

WHERE WILL EQUITY
MARKETS BE ONE
MONTH FROM NOW?



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PICARDA



SANDY
JADEJA



ALPESH
PATEL



JULY 2011

ShareScope

The latest news and tips from ShareScope



MELISSA'S TOP TIPS USING SHARESCOPE ON A MAC

All versions of ShareScope can be used successfully on Apple Macs (with Intel Processors). The most reliable method requires a copy of Windows and an additional software package which enables you to run Windows on your Mac.

Apple Macs include a utility called **Bootcamp** which enables you to install Windows and boot your Mac up in either Windows or MacOS. One of our senior developers runs ShareScope Pro on a Mac laptop in this way and reports that it is 100% reliable. The disadvantage to Bootcamp is that you can't use your MacOS applications whilst running Windows.

The alternative is to run Windows within MacOS using an emulation package. There are three main ones: **VirtualBox** (which is free), **VMWare Fusion** and **Parallels Desktop**. Using these utilities, you are

running MacOS and Windows at the same time and will therefore require more memory – at least an extra Gb for Windows.

We recommend that you use Windows 7 or XP (not Vista which is more resource-hungry).

If you absolutely refuse to use Windows out of principle, there is an alternative. A product called **Crossover** is a commercial packaging of the open-source WINE project that has rewritten the essential parts of Windows. Although a number of customers use Crossover it is not as reliable as using Windows. If you are interested to explore this route, why not ask for advice from other users on our discussion forums. Perhaps, if you are a Crossover user, you could post your thoughts on the forum.

NEW SEARCH FEATURES

As you know, to find an instrument in ShareScope you can simply start typing its name or EPIC. You can now also search by SEDOL or ISIN – particularly useful when looking for open-ended funds of which there can be many variants.

We have also added a new smart search feature which enables you to search by sector. For example, if you type "oil", ShareScope will not only match companies with "oil" in their name or EPIC but all companies in the *Oil & Gas Producers* and the *Oil Equipment & Services* sectors. Similarly, searching for "bank" will also match companies in the *Banks* sector whether or not they have the word "Bank"

in their name. If a company has had a name change, you can still search for the previous company name – it will be given in brackets after the new name. If you still can't find the share, please check you are using the correct name. Initials are sometimes followed by spaces, sometimes by full stops or sometimes not separated

Important: ShareScope will only search in the currently selected list so if you can't find the instrument you are probably in the wrong list. For example, you won't be able to find the spot *Gold* price in the list of FTSE 100 companies. TIP: to change the list to the "All" list (all instruments), press the **F5** key before you start the search.

VIEW FROM THE TOP

ALPESH PATEL



I'm calling the markets up in a month's time. Yes, the charts look very topy and there are plenty of negative pressures out there in the form of the US budget negotiations, the Eurozone crisis and growth downgrades but I'm still comfortable with my previous forecast that the US markets will be up 15% by the end of the year.

The key is that earnings keep coming in and the post credit crunch productivity rises have allowed margins in many cases to rise. The media focuses on the consumer sector which is the one which is suffering and gives an overly negative impression. Defence and export led companies will flourish.

I'm investing in large, global companies tapped into the global growth story. Companies like *Tata Motors*, *Goldman Sachs*, *Apple* and *Microsoft*.



Subscribers to the Alpesh Patel Special Edition who have followed my long-standing tip to buy Apple will be sitting on a healthy 18% gain since the start of the year, following last week's forecast-busting results.

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GM's COLUMN



As investors, we need access to detailed financial data and ratios for the companies in our investment universe but we also need tools that enable us to make sense of this data.

Many items of financial data are most helpful when converted into a ratio. Ratios help us to compare companies like-for-like. The Price/Earnings ratio (P/E) is a popular method for valuing a share. If a share has a P/E of 10 then we know that it is relatively cheap because historically the stock market trades on an average P/E higher than this.

However, it is the comparison of similar companies that can give us even greater insight.

Furthermore, the ability to rank companies within their sector can help us quickly find companies with particularly attractive fundamentals.

Sectors tend to have different ranges for particular ratios. For example, software companies traditionally have higher P/Es than utilities. This is because utilities tend to be fairly safe plodders whereas software developers have a greater potential for growth. Investors are willing to pay more for this growth. Looking at other metrics, some sectors are more cash-generative; others tend to have more fixed assets.

At the time of writing, the average P/E of the FTSE 350 companies (excluding Equity Investment Instruments) is 15.68. If you were analysing AMEC, for example, you might conclude that its P/E rating of 17.28 is a little pricey. In fact, it ranks 190 in the FTSE 350 using this measure.

However, if we compare it to all its peers in the *Oil Equipment, Services & Distribution* sector we find that is the 4th cheapest. If we narrow our universe to the FTSE 350, AMEC is the cheapest in its sector and therefore potentially great value.

A good ranking tool makes this analysis simple. In the table at the top of the page, you can see two ranking columns. The one on the left ranks each company's P/E value within its sector. The one on the right ranks it within the entire market (LSE & AIM). By sorting this FTSE 100 list by the Rank in Sector column we can instantly find the blue-chips that are the cheapest company in their sector. Note that a full

No.	Name	Sector	Rolling P/E	Rolling P/E Rank in Sector	Rolling P/E Rank in Market
1	Vodafone Group PLC	Mobile Telecommunications	8.37		
2	Scottish & Southern Energy PLC	Electricity	7.21		
3	Imperial Tobacco Group PLC	Tobacco	11.91		
4	GKN PLC	Automobiles & Parts	12.12		
5	Centrica PLC	Gas, Water & Multiutilities	9.43		
6	BAE Systems PLC	Aerospace & Defense	7.74		
7	AstraZeneca PLC	Pharmaceuticals & Biotechnology	7.47		
8	Resolution Ltd	Life Insurance	5.73		
9	National Grid PLC	Gas, Water & Multiutilities	9.98		
10	Kazakhmys PLC	Mining	7.36		
11	Barclays PLC	Banks	10.30		
12	Aviva PLC	Life Insurance	6.45		
13	Sainsbury (J) PLC	Food & Drug Retailers	11.87		
14	Rio Tinto PLC	Mining	8.67		
15	AMEC PLC	Oil Equipment, Services & Distribution	17.28		
16	Vedanta Resources PLC	Mining	8.85		
17	Royal Dutch Shell PLC	Oil & Gas Producers	9.48		
18	International Power PLC	Gas, Water & Multiutilities	13.33		

bar means the P/E is most attractive (i.e. the lowest). I've also highlighted AMEC to show how the Rank in Sector column gives a different picture to the Rank in Market column as discussed above.

To add columns like these, right-click in the column headings and select **Add Rank column**.

Most investors read the share tips in the investment press; for some investors, this is the universe from which they invest. But remember, coverage of a company in the press is driven largely by results, interims, or market-moving news. So just because a share is tipped as a Buy doesn't mean it is the Best Buy in its sector.

As we have already seen, amongst its sector peers in the broader market, AMEC is only the 4th cheapest. For the investor willing to stray beyond the FTSE 350, this tells us that there are three companies in the sector with a cheaper valuation.

These companies may be genuinely undervalued or they may have fallen out of favour for good reasons. Either way, it's worth checking – you might just discover an undervalued gem.

Some sectors are so diverse that the best comparison is done at subsector level. Better to filter down to companies in the same line of business.

A company may have an operating margin, say 5%, which is low for its sector but if its subsector peers have an average margin of 2% then this is clearly a company doing something right.

Finally ranking tables can be useful for getting a snapshot of a company's overall attractiveness compared to its peers, enabling you to choose the best company based on the characteristics you value most. Look at the tables below for AMEC and a couple of its large cap sector peers. You can find, and build, ranking tables in the **Details** view.

AMEC PLC		Petrofac Ltd		John Wood Group PLC	
Rank in Subsector		Rank in Subsector		Rank in Subsector	
EPS		EPS		EPS	
EPS Growth		EPS Growth		EPS Growth	
Dividend Yield		Dividend Yield		Dividend Yield	
P/E		P/E		P/E	
PEG		PEG		PEG	
ROE		ROE		ROE	
ROCE		ROCE		ROCE	
Operating Margin		Operating Margin		Operating Margin	
Current Ratio		Current Ratio		Current Ratio	
Interest Cover		Interest Cover		Interest Cover	
Price/Tangible BV		Price/Tangible BV		Price/Tangible BV	
Price/Cash		Price/Cash		Price/Cash	
Net Gearing		Net Gearing		Net Gearing	
Volatility		Volatility		Volatility	
Correlation		Correlation		Correlation	
Beta		Beta		Beta	

Portfolio Review

You may recall that we promoted a new monthly magazine called PortfolioReview edited by David Stevenson. Some of you have attended the excellent monthly meetings here in London. Well, good news, PortfolioReview has become a FREE publication. You can sign up at: www.portfolioreviewonline.com.



Steve Briggs, a long-standing ShareScope Pro

user, has created a series of videos which you can view for free on his YouTube channel at:

www.youtube.com/user/sjb5555.

The videos focus on a range of investment/trading themes and also look at how Steve himself uses the program. He has a lot of positive feedback on there so it may be worth checking out.

Keep us updated

Please remember to update us if any of your personal details change - address, email or telephone number. We need these so that we can send you important announcements and ShareScoop, or contact you if your credit card expires and we can't take payment for your subscription.

Please email info@sharescope.co.uk or call us FREE on **0800 052 1515**.



PHIL'S HIDDEN GEMS

PHIL TOLHURST, SUPPORT

Firstly, I'd like to remind you of the Transactions tutorial we've put on the ShareScope website (www.sharescope.co.uk/trainingzone). It describes the many new columns we've added to the Transactions view (and some of the existing ones).

One column not mentioned in the tutorial is the Price per share column. This will display the price paid per share for each transaction. In the Latest line, this will now display the average price paid per share. It used to show the latest close price of the share. An alternative is the Price on date column. This displays the closing price of the share on each transaction date and the latest closing price in the Latest line.

You can now add more Transaction columns to the Portfolio view.

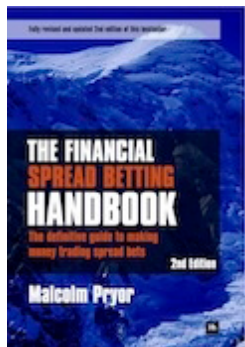
We have Total Return (TR) versions of almost all open-ended funds. These include dividends and any other returns to investors in the value. You can choose to display the TR variants in the List view and/or the Portfolio view. You can also choose to display just the TR variants. On the Tools menu, click on Options and then the General tab. These options are in the bottom right corner.

Also on the General tab of the Options dialog, are the options to hide and stop updating the Unit trust and/or US shares databases.

When you draw horizontal lines on your graphs, you have the option to display various items of information: price, start and end time/date. Previously, the price would be displayed at both ends of the line but now appears at the right-hand end point.

You can now view-cycle in the Alarms view; the Alarms list simply replaces the List view in the normal sequence. Additionally, you can add all column types to the Alarms and Alerts views. For example, if you have set price alarms you could add price columns to compare the current price with the alarm price.

A new edition of a spread betting classic



Many of you will have read one or more of Malcolm Pryor's excellent books on spread betting. Malcolm is a long-time ShareScope user and has just released The Financial Spread

Betting Handbook 2nd Edition.

"In this enhanced edition, Malcolm offers refreshed and improved trading

and risk management techniques, incorporating four additional years of spread betting experience and changes in the markets. He also offers brand new advice on managing exposure and provides an updated analysis of spread betting firms' behaviour and other practical issues."

One of the benefits of reading books written by ShareScope users is that you know you'll have the tools to implement their strategies. You can buy it for the **special price of £17.50** from the [ShareScope bookshop](http://www.sharescope.co.uk/bookshop).

SIGNET INDEX

Since 2005, ShareScope has calculated the SIGnet Index. You can find it in the Indices list. The index was devised by SIGnet, the Serious Investor Groups network, to provide a more balanced measure of overall UK equity market performance by reducing the influence of the few very large companies and sectors.

Although the dominance of individual companies has decreased somewhat over recent years, the largest five companies represent 20% of the FTSE All-Share market cap. Just three sectors - *banks, oil & gas producers, and miners* - represent 40% of the index capitalisation.

The SIGnet Index is an unweighted average of the FTSE Actuaries Industry Sectors which are published daily in the Financial Times and which can also be found in the Indices list in ShareScope.

There are 39 Industrial Sector Indices which means that no sector can have more than a 2.5% influence and indirectly limits any company to a 1.25% influence (sectors with only one constituent are ignored).

Measured from the start of 2000, the FTSE All-Share is down -5% (the FTSE 100 is down -15%) whereas the SIGnet index is up 87%.

SIGnet is a 850-strong network of experienced private investors. For more information, please see: <http://www.signet.org.uk>.



ShareScope is now on Facebook. We plan to regularly update our page with all the latest news, product developments, training videos and other exclusive content. To become a follower, [click here](#) and press on the **Like** button (you will need a Facebook account to access this content).

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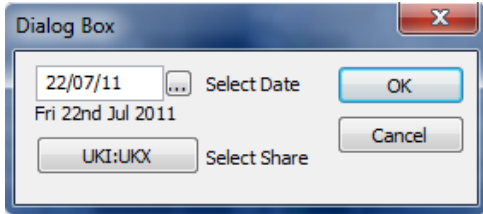
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RICH'S SCRIPTS

RICHARD CHIESA, SUPPORT

In Version 6.21 of ShareScope we've added two new dialog box options to ShareScript: a date picker and a share picker. Use the following code to include both new features in a dialog box:



A full list of available scripts can be found on the [ShareScript Library](#).

[Click here](#) to visit the Library.

```
var inputDate = new Date();
var inputShare = getShare("UKI:UKX");

function init(status)
{
    if (status == Loading || status == Editing)
    {
        inputDate = new Date(dateNumGetYear(storage.getAt(0)),
            dateNumGetMonth(storage.getAt(0)), dateNumGetDay(storage.getAt(0)));
        inputShare = getShare(storage.getAt(1), storage.getAt(2));
    }
    if (status == Adding || status == Editing)
    {
        dlg = new Dialog("Dialog Box", 180, 55);
        dlg.addOkButton();
        dlg.addCancelButton();
        dlg.addDatePicker("DP1", 8, -1, -1, -1, "", "Select Date", inputDate);
        dlg.addSharePicker("SP1", -1, -1, -1, -1, "", "Select Share",
            inputShare);
        if (dlg.show() == Dialog.Cancel)
            return false;

        inputDate = dlg.getValue("DP1");
        inputShare = dlg.getValue("SP1");

        storage.setAt(0, dateNum(inputDate));
        storage.setAt(1, inputShare.getShareScopeID());
        storage.setAt(2, inputShare.getShareNum());
    }
}
```

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