Stockopedia

How to screen the market to find stock market winners

Screening Orientation Webinar

Ed Page Croft, CFA

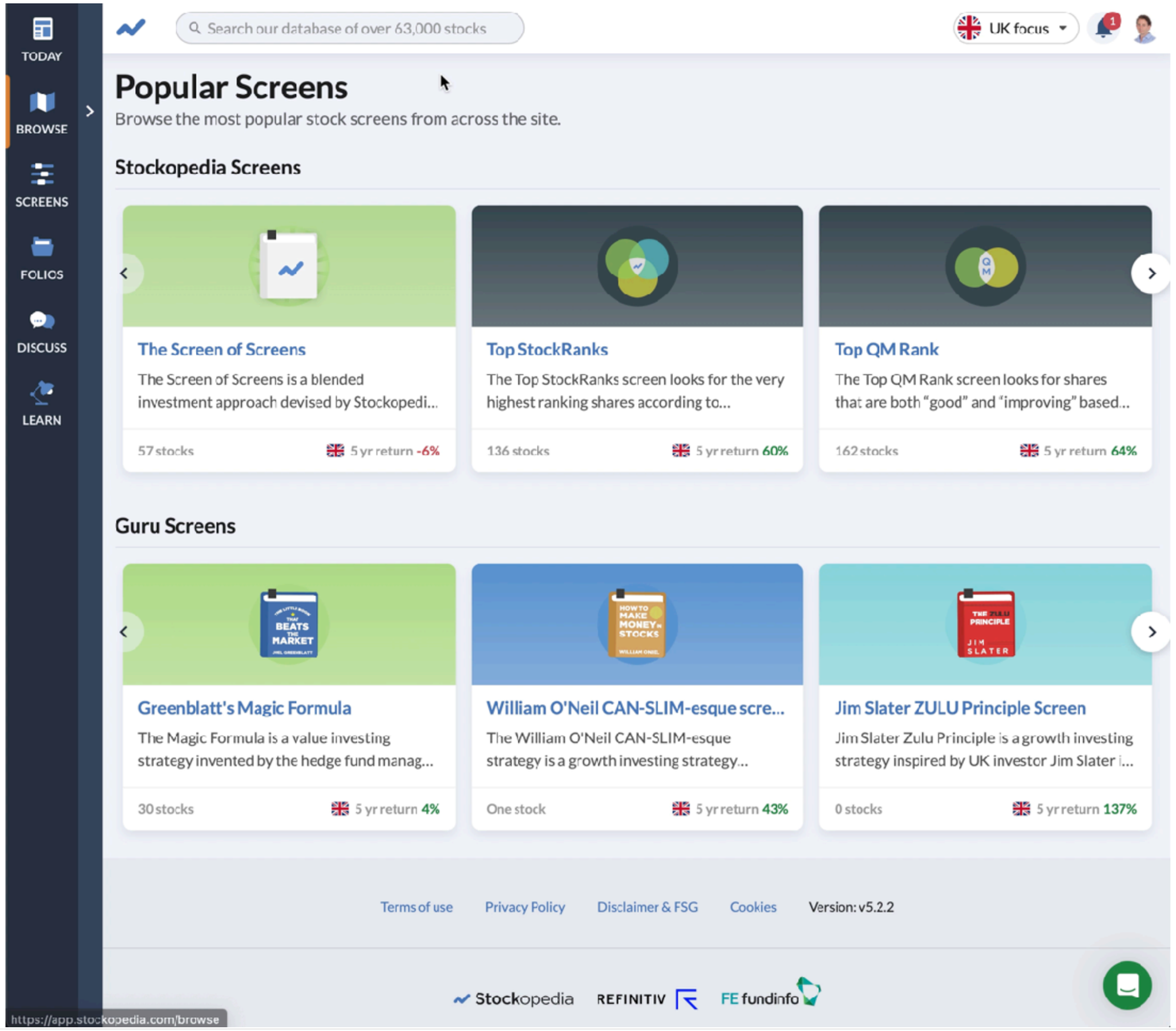
Co-Founder & CEO, Stockopedia.com

ex-GS Private Clients, Oxford Scholar

@edcroft

A powerful and easy-to-use screener, designed for DIY stock pickers

- Great data
- Easy to use
- Comprehensive coverage



Agenda

Stockopedia

1. Why use stock screens?
2. Principles for effective screening
3. Preset Screens - StockRanks & GuruScreens
4. Creating a custom stock screen
5. Working your screening results
6. Going beyond - advanced screening

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We would like to draw your attention to the following important investment warnings:

- The value of shares and investments and the income derived from them can go down as well as up
- Investors may not get back the amount they invested
- Past performance is not a guide to future performance

Please note that all data in this document is historic and dated when this document went to print in March 2023.

Stockopedia

1 **Why use stock screens?**

2 Principles for effective screening

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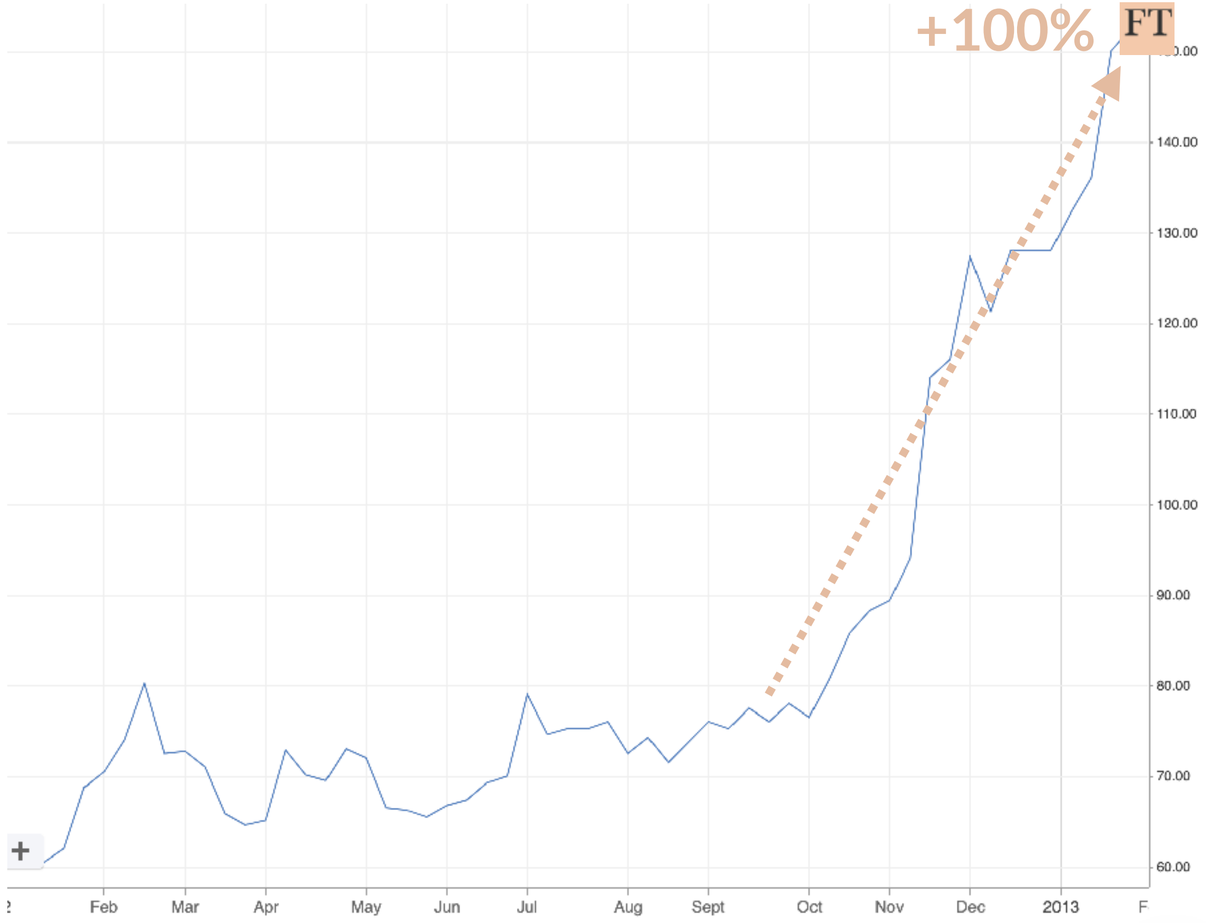
David Stevenson,
FT Adventurous Investor Column



FINANCIAL TIMES myFT

Opinion **Adventurous Investor**

Stock screens to net the ones that got away

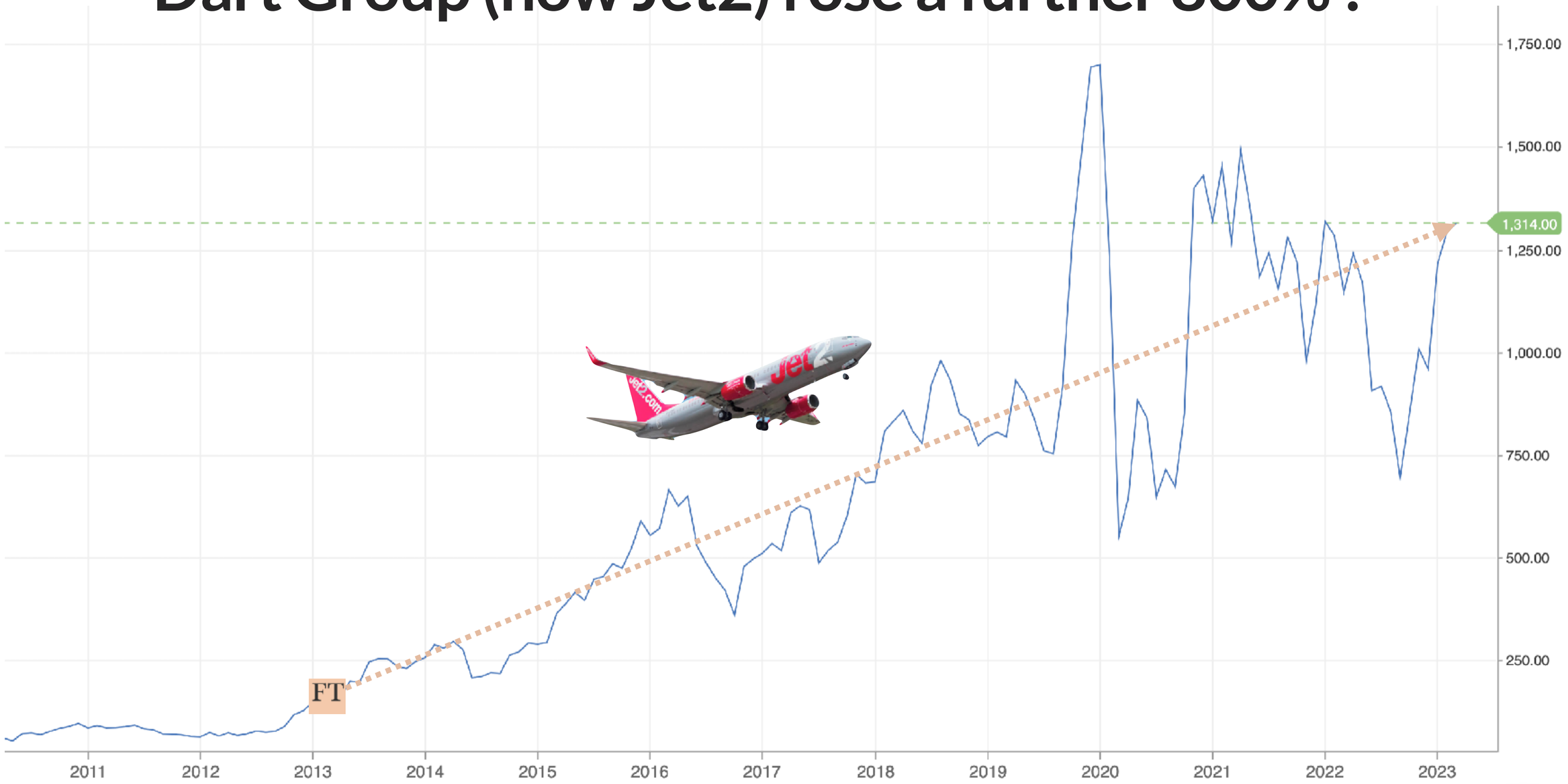
How to take some of the emotion out of investing

One of my big regrets for 2012 was not having bought into a small UK-based transport group called Dart Group. Lots of quantitative and qualitative measures told me that the owner of the Jet2 airline and those Fowler Welch lorries was way too cheap. Yet, sadly, I found more interesting stories to chase and I let it get away – only to watch in horror as the price more than doubled.

How might an ordinary investor, who does his or her own stockpicking, unearth a gem like Dart? **Most likely using web-based, online systems such as the ones developed by Stockopedia….** stock screening systems really, really matter.

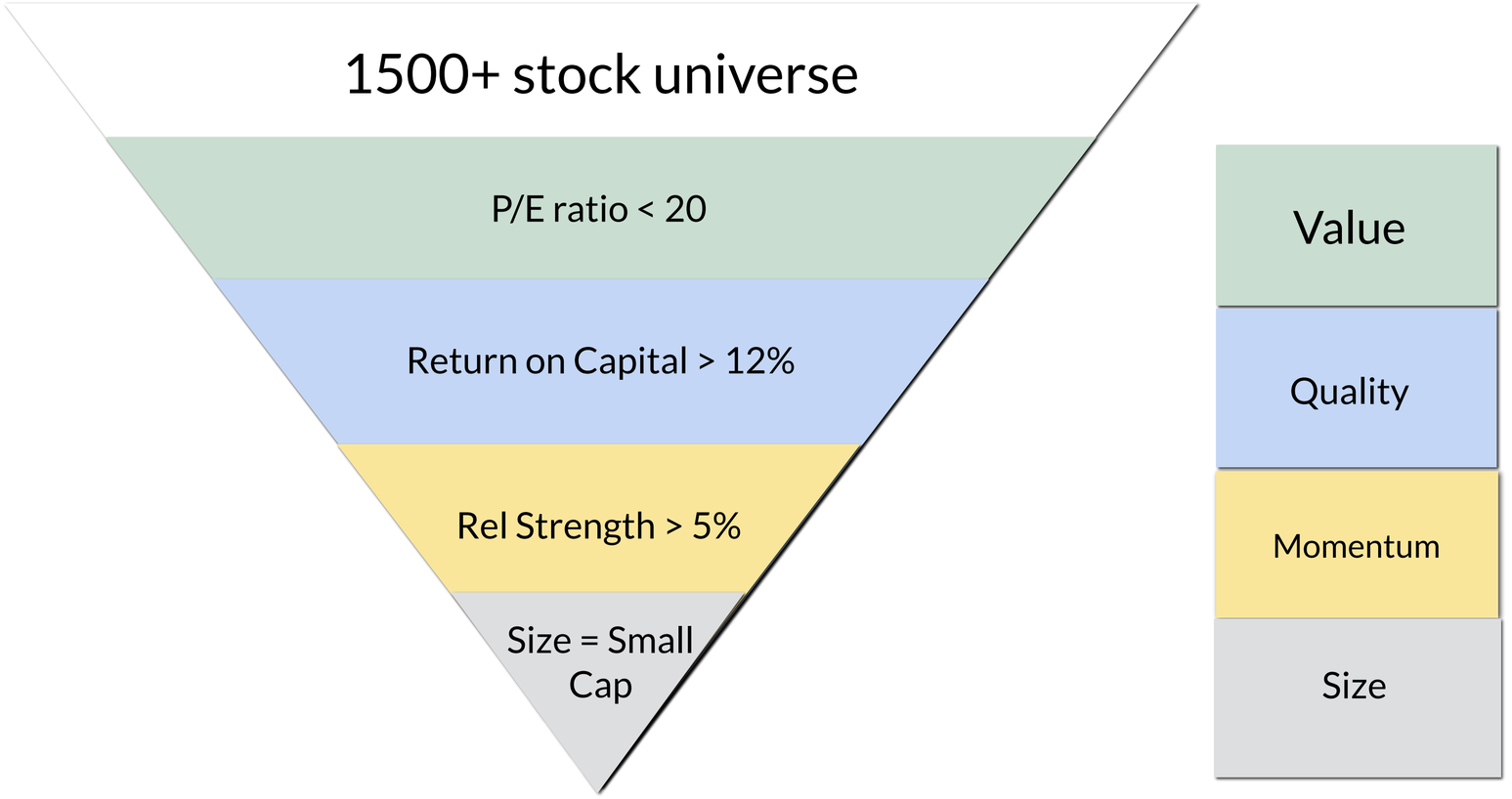
https://on.ft.com/3YdfQIO

Dart Group (now Jet2) rose a further 800% !



Why use a stock screen?

Narrow a broad universe of stocks using financial rules…



…to a small set of (18) candidate stocks

Further benefits of stock screening

⌛ **Save time** in your stock selection process

✅ **Build discipline** by applying consistent rules

💡 **Discover opportunities** that the crowd are ignoring

🧠 **Remove biases** from your stock selection process

📈 **Improve your investment results**

The limitations of stock screening

🔢 You can only screen on **quantitative parameters**

💱 **Standardised financials** do not adjust for nuances

📐 A screen is **only as good as the rules & data** it's based on

⚠️ **Data anomalies**, while infrequent, do occur

🧐 **Not a substitute** for individual company research

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Which factors really drive stock returns?

Company Specific → **Qualitative**

The Market → **Trend**

Screenable

Quality (good beats junk)

Value (cheap beats expensive)

Momentum (strong beats weak)

Size (small caps beat large caps)

Volatility (low risk beats high risk)

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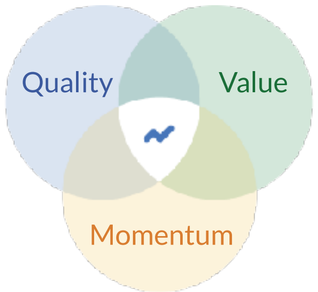
StockRanks



→ Size Groups

→ RiskRatings

+ 382 other financial ratios and metrics

Example: Value - cheap beats expensive

** Equal weighted portfolios of UK stocks, > £10m market cap, segmented by Value Rank, rebalanced quarterly. 2013 to 2022*

Over time... tilts towards value, momentum and profitability have outperformed the market. A combined portfolio of these three has provided much higher reward... and a significant reduction in extreme risk.

Robert Novy Marx

Distinguished Professor of Finance, Simon Business School.

Breaking down an effective stock screen

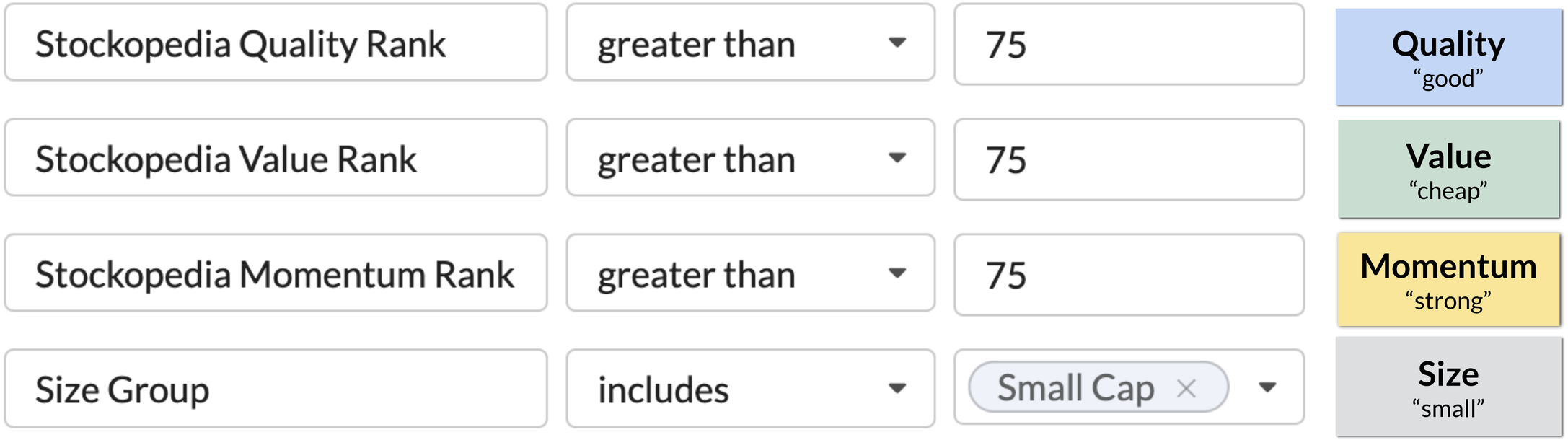
"**Tiny Titans**" - by James O'Shaughnessy

What Works on Wall Street

Price to Sales Ratio TTM	less than	1			**Value** "cheap"
Relative Strength 1y	greater than	0	%		**Momentum** "strong"
Market Capitalisation GBP	less than	GBP	150	m	**Size** "small"
Market Capitalisation GBP	greater than	GBP	15	m	
Bid-Ask Spread	less than	1000	bps		

Sort by: Relative Strength 1y ▾ Descending ▾

Simplified screening using the StockRanks



Creates a small set of (18) candidate stocks

Three ways of screening at Stockopedia

Standardised & Simple

"**Stockopedia Screens**" based on our Stock**Ranks** & Ratings

"**Guru Screens**" based on 65 famous investment books/papers

Personalised & Varied

"**Custom Screens**" based on your <u>own</u> rules

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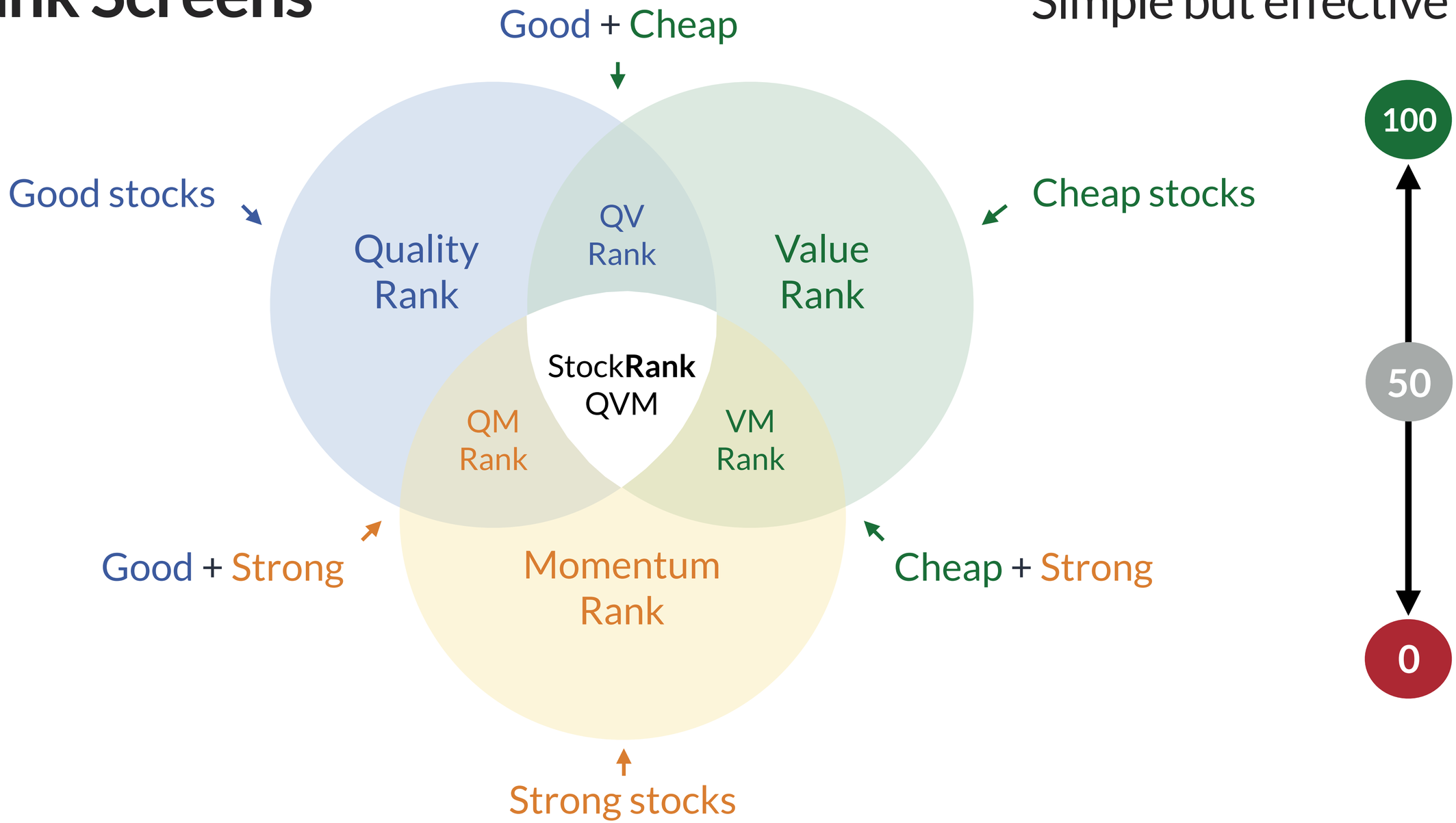
StockRank Screens

Simple but effective



GuruScreens

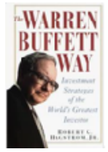
65 Models

Contrarian (under Quality, Value, Income Screens)

"Buying good companies at bargain prices works for companies of any size"

Joel Greenblatt

Quality Screens



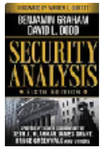
"I like buying quality merchandise when it's marked down. "

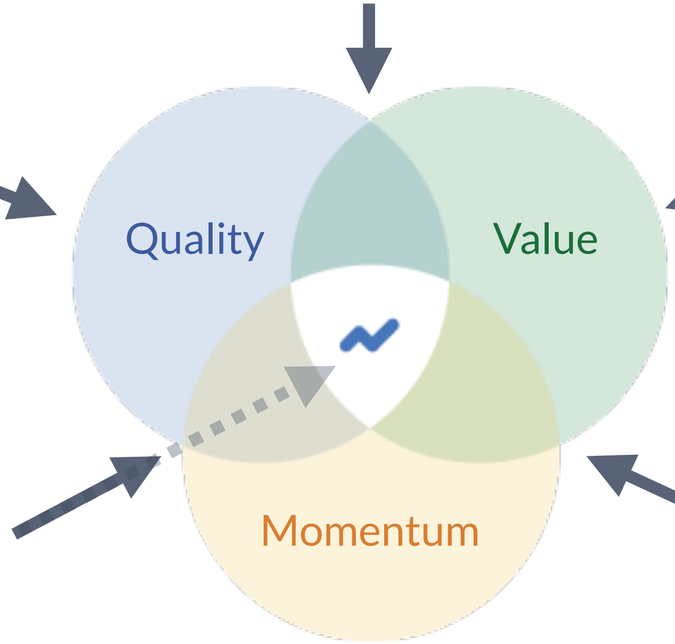
Warren Buffett

Bargain Screens

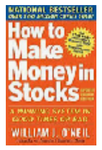
"Try to buy stocks that meet some criterion for being undervalued"

Benjamin Graham





Growth Screens



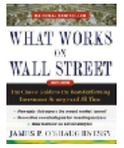
"Charts plus earnings will help you tell the best stocks. "

William J O'Neil

Turnarounds (under Momentum)

"Trending Value is the most successful strategy since 1963"

James O'Shaughnessy



Momentum Screens

"Buy stocks that have performed well in the past, sell stocks that have performed poorly"

Josef Lakonishok

Preset Screens - StockRanks and GuruScreens

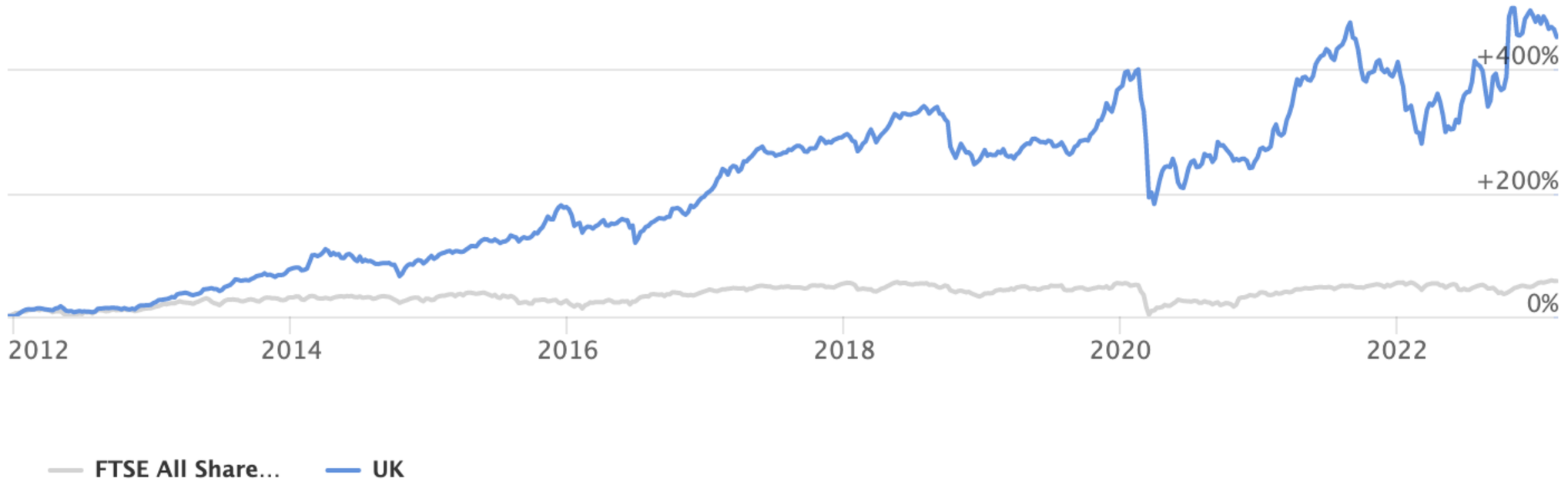
Learn how to use the screening tools on Youtube

https://youtu.be/AaLc0pNyrnw

Understanding the performance tracking

¼ We use **quarterly rebalancing** on the top 25 screen results

💸 Transaction costs and Dividends are not included



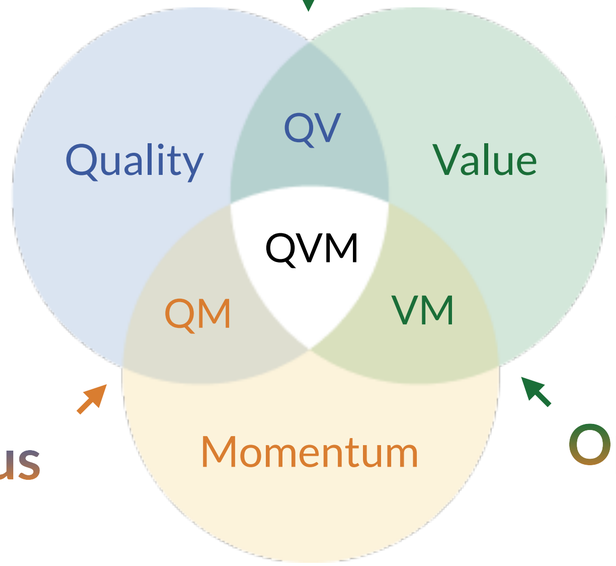
Strategy Selection

Match Style to Pyschology

Obstinate

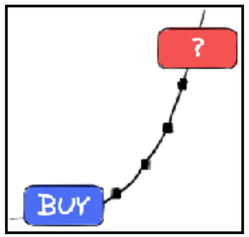
Patient

Brave



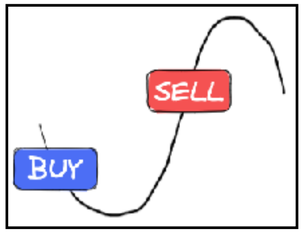
Quality** stocks benefit from **Compounding

1y to Forever



Value** stocks benefit from **Mean Reversion

1y to 3y



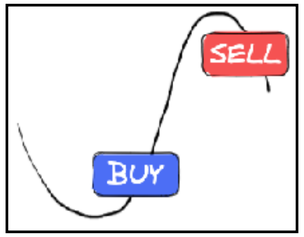
Adventurous

Opportunistic

Ruthless

Momentum** stocks benefit from **Trend Continuation

3m to 1y



Can I use stock screens as a ***complete*** investment system?

🧩 Screen results can have significant sector skews

💧 Screen results can be illiquid (if no liquidity constraint)

⚠️ Some screens can return risky results (e.g. Bargain Screens)

🔄 Screen results are dynamic and change daily

➡ ***Portfolio Construction & Rebalancing is essential***

Learn about portfolio construction and rebalancing in our extensive “**NAPS Portfolio Webinar**”

https://event.webinarjam.com/go/replay/47/44og5sxli6vfvv2s6

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Custom Screening

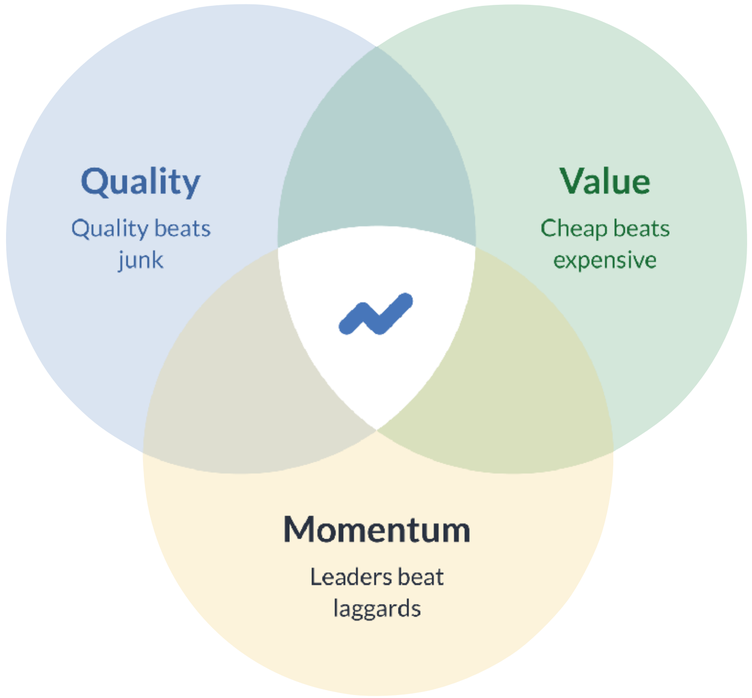
Learn how to use the screening tools on Youtube

https://youtu.be/sD-gMrvWr2s

Download the “Ratio Cookbook”

Essential Ratios for Custom Screening

Quality Rank > 75
Return on Capital > 12%
Gross Profits to Assets > 30%
Piotroski F-Score > 7
Net Gearing < 50%



Value Rank > 75
Price / Earnings < 12
Price / Sales < 1
Price / Book < 1
Dividend Yield > 5%

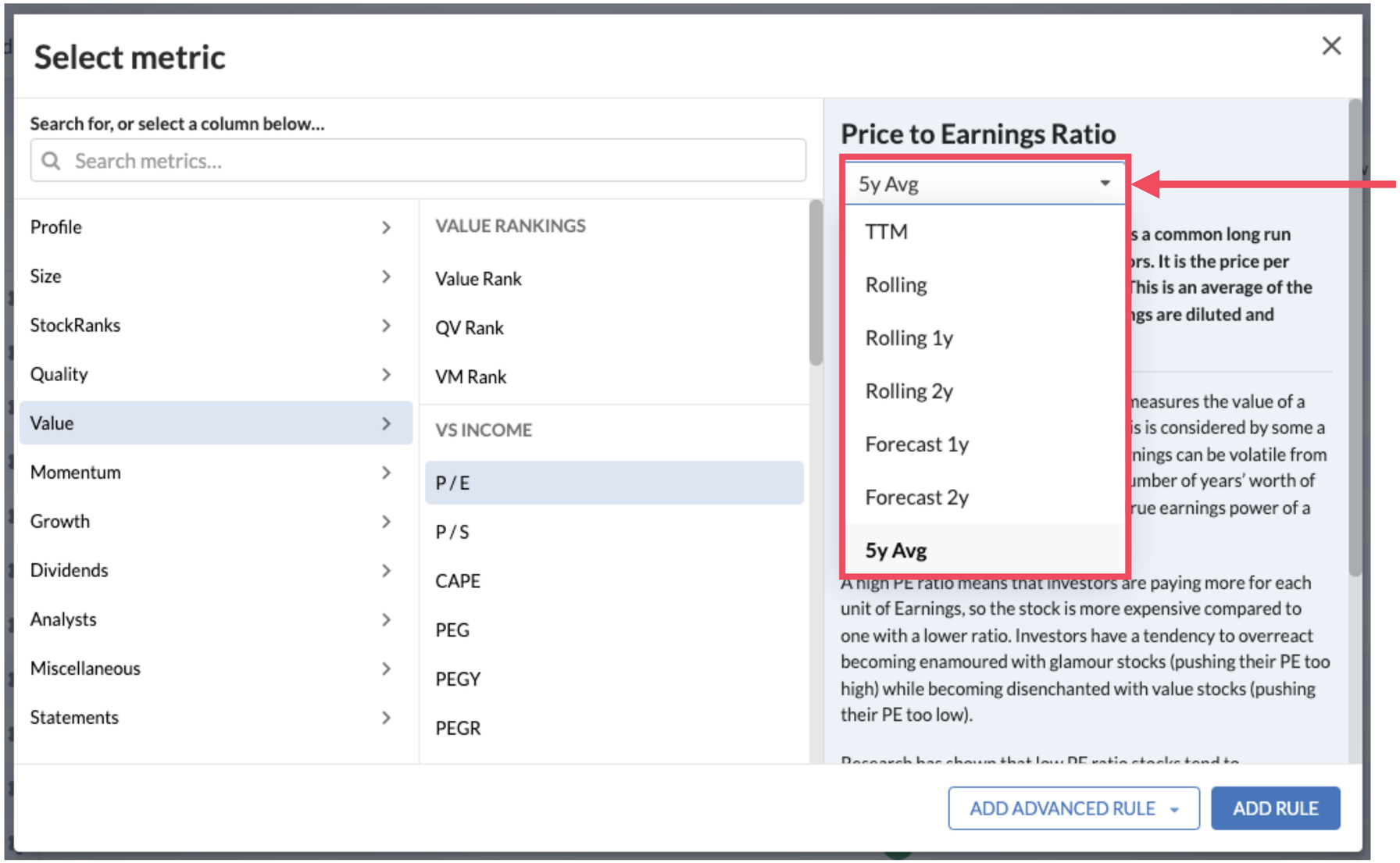
Momentum Rank > 75
Rel Strength > 0%
Price vs 52w High < -10%

EPS Estimate Upgrade 3m > 5%
Earnings Surprise > 10%

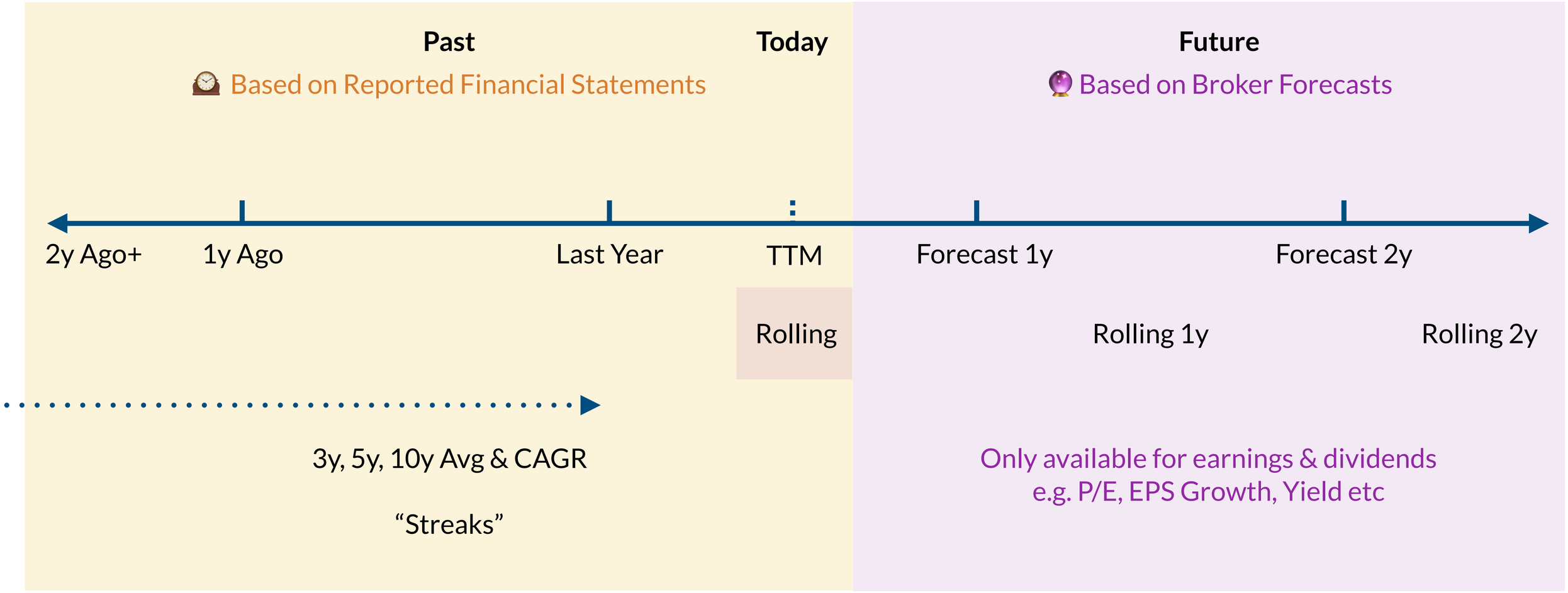
Size
Mkt Cap < £1000m

Liquidity
Spread < 500bps

Selecting the ratio timeframe

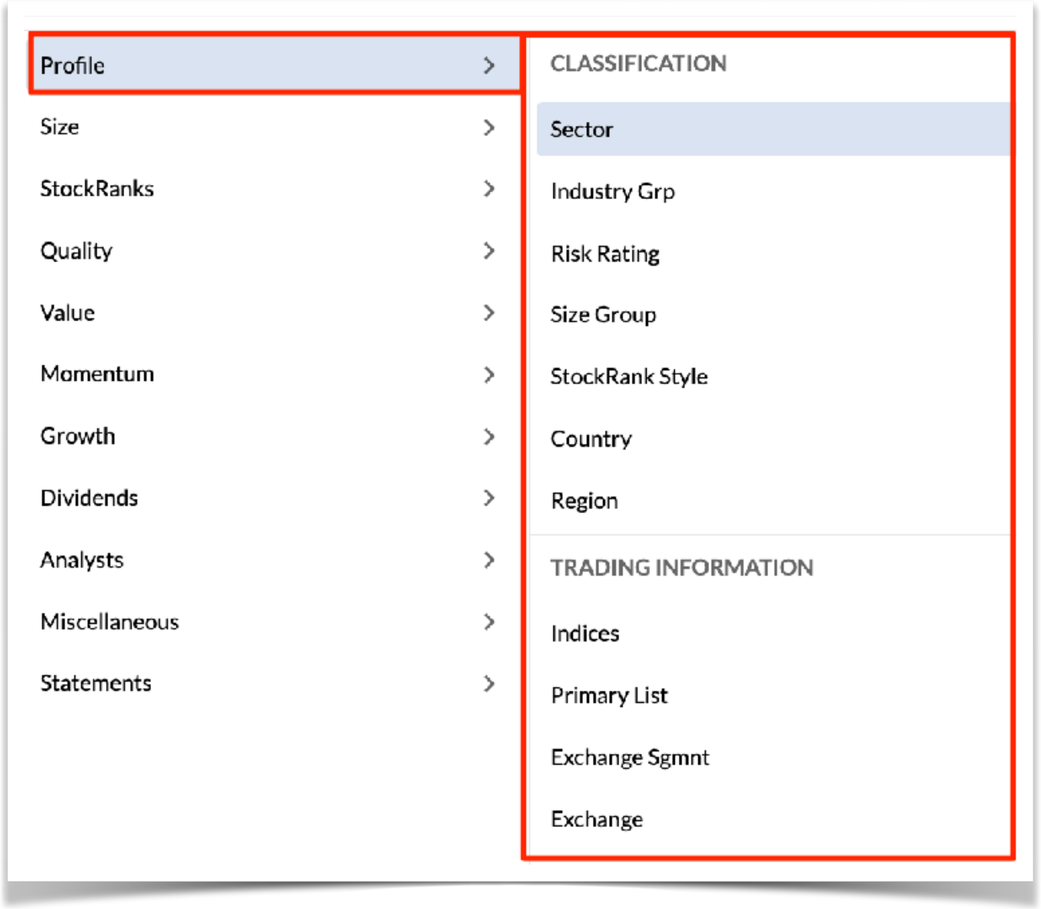


Understanding the ratio timeframes



Classifications - *a huge time saver*

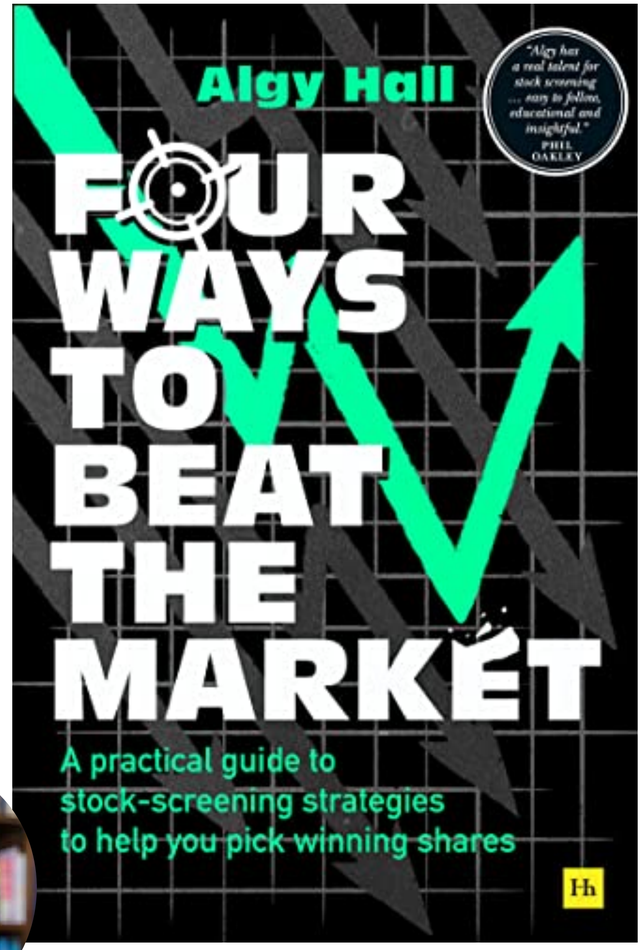
Under “Profile”

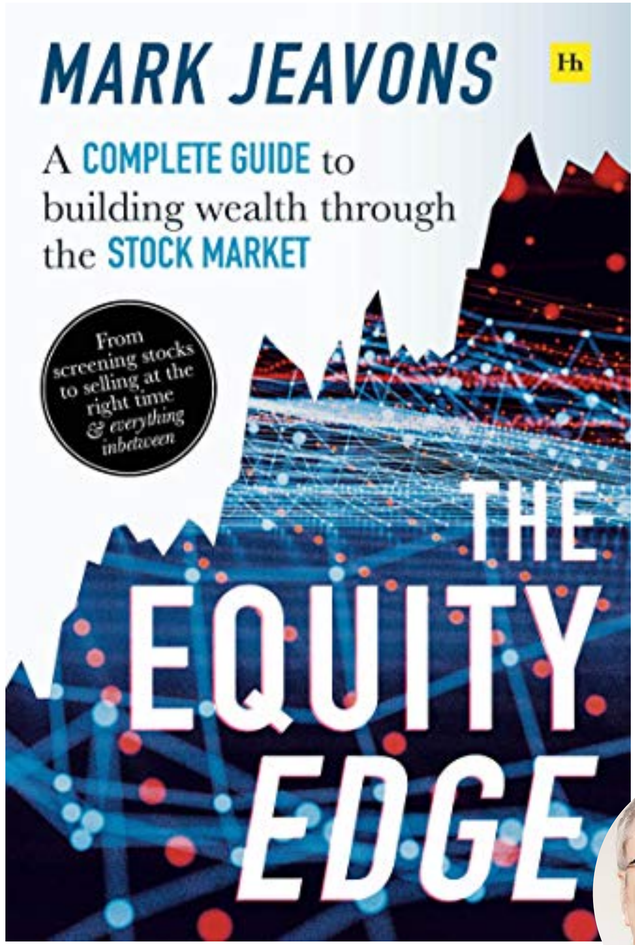


Available Classifications:

- Countries & Regions
- Sectors & Industry Groups
- RiskRatings (low risk to high risk)
- Size Groups (micro cap to large cap)
- StockRank Styles
- Index membership
- Stock Exchanges

Put these on your shopping list





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What if you can’t find many candidate stocks?

⚠️ Could be a sign that you should stay out of the market !

↔ Loosen your criteria, to bring in more candidates

🌎 Broaden your investment universe to other regions

Example

Zulu Principle
Growth Screen

United Kingdom
0 Results
19% annualised

Europe
24 Results
26% annualised

Working with your Screen Results

Learn how to use the screening tools on Youtube

https://youtu.be/zPJYbQ5Q-I0

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6. **Going beyond - advanced rules & principles**

Advanced Screening Rules

Learn how to use the screening tools on Youtube

https://youtu.be/k4_8T77j8qc

Stockopedia

Common Questions

Answers to queries we are often asked

What markets can I screen on?

We provide a screener across 7 “regions” and 32,000 stocks around the world

- **UK** - LSE, AIM and Aquis Exchanges
- **Pan Europe -** excluding some minor exchanges

- **USA** - Nasdaq, NYSE plus OTC and Pink Sheets
- **Canada** - Toronto & Vancouver

- **Australia & New Zealand** - ASX, NSX, NZC

- **India** - BSE & NSI
- **Developed Asia -** Japan, South Korea, Taiwan, Singapore & HK

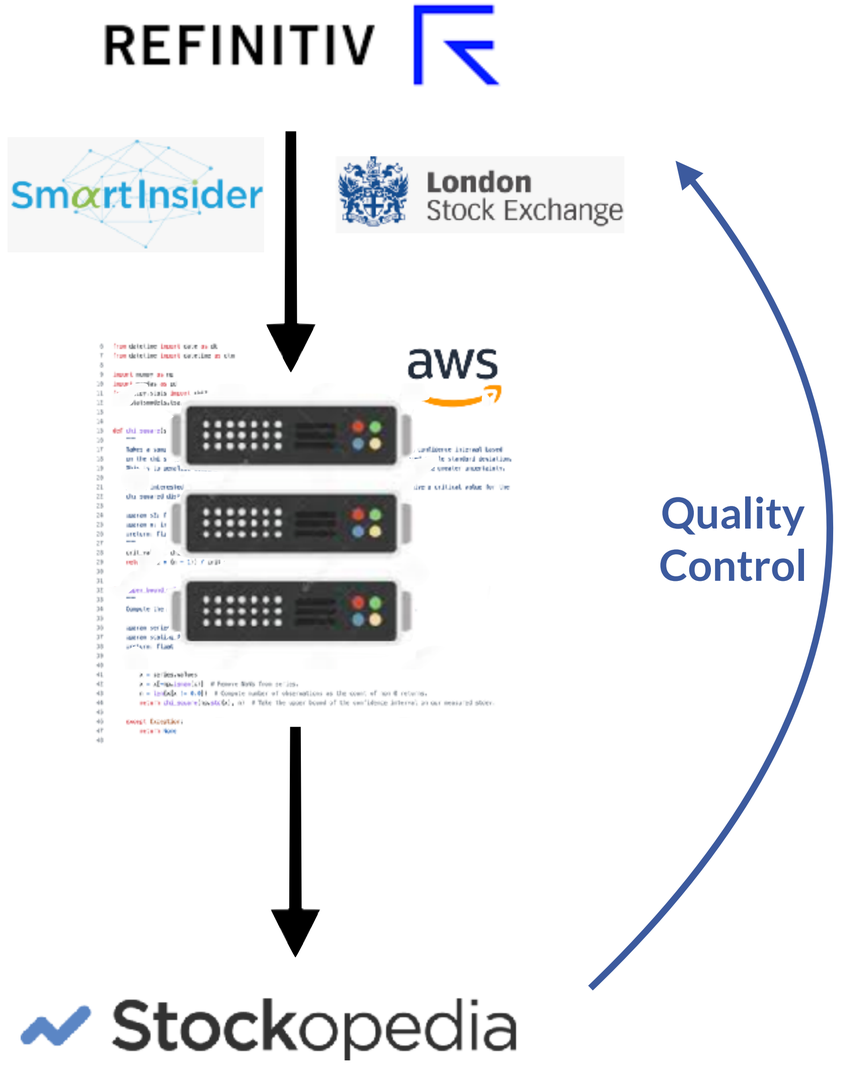
Where does the data come from?

1. Our data sources, employ **hundreds of analysts** who scan, audit & standardise financial data into their databases & upload to their financial clouds.

2. Each day we download **financial statements, forecasts, price histories, major shareholders, director deals, news and profile info** to our databases.

3. Our analysts & developers structure & clean the data, before **computing 60 million computations daily** to generate a **library 2000+ essential, accurate statistics** on every stock. From simple PE Ratios to Piotroski F-Scores.

4. We then rank and screen the market and perform quality control before publishing the data on our **StockReports** and in our **Screening Database**.



How timely is the data?

⏰ Database is updated **daily** ~3-4 hours before the open

🕓 Computes run regionally (Europe, Asia, Americas)

🔢 Financial Results are processed as soon as received from vendors

- Large Caps within 24-48 hours
- Small Caps take longer

We take data quality seriously - our data analysis team

Ed Page Croft

CEO
Chartered Financial Analyst

Oliver Cooper

Head of Product
Chartered Financial Analyst

Alex Naamani

Senior Technical Product Manager
MSc LSE, CFA L1

Dan Smith “HollandSmith”

Product Analyst
Former Subscriber, Active Trader

Keelan Cooper

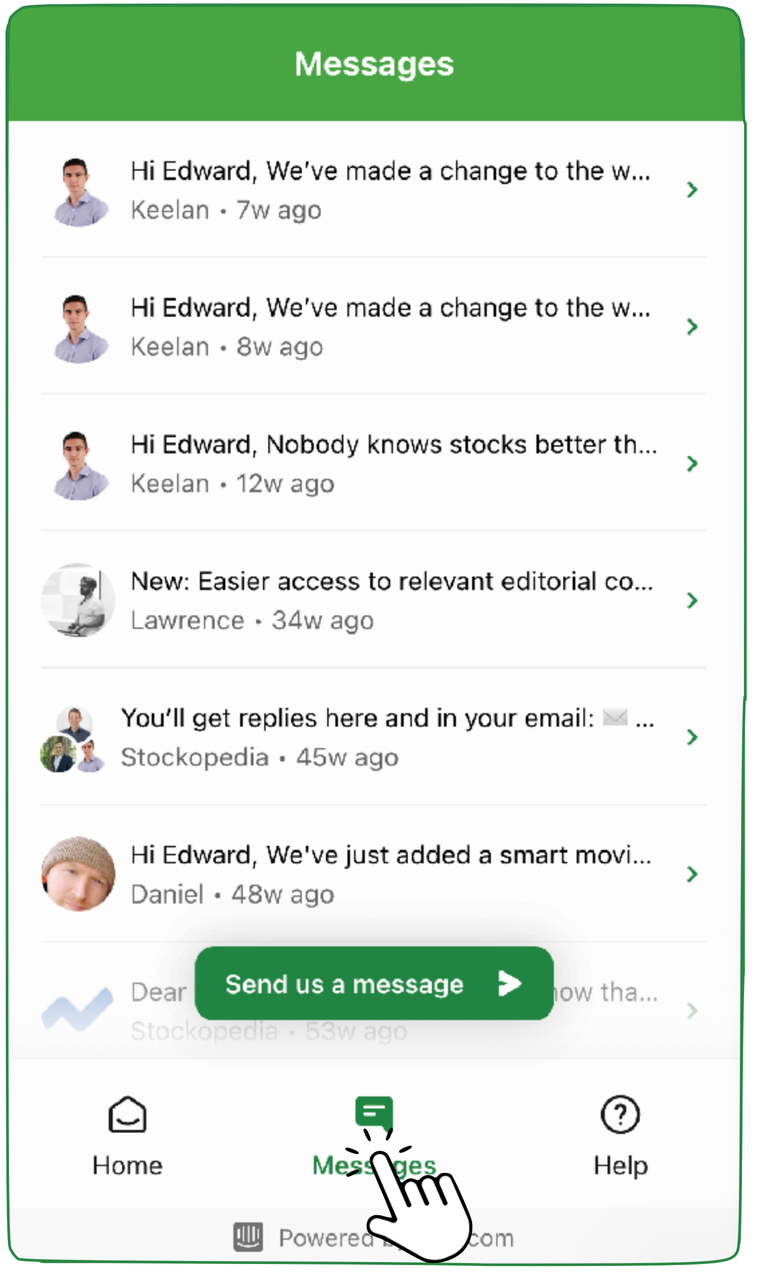
Research Analyst
BSc in Banking, Finance and Management

Plus…

Editorial Team
Engineering Team
And all our Subscribers !

How do I get help?

We provide 1-1 support, and help articles through the green button at the **bottom-right** of the website



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