

Working with NAIC Portfolio Record Keeper

Fundamental Ratio Analysis with OPS

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Editor's note: Special thanks to Matt Willms for contributing this article on using Online Premium Services (OPS) with NAIC Portfolio Record Keeper for fundamental ratio analysis.

One of the new features of the NAIC Portfolio Record Keeper (PRK) version 4 is compatibility with NAIC's Online Premium Services. This new interface enables users to easily enter and update stocks in PRK as well as to utilize proven fundamental ratio analysis tools. To designate PRK to use NAIC OPS, use the File Menu | Preferences | NAIC Online choice.

Once you've entered the e-mail address and password for your OPS subscription, users can easily update all common stocks in PRK (File Menu | Import | SSG Data) for the following vari-

ables: market price, dividends per share, earnings per share, projected earnings per share, projected earnings growth rate, book value per share, cash flow per share, beta, rating, industry/sector and stock size. Users can review the data (see Figure 1) and then update their stock holdings in PRK.

Once this data has been imported, PRK derives useful fundamental ratios that can be used for better investing decisions. Fundamental ratio analysis is an investment approach that focuses on specific relationships, or ratios, in the financial data of a company. This method offers a snapshot of a company's value, where the analysis is a review of a firm's financial report.

Shown in Figure 2 are the ratios now provided by version 4 of PRK. Investors will find them to be a set of informative ratios that could be helpful in discovering undervalued securities, especially

since the table can be sorted in either ascending or descending order.

For example, if you wanted to sort your asset library based on dividend yield, listing the higher yielding stocks first, with just a couple of mouse clicks — presto, you'll have the sort order as you requested. (See Figure 2.)

Fundamental Ratios

Following is a brief description of the fundamental ratios in the latest version of PRK. More detailed descriptions are provided in the PRK's online manual. Valuation ratios displayed include:

- **Current Yield %:** If you are an investor seeking income as well as growth, current yield will indicate whether the company is paying a dividend, and if the rate of payment is sufficient to meet your requirements. Current yield is calculated by the current dividend per share divided by current market price.

- **Cash Flow/Current Dividend:** The cash flow/current dividend relationship is important because at times a company may not be earning its yearly dividend. Investors worried about the sustainability of the dividend should be concerned if the cash flow per share doesn't cover the dividend.

- **Dividend Payout Ratio %:** This ratio shows what percentage of its earnings a company is paying out in dividends (current dividends per share divided by current earnings per share).

- **Dividend Payout Ratio % 2:** This ratio shows an estimate of the forward-looking company payout (current dividends per share divided by projected earnings per share).

- **Price-Earnings Ratio (P/E):** Perhaps the most frequently used ratio to judge the degree of valuation for a security, P/E is simply the current market price divided by current earnings per share.

Name	Mkt Price	Earnings	Proj Earn	Proj Growth	Dividends	Book Value	Cash Flow	Beta	Rating	Industry Sector
Aflac	32.450	1.65	2.10	15.00%	0.28	12.43	1.71	1.050	A+	Financial
Associated Bancorp	36.600	2.86	3.27	8.00%	1.36	17.13	3.53	0.700	A	Financial
Bed Bath & Beyond	40.560	1.00	1.45	23.00%	0.00	0.00	0.00	1.500	NR	Consumer Discre
Dell Computer	31.370	0.86	1.18	15.00%	0.00	1.89	0.90	2.450	B	Information Technr
EMC	10.820	0.03	0.26	15.00%	0.00	3.31	0.22	1.380	B+	Information Technr
Factset Research	38.500	1.29	1.56	19.00%	0.24	5.24	1.74	1.170	NR	Information Technr
Harley Davidson	42.160	2.11	2.63	18.00%	0.14	7.38	2.50	1.210	A-	Consumer Discre
Jack Henry & Assoc.	15.110	0.57	0.65	19.00%	0.14	3.83	0.95	0.230	A	Information Technr
Paychex	30.090	0.77	0.91	18.00%	0.44	2.46	0.81	0.550	A+	Information Technr
Pfizer	31.280	1.57	2.07	12.00%	0.60	3.24	1.73	0.710	A+	Healthcare
Walgreens	30.790	1.06	1.33	16.00%	0.15	6.08	1.29	0.690	A+	Consumer Staple
Exxon Mobil	36.400	2.34	1.96	8.60%	1.00	11.13	2.95	0.390	A-	Energy

Figure 1

Name	Last Updated	Yield %	CF/DIV	Payout %	Payout % 2	PE	Proj PE	PEG	P/CF	RetCF %	P/BV
Allac	05/29/2003	0.86	6.11	16.97	13.33	19.67	15.45	1.31	18.98	5.27	2.61
Associated Bancorp	05/29/2003	3.72	2.60	47.55	41.59	12.80	11.19	1.60	10.37	9.64	2.14
Bed Bath & Beyond	05/29/2003	0.00	0.00	0.00	0.00	40.56	27.97	1.76	0.00	0.00	0.00
Dell Computer	05/30/2003	0.00	0.00	0.00	0.00	36.48	26.58	2.43	34.86	2.87	16.60
Dow Jones Ind. Ave	05/27/2003	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EMC	05/30/2003	0.00	0.00	0.00	0.00	360.67	41.62	24.04	49.18	2.03	3.27
Exxon Mobil	05/30/2003	2.75	2.95	42.74	51.02	15.56	18.57	1.81	12.34	8.10	3.27
Factset Research	05/30/2003	0.62	7.25	18.60	15.38	29.84	24.68	1.57	22.13	4.52	7.35
Harley Davidson	05/30/2003	0.33	17.86	6.64	5.32	19.98	16.03	1.11	16.86	5.93	5.71
Jack Henry & Assoc.	05/30/2003	0.93	6.79	24.56	21.54	26.51	23.25	1.40	15.91	6.29	3.95
NASDAQ	05/27/2003	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Paychex	05/29/2003	1.46	1.84	57.14	48.35	39.08	33.07	2.17	37.15	2.89	12.23
Pfizer	05/29/2003	1.92	2.88	38.22	28.99	19.92	15.11	1.66	18.08	5.53	9.65

Figure 2

- Projected P/E: Projected P/E is the current market price divided by projected earnings per share. Look for the projected P/E ratio to be less than the current P/E ratio.

- PEG Ratio: One of the "Famous Numbers" from Peter Lynch's book *One Up on Wall Street*, this relationship compares earnings growth with the price-earnings ratio, the principle being that the market values a stock so that it sells at a price that reflects its earnings potential. The PEG ratio is derived by the current P/E divided by the projected earnings growth rate.

- Market Price/Free Cash Flow per Share & Return on Cash Flow %: Market price/free cash flow per share gives an indication of what ratio a stock is trading at in relation to the cash flow being generated from operations after all cash expenses have been subtracted. To better understand this ratio, the inverse of the ratio can be used to derive the return on cash flow.

- Market Price/Book Value per Share: The market

price/book value ratio gives an idea of how a security is trading in relation to its book value.

- Return On Equity (ROE): This value shows how much is being earned each year by the company, where the higher the ROE, the better for the investor. Return on equity is computed by dividing earnings per share by book value per share. As a growth investor, you want to see a steady or rising return on equity.

To learn more about version 4 of PRK, visit the developer's Web site located at www.portfoliorecordkeeper.com.

A free demo is available for download, as well as updated information on the latest version that is available from the NAIC online store.

The NAIC Portfolio Record Keeper is a comprehensive investment accounting tool that accurately maintains your investment tax records, while offering you additional educational tools to help you make better investing decisions.

Toolkit Developer Ellis Traub Retires

Ellis Traub, developer of Investor's Toolkit software and one of NAIC's most popular investment educators, retired from active participation in InveStWare Corp. on July 1. CompuFest 2003 was his last NAIC event as head of InveStWare.

In announcing his retirement to friends and associates on the I-Club-List, Ellis said, "A decade and a half ago I stumbled onto NAIC and it made a sea change in my life. During the intervening years, NAIC has given me the opportunity to try to do the same for others.

"In that time, I've had the honor and privilege of being entrusted with the responsibility for implementing NAIC's methodology as it made its way from the pencil and paper to the computer screen and have done my best to do so faithfully and accurately. It was for this purpose that InveStWare was founded.

"The time has come for me to pass over the reins of InveStWare to my son, David, whom most of you know ...

"For some time, I've had a strong desire to accomplish more than I've been able to in furthering NAIC's mission — which has viscerally become my own — and look forward to focusing my energies in a new direction. I intend to contribute materially to the financial education our nation's young people receive in their schools. At this time, I believe most such education is not only inadequate, much is actually destructive. I want to change this if I can while I have the energy and passion to do so. Taking this step will free me to devote my time to this cause.

"As an NAIC life member, I fully intend to continue to serve NAIC as a volunteer, to participate in its affairs — though perhaps not as actively as I have in the past — and to maintain the relationships with all of you that I have enjoyed so much during the past years ...

"I hope to continue to attend many NAIC events and look forward to seeing each of you at one or another of them."