

The STAR Guide to Equity Investment

Section 1 – Introductory Notes

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I Introductory Notes

Okay, there are lots of investment guides around. So, why are we producing yet another one? We believe this one is different because it's a collaborative effort between the well-established United Kingdom Shareholders' Association (UKSA) and John Mulligan, an economist and former professional investment manager, who has developed and published his Share Tracking and Ranking (STAR) methods every month for nearly 30 years. Not only have the STAR screens been live for a long time, but the templates have been regularly modified to take account of the ever-changing world of equity investment. We plan to continue these online guides in the same dynamic tradition of continual innovation and dialogue with all members of the STAR Investor hub.

UKSA

The [United Kingdom Shareholders' Association](#) was founded nearly 30 years ago to promote the interests of individual shareholders and investors in the United Kingdom. UKSA helps shareholders and other investors to exercise their rights and responsibilities and gives general advice on how best to safeguard the interests of investors. UKSA also presents the views of private investors to companies, the Government, the London Stock Exchange and other bodies. Another objective of UKSA is to encourage and provide investor education, hence its support for this initiative.

About STAR and Share Screening

The term STAR was originally coined to describe the “**Share Tracking and Ranking**” algorithms that John researched and developed in the late 1980s and 1990s to manage his own share portfolio. They were subsequently produced in monthly bulletins that were published by the leading stockbrokers at that time, Sharelink and City Deal. As the whole share screening process evolved, this acronym now more accurately relates to “**Successful, Targeted, Active and Responsible**” investment in all its guises.

The STAR methods essentially involve the regular screening and ranking of more than 2,000 listed equities traded on leading global share markets. This ongoing work has resulted in the incorporation

of additional metrics and secondary screens to the basic filtering process. This is explained fully in Section 7.

About the Various Share Screening and Evaluation Methods and Systems

In order to be useful to serious investors this Guide describes the widest possible range of investment selection methods and includes a summary of each one's strengths and weaknesses. It will also track the successes and failures of share and portfolio templates using different approaches in order to provide regularly updated comparative assessments. The objective is to use these dynamic evaluations to generate a valuable source of online help for all investors. It is also intended that the information will be updated online as frequently as necessary to make it as relevant and useful as possible for those new to the unnecessarily complicated investment universe.

Main Topics Covered in the Guide

The basic objective of this Guide is to provide simple explanations of some of the main decisions required for anyone wishing to achieve investment success in a continually changing environment.

The Guide is divided into the following topics:

Why Choose Equities:

We look at the reasons for investing in shares; the advantages and disadvantages of being a part owner of an active business and the substantial profits that can be made, while also drawing attention to the need to minimise risk and avoid losses

The Investosphere:

We coin the term Investosphere to encapsulate some of the major forces influencing equity markets

The Equity options for Private Investors:

The options available to private investors have expanded hugely during the last thirty years, from fully outsourced to total personal control

Lessons from the Maestros:

This section outlines a range of share selection methods used by well-known professional investors that have proved successful in the past

Sources of data and information:

We list useful data sources and ways of dealing with data problems and errors

How to Develop Your Own Share Selection System:

How to use spreadsheets and screens to select shares and build portfolios

ESG Investment Screening:

How to incorporate ESG criteria into the screening process

Monitoring and Evaluation:

This section demonstrates how to monitor and update your screens and share selection performance on a regular basis.

Content and Format

Each section explains the key points as well as relevant practical examples. We also include references and links to sources of information and data for more detailed research and access to additional information for better investment decision-making.

Interaction

Users of this Guide are encouraged to submit comments, questions and add suggestions on any section. These will be moderated by the editors before they are published in digital or printed format. We are also establishing a database of actual and forecast data covering the past five years that will enable any subscriber to back-test a large number of key investment rating metrics to gauge how successful their own strategies would have been in the past.

This procedure will follow the templates, but not the algorithms, that were used to develop the basic STAR ranking methods. In order to encourage people with little previous experience or knowledge of equity investment to become their own wealth managers, it is planned to hold a competition that is open to anyone not professionally involved in equity investment. At the end of the first year there will be a prize for the top three results as well as an opportunity to contribute a section to the website and The Private Investor magazine.

Warning – The Limitations of This Guide

We should warn you that building a successful share portfolio is not the same as developing a long-term strategy for your total wealth. Most financial advisers explain that share investments should make up no more than a limited part of an individual's total investment planning process. ***Furthermore, it is not the purpose of this guide to advise on any aspects of investment planning, tax planning and overall wealth management. For those aspects you should always seek advice from qualified professionals.*** However, when formulating the share investing portion of your investment strategy it is advisable to take account of the following aspects:

Your Attitude to Risk

It is strongly recommended that you assess how comfortable you are with risk. How would you feel should your carefully chosen investments fall in value? We have known many people who are unable to sleep at night, or wake in a cold sweat, when their shares suddenly start collapsing and their total wealth reduces significantly. If this is you, it is probably better not to become a direct shareholder.

Time Available

Successful direct share investment, where you own shares directly as opposed to getting a fund manager to do it for you, repays time spent on researching specific companies and the sectors in which they operate. If you don't have much time available or have little interest in the businesses concerned, it is probably better to direct your money to collective investments whose managers have the time and resources to do the investigative work for you.

Diversification

Whatever methods you choose it is advisable to diversify your investments between sectors and businesses in order to reduce the chance of losing your money through the failure or weaknesses of business sectors and individual companies.