



How to Get The Most From The Outlook

June 2018

What is The Outlook

Thank you for joining the thousands of enthusiastic investors who turn to The Outlook – the powerful advisory resource for timely, proven guidance on market behavior and its driving forces.

The Outlook is an investment website from CFRA: Intelligence for the Individual Investor. This website is an extension of the oldest continuously-published investment newsletter in the U.S., *The Outlook*, which has been published weekly since the 1920s.

How to Get The Most From The Outlook

Drawing from the deep expertise of CFRA's widely respected staff of strategists, researchers and analysts, The Outlook identifies the developments and trends that affect stock performance and makes recommendations on when to buy, hold, and sell.

A regular feature in The Outlook is CFRA's proven investment decision-making tool: STARS (STock Appreciation Ranking System). CFRA's STARS should be of vital interest to every investor because it evaluates the immediate investment potential of about 1,100 U.S. stocks, with particular emphasis on the timing of investment decisions. The outstanding track record of STARS is what makes The Outlook stand alone amongst other investment websites. Since 1987, our equity analysts' recommended strong buys, as a whole, have outperformed the market by several hundred percentage points.*

STARS rankings and summaries are strategically integrated with the other investment advice in The Outlook, which includes weekly notes from the CFRA Investment Policy Committee, chaired by Chief Investment Strategist Sam Stovall, and articles on the most important investment themes of the week. With the analytical experience of CFRA's analyst team, The Outlook's comprehensive guidance can help you stay on top of market movements and business trends, spot the best buys, and make informed and profitable investment decisions.

TOP-DOWN OUTLOOK...

While The Outlook exists primarily to provide specific investment recommendations, we don't expect our subscribers to follow them in the dark.

Each day, the website evaluates both the immediate and far-reaching investment implications of broad economic, financial, and industry trends, in addition to examining the internal factors affecting both short- and long-term prospects for a broad universe of publicly held companies.

By applying both macro and micro assessments of the near- and long-term outlook, we aim to provide a complete picture of the investment environment in which to consider our specific investment recommendations. We publish concise commentary on prospects for stocks and fixed-income investments and specific advice on current portfolio strategy. This Investment Strategy section, a highly-regarded feature of the website, draws on weekly assessments by CFRA's top analysts, strategists and researchers of far-reaching factors such as consumer confidence, business spending, governmental actions, inflation prospects, and interest rate trends.

AND BOTTOM-UP RECOMMENDATIONS...

Using the Stock Appreciation Ranking System (STARS), CFRA's equity analysts evaluate stocks on their potential for total return over the next 12 months.

How STARS are Defined

- **A 5-STARS (strong buy) stock** is one in which the total return is expected to outperform that of the S&P 500 index by a wide margin, with shares rising in price on an absolute basis.
- **A 4-STARS (buy) stock** is one in which the total return is expected to outperform that of the S&P 500 index, with shares rising in price on an absolute basis.
- **A 3-STARS (hold) stock** is one in which total return is expected to closely approximate that of the S&P 500 index, with shares generally rising in price on an absolute basis.
- **A 2-STARS (sell) stock** is one in which total return is expected to underperform that of the S&P 500 index, and share price is not expected to show a gain.
- **A 1-STARS (strong sell) stock** is one in which total return is expected to underperform that of the S&P 500 index by a wide margin, with shares falling in price on an absolute basis.

With a subscription to The Outlook, individual investors see CFRA's upgrades, downgrades, initiations, and reiterations as soon as the pros (financial advisors) do, not hours later on CNBC or other websites.

STARS performance is based on the price change of the stocks in each of the five groupings, using standard time-weighted performance formulas. STARS results exclude transfer costs, and since turnover is high in the group, maintaining a portfolio of 5-STARS over a long period would probably involve considerable trading. In recent years, however, discount and on-line brokerages have sharply reduced the retail commissions many investors pay, which could reduce the costs, though not the tax consequences, of such trades. For a lower-turnover approach, The Outlook also offers several model portfolios.

Model Portfolios

Master List Model Portfolios of Recommended Issues

For long-term investing, stocks we recommend as core holdings appear in our three supervised Master List Groups. Changes to these listings are made much less frequently than changes to the STARS categories, and the three groups have discrete portfolio objectives. CFRA's senior portfolio group, made up of equity analysts and members of the CFRA Investment Policy Committee, actively manage the three Master List Model Portfolios.

- **The High-Quality Capital Appreciation Model Portfolio** consists of 15 stocks with Quality Rankings of A- or better. Quality Rankings measure the growth and consistency of earnings and dividends over a 10-year period. A recent study showed that over the long term, stocks with the best Quality Rankings outperform lower quality stocks on a risk-adjusted basis. Stocks must also have a 4- or 5-STARS ranking to enter this portfolio.
- **The Total Return Model Portfolio**, which is designed for long-term total return, contains 15 stocks with a current yield greater than that of the S&P 500. The company must not have cut its regular dividend in the last five years, and that dividend must be secure in the opinion of the CFRA analyst who follows the stock.
- To enter the **Small/Mid-Cap Model Portfolio**, a stock must have a market capitalization of \$7 billion or less, be ranked 4- or 5-STARS and have good long-term prospects in the opinion of the CFRA analyst who follows it. Stocks will not automatically be eliminated if they grow to a market cap above \$7 billion.

Stocks in the three Master List Groups are covered on a rotating basis. Performance figures for each model portfolio are provided regularly.

Other CFRA Model Portfolios

- **Top Ten Portfolio:** This portfolio comprises ten stocks thought by the CFRA senior portfolio group to be well poised for risk-adjusted total return prospects over the coming 12 months. To enter the portfolio, a stock must have a 5-STARS ranking.
- **PowerPicks:** Created at the start of each year, this portfolio consists of the best stock ideas from each of the industry analysts of the CFRA equity research staff.
- **Platinum:** To enter this portfolio, a stock must carry both a STARS ranking of 5 and a Fair Value ranking of 5. Fair Value rankings are based on fundamentals, such as P/E ratio, profit growth potential, price to book value, and return on equity. Stocks are deleted only when they lose their top ranking in both systems.
- **Industry Momentum:** This portfolio identifies industries that CFRA Chief Investment Strategist Sam Stovall thinks have the potential for above-average price performance, basing his securities selection according to relative strength, a technique that identifies robust groups based on their 12-month price performance.

More Features of The Outlook

- Ability to search through twenty years of past issues of The Outlook
- Advanced screening tools, quotes, charts, and news
- Exclusive S&P analytical research on sectors and industries
- Quick ticker search capability
- Weekly notes from the CFRA Investment Policy Committee, chaired by Chief Investment Strategist Sam Stovall, a regular guest on CNBC and other top-tier media
- Sector Scorecard that includes recommended weightings and performance information for all 11 sectors, all of the sub-industries in each of the 11 sectors, along with strong buy and buy recommendations in each sub-industry
- CFRA's popular Street Talk column with generally more than 20 updates throughout the day on the Treasury market, commodities, the dollar and other currencies, general stock market commentary, gold, and corporate bonds
- Market Movers, where many investors look for trade ideas and features stocks within the S&P 1500 that have moved up or down 5% from the previous day's closing price
- A robust international investing section, with many articles to help individual investors choose international investments wisely

*Performance results have been calculated using standard time-weighted performance formulas. Since such results are exclusive of transaction costs and subscription costs to The Outlook, the actual results obtained by investors may be different. Investors are advised not to rely on The Outlook as their sole source of investment advice. Because recommendations are made with the intent of maximizing gains in the case of 5 STARS and identifying well below average performance in the case of 1 STARS, the volatility of these groups is likely to be higher than that of the 4, 3, 2 STARS groups, as well as higher than that of the S&P 500 Index. There is no assurance that any future 5 STARS or Master List recommendations will be profitable, and you should understand that such recommendations do not account for all relevant circumstances, such as your tolerance for risk, investment goals, or access to investment capital. The Outlook and the above-mentioned portfolios are products of CFRA.

For more information about CFRA's Research and Services, please contact:
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