

ShareScope

DECEMBER 2013

The latest news and tips from ShareScope



Once again we are absolutely delighted to have won both the *Shares* magazine and *Investors Chronicle* awards for **Best Investment Software 2013**. That's 12 in a row for Shares and 11 out of 12 for the IC. Our sincere thanks to everyone who voted for us.

You should by now have received a letter from us regarding the increase in subscription rates. It's never nice when prices go up but they are necessary for us to continue providing the same level of service. Exchange data and good quality fundamental data is

extremely expensive and, in the case of the exchanges, non-negotiable. In the face of annual price rises from most of our data providers - many of them significant increases - we try to keep our subscription rates level for as long as possible. We continually strive to add value to ShareScope and you can find out about our latest release - ShareScope 7 - below.

Wishing you all a very happy Christmas and a successful 2014!

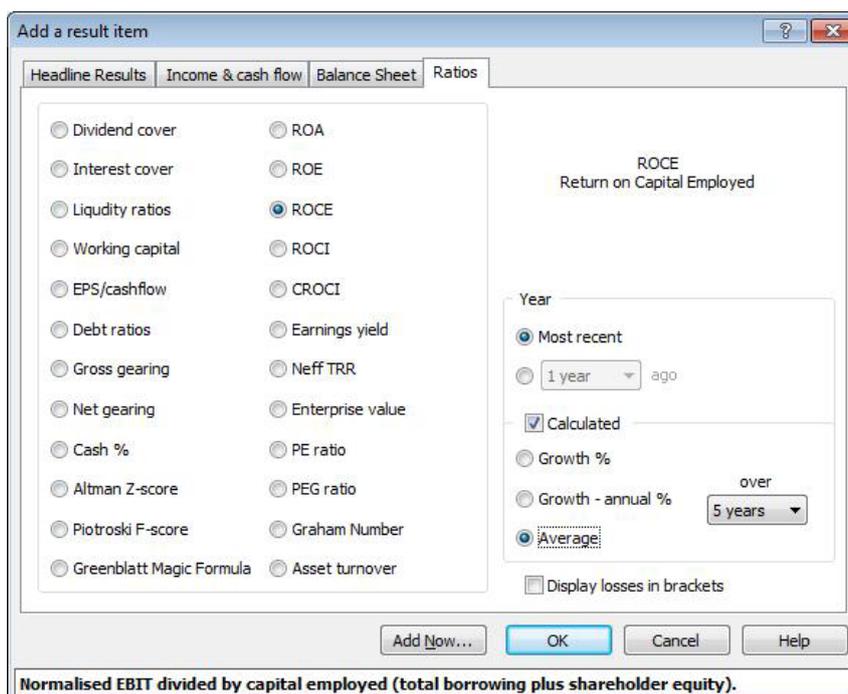
MARTIN STAMP, MANAGING DIRECTOR

SHARESCOPE 7

We've got a great new release for you which you'll receive in three phases before Christmas and early in the New Year. ShareScope downloads the new release during the update process and offers it to you the next time you update. We limit the number of downloads each day so you may not get it straightaway. We will also suspend the release if we need to fix any serious bugs!

Phase 1 - Enhanced results and ratios

We've added dozens of additional income statement, balance sheet and cash flow items as well as metrics such as *ROCI*, *CROCI*, *Piotroski F-Score*, *Altman Z-Score*, *Neff TRR*, *Debt to equity*, *Debt to capital* and *Earnings yield*. You'll be able to select this data from a redesigned **Results** dialog with tabs for *Headline Results*, *Income Statement*, *Balance Sheet* and *Ratios*. This data is available in all versions of ShareScope.



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The 0845 numbers should be cheaper if you are calling from outside London.

Phase 1 - Growth rates and averages

You can now calculate *Growth %*, *Annualised growth %* and *Average* over a selected multi-year period (up to 10 years) for most metrics. For example: *annualised EPS growth % over 5 years* or *average PE over 3 years*. Available to all users.

Phase 1 - New Details setting

Details setting 1 has been upgraded to take advantage of the new data. New installations will get this setting automatically. For existing customers, ShareScope will place the new design in **Setting 12** if blank. If not, it will use the nearest blank setting to 12. If you have no blank Details settings but would like a copy of the new design, please contact [support](#).

Close		£15.16	31/12/10 IFRS	31/12/11 IFRS	31/12/12 IFRS	Dec 2013 Forecast	CITY VIEW	
Price high		£19.89	1,229.90	1,396.10	1,583.20	1,592.02	Broker consensus	Hold
Price low		£14.42	477.70	576.70	610.20		Consensus change	No change
EPIC	AGK		752.20	819.40	973.00		No. Analysts	9
ISIN	GB00B4WQ22...		437.70	477.00	581.30		BALANCE SHEET	
SEDOL	B4WQ222		314.50	342.40	391.70		Curr Assets (m)	649.40
Capital (£m)	4,078.4		10.10	18.70	24.70		Total Assets (m)	2,123.40
EV (m)	4,671.45		304.40	323.70	367.00		Curr Liab. (m)	580.80
No. Shares (ye...)	268.37		91.30	63.60	91.00		Total Liab. (m)	1,078.60
Volatility	2.35		213.10	260.10	276.00		NAV (m)	1,044.80
Correlation	0.34		81.53	97.49	103.86		Minorities (m)	0.00
Beta	0.64		210.40	255.50	265.00		Total Equity (m)	1,044.80
RATIOS			80.50	95.77	99.72	90.79	CASHFLOW & LIQUIDITY	
PE	15.20		213.10	260.10	276.00		Operating Cash Flow (m)	478.70
EV/EBITDA	7.52		81.53	97.49	103.86		Operating Cash Flow ps (...)	180.17
EV/EBIT	12.27		19.51	20.79	23.91	26.01	Free Cash Flow (m)	-43.90
PEG			1.28	1.03	1.58		Free Cash Flow ps (p)	-16.52
Neff TRR	-0.48		Turnover		EPS		EPS/Cashflow	0.58
Forecast Yield	1.72		12/97 00 02 04 06 08 10 12		12/97 00 02 04 06 08 10 12 14		Current Ratio	1.13
ROA (%)	13.60		1600		100		Quick Ratio	0.82
ROCE (%)	24.76		1200		80		Int. Cover	14.38
ROE (%)	24.21		800		60		Div. Cover	4.17
ROCI (%)	24.03		400		40		DEBT & GEARING	
CROCI (%)	-2.68		30		20		Borrowing <5yrs (m)	383.20
Graham Number	£9.35		PE		Dividend		Borrowing <1yr (m)	184.50
Graham ratio	1.62		30		30		Total Borrow (m)	615.90
Altman Z	4.32		Interims ex-div		4/9/13		Cash (m)	22.90
Piotroski F-score	5.00						Net Borrow (m)	593.00
KEY DATES							Gross Gearing inc (%)	58.96

Phase 1 - Additional window layouts (Plus & Pro)

Plus and Pro users are no longer limited to 12 layouts and settings. You can create new ones as and when you need them. The ability to add more than 12 settings will be in Phase 2.

Look out for the **What's New** document that will open up on your screen once you have installed the new release. If you would rather read it later, you can find it on ShareScope's **Help** menu.

Phase 2 - Investment guru stock screens

We are working on a revamp of Data Mining which will make all the new fundamental data accessible for stock screening. In the meantime, we will be providing a range of Data Mining filters based on the strategies of well-known investment gurus – *Ben Graham*, *Warren Buffett*, *Peter Lynch*, *Jim Slater* and more. A new version including these filters will be released in the first full week of January.

These hard-coded filters cannot be edited but, in due course, all ShareScope users will be able to create and edit such filters in Data Mining.

Until then, Plus and Pro users will be able to download editable ShareScript versions of those filters from the **ShareScript Library**. When you load them as criteria in a Data Mining filter, a dialog will open enabling you to modify the settings.

You can also add the scripts as columns which will show you how many of the criteria each stock has met. For example, the *Ben Graham* filter has ten criteria so the column will display a score from 0 to 10 for each

company in the list. Sorting by this column will find not only the stocks that meet all the criteria but will help you identify the also-rans without having to adjust any criteria. Adding columns for each of the criteria will show which criteria they have failed on. To find out which criteria have been used for each filter, click on ShareScope's **Help** menu, select **What's New** and follow the link.

Many guru filters look for companies with exceptional investment characteristics. Consequently, many of them will find matches only occasionally. On one hand, this is understandable; companies with such outstanding characteristics should be few and far between. Relaxing the criteria to make them more usable, however, means that you just get further and further away from the original screen. Filters on the same theme (value, growth etc.) can be quite similar anyway so you can end up with a group of homogenous screens. We've tried to remain faithful to the underlying investment philosophies.

Phase 3 - Brand new portfolio performance calculator

This great new feature will enable you to calculate the performance of a portfolio and its constituents over a selected timescale.

Name	No. Shares		Value		Yield	Capital Return	Total Return	
	Start	End	Start	End			Annualized	Added
2012								
BP PLC	1,200	1,200	£5,526	£5,098	4.9%	-7.7%	-3.3%	£178
Next PLC	--	175	--	£6,491	1.7%	84.6%	88.3%	£2,149
Pearson PLC	900	900	£10,890	£10,692	3.6%	-1.8%	1.8%	£189
RSA Insurance Group PLC	3,300	4,500	£3,472	£5,656	7.3%	19.4%	29.0%	£988
Sage Group (The) PLC	1,450	1,450	£4,266	£4,267	3.8%	0.0%	3.9%	£162
Vodafone Group PLC	2,200	2,200	£3,936	£3,398	4.2%	-13.6%	-10.2%	£396
FTSE100					4.2%	5.8%	10.0%	
Total for portfolio			£28,089	£35,602		84.6%	88.3%	£2,915

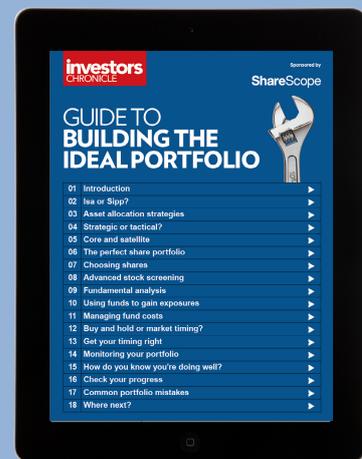
You can display total return, annualised performance and you can compare your portfolio to a benchmark. As usual there will be a range of options so that you can tailor the display to suit your requirements. Next and Previous buttons will enable you to scroll through your portfolios. This will be added late January.

Building the Ideal Portfolio

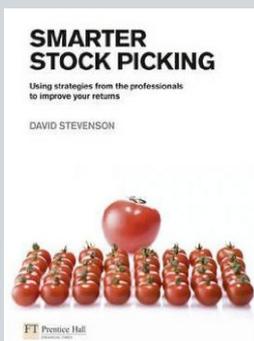
Customers managing their own investment portfolio, or thinking of creating one, should be interested in this free guide we recently co-produced with the *Investors Chronicle*.

Available for the iPad, it is packed full of information, interactive tools and videos. The guide includes a very useful pension contribution calculator which helps you determine how much you need to pay into your fund in order to achieve your desired level of retirement income. For those of you with established pension portfolios it can also help you gauge whether or not you are on track.

To download the free **Investment Guides app** from the App Store, go to: www.investorschronicle.co.uk/igapp.



Smarter Stock Picking



The new investment guru stock screens we are adding to ShareScope are based on those in *David Stevenson's* book **Smarter Stock Picking**. Some of you may already have this book as we ran a promotion when it was published. If not, you can order a copy [here](#).

Christmas Hours

Please note that early closing by the LSE on Christmas Eve and New Year's Eve will affect office hours and the evening update over the festive period. We will also be closed on the afternoon of Friday 20th for our office party.

DATE	HOURS	UPDATE
Fri 20th Dec	8am-Noon	6pm
Tue 24th Dec	8am-1pm	1.30pm
Tue 31st Dec	8am-1pm	1.30pm

GM's COLUMN

It has been an exhausting but absorbing process deciding which new fundamental data to include in the new release and which calculations to use. As ever we welcome your feedback. Below I've provided an overview of some of the challenges of presenting company results data and what you as an investor need to be aware of.



TIM CLARKE

An introduction to company results

ShareScope provides in-depth company results for all UK and US listed companies.

Where reported, headline *interim* and *quarterly* results are also provided. Results data can be viewed in the **Details** view, added as columns to **List** tables, and used as **Data Mining** (stock-screening) criteria.

Company accounts can be a minefield of exceptional items, non-operational activities, notes to the accounts and inconsistent presentation. As investors, we need to know that the data presented for one company is equivalent to the data shown for others. In ShareScope we aim to provide you with a consistent and reliable presentation of the figures which enables you to make accurate and relevant comparisons.

In the UK, companies report their results in compliance with the *International Financial Reporting Standards (IFRS)*. One of the key points of IFRS is that companies report profits based on continuous operations only. That is, profits from divisions or product lines which have been sold or discontinued are not included. This gives you, the investor, confidence that the earnings you are looking at and which are used to calculate valuation measures and return ratios, for example, are a good basis for future expectations.

Companies do include the profits from discontinued operations in their accounts but they are recorded in a separate section of the income statement after the post-tax profit for continuous operations. The total for continuous and discontinued profits can be called Profit available for dividends or Profit for financial year depending on how the income statement is presented. In ShareScope, we call it *Total profit*.

Most company results include exceptional items – one-off expenditures or receipts – which can distort the performance of underlying operations. Normalisation strips out these exceptional items enabling you to compare companies on a true like-for-like basis – particularly useful when comparing the performance of companies in the same sector or sub-sector.

Some companies may provide adjusted profit figures which are their own version of normalised numbers. However, the definition of exceptional items may be distorted to flatter the profit figure. We use independently normalised profit figures from *Hemscott* (a division of *Morningstar*) which applies the same rules to each company.

Many professional investors and experienced private investors like to look at *EBITDA* and *EBIT* as well as, or instead of, *pre-* and *post-tax profits*. Companies may employ different sources of financing and/or may pay different rates of tax. *EBIT* (earnings before interest and tax) enables you to compare company profits before the effects of financing and tax. *EBITDA* goes one step further and removes the effect of depreciation and amortisation both of which are non-cash deductions from profits.

In ShareScope, we provide normalised *pre-tax profit*, *post-tax profit*, *total profit*, *EBITDA* and *EBIT* as well as the reported values found in company accounts.

The US hasn't signed up to IFRS and reports under the *Generally Accepted Accounting Principles (GAAP)*. Under GAAP, companies report results for continuous and discontinued operations combined. However, our *EPS* values for US companies are based on continuous operations only. To further complicate matters, GAAP treats some items differently to IFRS. Where possible we have standardised our data to IFRS rules to help you more easily compare UK and US companies. You'll find more details of this in the Help for individual data items.

In ShareScope **Help** we have included a description of all the results data provided in ShareScope. We particularly recommend you read the section on *Earnings per share (EPS)* which explains the different variations of EPS and which of these we provide in ShareScope.

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Companies announce preliminary results to the market around two months after their financial year end. You will receive the headline results – *Turnover, Profit, EPS and Dividend* - in ShareScope the following day. The company’s annual report will be published several months after this. The day after publication, ShareScope will include full reported results plus normalised profit figures.

Most UK companies also report *interim* (half-year) results whilst US companies report *quarterly*. Interim and quarterly results are not normalised.

PHIL’S HIDDEN GEMS

Exporting portfolio value data

In this section I’m going to explain how to export the historical values of a portfolio.

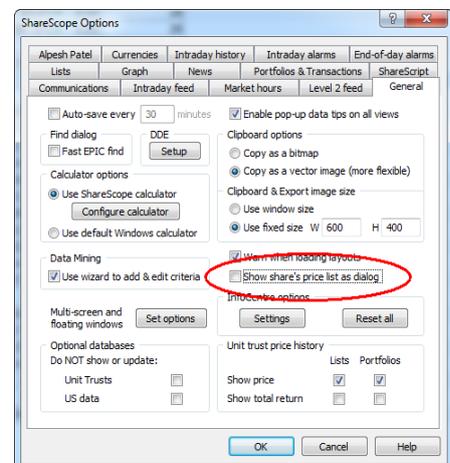


PHIL TOLHURST

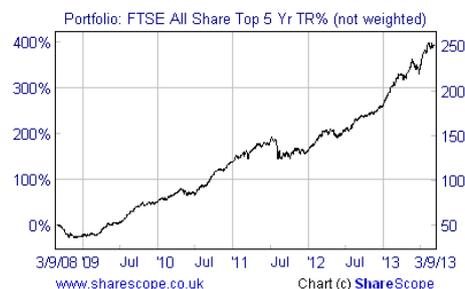
Date	Open	High	Low	Close	Volume
Tue 03/09/13	1932.50	1953.50	1913.00	1936.00	5.54m
Mon 02/09/13	1917.00	1947.00	1907.50	1921.00	5.15m
Fri 30/08/13	1888.50	1895.50	1873.00	1878.00	5.55m
Thu 29/08/13	1881.50	1896.00	1870.00	1880.50	4.81m
Wed 28/08/13	1860.00	1882.00	1854.00	1877.00	5.98m
Tue 27/08/13	1895.50	1895.50	1869.50	1883.00	6.64m
Mon 26/08/13	Closed				
Fri 23/08/13	1897.00	1922.50	1886.00	1909.50	5.82m
Thu 22/08/13	1878.50	1922.50	1879.00	1908.50	5.15m
Wed 21/08/13	1864.00	1908.50	1866.50	1873.00	7.75m
Tue 20/08/13	1920.00	1935.50	1886.50	1923.50	9.17m
Mon 19/08/13	1978.00	1980.00	1943.50	1956.00	5.48m
Fri 16/08/13	1970.00	1993.50	1964.00	1987.50	8.37m
Thu 15/08/13	1999.00	2007.00	1952.00	1975.50	7.33m
Wed 14/08/13	1985.00	2013.00	1963.00	1994.50	7.15m

Many of you will be familiar with the **Share’s Price List** option (*left*) which you can call up by pressing the / (forward slash) key. It displays a list of daily prices for the share in question. By default, this will open in a floating window which you will need to close before doing anything else in the program.

There is an option in ShareScope to display this table in the current view instead of a floating window (*right*). Go to the **Tools** menu and then **Options**. Select the **General** tab and, on the right, untick **Show Share’s price list as dialog**.



Now that the data is displayed as a table in the current view, you can export the data using the **File -> Export -> Export this share’s prices...** option.



This comes in useful when combined with the **Graphing a Portfolio** feature.

When ShareScope creates a graph from a portfolio, using **Graph Profits, Graph Value** or **Graph Shares**, it creates a temporary instrument in the background. Pressing the / key will display this underlying data and you can export it to a spreadsheet for analysis. You could also import it back into ShareScope as a new instrument.

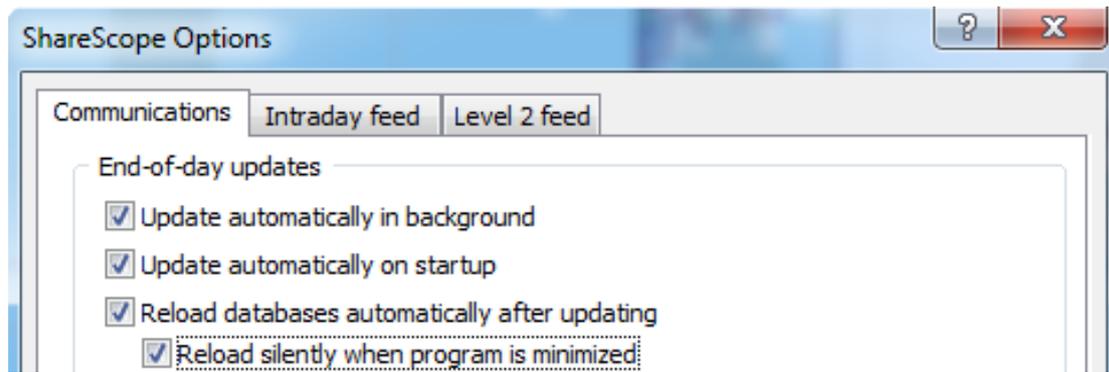
06 Price List for Portfolio: FTSE All Share Top 5 Yr TR% (not weighted) - Price List table 1							
Date ▼	Open	High	Low	Close	Volume	% +/-	
3/9/13	2.52	2.52	2.52	2.52	-	▲ 0.12	
2/9/13	2.52	2.52	2.52	2.52	-	▲ 1.46	
30/8/13	2.48	2.48	2.48	2.48	-	▼ -0.68	
29/8/13	2.50	2.50	2.50	2.50	-	▲ 0.49	
28/8/13	2.49	2.49	2.49	2.49	-	▼ -0.70	
27/8/13	2.50	2.50	2.50	2.50	-	▼ -0.78	

Reloading when minimised

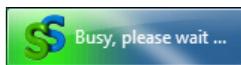
A few customers like to keep ShareScope running but have it minimised while they work on other things. They also have it set to automatically update and automatically reload the data in the background. When ShareScope reloads the database, however, it becomes full screen and interrupts whatever you are doing at the time.

There is now an option that will keep ShareScope minimised while it reloads the data.

Go to the **Comms** menu and then **Comms settings....** Plus and Pro users will need to select the **Communications** tab. Beneath the option **Reload databases automatically after updating** is a sub option called **Reload silently when the program is minimized**. You will need to tick this option.



No matter whether the program is minimised or not when ShareScope is reloading the data *Windows 7* and *Windows 8* users will see a green bar pulsing on the ShareScope button on the task bar. If the program is minimized it also shows: *"Busy, please wait"*

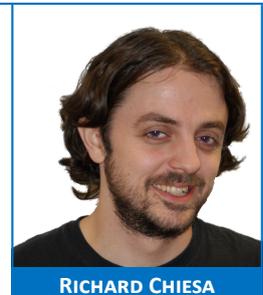


Note: while this is happening, if ShareScope is minimised, you will not be able to maximise it as it is busy.

RICH'S SCRIPTS

ShareScript Studies: Gartley Patterns

If you are in the habit of browsing our [ShareScript library](#) you'll see that it contains dozens of scripts which replicate various trading systems. Some of these you might have heard of and some of these you might have not. Today I'd like to take one of these scripts and discuss it in depth: *Gartley Patterns*.

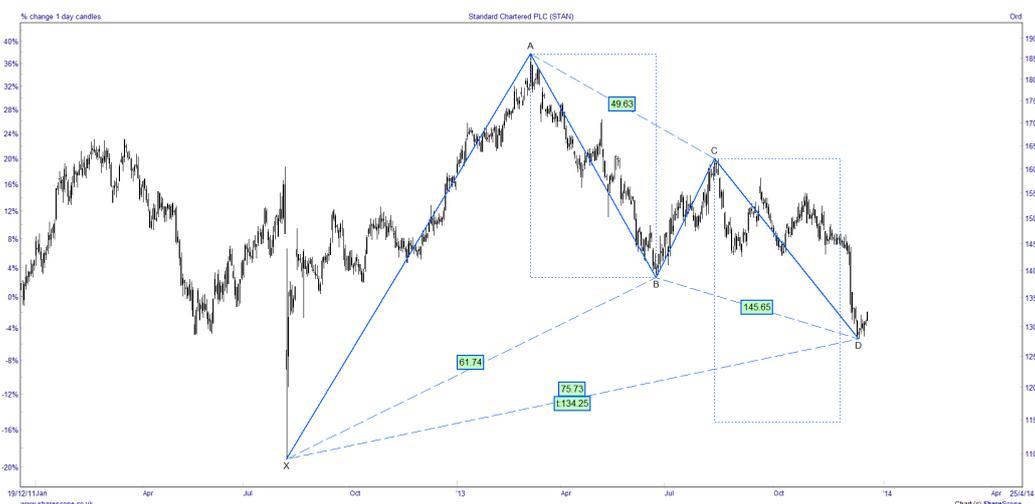


RICHARD CHIESA

To download the script; right-click on a graph, go to **Other main graph features**, select **ShareScript studies...** from the menu, select the **Add** button, select the **Script Library** button, locate the script called **"Gartley Pattern"** select it and click on the **Download & Install** button.

In technical analysis, a *Gartley Pattern* it is a complex price pattern based on Fibonacci numbers/ratios. It is used to determine buy and sell signals by measuring price retracements of the up and down movement in share's price.

So how are these patterns identified? Firstly a zig-zag line is drawn on the chart to smooth the price action and remove any noise (the solid blue lines). When loading the script you'll be asked to set a zig-zag percentage: any price swing below the chosen value will be considered noise and ignored. In the example below I have chosen a 12.5% zig-zag. The zig-zag line identifies 5 points on the chart labelled: X, A, B, C & D.



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The pattern will form either an M shape (bullish Gartley) or a W shape (bearish Gartley).

The next step is to determine the ratios of each swing in relation to one-another: for example the *AB* line should be 61.8% of the *XA* line and the *CD* line should be either 127.2% or 161.8% of the *BC* line (look at the box for details). Note that 61.8%, 127.2% and 161.8% are all Fibonacci ratios.

Gartley Pattern Line Ratios:

Ideal Ratios:

AB = 61.8% XA
BC = 61.8% or 78.6% AB
CD = 127.2% or 161.8% BC
AD = 78.6% XA
AB = CD
timeAB = timeCD
timeAD = 61.8% or 161.8% timeXA

Tradable Ratios:

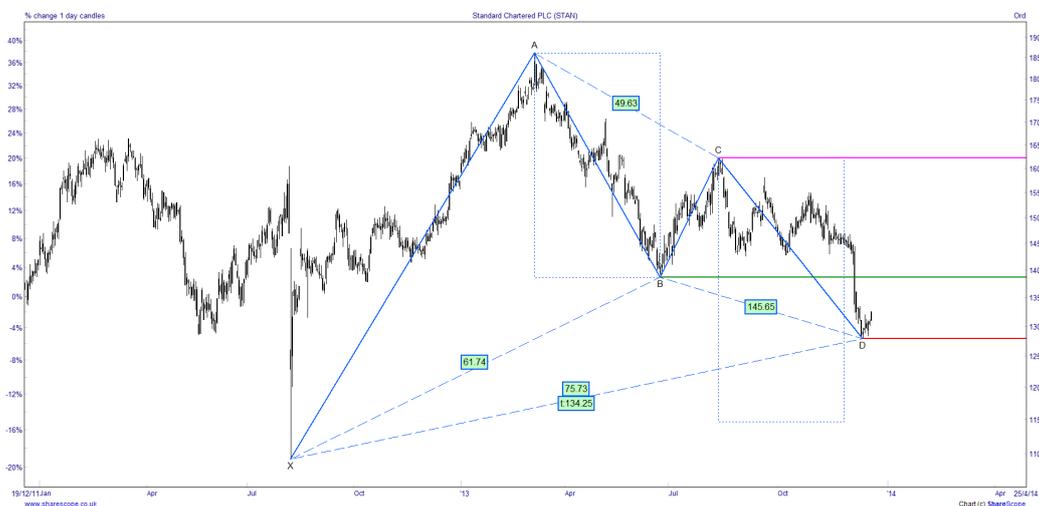
AB = from 38.2 to 61.8% XA
BC = from 38.2% to 88.6% AB
CD = from 127.2% to 161.8% BC
AD = from 57.7 to 88.6% XA
AB ≈ CD
timeAB ≈ timeCD
timeAD = from 61.8% to 161.8% timeXA

These ratios are displayed in the boxes on the pattern itself.

If all line ratios match then you have an “*Ideal Gartley Pattern*”. As an “*Ideal*” pattern is virtually impossible to observe in a real trading situation, relaxed ratios are used to identify a “*Tradable Gartley Pattern*” and this is what the script searches for. When a ratio falls within its tradable range its box is coloured green and when all boxes are green a trade can be set up.

Two of these ratios will have to be observed manually as there is no set error range for them. They are: $AB=CD$ and $timeAB=timeCD$. In an ideal situation these two ratios would be equal. However this is seldom the case.

On the chart they are represented by the two dotted boxes. The script copies the *AB* price and time range box over the *CD* swing. By doing this one can observe how far out the two lines are and make a judgment call if the two swings are sufficiently “equal”.



Once a tradable pattern is observed, a buy trigger is set at the *B* point (green line) and a stop-loss is set at the *D* point (red line) then, once the price of the share rises above the *B* point, the position is opened. The price target is set by the *C* point (pink line): once the price reaches this value, the position is closed. A more risky approach is to set the stop-loss at the *X* point and the price target at the *A* point.

As tradable Gartley Patterns are quite rare the script has an Optimise button. When pressed, the script will test all zig-zag values from 0.5% to 30% at 0.25% increments, stopping if a tradable pattern is identified. If you'd like to know more about Gartley Patterns, you should read H.M. Gartley's 1935 book *Profits in the Stock Market* from which the pattern rules have been taken.

You can purchase a copy in the ShareScope [bookstore](#).