

Investment Planning Answer Book by Jay L. Shein, Software, Technology, and Materials for Investment Research

[Click to open document in a browser](#)

Advisors have to make decisions on portfolio management such as what asset classes will be used in the portfolio, the asset allocation strategy to employ such as tactical or strategic, and whether the focus will be on absolute or relative returns. Whatever the path the advisor chooses to go down to manage an investment portfolio, he will need tools to research and analyze investments to place in the portfolio. This chapter will briefly discuss the investment research information and technology that is available to assist advisors in making investment decisions.

Investment Planning Answer Book by Jay L. Shein, Q 16:1, What are some popular data providers that can be valuable for investment information?

[Click to open document in a browser](#)

Thomson ONE allows advisors to monitor the markets and to recognize investment opportunities. Thomson ONE is available to use on the advisor's computer or as a web-based service. It can provide real time pricing on securities both domestic and foreign. Fundamental data on securities is available as is the ability to perform technical analysis. The program has visual charts to help observe trends and other technical information. It provides upcoming economic and earnings information. FOREX and currency information is available for those that are interested in those areas of the market. Thomson ONE also provides information on corporate actions such as dividends and historical dividends as well as many different news sources to help stay abreast of the capital markets. For advisors that use individual and corporate bonds, Thomson ONE can provide detailed information and ratings for fixed income investments. Thomson ONE is a trusted financial data provider that can help find and analyze opportunities. The company Thomson Reuters is a leading source of information for professionals. Thomson Reuters employs greater than 50,000 people all around the globe. The website for the Thomson ONE product line is thomsononeim.com. Advisors may want to ask for a demonstration of the product known as Thomson ONE.

Bloomberg L.P. was created in 1981 as an information service company for businesses and financial professionals. The company is based in New York and has over 135 offices globally with more than 10,000 employees. They provide similar broad-based information as Thomson ONE, but in some cases, the information is more detailed. BLOOMBERG TERMINAL® is very popular and is used by many investment professionals. Thomson ONE a la carte options may more be more cost effective for advisors who are not looking for the most comprehensive data source. Advisors should look at both Thomson and Bloomberg, decide what services they need, and see which one if any is appropriate for their use. Bloomberg's website is about.bloomberg.com.

Investment Planning Answer Book by Jay L. Shein, Q 16:2, What are some sources of individual stock research?

[Click to open document in a browser](#)

There are many providers of individual stock research and analysis. They include but are not limited to the following:

- S&P Stock Reports: These reports provide both qualitative and quantitative reports by S&P on U.S. and non-U.S. companies. They rate these companies, including recommendations on whether they are a buy, sell, or hold. They provide a target price projection and an analysis of the company's business and earnings. Some custodians provide this information free at no cost to advisors using that particular custodian. Their website is standardandpoors.com. These reports are found under equity research for advisors. This product is not free.
- TheStreet.com provides a grading from A+ to F and recommends buy and sell and includes financial analysis and ranking. Some custodians provide this information free at no cost to advisors using that particular custodian. Their website is thestreet.com. This product is not free.
- The Jaywalk ConsensusSM is a service that offers an aggregation of opinions culminated from unbiased sources. They average these independent ratings to give the advisors an objective look at individual securities. The firms participating in this analysis do not have conflicts of interest such as working for an investment banking firm that may compromise the integrity of their recommendations. Besides providing key analytical statistics, they make recommendations based on a scale including strong buy, buy, hold, sell, and strong sell. Again, this information can be purchased from BNY Jaywalk or may be provided by an advisor's custodian at no cost. Their website address is bnyconvergex.com/liquidity/research/JaywalkConsensus.aspx.
- Morningstar® provides analytical information and research on stocks. It can be purchased individually or in conjunction with a suite of other products. The stock research is detailed and shows key performance and operational information. More than 2,000 of the stocks have separate analyst reports and include some of Morningstar's proprietary measures. Look for the Principia product at this web address: <http://corporate.morningstar.com/US/asp/area.aspx?xmlfile=2.xml>.
- The Value Line Investment Analyzer® provides analysis and analyst commentaries. It uses a proprietary ranking system and allows advisors to screen and sort to find acceptable investment opportunities. Value Line Investment Survey® is included with the Value Line Investment Analyzer® online at no additional cost. The Value Line Investment Survey® can be purchased separately and provides full page reports with commentaries by analysts. The web address is valueline.com.
- Egan-Jones Ratings (EJR) is a service that some feel has some predictive value. Their service is excellent for both stock and credit analysis. Egan-Jones reports are concise and to the point. They provide accurate, forward-looking ratings and analytical information. Their work is quantitative and has few opinions of single analysts. This product is definitely applicable to both equity and fixed income investing. The following is an excerpt from a Federal Reserve paper ["An Examination of Rating Agencies Actions Around the Investment-Grade Boundary," RWP 03-01, Feb. 2003] by Richard Johnson, Research Division, Federal Reserve Bank of Kansas City: "A comparison between S&P's and EJR's ratings shows that, conditional on S&P's upgrading or downgrading a firm, its new grade was correlated with the grade EJR had awarded at least ten weeks earlier. This suggests that S&P defines its ratings more widely in terms of default probabilities than EJR. It also suggests that S&P's large downgrades do not occur immediately after negative surprises to firms, but rather after a steady accumulation of bad news which EJR's ratings previously reflected." Although Egan-Jones is costly, it is well worth it for those who invest in individual securities. Advisors and money managers can request a brief trial. Their web address is egan-jones.com.

There are many other stock analysis vendors available. The above are just a survey of well-respected companies that advisors might consider.

Investment Planning Answer Book by Jay L. Shein, Q 16:3, What are some research sources of separate account manager research?

[Click to open document in a browser](#)

Advisors who will be using separate or private accounts for investors will need a source of separate account manager data. These software programs will allow financial advisors and consultants to search for managers based on specified criteria such as performance, beta, alpha, and Sharpe ratios. Searching for a manager usually starts with a database to reduce the amount of managers that have to be evaluated to a manageable number. Some of these databases include not only quantitative data but also qualitative information.

Morningstar® is a well respected, widely used long time supplier of money manager search and analysis databases and software. Their separate account manager database contains thousands of managers to evaluate. It can be purchased separately or as part of the Morningstar® suite. Morningstar® can be reached at 877-586-5405 or corporate.morningstar.com, and information on the Principia suite or separate account information can be found under the section for advisors.

Zephyr Style Advisor is a very sophisticated separate money manager and mutual fund analysis software program. It has a large amount of quantitative methods for searching for and evaluating money managers. The output is very visual and easy to follow. The software allows you to perform some of the most sophisticated analysis available. It includes many measures of performance evaluation and risk metrics such as Sharpe ratios, Treynor ratios, Calmar ratios, downside deviation, and in-sample and out-of-sample analysis. An important component of Zephyr Style Advisor is its ability to do returns-based style analysis. This program offers institutional level analytical information. The phone number for Zephyr Associates, Inc. is 800-789-5323, and the website for Zephyr Style Advisor is styleadvisor.com.

PerTrac Analytical Platform offers the ability to search for and analyze separate account money managers as well as hedge funds. PerTrac can calculate hundreds of statistics on managers as well as perform peer group comparisons. It offers the ability to produce visual reports for investors, advisors, and investment committees. Information on PerTrac can be found at pertrac.com, and their phone number is 212-661-6050.

Markov Processes International (MPI) is a leader in providing manager statistical analysis. This software provides the ability to search for managers and perform returns-based style analysis. Advisors can screen large data bases of money managers to find the appropriate candidates. Their software can be used to help analyze existing portfolios or recommended portfolios. Their website is markovprocesses.com and they can be contacted at 908-608-1558.

Investment Planning Answer Book by Jay L. Shein, Q 16:4, What are some sources of closed end fund research?

[Click to open document in a browser](#)

Closed end funds are used by some advisors to invest some or all of a portfolio's assets. They are varied in their investment asset classes and usually trade at a premium or discount to their net asset value (NAV). There are various sources of information on closed end funds. Morningstar® offers a closed end database that can be purchased separately or as part of the Morningstar® Principia suite. Morningstar can be reached at 877-586-5405 and their website is corporate.morningstar.com.

ETF Connect.com provides comprehensive information on Closed-End Funds (CEFs). The website is etfconnect.com. You can compare closed-end funds and sort some of the information by some common valuation measures. There is no cost to access this information.

Thomas J. Herzfeld Advisors, Inc. is the publisher of the *Investor's Guide to Closed-End Funds*. This guide is published monthly and includes recommendations on what to buy on all closed-end funds. This monthly report also includes announcements on closed-end funds and dividend information. Advisors can receive a free sample or purchase this newsletter at herzfeld.com/description.

Investment Planning Answer Book by Jay L. Shein, Q 16:5, What are some sources of mutual fund research?

[Click to open document in a browser](#)

Morningstar® is one of the most respected names for mutual fund research and evaluation. Principia for mutual funds can be purchased separately or as part of the Principia suite. Morningstar® mutual fund information and software contains a wide array of data. Users can create hypothetical investment illustrations. Their software can be used to search for mutual funds and compare with many different metrics. Their website is corporate.morningstar.com, and they can be reached at 877-586-5405.

The Value Line Mutual Fund Survey for Windows® is another good program to search for and analyze mutual funds. It has the extensive abilities for searching and screening mutual funds. It allows users to create hypothetical investment illustrations. There are many reports and graphs, and it provides style attribution analysis. Their website is ecserver.valueline.com/products/elect4.html or valueline.com.

Investment Planning Answer Book by Jay L. Shein, Q 16:6, What analysis software can be used for extensive data analysis and search for separate account managers and mutual funds?

[Click to open document in a browser](#)

Morningstar, Zephyr, Pertrac, and MPI have been previously mentioned in this chapter. Each of these programs has extensive data analysis capabilities for separate accounts and mutual funds. Financial advisors and consultants should look at the various programs and determine which one best satisfies their needs. Some advisors may find the need to have more than one program.

Investment Planning Answer Book by Jay L. Shein, Q 16:7, What are some unique online or electronic delivery research services or newsletters that may assist with the investment decision process?

[Click to open document in a browser](#)

The *Belkin Report* is an independent institutional research report that gives analytical commentary and specific asset allocation recommendations for financial assets. It is delivered electronically through email every Monday. The *Belkin Report* provides a unique, free market economic perspective and uses a sophisticated proprietary asset allocation model. The *Belkin Report* gives a comprehensive overview of global stock markets, industry groups, bonds, currencies, commodities, emerging markets, and economic indicators. This report is approximately ten pages in length and gives a fundamental view on economic and monetary developments and how they might impact financial markets. The report contains asset allocation model projections for most major markets in the world and highlights the stronger and weaker industry groups and stocks to buy or sell. This report has multiple unique charts that give attention to the timeliest developments across the world's financial markets. This report gives investment advisors an idea list and point of reference for further analysis.

The author of the *Belkin Report* is Michael Belkin, president of Belkin Limited, an economic forecasting firm that counsels prominent hedge funds, pension funds, investment banks, mutual funds, institutional money managers, and high net-worth investors throughout North America, Europe, and Asia. This report's focus is to give institutional investors a focused list of investment opportunities for global markets. This report has two major components: fundamental scenarios for world securities markets based on credit conditions, economic analyses, and critiques of central bank operations, and specific market forecasts based on a proprietary statistical asset allocation model. Advisors should consider the *Belkin Report* a premier institutional offering. Their contact information is as follows: information on MP Research, Inc. can be found at mpresearchinc.com, their telephone number is 646-435-4440 (ask for Marc B. Mishkin), their email is research@mpresearchinc.com, and you can request a sample copy of the *Belkin Report* at no cost.

Another premiere institutional research product is Lowry on Demand Professional which is published by Lowry Research Corporation. It has been providing market research and security analysis and forecasting for over sixty years. It was founded in 1938 with an objective of providing investment professionals with a realistic analysis of the stock market that is impartial. This service has special indices that continuously appraise buying power and selling pressure which gives a method of evaluating supply and demand. Lowry's analysis covers thousands of stocks on the New York Stock Exchange (NYSE) and the NASDAQ markets. Besides individual securities, analyses of Exchange Traded Funds (ETFs) are included. Lowry developed the NYSE Operating-Companies-Only statistic. Lowry also developed Power Ratings to assist in major sector industry groups and individual stock analysis which is used to help identify indications of emerging or weakening strength many times before important changes in prices occur. Lowry gives a weekly conference call with their analysts where investment opportunities including sectors and industries to consider are discussed. It can be reached at 561-799-1889 or emailed at info@lowryresearch.com. Its website is lowryondemand.com.

A low-cost electronically delivered newsletter that many advisors and investors find valuable is Dow Theory Letters, edited and published by Richard Russell. Russell has been publishing this newsletter since 1958. It is one of the oldest continuously published investment newsletters written by the same person. Richard Russell provides a weekday daily commentary and a newsletter published every three weeks. He covers U.S. stock markets, foreign markets, bonds, precious metals, commodities, and economics. He has an interesting commentary and stock market philosophy. He created a proprietary indicator called the Primary Trend Index (PTI) which has been part of his letter since 1971. This proprietary indicator is a useful tool to help forecast the trends in the market. The PTI may actually differ substantially from Russell's personal opinions. More information on Dow Theory Letters can be found at dowtheoryletters.com. They can be reached at 858-454-0481 or emailed at staff@dowtheoryletters.com.

Egan-Jones, previously mentioned in this chapter, provides excellent information and analysis on individual stocks and corporate bonds.