

Balancing quantitative research with fundamental and subjective overlays ...

Standpoint Research provides independent equity research that is free from the conflicts of asset management, investment banking, proprietary trading and fee-for-research arrangements. The firm offers recommendations, analysis, diagnostics and forecasts on domestic and international equities and markets backed by alpha-generating variables back-tested on many years of data. Ronnie Moas founded Standpoint Research in 2003 after spending more than five years developing a proprietary 155-variable valuation and diagnostic model to assist him in generating equity investment recommendations. In addition to his quantitative model, Mr. Moas and his team execute proven fundamental and subjective overlays in their research before issuing a recommendation.

Using this approach, the firm has been able to consistently outperform its competitors, ranking near the top of the charts at major tracking firms since it began operations eight years ago. Standpoint Research is currently ranked # 4 versus 191 firms according to Yahoo! Finance, Briefing.com and the Motley Fool (October 2008 through November 2010).

Standpoint is now widely recognized as one of the top equity research firms in the U.S. and internationally, advising and selling its research to pension funds, hedge funds and asset management firms. Founder Ronnie Moas has made multiple appearances on Bloomberg, and has been quoted in Fortune Magazine, The Wall St. Journal, The New York Times, Barron's and BusinessWeek, among others.

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Beyond a Quantitative Model ...

Proprietary valuation and diagnostic model ...

Our model looks for specific combinations in more than 150 fundamental, valuation, technical, accounting, and proprietary variables that have been back-tested and proven to identify undervalued stocks. Fundamental and valuation variables receive the heaviest weighting in the model while extreme technical readings are looked at from a contrarian perspective.

Fundamental and subjective overlays ...

Pure quantitative models are widely used and have lost their edge. We saw this problem coming years ago, which is why we use a hybrid approach. Our subjective and fundamental overlays have allowed us to avoid the widely-publicized troubles that plagued other quant models and hedge funds in recent years. This added human element has been proven to enhance our performance. *See page 2 for more information.*

Performance

Standpoint Research is currently ranked risk-adjusted at # 4 versus 191 funds and research firms according to Motley Fool, briefing.com & Yahoo! Finance through November 14, 2010.

Motley Fool, briefing.com and Yahoo! Finance have a formula that factors in performance (two-thirds weight) and accuracy (one-third weight), where accuracy is defined as the percentage of recommendations beating the S&P-500 by at least 500 basis points. They have been tracking us since October 2008 and have all 123 recommendations on file time-stamped that we have made since then. Fifty-one are open, and seventy-two have been closed. We are ranked in the 94th percentile on performance (defined as the average gain per recommendation versus the S&P-500), and 97th percentile on accuracy. [See table on the right side.](#)

We have issued 123 recommendations since October 2008. The average gain per recommendation versus the S&P was 1084 basis points. More than two-thirds of our recommendations have beaten the S&P. Fifty-one outperformed by at least 1500 bps, while 19 underperformed by at least 1500 bps. If we use a +/- 3000 bps cut-off point, the figures were 24 and 6, respectively. Note: 67% accuracy on Wall Street is considered extraordinary performance. [See below.](#)

For the four years ending December 31, 2009, "Investars" had Standpoint Research ranked # 1 versus 75 financial institutions. Standpoint was ranked # 3 versus 119 financial institutions in 2009 according to gainerstoday.com. Motley Fool, briefing.com, Yahoo! Finance and gainerstoday.com have all been tracking us since Q4, 2008. Investars has all of our recommendations since July 2003 on file. They have time-stamped all of our recommendations since September 2006. Investars keeps only the most recent four years posted on their web site. For recommendations made pre-2006, visit our web site. Our eight-year track record document will be updated in Q1.

We have beaten the S&P consistently since 2003 via our turnover strategy, stock-picking and industry bets. We do not take big sector bets. We are diversified, and currently have 68 stocks on our list of open recommendations spread out across all ten sectors, down from our eight-year high of 105 open positions at the market low in Q1, 2009 (and up slightly from 58 at the market top in 2007). We have beaten the S&P-500 in seven of the last eight years by ~ 300 bps annually (on average). The 300 bps figure is even more impressive on a risk-adjusted basis.

Our rank vs. other firms ...

Top 20 out of 191

- 001 - Einhorn 99.23
- 002 - Edward Owens 98.30
- 003 - Rich Aster 98.15
- 004 - Standpoint Research 97.60**
- 005 - B. Rogers 97.59
- 006 - Benchmark 97.50
- 007 - First Analysis 97.15
- 008 - Ed Lampert 96.32
- 009 - AG Edwards 96.20
- 010 - KeyBanc 95.96
- 011 - Dreman 95.67
- 012 - Barclays 95.15
- 013 - Bank of America 95.10
- 014 - B. Riley & Co. 94.87
- 015 - Cross Research 94.70
- 016 - Hillman 94.60
- 017 - Bill Nygren 94.35
- 018 - Credit Suisse 94.26
- 019 - Stifel Nicolaus 94.25
- 020 - Soleil Securities 94.04

Notables

- 036 - Citigroup 91.44
- 038 - George Soros 91.14
- 046 - HSBC 90.66
- 058 - Sterne Agee 88.23
- 077 - Wedbush 85.20
- 098 - Needham 77.86
- 117 - Susquehanna 70.12
- 124 - Edward Jones 65.00
- 166 - Goldman Sachs < 40.00
- 185 - CL King < 40.00



Two-Year Performance (October 2008 – November 2010)

Average Gain vs. S&P	1084 bps	123
Recommendations that Beat S&P	67.4%	83/123
Out/Underperformed by +/- 1500 bps	51	19
Out/Underperformed by +/- 3000 bps	24	6



Services and Products

Standpoint Sector and Index Reports are published weekly.

S&P-500, S&P-1500, Healthcare-300, Utilities-100, Industrials-300, ADR/International-200, Russell-2000, Energy-150, Financials-200, Consumer Discretionary-300, Consumer Staples-100, Telecom-100, Materials-100 and Technology-300 are each published quarterly. We also have quarterly special reports on high-paying dividend stocks (200 companies covered) and Short Interest (1000 companies covered). Mid-quarter updates are available for each of the reports on request. Each sector report includes two files, one in Excel (five sheets) and one PDF (three pages of notes, updates and recommendations). Clients also receive individual stock write-ups/recommendations generated from these sector reports (and special reports).

Standpoint Individual Write-Ups are published twice per month.

Our recommendations are issued after applying a heavy fundamental and subjective overlay to the ideas generated by our computer model. Individual write-ups are 8-12 pages in length and usually come out a few weeks after the actual recommendation was made. The reports cover the recommended stock, its industry and competitors. If you missed any reports, they can be re-sent on request. A short write-up will usually go out with the actual recommendation; the long report follows at a later date. We put out 40-60 new ideas annually, but long reports only go out on approximately half of those names. On-demand service for these reports is available upon request.

Standpoint provides custom reporting for a select number of clients.

We perform thorough, absolute and relative analysis on client holdings and focus lists. A client's list is merged with all stocks from their respective benchmark, giving the client an idea of how their holdings scored relative to their universe.

Customized packages are available to suit your personal needs. Please contact us for package and subscription pricing information. We sell our research mainly to institutional clients, though high net worth individuals are welcome to contact us.

Reporting Schedule

December 2010

Dec 03: S&P-500 (#713)
Dec 07: Financials-200 (#714)
Dec 10: Individual write-up **TBD** (#715)
Dec 13: Short Interest-1000 (#716)
Dec 17: Energy-150 (#717)
Dec 23: Industrials-300 (#718)
Dec 27: Individual write-up **TBD** (#719)
Dec 30: ADR/International-200 (#720)

January 2011

Jan 03: Utilities-100 (#721)
Jan 06: Russell-2000 (#722)
Jan 09: Technology-300 (#723)
Jan 12: Individual write-up **TBD** (#724)
Jan 16: Telecom-100 (#725)
Jan 20: Individual write-up **TBD** (#726)
Jan 24: Consumer Disc.-300 (#727)
Jan 28: Healthcare-300 (#728)

February 2011

Feb 02: Materials-100 (#729)
Feb 05: S&P-1500 (#730)
Feb 08: Individual write-up **TBD** (#731)
Feb 11: Financials-200 (#732)
Feb 15: Dividend Stocks-200 (#733)
Feb 19: Individual write-up **TBD** (#734)
Feb 23: Energy-150 (#735)
Feb 27: Industrials-300 (#736)

Ronnie Moas

Founder & Director of Research

Ronnie Moas is the Founder and Director of Research at Standpoint. Mr. Moas began his career on Wall Street as an analyst and market strategist at Herzog Heine Geduld. He was responsible for making sector, industry and stock recommendations, identifying arbitrage opportunities, options and hedging strategies. During his years at HHG, he demonstrated remarkable accuracy with his market forecasts and stock recommendations. Mr. Moas left HHG in late 2000 in order to start his own firm (a few months after correctly forecasting the Nasdaq collapse in a timely manner).

Ronnie spent the next few years developing and back-testing a 155-variable equity valuation and diagnostic model. The model has been run more than 400 times since development was completed in June 2003. The model has since then built an exceptional track record. Mr. Moas has authored, published and distributed more than 700 research reports to-date. In 2002, he wrote a 284-page research report back-testing more than one-dozen different trading strategies on 20 years of data. In 2003, Mr. Moas was one of the first analysts on Wall Street to forecast bull markets in commodities, Brazil, Russia, India and China. He also exited (mid-2007) and re-entered (late-2008) in a timely manner. Ronnie has issued more than 400 stock recommendations since 2003.

Mr. Moas received a Bachelor's degree in Economics and Business with Honors from the State University of New York at Stony Brook, and a Masters degree in Finance and Investments from Baruch College, City University of New York. Mr. Moas was born in New York and lived in Israel from 1983-1994. He returned to New York after completing a three-year Israeli military service in artillery and intelligence with rank of Sergeant. Before returning to the United States in 1994, Ronnie worked at Shuki Weiss International Concert Productions where a few of his production credits included the Haifa Seaport Blues Festival, Bob Dylan, Radiohead, Buddy Guy and Suede. Ronnie has traveled to more than 30 countries since 2003, he designed this web site, is the owner of an articulate African Grey Parrot and a very large music collection of 1,500 cds.

Equity and Portfolio Diagnostics

The 155-variable model scoring is summarized in the 32 categories below, from 'roe' through 'peg'. The number in each of the cells is the rank in the respective category, while the color indicates to which decile the rank belongs. As a general rule, green indicates areas of strength, and red indicates areas of weakness. Below is a sample from our Q3 S&P-500 Index report. The profile displayed here is for Western Digital, which ranked # 6 (out of 500 stocks). The six cells to the right of the peg cell are coded and for internal use. Before recommending a stock we investigate all orange and red areas regardless of how high the computer ranking is.

rank	ticker	roe	roa	roc	ebitda	npm	acct	eps m	rev gr	eps gr	beta	debt
6/500	WDC	36	32	24	282	141	167	23	59	132	340	62

stab gr	div I	pbk	base	rel-ma	inside	safe	pcf I	pcf II	fcf	div II	rel str	pr mo	ps
181	1	54	404	11	244	126	46	52	49	371	484	343	82

rel ps	off hi	pred	pertix	perhis	blend	peg	deducts	val	fund	prop	misc	tech	total
126	21	461	68	11	5	22	9627	2284	1971	2430	2104	838	73.98%

Note: Clients receive a legend detailing all 155-variables in our model along with the color code. Our model is not a black box; it is transparent and we try to be as open as possible. Only the weight given to each variable is not disclosed. The variables are not equally weighted and a few are negatively weighted.

We do not believe in taking big sector bets, so we are equal-weight in a couple of high-beta sectors. If you do not equal-weight any of the four high-beta sectors, you will under-perform if the market grinds higher from here as was the case during two long stretches in 2010. We have gradually shifted from offense to defense in recent months and are now left with over-weights in healthcare and technology with slight under-weights in financials and energy. It is more important to focus on which industries within the sector we are in, what the average beta is and what stocks we choose, than it is to focus on what sectors we are betting on.

For more on our methodology, visit our web site.

Coverage

We currently cover more than 2,000 stocks, including ~ 200 ADRs. We generally monitor stocks with a \$5.00 minimum share price, three-year history, and at least a \$200M market capitalization and average daily traded volume of > 100,000 shares.

We also analyze more than 100 Exchange Traded Funds (ETFs).

Contact us or visit our website for our current coverage list.



Sector	Net Open	Standpoint Weight	S&P Weight	Over / Under
Health Care	13	19.12%	11.19%	7.93%
Technology	15	22.06%	19.43%	2.63%
Telecom	2	2.94%	3.11%	-0.17%
Industrials	7	10.29%	10.66%	-0.37%
Utilities	2	2.94%	3.46%	-0.52%
Materials	2	2.94%	3.65%	-0.71%
Cons. Disc.	6	8.82%	10.57%	-1.75%
Cons. Staples	6	8.82%	10.95%	-2.13%
Financials	9	13.24%	15.57%	-2.33%
Energy	6	8.82%	11.41%	-2.59%
Totals	68	100.00%	100.00%	0.00%



Recent Developments

November 2010

Ronnie Moas was quoted in *Forbes* and *Computer Weekly*, and was featured in *Fortune Magazine* (Volume 162, Number 8).

Q2 & Q3, 2010

Ronnie appeared multiple times on *Bloomberg's Taking Stock* with Pimm Fox and was quoted in *Barron's*.

Q1, 2010

Ronnie Moas was featured in full-length interviews at streetinsider.com and benzinga.com.

In the Media, 2009

Ronnie Moas was quoted in a number of publications including *The New York Times*, *The Wall Street Journal* and *BusinessWeek*. In addition, Mr. Moas made multiple appearances on *Bloomberg* and *BNN Canada*.

Q4, 2008

Ronnie received an award on behalf of Standpoint Research for the company's 2003-2007 performance at The Cornell Club in New York from the Investorside Research Association.



Ronnie Moas receiving an award from Patrick Shea (Executive Director, Investorside Research Association).

Conflict-Free Research

Standpoint Research, Inc. is a member of the Investorside Research Association; a Washington D.C. based non-profit organization.

Investorside certifies that its members have no investment banking or other conflicts.



For Institutional Clients
UBS, Barclays, Instinet & Credit Suisse are our preferred brokers.

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