

## **Introductory note to the STAR portfolio management methods**

The Share Tracking and Ranking (STAR) methods of share selection have been developed by John Mulligan and recorded on a monthly basis since 1985 and have been published continuously as a monthly subscription bulletin for more than 20 years. The STAR bulletins (now in electronic format) combine, in one publication, three sets of share selection indicators. One is mainly for growth, one for growth combined with a higher level of income and the other principally for income. The two former methods have been operating since the start of STAR, as a published entity, more than 20 years ago but the high income variant was initiated in January 2012. The monthly STAR bulletins are specifically designed to help in the management of ISAs and SIPP's as well as conventional UK equity portfolios.

The basic analytical methods, which are used to provide the regular investment signals for the STAR bulletins, have been back-tested on a monthly basis since late 1985. During this period annual selected lists of ten shares have grown in value, before deducting costs, more than eight times faster than the FTSE All Share Index. For annual performance since 1985 please see table & chart below.

### **What is the STAR selection programme?**

The STAR bulletins provide investors with a straightforward structured approach to share selection and equity portfolio management. By means of the regularly updated share ranking lists investors have the choice of either closely following the signals given for model portfolios comprising 10 and 20 shares or of devising their own preferred strategies.

In essence the STAR approach is based on the results derived from a simple process which regularly reassesses the relative share values of the largest 350 listed UK companies. By taking account of expected corporate growth rates and also the latest stock market valuations of each company's shares STAR delivers a regular framework for investment decision making that has withstood the test of time. These methods are generally recognised as a variant of the Growth at Reasonable Price (GARP) share selection process.

There is no magic or guarantee to the methods used. What the regular updates do is to sort out each month those companies that combine the highest expected rates of earnings growth with the lowest prospective price earnings ratios. The approach tends towards that of value investing by selecting shares that are temporarily out of favour with investors. Provided that their lack of support is not due to deteriorating profits growth such companies frequently prove to be successful investments. One of the keys to this is the regular STAR monthly checking of earnings forecasts and the avoidance of those equities that are subject to significant reductions in earnings estimates.

### **What the STAR bulletins contain**

Each monthly bulletin is emailed to subscribers in pdf format. The bulletins usually contain some 6 pages of editorial and analysis as well as the key tables containing the latest purchase and sales lists for all three templates. Subscribers also receive a separate ranking table with data on all 350 or so companies in the STAR database.

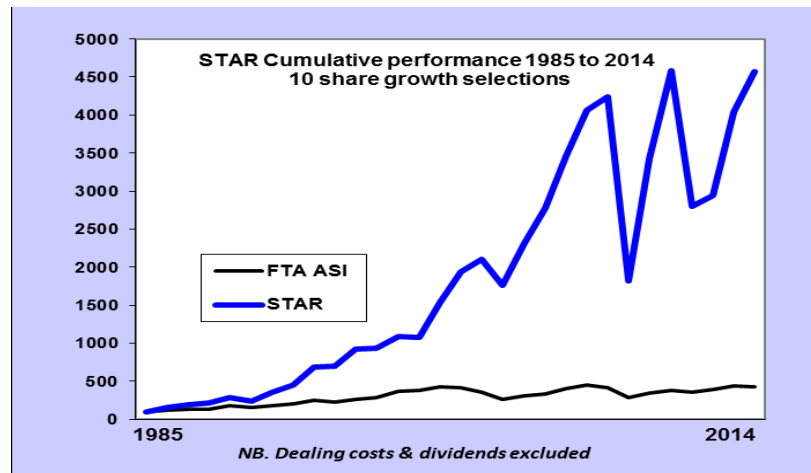
The basic system has been developed so that any investor is able to construct a balanced portfolio and subsequently manage it regularly without having to spend more than a few minutes every month. Each new subscriber receives a step by step guide showing them how to set up portfolios of 10 and 20 shares and how to monitor them regularly following the monthly bulletin updates.

### **The STAR Ten share growth selection results to November 2014**

STAR is probably unique in having a performance record that has been tracked every month since the process was first developed in 1985. Results for the years 1985 to 2014 are summarised below: These relate to the basic growth selection list covering ten shares. In most years, in fact 22 out of 29, the STAR selections have performed significantly better than the broader UK equity market as measured by the FTSE All Share Index.

## The STAR ten share performance record from 1985 to 2014

Annual Gains/Losses %			Cumulative Gains/Losses %			
Year	FTA ASI	STAR	Year		FTA ASI	STAR
1985			1985		100	100
1986	22	60	1986		122	160
1987	7	22	1987		131	195
1988	6	11	1988		138	217
1989	30	32	1989		180	286
1990	-16	-17	1990		151	237
1991	17	50	1991		177	356
1992	15	28	1992		203	456
1993	23	50	1993		250	684
1994	-10	2	1994		225	697
1995	18	32	1995		266	918
1996	9	2	1996		291	936
1997	26	17	1997		365	1092
1998	5	-1	1998		383	1081
1999	12	42	1999		431	1532
2000	-4	27	2000		413	1941
2001	-14	9	2001		355	2108
2002	-25	-16	2002		266	1762
2003	15	31	2003		306	2310
2004	9	20	2004		333	2777
2005	20	25	2005		398	3463
2006	13	17	2006		449	4062
2007	-2	-1	2007		418	4239
2008	-33	-57	2008		280	1823
2009	24	88	2009		347	3423
2010	11	34	2010		384	4583
2011	-8	-39	2011		354	2800
2012	10	5	2012		388	2940
2013	14	37	2013		442	4037
2014	-3	13	2014		428	4567



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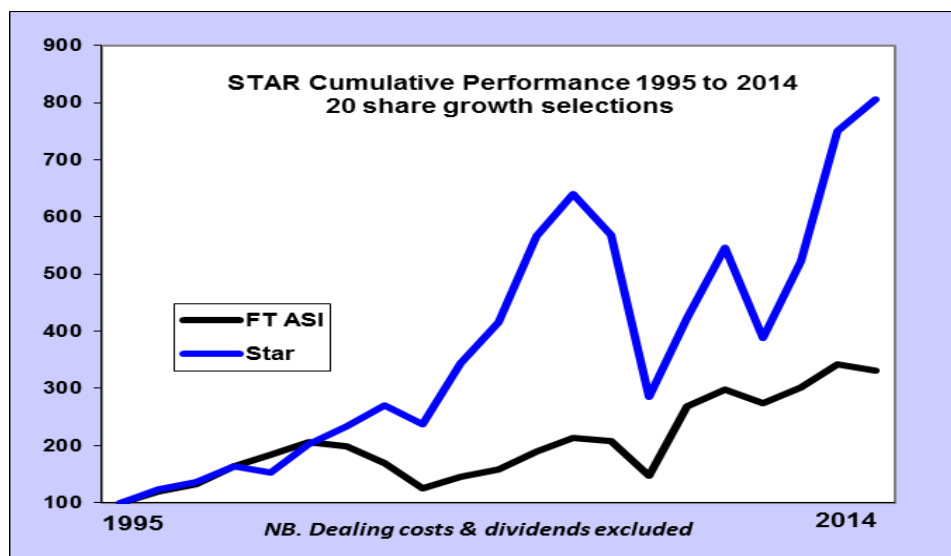
- 1) *Results for 2014 are priced as at 4<sup>th</sup> November 2014*
- 2) *The valuations exclude dealing costs and dividends*
- 3) *The year end date for previous year & current year relates to bulletin publication date*
- 4) *This is not a recommendation. Past performance is not a reliable indicator of future returns.*

### The STAR twenty share growth selection results to November 2014

More recently detailed records have been kept of the twenty growth share selection lists covering both growth and combined income and growth selections. The record of the 20 growth share selections from 1999 to end September 2014 is shown below.

#### STAR 20 share growth selections 1995 to 2014

Year	FT ASI	Star
1994	100	100
1995	120	124
1996	133	137
1997	164	163
1998	184	152
1999	206	202
2000	198	234
2001	170	270
2002	126	237
2003	146	344
2004	159	416
2005	189	566
2006	214	640
2007	208	569
2008	147	285
2009	269	424
2010	299	547
2011	275	389
2012	301	522
2013	343	750
2014	332	806



**NB**

- 1) *Results for 2014 are priced as at 4<sup>th</sup> November 2014*
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**Why STAR is different**

The STAR bulletins differ from other aids for private investors as they provide regularly updated equity portfolio templates rather than individual share tips. The monthly updates work extremely efficiently when combined with low cost share dealing services supplied by online stockbrokers such as Interactive Investor, TD Directinvesting, Halifax, Barclays Stockbrokers and others. In short STAR provides ordinary savers with a simple low cost DIY equity portfolio selection and management system that can be followed by anyone without prior knowledge of the market.

**Unique strengths**

- 1) The clearly defined STAR selection methods and templates have been proven over almost three decades with initial testing having begun in 1985
- 2) The basis of the value investment criteria is sourced monthly from leading analyst estimates
- 3) The simple formula enables investors to set up and manage template portfolios with minimum time – initially one hour and then 10 to 15 minutes each month just to check the latest sales lists and re-invest if necessary
- 4) Investors can keep control of their equity shares in ISAs, SIPP's or other wrappers easily and cheaply thus saving on management fees
- 5) No prior knowledge of equity investment is needed provided users follow one of the existing templates for growth, income and growth or high income
- 6) More active investors may choose to adapt the monthly ranking lists as best suits them
- 7) The process has now been published for more than 20 years - the November 2014 bulletin is number 263
- 8) STAR is not a share tipping service but a unique evaluation that ranks the 350 largest London listed shares every month with easy to follow guidance on which ones to buy, hold or sell.

*John Mulligan November 2014*