



How To Use Portfolio123

Part 4 Sample Screening Strategies: Fundamental Analysis

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After learning how to use the Wizard and Free Form interfaces to build screens in Portfolio123, Part 3 provided some sample Technical analysis strategies. This part will continue by touching on Fundamental Analysis.

A considerable number of fundamental samples already exist among the pre-defined screens. Using the "Save As" button, you can copy any of these screens into your own account. Once there, you can run them as is, or modify as you wish. As a result, it's not really necessary to provide here a lot of sample screens. Instead, this Part will emphasize the thought-process behind building fundamental screens.

This, actually, is the biggest obstacle for many who find it difficult to screen. Admittedly, our Free form interface involves a "learning curve" but our Wizard can be picked up pretty quickly. That's also the case with other screeners you may have seen on the web. But however intuitive an interface may be, however effective we or anyone else is in addressing the how-to-do-it questions, the ultimate make-or-break dilemma is what-to-do. That's what will be covered here. Once you learn to approach screening in a strategic manner, information overload ceases to exist because you'll easily know exactly what you want to look at.

Elements of A Fundamental Screening Strategy

Here's an outline of the fundamental screening framework:

- Liquidity
 - Start your screen with some sort of liquidity framework. This could be as simple as a rule that says `Universe(NOOTC)`, which omits all pink-sheet stocks, or a volume test like this: `AvgVol(60)>=150000`, which means the trading volume over the past 60 days must have averaged at least 150,000 shares. Other possibilities include `close(0)>=5`, which limits consideration to stocks whose latest price was \$5 or higher, or `MktCasp>=100`, which means market cap must have been greater than or equal to \$100 million.
 - Needless to say, you can combine several rules like these
 - You don't actually have to use screening rules to manage liquidity, but we haven't yet covered the other approach, Universes. So for now, handle it through screening rules.
- Classification
 - Decide how you would like to classify different parts of the equity universe – define different styles
 - Large cap, mid cap, small cap
 - Growth, value
 - Etc.
- Threshold Preference
 - Decide how you would like to define the kinds of companies you want. Do you want companies that meet numeric thresholds, or rank well relative to industry peers, sector peers or the market as a whole
- Primary Focus
 - Decide which style(s) you'd like to focus on, or if you want to pursue a generalist approach, make a knowledgeable decision to that effect
 - Make this the focus of your screen
- Secondary Focus
 - Decide how you'd like to narrow down to your final selections
 - Usually, this will involve a style different from that of your primary focus
 - Often, it will be generalist in nature
 - This could be implemented by some additional screening rules
 - On Portfolio123, you may choose to implement this using the Quick Rank or a pre-defined ranking system

Classification

Some investors have a preference when it comes to company size and will want the stocks they see to be large cap, mid cap, small cap, or micro cap. It's very easy to add such a preference to your screen. Just include a rule requiring market capitalization (`MktCap`) to be greater to or less than your preferred threshold.

If you want to bound both ends of the range, use an AND statement in your screening rule. For example, if you want small companies, but not too small, do something like this:

MktCap>=250 and MktCap<=1000

That limits consideration to stocks with market caps between \$250 million and \$1 billion. If you check the description of the MktCap factor, you'll see that it is defined in terms of millions of dollars. So six zeros will always be added, behind the scenes, to any number you specify.

If you are inclined to think in terms of market cap categorization, here are some things to keep in mind:

- The more your focus gravitates toward larger companies, the harder you'll have to work to create screens that succeed. Larger companies tend to be covered by more analysts and talked about more intensely in the media, resulting in much more share price action being sparked by noise and chatter rather than by objective fundamentals. This is not to say larger-company screens can't work – they can – but be prepared to work a lot harder and backtest more vigorously.
- Be very careful about stereotypes. Many believe big companies are inherently safer. Try creating screens on that basis and backtesting. You'll see that often, it's not so. Others assume that smaller firms will have stronger growth characteristics. That, too, may turn out to be just a stereotype. Often small-stock appeal is based on the potential for growth that hasn't yet fully materialized in the past (and hence won't be visible in historic growth factors).

I suspect most who screen tend to be agnostic when it comes to size. They create the best screens they can and, as long as liquidity considerations are satisfied, accept whatever size companies appear. The classifications that occupy most attention tend to be stylistic: Growth, Value, etc.

As important as it was to steer clear of stereotypes when it came to size, it may be much more so when it comes to style since this is an area where stereotypes attract, perhaps, the most passion. Here is the big secret when it comes to style: They can all work if executed well, and they can all hurt you if executed badly.

Don't take my word for it. You have a powerful backtester at your disposal. Put it to work. Notice, as you experiment, that value is not inherently most prudent. Notice that growth is not inherently speculative. Notice that companies with debt are not inherently riskier. Etc., etc., etc.

Look, too, at the world around you. How is it possible that Ben Graham and Warren Buffett on the one hand and William O'Neil and Jim Cramer on the other hand can all succeed over prolonged periods, even though they fall into stylistic camps that seem hopelessly opposed. In truth, when it comes to what's important, they aren't opposed at all: they are all united in being excellent when it comes to implementing the styles they chose to pursue.

If you wish to be agnostic when it comes to style, to create a screen that has a little of this and a little of that, you certainly can do that. But even though all styles are valid, it can still be a good idea to have a focus. That's because different styles will attract stocks having different characteristics and it's important to gravitate toward those that best match your own temperament and risk-reward preferences.

We'll discuss the styles further when we get to Primary Focus. But before going there, we need to address one more preliminary topic.

Threshold Preference

Do you want good companies or good stocks?

This is not a trick question. They are not necessarily the same, and each has its own merits.

Look at the Style-Specific pre-defined screens. Notice that each style features four kinds of screens:

1. Basic – This is where numeric criteria are used to establish thresholds. An example would be a requirement that a five-year average annual growth rate be above 25%.
2. Compared to Industry Peers – An example might be a requirement that companies have growth rates that rank in the top 35% relative to industry peers. A company could pass the screen if its earnings were falling, so long as the decline was less steep than those of most others in the industry. A variation of this would use sector, rather than industry, comparison.
3. Compared to Market – This is similar to industry/sector comparison except that here, we'd be looking at how companies rank relative to all others regardless of industry/sector.
4. Comprehensive – This is a demanding approach that requires companies to fare well in chosen factors when measured relative to both industry/sector and the market as a whole.

Basic is the easiest concept to grasp and the one most familiar to novice screeners. It can point the way toward good companies and/or good stocks depending on which factors you use.

- It's strength is not so much in simplicity (just because something is easy doesn't mean it's good) but in the fact that the user is establishing a certain minimum threshold below which he will not go under any circumstances. To pursue this approach, you must be willing to accept a screen that would produce a very small number of results, perhaps even none, under certain conditions.
- The drawback lies in the difficulty in establishing reasonable thresholds. For one thing, standards are not absolute. Who is to say that a 25% growth rate is really more deserving of notice than, say, 15%-20% which, when viewed realistically, would be seen as being pretty darn good? There was once a time when it was reasonable to look for P/Es below 8 (as Ben Graham used to do); nowadays, a threshold like that will most likely confine you to sticking with all cash except for occasions when you get to consider companies whose earnings are about to fall off a cliff, and probably drag the stock prices down with them. This is not to say you should never use Basic thresholds. But if you use them, do not be blasé about your numeric tests. Consider how you would defend them if challenged.

Peer (Industry or Sector) Comparison is a classic good-company approach. When it comes to numbers, you're willing to accept anything so long as the company is "better" (the standard being defined by you) than other companies similarly situated.

- The strength of this approach lies in its ability to uncover company excellence. Many investment gurus and authors say much about evaluating management. In the real world, you're not going to be able to do it. (In the extremely unlikely event you can get access to key decision makers, federal law limits the extent they can communicate specially with you and unless the company is in the same field as the one in which you're professionally active, you probably wouldn't be able to properly evaluate whatever tidbits on information happen to fall your way.) The good news is that talented corporate management teams tend to leave "financial footprints of success." These are visible where companies are

able to consistently post better results than other firms that are similarly situated (i.e. the cyclical firm whose earnings fall five percent in a downturn while peers experience declines averaging 20 percent).

- The bad news is that in the day to day world of Wall Street, true talent is not always rewarded. Gurus and authors suggest that stock market success can be achieved by focusing on great companies. That's not necessarily false. But however well good companies are rewarded in terms of stock market strength, never underestimate Wall Street's willingness to also favor ordinary, mediocre, and sometimes downright rotten companies as well, often for prolonged periods. Going back to the cyclical-company example, the better firm's stock might, during a recession, get slammed about as much as all the others in its industry. The case for investing would lie in the likelihood that it will really soar when its excellence becomes manifest during a recovery. The good-company investor reasons that it's tenuous to try to time top-down circumstances, and that the best course of action is to simply load up on corporate excellence and, if necessary, wait a bit.

Market comparison, where you look for situations where a company ranks well compared to all others, looks like a good-company approach but actually has a much stronger good-stock element than many realize.

- The good-company flavor appears from the fact that it relies on comparison, rather than numeric thresholds. We want companies that are "better." Realistically, though, you'll often find your results weighted toward companies in businesses that are presently hot. The way-better-than-average cyclical company is probably not going to make it into your screen when business conditions are weak. It'll probably get nudged out by ordinary or mediocre companies that happen to be in currently stronger less-cyclical businesses.
- Market scholars would like to think Wall Street should be able to see through this sort of thing. Don't count on it. Investors can be remarkably short sighted and often wouldn't blink at favoring a share of a mediocre company in a hot industry over those of an excellent firm in an out-of-favor business. Pursuing the latter can still be a fine strategy. (Peter Lynch made a great living doing that!) But there's no shame in making money riding current Wall Street waves.

Comprehensive comparisons are the superheroes of screening tests. These are for investors who want it all; corporate excellence and the forefront of Wall Street waves.

- On paper, these are, hands down, the best tests you can create. That should be obvious.
- In reality, don't assume such screens will always deliver. There is a lot of imperfection in the world and Wall Street has tremendous tolerance for flaws. The more you demand, the more exciting opportunities will, due to imperfections, fall by the wayside.
- Think of comprehensive comparisons as being like hot peppers. A dash here and there can do wonders for what would otherwise be an ordinary meal. But you definitely don't want to overdo it.

Portfolio123 offers two ways to implement comparative screening.

The easy way to use the collection of industry-average factors (in the free form interface, these can be found under INDUSTRY FACTOR. The general approach would be to compare companies to industry average. Here's an example involving a five-year EPS growth rate:

EPS5YCGr% > EPS5YCGr%Ind

The pro, here, is simplicity. Such rules are easy to create. The con is restrictiveness. You can't engage in market or comprehensive comparison, nor can you do much beyond seeking companies that are better than average.

Portfolio123 functions offer more power and flexibility for those willing to deal learn to use the functions. These can look very intimidating at first, but once you get used to them, they are quite manageable. If you haven't yet looked at the Functions section of this tutorial series, please make a point of doing so before going on with this section.

The function most likely to be used for comparative screening is FRank. It has one mandatory parameter followed by three optional parameters.

The mandatory parameter is formula/factor, which must be enclosed in quotes. This is obvious. Portfolio123 can't rank anything until you tell it what it is that you want it to rank.

If you want to rank companies based on five-year EPS growth, your function would look like this:

```
Frank("EPS5YCGr%")
```

Upon seeing that you omitted the optional parameters, Portfolio123 would fill them in with default entries. It would assume you want EPS5YCGr% ranked relative to all stocks (that you are aiming at market comparison) and that you want the sort to be descending, meaning high numbers are good.

I very strongly suggest you get into the habit of always using the first two optional parameters. Express the function this way:

```
Frank("EPS5YCGr%",#all,#desc)
```

The first optional parameter, #all in this case, is where you tell Portfolio123 what kind of comparison you want. Alternative entries could be #industry or #sector.

Suppose you aren't looking to rank growth rates. Suppose you want a factor where low numbers are more bullish than high numbers, such as P/E. In that case, the default value for the first optional parameter definitely will not work. You would need to ask Portfolio123 to do an ascending sort by stating the parameter as #asc.

Suppose you want a market comparison and an ascending sort. Might you do this?

```
FRank("PEExclXorTTM",#asc)
```

That specifies an ascending sort. You leave out #all because it's a default value that will be presumed by Portfolio123.

That would produce an error message. Remember, from the Functions section of the tutorial series, that each parameter must occupy its assigned position. After the formula, Portfolio123 expects to see #all, #industry or #sector. You have to push #asc into its proper position by using one of the comparison specifications. So a correct way to specify the function would be:

```
FRank("PEExclXorTTM",#all,#asc)
```

So a screening rule involving PE comparison might look like this:

```
FRank("PEExclXorTTM",#all,#asc)>=75
```

The 75 value is a percentile score with 0 being worst and 100 being best.

For now, don't worry about the last optional parameter. Once you get comfortable with Universes, a topic that will be covered later, it will become more meaningful.

Primary Focus

Articulate some sort of primary stylistic focus. You'll have plenty of opportunity to flesh it out later. But it's important to start somewhere. There are many screening factors available in Portfolio123. Once you articulate a stylistic focus, you'll find it easy to zero in on the ones most relevant to you.

There are no hard and fast rules for categorizing styles. Here is an approach that's worked pretty well for me.

- Growth

This style emphasizes historic rates of growth.

Don't fall for the intellectual snobbery that often arises in response to growth stocks, which tend to be dismissed as aggressive or even speculative. Actually, though, growth is an important element and one that is conspicuously included in every academic valuation formula. Without growth, there's no reason to ever buy stocks since bonds yield more and feature less price risk.

EPS growth is the primary target, but don't ignore sales growth. If sales aren't growing, it will be difficult and ultimately impossible to keep earnings moving ahead for a long period of time.

Theorists place great emphasis on long-term growth rates, which demonstrate sustainability. That's fine. Use these. But don't ignore short-term time periods. Wall Street isn't at all shy about rewarding flash-in-the-pan situations, and if you rebalance frequently (every four weeks or so), this can work well.

- Value

Once again, don't fall prey to snobbery regarding low low low PEs, etc.

The days when low PEs prevailed because investors didn't know better are history, along with the pocket-size S&P Stock Guides that were as valuable to a prior generation as Yahoo! Finance is today. Nowadays, assume everybody knows about the low metrics. The job of the modern value investor is to figure out why the Street is willing to leave the metrics at low levels, and to look for a reasonable basis to disagree. Value investors today should spend no more than minutes looking at price ratios (these are obvious and easy to ascertain) and hours evaluating the companies. So if you build a value screen, be especially attentive to our subsequent discussion of Secondary Focus.

- Income

Obviously, this style emphasizes dividend yield. Naturally high is good.

Once again, though, always assume the Street knows what's going on. If you see an especially high yield, look for a reason for why investors might be reluctant to bid up the stock. Often you'll find something involving dividend security, a meaningful risk that adverse developments may cause the dividend to be reduced or eliminated.

Conversely, look for reasons why some yields are lower than others. Often, this will have something to do with dividend growth. The higher the rate of dividend growth, the lower the current yield is likely to be. This is an important consideration. Few income stock purchases can be justified based on yield alone; you'd usually do better with bonds. Growth is where income stocks get their edge.

- Quality

This is where you get to apply all the principals you learned reading about Warren Buffett, Ben Graham, etc. You want good margins, good rates of turnover, strong returns on capital and healthy balance sheets. This is the penultimate good-company approach.

If you're taking an investment class and want to discuss the stocks you found, Quality will point you to examples you can brag about. Remember, though, Wall street is quite happy rewarding mediocrity. So be sure to pay attention to the need for a Secondary theme.

- Sentiment

This is the penultimate good-stock approach. Sentiment-oriented investors could care less about the underlying merits of a company. If there are none, that's OK, so long as the Street likes the firm for whatever reason, or even for no reason. If there are some reasons but the Street's view of them is exaggerated, that's OK too, so long as it's willing to act on its erroneous belief.

Notwithstanding an army of know-it-alls who are only too happy to wag their fingers in response to Sentiment investing, the fact remains that you can prosper very handsomely through this sort of thing. Test it. Build some Sentiment screens and backtest.

But be careful. There are few things the Street hates more than realizing the error of its ways. You don't want to be caught holding shares of a beloved growth company when the day finally comes that the Street figures out that the business isn't really all that great. It may not happen for months or years. But sooner or later, it will probably happen. If Sentiment is your primary style, rebalance quickly, every four weeks or more often. Also consider and especially solid Secondary Focus.

By now, you may have noticed an important common theme: Ignore stereotypes! Wall Street is far more varied than many give it credit for being. Approach screening with an open mind.

Secondary Focus

After reading the prior section, it should by now be apparent why you should want your models to incorporate at least one additional style. All of them are interesting. All of them can make money for you. But all of them come with their own drawbacks.

Also, since no single style has a monopoly on merit, there really is no reason to lock in on just one. If you are a diehard Quality investor but things went awry and you wound up quickly doubling your money based on the emergence of some Sentiment factors, would you really be upset? Stylistic purity works best on a soapbox. When it comes to succeeding in the market, flexibility tends to be more useful.

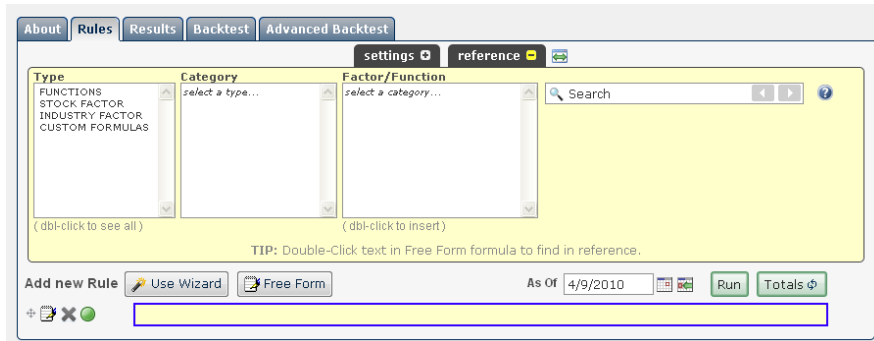
There are two ways to incorporate a secondary focus.

1. Obviously, you can do this by adding additional screening rules to reflect one or more additional styles (don't be afraid to go so far as to wind up with a generalist screen).

2. Alternatively, you can stick with a single-style screen and add variety through a Quick Rank and/or a Ranking System.

Translating Ideas Into Screens

For fundamental screening, you'll look primarily to STOCK FACTOR, the second item in the "Type" window.



INDUSTRY FACTOR, another useful grouping, offers pre-calculated industry averages for many items in the STOCKFACTOR grouping. If you're going to make comparisons using FRank, you will place the appropriate stock factor(s) in the first parameter position.

Most of the STOCK FACTOR categories are easily recognizable. Here, however, are some thoughts on especially useful items.

- **PRICE & VOLUME**

It's tempting to go to the PRICE & VOLUME section of the FUNCTIONS are for the increased flexibility it provides, including its ability to specify daily pricing. But don't underestimate the usefulness of taking a step back and seeing how things evolve given the passage of a little bit of time. I often use Pr4W%Chg, the share price percent change over the past four weeks, and compare this to the industry average (Pr4W%ChgInd) to get a sense of general market sentiment.

- **DIVIDEND INFORMATION**

Yield and Yield5YAvg are important items. But be careful about being too demanding. High yields are associated with often-justified concerns about dividend cuts. Be willing to set maximum limits on the yields you'll consider.

- **SHARE RELATED ITEMS**

MktCap is an obvious choice if you want to consider issue size. You can use ShsOutAvgTTM and ShsOutAvgPTM (PTM means Prior 12 months) to look for recent share buybacks. If liquidity is a concern, you can use Float.

- **EARINGS ESTIMATES**

Opinions vary widely about Wall street analysts and the way they work, but like them or loathe them, there's no getting around the fact that many institutional investors move large amounts of money based on their estimate changes and recommendation changes. You'll find plenty of opportunities going with the flow, and also on the contrarian side (selling on upgrades and vice versa). Either way, it's worthwhile to pay attention. I work with estimates (CurFYEPSMean for example), where those estimates stood at various points in the past (e.g., CurFYEst4WkAgo), AvgRec (Average Recommendation: Thomson Reuter's score reflecting an aggregation of all recommendations with 1.00 being most bullish and 5.00 being most bearish) and where AvgRec stood at various

points in the past. Look, too, at LTGrthRtMean, the consensus Wall Street Long-Term EPS growth rate forecast and revisions thereto.

- **VALUATION RATIOS**

P/E is, of course, the dean of this category. Just make sure you check the factor definition, since there are several different ways of reporting EPS. One of the key versions is PEEclXorTTM. You recognize PE and TTM. The middle part of the acronym, ExclXor, means that the EPS number used in the calculation excludes extraordinary items. Be sure to check definitions of PEG (P/E to Growth rate) as well; besides different ways to compute EPS, there are different growth measures that can be used. Look, too, at Price/Sales (Pr2SalesTTM) and Price/Book (Pr2BookQ). I'm less enthusiastic than I once was about the cash flow ratios (those non-cash allocations criticized by many actually reflect an effort to match revenues incurred over the course of many quarters with expenditures incurred in a single quarter; the effort is admittedly imperfect, but ignoring it altogether can lead to very distorted pictures of overall company economic performance), but they're there if you want them.

- **GROWTH RATES**

Sales and EPS are my favorites. But guard against being too demanding. In the real world, the higher the growth rate, the more likely it is that deceleration, perhaps a sharp drop-off, is just around the corner.

- **FINANCIAL STRENGTH RATIOS**

DbtLT2EqQ (Long-term debt to equity in the latest quarter) and DbtTot2EqQ (total debt to equity) are standards. Sometimes I compare the latest quarterly figures with PYQ (prior-year quarter) tallies. Look too at the liquidity items, CurRatioQ (current ratio) and QuickRatioQ (quick ratio) and IntCovTTM (trailing 12 month interest coverage ratio). This is also where you can find various measures of payout ratio.

- **EFFICIENCY RATIOS**

Turnover ratios are among the least glamorous but can be quite valuable: AstTurnTTM (trailing 12 month asset turnover), RecTurnTTM (receivables turnover), and InvTurnTTM (inventory turnover).

- **PROFITABILITY RATIOS**

This group, too, doesn't get nearly as much attention as it deserves. But that's probably a good thing in that inadequate attention creates opportunities for those who are looking. Return on Equity (ROE%TTM and ROE%5YAvglnd) is the main textbook measure, but I prefer Return on Investment (ROI...), which factors out the impact of debt financing on business performance (you need a good COO to have a good ROI but a mediocre business can produce a great ROE as long as you have a smart CFO; and frankly, I prefer companies whose prowess is supported by something more than an aggressive or brilliant CFO).

- **INSTITUTIONAL OWNERSHIP**

Number of institutional shareholders (#Institution) can help you get a handle on whether or not the company is flying below the radar of the big guys. So, too, can Inst%Own when evaluated in comparison with its industry average.

- **INSIDER TRADING**

Sometimes I work with insider buying, preferring number of transactions (InsBuyTrans) to number of shares (Ins#ShrPurch); the former shows sentiment while the latter mixes sentiment with personal wealth, i.e. buying power, of the insiders involved. Insider selling factors are here too, although they don't always signal sentiment since insiders do sell to monetize stock-based compensation.

- **SHORT INTEREST**

Depending on your temperament and philosophy, you can use these factors to go with the flow, or look for a potential short squeeze. I like measuring shorts by looking at SI %Float (short interest as a percent of float), SI%FloatPM (the same item for the prior month), SI%FloatPM2 (the items two months earlier) and SI%FloatPM3.

Using the factors to create a rule

When creating a screening rule, think in terms of three components:

1. **The Factor**

This is the item you are using; EPS%ChgTTM, PEG, CurRatioQ, and so forth.

2. **The Relationship**

A relationship is usually one of these

> (greater than)

>= (greater than or equal to)

< (less than)

<= (less than or equal to)

= (equal to)

!= (not equal to; note that this is different from the <> symbol often used elsewhere)

Portfolio123 is a powerful platform so this is not a complete list of possible relationships. But working with these can keep you busy for a long time, until you're prepared to tackle the advanced features.

3. **The Base**

This is what the factor is being compared to. In the rule "PEG <= 1.00" The base is 1.00. In EPS%ChgTTM >= 20, the base is 20. We want the TTM EPS growth rate to be greater or equal to 20.

Up till now, we've always thought of the base as being a number. But in Portfolio123, that need not be the case. In fact, when I screen, the base is usually another factor. For example:

- **EPS%ChgTTM >= Sales%ChgTTM**

The company's TTM EPS growth rate is greater than or equal to the company's TTM Sales growth rate

- **EPS%ChgTTM >= EPS%ChgTTMInd**

The company's TTM EPS growth rate is greater than the average TTM EPS Growth rate of the industry to which the company has been assigned

- **EPS%ChgTTM >= EPS5YCGr%**

The company's TTM EPS growth rate is greater than its own 5-year growth rate

- **CurFYEPSMean > CurFYEst4WkAgo**

The mean (consensus) Wall Street EPS estimate for the current fiscal year is greater than where it stood four weeks ago

Making it interesting

If you just stick with the kinds of rules demonstrated above, where the base is another factor, rather than a number, you'll already be building screens far more powerful than you can create on most other applications. But on Portfolio123, you can do more . . . much more. Here are some examples:

- **EPS%ChgTTM >= (Sales%ChgTTM * 1.25)**
The company's TTM EPS growth rate is at least 25 percent greater than the company's TTM Sales growth rate
- **(EPS%ChgTTM / EPS%ChgTTMInd) > (EPS5YCGr% / EPS5YCGr%Ind)**
The extent of the company's EPS growth superiority relative to its industry peers is greater in the TTM period than it was in the 5-year span. This introduces the notion that you can have multiple items (formulas) in both the factor area and in the base. Suppose the company is below the industry average. You could leave that rule as is and accept companies that are becoming less bad. Or you can do this . . .
- **EPS%ChgTTM > EPS%ChgTTMInd And EPS5YCGr% > EPS5YCGr%Ind And (EPS%ChgTTM / EPS%ChgTTMInd) > (EPS5YCGr% / EPS5YCGr%Ind)**
Yes, we can use "And" in your rules. So now, we repeat the above rule but apply it only to companies that are superior to their industry peers.
- **EPS%ChgTTM >= EPS%ChgTTMInd Or Sales%ChgTTM >= (Sales%ChgTTMInd * 1.50)**
Knowing from the above that you can use "And," it should come as no surprise that you can also use "Or." This rule is for one who likes to see above-average EPS growth, but would accept above-average sales growth in its stead. This rule accomplishes that subject to a requirement that the degree of superiority be great enough. Note, though, that with a rule like this, I'd worry that the sales surge was coming from a potentially dilutive acquisition. So I might do this instead . . .
- **EPS%ChgTTM >= EPS%ChgTTMInd Or ((Sales%ChgTTM >= (Sales%ChgTTMInd * 1.50)) And EPS%ChgTTM >= 0)**
This is the same as above, but we also require that TTM EPS not be down.

The negative number adjustment

Now, did you catch the bug in $EPS\%ChgTTM \geq (Sales\%ChgTTM * 1.25)$?

Let's see . . . if sales growth is 4 percent, EPS growth would need to be at least 5 percent. That works.

If sales growth was minus 6 percent, EPS growth would need to be at least minus 7.5 percent. Ouch . . . that's not what we want. We might have an EPS growth rate that is worse than the sales growth rate!

Any time we make a comparison like that, where the base could conceivably be a negative growth number, we should consider adding a little safety valve into our rule.

$EPS\%ChgTTM \geq (Sales\%ChgTTM * 1.25) \text{ And } EPS\%ChgTTM \geq (Sales\%ChgTTM * .75)$

Suppose the sales growth rate is 4 percent. We'd need the EPS growth rate to be at least 5 percent ($4 * 1.25$) and at least 3 percent ($4 * .75$). The latter is redundant. If growth is above $4 * 1.25$, it's certainly going to also be above $4 * .75$. And if it's below $4 * 1.25$, the stock is omitted even if the $4 * .75$ part of the rule is satisfied. In this case, the redundancy doesn't hurt us; it's simply irrelevant.

Suppose the sales growth rate is minus 6 percent. Minus 6 times 1.25 is minus 7.5, so we are exposed here to the sort of comparison we don't want. But the company would also have to pass the minus 6 times .75 requirement, which means its EPS growth rate could be no worse than minus 4.5 percent. That's OK. If EPS growth is minus 4.5 percent or better, compared to an industry average of minus 6 percent, we'll take it.

We did it

Now you know how to screen. And you now know why Portfolio123 doesn't restrict itself to the Wizard interface. You may not yet be able to articulate your ideas. But that will come over time with practice.