

# THE Zacks Rank

## QUICK START GUIDE

How to Transform  
Your Stock Portfolio  
in Just 30 Minutes  
a Month



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# Introduction:

## Zacks Rank Quick Start Guide

### How to Transform Your Stock Portfolio in 30 Minutes a Month

Congratulations!

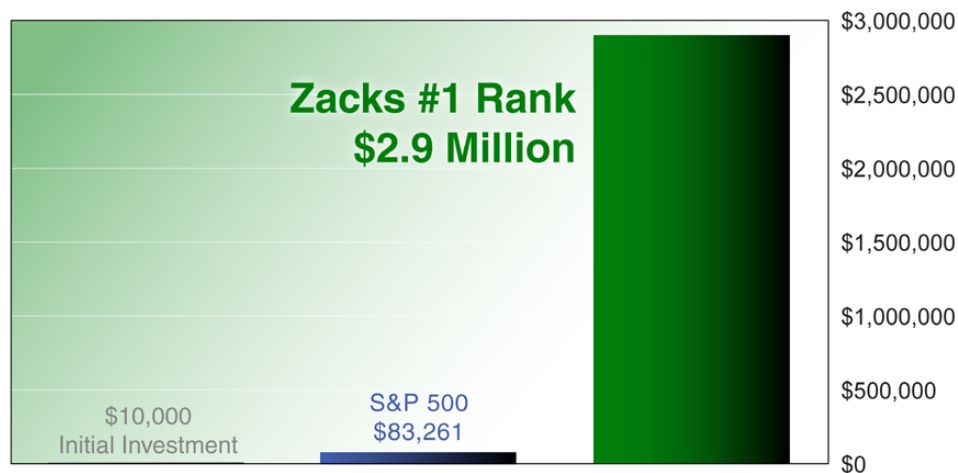
You are about to embark on an exciting journey. A journey that changes the way you look at investing and gets you on the road towards continual success.

In the pages that follow, we will show you a profitable and easy way to harness the power of the Zacks Rank stock rating system. The same system that has:

- Generated a +28% average annual return since 1988
- Turned \$10,000 into \$2,961,542 million
- Beaten the S&P 500 in 21 out of the last 23 years
- Rallied +67% in 2009 and then another +28% in 2010

### Zacks #1 Rank vs. S&P 500

\$10,000 Starting Equity



Results are through December 31, 2010

## Are You Ready to ACT?

We have developed a simple 3 step process that will allow you to profit from the Zacks Rank in as little as 30 minutes a month. The process is known as ACT

**A**nalyze

**C**hoose better stocks

**T**rack

But we can't force you to do this. This is a choice. A choice you have to make to get your financial house in order.

So take a pause right now to think about your next steps. Will you take this seriously? Or will you bail out after just 1 or 2 bad stock trades?

Make a pledge to yourself to ACT. To see it through. To break from the past and begin a new generation of wealth building.

*So are you committed to ACT?*

We hope the answer is "Yes!" And if yes, then we here at Zacks are committed to providing you all the resources necessary to enjoy investment success for many years to come.

The time to start is now!

A handwritten signature in black ink, appearing to read 'St R' followed by a horizontal line.

Steve Reitmeister  
Executive VP, Zacks Investment Research

# ACT Investment Process: Easy as 1-2-3

On the last page we said this process can be implemented in as little as 30 minutes a month. How is that possible? Because Zacks has done all the hard work for you by narrowing down the universe of stocks to the rare few that have the best chance to outperform. Those are the #1 Ranked Strong Buy Stocks.

All you have to do is set your calendar to update your portfolio every 4 weeks. It doesn't matter which day of the week. Or which week of the month. Just get started now and then remind yourself to check things again 4 weeks from today. And every 4 weeks thereafter in the future.

This method makes it easy to harness the market beating power locked inside of #1 ranked stocks. Yet it can be done in a fashion that doesn't have you chained to your computer or paying unnecessary transaction fees to your broker. We'd rather you keep that money to yourself and have more free time on your hands to enjoy other pursuits.

Now that we have that squared away. Get ready to do...

## Step 1: Analyze Your Stocks

At the beginning of every 4 week cycle we want to make sure that your portfolio is filled with ONLY #1 ranked stocks. That's because they offer the most upside potential as clearly proven by their amazing performance over the years. So that is why there is no room to accept weaker stocks in your portfolio.

The easiest way to Analyze the current rank for your stocks is by using the Zacks Premium Portfolio Tracker. If you don't already have one set up, then follow these steps.

- [Start a free trial to Zacks Premium.](#)
- [Set up portfolio tracker.](#)
- "Create a New Portfolio". Name it and insert your stocks.

### Why Become a Zacks Premium Member?

The Zacks Rank is the most powerful stock picking system available. Given its tremendous track record, you can appreciate why we cannot make it available for free. So to make it as easy as possible for you to get started we give you 30 days to try it for free.

Better yet, beyond the initial 30 days we provide you with a 100% money back performance guarantee. Plain and simple, if the Zacks Rank can't help you beat the market, then we don't deserve your money.

[Start Your Zacks Premium Free Trial Now.](#)

When finished, you will see an online display like below.

Viewing Personal Portfolio 'SAMPLE'									 <a href="#">PRINTABLE VERSION</a>
Display portfolio:	<div>SAMPLE</div>	with	<div>Price View</div>	<div>Display</div>					
Ticker	Last	Net	Low	High	Bid	Ask	Year High	Year Low	Zacks Rank
<a href="#">AAPL</a>	358.01	2.81	354.87	359.00	358.01	358.02	359.00	194.00	2
<a href="#">ACAT</a>	15.81	-0.84	15.60	16.53	15.78	15.81	17.97	6.92	1
<a href="#">ALV</a>	76.95	-0.73	76.83	77.71	76.92	76.97	83.86	42.73	3
<a href="#">BLK</a>	199.00	-0.37	197.26	200.65	198.84	199.01	227.77	138.42	1
<a href="#">BW</a>	34.51	-0.72	34.50	35.04	34.50	34.55	40.11	15.80	3
<a href="#">CAP</a>	20.20	0.22	20.10	21.29	20.13	20.22	21.46	7.48	2
<a href="#">ESL</a>	71.00	-0.84	70.93	71.77	71.01	71.08	73.49	37.69	2
<a href="#">IFF</a>	58.47	-0.34	58.08	58.75	58.46	58.47	59.50	39.73	3
<a href="#">ITRN</a>	16.18	-0.32	16.04	16.43	16.17	16.25	18.58	12.51	3
<a href="#">LTD</a>	32.50	0.11	32.22	32.74	32.50	32.51	35.48	19.84	3
<a href="#">M</a>	24.52	0.26	24.08	25.03	24.51	24.52	26.32	16.24	3

Here you can quickly discover which stocks to hold (those with #1 ranks) and which stocks need to be sold (all others). Yes, on your first go around you may need to sell most of your current positions. This may be uncomfortable as you have probably become quite fond of many of these stocks and will find it hard to let them go.

Here is the key question: *Has your past investment process helped you generate an average annual return of 28%?*

If the answer is Yes, then stop reading this guide now as you don't need our help. However, if the answer is No, then now is the time to stop your unprofitable habits and make a change for the better.

Let that sink in for a minute. And then read on when you are ready to take this important step towards your future investment success.

## Step 2: Choose Better Stocks

Thanks to the Analyze step, we know exactly which of our stocks need to be sold. And gladly it only takes a minute to do. This next step helps you choose better stocks with the strongest odds of outperforming the market.

We have many great tools on Zacks.com to manage this step. But first things first. That



is to determine how many stocks to hold in your portfolio at a time. We believe that a 10 stock portfolio is easy to manage and provides ample protection against one or two rogue stocks that don't work out as planned.

- More Conservative Investors: You may want a larger portfolio of 15-20 stocks to lower your risk.
- More Aggressive Investors: Feel free to hold fewer stocks. Note that less than 7 stocks is probably not enough diversification and far too risky.

Pressing on. [The Zacks Premium homepage](#) provides you easy access to many great ways to choose better stocks for your portfolio. Below are the 3 most popular methods.

- 1.) [Zacks #1 Ranked List](#): Here you will find all current #1 stocks. Click any of the column headers and the page will resort by that criteria. Note that newly crowned strong buy stocks have the most upside potential. Just click the "Date Added" column header and you will now see the stocks in chronological order.
- 2.) [Zacks Industry Rank](#): Studies show that over 50% of a stock's move is tied back to the strength of its industry group. For many investors, the journey to choose the best stocks is to start by choosing the best industries. Our industry rank sorts stocks into 1 of 264 different classifications. Do not feel that you need every stock in the #1 or #2 industry. Just concentrate your selections in the Top 100 industries and that will greatly improve your odds of success. Once you have targeted those top industries, be sure to select the best #1 ranked stocks in that group.
- 3.) [Stock Screener](#): Not every #1 stock is suited for the way you like to invest. Some of you may want to consider value attributes, growth, or momentum. Our stock screener offers you the quickest way to narrow down the current 220 strong buy stocks to just the ones that meet your unique criteria. Plus you can easily save your screens for future usage.

Start by exploring these 3 popular tools to choose better stocks for your portfolio. Once you have made your selections, then place relatively equal dollar value trades with your broker. (Online brokers are preferred over full service firms to keep your transaction costs low).

## Step 3: Track Your Stocks

This is the easiest step of them all. Now that you have completed Step 2, just enter your new stock selections in your [Zacks portfolio tracker](#) (which is already set up since you went through Step 1 earlier).

Once you have a portfolio established on Zacks.com, then we will start sending you Daily Portfolio Update emails every morning. There you will see all the vital news affecting your stocks including:

- Daily price changes
- Zacks Rank changes
- Earnings surprises
- Broker Rating Changes
- Estimate revisions
- And more...

That's it. In just a few short pages you have learned how to employ the ACT process. Be sure to set reminders to restart this process every 4 weeks to always have the best stocks in your portfolio.

### **Warning: Don't Overreact to Daily Zacks Rank Changes**

The Zacks Rank is a quantitative process that is run daily on computers. Which means it can change rapidly in this fast paced world of ours.

So it is quite possible that today one of your stocks is a #1 Rank. Tomorrow it becomes a #2 or lower. And then amazingly pops back to a #1 Rank shortly thereafter. That is just the nature of the beast and why we highly recommend that you stick to the 4 week rebalancing process to not make unnecessary or unprofitable changes to your portfolio.



# Will You Do It?

Hopefully you now agree that the ACT process is simple to follow and can truly help you become a more successful investor. But now is the moment of truth...

*Will You Do It???*

Those who have chosen to ACT over the years have enjoyed life changing success. Those who procrastinated or gave up too soon continue to suffer from subpar results.

We hope you choose to do what you know is best. And we will be right there beside you every step of the way.

So if you have any questions concerning how to use the Zacks Rank or follow the ACT process, then please contact our customer support team at:

E-mail: [support@zacks.com](mailto:support@zacks.com)

Phone: 800.767.3771 Ext. 9339 (Outside the US call 312.265.9339)

We look forward to sharing investment success with you for many years to come!

# Frequently Asked Questions

## How Was the Zacks Rank Developed?

Our founder, Len Zacks, has a Ph.D. from MIT. He brought these immense skills to the investment field as he served as the Director of Research for a respected brokerage firm back in the 1970's. It was there that he discovered that *"earnings estimate revisions are the most powerful force impacting stock prices"*. This led to the creation of the Zacks Rank which rates stocks on a 5 point scale. As you can clearly see from the table below #1 ranked stocks are the cream of the crop and markedly outperform lesser rated stocks.

Rank	Rating	% With Rating	Avg. Ann. Return %
1	Strong Buy	5%	+28.1%
2	Buy	15%	+19.6%
3	Hold	60%	+10.7%
4	Sell	15%	+5.1%
5	Strong Sell	5%	+2.8%
S&P 500			+9.7%

*From 1/1/1988 through 12/31/2010*

To learn more about the background, basics and usage of the Zacks Rank, then discover all our free resources on the [Zacks Rank Education homepage](#).

## How Many Stock Transactions Should I Expect a Month?

The Zacks Rank is a sensitive timeliness indicator that is always looking for the stocks with the most upside potential. So it is quite possible that each month you may be replacing 4 to 6 of the 10 stocks in the average portfolio. Gladly the commission fees for online brokerage trades keeps dropping making this a very reasonable cost on the way to market beating returns.

## What is the Win Percentage of #1 Stocks?

Most investors see the +28% annual return of the Zacks Rank and start making assumptions that we must be selecting profitable stocks 70 to 80% of the time. Amazingly our studies show that we are only right 56% of the time. That means that 44% of the time our picks lose money.

How is it possible that we can still generate this +28% return? It's because our winners gain more than our losers. Combine that with the 56% win percentage and it gets you on the road to investment success. Unfortunately, far too many investors get discouraged when they have just one or two bad months and assume the system doesn't work. Better you know these facts in advance, so that you will have the proper patience to see the model through and achieve the success you expect and deserve.

We go over this topic in-depth in the following video: [Zacks Rank Wrong 44% of the Time](#).

For full details on Zacks Rank performance, go to the [Zacks Rank Performance page](#).

## Why Should I Become a Zacks Premium Member?

Our main website, Zacks.com, provides free access to a limited set of Zacks Rank information. To truly take full advantage of the ACT process you should become a subscriber to our Zacks Premium service. Not only do we provide a risk-free 30 day trial, but we also provide you with a 100% money back performance guarantee. Plain and simple, if the Zacks Rank can't help you beat the market, then we don't deserve your money.

[Start Your Zacks Premium Free Trial Now](#)

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