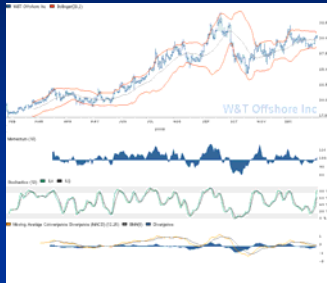


O'Shaughnessy Screens



Andy Prophet

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April 2007



O'Shaughnessy Strategy

- Newest book: "Predicting the Markets of Tomorrow: A Contrarian Investment Strategy for the Next Twenty Years", James O'Shaughnessy, 2006
- AAll Journal, August 2006
(http://www.aaii.com/includes/DisplayArticle.cfm?Article_Id=2930)
- Equity markets move in 20-year cycles: The next cycle favors small and mid-cap stocks over large cap



O'Shaughnessy Strategy (continued)

- Small-cap & mid-cap have underperformed
- Looking forward large-cap will return to the mean:
 - Small-cap: 2.6% to 9.6%/yr
 - Large-cap value: 6.0% to 9.1%/yr
 - Large-cap growth: 2.0% to 4.0%/yr
- Conservative investor
 - 25% small & mid-cap
 - 75% large-cap

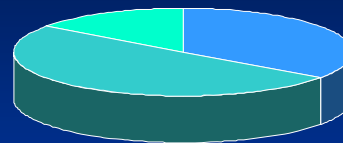
November 2006

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O'Shaughnessy Strategy (continued)

- Aggressive investor portfolio
(percent of dollar value)
 - 35% Small & mid-cap
 - 50% Large-cap value (will outperform large-cap growth)
 - 15% Large-cap growth
- For diversification and lower volatility
 - 25 Small & mid-cap stocks
 - 10 Large-cap stocks



■ Small & Midcap ■ Large-Cap Value
■ Large-Cap Growth

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Large-Cap Stocks



- O'Shaughnessy believes large-cap value stocks will outperform large-cap growth stocks
- Growth Market Leaders Screen
 - Value Criteria
 - Strong sales
 - Low price-to-sales ratio (less opportunity for manipulation & less volatility)
 - Financial strength
 - Higher cash flow per share than an average stock
 - Cash flow per share = income + depreciation & amortization (before extraordinary items) / diluted average numbers of common shares

Large-Cap Stocks (continued)

- Growth criteria
 - Screening on EPS growth (to identify momentum)
 - Price strength over a time period
 - Pick top 10 stocks with greatest price appreciation over 12 months
 - This screen produces highest returns over 12 months, but it is highly volatile
 - It may also produce stocks close to their peak with little upside, conversely a larger downside potential



Small-Cap Stocks

- O'Shaughnessy believes small-cap stocks will outperform over then next 15 years
- The screen looks for:
 - Cheap or out-of-favor stocks
 - Market cap \$200 million to \$2 billion
- Value criteria
 - Price-to-sales < 1.5 (looks for cheap stocks)



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Small-Cap Stocks (continued)

- Growth criteria
 - Earnings growth:
 - Higher than the previous year
 - Low earnings suggest possible rapid growth over the 3-6 months
 - Price appreciation over the next 12 months
 - This screen picks 25 stocks with the greatest 12-month price appreciation or the smallest price decline , if the screen cannot find 25 stocks



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Micro-Cap (Tiny Titans)

- This screen is for aggressive investors
- It searches for cheap , upward price momentum stocks
- Advantage:
 - Few analysts follow these stocks i.e. may be undervalued
 - Lose correlation to major market indicators, such as the S&P 500

Micro-Cap (Tiny Titans) (continued)

- Disadvantage: Highly volatile
- Selection criteria
 - Market cap \$25 million to \$250 million
 - Price to sales ratio < 1
 - The screen selects 25 stocks with greatest 12-month price appreciation or smallest price decline, less than 25 stocks have positive upward price movement



All Cap

- Tries to lessen the risk of small-cap stocks
- Increases a portfolio's diversification
- Combines screening criteria from:
 - Small-cap growth
 - Growth Market Leaders
 - Value screen



End

Any Questions



O'Shaughnessy Performance Screens

<i>Value Strategies</i>	YTD*	2006	2005	2004	2003	2002	2001	2000	1999	1998	Total*	Monthly Variability (%)			Monthly Holdings	
												Std. Dev.	Gain	Loss	Avg. #	Turnover %
O'Shaughnessy--Value	0.0	24.4	2.2	20.2	47.2	-12.1	10.6	22.3	-3.9	7.2	175.6	5.2	15.5	-14.0	50	18.8

<i>Growth & Value Strategies</i>	YTD*	2006	2005	2004	2003	2002	2001	2000	1999	1998	Total*	Monthly Variability (%)			Monthly Holdings	
												Std. Dev.	Gain	Loss	Avg. #	% Turnover
O'Shaughnessy--All Cap	6.8	24.1	21.9	47.4	28.7	-11.8	63.7	6.3	-15.3	18.2	371.3	5.5	12.9	-15.0	25	35.2
O'Shaughnessy--Growth	6.5	17.2	14.4	45.1	90.3	10.1	19.2	11.5	19.5	19.4	722.8	6.7	18.6	-17.9	50	38.0
O'Shaughnessy--Growth Market Leaders	3.3	9.6	18.9	6.7	26.2	-8.9	5.7	-9.0	16.8	35.3	150.6	5.2	13.6	-15.7	10	42.9
O'Shaughnessy--Small Cap Growth and Value	10.5	36.2	19.1	26.8	107.5	0.8	13.4	13.2	21.1	33.6	886.7	6.9	18.5	-18.2	25	46.7
O'Shaughnessy--Tiny Titans	2.4	35.2	7.5	45.8	154.8	51.9	84.1	-6.6	53.8	38.1	2,965.0	8.9	37.4	-21.0	25	42.5

<i>Indexes</i>	YTD*	2006	2005	2004	2003	2002	2001	2000	1999	1998	Total*	Monthly Variability (%)		
												Std. Dev.	Gain	Loss
S&P 500	-0.8	13.6	3.0	9.0	26.4	-23.4	-13.0	-10.1	19.5	26.7	45.0	4.3	9.7	-14.6
S&P MidCap 400	4.2	9.0	11.3	15.2	34.0	-15.4	-1.6	16.2	13.3	17.7	151.4	5.2	12.0	-18.7
S&P SmallCap 600	1.4	14.1	6.7	21.4	37.8	-15.3	5.7	11.0	11.5	-2.1	123.9	5.6	13.3	-19.4

Unless otherwise stated, figures do not include dividends or transactions costs.

*Through 2/28/2007