

# Frequently Asked Questions

## Q: What can I save using Formula Stocks instead of other products?

A: Formula Stocks offers a low, flat and transparent fee, which does not scale with volume. What you can save depends on what you otherwise pay in fees. This can be complicated to calculate, as many funds have a number of different costs, some of which can be grouped into sales charges, expense ratios, transaction commissions, and redemption fees. Hedge funds and alternative investment vehicles often include a large performance fee as well. ETFs have trading costs, slippage, and potentially HFTs in the market as additional cost factors in addition to expense ratios. FormulaStocks is usually the less expensive method, sometimes by a very large factor.

From a savers perspective you could view the Formula Stocks model as kind of the IKEA model of the investment world. You buy prefabricated parts (the strategy and technology), do the final assembly yourself (the purchase and sale of equities), and obtain very significant savings in the process.

## Q: How much can I expect in investment returns?

A: Formula Stocks can, like everyone else, not answer this question. We can optimize the odds for you to outperform the market averages. At any rate, the market return going forward is inversely proportional to the current price level. If the price level is high, expect lower returns forward from any form of investment. Given a lower return, we believe it becomes all the more paramount to beat the market averages, and we have tended to outperform these averages during bear markets as well as bull markets, historically speaking.

## Q: How do I begin to invest?

A: It depends on how you wish to use Formula Stocks. One way to use it is to simply view the recommendations when they appear and use them for investment or further analysis. Nothing more. Another way entirely is to build a portfolio along the lines of your Formula Stocks portfolio. You can access the existing portfolio, which may include mature positions, and invest alongside this portfolio structure from the beginning (mirror it to any extent you choose). Or you can choose to await new investment recommendations as they appear over time. It would probably be prudent to do a bit of both and to keep some cash in reserve for future investment opportunities. A gradual beginning is generally a risk-decreasing (smoothing) measure. One possible allocation for starters could be 33% in the existing Formula Stocks portfolio, 33% towards the first three months' new purchase recommendations, and 33% in cash.

## Q: How often are new stocks recommended for purchase or sale?

A: New recommendations appear on a weekly basis if and when the market offers them. Accessing these once a month is fully sufficient. How many recommendations appear depends very much on current market conditions. FormulaStocks looks for great opportunities in the markets; sometimes we find few, sometimes many. The holding is long term, typically from 600 to 900 days.

## Q: How many new investment candidates are available?

A: The availability of new investment candidates is a function of the available investments we can locate in the marketplace with a sufficient degree of certainty. We buy stocks like you buy steaks in a supermarket. We generally prefer high quality and low prices. The market does not always accommodate our preferences, and the number of candidates does vary greatly with the price level of the general market.

## Q: Which and how many stocks are covered by your service?

A: We do not supply a full list of all the potential stocks analyzed by our systems. It covers many thousands of stocks, however, ranging from micro cap to mega cap companies in all sectors with varying geography.

## Q: Can your products be used in any country?

A: Yes, absolutely. We cater to an international audience, and the stocks we prefer are accessible for purchase in all countries.

## Q: Is your stock selection USA only?

A: No. Formula Stocks can be used from anywhere in the world. It works with a majority of public US companies, a significant part of Canadian companies, and a larger number of international companies with an ADR (American Depositary Receipt). These are international companies which trade on the US exchanges, as if they were US stocks, denominated in USD, even though the company itself may be located in Peru, Canada, Switzerland, or Germany, for instance, and also trade in the local currency of this particular country. In practical terms FormulaStocks analyzes international stocks, usually a similar subset to what you might find traded on US exchanges. This is to ensure the availability of all stocks, to all members, no matter their geographical location.

## Q: What about currencies?

A: We use USD as a base currency for the sake of simplicity. No matter what your local currency is, you can easily use FormulaStocks anywhere in the world.

## Q: How often do I need to think about my portfolio?

A: You need to check for any recommendations once a month, in case you want your portfolio to match the Formula Stocks portfolio exactly. This is not a requirement, though. A loosely managed portfolio or single, handpicked investments can perform just as well. We recommend a once-a-month check for any recommendations, though. If your personality is more in tune with frequent attention to investments, our purchase recommendations are updated on a weekly basis, while our sales recommendations are updated once a month. Our strategies trade only once a month. (This is to allow one full month for accumulation or distribution of larger positions).

## Q: How do I pay for membership?

A: Typically with a credit card. although other options exist for BUSINESS and FUND members.

## Q: Is there a trial period available?

A: We offer a free trial for a one month period with full access to our BASIC plan.

## Q: Is there a minimum period for subscription?

A: No. BASIC and PREMIUM are monthly subscriptions, whereas BUSINESS and FUND are yearly subscriptions. Once a period begins, it is non-refundable. You can cancel your subscription anytime before a new period starts.

## Q: Do I have to choose the portfolio suggested by FormulaStocks or can I continue with my current portfolio?

A: This is entirely up to you. You can freely mix and match with any other portfolio, stock, or product.

## Q: Do I enter my other portfolio positions within the app/website?

A: No. Formula Stocks is not aware of your actual positions. Formula Stocks displays an optimized model portfolio per plan and tracks its performance through time.

## Q: Does Formula Stocks offer direct brokerage services?

A: No, and we have no plans to do so in the future

## Q: What does a Formula Stocks purchase suggestion include?

A: Purchase recommendations are vetted from a quantitative, strategy and business analytics standpoint. When you receive a recommendation, you can access 10 data points, mostly related to relative price, expected return, expected growth rate, etc. Our Business Analytics, however, analyze over 400 primary datapoints. We do not write up the usual analyst report, as these do tend to be influenced by human biases.

## Q: What does "cash allocation" percentages in purchase suggestions signify?

A: Each month, if you choose to mirror our model portfolio, you would deploy a percentage of the available cash into a new stock. Please note that this is not a percentage of the entire portfolios net worth, but only of freely available cash.

## Q: How does the Formula Stocks portfolios tie in with my existing asset allocation?

A: The Formula Stocks plans are different, but with 89 different strategies used in total they involve diversification both in terms of stocks, sectors, and strategies. Formula Stocks includes equities from all sectors, even though you will statistically speaking see a certain underweight in banking, insurance, and retail. As you have full access to the Formula Stocks portfolio, you can judge the exact portfolio composition for yourself. Adding high-probability investment ideas should be a plus for any portfolio.

## Q: Why does Formula Stocks expect to beat the market averages over the long term, when the majority of active investment managers cannot?

A: We offer something that most managers simply do not have access to. Our proprietary IIT™ quantifies the risks and reward, odds of success, and the presumed future alpha of every investment candidate. In fact, it quantifies over 400 datapoints about every single business that we analyze. From this we are able to extract enough knowledge to beat the market averages. Our BUSINESS plan, for instance, historically beats the market (as defined by the S&P 500) 88% of the time on a yearly basis. Future investment returns are however unknown, and we make no representation that any particular level of performance will be achieved.

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