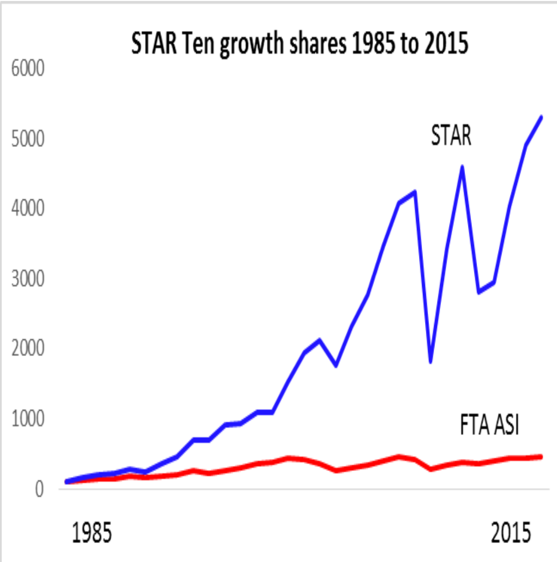
Share Screening for UKSA Members

I thought that UKSA members might be interested to know a little about the background to the Share Tracking and Ranking (STAR) share screening methods that I have devised and developed to manage my own share portfolio over the past thirty years.

The rationale behind the development of STAR was my belief that it should be possible to devise a relatively simple mechanical method of picking successful investments and then managing the resultant portfolio. The premise was that above average share price appreciation would emanate from a selection of shares that exhibited the potential for above-average growth in earnings and that were also selling on a below average earnings multiple. This is now known as the Growth at Reasonable Price or (GARP) approach.

As nearly thirty years have elapsed since I first started testing this hypothesis in the late 1980s the process has had a reasonable period within which to prove itself. Although, there have been a few years when the STAR share selections have failed to deliver the desired gains the periods of outperformance have greatly outnumbered the underperforming ones. The result is that this particular brand of value investing has delivered major gains to investors over more than two decades which they have been able to access through a regular monthly newsletter.



The chart summarises the cumulative results achieved by the ten STAR growth shares in the 30 year period from 1985 to 2015. Over this period these selections, rebalanced at the start of each calendar year outperformed the All Share Index by a factor of more than 10 times and in 23 out of the past 30 years. Similarly, but less dramatically, the twenty share selections have outperformed the All Share Index by a factor of 2.5 times and in 15 out of the past 21 years.

So much for the past record. I believe it illustrates that this "growth at a reasonable price" (GARP) strategy works more often than not. However, the record also indicates that it is not infallible and portfolios with these attributes tend to underperform in less bullish periods when investors' animal spirits tend to cower away in the undergrowth and are replaced with bearish cautiousness. Given this caveat I think it is worth delving in more detail into the reasons for the past failings as well as the strengths of these simple investment methods.

To find out more about STAR go to jpm@companynews.co.uk for more information and a free trial subscription to the monthly STAR newsletter. Additional information and press comment about these share screening methods may be found on my website at www.companynews.co.uk/star/index.htm.

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