

# The Smarter Way to Build a Market-Beating Share Portfolio

*The proven stock selection rules behind a decade of outperformance*

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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 May 2025.

- 1. Improving investors** looking for a time-proven method to replace buying shares on tips, or to beat fund-investing.
- 2. Experienced investors** looking for an effective way to save time when analysing stocks & running portfolios.

# The power of simple rules

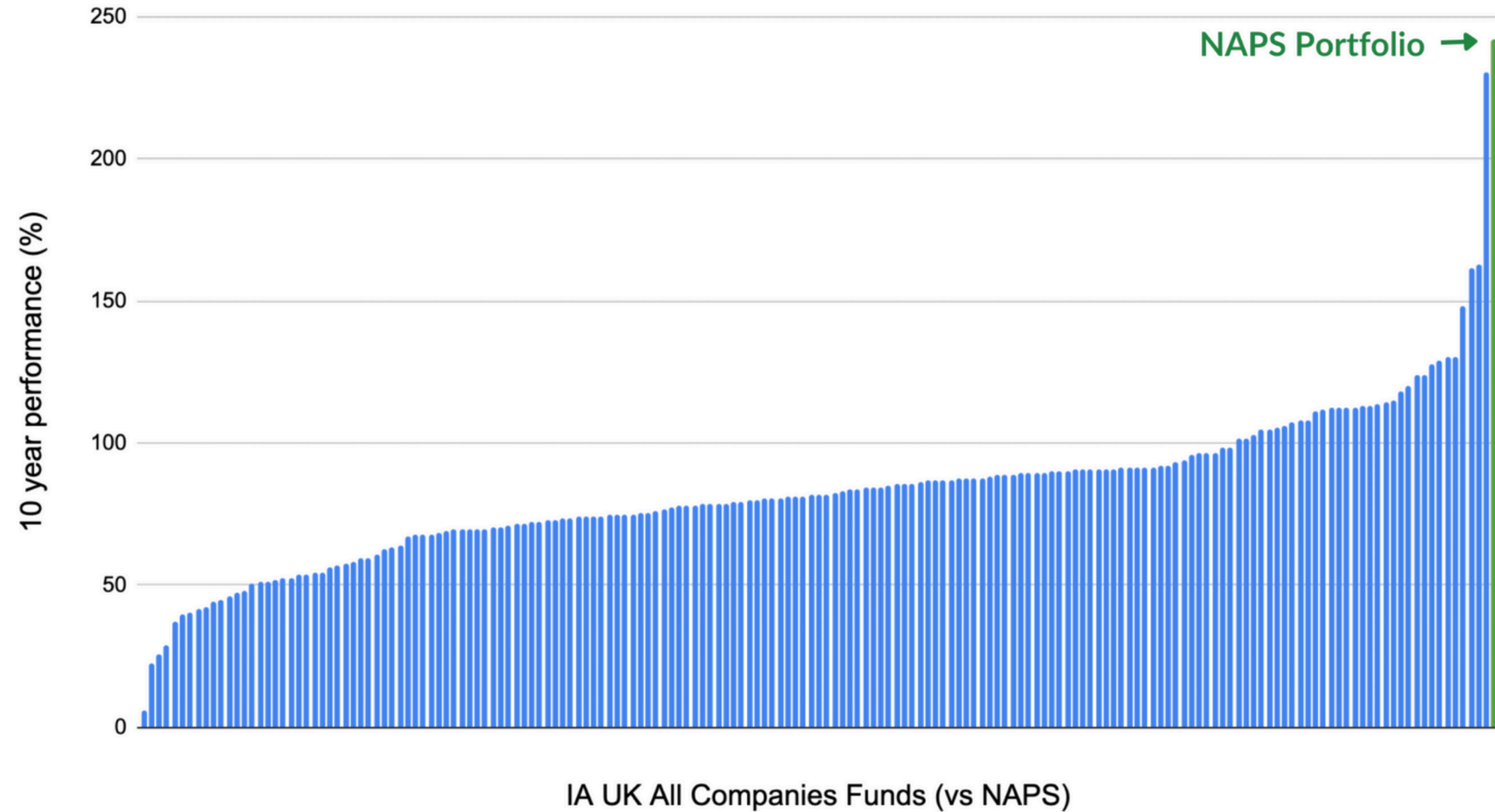
*The results that can be attained*



# Simple rules behind a decade of outperformance - “NAPS”

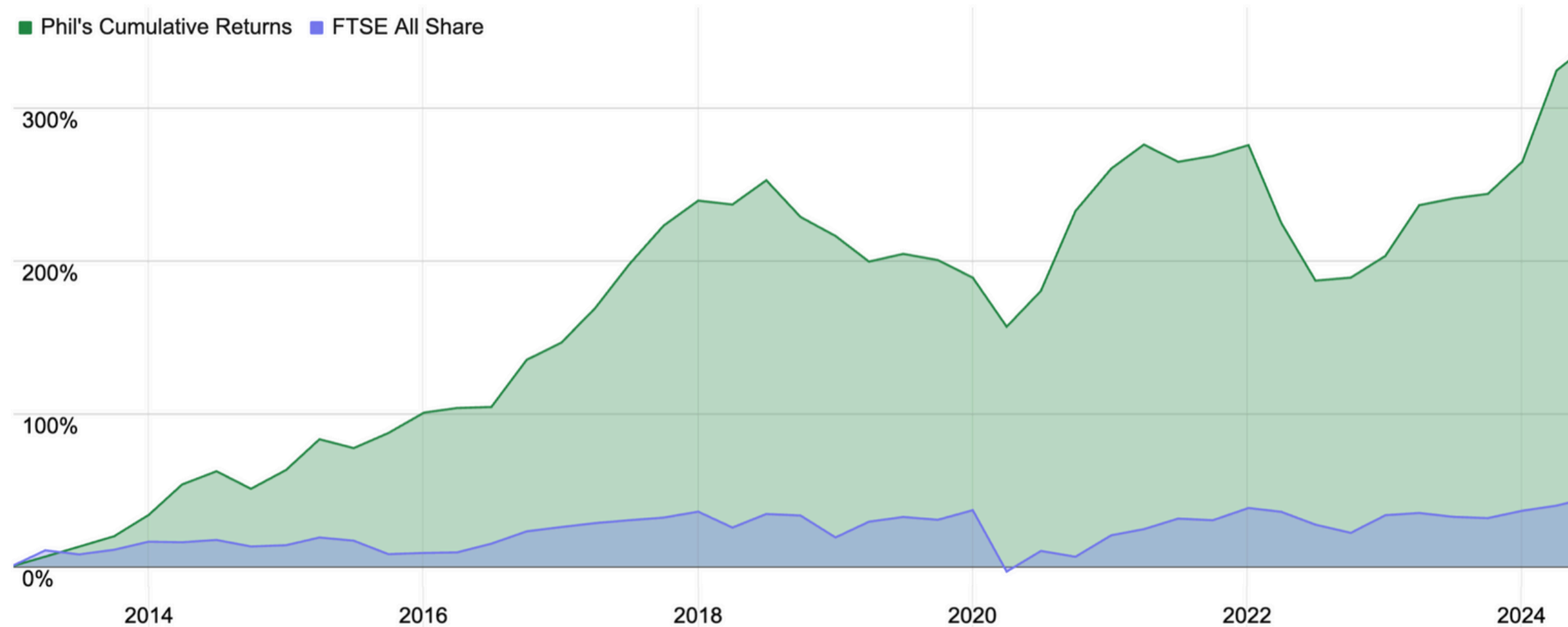


# Simple rules behind a decade of outperformance - “NAPS”



# Case study: Phil Hoffer's results

*“Since changing my approach... I've achieved total returns of 400% in 11 years in spite of the market turbulence of the last few years.”*



- Why using a **rules-based** investment process helps avoid common mistakes.
- Understand the **three-dimensions** of smarter investing.
  - How to select stocks, that have the highest potential.
  - How to diversify a portfolio to cut risk and improve returns.
  - How to manage change over time - to maintain high performance.
- The **methods** and **rules** from a decade of applying these ideas.
  - How the NAPS Portfolio has returned 13% annualised in only an hour per year.
  - How one subscriber has returned more than 400% over an 11 year stretch.



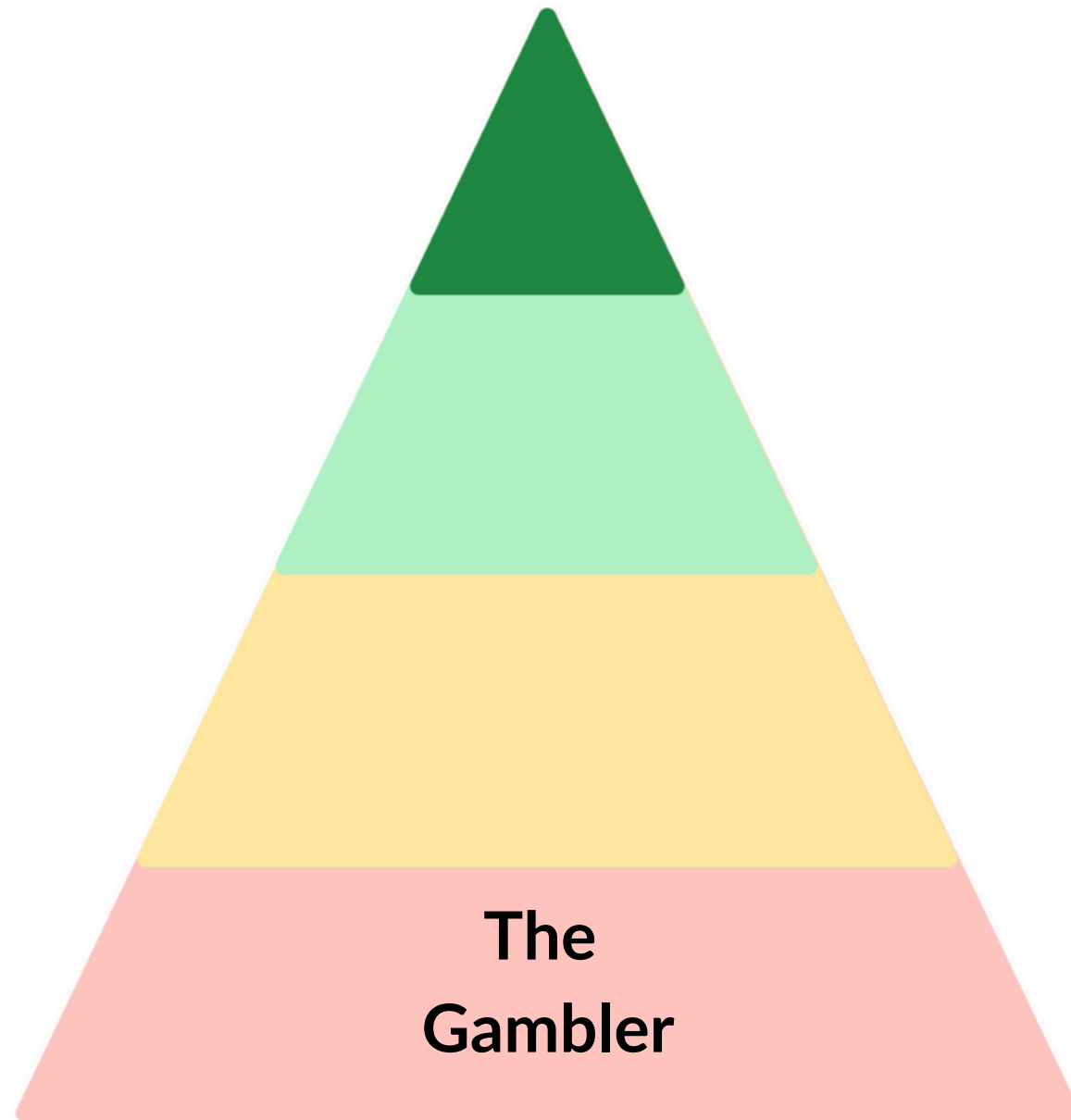
## Ed Page Croft

*Founder & CEO, Stockopedia.com*  
*ex Goldman Sachs Private Clients*

# The mistakes we all make

*How we can improve our approach to the stock market*

# Four stages we go through as an investor



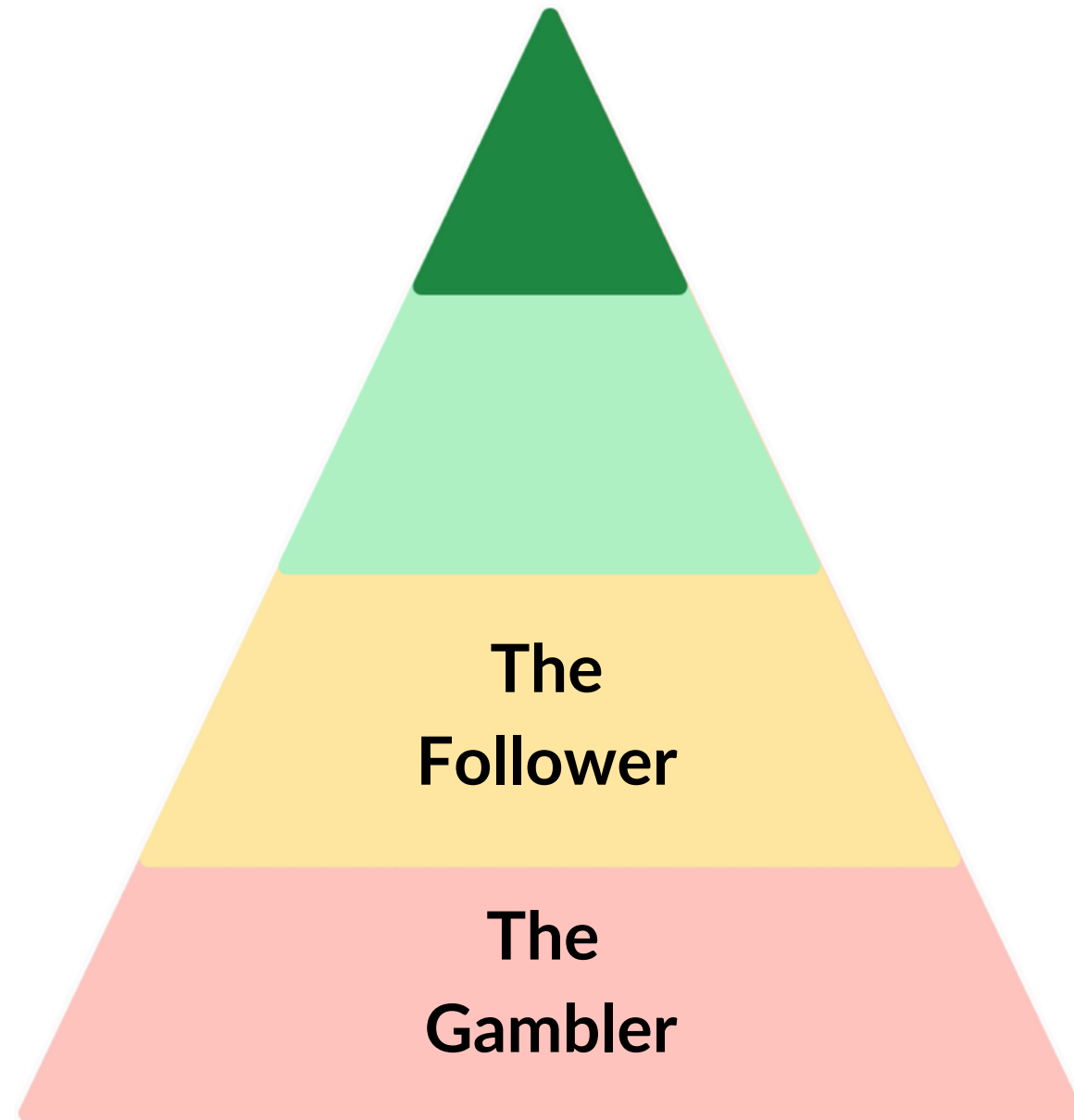
Social → Acts fast on rumour → Bandwagon, Blame

# The problems with “story stocks”





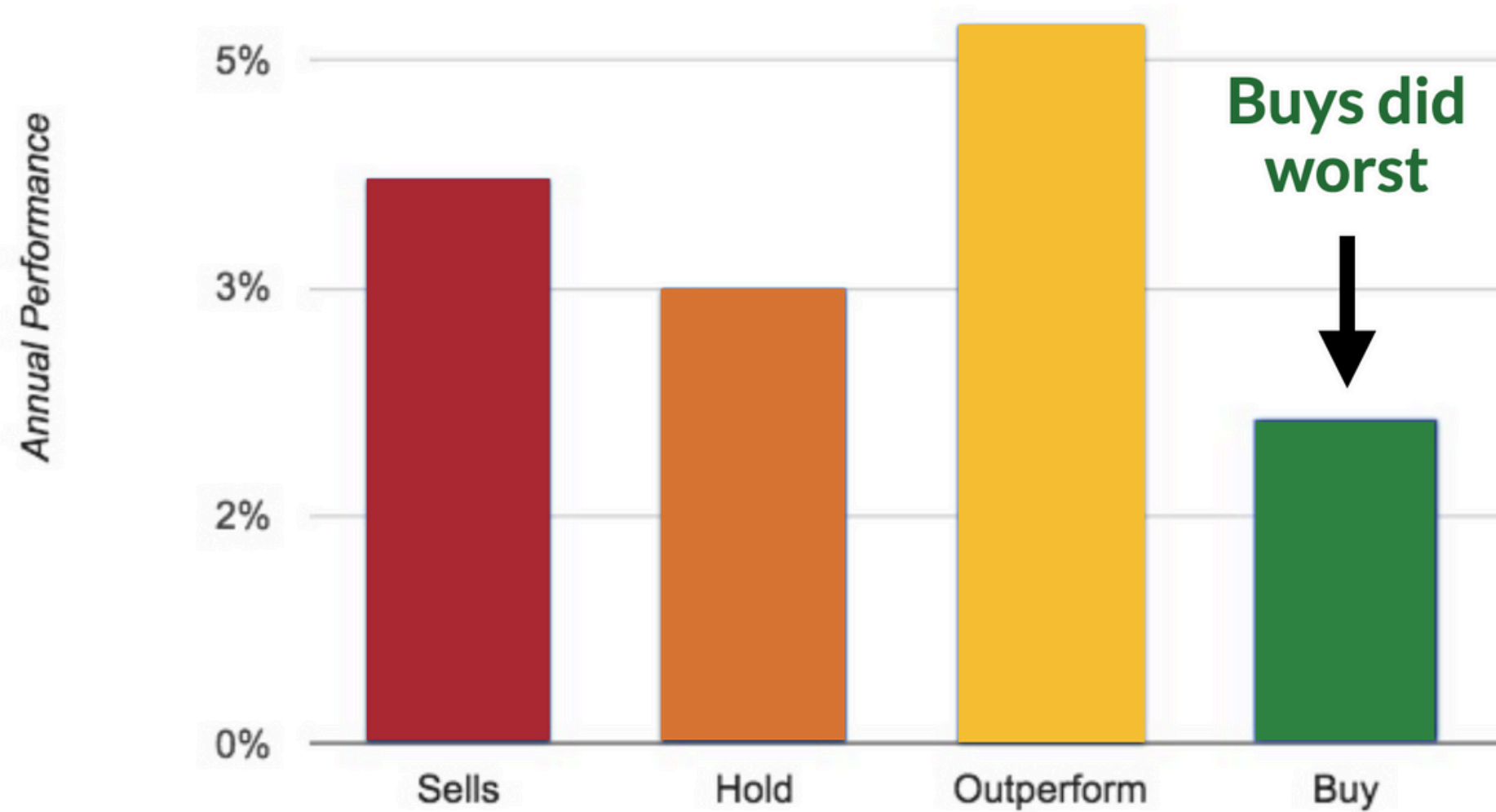
# Four stages we go through as an investor



Gurus → Trusts in “authority” → Erratic results, Regret

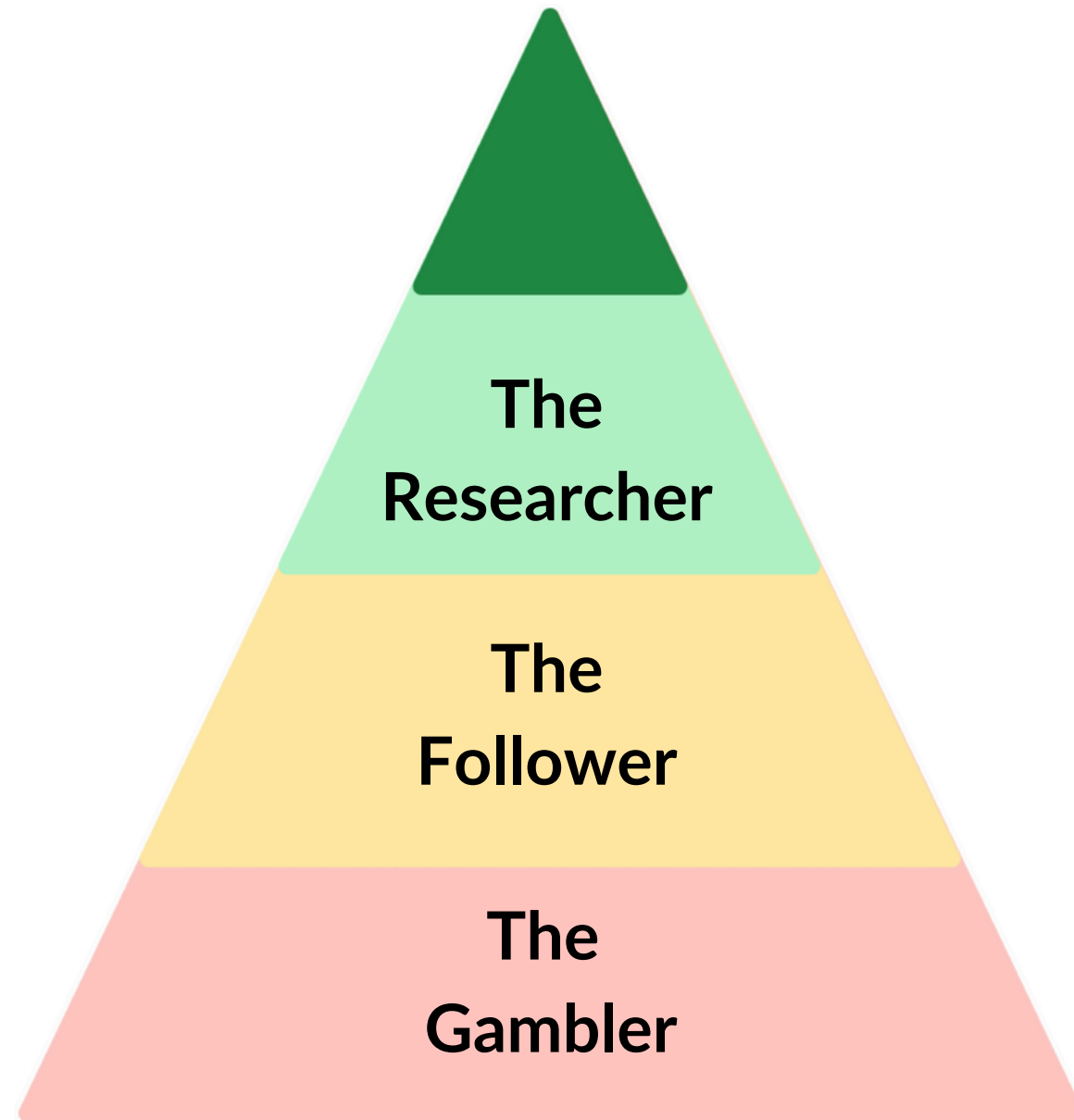
Social → Acts fast on rumour → Bandwagon, Blame

# The problems with “broker buy recommendations”



\* Stockopedia Research between 2015 and 2018 of Broker Recommendations from the Reuters Estimates Database of UK Stocks.

# Four stages we go through as an investor

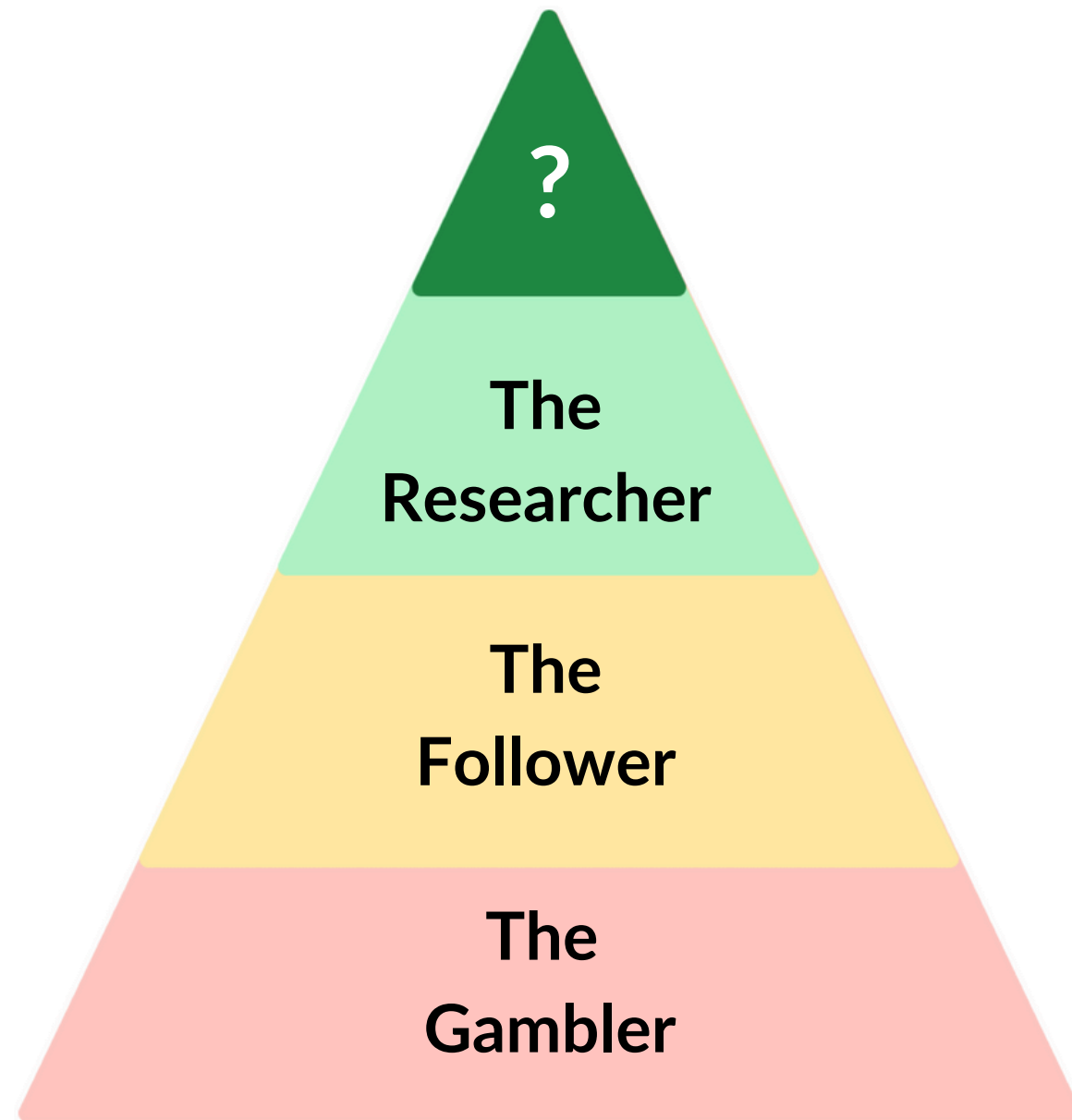


Deep research → Fundamentals → Overattachment

Gurus → Trusts in “authority” → Erratic results, Regret

Social → Acts fast on rumour → Bandwagon, Blame

# Four stages we go through as an investor



Evidence-based → Process driven → Consistency

Deep research → Fundamentals → Overattachment

Gurus → Trusts in “authority” → Erratic results, Regret

Social → Acts fast on rumour → Bandwagon, Blame

Madness, they say, is making the same mistake repeatedly and not learning the error of one's ways.

I have suffered from this all my investing life. My success in stock selection is deplorable.

I know the problem; I am reckless, a risk taker, and taken in by good stories.

I have watched the extraordinary success of Edward's "Stockopedia NAPS" over the last ten years and finally have invested, fruitfully, in them for the previous two years.

# What really works in stock markets?

*How three changes make all the difference to results*

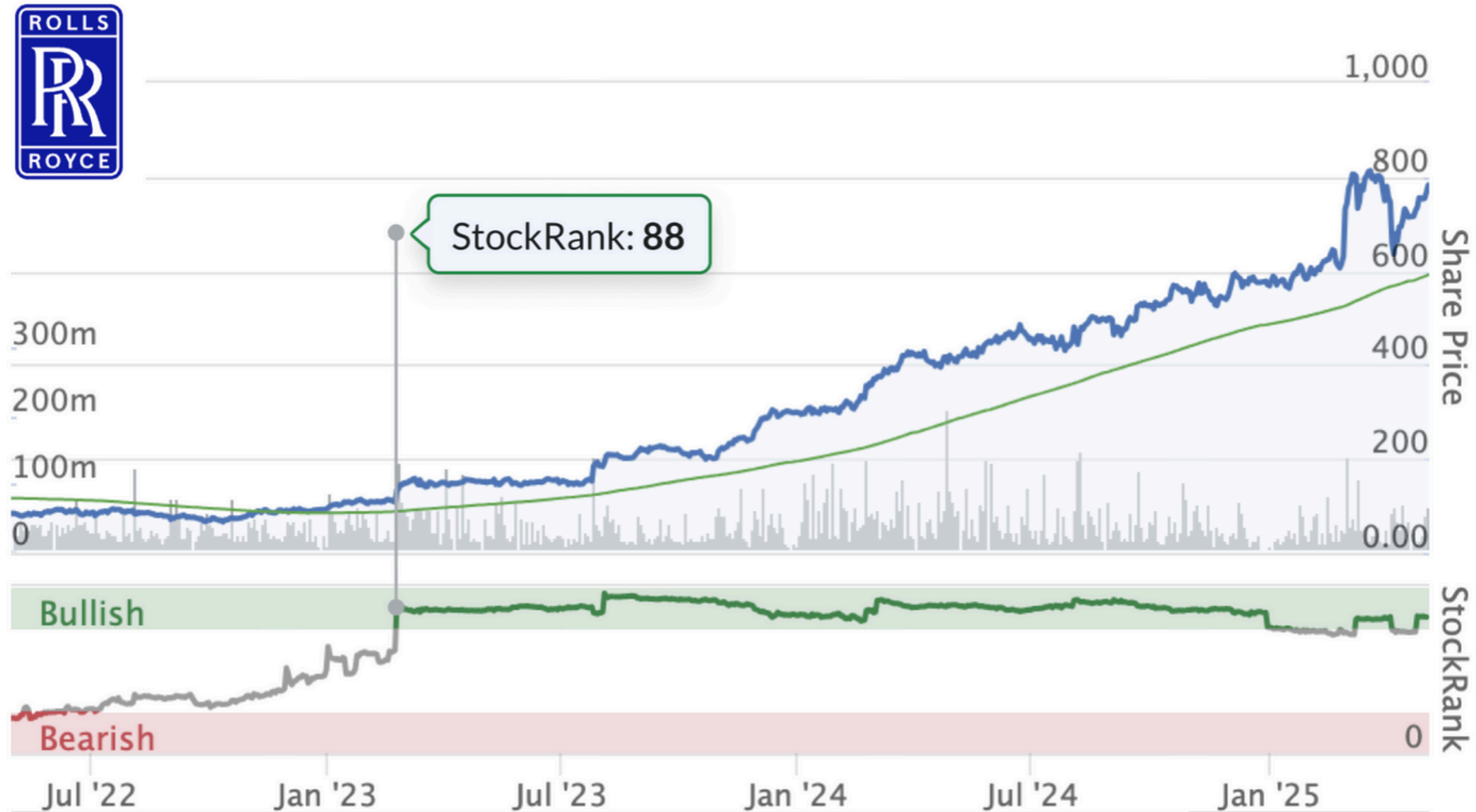
1. **Drivers** → Consistently pick “high potential shares”
2. **Diversity** → Reduce risk and improve returns
3. **Discipline** → Maintain your edge through time

# 1. Drivers: Pick the highest potential shares

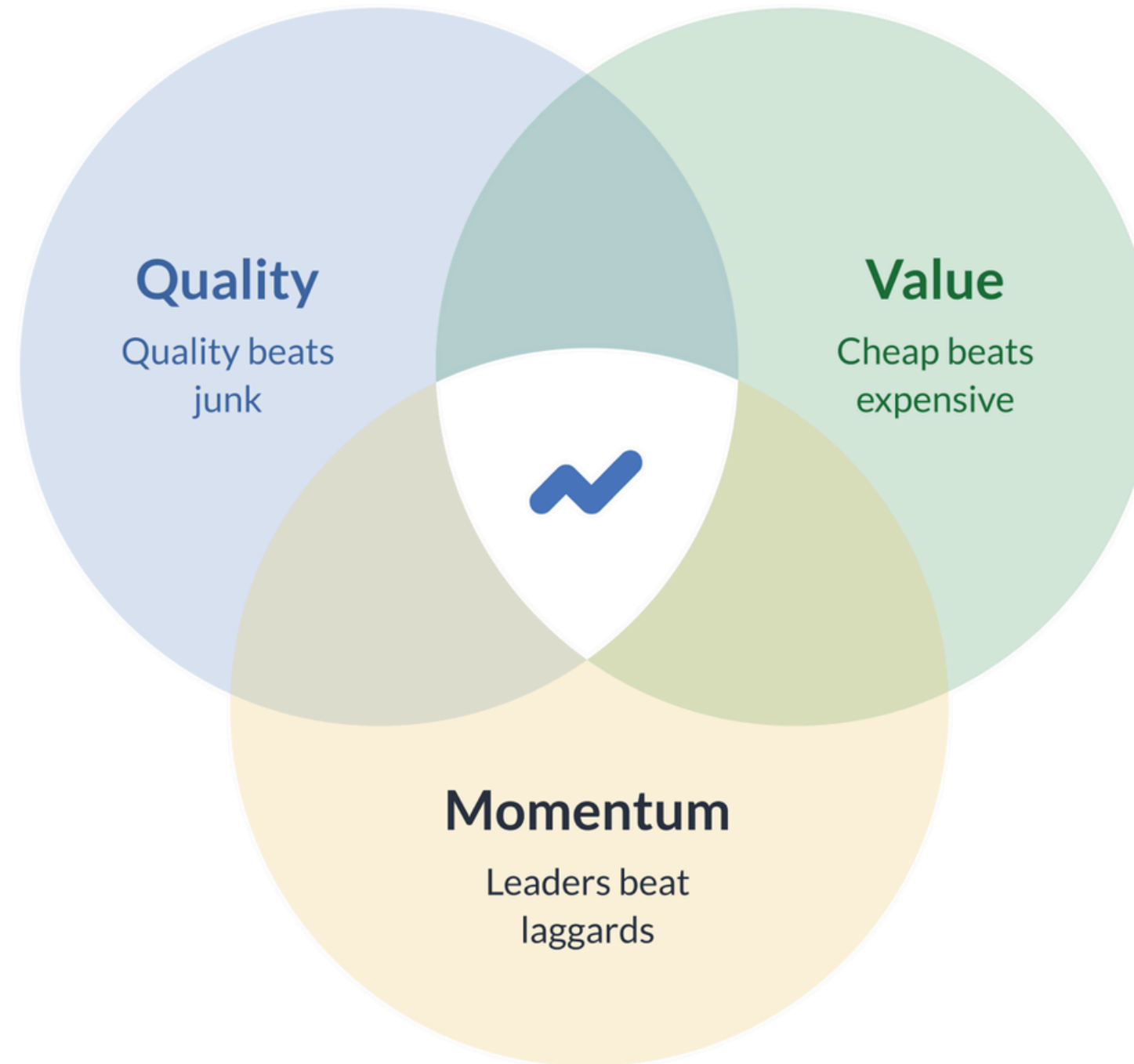
Quality, Value and **Momentum** are the most powerful return “drivers”



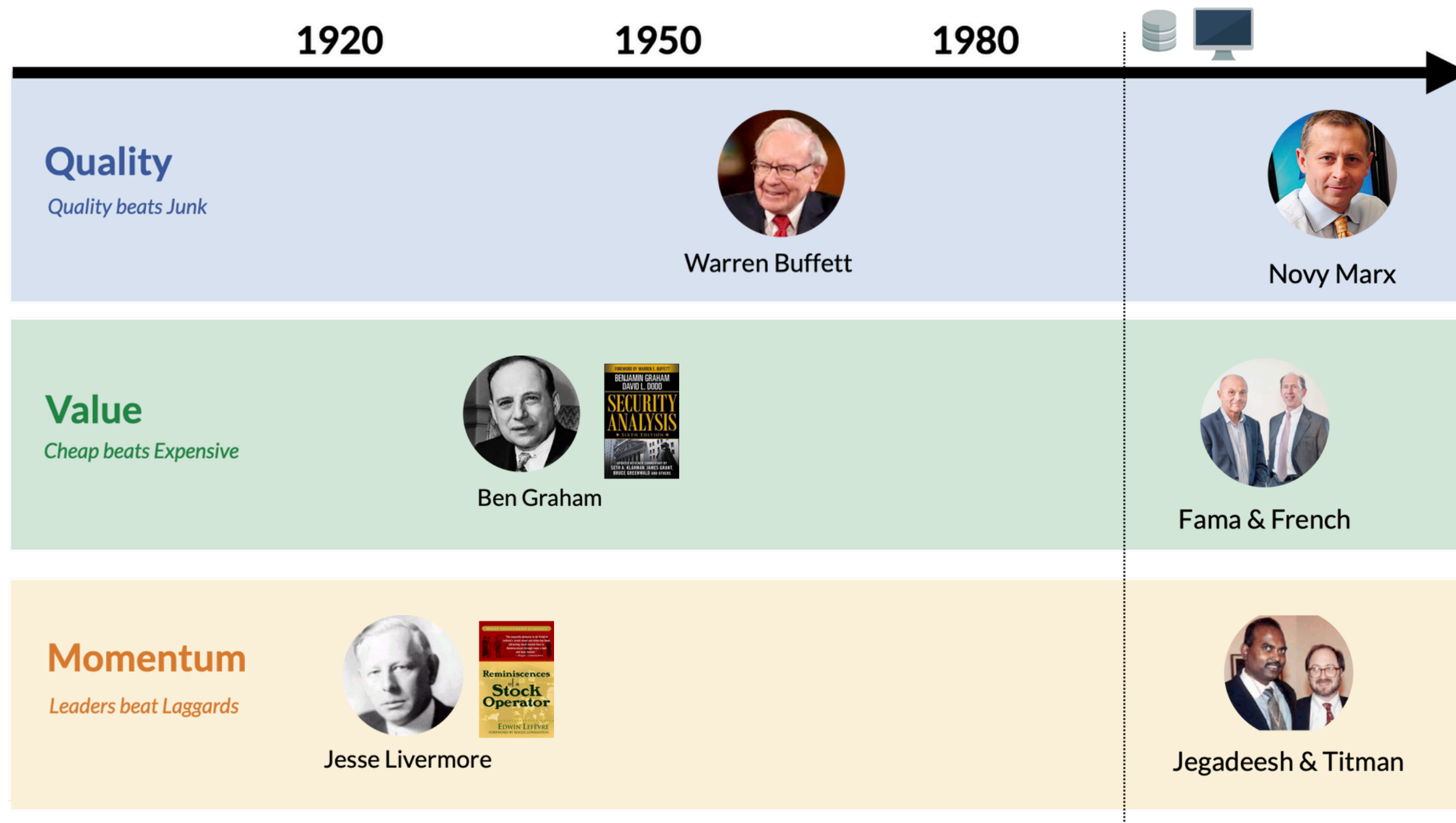
# What was it about Rolls-Royce before it took off?



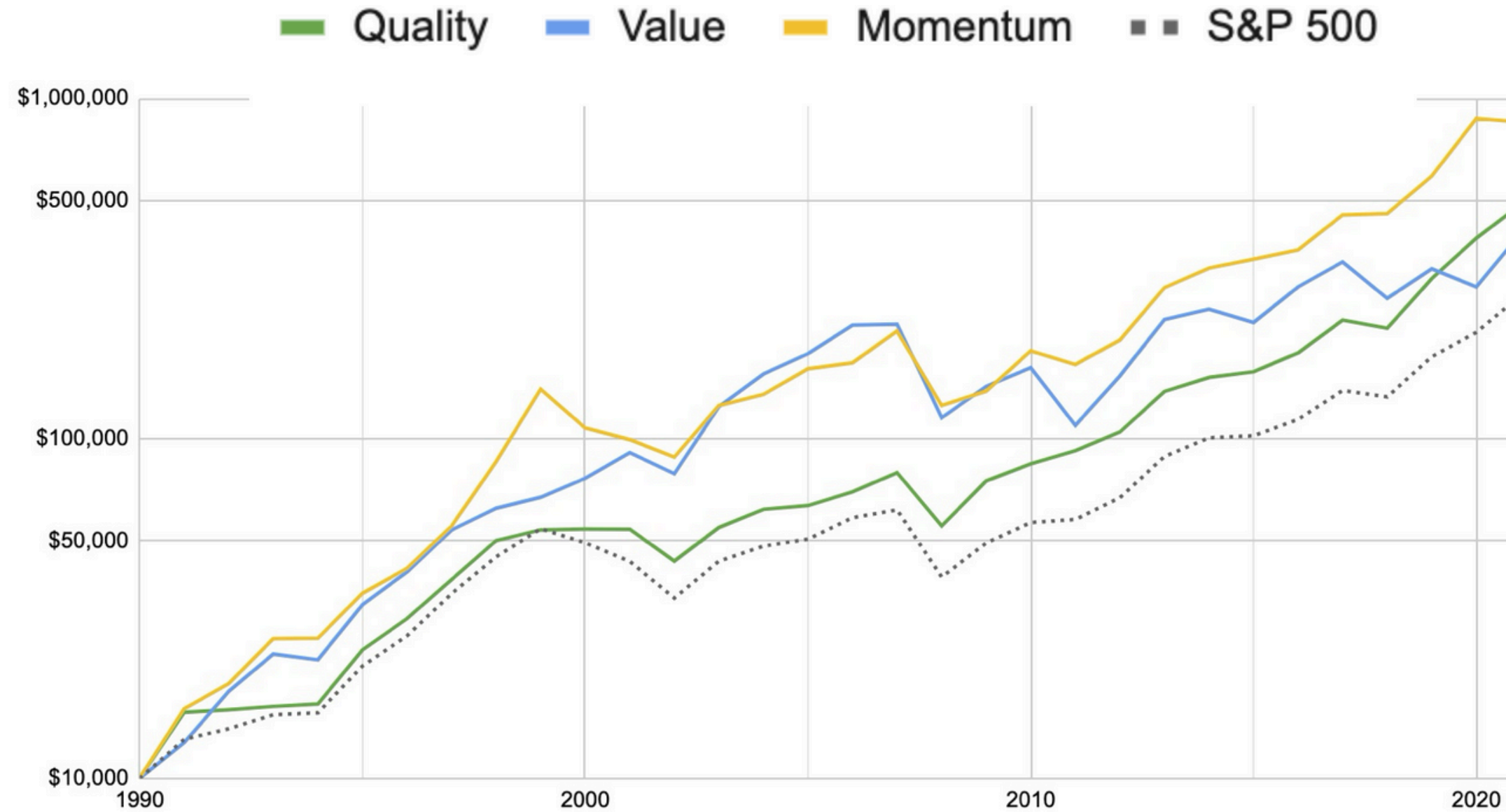
# There are three primary drivers of stock market returns



# These return drivers have been proven for decades

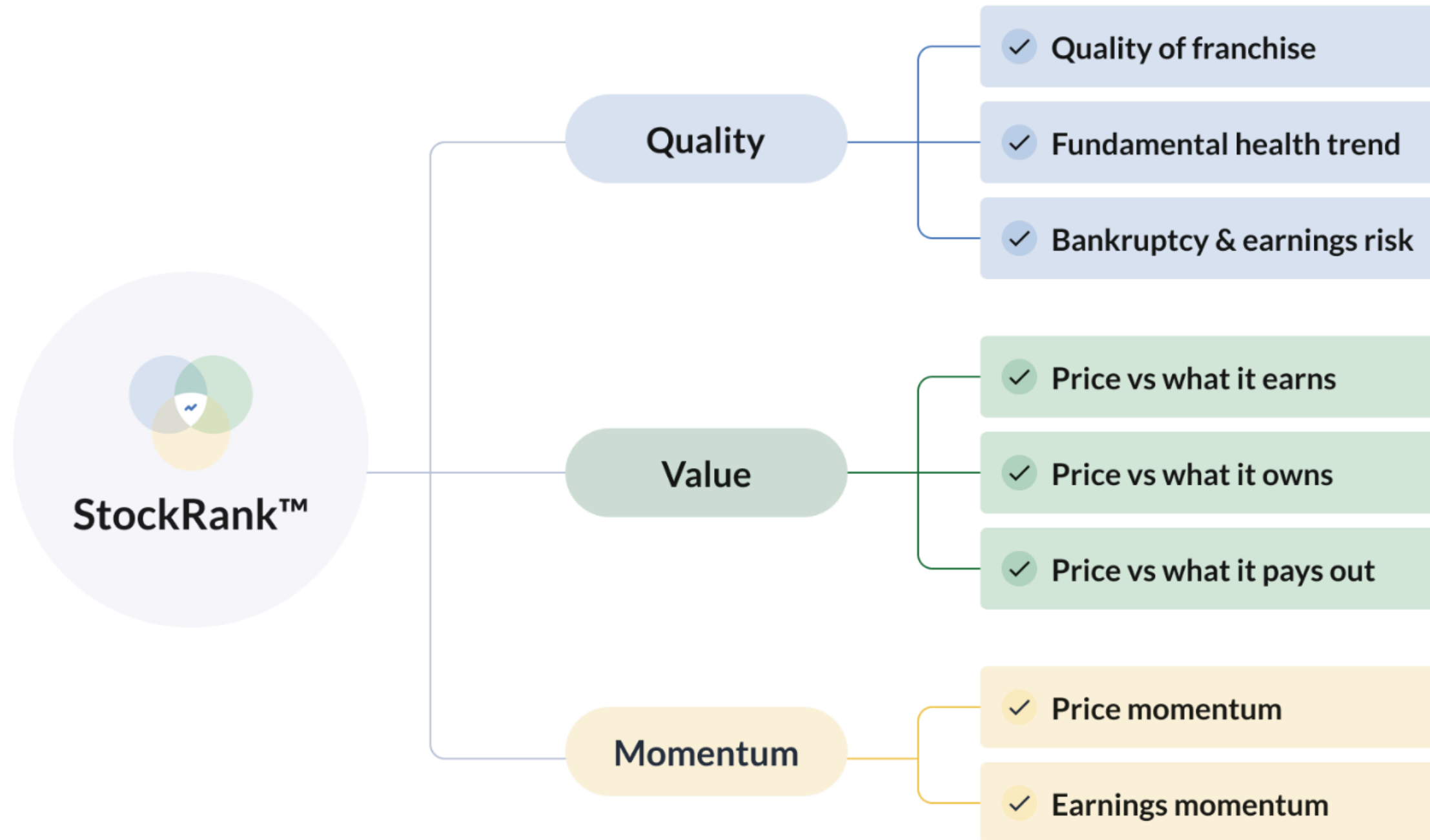


# The top 10% “ranked” shares outperform consistently



Fama & French Data Library

NYSE, AMEX, and NASDAQ stocks. Value portfolio selected the decile of stocks with the lowest P/B ratio, the Quality portfolio selected those with the highest operating profit, and the Momentum portfolio selected those with the strongest returns over the prior 12 months. The Value and Quality portfolios were rebalanced annually, while the Momentum portfolio was rebalanced each month.



# An instant checkup on any share's "return drivers"



AVCT – Avacta

Quality

3

Value

8

Momentum

17

StockRank™

3



MCB – McBride

Quality

94

Value

86

Momentum

96

StockRank™

99



# The performance history of high and low “ranked” shares



\* Based on equal weighted portfolios of UK stocks, > £10m market cap, segmented by StockRank, rebalanced quarterly

# High StockRank shares - more likely to positively surprise

McBride

MCB – McBride

Quality

57

Value

79

Momentum

98

StockRank™

93



AVCT – Avacta

Quality

11

Value

2

Momentum

75

StockRank™

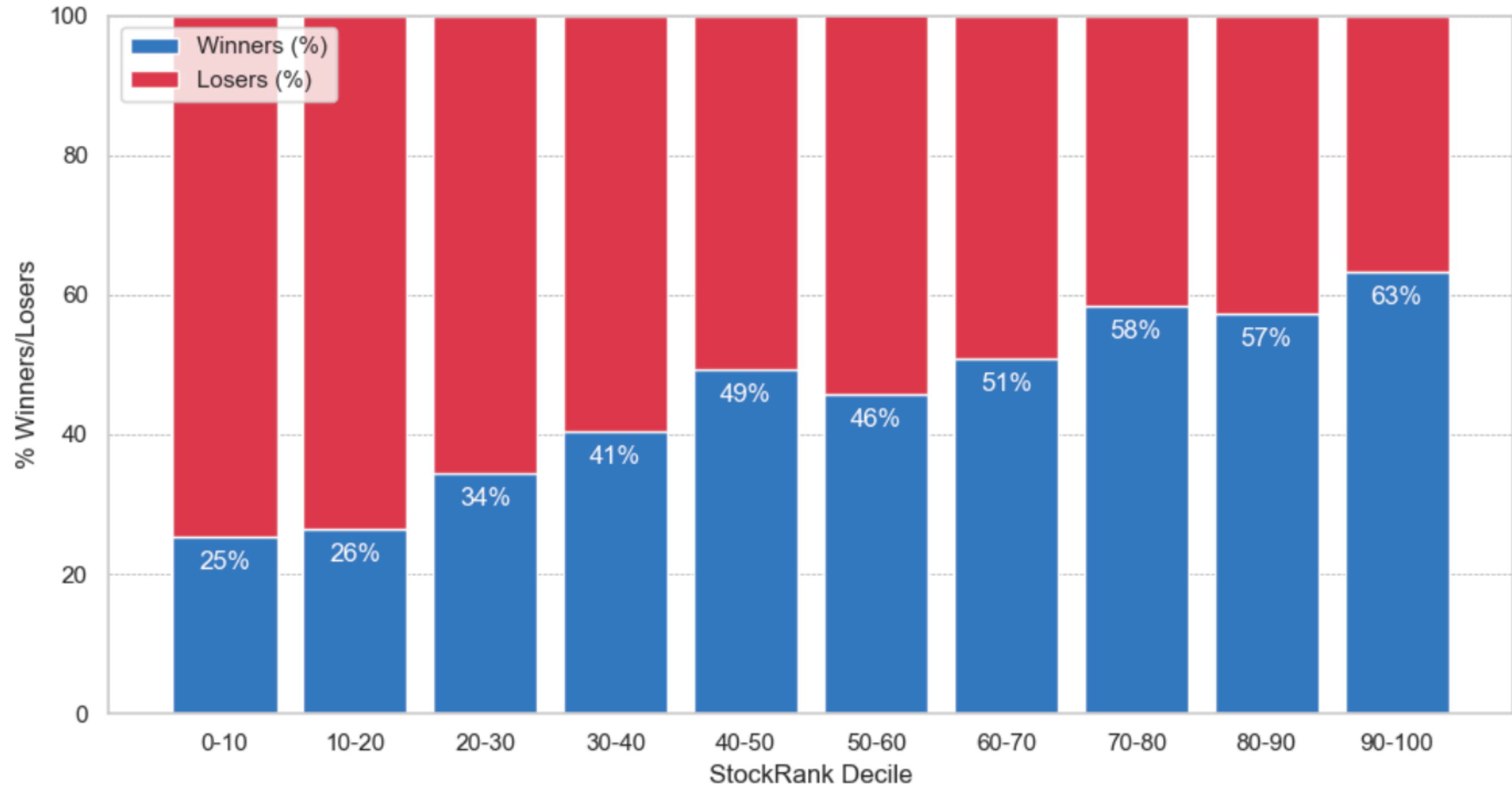
18



\* StockRanks in Sep 2023



# Likelihood of picking a “winner” or a “loser” by StockRank



Annualised returns of £10m+ LSE stocks, rebalanced bi-annually from 2013-2024.

In this business, if you're good,  
you're right six times out of ten.

You're never going to be right  
nine times out of ten.

**Peter Lynch**



## 2. Diversity - construct a robust portfolio

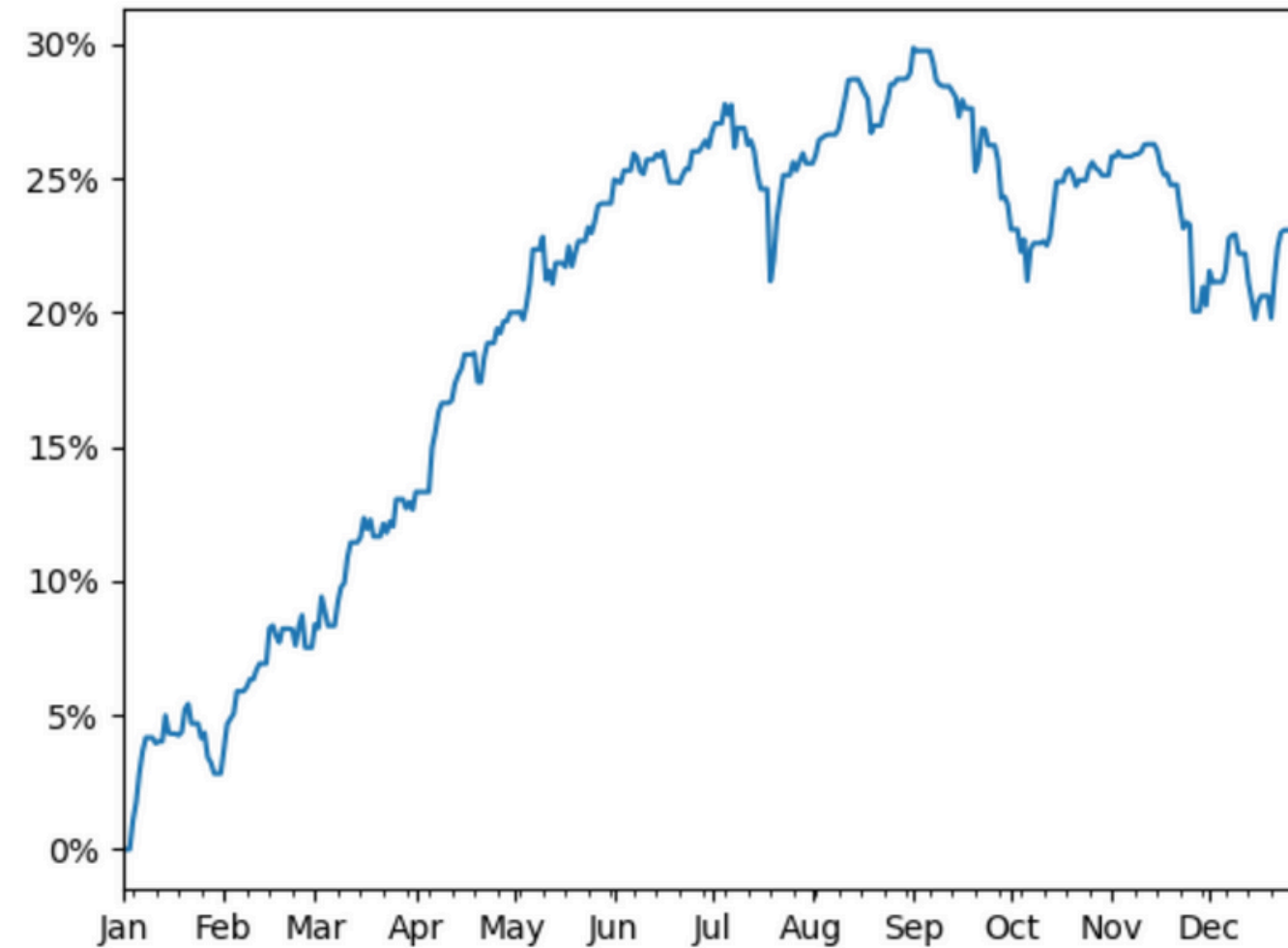
*Diversify to reduce risk and improve the chance that you own enough winners*

The typical investor holds **only 4 stocks**  
often in the **same sector**

*Barber & Odean. "The Common Stock Investment Performance of Individual Investors" 2000*

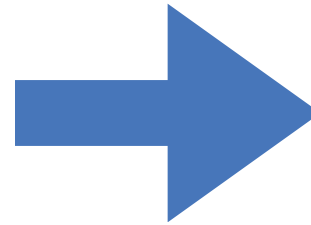
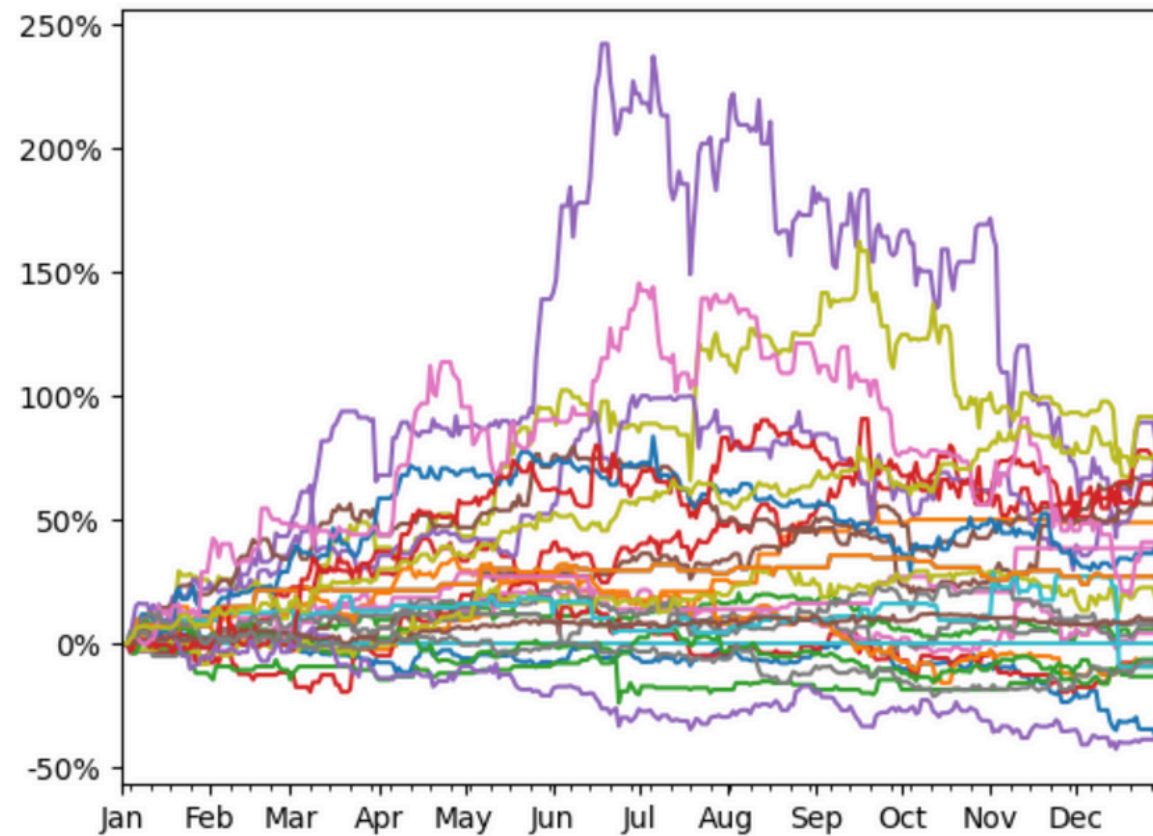
# How many stocks should you own?

## Average performance of 90+ Stocks (2021)

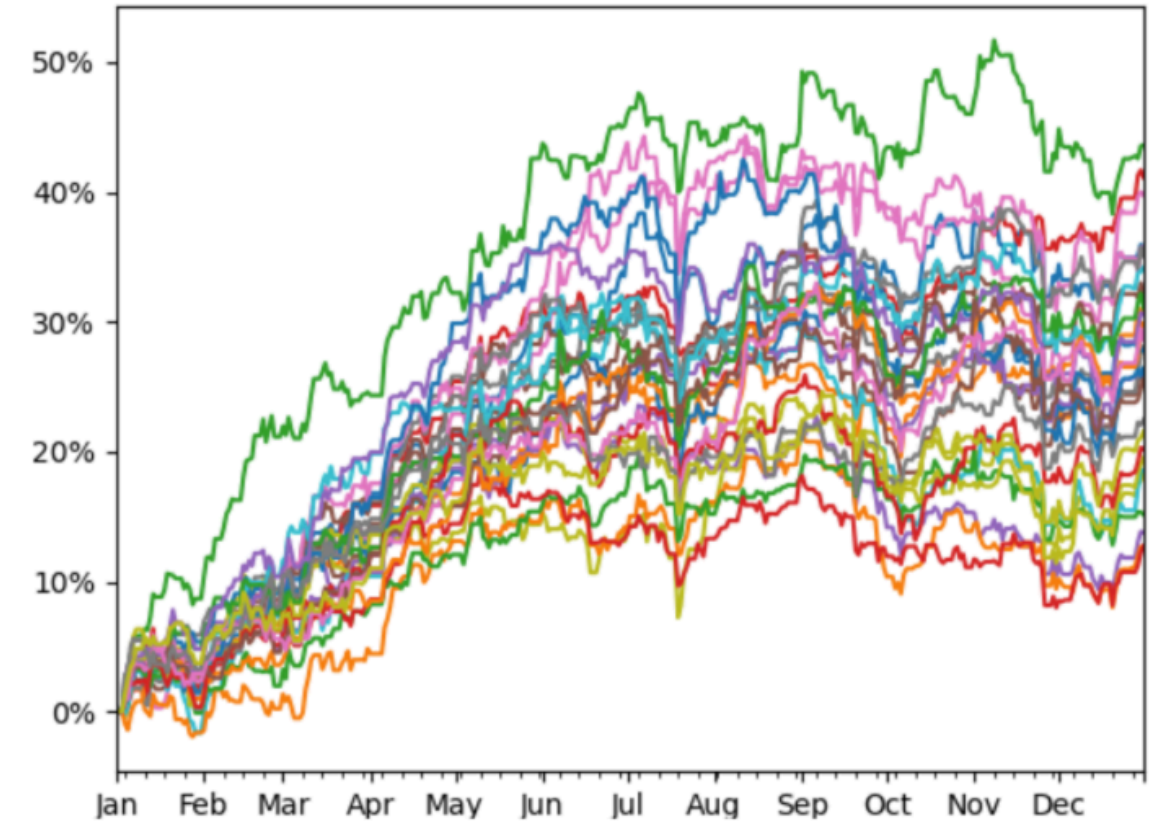


# How many stocks should you own?

## 1 random 90+ share pick



## 20 share 90+ portfolio



# How many sectors should you own?

## 10 Economic Sectors

### Defensives

- Healthcare
- Consumer Defensive
- Utilities

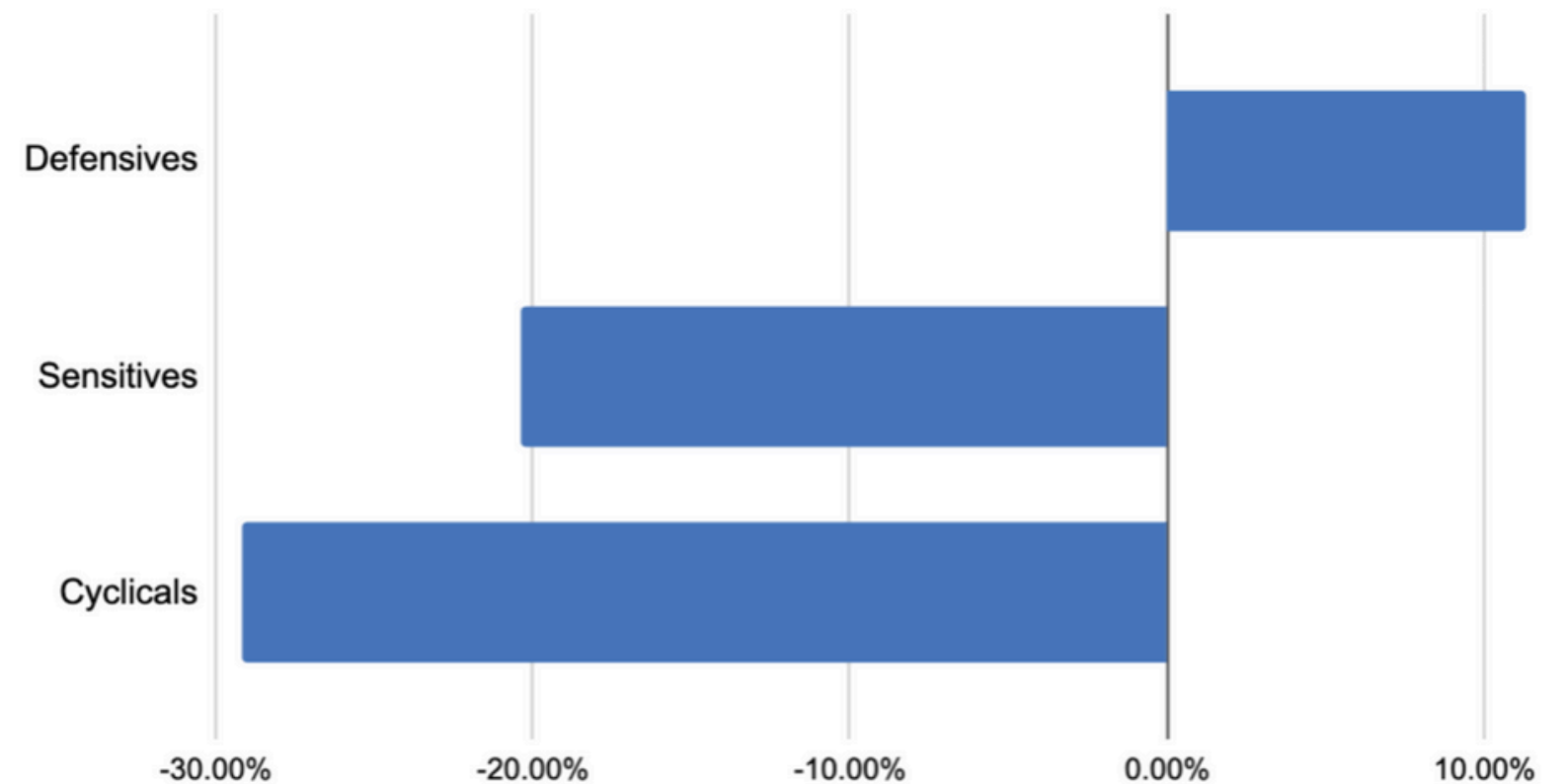
### Sensitives

- Industrials
- Energy
- Telecoms
- Technology

### Cyclicals

- Basic Materials
- Consumer Cyclical
- Financials

## 2022 Bear Market - Defensives were key



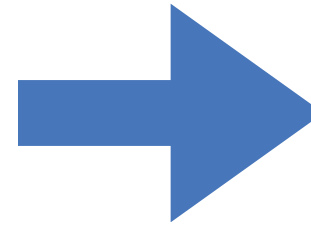
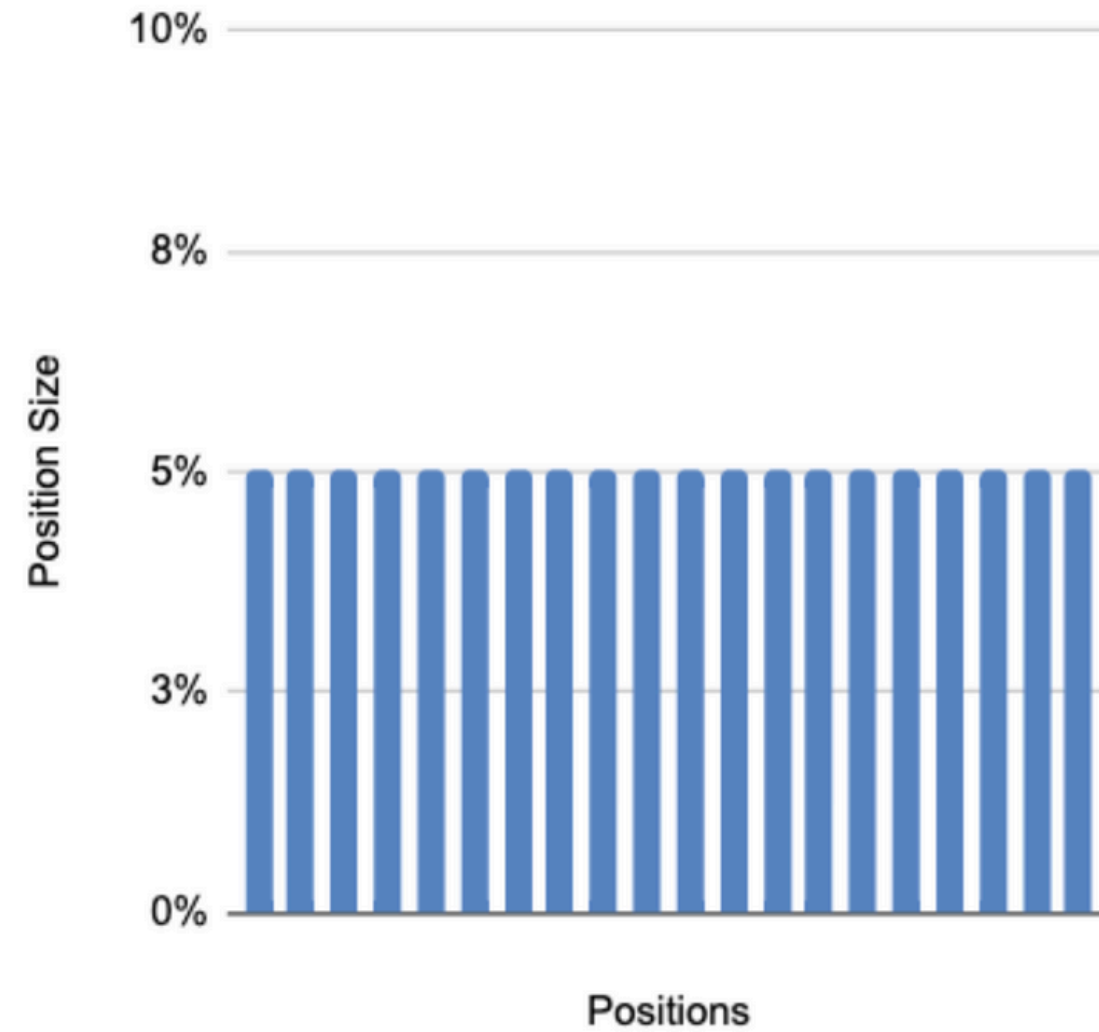
### 3. Discipline - maintaining edge over time

*Ensuring your portfolio consistently owns the characteristics of “winning shares”*

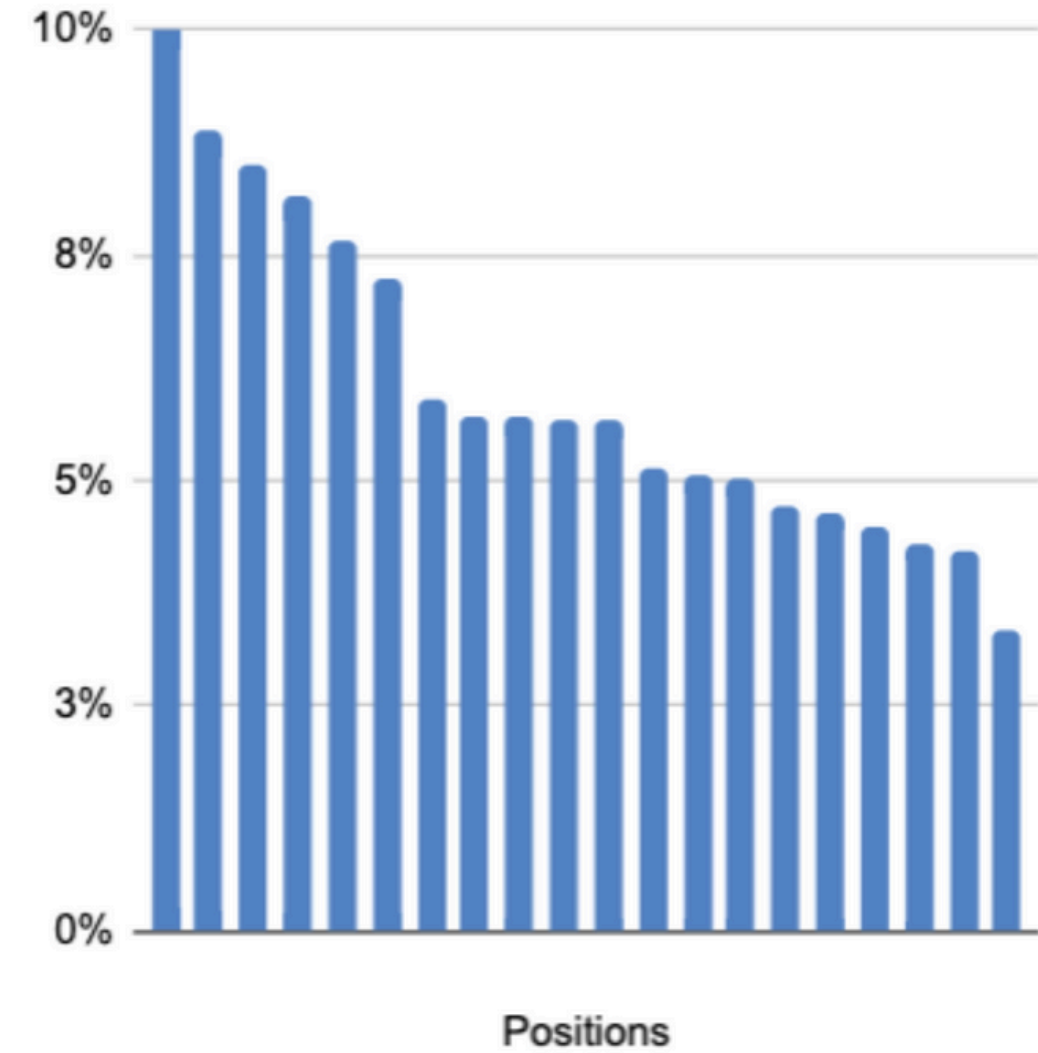


# Over time - position sizes change

Start of the Year



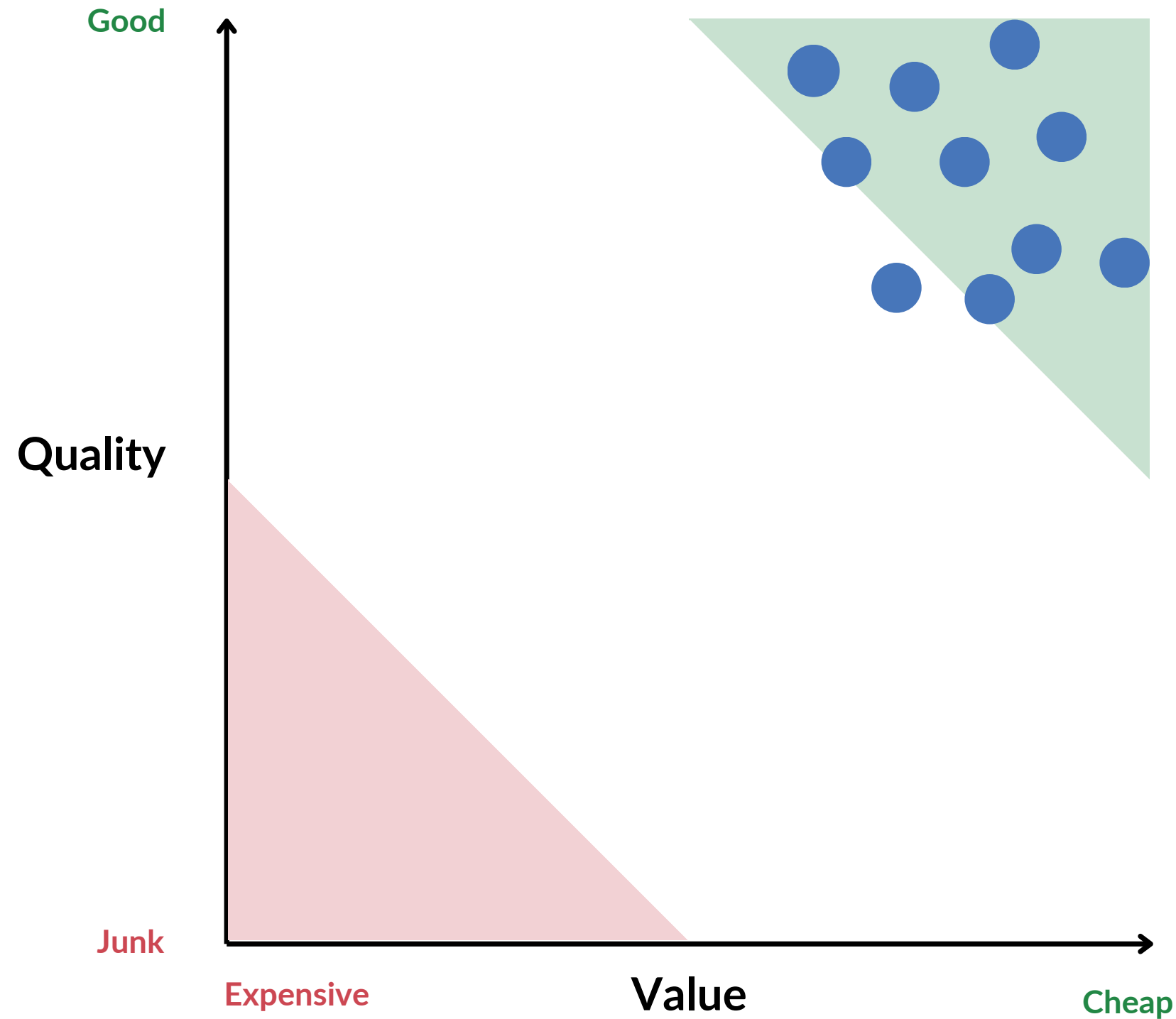
End of the Year



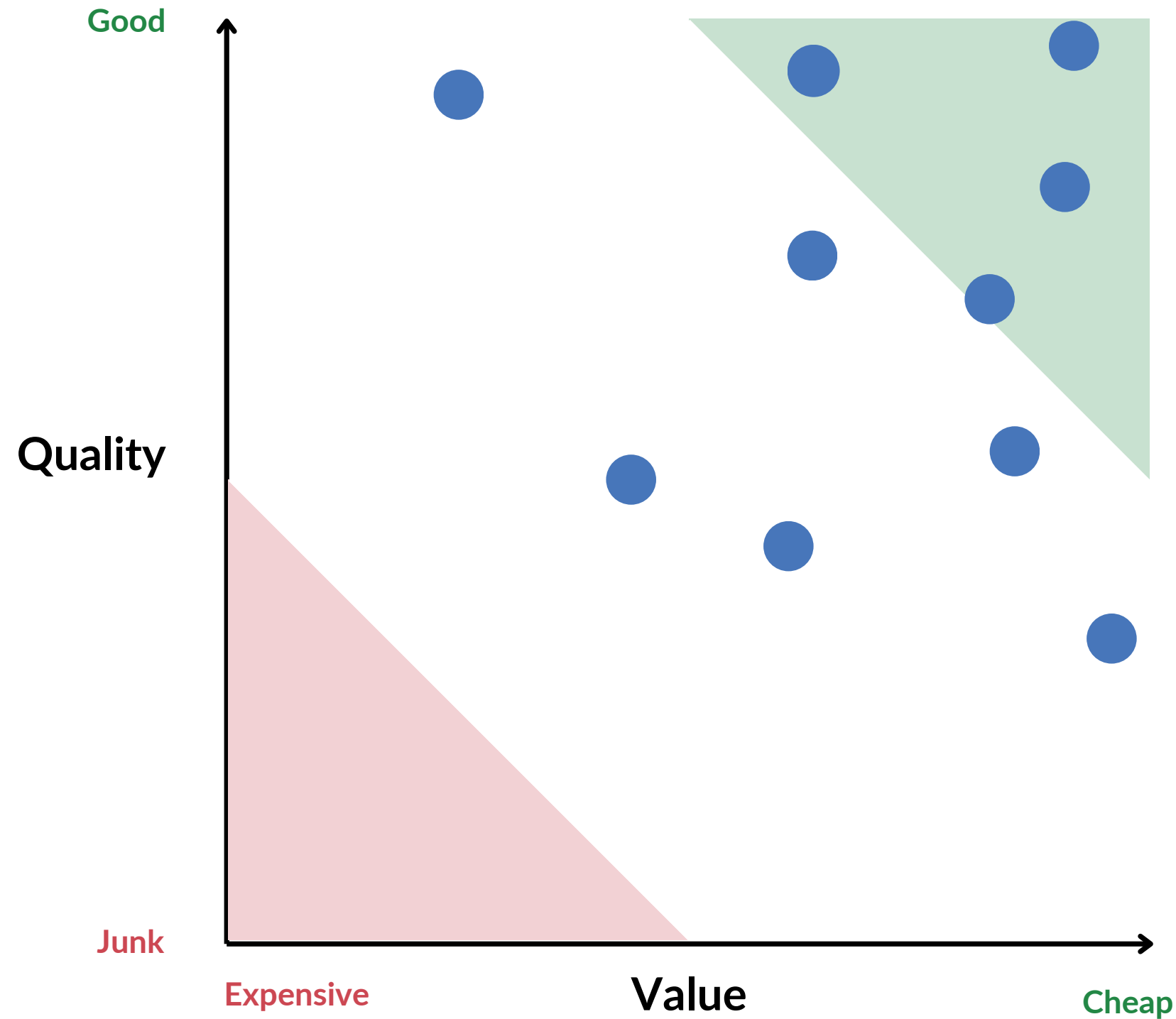
# The quality and value of shares changes over time



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# The quality and value of shares changes over time



- **Manage position sizes carefully**
  - Do not let positions become too large, or too small
- **Maintain a portfolio of shares with “winning characteristics”**
  - Sell when quality, value or momentum fall dramatically
  - Sell after a fixed holding period
  - Replace with shares that do have winning characteristics.

# Case Studies

*The NAPS Portfolio and Phil Hoffer*

- Drivers:** Sort for the highest StockRank stocks
- Diversity:** Buy the top 2 from each of 10 sectors
- Discipline:** Hold for one year. Sell and repeat.

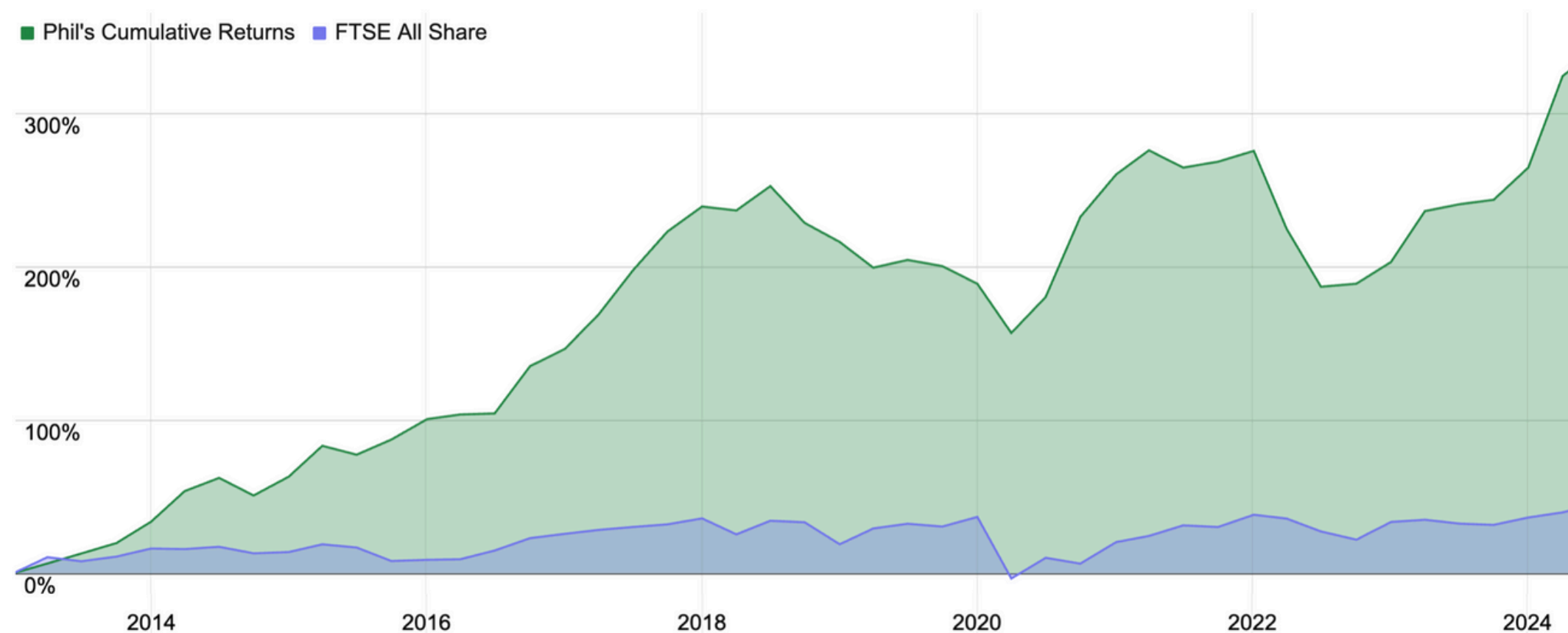




**Drivers:** Sort by “QM Rank”. Select broker upgrades + an uptrend.

**Diversity:** Divide the portfolio value by 10 to position size.

**Discipline:** Sell on bad news. Sell on unexpected falls. Sell if Q/M declines.







“I’m not someone who can dissect a balance sheet.... Stockopedia and the strategy I have developed have helped me generate genuinely life changing returns”

# Further information


*There are far more resources on the website*

# Everything you need to improve your investing



[www.stockopedia.com](http://www.stockopedia.com)

# Everything you need to improve your investing



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Quality


Value

Momentum




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Makings of a multibagger

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Videos




Q

V

M

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Understand how to interpret financial statements using our StockReports




Microsoft

\$214.72 ↑ -0.08%

94 Super Stock


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How to use StockRanks™ and screens to identify winning stocks



Investment strategy

How to pick your strategy and style to make good investment decisions



Portfolio management

How to build and manage a healthy investment portfolio

[www.stockopedia.com/academy](http://www.stockopedia.com/academy)

# Some real world examples

# Q&A

1. Our primary data sources (including LSEG), employ **thousands of analysts** who scan, audit & standardise financial data entry into their databases before uploading to their financial cloud.



2. Throughout the day and night we download **financial statements, analyst estimate data, price quotes & histories and other company information** to our databases.



3. Our analyst & developer team organise it and clean it all up, and our servers **crunch over 60 million computations daily** to build up a **library of more than 2000 essential, accurate statistics** on every stock. From simple PE Ratios to Piotroski F-Scores.



4. We then rank and screen the market to filter the wheat from the chaff and publish the data on our **StockReports** and in our **Screening Database**.

