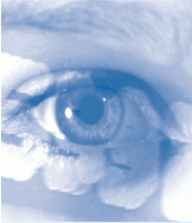


Take Stock



ICLUBcentral

Tools for Investors and Investment Clubs



Take Stock™
User Guide

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Getting Started



Welcome to the world of simple, fun, and profitable investing! For more than a half-century, investors using methods like those applied in **Take Stock™** have enjoyed uncommon success investing in common stocks. You are about to join them. We believe you'll discover it's easier than you thought possible. We're sure you'll find what you have to know is not nearly as intimidating as you may have been led to believe. In fact, you can learn much of it while you use this program. We hope you'll find your experience as rewarding as other have found theirs.

Installation

Before you install **Take Stock**, please check to make sure that your computer meets the following minimum system requirements:

- Pentium Class Processor
- 64 MB RAM
- 25 MB Hard Drive Space
- Microsoft Windows 2000 or XP

800 x 600 Resolution
CD-ROM Drive
Internet Access

For optimal performance, a computer with the following requirements is recommended:

1GHz processor
128 MB RAM
Microsoft Windows XP
1024 x 768 Resolution
High-Speed Internet Access

To install the program, insert the CD into the CD-ROM drive of your computer. The Setup program should begin automatically.

If the Setup program does not begin automatically, select “Run” from the Windows “Start” menu and type:

X:\SETUP.EXE

(replacing X with the letter of your CD drive). Click the OK button.

Once the Setup program begins, choose “Install Take Stock” and follow the prompts on your screen.

Registration

After the software has been successfully installed, you may run the program at any time by double-clicking the **Take Stock** icon from your Windows desktop, or by selecting **Take Stock** from the Programs menu accessed via your Windows “Start” menu.

The first time you run the program, you will be prompted to register the software with your Activation Number/Serial Number. You must be connected to the Internet to complete the registration process. (Note: You may need to adjust your firewall software to allow **Take Stock** to communicate with the Internet; please contact the makers of your firewall program for instructions on allowing **Take Stock** to access the Internet from your computer.)

If you do not immediately register the software, you will be restricted to working with a limited database of sample companies. Once you register, the full features of the software will be activated.

Overview

Take Stock is a stock analysis software product so intuitive and easy to use, it requires little instruction. We believe a simple road map identifying and describing the working parts of the program will suffice for both **Beginner** and **Advanced** modes.

The main purpose of an automobile is transportation. The basics of using a car are simple: start it, shift into drive, step on the gas, street it, and stop it. To drive to the store, you need not know what does on under the hood. Using **Take Stock** is even simpler. Enter the symbol or the name of a company that interests you, click on **Retrieve** and read the analysis. As with the automobile, there's no need to know what goes on under the hood. But that doesn't mean there isn't a whole lot going on there.

The actual mechanisms used to analyze the quality of a company and determine a reasonable price for its stock are those used by some of the world's most successful investors. As you can see when you choose to look under the hood, then analysis is based on easy-to-understand logic and on sound, fundamental, analytical principles.

The program implements a methodology described in detail in Ellis Traub's book **Take Stock: A Roadmap to Profiting from Your First Walk Down Wall Street** (Career Press, 2005). Using this approach, you can easily accomplish the only two tasks required to successfully pick stocks; one, determine if a company is high enough quality to merit your long-term interest; two, determine a reasonable price to pay for the stock.

Let's Analyze a Company

Step 1. Enter either the company's ticker symbol or its name in the space provided. (If you can't accurately remember the name of ticker, click on the **Find** button and enter the beginning of the name)

*For example, enter "Microsoft" in the space labeled **Company Name** at the top of the Navigation area. If you know the ticker symbol, enter it in the space above instead.*

Step 2. Press **Retrieve**. Watch the name, ticker symbol and price appear in the status bar at the top of the right hand screen. This indicates the program has retrieved the necessary data from you Internet connection.

Note that Microsoft's information appears in the Status Bar.

Step 3. Read the results of the analysis at the top of the screen. For further understanding, read the comments next to the **Quality Index** and the **Mood Indicator** and note the **Buy Price** if one is listed.

The screenshot shows the 'Take Stock 4' application window. On the left, there's a 'Retrieve a New Company' section with a 'Retrieve' button and a 'Find' button. Below it is a 'Navigational Map' with a tree structure and a 'More Information' section with a 'Take Stock Concepts' graphic. The main area displays a table with the following data:

Ticker	Company Name	Price	Buy Price	Quality Index	Mood Indicator
MSFT	MICROSOFT CORP	\$27.81	N/A	2.6	Cold

Below the table, the 'Take \$tock' section for MICROSOFT CORP states: 'MICROSOFT CORP does not meet your standards for quality at this time.' It includes three indicators:

- Quality Index:** 2.6. Description: 'This company appears not to meet one or more of your quality requirements at this time.'
- Mood Indicator:** 'Cold'. Description: 'Investor interest in this company has "cooled." Find out why before buying.'
- Buy Price:** N/A. Description: 'Fundamentals don't justify a purchase at this time.'

Step 4. Decide whether or not to buy the stock.

That's all there is to it! The odds are that four of every five stocks you decide to buy using this approach will do well. One of the four will do even better than you had expected.

Note: Don't sell a stock based on its price. Sell for only two reasons: First, sell if you need or want the money. Second, sell if the stock's quality has declined below your standards and the reasons for the decline appear to be fundamental and long-term in nature.

Let's look at the program in greater detail. **Take Stock** may be used in two modes: **Beginner** and **Advanced**.

Beginner Mode

For the beginning investor, the process is easy. All you need to do is decide on a company and enter the company or ticker symbol in the space provided. The program does the rest. It retrieves the data and analyzes the company for you.

The screenshot shows the 'Take Stock 4' application window. The interface includes a menu bar (File, Company, Options, Help), a search bar (5) with the prompt 'Type the company name or ticker symbol to begin a new study', and a table (6) with columns: Ticker, Company Name, Price, Buy Price, Quality Index, and Mood Indicator. The table contains one row: MSFT, MICROSOFT CORP, \$27.81, N/A, 2.6, Cold. Below the table is the 'Take Stock' analysis (7) for MICROSOFT CORP, which states: 'MICROSOFT CORP does not meet your standards for quality at this time.' The analysis includes three sections (8): 'Quality Index' (2.6), 'Mood Indicator' (Investor interest in this company has "cooled." Find out why before buying.), and 'Buy Price' (N/A). On the left side, there is a 'Retrieve a New Company' section (1), a 'Navigational Map' (2) with a tree structure and 'You are here' indicator, a 'understand the risks...' button (3), and a 'More Information' section (4) with a 'Take Stock Concepts' graphic. The bottom right corner features the ICLUBcentral logo.

As your curiosity leads you, “drill down” to learn more about the process, but it’s unnecessary to do so. As you use **Take Stock** you’ll find that you want to learn more and more so you can take advantage of the **Advanced** option and knowledgeably override the conservative decisions the program makes for you in **Beginner** mode. For now, we recommend that you rely on **Take Stock**’s judgment; it will keep you out of trouble at least 80 percent of the time.

A brief description of the main features of the **Beginner** mode follow; please reference the illustration above as you read.

Navigation Area

1 Company Query

The area on the left side of the screen is the navigation area. In the space labeled **Retrieve a New Company** at the top of the navigation area, you'll find a field where you can enter the ticker symbol for the company you want to analyze. If you don't know the symbol, you can enter the name of the company in the space below it. Press the **Retrieve** button.

If you have entered the name correctly, it will complete your entry after just a few letters. The ticker symbol and name of the company will appear in the **Status Bar** [6](#).

If you're unsuccessful, click on **Find** and enter what you believe to be the name or ticker symbol in the space provided. A list of companies will be created. Select the company you want and it will appear in the **Status Bar** [6](#). Here you can also search by industry from the pull-down menu of listed industries.

2 Navigation Map

The **Navigational Map** indicates where you are in the program. When you begin, you will be in the first **Take Stock** screen. If you drill down into the program to obtain additional information, your location will be marked with green dots, and the screen number representing your position will be highlighted. You'll notice the navigation map is "live." By clicking on any point, you can use the navigation map to actually navigate directly to that screen.

3 Understand the risks...

Click this button to view your responsibilities and the limits of ICLUBcentral's liabilities when you use **Take Stock** to help you make investment decisions.

4 Concepts

Click the **Concepts** button for more information about the analysis step you're looking at. The **Concepts** button is context-sensitive. Clicking on it leads you to additional background

material about the items displayed on the current screen.

5

Toolbar

The toolbar at the top of the analysis area has four buttons for the beginning investor to use.

Summary

Click the **Summary** button to view the pros and cons of buying the stock. The summary is divided into **Reasons to Buy** and **Items to Check**. Issues that would disqualify a company from consideration are displayed in red. This summary may be printed.

Ticker	Company Name	Price	Buy Price	Quality Index	Mood Indicator
MSFT	MICROSOFT CORP	\$27.81	N/A	2.6	Cold

Summary

MICROSOFT CORP does not meet your standards for quality at this time.

Reasons to Buy

- Sales growth is very predictable.
- Recent earnings growth has been 30.1%.
- Profit margins are trending up or are steady.
- Return on Equity is strong.

Items to Check

- Earnings growth is unpredictable.
- Sales have grown historically at 8%.
- Earnings have grown historically at 8.2%.
- Recent sales growth has been only 6.7%.
- Investor interest has cooled. There may be a valid reason.
- It is impossible to calculate a buy price for this company.

Close Print ICLUBcentral

Web

Click the **Web** button to display a pull-down menu of Web addresses. You'll find addresses for sites that provide additional information about the specific company—its description, competitors, supplemental financial data, home page—as well as Web sites of general interest such as Yahoo! Finance. This **Web** button is your key to re-

search on the internet. You should be able to find the answers to any questions not provided by **Take Stock**.

Preferences

Click **Preferences** to go to the *Preferences* screen. The program automatically retrieves the interest rate for five-year government bonds and uses it to generate the **Yield-Based Low Price**. However, if you have reasons to provide a competitive bond rate of your own, you may do so and the program will default to that value instead. If you use the **Advanced** mode (described below) you can take advantage of additional options. The **Advanced** mode is recommended for experienced investors who fully understand the methodology and feel confident enough to change some of the **Take Stock** default values.

Help

Click **Help** for assistance. You may also use the **F1 key** to access it. Use the context-sensitive **Concepts** described above to learn more about the investment methodology.

6 Status Bar

The **Status Bar** gives you an ongoing summary of key information. It displays the ticker symbol, company name, current price, buy price, quality indicator and mood indicator. (See descriptions below).

Analysis Screens

7 Conclusion

The analysis area (beneath the status bar) displays the various stages and components of the stock analysis. On the primary screen (shown above) you will find a statement that summarized the conclusions drawn from the analysis.

8 Indices

Beneath this statement you will find three large buttons. These buttons (**Quality**, **Mood** and **Buy Price**) contain a label or numerical index and usually a meter or indicator to give you an instant, virtual assessment of the specific item.

Drilling Down

The information provided by **Take Stock** is all you need to make decisions that equal those made by millions of successful investors over the past half-century. However, you may wish to satisfy your curiosity and look deeper into the reasons for the program's rejecting (or accepting) your choice. To do so, click on the large buttons displayed on the screen. These will lead you to another screen where you can explore the reasons and learn why they are important.



The screenshot shows the 'Take Stock 4' application window. The main content area displays the 'Quality Index' for Microsoft Corp. (MSFT). The Quality Index is 2.6, which is below the required 3.4. Below this, two other metrics are shown: 'Growth Index' at 2.5 and 'Efficiency Indicator' (represented by a green diamond). A 'Navigational Map' on the left shows a tree structure with nodes 1 through 7, and a red arrow points to node 1, indicating the current location. The interface includes a search bar, a table of stock data, and various navigation buttons.

Ticker	Company Name	Price	Buy Price	Quality Index	Mood Indicator
MSFT	MICROSOFT CORP	\$27.81	N/A	2.6	Cold

Quality Index
The Quality Index is a composite rating on a scale of 1 to 10 of the company's ability to grow its revenue and earnings over the long term. MICROSOFT CORP has a rating of 2.6 which indicates that it fails to meet one or both of the quality requirements displayed below at the present time. A rating of at least 3.4 is required; 6.7 or greater is desired.

Growth Index 2.5
Sales and/or earnings growth do not meet your requirements at this time.

Efficiency Indicator
Management appears to utilize the company's financial resources efficiently.

*Click on the **Quality Index** button. On the next screen check the information about the Microsoft's growth and efficiency. Note how the Navigation map indicates your location in the program.*

You may continue to explore the quality issues deeper into the program, finally coming to the **Worksheet** at the bottom of the screen.

Take Stock is programmed to make judgments about each of the items that contribute to its recommendations. Those judgments are

conservative enough for you to be confident you will make few mistakes when selecting a stock to buy. However, the time may come when you want to be less conservative. By learning why the judgments were made, you can acquire the confidence to intelligently override the program's conservative default values to find more stocks that meet your standards. For obvious reasons, we recommend that you do this judiciously, only after you have learned enough to trust your judgment. Check **Additional Resources** later in this guide for more learning options.

The Worksheet

The last drill-down level is the *Technamental Stock Study Worksheet*, which matches the worksheet in the book, **Take Stock: A Roadmap to Profiting from Your First Walk Down Wall Street**. Click "View Worksheet" at the bottom of the *Quality* or *Mood* screen to access the worksheet.

For those who have not read the book, the worksheet may seem a bit confusing at first. The highlighted areas on the worksheet apply to the information you are curious about. Here you can see the questions that produced the results you have noted in your drilldown. See **Additional Resources** later in this guide to find out where and how you can continue your education and learn more about technamental investing.

Printing

You can print the Technamental Stock Study Worksheet by selecting File > Print from the menu.

Advanced Mode

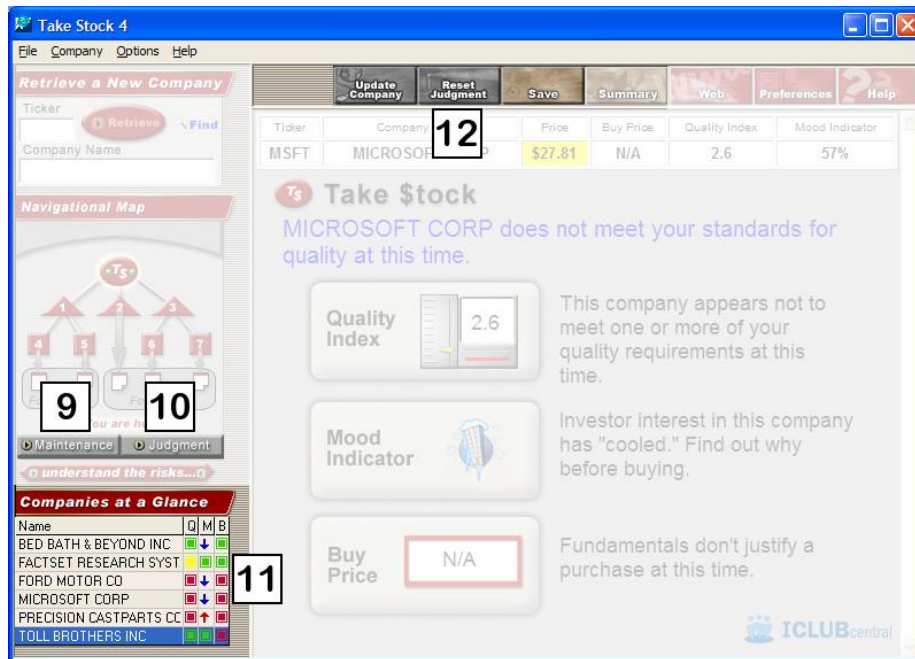
Once you have learned the concepts and are comfortable with them, you may choose to activate the **Advanced** mode in **Preferences**. Doing so will make several changes in how you use **Take Stock**.

First, new buttons will appear on the **Toolbar**, and several changes and additional items will appear in the **Navigation** area.

Second, you will be able to save the results of your stock studies and create a watch list or portfolio of stocks to track. You may work with these companies offline if you wish, going online only to update data and prices. Using the **Maintenance** screen, you can manage your list by ranking, updating, deleting and evaluating the companies.

Finally, using the four judgment screens, you will be able to override the default judgment values **Take Stock** conservatively provides.

Let's look at the advanced features in detail.




9 Maintenance

Use the Maintenance screen to work with the list of analyzed stocks you have saved. It's best to save only those that you already own or those that have been judged to be of good quality and for which you are awaiting a suitable price. In the Maintenance screen you can open a company, update the data for one or more stocks, delete one or more stocks, sort the columns by clicking on their labels and access the Help screen.

Take \$tock

Company Maintenance

Select All	Ticker	Company	Study Date	Quality	Mood	Buy Price
<input type="checkbox"/>	BBBY	BED BATH & BEYOND INC	12/6/2005	6.8	75	46.86
<input type="checkbox"/>	COO	COOPER COMPANIES INC	12/6/2005	3.2	105	N/A
<input type="checkbox"/>	CPRT	COPART INC	12/6/2005	6.3	91	22.01
<input type="checkbox"/>	FDS	FACTSET RESEARCH SYSTEM	12/6/2005	6.8	100	42.45
<input type="checkbox"/>	F	FORD MOTOR CO	12/6/2005	0.5	67	N/A
<input type="checkbox"/>	HD	HOME DEPOT INC	12/6/2005	6.3	54	52.94
<input type="checkbox"/>	LOW	LOWE'S COMPANIES INC	12/6/2005	10	92	73.40
<input type="checkbox"/>	MRK	MERCK & CO	12/6/2005	1.1	51	N/A
<input checked="" type="checkbox"/>	MSFT	MICROSOFT CORP	12/6/2005	2.6	57	N/A
<input type="checkbox"/>	PFE	PFIZER INC	12/6/2005	2.1	38	N/A
<input type="checkbox"/>	PCP	PRECISION CASTPARTS CORP	12/6/2005	2.1	181	N/A
<input type="checkbox"/>	DGX	QUEST DIAGNOSTICS INC	12/6/2005	3.2	86	N/A
<input type="checkbox"/>	SNDK	SANDISK CORP	12/6/2005	3.2	85	N/A
<input type="checkbox"/>	TOL	TOLL BROTHERS INC	12/6/2005	8.9	143	29.78





Click this button at the top of the check box column to toggle between selecting all or none of the stocks. You can also select or deselect individual companies. Click to update the price and data for the selected companies from the Internet. The analysis is recalculated after updating. Check the new quality, mood and buy price in the three columns to the right.



Deletes the selected company or companies from your database.



Opens a single, selected company. (Will not work on multiple selections.)



Accesses the on-screen help. (Help can also be accessed anywhere in the program with the F1 key).



Closes the Maintenance screen.

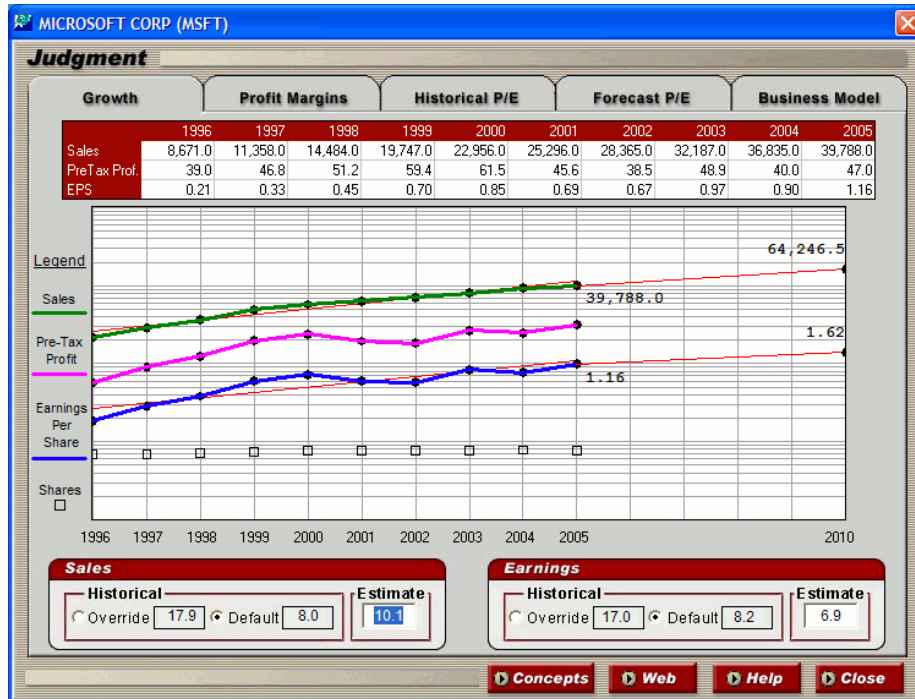


Your gateway to research on the Internet.

10 Judgment

The default values used by **Take Stock** are intended to be conservative enough to keep you out of trouble most of the time. The Advanced mode gives you the ability to change those judgments, if you believe you have good reason to do so. **Caution:** *The more aggressive your judgments, the more risk you invite. Do not make changes simply to make a company appear more suitable.* You can amend judgments in the following areas:

Growth



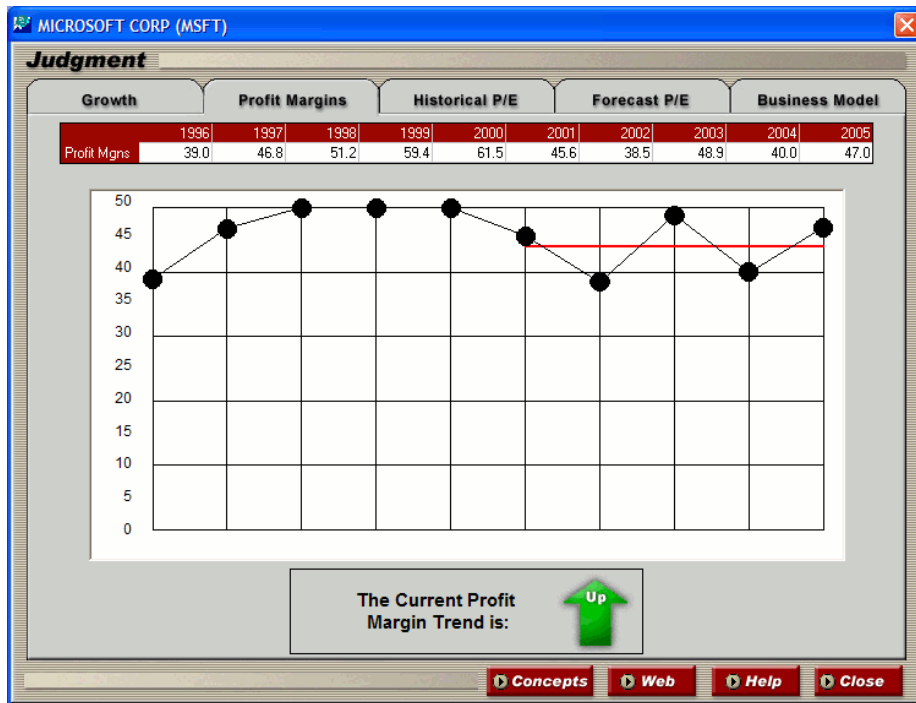
Estimates of future growth are the heart of this methodology and should be based on relevant history. You can review the historical growth of a company's sales, earnings per share, pre-tax profit and shares outstanding in the graph.

Eliminate Outliers. It's often desirable to eliminate any unusual data from the past ten years. The assessments of relevant historical sales and earnings growth have already

been made by **Take Stock**. Note the data in the table above the graph. The data displayed there have been plotted on the first ten years of the chart. You may click on the year above the data to remove that year's data from the calculation of the historical growth. We suggest you refrain from removing any data if doing so would increase the historical growth rates.

Estimate Future Growth. If you wish to override the default growth rates forecasted by **Take Stock**, you can do so by entering your own estimates of future growth.

Profit Margins



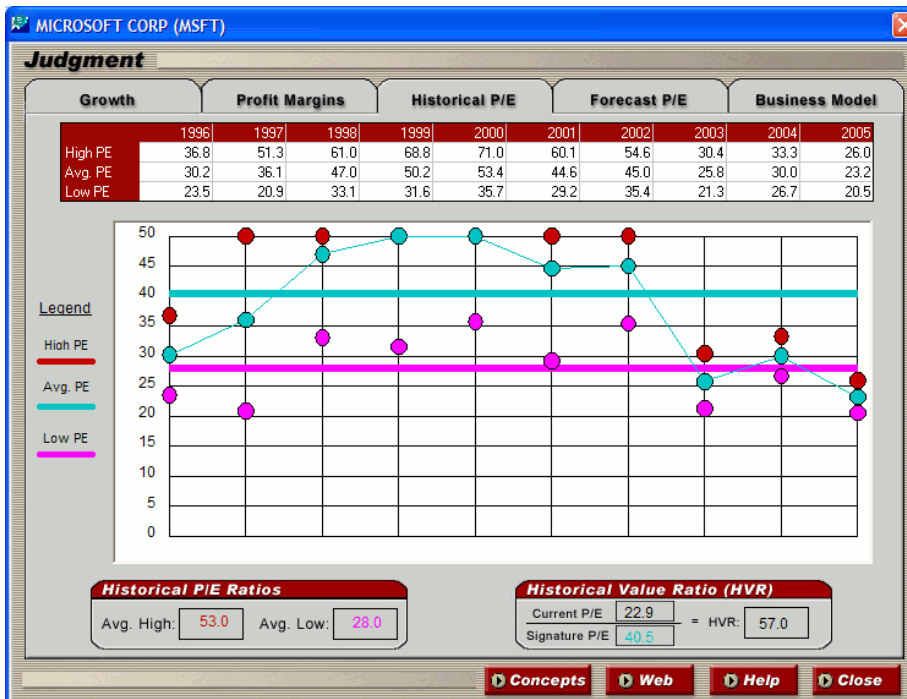
The **Profit Margins** graph plots the company's profits before tax for the past ten years, and displays the trend at the bottom of the screen. When profit margins trend down, the company automatically fails the quality test for a new investor and will prohibit a buy price from being calculated and displayed.

If the trend is downward, you may want to research the reasons for the profit margin's decline (see Concepts). Should you find plausible reasons why the down-trend should not necessarily disqualify it, you might want to disregard the trend.

The Current Profit Margin Trend is:  Ignore The Current Trend?

A checkbox option to "Ignore the Current Trend" will appear on these companies; clicking in the box will change the Down Arrow and Efficiency Indicator from red to a yellow caution sign and will permit the buy price to be calculated and displayed if there are no other prohibitions.

Historical P/E's

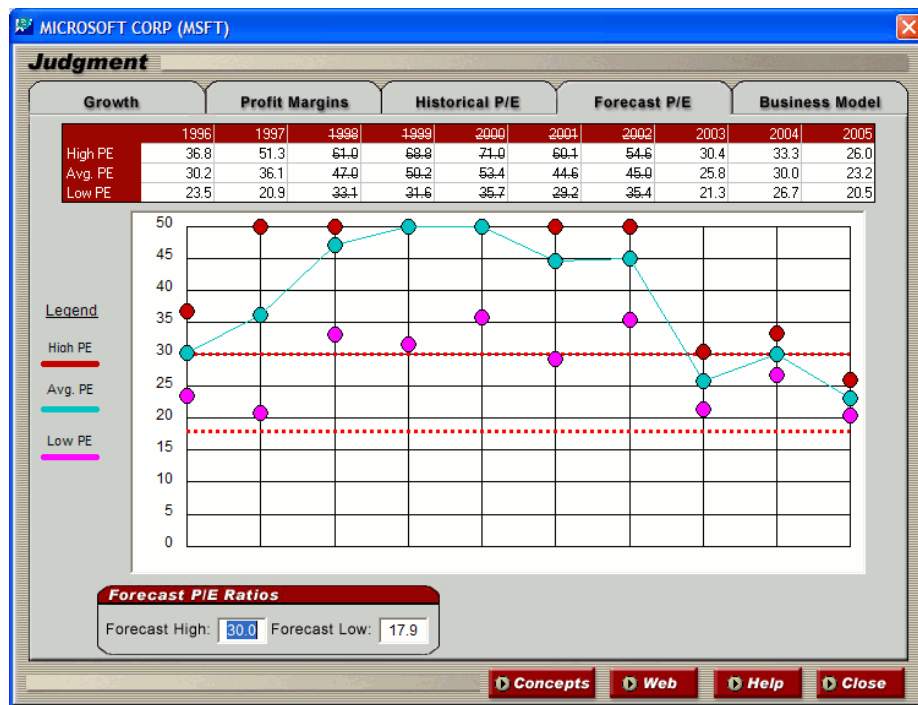


The **Historical Value Ratio (HVR)** drives the **Mood Indicator**. The HVR is simply a comparison of the stock's current price-earnings

ratio (P/E) with its 10-year average P/E. The result of the comparison determines whether investors are paying more or less for a dollar's worth of earning than they have paid for the stock historically. To calculate a significant average, eliminate any unusual historical data. Use the graph to identify the data that are out of line. Again, we suggest that you don't eliminate data if removing them would increase the average.

Eliminate Outliers. To eliminate unusual P/Es, click on the data in the table above the chart. (Note: this does not apply to Forecast P/Es.)

Forecast P/Es



Take Stock forecasts future P/Es by averaging the lowest half of majority of all available years of data, automatically eliminating the highest half or minority of those data. It limits the forecast's high P/E to no more than 30.

Revise Forecast P/Es. Select the high or low Forecast P/E field and replace the default value with your estimate. ***Caution:*** To forecast higher P/Es than those estimated by **Take Stock** is to invite increased risk.

Business Model

The screenshot shows the 'Judgment' window for Microsoft Corp (MSFT). It features a table with historical data from 1996 to 2005 and a 'Business Model' calculator for a 5-year forecast.

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Profit Margin	39.0	46.8	51.2	59.4	61.5	45.6	38.5	48.9	40.0	47.0
Taxes	35.0	35.0	35.6	35.0	33.7	33.3	31.9	32.9	33.4	32.4
Shares	9,552.0	9,632.0	9,880.0	10,218.0	10,566.0	10,766.0	10,718.0	10,771.0	10,862.0	10,710.0

		5Yr. Fcst	
<u>Business Model</u>		Forecast Sales:	<input type="text" value="64,370.8"/>
X Profit Margin	<input type="text" value="44.0"/>	=	Pretax Profit: <input type="text" value="28,323.1"/>
less Taxes @	<input type="text" value="32.4"/>	=	Net after Taxes: <input type="text" value="19,152.1"/>
less Adjustments	<input type="text" value="0.0"/>	=	Net to shareholders: <input type="text" value="19,152.1"/>
÷ Average Shares	<input type="text" value="10710.0"/>	=	Business Model EPS: <input type="text" value="1.79"/> <input type="checkbox"/> Use Business Model EPS
			Forecast Growth Model: <input type="text" value="1.62"/> <input checked="" type="checkbox"/> Use Growth Model EPS

The **Business Model** offers an alternative method for forecasting earnings used to calculate a future price—a sort of second opinion. Instead of basing future earnings strictly on forecasted earnings growth, you can start with your estimate of future sales and adjust the items that are affected by those revenues before they reach the bottom line—profit margin, tax rate, adjustments and average number of shares outstanding.

Profit Margin. Guided by the data above the graph, you can enter a different profit margin for the five-year average than the one currently used to calculate the expenses (the inverse of profits).

Taxes. Consult the Tax line above the graph. You can change the tax rate if you have good reason to do so.

Adjustments. Data for adjustments—especially preferred dividends—can be obtained from the Web using the **Web** button. Go to the Income Statement and look for the **Adjustments** section in the bottom half of the **Income Statement** screen.

Average Shares. Consult the share data in the table above the chart for the average number of shares outstanding. Use the data to help you decide if additional shares will be issued (sold). It's best not to reduce the number of shares without good reason.

The resulting calculations will give you another estimate of future earnings, which you can elect to use. To be conservative, we suggest you use the lower of the two figures.

11 Companies at a Glance

The companies you have saved in your database are displayed, with colored symbols for their **Quality**, **Mood** and **Buy Price**, at the lower left side of your screen.

Click the company to open it. The company information will appear in the **Status Bar** and the initial screen will be displayed showing the **Quality Index**, **Mood Indicator**, and **Buy Price**.

12 Advanced Toolbar

In Advanced mode, three additional buttons are added to the Toolbar:

Update Company. Updates the data and price for the company you are studying.

Reset Judgment. Resets all judgment items to the default values suggested by **Take Stock**.

Save. Saves the company you have studied to your database. It will appear in the **Companies at a Glance** listing and in the **Maintenance** screen.

You are ready to use the **Advanced** mode for investment decisions when you are confident that you understand the concepts well enough to venture beyond the judgments made automatically by **Take Stock**.

Investing Our Way

To successfully invest in common stocks, you need to know just two things. Is the company of high enough quality to merit your interest as a long-term investment? Is the stock selling at a reasonable price? Technamental analysis--a graphical study of the company's fundamentals, is the safest, surest and simplest way to answer both questions.

The Pedigree

The straightforward methods for determining the answers to the questions above have been taught by BetterInvesting volunteers for more than fifty years. Recently, the approach has been discussed in detail, with few modifications. In **Take Stock: A Roadmap to Profiting from Your First Walk Down Wall Street** by Ellis Traub (Career Press, 2005). The **Take Stock** software conservatively applies these principles and makes the same decisions you would make if you applied them after learning how to do so.

Before computers, investors had to spend time learning before they could begin investing. Many found the learning process discouraging and gave up. Others simply didn't want to do the necessary work the methodology entailed.

Now, using a computer and **Take Stock** you can invest first, and learn as you go along. The education provided by **Take Stock** gives you the knowledge, expertise, and confidence to override the program's decisions and substitute your own, more aggressive judgments to widen the field of companies to consider.

Let's look briefly at the rationale behind those principles.

The Simple Concepts

By purchasing shares of stock, you become an actual part owner of the company, not just the purchaser of a piece of paper you may be able to sell at a price higher than when you bought it.

The distinction is that you'll rely on an increase in the actual value of what you own to afford you the opportunity to sell it at a higher price. Therefore, you will want to own shares of quality companies that are able to increase their earnings year after year. A well-run company should be able to double its earnings every five years (a 15 percent average growth rate). Finding a quality company is the first step.

If the company in which you're interested meets your quality standards, then take the second step: Determine a reasonable price for the stock. Most importantly, if a good company is to be a successful investment, its stock must be reasonably priced. As the company's earnings double every five years, its stock price can also be expected to double.

Finding high quality companies at a reasonable price is what **Take Stock** will help you do. This is how:

Quality. Only two questions need to be answered to determine if a company is a high quality, well-run company. Are its sales and earnings growing predictable and at a rate that could double your investment in five years? Can management sustain that rate?

Take Stock answers these questions for you. First it analyses the company's sales and earnings predictability and growth rate. Second, it analyzes profit margin and return on equity trends to evaluate management. **Take Stock** identifies any area in which the company fails to meet the required and desired standard. If it does not meet your standards for quality, no price would be a bargain.

Price. On the other hand, no matter how high the company's quality, if the stock is overpriced it is still a poor investment. **Take Stock** evaluates the price by determining, among other things, whether the potential return is sufficient and whether the risk at that price is reasonable.

From historical data, the program makes conservative estimates of future earnings and PE ratios. Using these estimates, **Take Stock** determines a reasonable estimate for the highest and lowest prices the stock might be expected to reach within the next five years. Based on the current price of the stock, the program forecasts the potential gain and loss and evaluates the potential risk and reward involved in owning the stock.

Take Stock also analyses the historical multiples investors have been willing to pay for the stock and suggests things to watch for if the stock is currently out of favor or if it is selling at an inflated price.

In plain English, **Take Stock** applies conservative guidelines for making the buy/don't buy decisions and teaches the investors in simple terms exactly why those decisions are made.

Drilling down reveals additional details about each of the quality and price criteria components. Using this information, the new investor can learn enough and develop sufficient confidence to take advantage of options the program offers the advanced user to override the program's default judgments and employ more flexible standards when evaluating stocks.

Portfolio Management: An Important Term

The first and most important step to becoming a successful investor is to select and purchase quality companies at a reasonable price. The second and final task is to monitor your portfolio. Because you have purchased stock in high quality companies and plan to hold it for the long term, following your portfolio requires little time and effort. Unless you need the money, there are only two reasons for selling any stock.

First, sell if the quality of the company declines --if its earnings or sales growth declines significantly below your expectations, due to a serious problem beyond management's control or something that will affect the company for the long term. Use the Web sites listed in **Take Stock** to research the reasons for the quality slip. If it turns out to be some short-term problem that management faces from time to time, hold the stock, and give management a reasonable chance to correct the problem. If it is a long-term serious problem, sell before

the stock damages your portfolio's performance.

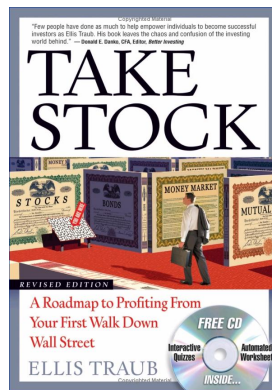
You can easily monitor your portfolio for such situations by using the **Maintenance** screen in **Advanced** mode. Click on the label at the top of the **Quality** column to sort the companies by **Quality Index**. They will be ranked from worst to best, so those that have slipped (red and yellow) will rise to the top. Open each company that displays a lower-than-desired **Quality Index** to check its details. Use the **Web** button to research the reasons for the company's poor performance.

Second, sell if you can do better with another stock of as good or better quality. Look for overvalued stocks in your portfolio. Sort using the **Mood** column. Check the ones that are hot. Look at the return you can expect from those stocks. Replace them with others of equal quality but have a better potential return.

Using **Take Stock** to select your stocks and holding them for the long term (unless their operating record disappoints you or they're overvalued) should produce four winners out of every five, and double your money every five years.

Additional Resources

If you're interested in additional education beyond the simple basics that **Take Stock** offers, we recommend that you read **Take Stock: A Roadmap to Profiting from Your First Walk Down Wall Street** by Ellis Traub. This easy-to-understand book describes in detail the concepts and methods that **Take Stock** uses. This step by step methodology is applied in both the Technamental Stock Study Worksheet and in the Stock Selection Guide. **Take Stock** is available in your local bookstore or from:



<http://www.iclub.com/takestock/book/>

Technical Support

Questions about the investment methodology that are not answered in this document or in the ‘Concepts’ screens can best be answered by taking advantage of the additional resources listed above. **Take Stock** is intended to be intuitive and user-friendly, but if you have problem with the program itself, you may need more help.

Internet

Check ICLUBcentral website at www.iclub.com/support for frequently asked questions about **Take Stock**. You may also submit questions to ICLUBcentral’s Technical Support team using the form available from this page.

Telephone

Call ICLUBcentral Technical Support at. 617-661-2582, Monday to Friday, 9:30 AM – 6:00 PM Eastern Time.

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Sincerely,

Douglas Gerlach
Editor, *Investor Advisory Service* &
President, ICLUBcentral Inc.

Minimum System Requirements:

600 MHz Processor
128 MB RAM
20 MB Hard Drive Space
Microsoft Windows 2000 or XP
800x600 resolution
CD-ROM Drive

Recommended:

1 GHz Processor
256 MB RAM
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