future fiscal years. Values entered will be plotted on the graph.

Add Scale: Adds one horizontal scale to the semi-log graph to help you adjust the growth lines. You may add additional scales to handle the growth by clicking on the "Add Scale" button.

Remove Scale: Removes horizontal scale lines from the semi-logarithmic graph to help you adjust the growth lines.

Start Projection: Shown only if you have enabled it in **Preferences > Stock Study > Enable Trend Line Options**. This allows you to select where you want your five-year projection line to start from:

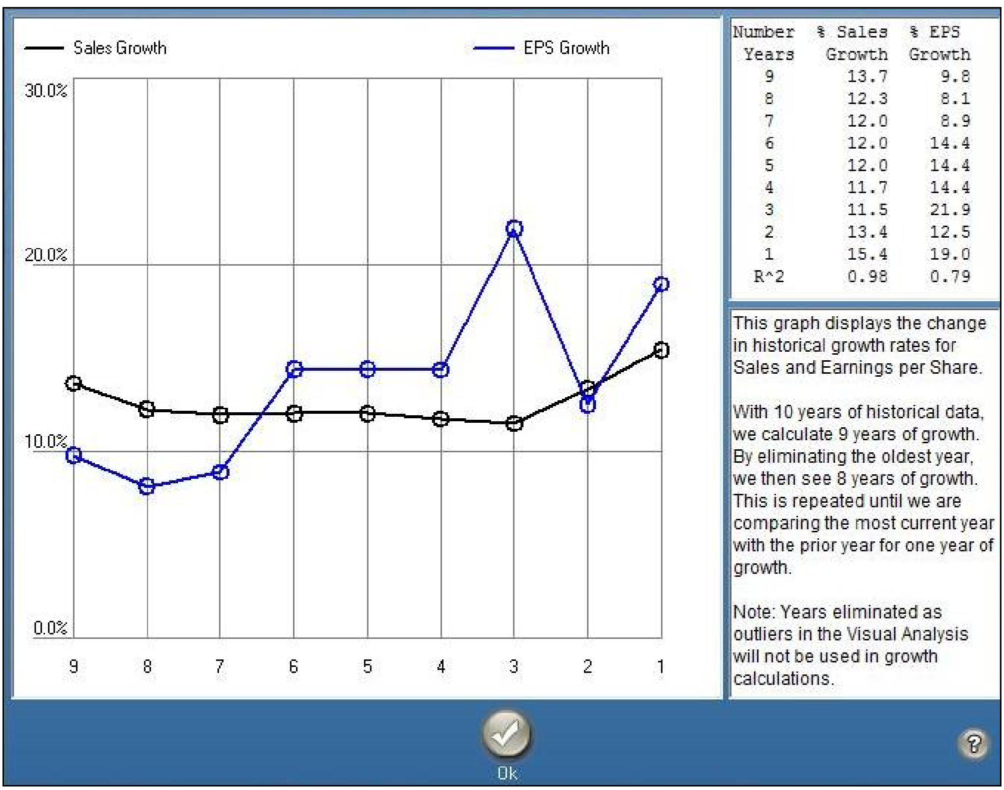
Annual data starts from the last, full fiscal year.

Quarterly data starts from the most recent quarter.

End of the trend line starts from the point where the trend line intersects the last full year line.

Historical Growth: Opens a historical growth profile, displaying the historical growth rates window in both a graph and a table, along with a description box.

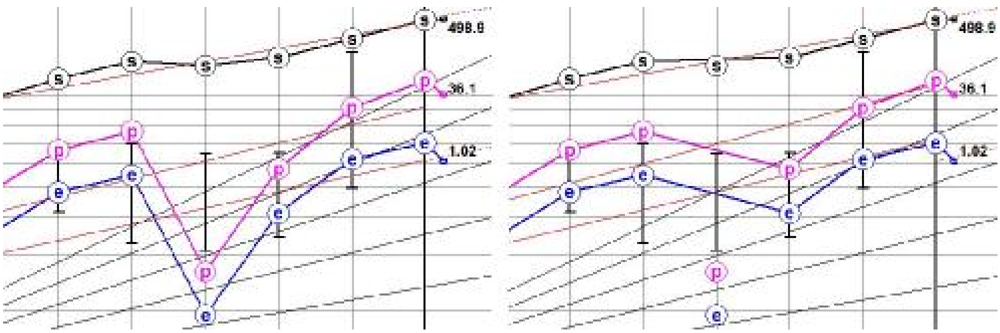
NOTE: This is an important graph since a large percentage change in the annual growth rate will often not be noticed on the Visual Analysis graph. Each point plotted here represents a growth *rate* calculated as though a trend line were drawn through all of the years in the period depicted. As an example, at the 5-year point, it would represent growth for the five years between a point six years ago and the most recent year. Those growth rates are tabulated to the right of the chart.



Set Graph to Values: Moves all lines so that data points match the scale on the left of the graph. The scale, if not already displayed, will appear.

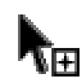
Eliminate Outliers

Analyze the Chart to Eliminate Irrelevant Data



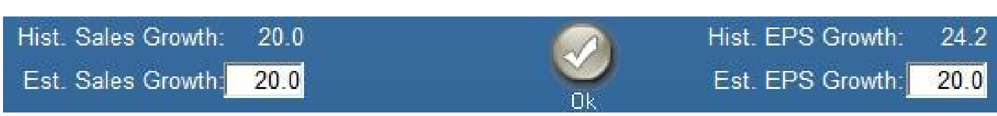
1) To eliminate a year as an outlier, click anywhere along the line representing the year's data that you wish to exclude.

2) Observe that a red strike out line appears, running through the year removed as an outlier, and that the cursor changes to indicate that something may be "put back."

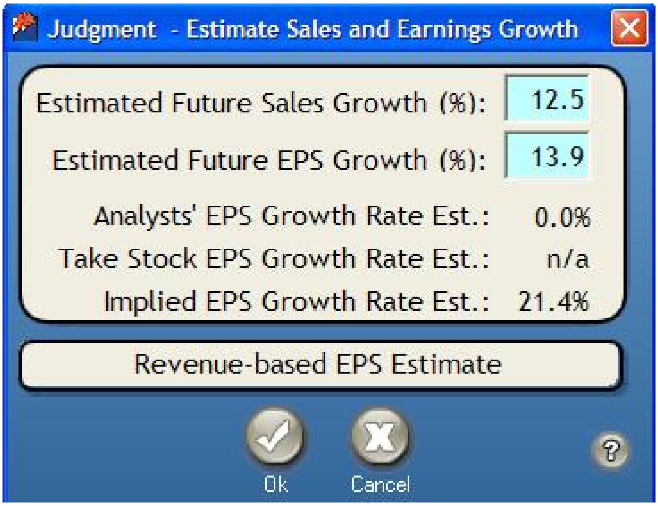


3) The **Stock Study** will continue to display the original data on the data lines, but the historic growth rates will compute new values, eliminating the data from the "outlier" year. At any time, clicking on or around the point or its vertical line where the arrow appears will activate the original data and replace the Historical Sales Growth and Historical Earnings per Share Growth Rates with the original computations.

Estimate Future Sales and Earnings Growth



To enter your estimate of future Earnings and Sales Growth, click on the box next to "**Est. Sales Growth**" or "**Est. EPS Growth**" at the bottom of the page to bring up the Estimate Sales and Earnings Growth screen. The area will be ringed in green if "**Active Area Highlighting**" has been checked in **Preferences**.



1) Enter the percentage figure for **Estimated Future Sales Growth**.

2) Enter the percentage figure for **Estimated Future Earnings per Share Growth**.

Depending on your data source, you may see values for **Analyst's Consensus EPS (ACE) projected Growth Rate** or the **Take Stock projected Growth Rate**.

The **Implied EPS Growth Rate** is calculated by the program. This figure is sometimes known as the **Sustainable Growth**, **% Retained Earnings to Common Equity**, **Plowback Ratio**, **Implicit Growth**, or **Internal Growth**.

This rate is a theoretical limit on the growth that can be expected by a company based on the usage of its existing assets (that is, without borrowing). This value provides a quick check when selecting a likely future growth rate for a company.

The formula for Implied Growth is:

Implied Growth = % Return on Equity x (1 - Dividend Payout Ratio)

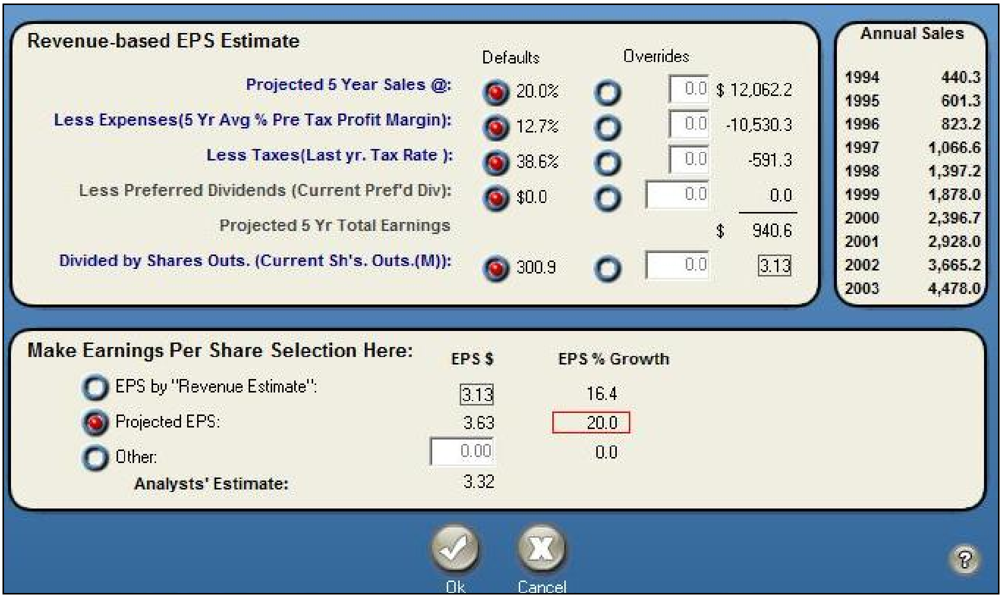
From the **Stock Study**, Toolkit uses **the 5-Year Average Return on Equity** from Section 2B, and the **5-Year Average Dividend Payout Ratio** from Section 3 (or from Section 5 if adjusted by the user) for this calculation.

For companies that pay no dividends, the **Implied Growth Rate** will be equal to the **Return on Equity**.

Advanced Option

You may examine the "**Revenue-Based EPS Estimate**" at this time and review an alternative calculation of earnings per share. To do so:

Click on the "**Revenue-Based EPS Estimate**" button to accept and compare your estimates with the calculations provided by the program.



To construct an earnings per share figure based upon the normal manner in which a company does business, this dialog begins with your estimate of future sales, calculated from your estimate of future growth. You may change each of the items that affect that figure as it runs the gauntlet from the top to the bottom line.

To do so:

1) Click in the checkbox adjacent to the item you wish to amend. The ten-year history of the selected data will appear in the display to the right so you can assess the reasonableness of your proposed changes.

2) Enter the new figure in the field provided. (Enter Sales, Expenses and Taxes as percentages, dollars for Dividends, and numerals for Shares.)

3) When you have made all of your changes, view the differences for EPS % Growth in the selection area at the bottom of the window.

4) Select one of the three options available:

    - EPS by "Revenue Estimate"

    - Projected EPS

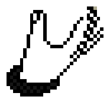
    - Other

5) If you have selected "**Other**," enter a figure of your choosing in the space provided.

The Analyst's Estimate is offered for your information; however such estimates are generally optimistic. For that reason, it is not offered as a selection option.

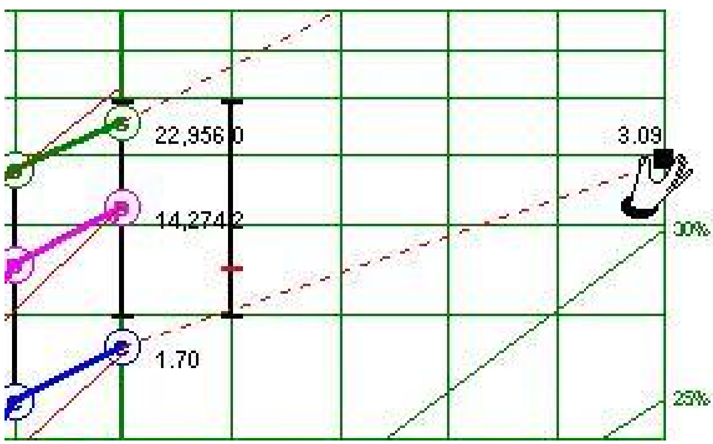
See the "What and Why" section for a detailed discussion of the Revenue-Based EPS Estimate and the judgment items relating to it. When you have finished with the Revenue-Based EPS Estimate, click "OK" or "Cancel" to accept your choices or reject them. You will have another opportunity to access the Revenue-Based EPS Estimate on the back of the **Stock Study**, under Section 3, should you wish to take advantage of it.

You may also change your earnings and sales growth projections by clicking on and dragging the box at the end of the 5-year projection line. As your cursor approaches the "hot spot," it will change form to look like this:



You can "grasp" the little box with the "hand" and move it up or down to raise or lower the projections to suit you visually.

As you move the projection line up or down, note the change in the growth rate in its respective box at the bottom of the screen.

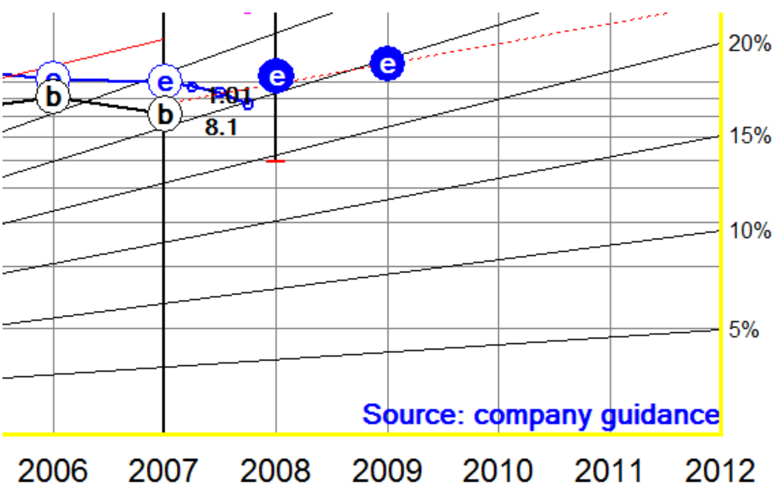


Fiscal Year EPS Estimates

From the Visual Analysis window, you may also click the Analysts Est. button on the toolbar.

From here, you may enter EPS and Sales estimates from the company or from analysts for future fiscal years. The "Source" field is for your reference to recall where the origin of the data entered. The Internet button allows you to quickly find analysts links from this window.

If you have entered data in the EPS Estimates window, blue circles with a small letter “e” will appear on the graph and green circles with a small letter “s”:



These points help you evaluate the placement of the projection lines that you have set in the program. The source of the estimates is also printed on the graph in the bottom right.

Section 2—Quality Analysis

Eliminating Outliers

1) Go to the back of the **Stock Study** by clicking on the "**Stock Study Back**" button [**Ctl+F**].

2) Place the cursor over Section 2, **Evaluating Management**, and notice how it changes when moved into the most recent five years of data for % Pre-Tax Profit on Sales (Profit Margin) and % Earned on Equity. The area will be ringed in yellow if "Active Area High-lighting" has been checked in Preferences. If data appears to be of a non-recurring nature and to be out of line with the rest of the data, you may wish to eliminate it. (See the "**What and Why**" section for a discussion of outlier elimination.) If so:

3) Click on individual data boxes in the last five years of data to eliminate that data from the calculations of the Last 5 Year Avg. and Trend columns. Eliminated data will appear with a red diagonal line across it.

1996	1997	1998	1999	2000	2001	2002	2003	2004	LAST 5 YEAR AVG.	TREND UP	TREND DOWN
11.9	12.9	12.0	11.6	11.3	4.1	11.9	11.1	10.8	9.8	UP	
15.(											
0.0											

1996	1997	1998	1999	2000	2001	2002	2003	2004	LAST 5 YEAR AVG.	TREND UP	TREND DOWN
11.9	12.9	12.0	11.6	11.3	~~4.1~~	11.9	11.1	10.8	11.3		EVEN
15.0	9.8	11.5	8.2	6.4	8.1	12.1	14.9	13.6	11.0	UP	
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	EVEN	EVEN

If both Trends are **UP** or **EVEN** and the figures are consistent with the industry averages (if you have access to them), proceed to **Section 3, PRICE, PRICE/EARNINGS RATIO AND DIVIDEND ANALYSIS.**

Pre-tax Profit Margin Graph

To see a graph of the % Pre-tax Profit on Sales (Profit Margin), click in its "**Last 5 Year Avg**" box (the magenta box if "**Active Area Highlighting**" was selected in **Preferences**).

Often this graph will help you see the Profit Margin trend that you would not really notice by just looking at the numbers.

Section 3—Price, Price/Earnings Ratio and Dividend Analysis

Accept or amend High and Low P/E's.

1) Display the back of the **Stock Study**.

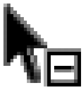
3 **PRICE, PRICE/EARNINGS RATIO and DIVIDEND ANALYSIS**

CURRENT PRICE (P/E) 70.24 (23.4) 52-WEEK HIGH (P/E) 71.45 (23.8) 52-WEEK LOW (P/E) 46.37 (15.5)

	Fiscal Year	High Price	Low Price	EPS	High P/E	Low P/E	Dividend	% Payout	% High Yield
1	2008	30.7	17.1	1.37	22.4	12.5	0.900	65.7	5.3
2	2009	29.4	17.5	1.55	19.0	11.3	0.900	58.1	5.1
3	2010	38.1	26.6	2.01	19.0	13.2	0.945	47.0	3.6
4	2011	45.5	28.1	2.47	18.4	11.4	1.040	42.1	3.7
5	2012	68.2	44.3	3.00	22.7	14.8	1.160	38.7	2.6
6	AVERAGE		26.7		20.3	12.6		50.3	

AVERAGE P/E RATIO	16.4	PROJECTED P/E RATIO	19.7	TTM EPS	3.00
CURRENT P/E RATIO	23.4	PEG RATIO	1.0	FTM EPS	3.57
RELATIVE VALUE	142.7	PROJ. RELATIVE VALUE	120.1	AVG TTM + FTM EPS	3.28

2) Place the cursor over **Section 3, PRICE, PRICE/EARNINGS RATIO AND DIVIDEND ANALYSIS** and notice how it changes when moved over some of the data columns (the area will be ringed in yellow if "Active Area Highlighting" has been checked in **Preferences**.)



3) Look for instances of a particularly low **EPS** figure to see if it has disproportionately raised the high or low Price Earnings Ratio figures for that year.

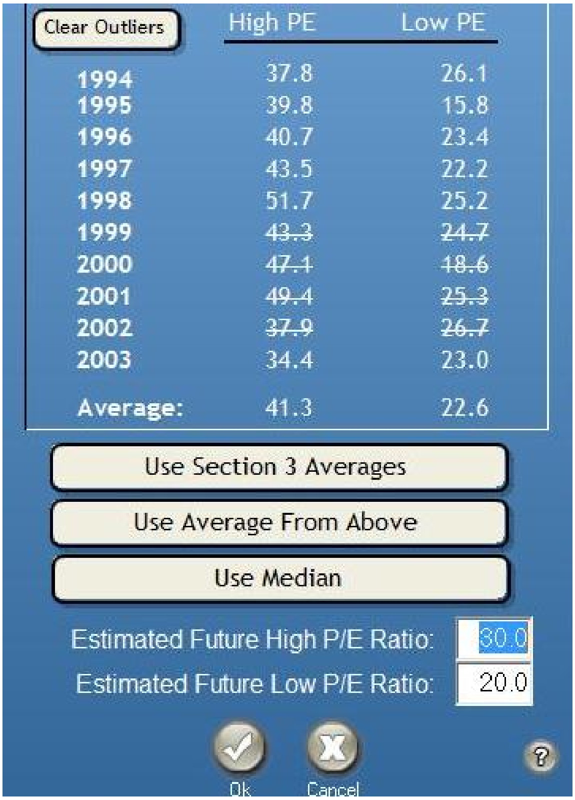
4) Observe the High and Low **Prices** for trends from year to year. Look carefully at the **High P/E** and **Low P/E** Columns for any significant trends that might affect the **Average High P/E** and **Average Low P/E**.

5) Determine whether to eliminate outliers by analyzing whether the data displayed varies significantly from the rest of the data in the column or row. Click on each of the Years (far left column) or header labels, or a specific data field to eliminate data. A red diagonal line will cross through any data eliminated as an "outlier."

NOTE: You may wish to look at the **Annual P/E Analysis** report at this point to analyze a full ten years of P/E data.

Section 4—Evaluating Risk and Reward over the Next 5 years

Unless you have done an **Stock Study** for this company before, or chosen to accept Toolkit default values, you will find the spaces for Average High P/E (4A) and Average Low P/E (4B) blank. This is to avoid the temptation to allow default values to substitute for your judgment.



Click on either the **Avg. High P/E** or the **Avg. Low P/E** boxes. (The area will be ringed in green, indicating that these fields must be filled, if "**Active Area Highlighting**" has been checked in Preferences). This will bring up the dialog box pictured on this page.

Any outliers selected in Section 3, or in **Annual P/E Analysis**, will be crossed out in this dialog and the averages displayed will be the average of the remaining data. You may elect to use those high and low averages or to override those values and substitute your own. Or you may eliminate more data to be more conservative.

There are three buttons at the bottom of the dialog to assist you in analyzing the historical P/Es:

Use Section 3 Averages: Selecting this button will use the 5 year average from section 3.

Use Average From Above: Selecting this button will use the 10 year average from the High and Low P/E section above, excluding any outliers if any are selected.

Use Median: Selecting this button will use the median or middle value. (If there were 9 data points, you would eliminate the 4 highest and 4 lowest and use the middle value. With 10 data points you would average the 2 center points.) Or you may want to average the lowest half or majority of the data by selecting the median and restoring all values below the median. When your choice differs from the default values in Section 3, red cross-outs in 4A and 4B will call attention to those differences.

High and Low Price/Earnings Ratio Graph

To help you spot any extraordinary numbers and their relation to the Average High and Low P/E Ratio, look at their graph. To open, click in the magenta box (if "**Active Area Highlighting**" was enabled in **Preferences**) in Section 3. The cursor also changes to here, indicating a closer look is available. The graph allows you to see ten years of P/E history and to compare the high and low P/Es with their five year averages (depicted in red).

Select High Earnings per Share ("Revenue-Based EPS Estimate")

Click on the **Estimated High Earnings** field (surrounded by a yellow box, if enabled in the **Preferences)** for a second opportunity to access and use the **Revenue-Based EPS Estimate** to fine-tune your high earnings estimate.

Adjust Forecast High Price

Forecast High price is automatically calculated for you as [**Selected High P/E**] X [**Estimated High Earnings/Share**]. If you would like to override this, click on the **Forecast High Price$** field (surrounded by a yellow box, if enabled in the **Preferences**) for an opportunity to adjust the high price.

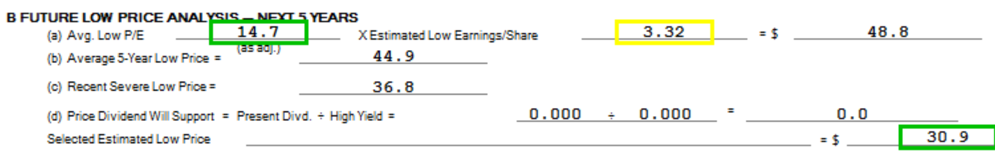
Select Low Earnings per Share

In Section 4, assuming the company operates normally, the program places the Earnings Per Share for the most recent year (from Section 3) as the Estimated **Low Earnings Per Share** over the next five years.

You can modify this data field by clicking in the appropriate area in 4-B (ringed in yellow if “Active Area Highlighting” has been checked in **Preferences**) and entering the data; click on “**OK**” to accept. Should you need additional guidance, review the section on amending the **Estimated High and Low Earnings per Share** in the “**What and Why**” section.

Select Low Price

On the back of the **Stock Study** form, Section 4:



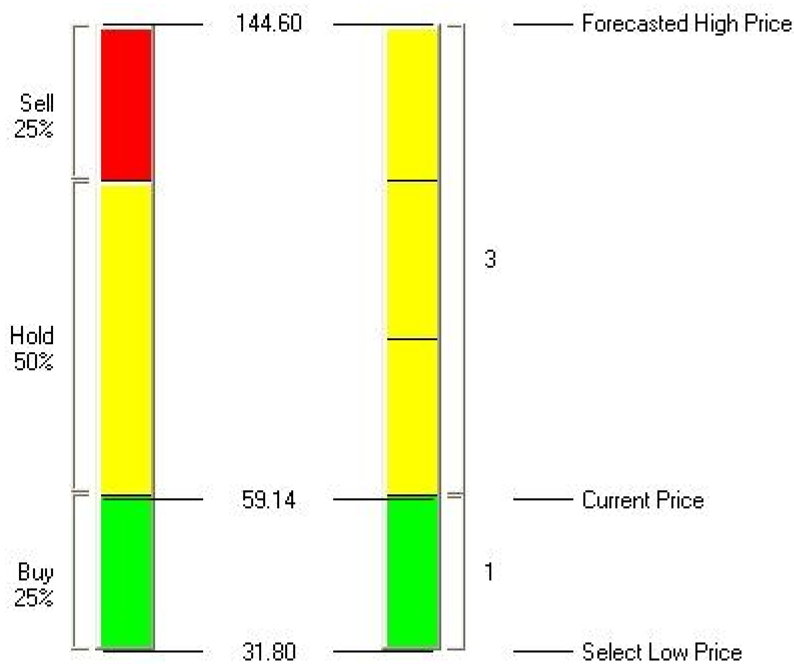
1) Click on the area in **Section 4-B, LOW PRICE ANALYSIS—NEXT 5 YEARS** located to the far right of the fifth line, **Selected Estimated Low Price** (ringed in green if “**Active Area Highlighting**” is enabled in Preferences). The Potential Low Stock Price Selection window offers seven options:

For guidance about these selections, see “**Estimate the Potential Low Price**” in the “**What and Why...**” section.

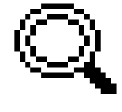
2) Click on your selection of “**Forecast Low Price**” or click on “**Other**” to enter your own estimate.

3) Click on “**OK**” to accept your choice, “**Cancel**” to reject it.

Graph—Price Ranges and Reward/Risk Ratio



Toolkit contains a graph to help you better visualize the “Buy,” “Hold” (Maybe), and “Sell” price zones in relation to the Reward/Risk Ratio. Click in the magenta box (if you enabled “Active Area Highlighting” in Preferences) around Section 4C & D. The cursor also changes into the “closer look” magnifying glass.

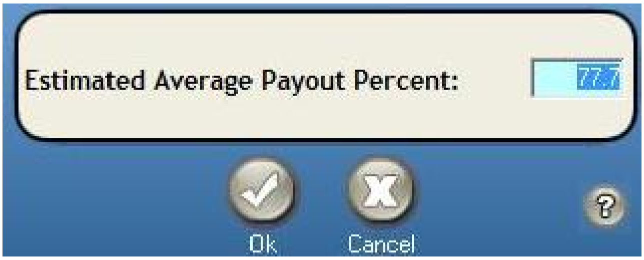


The bar graph on the left is the Price Range you selected in Preferences, either 33%-33%-33% or 25%-50%-25% (for a true 3-to-1 Reward/Risk Ratio). The bar graph on the right shows the Reward/Risk

Ratio, with the potential Reward of 3 and Risk of 1. The Current Price is indicated in the middle showing its relative position to the High and Low Prices and the Price Range and Reward/Risk ratio.

Section 5—Total Return Analysis

Select Percent Payout



PURPOSE: To calculate your current and potential dividend yield and its contribution to the potential return on your investment. Under Section **5-B AVERAGE YIELD USING FORECAST HIGH P/E**, the Avg. % Payout is obtained from Section 3(G)-Line 7.

To change this figure, click on the field (ringed in yellow if "Active Area Highlighting" has been checked in Preferences) to bring up the **Judgment–Average Percent Payout** screen and insert your estimate. Click "**OK**."

The Judgment Audit

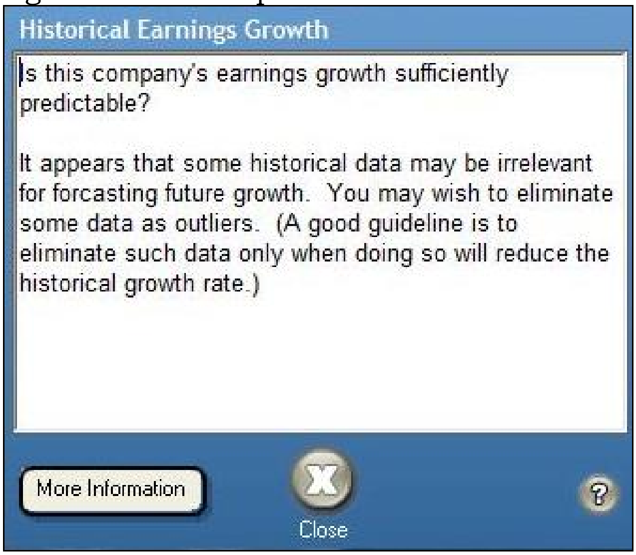
The Judgment audit combines several features in one handy window. It allows you to see what judgment items remain to be completed for your study, reset all judgment items to start your evaluation over, and highlight any judgment items that appear to depart from conventional, normal, or reasonable values.

Using the Judgment Audit

1) To open the "**Judgment Audit**" screen (below), click on the "**Audit**" button on the Company Toolbar.

2) Click the "**Reset Judgment**" button below the "Judgment Items" box to reset all judgment items you have entered.

3) Click on any checked item under the "Items to Check" on the right. This will open the "Take a Closer Look" information box.



4) Click on the "**More Information**" button to open the built in Help system for more in-depth information.

5) Click the "**Close**" button to close the screen.

Listed below are the types of issues to which ***Toolkit 6*** may call your attention.

Capitalization: Invites you to evaluate the capitalization of the company as it is displayed in the header on the front of the **Stock Study** (for example, if more than one third of the company's capitalization comes from debt).

Recent Quarterly Growth: Calls your attention to quarterly sales and earnings growth if it is lower than desirable or has declined.

Historical Sales Growth: Suggest when you might consider eliminating irrelevant historical sales data from the graph, asks you to assess if growth has been steady enough to be reasonably predictable, and/or calls your attention to what might be serious growth deficiencies you should examine.

Historical Earnings Growth: Same as Historical Sales Growth.

Forecast Sales Growth: Cautions you when your estimates of future growth might be too optimistic.

Forecast Earnings Growth Same as Forecast Sales Growth. Management Evaluation—calls your attention to possible management inefficiency.

Management Evaluation Suggests when you might want to re-examine the Pretax Profit, ROE and Debt To Equity figures in section 2 of the SSG, because they have a downward trend.

Historical P/Es: Suggest when you might want to consider eliminating some historical High or Low P/Es as outliers.

Future P/Es: Cautions you when your estimates of future P/Es may be too optimistic.

Low Price: Raises a caution flag if the current price appears to be too low compared with its price history.

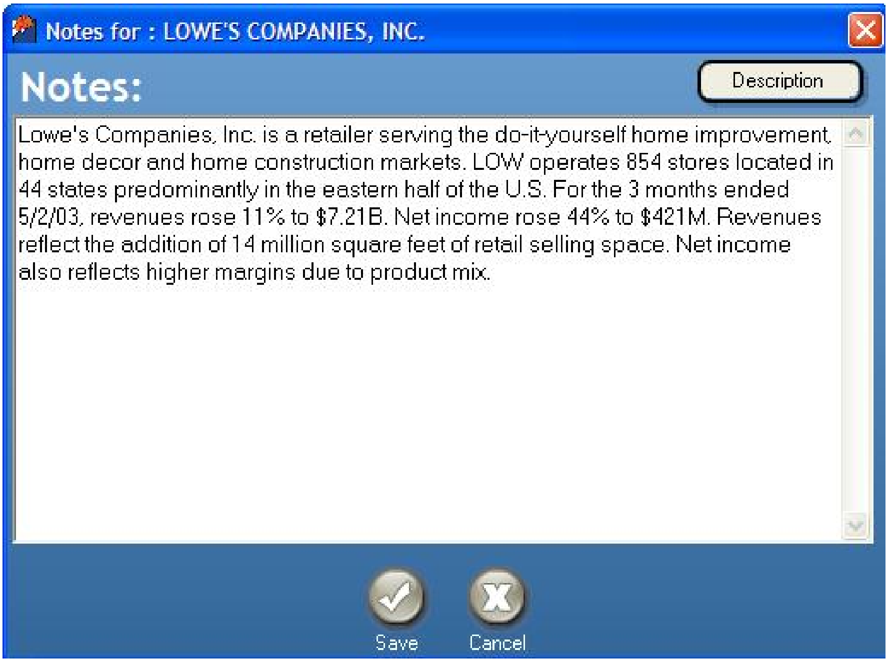
Result: Suggest conclusions you might draw from the compiled "Results" displayed in the Judgment Audit dialog box when all required judgment items have been completed.

Notes and Comments

Toolkit 6 provides separate notepad sections for a description of the company and for other information.

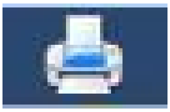
To access your Notepad, click on "Notes" on the Toolbar at the top of the company screen.

You can select, copy, and paste a business description from any of a number of Web sites into the **Description** area.You can enter your notes about recent fundamental changes, competition, the IR person's phone number, or a variety of other things in the **Notes** section.



CAUTION: When you export (and import) in the .SSG file format, the Notes will **not** be exported (or imported) with the file. Export either as a *.ITK file or as a zipped *.SSG file to keep Toolkit formatting, including Notes (see Exporting files). When you back up your data, however, these notes are preserved in the backed-up database file.

How to Print the Stock Study



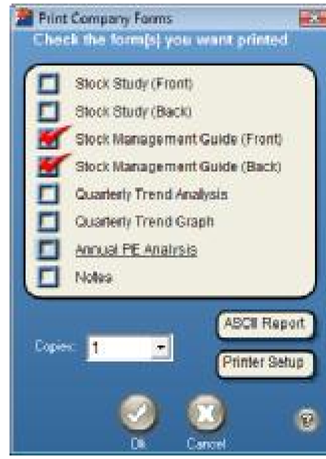
After completing your **Stock Study** you can print it.

Click the "Print" button on the form's Toolbar. This will open the "**Print Company Forms**" dialog.

1) Select if you wish to print the front and/or back of the **Stock Study**.

2) Enter the number of “**Copies**” to print.

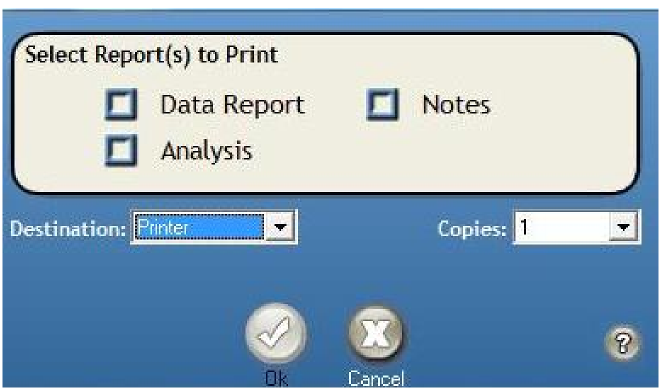
3) Click the “**Ok**” button.



NOTE: The company’s **Stock Study** must be open in order to print it.

ASCII Report

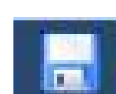
If you want a text printout of your company analysis information, just click on the “**ASCII Report**” button in the “**Print Company Forms**” screen where you select what report you wish to print.



This report can include the contents of your notes field for the company, as well.

How to Save a Company Stock Study

To save a company **Stock Study** after completing or making changes to it:



1) Click on the “**Save**” icon on the Toolbar. You will notice that the “**Save**” button will appear “grayed out” when you

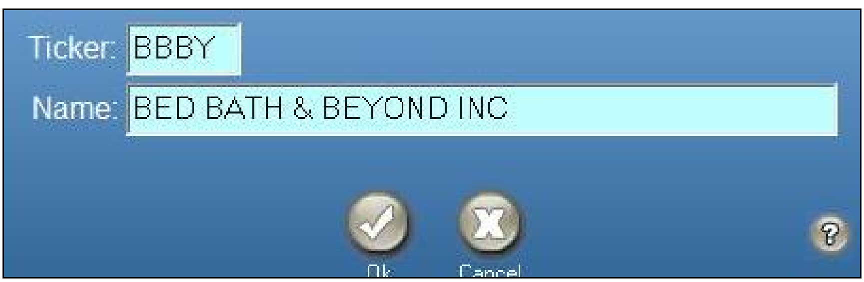
open a company saved in your Stock Library, but have not made any changes to the company.

Save a Duplicate of a Company Stock Study

You may wish to have more than one version of a company **Stock Study**. For example, you may wish to have separate versions for your club and yourself; or you may wish to save a version as it was when you decided to buy the company. To save a duplicate “copy” or version of a company **Stock Study**:

1) Select **File** > **Save Company As**....

2) In the “**Save Company As**” screen, enter a number after the company’s “Name”, e.g. Microsoft 2.



NOTE: When updating the company data from subscribed data files, or from a price file, any such duplicate “copy” will be ignored, and all copies will be updated (unless you select to exclude one or more them from updating during the updating process).

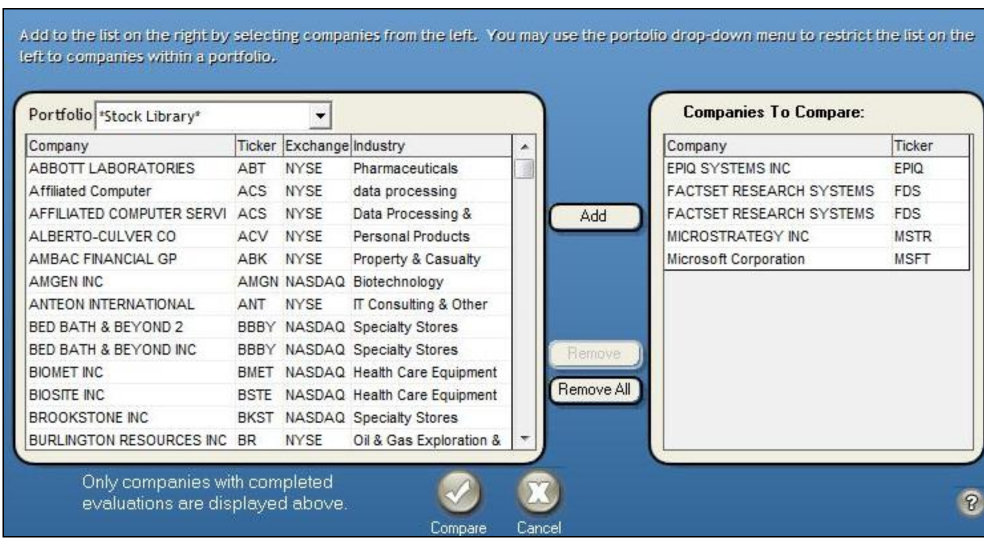
Comparisons

Step 1. Select Stocks to Compare

1) Click on the "**Compare**" button on the Main Toolbar.

2) In the "**Select Companies to Compare**" screen, select, from the Portfolio drop-down menu, a portfolio with the companies you want to compare, or select "**Stock Library**."

3) Choose companies to compare by clicking on the company to highlight it, and then click on the "**Add**" button to move the company to the right to the "**Companies To Compare**" listing. (You may also select companies by double-clicking on the company name.)

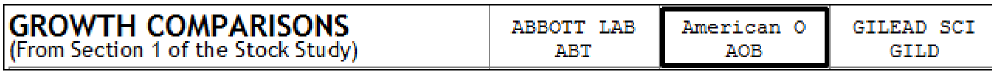


NOTE: Only companies for which **Stock Studi**es are completed will be displayed in the "**Select Companies to Compare**" dialog box.

4) To remove companies from the "Companies Selected" column, click on the company to select it and click on the "**Remove**" button. Or to remove all, click on the "**Remove All**" button.

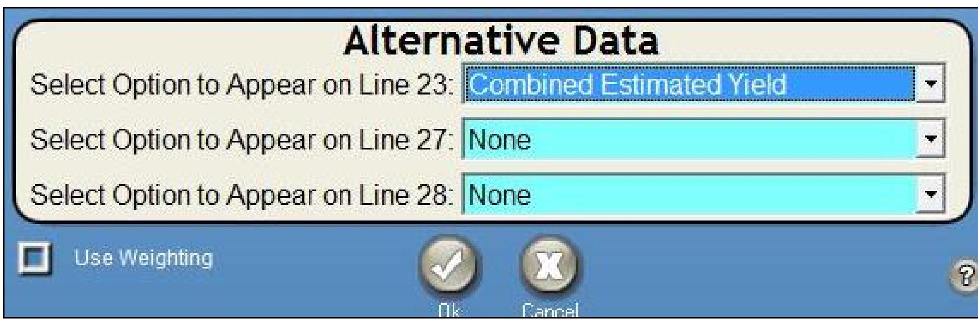
5) Click the “**Compare**” button to open the **Comparison.**

Step 2. Using the Comparisons



The Comparisons will import and list the data for each company selected. The “winners” for each line item will be circled and the overall “company winner” will be circled.

Step 3: Modify, Weight, and Eliminate Criteria



1) Click on the “**Criteria**” button to open the “**Specify Optional Criteria**” screen.

2) Click on the drop-down menu arrow in the applicable field to choose additional items to appear on Lines 23, 27 & 28.

3) If you wish to weight the scoring of criteria, click the “**Use Weighting**” checkbox.

4) Score each criterion on a scale of 1 to 5, giving a 5 to the items you believe to be the most important and a zero to those you wish to ignore. Click “Ok.” The weight given to each item will appear in the margin next to the item.

NOTE: You may choose to eliminate or allow items in grading by simply clicking on the item in the **Stock Comparison** report. The cursor will change from a "+" to a "-" when it passes over criteria you can eliminate.

Click on the label to eliminate the criterion. (An "X" will be placed next to the item in the margin.) If that item had been weighted, the "X" will replace the weighted value. When the item is restored, it will be restored with its weighted value. The cursor will change to a where eliminated criteria can be restored. **NOTE**: Your eliminated criteria and the assigned weights will both be saved until modified.

The Comparison Toolbar

To add additional companies or change those selected to appear in your Comparison, click on the "**Companies**" button to return to the "**Select Companies to Compare**" screen, where you may add companies to, or remove them from, the "Companies Selected" column.

Click on the "Circle All" button to circle all criteria. Or, click on "Circle None" to remove all circled criteria.

To see a quick view Stock Analysis Graph of the company, click on the company name. To close the Graph, click on the "Close" button.

To open a company's **Stock Study** directly from the **Comparison**, right-click on a company's name.

To return to the **Comparison**, select Windows from the **Menu Bar** and from the drop-down list select the **Comparison**.

To adjust the size of the **Comparison** to fit your screen, click on the "Zoom" button. Select a percentage amount from the drop-down menu, or type in your own number.

For context-sensitive Help, click on the help button on the Comparison screen Toolbar.

How to Print the Comparison

To print the **Comparison,** click the "**Print**" button on the **Comparison** Toolbar. Toolkit will print the **Comparison** on your default printer.

PORTFOLIO MANAGEMENT

Toolkit 6 adds a new dimension to fundamental portfolio management. It has abstracted the concepts behind the printed forms that investors have used for this task for more than a half century and has created a process that implements those concepts, producing the traditional forms as a by-product of that process.

For those purists who are accustomed to, and who prefer to use those forms, automated as they have been in the previous version, you may still do so. We have preserved the information about them and continue to include it here, after we deal with the "How to…" of the process. For a detailed discussion of Toolkit's portfolio management process, see the "**What we do…**" section of this manual.

The Home Page

The **Home Page** is where your portfolio management tasks begin. You may initiate your portfolio management tasks by clicking on the "**Manage a Portfolio**" text under "What do I do now?" but more often, you will merely wait to be reminded that it's time for them.

Defense and Offense

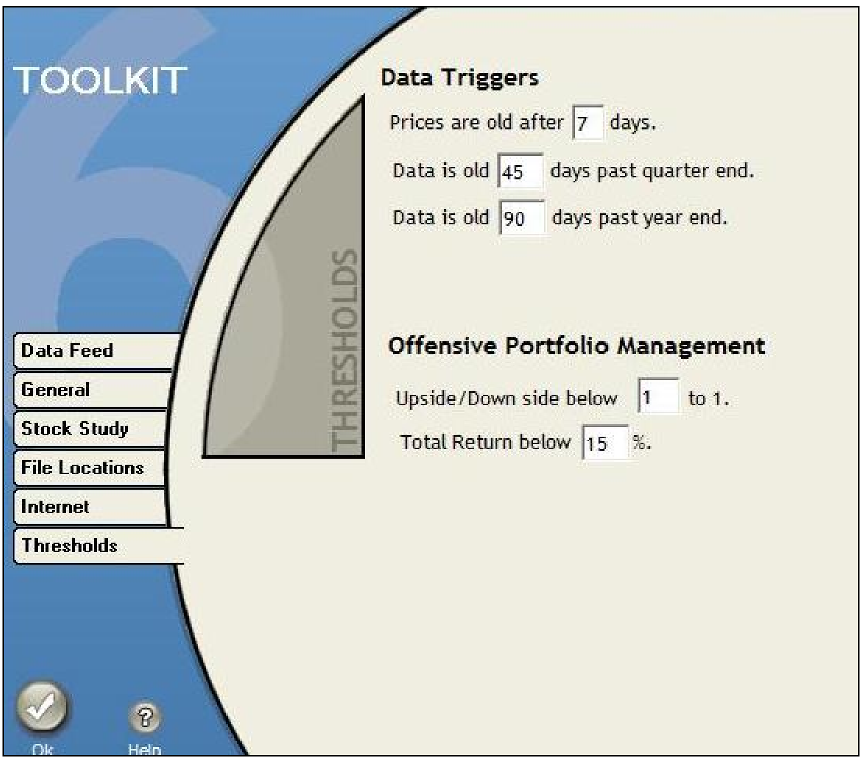
Portfolio management is divided into two distinct disciplines, Defense and Offense.

Defense. Protection from harm, prevention of loss. Done when new quarterly or annual data shows a company is no longer maintaining the growth characteristics you expected when you bought the stock. You will set reminders in **Preferences** so you can be advised when each company is due to report new data.

Offense. Enhancement of your portfolio's performance by replacing good companies whose price has become too high to offer you sufficient return at minimal risk.

Scheduling

You will set thresholds in **Preferences** to signal when the reward and/or risk becomes sufficiently high and low respectively to warrant your attention. To set these preferences, click "**Preferences**" on your main toolbar, and then select the "**Thresholds**" tab.



Data Triggers

Set the "**Prices are old after...**" to the number of days after which you wish to be reminded to update your prices. The default value is 7.

Set the "**Data is old...quarter end**" to the number of days after the end of the quarter you wish to be reminded. Companies have 45 days before they're required to report their quarterly results so you will want to give enough time for that information to have been reported, obtained and processed by your data provider, and made available for use. The default is 45 days but you may wish to add an extra ten days or two weeks before you attempt to acquire it. A nominal value would be 60.

Set the "**Data is old...year end**" to the number of days after the end of the **fiscal year** you wish to be reminded. Companies have 90 days before they're required to report their annual results. The default is 90 days but you may wish to add an extra ten days or two weeks before you attempt to acquire it. A nominal value would be 115.

Reminders

On your **Home Page**, you will find two sections that will assist you in your portfolio management tasks. The first is the section labeled "**Requires Attention**" This area is dormant when all is quiet and your portfolios are all in synch with your expectations, there is no new data, and prices are up to date. However, when any of those is out of synch, it will appear in red text in that section. Here, your attention is called to all three areas:

Update Prices

When in **red**, this reminder tells you that one or more of the companies in your stock library has not had its price updated for a period beyond the threshold you set. Click on "**Update Prices**" to pull in the new prices for all of the stocks in your stock library. You may scan the list to see if all prices are satisfactory and to get a quick look at those companies whose new price puts it in your "**Buy**" zone.

If you wish to see only those companies whose prices are stale, right-click on "**Update Prices**" to see one of the following options:

> **Update all prices**. Same as left-clicking above.
>
> **Show stale prices**. Displays the company and date the last time the price was updated. Double-clicking on a company in this list will open the respective **Stock Study** from which you may update its price individually.

Update Data

When in red, this reminder tells you that one or more of the companies in your stock library should have new data available. Clicking on "Update Data" displays a list of only those companies whose data is older than the thresholds you set. You have the option of updating any company you select or updating the entire list.

For your portfolio management tasks, it is most efficient to click on "**Update All**," to update just those companies whose data is due. The update will replace all data for which data is available in the data file. (To add only new data and leave the existing data intact, see "**Changes Only**" in the section below on **Updating Data**.)

NOTE: You may update the entire stock library, a single portfolio, or a single stock if you wish. And you have the option of replacing all available data or adding only the new data. For a complete discussion of these options, see the Portfolios section and the following.

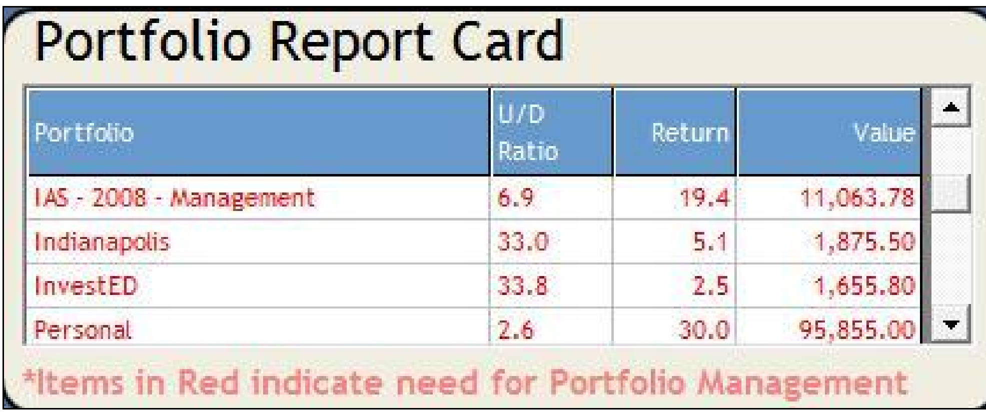
Incomplete Studies

This reminder notifies you that there are some companies in your database for which you have the data but have not completed the evaluations required for them to be considered in any of the portfolio management processes. You may click on “**Incomplete Studies**” to display a list of those companies that require judgment.

Double-clicking on any company in the list will open its **Stock Study** for you to complete its **Stock Study**.

The Portfolio Report Card

Toolkit 6 keeps you informed about the aggregate market value of your portfolios and the status of their risk and return.



Portfolio Report Card

Portfolio	U/D Ratio	Return	Value
IAS - 2008 - Management	6.9	19.4	11,063.78
Indianapolis	33.0	5.1	1,875.50
InvestED	33.8	2.5	1,655.80
Personal	2.6	30.0	95,855.00

*Items in Red indicate need for Portfolio Management

At a glance you can see the results of price and data updates, and, depending upon whether the portfolio is displayed in black or red, see which, if any, of your portfolios requires your attention having one or more stocks that has slipped past your threshold for defensive or offensive action. Click on any portfolio to display its Portfolio Overview.

Portfolio Overview

The **Overview** is the control center for detailed information about your portfolio and the stocks within it. It is also an effective portfolio maintenance center in which you may add or remove holdings, change the number of shares, update the data and price for each individual stock or for the portfolio as a whole. You may even “**Challenge**” any stock in your portfolio to see how it fares against any others in your **Stock Library**. To do any of these tasks, select an individual stock and click the appropriate button to the right of the grid. The top of the screen offers you more detail about the specific portfolio's performance.

Company names in red indicate that the company requires you to complete your **Stock Study** to qualify it for consideration in some of the other portfolio management activities. Obviously a stock can't be used to challenge, compare, make a contribution to the hypothetical performance of a portfolio, or be considered intelligently as a part of a watch list if you haven't completed the judgments that determine its quality parameters and its potential return and risk.

The Data Date in red indicates that the company is **overdue for reporting** its financial results for the quarter or year and that you might want to update the data or prices. If you hadn't already updated the data and prices when reminded on the **Home Page**, click on the "**Update Portfolio Data**" button beneath the grid to update just that portfolio's data.

A Price Date in red indicates that the price is stale according to your threshold. You may update that portfolio's prices by clicking on the "**Update Portfolio Prices**" button beneath the grid.

You may change portfolios using the pull-down menu in the upper right corner of the **Overview**. You may dismiss the **Overview** by clicking "**OK**" at the bottom of the screen.

It is from the **Overview** that you will implement your Offensive and Defensive strategies when desired or required. To do so, click on the "**Alerts**" button at the top left corner of the **Overview** screen.

Alerts

The **Alerts** screen has taken the drudgery out of the **Portfolio Review**. It has selected from your portfolio all the companies that have crossed your thresholds for Defense and Offense. It presents you with all of the information necessary to make your initial "hold" or "look further" decisions. And it gives you access to all of the tools necessary for making your final decisions.

As with the **Overview**, you may toggle back and forth between the **Overview** and the **Alerts** screens using the button in the upper left corner; and you can select another portfolio using the pull-down menu in the upper right. Common to this screen also are the buttons allowing you to update your portfolio's data and prices and access the printed reports.

Defense

Compare, Analyze, Decide Indication:

If the "Update Data" text on Home Page is red, then follow these steps.

Action:

1) Click on "**Update Data**" to see which companies are due to have new data.

2) Click on "**Update All**."

3) Click on **Update Prices** (not necessary for **Defense**; but might affect **Offense** thresholds).

4) Double-click on the portfolio displayed in **red** that requires attention.

5) All companies displayed in Overview should be displayed in black. All dates should be black. If any company is **red**, double-click it to complete the **Stock Study**, then return to **Overview**.

Compare

6) Click on the "**Alerts**" button at the top left corner of the Overview screen.

Analyze

Defense   Data Source: Quarterly Trailing 12 Mos

Ticker	Name	Sales Exp	% Chg Sales	% Diff	EPS Exp	% Chg PTP	% Diff	% Chg EPS	% Diff	Action
ACS	(sample) Affiliated Computer	18.4	6.7	-63.4	16.3	29.4	80.0	33.0	101.9	
BBBY	(sample) Bed Bath & Beyond	10.0	5.5	-45.5	10.0	-12.2	-221.9	-4.8	-147.9	
CAKE	(sample) The Cheesecake Fact	10.0	11.8	17.9	10.0	-16.4	-264.3	-10.7	-206.9	
EBAY	(sample) eBay	20.0	24.9	24.6	20.0	25.1	25.6	6.8	-66.0	
FDO	(sample) Family Dollar Store	8.0	1.0	-87.2	8.0	-9.0	-212.9	-2.2	-127.9	

7) Select **Trailing 12 Mos** for "**Data Source**" above the grid. Only the data that has crossed your threshold will be highlighted in **red**.

8) Locate the first "**% Diff**" column to the right of "**Sales Exp**." and click on the column header to sort it with the lowest values at the top. (Click a second time if it sorts the other way.)

9) Scan down the "**% Chg Sales**" column until you come to a value that is acceptable. Those whose values in the "**% Chg Sales**" column are in black should be acceptable—as may be some that are just a little short of your expectations (which you can see in the column to the left).

10) Beginning with the first company with acceptable values, select each company and click on the "Hold" button to the left of the grid to place a "Hold" in the "Action" column. Do that for all below it.

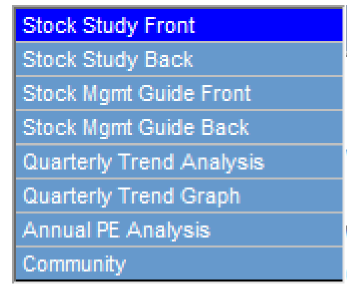
11) Repeat 7, 8, and 9 with the "Pre-tax Profit" and "EPS" columns. *If a company marked* "Hold" *is unacceptable on the basis of either* "Pre-tax Profit" or "EPS," *click on the* "Hold" *button a second time to reverse the* "Hold" *action.*

12) Click on the "**Action**" column header to bring those companies to the top that require further action.

Decide

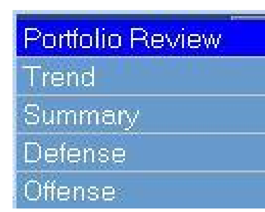
13) Click on the "**Check Trends**" button to the right of the grid. Once there, you may wish to go directly to the…

Quarterly Trend Graph.



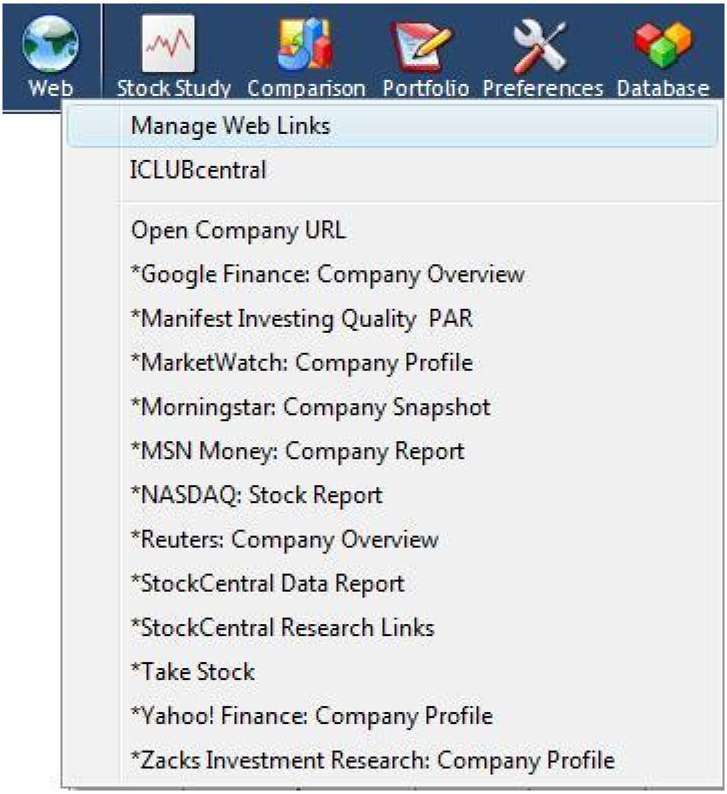
The rest of the individual company forms (**Stock Study, Comparison, Stock Management Guide, and Annual P/E Analysis**) are all available from a pull-down menu at the upper left corner of your **Quarterly Trend Analysis** or the other company forms.

You also have all of the portfolio forms to work with (**Portfolio Review, Trend, Summary, Defense**, and **Offense**) by clicking on the "Reports" button beneath the Offense grid in the **Alerts** screen.



A similar pull-down menu for portfolio forms is at the upper left corner of all portfolio forms.

Assuming you have an active connection to the Internet running, you may access it at any time by clicking on the "Web" button on the main toolbar. If you have a company selected, you may select any Internet destination you may wish to visit for your research. Those that are company-specific will appear as will those generic sites you may have selected. You have full control over the sites that populate that menu (see the following).



Using the tools just described, you can carry out all of the research required to find out if a problem is likely to be only transient or a serious and long-term situation management is unlikely to be able to fix.

See the "**What and Why...**" section for a more detailed discussion of what you should look for in this phase of the process.

When you have completed your research and are ready to make your decision:

14) Close whatever form or browser you have been working with to return to the Alerts screen.

15) Record your decision by clicking either on either the “Hold” or “Sell” buttons to the right of the grid.

16) Click on the “**Reports**” button to view your **Portfolio Review Report**.

You can switch to the **Defense Report** from here and use it as a worksheet when you call your brokerage to sell any stock you may have decided to sell, or close the report, and continue to check your Offense stocks.

Offense

Check Risk & Reward, Reevaluate, Challenge Indication:

After updating prices in your portfolio(s), if there are any companies listed in the Offense section, follow these steps.

Action:

1) Double-click on the portfolio displayed in **red** that requires attention.

2) All companies displayed in **Overview** should be displayed in black. All dates should be black. If any company is red, double-click it to complete the **Stock Study**, then return to **Overview.**

Check Risk & Reward

3) Click on the “**Alerts**” button at the top left corner of the **Overview** screen.

Re-evaluate

Offense

Ticker	Name	Relative Value	U/D	Total Return	Target Return	Action
FAST	FASTENAL COMPANY	68.2	.6	6.2	15.0	
INTC	INTEL CORPORATION	32.2	.5	3.3	50.0	
SDS	SUNGARD DATA SYSTEMS INC.	213.5	-.1	-1.2	12.2	

4) Click on the label at the top of the **Total Return** column to sort from low to high. Click twice if necessary. Those values in the U/D and Total Return columns that have crossed your preset thresholds will appear in red.

5) Double-click the first company to bring up its **Stock Study**.

6) Look at the recent performance and re-estimate EPS growth to reflect more closely actual performance. (See the "**What and Why...**" section for guidance on this procedure.

7) Re-estimate the high P/E to reflect more closely actual performance.

8) Save the reevaluated **Stock Study** and close it to return to the **Alerts** screen.

9) If the company remains in the Offense grid, decide if you should replace or hold it.

10) If you decide to continue to hold it, click on the "**Hold**" button and repeat the process with the next company.

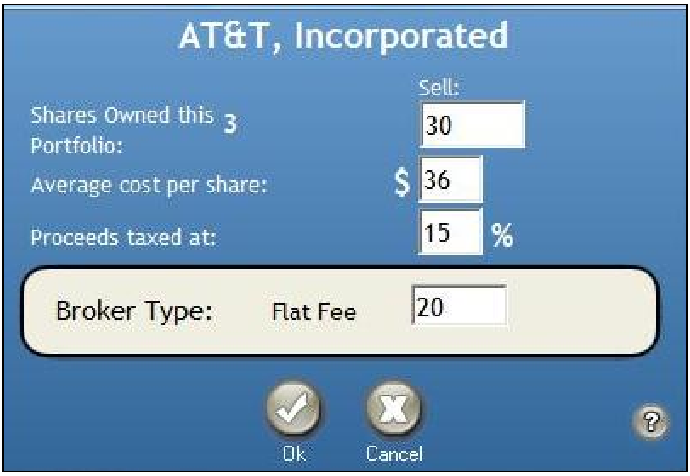
Challenge

1) Should you decide to replace the stock, click on the "**Sell**" button.

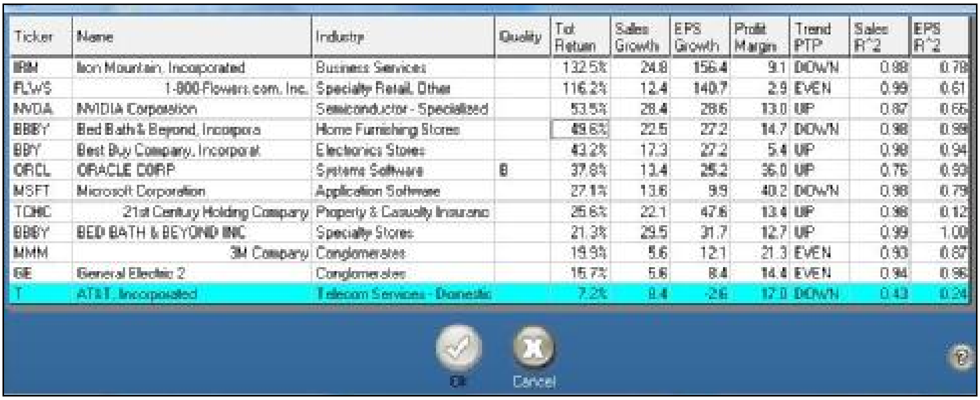
2) Click on the "**Challenge**" button.

3) Enter the required data in the "**Challenge Param-**

eters” dialog box and click on the “**OK**” button to continue the Challenge process.



The company you wish to replace will be highlighted in turquoise and displayed with all of the other stocks in your **Stock Library**. The stocks will be ranked in order of Total Return so that each stock appearing above the one you wish to replace will have a greater potential return.



Ticker	Name	Industry	Quality	Tot Return	Sales Growth	EPS Growth	Profit Margin	Trend PTP	Sales R^2	EPS R^2
IRM	Iron Mountain, Incorporated	Business Services		132.5%	24.8	156.4	9.1	DOWN	0.88	0.78
FLWS	1-800-Flowers.com, Inc.	Specialty Retail, Other		116.2%	12.4	140.7	2.9	EVEN	0.99	0.61
NVDA	NVIDIA Corporation	Semiconductor - Specialized		53.5%	28.4	28.6	13.0	UP	0.87	0.65
BBBY	Bed Bath & Beyond, Incorpora	Home Furnishing Stores		49.6%	22.5	27.2	14.7	DOWN	0.98	0.98
BBY	Best Buy Company, Incorporat	Electronics Stores		43.2%	17.3	27.2	5.4	UP	0.98	0.94
ORCL	ORACLE CORP	Systems Software	B	37.8%	13.4	25.2	36.0	UP	0.76	0.93
MSFT	Microsoft Corporation	Application Software		27.1%	13.6	9.9	40.2	DOWN	0.98	0.79
TCHC	21st Century Holding Company	Property & Casualty Insuranc		25.6%	22.1	47.6	13.4	UP	0.98	0.12
BBBY	BED BATH & BEYOND INC	Specialty Stores		21.3%	29.5	31.7	12.7	UP	0.99	1.00
MMM	3M Company	Conglomerates		19.9%	5.6	12.1	21.3	EVEN	0.93	0.87
GE	General Electric 2	Conglomerates		15.7%	5.6	8.4	14.4	EVEN	0.94	0.96
T	AT&T, Incorporated	Telecom Services - Domestic		7.2%	8.4	-2.6	17.0	DOWN	0.43	0.24

Your first concern is that your replacement be of equal or better quality. In addition to the Total Return, columns showing the Quality Rating, Sales and EPS growth, Profit Margins and their trends, and Sales and EPS stability (R-squared) are displayed. You must compare those quality measures with those of the stock you want to replace in order to be certain that the Total Return is not the result of poor fundamental performance and the attendant lower price.

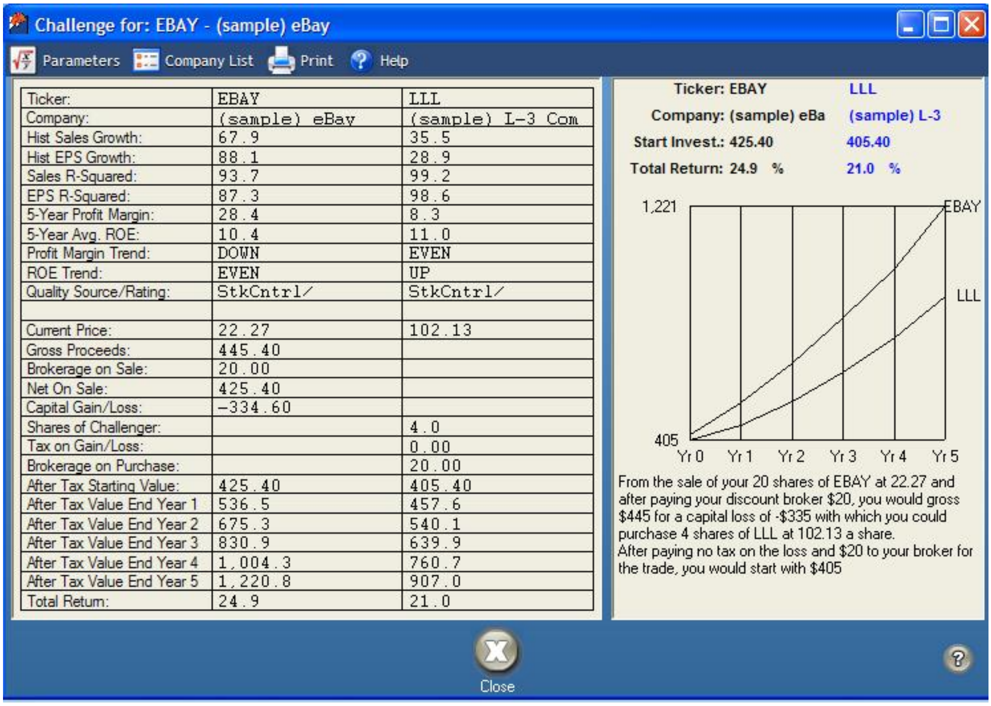
A column showing the companies' industries is displayed to assist you if diversification by industry is important to you in seeking a replacement.

4) Beginning at the top of the list, work your way down until you find a company that appears to be a good candidate for replacing the one you have decided to sell. (See "What we do..." for a discussion of this process.

5) When you find a promising candidate, select it and click "Ok" to display the detailed

Challenger

At the top of the left side of the Challenger are the quality parameters, side by side for comparison. Beneath those are displayed the financial details of the proposed transaction. On the right is a graphic comparison of the growth of your investment should you hold the stock you are considering challenging or decide to replace it.



Ticker:	EBAY	LLL
Company:	(sample) eBay	(sample) L-3 Com
Hist Sales Growth:	67.9	35.5
Hist EPS Growth:	88.1	28.9
Sales R-Squared:	93.7	99.2
EPS R-Squared:	87.3	98.6
5-Year Profit Margin:	28.4	8.3
5-Year Avg. ROE:	10.4	11.0
Profit Margin Trend:	DOWN	EVEN
ROE Trend:	EVEN	UP
Quality Source/Rating:	StkCntrl/	StkCntrl/
Current Price:	22.27	102.13
Gross Proceeds:	445.40	
Brokerage on Sale:	20.00	
Net On Sale:	425.40	
Capital Gain/Loss:	-334.60	
Shares of Challenger:		4.0
Tax on Gain/Loss:		0.00
Brokerage on Purchase:		20.00
After Tax Starting Value:	425.40	405.40
After Tax Value End Year 1	536.5	457.6
After Tax Value End Year 2	675.3	540.1
After Tax Value End Year 3	830.9	639.9
After Tax Value End Year 4	1,004.3	760.7
After Tax Value End Year 5	1,220.8	907.0
Total Return:	24.9	21.0

6) If you are dissatisfied with your selection, click on "**Company List**" on the bar at the top of the Challenger to return to the **Smart Challenger** and find another.

7) When you do find a satisfactory replacement, click "Print" on the bar at the top of the **Challenger** to print it out and document your decision.

8) Click "**Close**" to return to the Alerts screen and complete the list as above.

9) When you have finished your Offense tasks, click on the "**Reports**" button beneath the grid on the **Alerts** screen.

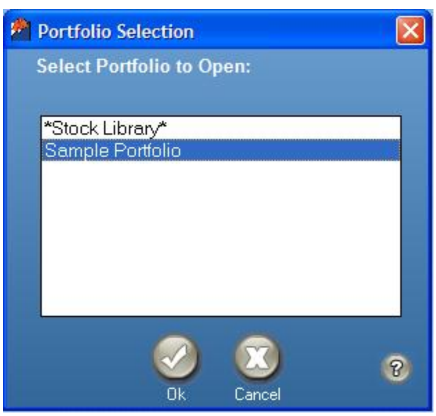
With your **Offense Report** and your Challenge results, you are prepared to call your brokerage and implement the results of your work.

Portfolio Management Reports

For those who prefer to continue to use the original forms for their portfolio management chores, we have included this section. Any detailed discussion about the interpretation of the forms will be found in the “**What and Why...**” section of this manual. This section is intended to help you only with the mechanics of launching the forms and making use of whatever automation of those forms we have incorporated.

All of the portfolio management reports can be accessed in a similar fasion:

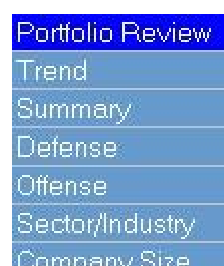
1) Click on the “**Portfolio**” button on the Main Toolbar.



2) In the **“Portfolio Selection**” screen, click on the portfolio you wish to open, and click “**Ok**.” This brings up the default Portfolio Overview Report.

4) Adjust the size of the **Portfolio Review** by clicking on the resize button and selecting a percentage number.

Alternately, if you are looking at the Portfolio Overview window, you can simply click the “**Reports**” button to get to the same location.



Once you have the default report open, you can use the “**Select View**” menu in the top left-hand corner of each report to select a specific report. Placing your mouse pointer over the menu will reveal the available reports. The “**Views**” in the **Portfolio Review** are **Portfolio Review**, **Trend**, **Summary**, **Defense**, **Offense**, **Sector/Industry**, and **Company Size**.

Portfolio Review

PURPOSE: To monitor the performance of the companies in your portfolio or Stock Library to determine whether they are living up to your expectations.

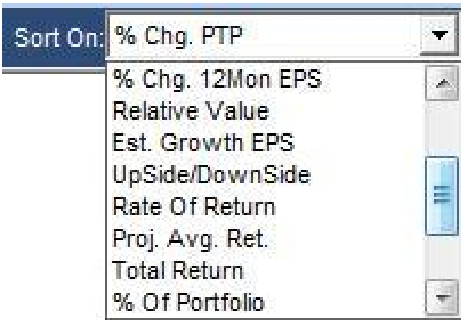
Navigating

Use the scroll bars to move the **Portfolio Review** form by clicking on the arrows on the side, and the arrows on the bottom.

"**Next**" and "**Previous**" buttons at the bottom of the **Portfolio Review** are to go to the Next or Previous Page.

Sorting Portfolio Review Data

You may sort many of the columns in your Portfolio data in the **Portfolio Review** by using "**Sort On**" on the **Portfolio Review** Toolbar.



1) On the **Portfolio Review** Toolbar, click on the "**Sort On**" drop-down menu arrow.

2) Select from the list. You may sort on: Name, Ticker, % Chg. EPS, % Chg. Sales, % Chg. PTP, % Chg 12-month EPS, Relative Value, Est. Growth EPS, Reward/Risk (Upside- Downside ratio), Rate of Return, Projected Average Return, Total Return, % of Portfolio, % P/E /

Growth (PEG), % Difference Sales Growth, % Difference PTP Growth, % Difference EPS Growth, Dividend, % Yield.

3) Click on either the descending “**A-Z**” or the ascending “**Z-A**” button.

NOTE: You can also move your cursor over the heading of the column on which you wish to rank the report. The cursor will change to an up-arrow. To sort in an ascending (Z-A—lowest to highest, or worst to best) simply click on that column heading. To sort in the opposite direction, hold down the [Shift] key and click to change to a down-arrow and sort in a descending order (A-Z—highest to lowest, best to worst).

4) Click on the Internet to open your browser to the Yahoo Web site. With it already populated with the stocks in your portfolio and all of the latest news listed by company.

Highlighting Alerts on Portfolio Review Form

The Portfolio Review form also has “area number highlighting” to alert you when the numbers fall outside of the normal range.

Pink Background Caution Alerts

EPS			SALES		PRE-TAX PROFIT			TTM EPS	
QTR END	$	% CHG	MILL $	% CHG	MILL $	% CHG	% SALES	$	% CHG
03/09	0.95		1,610.4		144.7		9.0%	3.57	
03/08	0.85		1,542.4		129.1		8.4%	2.69	
		11.5%		4.4%		12.1%			32.7%
02/09	0.55		1,923.3		231.8		12.1%	1.64	
02/08	0.64		1,933.2		265.1		13.7%	2.09	
		-15.1%		-0.5%		-12.5%			-21.2%

The **EPS, Sales, Pre-Tax Profit**, and **Trailing 12 months EPS** will be **Pink** if their **Growth Rates** are less than the Estimated Growth Rates EPS.

Yellow Background Caution Alerts

The **Proj RV** (Relative Value) will be **yellow** if the RV is less than 80 percent or higher than 150%.

RWD/RSK (Reward/Risk Ratio) will be **yellow** if the ratio is less than 3 to 1.

% Total Return will be **yellow** if the figure is less than 10%.

PROJ RV	PROJ 5 YR P/E RATIOS			EST EPS GROWTH	PEG RATIO	RWD / RSK	% TOTAL RETURN
	HI	AVG	LOW				
83.1	32.1	25.8	19.4	-10.0	-214.1	0.0-	-.1
-13.1	17.6	14.1	10.5	0.0	NAN	0.0-	.
130.3	33.0	27.4	21.8	9.8	364.1	0.4	6.6

Red Price Dates

The Date when the stock Price was last updated will be in **red** if it is older than seven (7) days.

How to Open Quarterly Trend Analysis from Portfolio Review

If you use ***Toolkit 6***'s portfolio management process, you will usually open **Quarterly Trend Analysis** from the **Alerts** window. If not, the most intuitive means of opening it is directly from the Portfolio Review, to further your research.

Within the **Portfolio Review** form you may open the **Quarterly Trend Analysis** form for any company by double-clicking on the company's row of data. An information pop-up appears when you rest your cursor to let you know this feature is available.

See "**What and Why…**" for more details about using **Quarterly Trend Analysis.**

Portfolio Trend Report

Toolkit 6

Portfolio Trend Report

Page: 1 of 2
Portfolio: Sample Portfolio
Prepared using Toolkit 6

Date 06/13/2009

TICKER	COMPANY NAME / Size	PERCENT CHANGE QTR. SALES	QTR. PTP	QTR. EPS	12 Mo. EPS	EST. EPS GROWTH	PROJECTED AVG. RET.	TOTAL RETURN	NUMBER OF SHARES	DOLLAR VALUE	% OF PORTFOLIO	SSGuide Recommends
ACS	Affiliated Computer Srvcs	4.4%	12.1%	11.49%	32.74%	6.7%	10.4%	12.8%	20	928.2	6.8%	
	Large	6.7%	7.6%	-6.34%	90.80%					46.41 06/12/09		
BBBY	Bed Bath & Beyond	-0.5%	-12.5%	-15.06%	-21.23%	6.2%	5.9%	9.7%	20	567.2	4.2%	
	Large	0.7%	33.6%	31.37%	19.53%					28.33 06/12/09		
FDO	Family Dollar Store	0.7%	37.2%	30.11%	26.49%	7.2%	6.5%	12.5%	20	589.3	4.4%	
	Large	4.2%	12.5%	14.95%	5.31%					29.49 06/12/09		
FISV	Fiserv	-20.3%	4.4%	11.90%	-9.74%	6.0%	5.0%	7.3%	20	933.7	7.0%	
	Medium	177.0%	16.0%	14.16%	-14.72%					46.68 06/12/09		
GE	General Electric Co.	7.8%	48.6%	36.76%	31.11%	4.2%	27.6%	26.6%	20	270.2	2.0%	Buy
	Large	-4.9%	-138.8%	-106.32%	-23.13%					13.51 06/12/09		
HOG	Harley-Davidson	-1.2%	-11.8%	-24.78%	-31.21%	7.0%	32.1%	36.4%	20	333.5	2.5%	Buy
	Large	-6.8%	-57.7%	-56.44%	-24.37%					16.68 06/12/09		
JNJ	Johnson & Johnson	1.8%	56.6%	23.11%	12.70%	6.0%	17.0%	16.6%	20	1127.2	8.4%	Buy
	Large	6.4%	6.8%	9.35%	7.40%					56.36 06/12/09		
JCI	Johnson Controls	-32.9%	-142.0%	-141.37%	-49.33%	4.0%	12.2%	10.0%	20	431.4	3.2%	
	Large	-22.6%	-134.1%	-123.08%	-17.52%					21.57 06/12/09		
KSS	Kohl's Corp	-4.6%	-17.6%	-14.93%	-14.51%	2.2%	4.7%	10.0%	20	931.3	7.0%	
	Large	0.6%	17.6%	13.96%	12.39%					46.39 06/12/09		
LLL	L-3 Communications	3.7%	3.3%	0.73%	12.93%	11.0%	28.3%	32.6%	20	1488.3	11.1%	Buy
	Large	5.4%	6.3%	22.56%	14.39%					74.42 06/12/09		
LLTC	Linear Technology Corp	-13.7%	-7.1%	5.33%	24.35%	3.9%	16.8%	22.1%	50	1179.0	8.8%	Buy
	Medium	10.3%	11.4%	20.30%	28.34%					23.58 06/12/09		
ORLY	O'Reilly Automotive	80.1%	38.6%	15.33%	-3.57%	6.0%	1.7%	6.2%	20	720.3	5.4%	
	Medium	84.5%	6.4%	-2.37%	-8.53%					30.34 06/12/09		

PURPOSE: To analyze the trend of the operations of the companies in the portfolio over two consecutive quarters relative to earnings, sales, and pre-tax profit in order to view the "trend of the trends." For further information, see "**What and why.**"

Using the Portfolio Trend Report:

1) From any portfolio report, click on "**Select Views**" drop-down menu, then click on "**TREND**" to highlight and select. This will open the "**Trend Report**."

2) Adjust the size of the **Trend Report** by clicking on the button and selecting a percentage number.

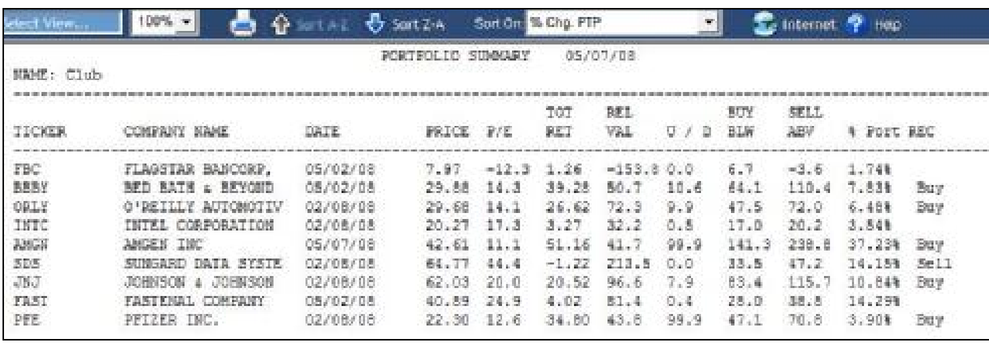
3) **NOTE**: The resized **Trend Report** will reopen to this same new size the next time it is opened. Window size depends on the size of your monitor and your screen resolution settings.)

4) Your stocks will appear ranked in whatever order they were in before you opened the report.

5) You may sort them in the same fashion as the **Portfolio Review**. See "**Sorting Portfolio Review Data**" for more information.

Portfolio Summary Report

PURPOSE: To summarize, in report form, the stocks in a portfolio along with the **Stock Management Guide's "Buy," "Hold**," or "**Sell**" "recommendations."



PORTFOLIO SUMMARY 05/07/08

NAME: Club

TICKER	COMPANY NAME	DATE	PRICE	P/E	TOT RET	REL VAL	U / D	BUY BLW	SELL ABV	% Port	REC
FBC	FLAGSTAR BANCORP,	05/02/08	7.97	-12.3	1.26	-153.8	0.0	6.7	-3.6	1.74%	
BBBY	BED BATH & BEYOND	05/02/08	29.88	14.3	39.28	80.7	10.6	44.1	110.4	7.83%	Buy
ORLY	O'REILLY AUTOMOTIV	02/08/08	29.68	14.1	26.62	72.3	9.9	47.5	72.0	6.48%	Buy
INTC	INTEL CORPORATION	02/08/08	20.27	17.3	3.27	32.2	0.8	17.0	20.2	3.84%	
AMGN	AMGEN INC	05/07/08	42.61	11.1	51.16	41.7	99.9	141.3	238.8	37.23%	Buy
SDS	SUNGARD DATA SYSTE	02/08/08	64.77	44.4	-1.22	213.5	0.0	33.5	47.2	14.15%	Sell
JNJ	JOHNSON & JOHNSON	02/08/08	62.03	20.0	20.52	96.6	7.9	83.4	115.7	10.84%	Buy
FAST	FASTENAL COMPANY	05/02/08	40.89	24.9	4.02	81.4	0.4	28.0	38.8	14.29%	
PFE	PFIZER INC.	02/08/08	22.30	12.6	34.80	43.8	99.9	47.1	70.8	3.90%	Buy

Using the Portfolio Summary:

1) From any portfolio report, click on "**Select Views**" drop-down menu, then click on "**Summary**" to highlight and select. This will open the "**Portfolio Summary**."

2) Your stocks will appear, ranked in whatever order they were ranked previously. You may sort them in the same fashion as the Portfolio Review. See "**Sorting Portfolio Review Data**" for more information.

Portfolio Defense Report

Purpose: To serve as a reminder of the reasons for defensive "sell" decisions and the "hold" and "sell" status of your portfolio when you contact your broker to execute the trades required to implement your defensive strategy.

COMPANY	TICKER	QTR END	SALES			PRE-TAX PROFIT			EPS		ACTION
			FCST GROWTH	% CHG SALES	PERCT DIFF	FCST EPS GROWTH	% CHG PTP	PERCT DIFF	% CHG EPS	PERCT DIFF	
CERNER CORP	CERN	12/12	20.0	15.4	-23.8	23.8	19.8	-13.8	21.2	[illegible]	
				21.0	4.9		25.1	9.2	28.8	21.9	
ACCENTURE LTD	ACN	11/12	10.0	1.8	-89.6	15.8	5.4	-64.1	10.4	-30.6	SELL
				4.9	-51.1		8.1	-45.9	11.8	-26.8	
BED BATH & BEYOND INC	BBBY	11/12	9.0	15.3	69.8	25.8	8.6	-97.6	8.4	-66.3	HOLD
				10.5	16.6		7.6	-49.8	17.2	-31.2	
QUALITY SYSTEMS INC	QSII	12/12	15.0	1.5	-89.7	19.8	-28.1	-247.7	-27.8	-246.2	SELL
				9.6	-36.2		-21.9	-215.1	-24.0	-226.2	

Using the Portfolio Defense Report

1) From any portfolio report, click on "**Select Views**" drop-down menu, then click on "**Defense**" to highlight and select. This will open the "**Portfolio Defense Report**."

2) Your stocks will appear, ranked in whatever order they were ranked previously. You may sort them in the same fashion as the Portfolio Review. See "**Sorting Portfolio Review Data**" for more information.

Portfolio Offense Report

Purpose: The **Offense Report** serves as a reminder of companies that may be overvalued, based on your judgment. It lists all of the companies in your selected portfolio and highlights those whose reward is less than, and/or the risk more than, the thresholds you have set for those measurements. Company-specific thresholds which were set in the **Portfolio Overview** will be shown in blue.

COMPANY	TICKER	QTR END	RELATIVE VALUE	PROJECTED REL VAL	RWD/RSK RATIO	TOTAL RETURN	TARGET RETURN	ACTION
ACCENTURE LTD	ACN	11/12	128.1	111.6	2.4	13.6	18.0	SELL
BED BATH & BEYOND INC	BBBY	11/12	105.7	84.8	20.7	30.7	15.0	
CERNER CORP	CERN	12/12	122.7	150.7	2.5	22.2	15.0	
QUALITY SYSTEMS INC	QSII	12/12	62.8	45.5	11.8	36.5	15.0	

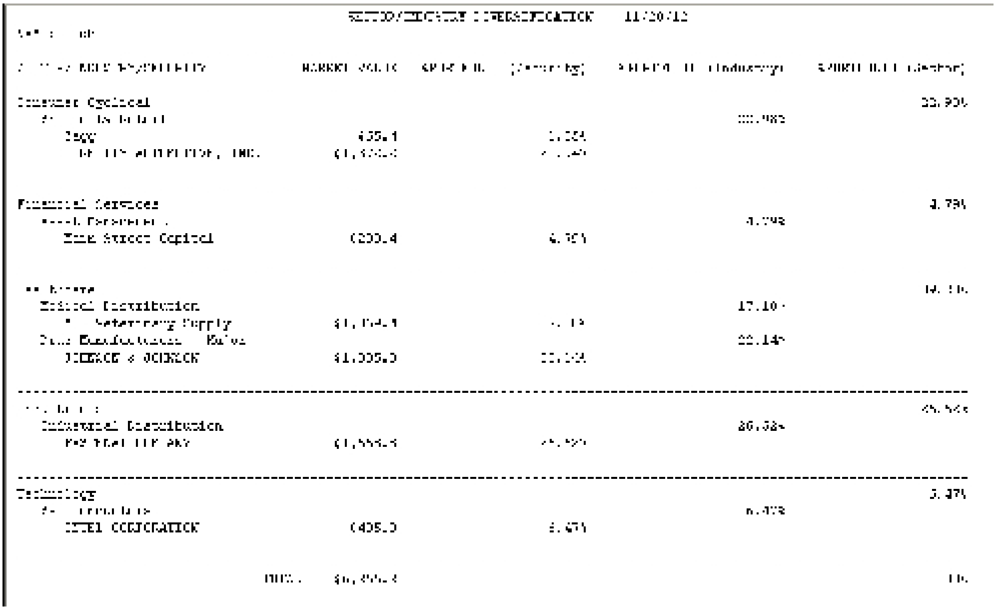
Using the Portfolio Offense Report

1) From any portfolio report, click on "**Select Views**" drop-down menu, then click on "**Offense**" to highlight and select. This will open the "**Portfolio Offense Report**."

2) Your stocks will appear, ranked in whatever order they were ranked previously. You may sort them in the same fashion as the Portfolio Review. See "**Sorting Portfolio Review Data**" for more information.

Sector/Industry Diversification

Purpose: The Sector and Industry Diversification Report allows you to see if your portfolio is well balanced in a quick glance. This report quickly shows you if you need to diversify your portfolio or if you own too many shares or companies in a particular sector or industry.



Using the Sector/Industry Diversification Report

1) From any portfolio report, click on “**Select Views**” drop-down menu, then click on “**Sector/Industry**” to highlight and select. This will open the “**Sector/Industry Report**.”

2) Your stocks will appear, ordered by Sector, then Industry, then security name.

Company Size Diversification

Purpose: Similar to the **Sector/Industry Report**, the **Company Size Diversification Report** is designed to help make sure your portfolio is diversified. The report divides up your portfolio into five categories (Micro, Small, Mid, Large, and Mega) based on yearly revenue.

COMPANY SIZE DIVERSIFICATION [illegible]

PORT: [illegible]

SIZE (BY REVENUES)	COMPANY	MARKET VALUE	% OF PORT
Small			
$100M - $500M	[illegible]	$63.4	[illegible]
	Total Small Companies	$63.4	[illegible]
Large			
$5B - $15B	O'REILLY AUTOMOTIVE, INC.	[illegible]	[illegible]
	Total Large Companies	[illegible]	[illegible]
Micro			
< $100M	Main Street Capital	$299.4	4.75%
	Total Micro Companies	$299.4	4.75%
Mid			
$500M - $5B	MWI Veterinary Supply	[illegible]	[illegible]
	FASTENAL COMPANY	[illegible]	[illegible]
	Total Mid Companies	[illegible]	[illegible]
Mega			
> $15B	INTEL CORPORATION	[illegible]	[illegible]
	JOHNSON & JOHNSON	[illegible]	[illegible]
	Total Mega Companies	[illegible]	[illegible]
	Total	$6,353.2	100%

Using the Company Size Diversification Report

1) From any portfolio report, click on "**Select Views**" drop-down menu, then click on "**Company Size**" to highlight and select. This will open the "**Company Size Report**."

2) Your stocks will appear, grouped by revenue size.

Quarterly Trend Analysis

Using Quarterly Trend Analysis

There are two ways to view the **Quarterly Trend Analysis**:

1) If you are in an **Stock Study** (or **Stock Management Guide, Quarterly Trend Graph** or **Annual P/E Analysis**), you may open a **Quarterly Trend Analysis** by moving your cursor over the Se-

lect View drop-down menu and then clicking on "**Quarterly Trend Analysis**" on the Company Toolbar.

2) If you are in **Portfolio Review**, move your cursor anywhere on the line for the company you wish to analyze, and the cursor will change to black. Double-click to open **Quarterly Trend Analysis**.

Entering Data in Quarterly Trend Analysis

The **Quarterly Trend Analysis** also provides access to the Quarterly Data entry screen for entering quarterly earnings, sales, pre-tax profit, and income taxes, as well as access to the company "**Data Entry**" screens.

1) Open the data entry screen by clicking anywhere on the quarterly data portion of the **Quarterly Trend Analysis** (the left side).

QUARTERLY DATA

PERIOD	EPS		PRE-TAX PROFIT			SALES		INCOME TAX DOLLARS
	$	% CHANGE	$ MIL	% SALES	% CHANGE	$ MIL	% CHANGE	
01/10	0.22	22.2	83.00	6.8	207.4	1,213.0	4.0	5.1
04/10	0.31	NMF	139.00	10.9	NMF	1,271.0	16.5	29.3
07/10	0.58	NMF	227.00	16.4	NMF	1,384.0	30.9	22.8
10/10	0.83	1,085.7	243.00	15.4	207.6	1,576.0	35.0	-52.5
01/11	0.54	145.5	198.00	13.0	138.6	1,519.0	25.2	6.3
04/11	0.56	80.6	260.00	15.5	87.1	1,677.0	31.9	61.2
07/11	0.92	58.6	281.00	16.6	23.8	1,691.0	22.2	-47.4
10/11	0.81	-2.4	293.00	17.0	20.6	1,728.0	9.6	5.4
01/12	0.65	20.4	256.00	15.7	29.3	1,635.0	7.6	27.2
04/12	0.72	28.6	293.00	16.9	12.7	1,733.0	3.3	38.1
07/12	0.69	-25.0	238.00	13.8	-15.3	1,723.0	1.9	-5.6
10/12	1.21	49.4	256.00	14.5	-12.6	1,767.0	2.3	-171.1
01/13	0.51	-21.5	195.00	11.6	-23.8	1,680.0	2.8	15.5
04/13								
07/13								
10/13								

Close

Quarterly Trend Graph

1) To open a **Quarterly Trend Graph**, click on the "**Quarterly Trend Graph**" button on the Company Toolbar in a **Stock Study** (or **Stock Management Guide**, **Quarterly Trend Analysis**, or **Annual P/E Analysis**).

2) Select the different items to graph, by choosing among the options in the "**Select Items to Graph, "Using Which Data**," and "**Show**" checkboxes.

Annual P/E Analysis

Using Annual P/E Analysis

You may open an **Annual P/E Analysis** (or **Stock Management Guide**, **Quarterly Trend Graph**, or **Stock Study**),by moving your cursor over the Select View drop-down menu, and then clicking on "**Annual P/E Analysis**" on the Company Toolbar.

No data entry is required on this screen. Toolkit automatically transfers data from company data screens and completes all necessary computations. When there is insufficient data to compute a 5-year average, Toolkit averages the years available. “NMF” (no meaningful figure) appears whenever there is a division by zero. You should review the corresponding entries on the company’s annual data screen if this occurs.

Toolkit 6 also has the ability to eliminate outliers for the full ten years or High and Low P/E information.

1) Click on any of the high or low P/E fields to cross out that field and average the remaining data.

2) The strikeouts will show up as defaults in the “**Judgment: High/Low P/E**” dialog in Section 4 of your **Stock Study** if you are forecasting your P/Es for the first time.

P/E RATIO	
HIGH	LOW
~~33.3~~	14.9
20.8	12.4
31.7	14.1
~~34.0~~	~~21.2~~
26.3	15.8
15.1	11.3
19.0	14.7
~~22.1~~	16.6
~~24.7~~	~~18.8~~
18.0	12.2

Stock Management Guide

Using the Stock Management Guide

You may open a **Stock Management Guide** (or **Annual P/E Analysis**, **Quarterly Trend Graph**, or **Stock Study** by moving your cursor over the “**Select view**” drop-down menu and selecting “**Stock Mgmt Guide**.” To view the back of the form, click on the “**Stock Mgmt Guide Back**” button, and to return to the front, click “**Stock Mgmt Guide Front**.”

How to Enter Data in the Stock Management Guide

3 CUMULATIVE EARNINGS AND CURRENT PRICE-EARNINGS RATIO COMPUTATIONS

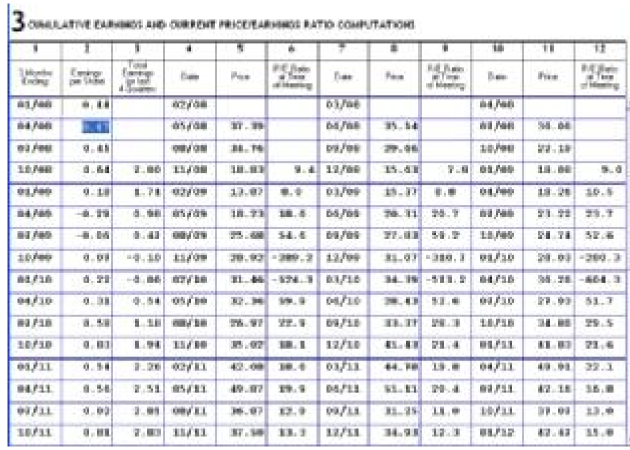
1	2	3	4	5	6	7	8	9	10	11	12
3 Months Ending	Earnings per Share	Total Earnings for last 4 Quarters	Date	Price	P/E Ratio at Time of Meeting	Date	Price	P/E Ratio at Time of Meeting	Date	Price	P/E Ratio at Time of Meeting
09/03	0.24		10/03	26.14		11/03	25.71		12/03	27.37	
12/03	0.14		01/04	27.65		02/04	24.53		03/04	24.93	
03/04	0.12	0.68	04/04	26.13	38.4	05/04	26.23	38.6	06/04	28.56	42.0
06/04	0.25	0.75	07/04	28.49	38.0	08/04	27.30	36.4	09/04	27.65	36.9
09/04	0.23	0.74	10/04	27.97	37.7	11/04	26.81	36.1	12/04	26.72	36.0
12/04	0.32	0.92	01/05	26.28	28.7	02/05	25.14	27.5	03/05	24.17	26.4
03/05	0.23	1.03	04/05	25.30	24.6	05/05	25.80	25.1	06/05	24.84	24.1
06/05	0.34	1.12	07/05	25.61	22.9	08/05	27.38	24.4	09/05	25.73	23.0
09/05	0.29	1.18	10/05	25.70	21.8	11/05	27.48	23.4	12/05	24.15	22.1
12/05	0.34	1.21	01/06	28.15	23.3	02/06	26.87	22.2	03/06	27.21	22.5
03/06	0.29	1.26	04/06	24.15	19.2	05/06	22.65	18.0	06/06	23.30	18.5
06/06	0.27	1.19	07/06	24.06	20.2	08/06	25.70	21.6	09/06	27.35	23.0
09/06	0.35	1.25	10/06	28.71	23.1	11/06	29.36	23.6	12/06	29.86	24.0
12/06	0.26	1.17	01/07	30.84	26.5	02/07	28.17	24.2	03/07	27.87	23.9
03/07	0.50	1.38	04/07	29.94	21.7	05/07	30.69	22.3	06/07	29.47	21.4
06/07	0.31	1.42	07/07	28.99	20.5	08/07	28.73	20.3	09/07	29.46	20.8
09/07	0.45	1.52	10/07	36.81	24.2	11/07	33.60	22.1	12/07	35.60	23.4
12/07	0.50	1.75	01/08	32.60	18.6	02/08	27.20	15.5	03/08	28.38	16.2
03/08	0.47	1.72	04/08	28.52	16.6	05/08	29.24	17.0	06/08		
06/08			07/08			08/08			09/08		
09/08			10/08			11/08			12/08		
12/08			01/09			02/09			03/09		
03/09			04/09			05/09			06/09		
06/09			07/09			08/09			09/09		

The **Stock Management Guide** also provides data entry access for the “Section 3: Cumulative Earnings and Current Price-Earnings Computations,” as well as access to the Company “Data Entry” screens.

1) To open the **Stock Management Guide** Data entry screen for Section 3, either click on the “**Stock Management Guide** Data” button located on **Stock Management Guide** Toolbar, or double-click anywhere on the **Stock Management Guide** Section 3, within the green highlighted area (if “Active Area Highlighting” is enabled in Preferences).

2) Click in the space next to the quarter and enter the quarterly earnings data. (**NOTE**: After four consecutive quarters of data have been entered, “Total Earnings for last 4 quarters” will be calculated automatically.)

3) Enter the Price of the stock when you had your investment club meeting. The P/E at Time of Meeting will be calculated automatically.



4) After updating the data or when you want to return to the "**Stock Management Guide**" click the "**Close**" button at the bottom of the page (or the close "**X**" in the top-right corner).

The Challenger

The Stock Challenger application helps you to challenge a current holding with which you may be dissatisfied with another company that has better prospects or higher quality. To launch the Challenger:

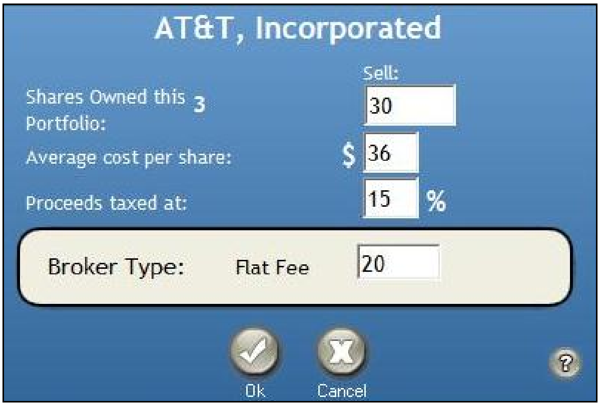
1) Open your **Stock Library** by clicking the "**Library"** tab.

2) Select the portfolio that holds the stock you would like to challenge.

3) Click to select the specific company that you wish to challenge

4) Click on the "**Challenge**" button at the bottom right-hand corner of the Portfolio section of your library.

5) Within the "**Challenge Parameters**" screen enter:



"**Number of Shares to Sell**" (This will already be filled out if you have done so when you created the portfolio.)

"**Average Cost Per Share**": If you purchased the stock at different times at different prices, enter the average price per share; otherwise, enter the purchase price. You may also prorate commissions if they are significant.

"**Proceeds Taxed At**": Your income tax rate, used to calculate and deduct the taxes you will have to pay on this sale. The program defaults to 15%, or whatever you chose to have it default to when you created the portfolio—assuming capital gains treatment.

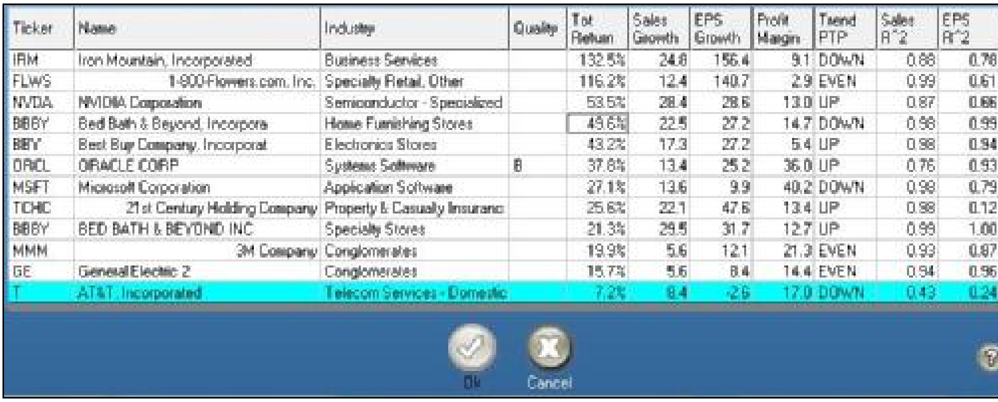
6) Next to Broker Type will be listed the type of Brokerage you set up with the portfolio, either "**Full Service Broker**," **"Discount Broker**," or "**Flat Fee"** broker. If you will be charged a "**Flat Fee**," enter the fee ($) for both the Sale and Purchase. Toolkit's default brokerage fees are based on an industry chart of average commissions.

7) Click "**Ok**" button to view the "**Smart Challenger**," a list of suitable **Challengers** from which you can select a candidate. (See the "**What and Why…**" section for information about this tool.

8) Before you are presented with challenger companies you will be presented with a warning screen that informs you that you should

not replace a company with one whose fundamentals do not meet your expectations. **NOTE**: You may disable this warning.

9) Click **OK** to close the warning alert box, if open.



Ticker	Name	Industry	Quality	Tot Return	Sales Growth	EPS Growth	Profit Margin	Trend PTP	Sales R^2	EPS R^2
IRM	Iron Mountain, Incorporated	Business Services		132.5%	24.8	156.4	9.1	DOWN	0.88	0.78
FLWS	1-800-Flowers.com, Inc.	Specialty Retail, Other		116.2%	12.4	140.7	2.9	EVEN	0.99	0.61
NVDA	NVIDIA Corporation	Semiconductor - Specialized		53.5%	28.4	28.6	13.0	UP	0.87	0.86
BBBY	Bed Bath & Beyond, Incorpora	Home Furnishing Stores		49.6%	22.5	27.2	14.7	DOWN	0.98	0.99
BBY	Best Buy Company, Incorporat	Electronics Stores		43.2%	17.3	27.2	5.4	UP	0.98	0.94
ORCL	ORACLE CORP	Systems Software	8	37.8%	13.4	25.2	36.0	UP	0.76	0.93
MSFT	Microsoft Corporation	Application Software		27.1%	13.6	9.9	40.2	DOWN	0.98	0.79
TCHC	21st Century Holding Company	Property & Casualty Insuranc		25.6%	22.1	47.6	13.4	UP	0.98	0.12
BBBY	BED BATH & BEYOND INC	Specialty Stores		21.3%	29.5	31.7	12.7	UP	0.99	1.00
MMM	3M Company	Conglomerates		19.9%	5.6	12.1	21.3	EVEN	0.93	0.87
GE	General Electric 2	Conglomerates		15.7%	5.6	8.4	14.4	EVEN	0.94	0.96
T	AT&T, Incorporated	Telecom Services - Domestic		7.2%	8.4	-2.6	17.0	DOWN	0.43	0.24

10) The Challenged company will be displayed and highlighted, then ranked by **Total Return** with all of the other prospective Challengers.

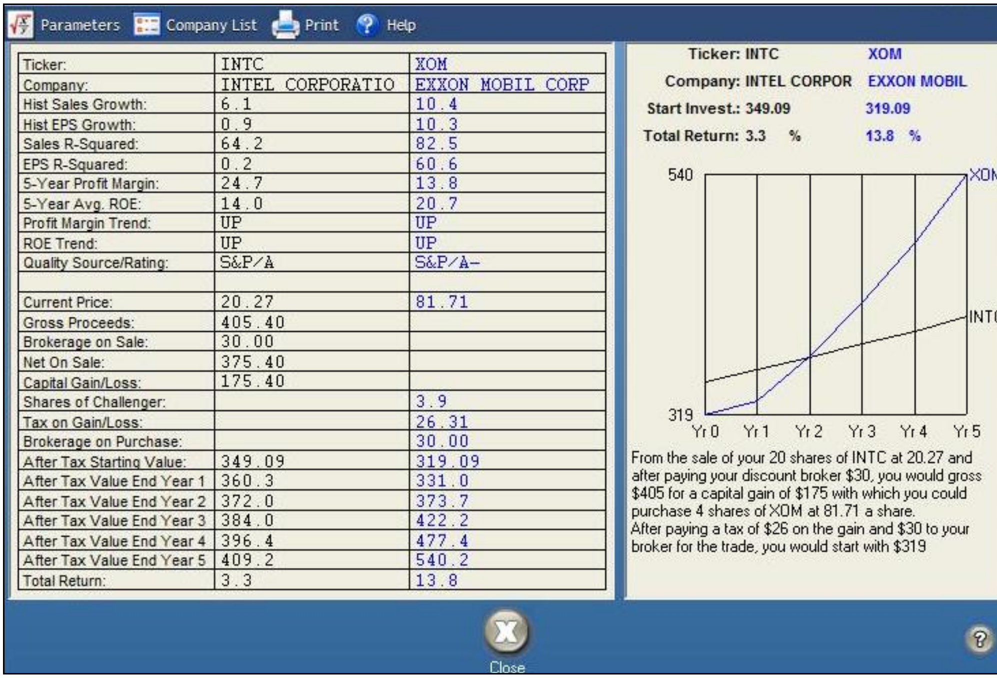
11) Select the Challenger company

12) Click “**Ok**” to review the Challenge Results.

13) To enter new parameters, click “**Parameters**” at the top of the “**Challenge Results**” screen.

14) To select another company click “**Company List**” at the top of the screen. This re-opens the “**Smart Challenger**” for another candidate.

15) When you finish making changes, click on “Close” to return to the **Home Page**.



Ticker:	INTC	XOM
Company:	INTEL CORPORATIO	EXXON MOBIL CORP
Hist Sales Growth:	6.1	10.4
Hist EPS Growth:	0.9	10.3
Sales R-Squared:	64.2	82.5
EPS R-Squared:	0.2	60.6
5-Year Profit Margin:	24.7	13.8
5-Year Avg. ROE:	14.0	20.7
Profit Margin Trend:	UP	UP
ROE Trend:	UP	UP
Quality Source/Rating:	S&P/A	S&P/A-
Current Price:	20.27	81.71
Gross Proceeds:	405.40	
Brokerage on Sale:	30.00	
Net On Sale:	375.40	
Capital Gain/Loss:	175.40	
Shares of Challenger:		3.9
Tax on Gain/Loss:		26.31
Brokerage on Purchase:		30.00
After Tax Starting Value:	349.09	319.09
After Tax Value End Year 1	360.3	331.0
After Tax Value End Year 2	372.0	373.7
After Tax Value End Year 3	384.0	422.2
After Tax Value End Year 4	396.4	477.4
After Tax Value End Year 5	409.2	540.2
Total Return:	3.3	13.8

Ticker:	INTC	XOM
Company:	INTEL CORPOR	EXXON MOBIL
Start Invest.:	349.09	319.09
Total Return:	3.3 %	13.8 %

From the sale of your 20 shares of INTC at 20.27 and after paying your discount broker $30, you would gross $405 for a capital gain of $175 with which you could purchase 4 shares of XOM at 81.71 a share.
After paying a tax of $26 on the gain and $30 to your broker for the trade, you would start with $319

GETTING THE MOST OUT *TOOLKIT* 6

Printing

The following describes the procedure for printing the various company and portfolio management forms in ***Toolkit 6***. The printing procedure may vary slightly depending on the form you wish to print.

How to Print Company Forms

The procedure is the same to print any of the following forms: **Stock Study**, **Stock Management Guide** (**Stock Management Guide**), **Quarterly Trend Analysis**, **Quarterly Trend Graph**, and **Annual P/E Analysis**.

- Click the "**Print**" button on the Toolbar for any form. This will open the "**Print Company Forms**" screen.

- Select the forms you wish to print.

- Enter the number of "Copies" to print.

ASCII Report

If you want a **text printout** of your company analysis information or the underlying data, click on the "**ASCII Report**" button in the "**Print Company Forms**" screen.

How to Print Comparisons

1) Click the “Print” button on the Comparison Toolbar. The print command will print the “**Comparison**” on your default printer.

How to Print Portfolio Management Forms

To print the **Portfolio Review**, **Trend Report, Summary, Defense**, or **Offense Report**:

1) Click the “**Print**” button on the Toolbar for any Portfolio form. This opens the “**Portfolio Print Options**” screen.

2) Select which form(s) you want to print.

3) Enter the number of “Copies” you want to print and click “**Ok**.”

How to Print the Challenger

To print the **Challenge** form, click the “**Print**” button on the “**Challenge**” Toolbar. The print command will print the “**Challenge**” on your default printer.

Sharing Stock Studies

Many people like to share their stock studies with friends and members of their investment club. Doing this is an easy process, requiring you only to export the **Stock Study** and then either send it as an e-mail attachment or put it on a floppy disk.

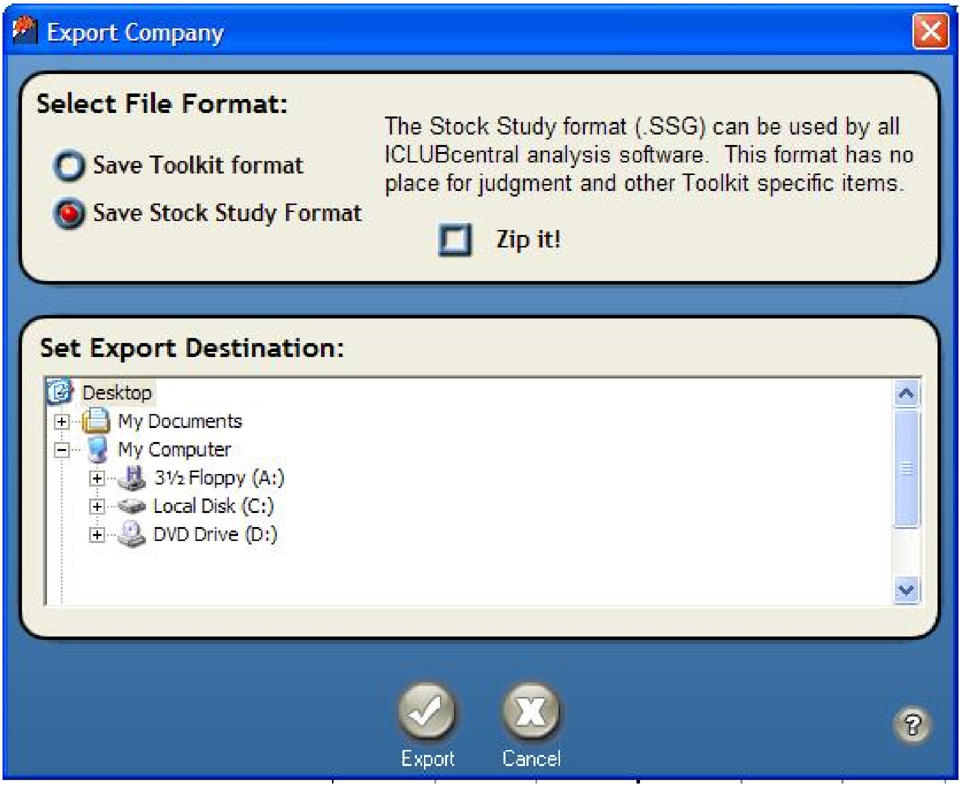
Export Data from Stock Library

When you wish to share your stock studies with others using ICLUB-central's stock analysis software, you can easily export your company studies from the **Stock Library** window.

The "**Export**" function is available from the bar at the bottom of either the **Personal Library** or **Portfolio Holdings.**

1) Click on a company to select it and click the "**Export**" button.

2) In the "**Export Company**" dialog box, select the file format option you wish (**ITK** or **SSG**).



NOTE: You may export your notes using ITK, or, should you select *.SSG, you may also elect for your *.SSG files to be zipped. See **Export File Formats** below for more information.

3) Select the Export destination and click "Export."

   NOTE: If you selected an Export destination in your Preferences, the file will be exported directly there. If not, you will have the opportunity to do so here.

New Computer Users tend to find the desktop the most convenient place to export their *.SSG files. Your desktop is the location where your icons reside when you first start up your computer.

Sending a Stock Study via E-mail

1) **Open** your e-mail program.

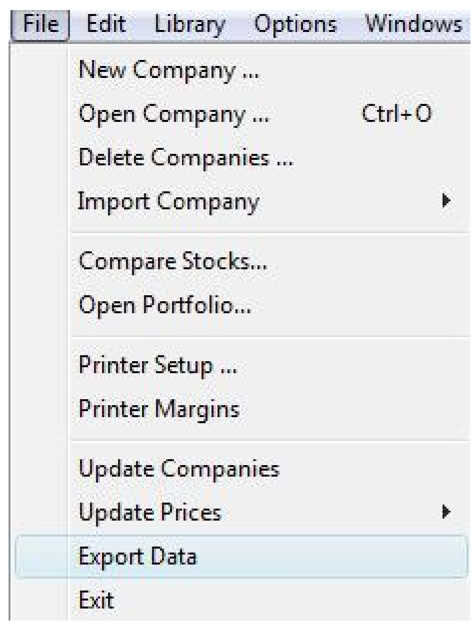
2) **Address** your message and fill in the subject as you would normally do.

3) Follow the prescribed procedure for sending attachments using your email program or web site.

   a. Usually this will mean clicking an attach button, navigating to the directory to which you exported your *.SSG file, and then **Double-clicking** the **Stock Study** file(s) that you exported.

4) Press **Send** to transmit the message and file.

Export File Formats



Files may be exported in three different formats:

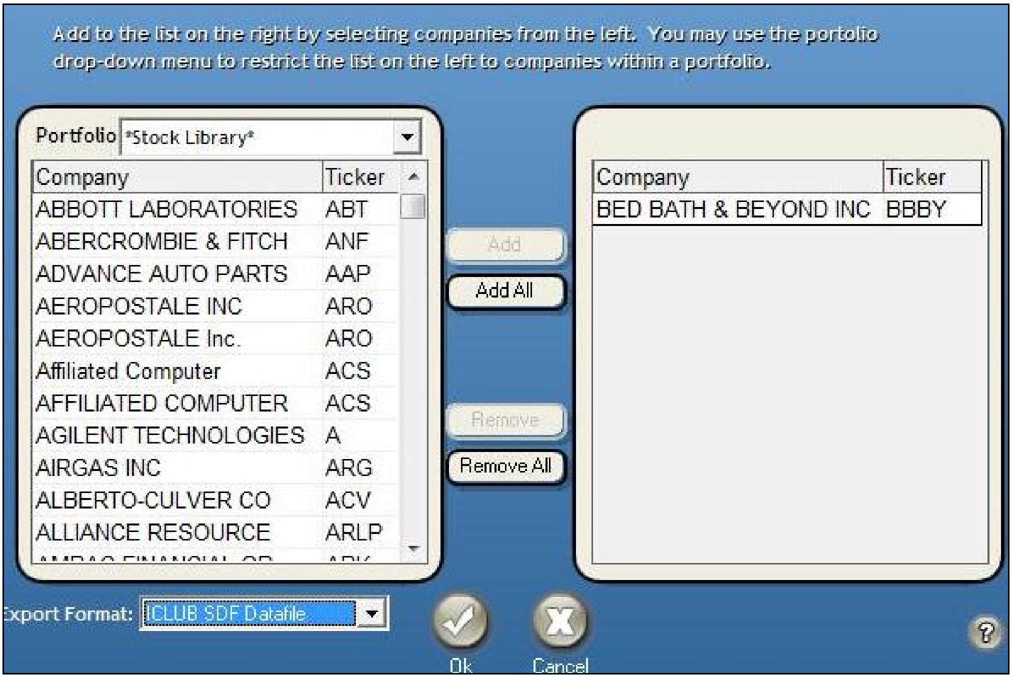
Save in Toolkit Format: The "**Toolkit format**" **ITK** file will preserve your Notes and additional judgment, including the location of the lines in the **Visual Analysis**. It is not compatible with other analysis software. This file can only be opened in ***Toolkit 6***.

Save in *.SSG Format: The "*.**SSG format**" **Stock Study** file can be used by other ICLUBcentral products and websites. This format does not include your Toolkit "**Notes**" and other Toolkit 6-specific items.

ZIP: The ZIP file will save both the *.SSG file format along with your Toolkit “Notes” as a text (TXT) file in a compressed ZIP file. The “Notes” file can then be opened and read as a text file when sent to someone who is not using Toolkit 6. The zipped file (*.SSG file format plus a text “Notes” file) will import into Toolkit 6, just like the ITK “**Toolkit File Format**.”

Advanced Data Export

To export multiple stock studies, a ticker list, a Stock Library, and/or a CSV file to make data or stock studies that you have completed available to others or prepare them for on-line uploading, do the following.



1) On the Menu Bar, select **File > Export Data**.

2) From the pull-down menu at the top of this screen, select the portfolio from which you'd like to export your companies or select “**Stock Library**.”

3) To select companies to export, highlight the name of the company and then click the "**Add**" button to move the company to the Companies Selected list or double-click on the company name. You may select companies individually or "**Add all**."

4) To select your export format click on the pull down menu beneath the left grid labeled "**Export Format**"—choose "**Toolkit Format**" "**SSG Files**," "**CSV Price File**," "**ASCII Ticker List**," or "**Toolkit Stock Library**."

- "**CSV Price Files**" contains only ticker symbol, latest price and dates for use in updating prices.
- "**ASCII Ticker List**" is a file containing only the ticker symbols for use when using one of the on-line services, perhaps, for price updating.
- "**Toolkit Stock Library**": Exports selected stocks to a newly created Toolkit Library database. This option is only available if "**Show Advanced Library Options**" has been checked. This may be done by clicking the "**Preferences**" button on the main Toolbar, clicking the General tab, and then clicking the box labeled "**Enable Advanced Library Options**."

NOTE: Toolkit's default database will not change to this new exported library database.

5) Click "**Ok**" to export your files.

6) If you haven't already provided in the Preferences for a destination folder for your exported files, you will be asked to do so at this point.

Sharing with the StockCentral Community

Toolkit 6 offers a new way to share your Stock Studies. You can upload a completed **Stock Study** to the StockCentral.com community for comparison, peer review, or comments.

To access the Community section, open a **Stock Study**. In the "Select View" drop-down in the upper left of the screen, select "Community" This will show you the section of the StockCentral.com forums devoted to the company you have open. In the Community view, you will see any recent messages posted to that company forum.

Click on any of the message threads listed to view the entire conversation thread.

You are able to reply to any posting you see here. You can also create your own thread by clicking the "Add New Topic" button and posting a new topic.

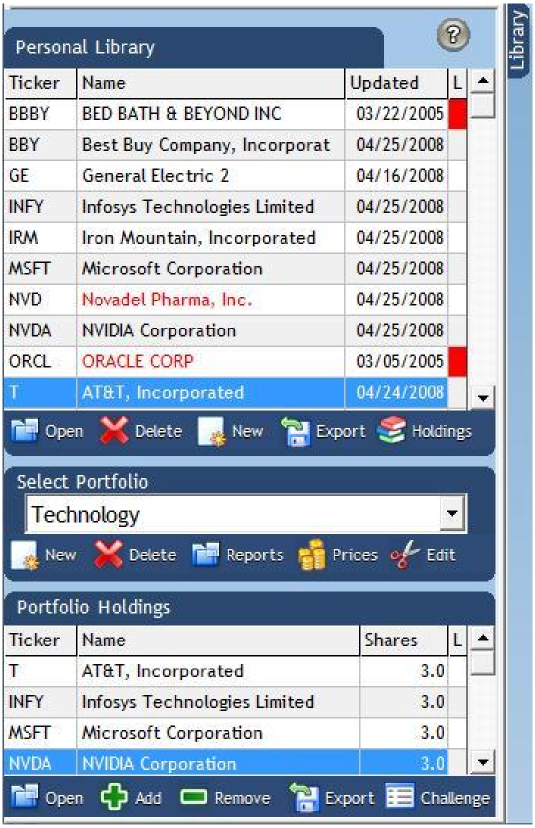
Uploading a Stock Study to StockCentral.com

Sharing with the StockCentral.com community does not stop there—you can also upload your completed Stock Study to StockCentral.com so that others may download and view it.

Additional Research Links

The StockCentral.com community also provides external links to additional information about the selected company that you can use to research a company more closely.

Managing the Stock Library



The **Personal Library** window in ***Toolkit 6*** is an easy interface for accessing all of the companies in your **Stock Library** and managing your **Portfolios**. The Personal Library window has three vertical panes:

- **Personal Library**
- **Portfolios**
- **Portfolio Holdings**

The Personal Library consists of all of the companies you have saved in your Toolkit. The **Portfolios** pane allows you to create Portfolios into which you add companies from your **Stock Library**. Finally, the Portfolio Holdings pane displays the contents of the individual Portfolios.

Click on the blue "**Library"** tab 

to open your Stock Library. The tab is always present, and the Library always accessible no matter what study you may be performing. Clicking on the blue "**Library**" button will re-open and expand the **Library** view. If "**Hide and Show Library Automatically**" is selected in **Preferences**, then the **Library** window will automatically open when no **Stock Study** screen is open. When you open a company, the **Library** window closes, but you may reopen it by clicking on the green "**Library**" button.

Navigating with Library Toolbars

There is a toolbar beneath each of the three panes.

- The bar beneath the Personal Library has the following buttons: “**Open**,” “**Delete**,” “**New**,” “**Export**,” and “**Holdings**.”
- The bar beneath the **Portfolios** has “**New**,” “**Delete**,” “**Reports**,” “**Prices**,” and “**Edit**” buttons.
- The bar at the bottom of the Portfolio Holdings section has “**Open**,” “**Add**,” “**Remove**,” “**Export**,” and “**Challenge**” buttons.

Stock Library

The **Stock Library** consists of all the companies for which you have data saved in your ***Toolkit 6*** database, whether or not the stock studies have been completed on them.

There are several different ways to open a new or saved company, which are briefly reviewed here. For a more in-depth explanation, refer to the sections on how to “**Open Saved Stock Study,” “Importing Data—New Stock Study,**” and “**Manual Data Entry—New Stock Study**.”

Open

Click on any company in the **Stock Library** to select it, and then click the “**Open**” button. This will open a **Stock Study** for the selected company. (You may also open a **Stock Study** by right-clicking on the desired company and selecting “**Open**” from the displayed menu.)

Delete

Click on any company in the **Stock Library** to select it, then click on the “**Delete**” button. This will delete the selected company’s data from

Toolkit 6 database, removing it from the **Stock Library** listing and, of course, from any and all **Portfolios** to which it may have been assigned. (You may also delete a company by right-clicking on the company and selecting "**Delete**" from the displayed menu.)

New

Click to create a new **Stock Study** (**Stock Study**). The "Stock Study - **Acquire Data**" screen will open with the following button options from which to select. (**NOTE:** "New" performs the same function as the "**Stock Study**" button on the main toolbar.) See the following for more information about this function.

- Open a company that was previously saved in Toolkit. – This will open the "**Select Company Record to Open**" window, which will allow you to select a company from the library of files you have already worked on.

- Manual Data Entry from a data source such as Value Line or S&P Stock Reports. – This will open a blank Data window, which you can fill in using data from an outside source.

- Use Subscribed Data Files. – This will open the Company Locator window, where you can type in a company name or ticker, and download data for that company from either the StockCentral or BetterInvesting data service.

- Import a data file located on a floppy disk or in a folder on my computer. This will open a window with the option to locate a .ITK, .SSG or .ZIP file on your computer. You will be able to choose the type of file, and the location.

Export

Click on any company in the **Stock Library** you wish to export, and then click the "**Export**" button to export a company file to a location you specify or have specified. (You may also export a company by right-clicking on the company and selecting "**Export**" from the displayed menu.) For more information, refer to the "**Export Data**" section.

Holdings

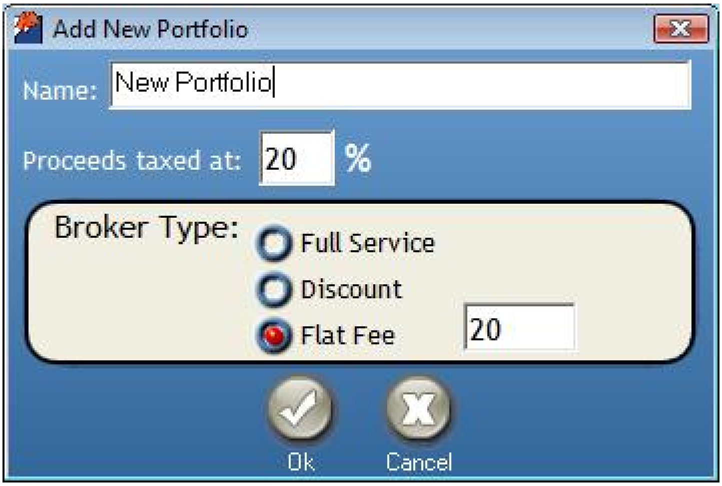
Click on any company in the **Stock Library**, and then Click on "**Holdings**" to view all the portfolios that stock is assigned to and the number of shares in each.

Portfolios

The **Portfolios** pane has the following buttons located directly below its pane:

New

To add a new Portfolio, click the "**New**" button to open the "**Add New Portfolio**" dialog.



1) Enter the **Name** of the new portfolio.

2) Enter or accept the typical **Tax Rate** that would apply on your gains. (20% is the default value).

3) Select the customary commission paid to the brokerage holding this portfolio account on your transactions.

4) Click "**Ok**" to add the new portfolio to the pull down menu listing the portfolio selections. (See "**Portfolio Holdings**" below to add companies to a **Portfolio**.)

Delete

Select the portfolio you wish to delete from the **Portfolio** pull-down menu, and then click the "**Delete**" button to remove it from the list. If that portfolio is currently open in the pane below, it will be replaced with another.

Reports

Select a portfolio, and then click on the "**Reports**" button to open the **Overview** window for that portfolio.

Prices

Assuming you are actively connected to the Internet, clicking on "**Prices**" will generate an immediate update to all the prices in the selected portfolio. If the prices displayed in the **Update Prices** dialog are satisfactory, click "**Ok**" to update the prices in your database.

Edit

Click this button to change the name, tax information, and/or brokerage fees for the selected portfolio.

Portfolio Holdings

The **Portfolio Holdings** pane of the **Stock Library** allows you to manage the stocks in selected **Portfolio**. Selecting the desired portfolio from the pull-down menu in the **Portfolios** pane will display it in the **Portfolio Holdings** pane below.

Adding companies

The most convenient way to add a company to a selected portfolio is to right-click the company in the **Stock Library** and select "**Add to selected portfolio**" from the displayed menu. See "**Add**," below for another way to do it.

The **Portfolio Holdings** pane has the following buttons located directly below it:

Open

Click on any company in the **Portfolio Holdings** pane, and then click the "Open" button to open a **Stock Study** for the highlighted company.

(**TIP**: Double-clicking the company name is a shortcut to changing the number of shares of that company in the selected portfolio. It opens a window to "**Change Shares for…**" where you can enter the new number of shares.)

Add

Clicking on the "Add" button opens a "**Select Company to Add to Portfolio**" screen, which lists all of the companies in the Toolkit **Stock Library**.

You can sort the list by column heading by placing your cursor on the heading (Company, Ticker, Exchange) and when the cursor changes to a small down arrow click to sort.

To locate a company in the list, either scroll down to locate it, or you may quickly type the first few letters of its name. You will be taken directly to the company. Click on a company to select it and then enter the "**Number of Shares**" you wish to put in the selected portfolio.

If this company is a first-time purchase, it and the number of shares entered will be placed into the portfolio immediately. If the company is already in the portfolio, a dialog box will open asking to confirm the additional shares.

A "**Watch List**" portfolio can be created by entering "0" as the number of shares.

Remove

Click on a company in the **Portfolio Holdings** list to select it, and then click to on "**Remove**" to remove a company from the selected **Portfolio**. (You may also remove a company from the portfolio by right-clicking on the desired company and selecting "**Remove**" from the displayed menu.)

NOTE: This will remove the selected company from the selected portfolio only. It will not remove it from ***Toolkit 6*** database, the **Stock Library** listing, or any other **Portfolio**. A dialog box opens to confirm that you wish to remove the stock.

Export

Click on a company to select it then click on "Export" to export a company to a folder you specify. (You may also export a company from the portfolio by right clicking on the desired company and selecting "Export" from the displayed menu.) For more information, refer to the "How to Export Data" section.

Change Share Holdings

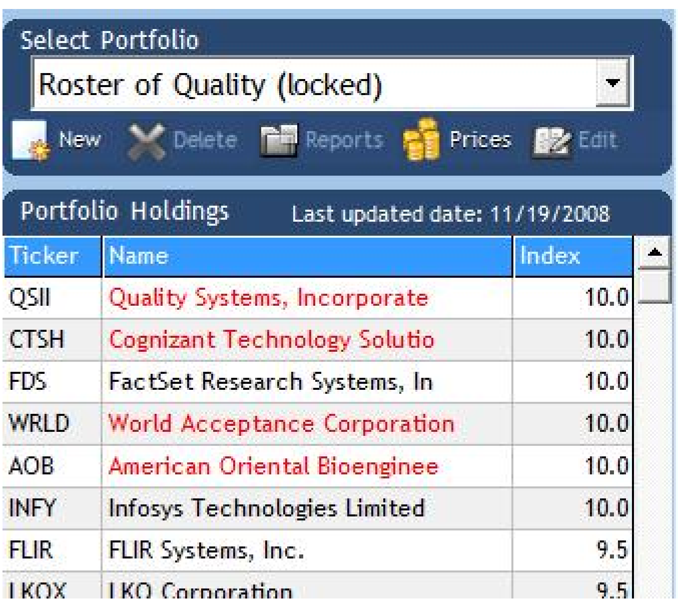
To amend the number of shares of a company in the selected portfolio, double-click the company listed in the Portfolio Holding. This will open a "**Change Shares for...**" window, where you can enter the new number of shares. (You may also change the number of shares by right-clicking on the desired company and selecting “**Change the number of shares**” from the displayed menu.)

Challenge

Right-click on any company and select “**Challenge**” from the displayed menu to immediately invoke the “**Smart Challenger**.” You will first need to complete the “**Challenge Parameters**” dialog, see the **Portfolio Alerts** section for details about the Challenge process.

Roster of Quality

For many years the **Roster of Quality Companies** has been a favorite of ICLUBcentral users and other fundamental investors as a source of high quality stock ideas. With the Roster in hand you have a pre-screened list of companies that meet minimum quality requirements. These stocks are ranked by their quality, letting you know at a glance which companies are best suited for further analysis.



In **Toolkit 6**, for all StockCentral subscribers, all of the companies in the most recent **Roster of Quality** will be listed in the Library as a portfolio.

This listing is locked, which means that you may not add or delete companies from the **Roster of Quality**. The listing is updated automatically once a week, and the date of the last update is listed next to the Portfolio Holdings header ("**Last updated date**"). You may also select **File** > **Update Roster of Quality** from the menu to force the program to download the most recent listing of companies.

When you select the Roster of Quality, the **Quality Index** is displayed in the right column next to the company names. The **Quality Index** is calculated on a 0 to 10 scale, with 10 indicating the highest quality companies. Click on the column header to sort the companies by **Quality Index** in ascending/descending order.

Company names that appear in red text indicate that these stocks have not yet been studied and added to your **Library**. Company names in black text indicate that you have an existing study of those companies.

Updating Your Stock Studies

Electronic Data

For electronic updating, it is assumed you have an active connection to the Internet.

Schedule Updates

Companies report financial results four times per year. ***Toolkit 6*** allows you to schedule reminders for each company to tell you when data is due to be reported. To schedule these reminders:

1) Click "**Preferences"** on the main toolbar (Or select it from the Options menu) and then select the **Thresholds** tab.

2) Under **Data Triggers**:

   - Set the number of days before **prices** are stale to the number of days after which you want to be reminded to update prices. Anywhere between 1 and 7 is nominal.

- Set the **Quarterly** reminder date to a reasonable value. Companies have 45 days to report after quarterly books close. It takes about 10 days to 2 weeks to publish results.

- Set the **Annual** reminder date to a reasonable value. Companies have 90 days to report after annual books close. It takes about 10 days to 2 weeks to publish results.

3) Click "**Ok.**"

Perform Updates

All electronic updates except those invoked from the **File > Update Companies**, are "**Full Updates**" meaning that all data that is carried into the process by the downloaded data replaces whatever data is stored in the database. Under the **File > Update Companies**, you have the option of making a "**Changes Only**" update which leaves existing data alone and merely adds any new data to the file. Full updates are preferred because any data that has been restated or has been initially provided in "preliminary" form will be replaced by the restated data. **Changes Only** updates are useful only in cases where you have an interest in preserving existing data; e.g., if you have made an effort to amend or alter historical data for some reason and you don't want to destroy those amendments.

Update Only Companies with New Data

1) Click on the "**Update Data**" button in the "**Requires Attention**" box on the **Home Page** when that button is **red**.

2) Click on "**Update All**."

Update an Individual Company

From Home Page

1) Click on "**Update Data**"

2) In the “**Update Companies**” dialog, select a company and click on the “**Update Selected Company**” button.

From a **Company** window (**Stock Study**, **Stock Management Guide**, **Quality Trend Analysis**):

1) Click on the cluster at the top of the form. Clicking on “**Data**” will update the data for that company. Clicking on “**Refresh**” will update both data and price.

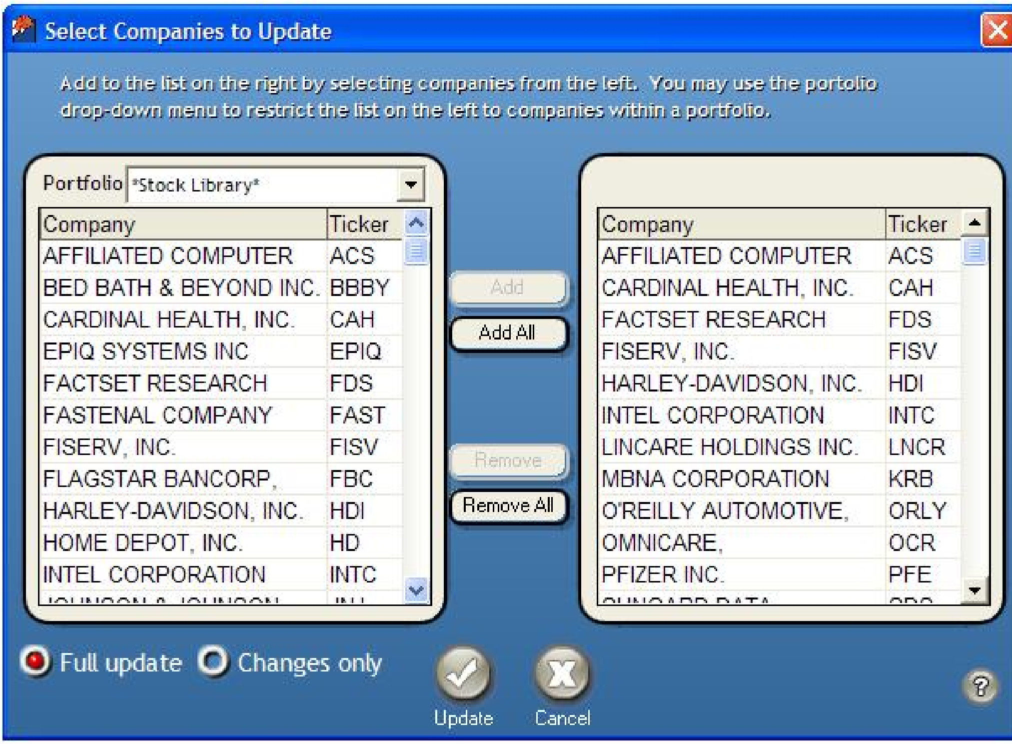
From the Overview Screen

1) Select a company.

2) Click the "**Update Data**" button to the right of the grid.

From the File Menu

1) Select **File** > **Update Companies.**



2) Select the company you wish to update and click the "**Add**" button or double-click on the company to move it into the **Update** space.

3) Select either "**Full Update**" or "**Changes Only**."

4) Click "**Ok**."

Update a Portfolio

From the Home Page

1) Double-click the portfolio you wish to update in the **Portfolio Report Card**.

2) From the **Overview** screen that appears, click on the "**Update Portfolio Data**" button.

From the File Menu

1) Select **File** > **Update Companies.**

2) Select the portfolio you wish to update from the pull-down menu above the left-hand grid and click the "**Add all**" button to move all the stocks in the portfolio into the **Update** space.

3) Select either "**Full Update**" or "**Changes Only**."

4) Click "**Ok**."

From the Overview or Alerts Screen

1) Click on the "**Update Portfolio Data**" button beneath the grid.

Update the Entire Stock Library.

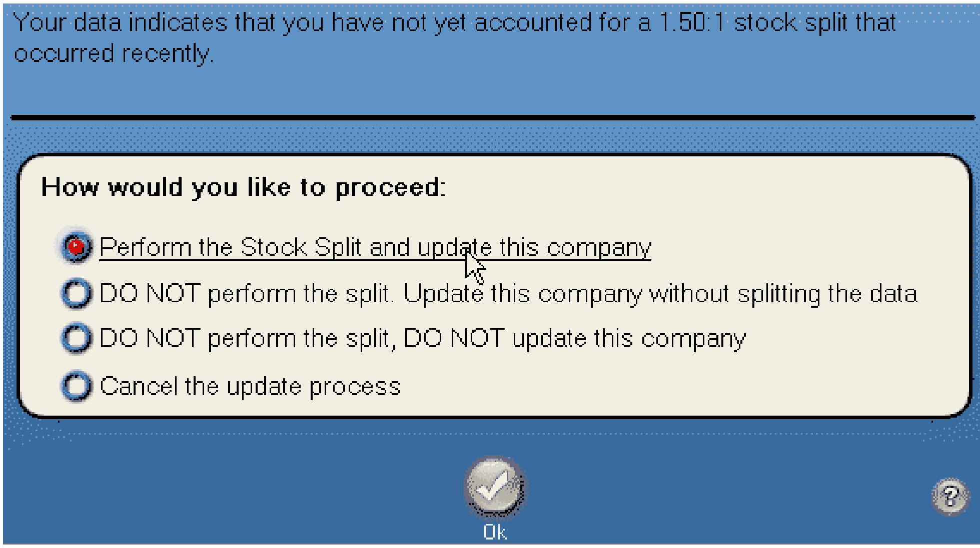
From the File Menu

1) Select **File** > **Update Companies.**

2) Same as portfolio only select "**Stock Library**" as portfolio to be updated.

Splits and Stock Dividends

Occasionally, a stock split or stock dividend will have occurred in the period prior to your update.

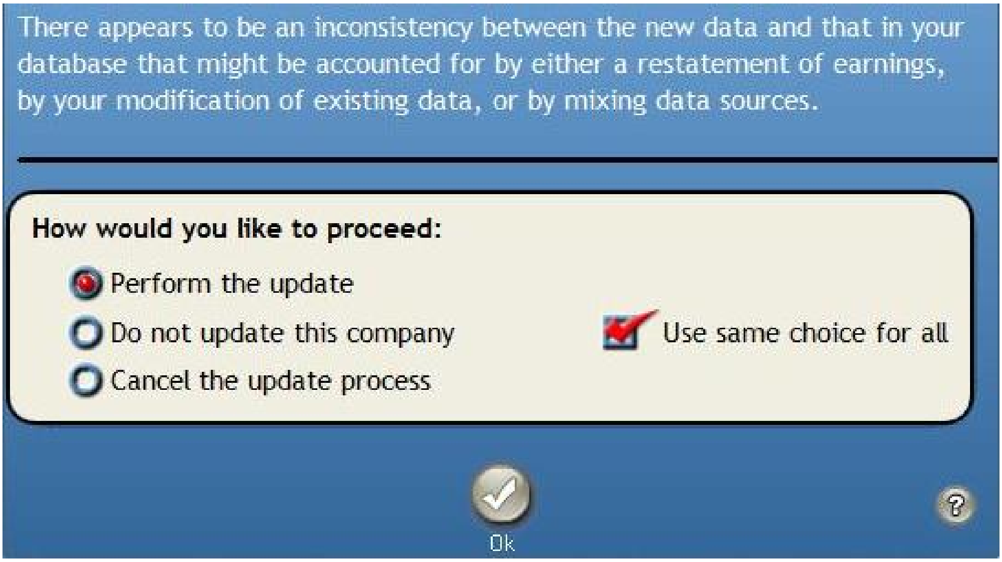


If there has been a split, Toolkit will analyze the existing data and determine if that data has been adjusted to accommodate the split. If it has not, you will be given the opportunity to accomplish that adjustment with a mouse-click. If you prefer not to do so for some reason, you may decline and the data will not be updated.

If there has been a split and your data appears to have already been adjusted, you will be notified of the split as well and simply informed that your data appears to have been appropriately adjusted.

Inconsistencies Between New and Old Data

Some investors alter the historical data to account for non-recurring events or other items that they feel should be adjusted to more accurately depict the company's historical performance. Some sources of data restate data when some operations have been discontinued. For these and other reasons, you may wish to use one or the other of the import options that are available in ***Toolkit 6***.



If Toolkit detects inconsistencies between the historical data and the same historical data in the file that is being imported, depending upon the circumstance and the option you have selected, you will be advised of the circumstances and given the opportunity to change your import option to one more appropriate.

For example, if Toolkit senses a discrepancy and you have elected to use the "**Full Update**" option, you will be told that there is a discrepancy and given the opportunity to change to "**Changes Only**."

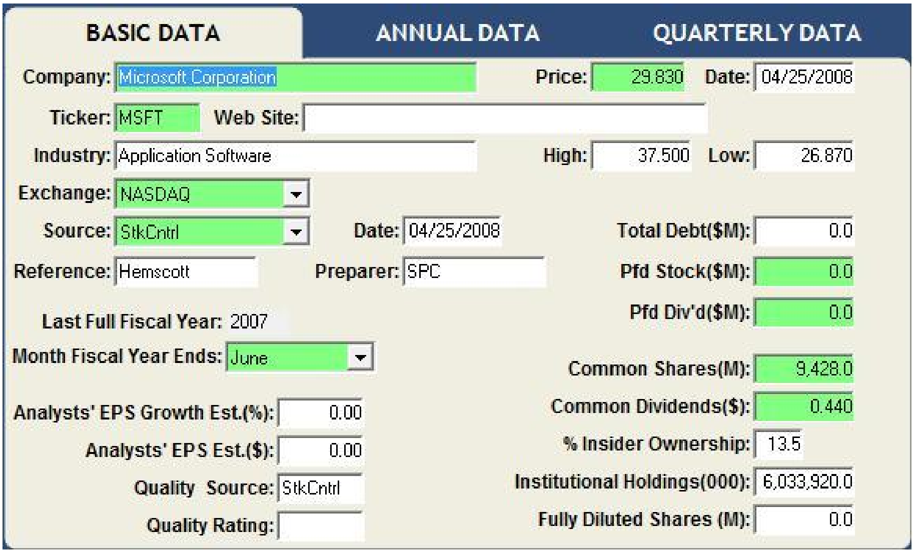
Update Data Manually

To update your **Stock Study** with the current data, using data sources such as Value Line or Standard & Poor's Reports.

1) Open the company you want to update. Refer to the "**Open Saved Stock Study**" section if you require additional information.

2) Click on the "**Data**" button on the Company Toolbar.

3) This opens the "**Basic Data**" screen where you can [**Tab**] through each of the data fields and enter your updated data.



4) If the company's data entry fields are locked, click on the "Unlock Data" button to unlock them so you can update the data.

5) When you are finished updating the "**Basic Data**," click on the "**Quarterly Data**" tab.

6) In the "**Quarterly Data**" screen, click on the "**Last Quarter of Data**" drop-down menu arrow and select the next Quarter. This will shift the data up with new blank fields to enter your new quarterly data.

7) When you are finished updating your data, click "**OK**." To save your new updated data, click the "Save" button on the Company Toolbar.

If you decide to not update your data at this time, you can close the "**Data For**" screen by clicking the in the top right corner. If you entered updated data for the "**4th Quarter**" of the Fiscal Year and also have the updated Annual Data, then:

8) Click on the "**Annual Data**" tab. In the "**Annual Data**" screen, select the next year from the "**Last Full Fiscal Year**" drop-down menu. This will shift the data up with new blank fields for you to enter the new annual data.

BASIC DATA | ANNUAL DATA | QUARTERLY DATA

Last Full Fiscal Year: 2007

Year	High	Low	EPS	Div'd	Bk Val	Sales	Net Profit	Tax Rate%	Shs Outst'g
1998	24.719	14.867	0.47	0.000	1.57	14,484.0	4,676.8	36.9	9,880.00
1999	47.469	21.078	0.70	0.000	2.69	19,747.0	7,680.2	34.5	10,964.00
2000	59.563	30.719	0.84	0.000	3.92	22,956.0	9,318.0	34.0	11,072.00
2001	41.000	20.750	0.69	0.000	4.39	25,296.0	7,721.0	33.0	11,148.00
2002	36.840	24.310	0.71	0.000	4.87	28,365.0	7,829.0	32.0	11,106.00
2003	29.115	21.415	0.92	0.080	5.67	32,187.0	9,993.0	32.1	10,882.00
2004	29.960	23.670	0.75	0.160	6.89	36,835.0	8,168.0	33.0	10,894.00
2005	29.980	23.920	1.12	3.400	4.49	39,788.0	12,254.0	26.3	10,906.00
2006	28.160	22.560	1.20	0.340	3.99	44,282.0	12,599.0	31.0	10,531.00
2007	31.210	21.510	1.42	0.390	3.32	51,122.0	14,065.0	30.0	9,886.00

Estimated Tax Rate: 30.0

NOTE: If you only have the 4th Quarter data, but do not yet have the Annual Data, then of course you will only update the Quarterly Data and not update the Annual Data until this information is available.

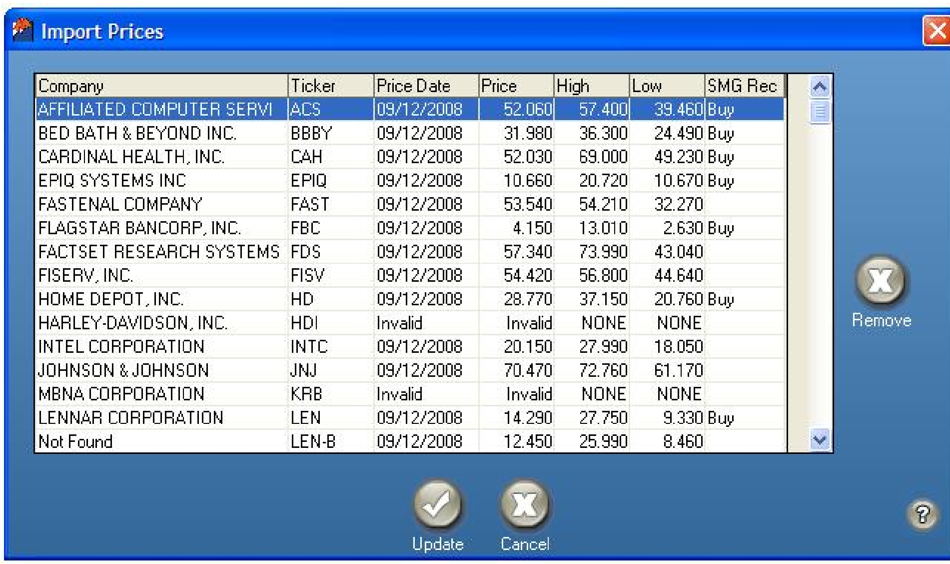
Updating Prices Electronically

It is assumed that have an active connection to the Internet.

All Stocks

From the Home Page

1) Click on “**Update Prices**” in the “**Requires Attention**” list. (Or right-click on “**Update Prices**” and select “**Update All**” from the displayed menu.)



Company	Ticker	Price Date	Price	High	Low	SMG Rec
AFFILIATED COMPUTER SERVI	ACS	09/12/2008	52.060	57.400	39.460	Buy
BED BATH & BEYOND INC.	BBBY	09/12/2008	31.980	36.300	24.490	Buy
CARDINAL HEALTH, INC.	CAH	09/12/2008	52.030	69.000	49.230	Buy
EPIQ SYSTEMS INC	EPIQ	09/12/2008	10.660	20.720	10.670	Buy
FASTENAL COMPANY	FAST	09/12/2008	53.540	54.210	32.270	
FLAGSTAR BANCORP, INC.	FBC	09/12/2008	4.150	13.010	2.630	Buy
FACTSET RESEARCH SYSTEMS	FDS	09/12/2008	57.340	73.990	43.040	
FISERV, INC.	FISV	09/12/2008	54.420	56.800	44.640	
HOME DEPOT, INC.	HD	09/12/2008	28.770	37.150	20.760	Buy
HARLEY-DAVIDSON, INC.	HDI	Invalid	Invalid	NONE	NONE	
INTEL CORPORATION	INTC	09/12/2008	20.150	27.990	18.050	
JOHNSON & JOHNSON	JNJ	09/12/2008	70.470	72.760	61.170	
MBNA CORPORATION	KRB	Invalid	Invalid	NONE	NONE	
LENNAR CORPORATION	LEN	09/12/2008	14.290	27.750	9.330	Buy
Not Found	LEN-B	09/12/2008	12.450	25.990	8.460	

2) Click “**Update**” button at bottom of displayed “**Import Prices**” screen after reviewing prices and stock status (“Buy” or “Sell”).

NOTE: To determine which stock prices are not up to date, right-click on “**Update Prices**” when it is red, and select “**Show Stale Prices**.”

Portfolio

From the Stock Library

1) Click on “**Prices**” in the toolbar beneath the **Portfolio** pane.

2) Click “**Update**” button at bottom of displayed “**Import Prices**” screen after reviewing prices and stock status (“Buy” or “Sell”).

From the Overview or Alerts windows

1) Click the “Update Portfolio Prices” button beneath the grid.

Individual Stocks

From any company window (**Stock Study**, **Stock Management Guide**, **Quality Trend Analysis**, Quality Trend Graph, **Annual P/E Analysis**)

1) Click on “**Price**” in the “**Refresh**” cluster at the top of the page. Click on “**Refresh**” to update both price and data.

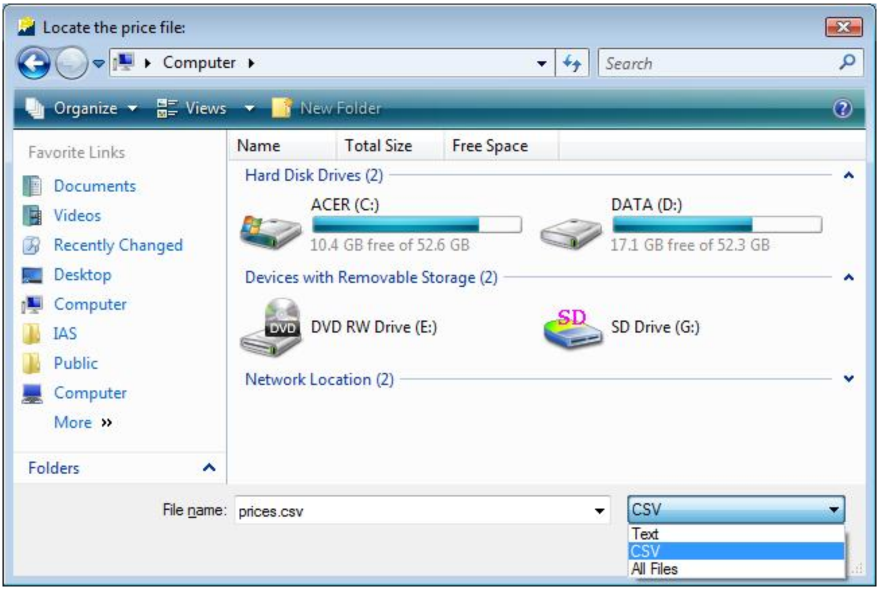
From the Overview

1) Click on any company in the grid to select it.

2) Click on the “**Update price**” button to the right of the grid.

Using a Price File

You may use a price file from *Yahoo*, *Quicken,* or some other source to update your stock prices. (Consult the software product or source for information about how to export prices from their products.)



1) Select **File** > **Update Prices** > **Import Price File**.

2) Locate the price file in the displayed dialog box.

3) Select the proper format (Text, CSV, or All Files) from the pull-down menu at the bottom of the dialog box in order to filter out only the appropriate types of file and make it easier to find.

4) Click "**OK**" to import the prices.

5) Check the resulting screen to see that the prices have been imported satisfactorily, and the status of each stock ("Buy" or "Sell").

6) Click "**Update**" to complete the price update.

Updating Prices Manually

Individual Company

From any company form (**Stock Study**, **Stock Management Guide**, **Quality Trend Analysis**, **Annual P/E Analysis**):

1) Click on the “Data” button in the company toolbar.

2) Enter the new price in the Price field in the upper right of the Basic Data page.

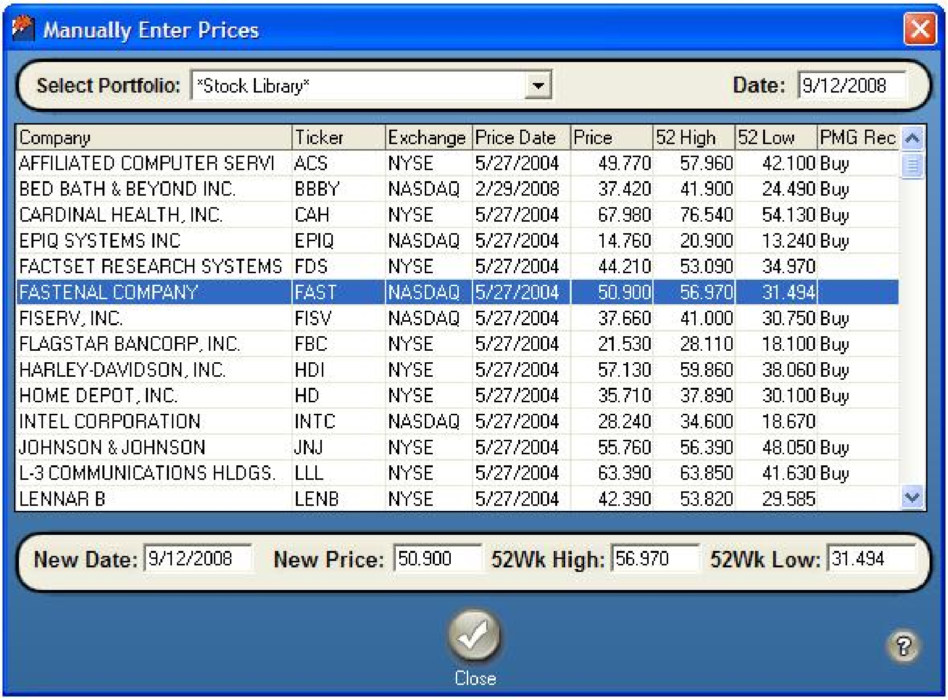
Multiple Companies

You may update the prices for multiple companies manually

1) Select **File** > **Update Prices** > **Manually Enter Prices.**

2) Enter the new price for each stock in the “**New Price**” field below the grid.

3) To alter the date for any one price, enter the date in the "**New Date**" field to the left of the price. Otherwise all prices will be entered with the default date shown in the upper right corner of the screen.



4) Press **{Enter}** to move to the next company, the **down-arrow** to move down the list, select any company to update with your mouse.

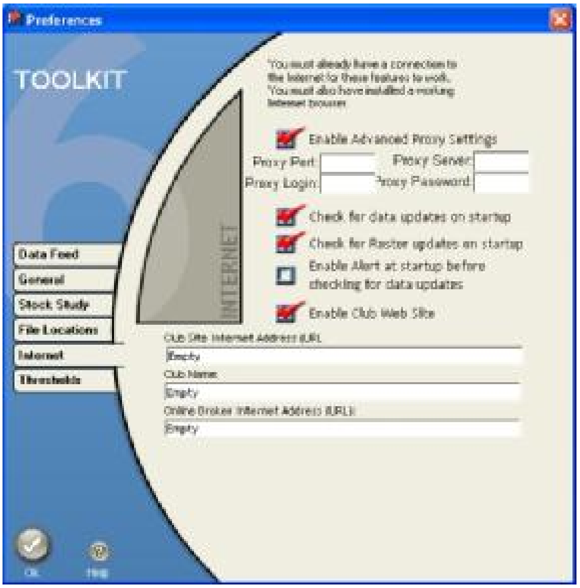
5) When you have finished, click "**Ok**" to quit updating.

Internet Access

Activation

Web access requires that you have an Internet Web browser installed on your computer (e.g., Microsoft's Internet Explorer or Mozilla Firefox), and subscribe to an Internet Service Provider (ISP) through which you can access the Internet.

If you use a **Proxy Server** to access the internet, you will need to identify it to Toolkit. (Most people do not use a proxy server to access the internet, they are most often used in corporate, municipal, or scholastic networks.)



1) Click on "**Preferences**" in the main toolbar and select the "**Internet**" tab.

2) Click on the "Enable Advanced Proxy Settings" checkbox.

3) Enter the **Port, Proxy Server Name, Login ID** and Password and then click the "**OK**" button to complete the process.

How to Set Up Web Destinations

Your Club Web site

1) Click on "**Preferences**" in the main toolbar and select the "**Internet**" tab.

2) Click on the "**Enable Club Web site**" button.

3) Enter the URL for your club, and the name in the labeled boxes.

Your Online Brokerage

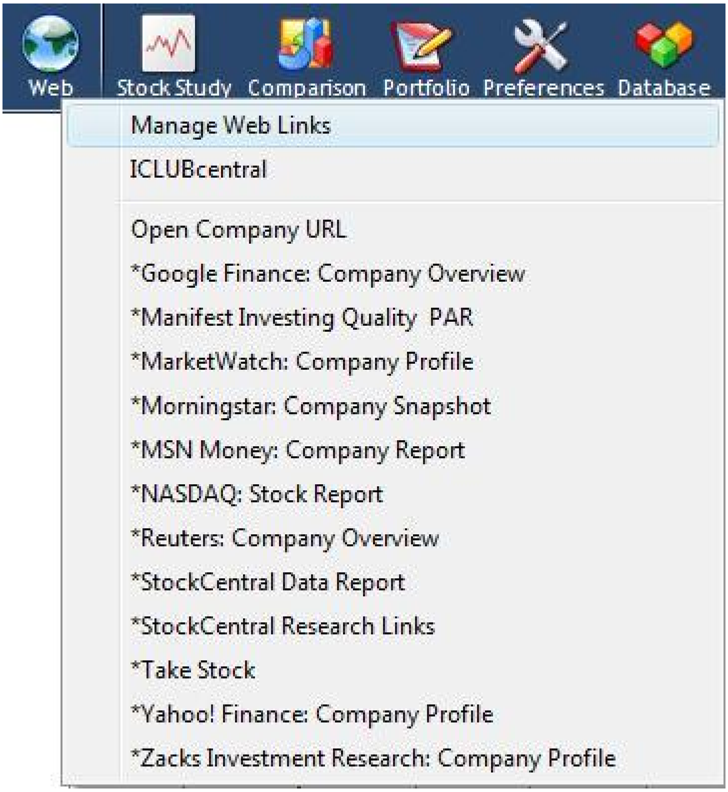
1) Click on "**Preferences**" in the main toolbar and select the "**Internet**" tab.

2) Enter the URL for your online broker

How to Open “Internet Access” screen

Access to the Internet is greatly simplified in ***Toolkit 6***. **All access** to sites is through the “**Web**” button on the main toolbar.

For your convenience, we have provided a number of sites commonly used for additional research by Toolkit users. You may not edit or delete these web sites, however – we will update them periodically when updating your software. You may add, edit, or delete any additional web sites that you enter into the program.



To open the “**Internet Access**” screen, click on the “**Web**” button on the Main Toolbar.” Clicking on any of the selections from the drop down list will activate your default browser, and take you to the selected Web site.

Accessing Company Web Sites

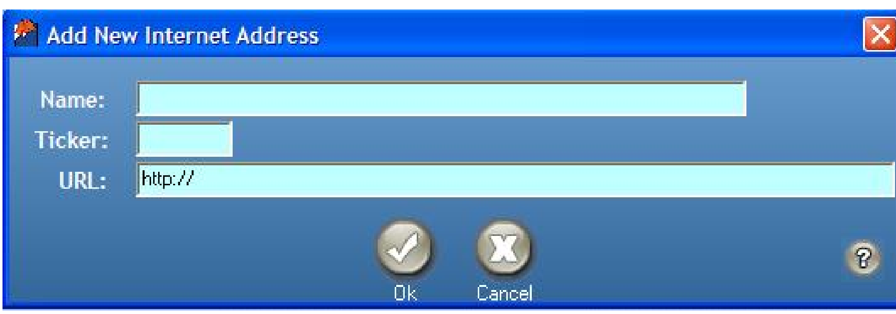
1) Click the “**Web”** button on the Main Toolbar and then click the **Manage Web Links** selection from the drop down list to display the **Internet Access** dialog.

2) Click the “**Companies**” tab.

3) Click on a company to highlight it.

4) “**Open,**” “**Edit**,” or “**Delete**” the company by clicking on the respective button.

To Add a Company Address



1) Click “**Add**” to add a company and its Web site to your list.

2) Enter the **Name**, **Ticker**, and **URL** if you know it. If not, continue with the steps that follow.

> ***TIP***: *To add a company’s URL from any open company form, click the “**Web**” button, select “**Open Company URL**” from the pull-down menu, then click “**Yes**” when asked if you wish to add it. It will automatically open the above dialog with the company name and ticker symbol already entered.*

3) Open the company’s home page in your browser.

4) Highlight the address as shown on the browser's address field.

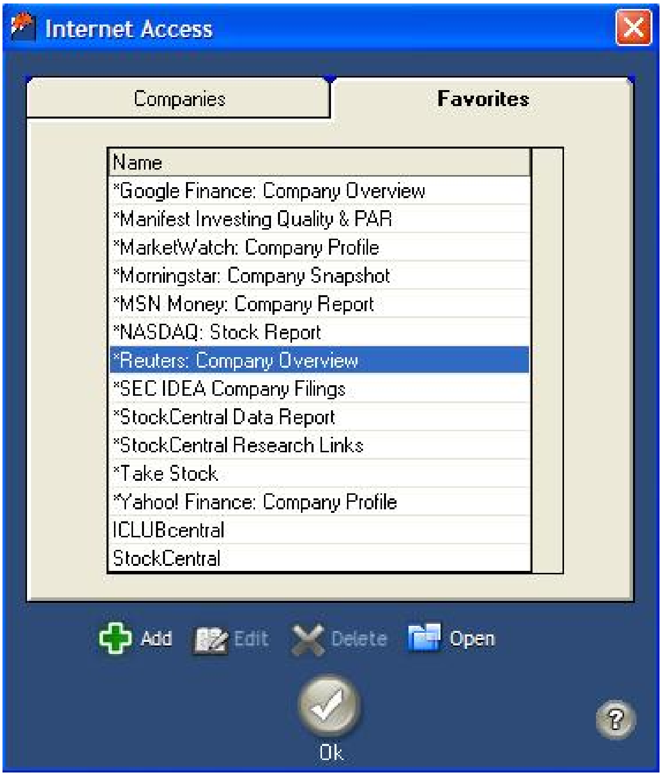
5) Press **[Ctrl+C]** (simultaneously press **Ctrl** and **C**) to copy the address to the Window's clipboard.

6) Use the Taskbar to switch to ***Toolkit 6***.

7) Click in the URL window and press **[Ctrl+V**] (simultaneously press Ctrl and V) to paste the contents of the clipboard into the field. The URL will automatically appear in the URL section of the company's **Basic Data** screen.

Accessing Favorites

1) Click the **Web** button on the Main Toolbar and then click the **Manage Web Links** selection from the drop down list.



2) Click on the "**Favorites**" tab.

3) Highlight a Web site and click the "**Open**" button (or double-click on the site) to activate your browser.

NOTE: Sites listed with an asterisk (*) are company specific sites and cannot be accessed from this list. With any company form open, they will appear on the drop-down list when the "**Web**" button is clicked. See below for a discussion of company-specific sites.

How to Add a Favorite Web site

1) Click "**Add**" to add a Web site to your list of Favorites.

2) Select a name and type the name into the name field.

3) Within the URL field type into the web site address. (e.g., www.iclub.com)

How to Edit a Favorite Address

1) Select the company that you wish to edit.

2) Click the "**Edit**" button.

3) Change the web site address (URL) and/or company name within the screen that appears.

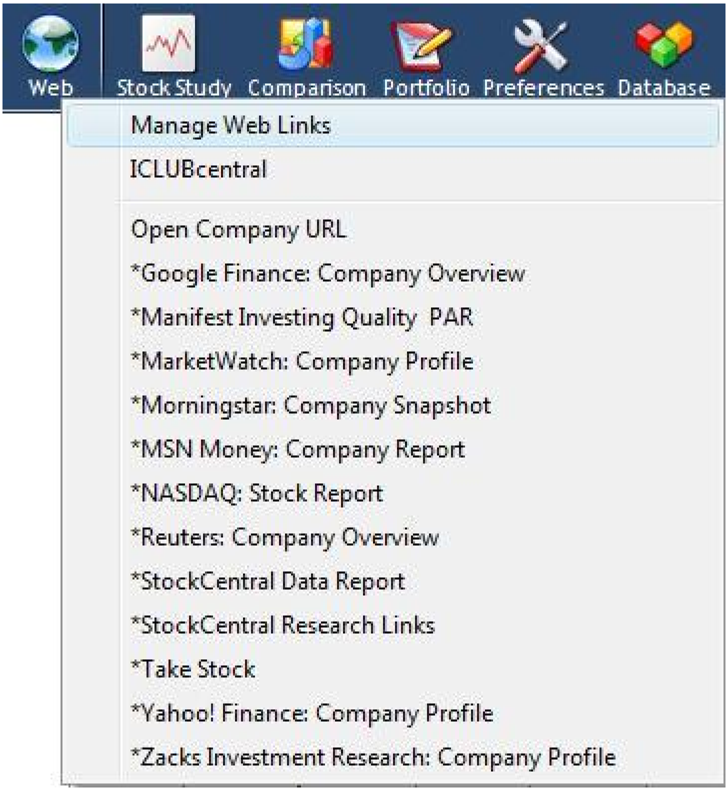
4) Click the "**Ok**" button when you are finished.

Company-Specific Sites

How to Access "Company-Specific" Web Sites

NOTE: A company-specific site refers to a Web page on a destination site that requires you to first access the site and then— usually by entering a ticker symbol—navigate to the page on that site that is of interest to you. ***Toolkit 6*** permits you to go directly to that page on that site from the company you are studying.

You can access a company-specific site *only from a company form* (**Stock Study**, **Stock Management Guide**, **Quality Trend Analysis**, **Quality Trend Graph**, **Annual P/E Analysis**, or Community).



1) With a company open, click on the "**Web**" button on the main toolbar.

2) Select the desired company-specific site from the pull down menu that appears.

To Add a Company-Specific Site to the Favorites List:

Addition, deletion, or editing of the company-specific Web sites listed on the pull-down menu associated with the "Web" button when company forms are displayed follows the same process as other "Favorites" addresses but requires some additional steps.

1) In the **Favorites** page, follow the same steps as above to add a conventional address, accessing the desired site in the normal fashion.

2) Enter the ticker symbol for any company in order to access the company-specific screen on that site.

3) Enter a name for the site in the "**Add Address**" dialog box, but **put an asterisk in front of the name**.

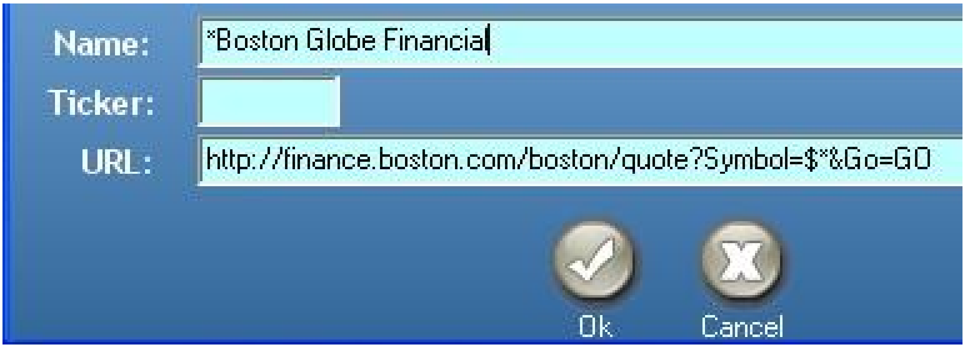
4) Select and copy the address for that site (as described above for a normal address) and paste it into the address field.

5) Locate the ticker symbol imbedded in the address and replace it with a dollar sign followed by an asterisk (**$***). This is the "wild card" that **Toolkit** uses to replace with the company's ticker symbol when you access that Web site.

   As an example, if you wanted to add a link to the Boston globe's financial section, the site address would look something like this, if you were looking up Apple:

   finance.boston.com/boston/quote?Symbol=**AAPL**&Go=GO

   When adding the web site in Toolkit, you would remove the AAPL part of that web site address, and replace it with the $*, as described above. The final result would look something like the following:



To **Edit** or **Delete** an address you have added, select that address from the "**Favorites**" screen, and click on the appropriate button. Note that **Toolkit** will not delete an address until you verify that you intended that action.

For Advanced Users

Working with Multiple Stock Libraries

Advanced users can use this feature to maintain several **Stock Libraries** (databases). A Toolkit **Library** is an individual database file consisting of:

- companies and their data
- judgment
- notes
- portfolio assignments

A **Library** should *not* be confused with a ***Portfolio***. A **Stock Library** may have as many portfolios as the user wishes. These might include your personal holdings, your spouse's, your investment club, a hypothetical "watch list" portfolio, etc. Each of these portfolios may have one or many stocks in common with any other portfolios. When the data or price is updated for that stock, the update will appear in each portfolio sharing that stock.

The **Library Manager** feature permits the use of more than **one Stock Library** with its attendant portfolios, where you may wish to separate stock studies entirely for one or another purpose. For example, you may wish to set up a library for your investment club alone, with a portfolio of those companies that the club owns, a portfolio which consists of the club's "watch list," and another which consists of stocks that have been sold.

You may name Libraries so they are easily identified, e.g., club.mdb. ***Note**: “**.mdb**” extension will automatically be added to any club library file, you do not need to enter it yourself*. You may store Libraries in any location on your hard drive. The location and name of the library currently in use may be found by clicking on the **Preferences** button on the Main Toolbar and then on the **File Locations** tab.

NOTE: The program’s **Update Company** and **Update Price** functions will affect only the library currently in use. For each library, the **Stock Library** represents all of the companies contained within that particular database.

Activation and Use of Toolkit Databases

This option is for advanced users with a need for multiple Toolkit Databases.

Toolkit 6 is shipped with the **tk.mdb** library active. It contains some sample companies that you can practice with. Or, you can add new libraries for your use as described below.

Activate the Library Manager

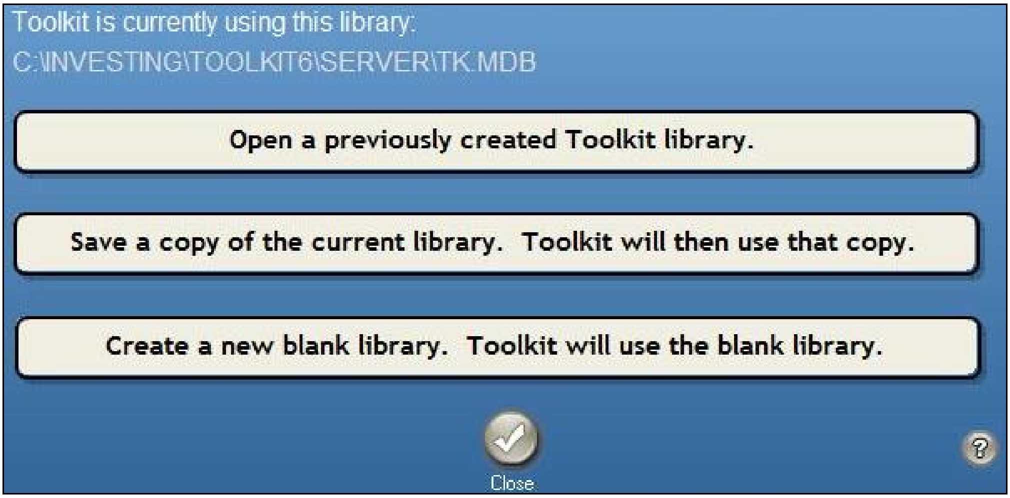
1) Click on the **Preferences** button on the Main Toolbar (Or from the **Options** menu).

2) Selecting the General tab.

3) Click on “**Enable Advanced Library Options**.”

4) Click “**OK”** to close the Preferences window; you will now see a Library menu between the **Edit** and **Options** menus.

5) Select **Library > Library Manager** to make use of the functions described below.



NOTE: Update Company and **Update Price** functions only affect the active database.

Open or Change to an Existing Library

1) Click on the button labeled, "**Open a previously created Toolkit library**."

2) Navigate to the location where the desired library may be found, select it, and click "**OK**."

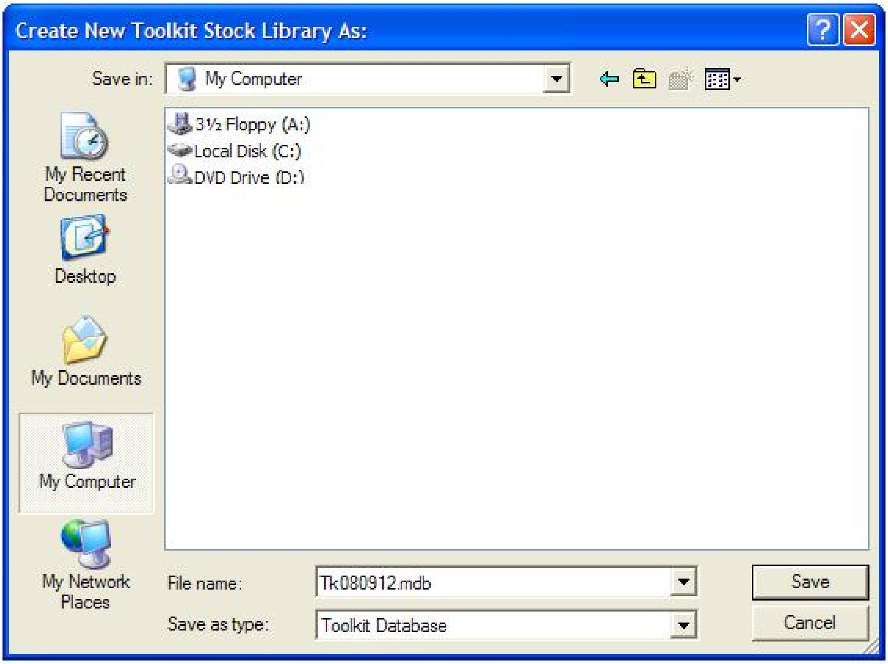
To save the current library with a new name:

1) Click on the button labeled "**Save a copy of the current library. Toolkit will then use that copy**."

2) Accept or change the name of the library. (The "**.mdb**" extension will be added automatically.)

NOTE: The library you have been using will be stored where it is and you will now be using a new copy of that database.

Create a New Library



1) Click on the button labeled "**Create a new blank library. Toolkit will use the blank library.**"

2) Accept or change the location. *Be sure to remember this location.*

3) Accept or change the file name. (The ".mdb" file extension will be added automatically.)

Export a Library

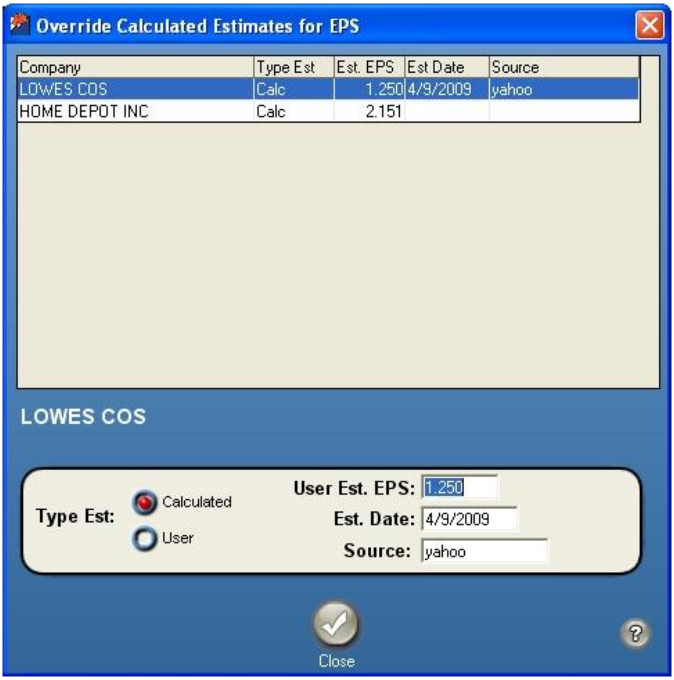
See "**Advanced Data Export**" above to share your stock library or stock within it with others.

Advanced Portfolio Review Estimated EPS

On the **Portfolio Review** report, any ***Toolkit 6*** calculated “**Est. EPS**” replaced by the user with an estimate from another source will appear crossed out, with the user’s estimate appearing below. This value will be used in all calculations requiring estimated EPS. Changing “Est. EPS” only affects the **Portfolio Review** form.

How to Change Estimated EPS in Portfolio Review

In order to be able to access and use this feature, it must be enabled in **Preferences > General (Enable Editing of Portfolio EPS)**.



1) Click on the **Portfolio** button on the Main Toolbar.

2) Select a Portfolio and then click **OK** to display the **Overview**. Click the **Reports** button to open the Portfolio Review form.

3) Click the Edit EPS button on the Portfolio Review Toolbar.

4) "**Override Calculated Estimates for EPS**" screen will appear with a list of companies in the portfolio.

5) Highlight the company who's one-year "**Est. EPS**" you want to change.

6) At "**Type Est**." select "**User**" to place your estimate in the Portfolio Review. Select "**Calculated**" to restore the "**Est. EPS**" calculated by *Toolkit.*

7) Enter the new one-year estimated EPS from your other source in the space provided. Although not required, you should also enter the date and source of your estimated EPS for future reference.

8) Click **Close**.

How to Restore Toolkit EPS Calculations

To restore Toolkit's "**Est. EPS**" calculations:

1) For individual companies, return to steps 3 through 7 above. Ensure that "Calc" appears in the "Type Est." column for each company changed. On the **Portfolio Review** form, no cross out will appear in the "**Est. EPS**" column for any companies using Toolkit's calculation of estimated EPS.

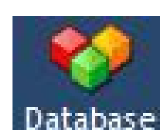
2) For all companies, click **Preferences > General** tab and uncheck the "**Enable Editing of Portfolio EPS**" check box.

Database Utilities

How to Back up your Stock Library (Database)

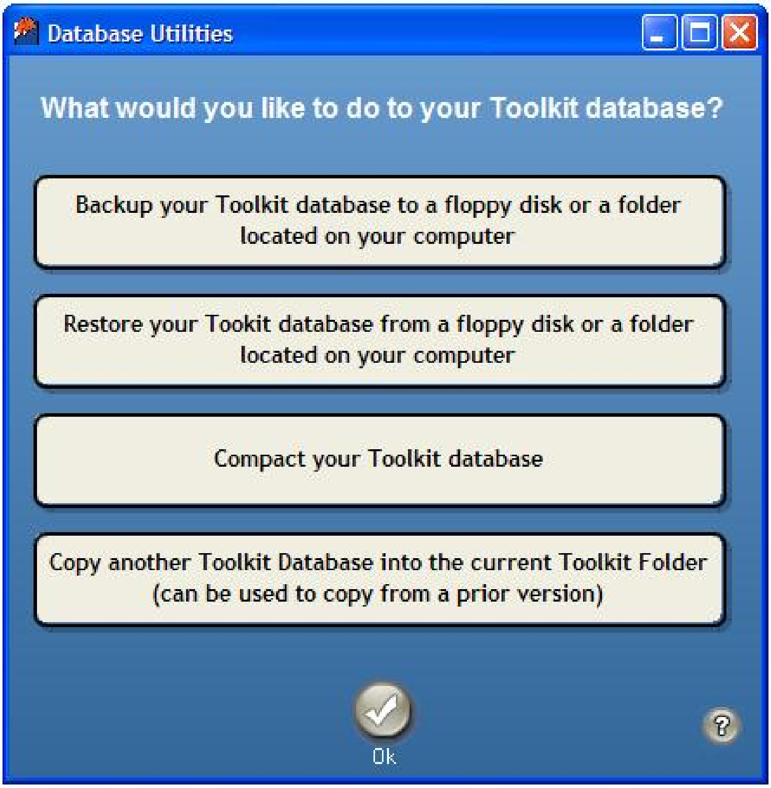
1) Close any companies that you have open.

2) Click on the "**Database**" button on the Main Toolbar.



3) In the "**Database Utilities**" screen, click on the

"**Backup your Toolkit Database**" button.



4) Using the drop-down menu, select where you want to back up you **Stock Library**, i.e., on a floppy disk on the A:\ drive, someplace on your C:\ drive, or to an external drive attached to the computer. Choose the drive and folder, then click "OK." When your **Stock Library** database has been backed up, an information screen will inform you that the "database was successfully backed up."; you will find a file named TK.ITB in the location that you selected for the backup.

5) Remove the disk(s) and store in a safe place.

How to Restore Your Backed-Up Database

1) Close any companies that you have open.

2) Click on the "**Database**" button on the Main Toolbar.

3) In the "**Database Utilities**" screen, click on the "Restore a Database" button.

4) In the "**Restore Database**" screen, using the drop-down menu, select the location from which you want to restore your Stock Library, and click "**OK**."

NOTE: You cannot have more than one library with the same name in your ***Toolkit 6*** folder. If the file you are restoring has the same name as one in your ***Toolkit 6*** folder, you will be warned that it will be overwritten if you proceed. Cancel the restore procedure and copy that file into a safe place before beginning the process again if you want to save that file.

The database of Internet Web site URLs in your *Toolkit's* "Internet Access" was also backed up when you backed up your **Stock Library**. You will receive an information box asking if you want to restore and overwrite your current Internet URL database.

Compacting your Stock Library Database

As the size of your Stock Library increases, you should compact it periodically in order to help increase the speed of opening companies. To compact a Stock Library:

1) Close any companies that you have open.

2) Click on the “**Database**” button on the Main Toolbar

3) Click on the “**Compact Database**” button.

4) The database will quickly be compacted and you will see a “database compacted successfully” information box.

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