



The Applied Finance Group

Global Corporate Performance and Equity Valuation Experts

ValueExpectations.com - Home Run Index

The Value Expectations blog is introducing the Home Run Index – a model portfolio that will be updated monthly to contain some of the best ideas from our quantitative research. Our first portfolio is available below for our registered users. If you have not registered yet, and would like to view the companies in this month's portfolio, please register now. On an ongoing basis, we will update performance each month, along with a new set of tickers as these metrics change.

What is a Home Run Index Stock?

AFG's research has identified five factors that consistently identify stocks likely to deliver significant short term over and under performance. Our Home Run Index recommendations rate highly across each of these factors.

Valuation: Identifies companies trading at significant discount to AFG's intrinsic value estimate.

Momentum: Identifies companies with positive Economic Margin Momentum over a three-month window.

Earnings Quality: Identifies companies with strong relationships between their cash flows and net income, based on changes in Net Operating Assets, and avoids companies with high accruals.

Management Quality: Identifies whether corporate management teams are pursuing strategies that create or destroy value.

Price Characteristics: In most markets, we look for stock candidates that exhibit certain traits related to their share price and moving average relationship, but in periods of high market turbulence, we will ignore these metrics until markets recover.

Historical Performance:

The Home Run Index has outperformed the Russell 3000 by 15.0% annually since 9/98, with a monthly outperformance batting average of 66.7%. On average, roughly 103 companies are included in the portfolio each month, with 39 from the Russell 1000 and 64 from the Russell 2000.

	Russell 3000						
	Returns				Counts		
	Home Run Index	Universe	Spreads	Batting Average	Home Run Index	Universe	
All	22.5%	7.5%	15.0%	66.7%	103	2,524	
Non-Financials	23.2%	7.8%	15.5%	67.4%	73	2,089	
Financials	20.9%	6.2%	14.7%	59.7%	30	436	
	Russell 1000						
	Returns				Counts		
	Home Run Index	Universe	Spreads	Batting Average	Home Run Index	Universe	
All	15.3%	6.8%	8.5%	62.5%	39	907	
Non-Financials	15.4%	7.0%	8.4%	59.0%	28	747	
Financials	11.9%	5.5%	6.4%	54.9%	11	160	
	Russell 2000						
	Returns				Counts		
	Home Run Index	Universe	Spreads	Batting Average	Home Run Index	Universe	
All	27.1%	7.8%	19.3%	67.4%	64	1,617	
Non-Financials	29.0%	8.0%	21.0%	66.7%	45	1,341	
Financials	22.5%	6.6%	15.9%	62.5%	18	276	

Source: AFGView client databases from 9/98 – 1/10
Universe size: 4.000 to 5.500 firms

Home Run Index Company Count

Home run Index - Company Count			
	Russell 3000	Russell 1000	Russell 2000
Basic Material	6	2	4
Capital Goods	6	3	3
Consumer Durable	1	0	1
Consumer Non Durable	6	4	2
Consumer Services	26	12	14
Energy & Extraction	0	0	0
Environmental	0	0	0
Financials	26	13	13
Health	21	14	7
Miscellaneous	4	1	3
Technology	21	10	11
Transportation	1	0	1
Utilities	4	3	1

Home Run Index – Russell 1000 Companies

Russell 1000			
Ticker	AFG Sector	Company Name	Market Cap
GLW	Basic Material	CORNING INC	31386
LZ	Basic Material	LUBRIZOL CORP THE	6277
ESV	Capital Goods	ENSCO INTERNATIONAL ADR	6383
GD	Capital Goods	GENERAL DYNAMICS CORP	29776
ITRI	Capital Goods	ITRON INC	2913
CL	Consumer Non Durable	COLGATE-PALMOLIVE CO	42133
COH	Consumer Non Durable	COACH INC	12417
DLM	Consumer Non Durable	DEL MONTE FOODS CO	2895
PM	Consumer Non Durable	PHILIP MORRIS INTL INC	98435
ARO	Consumer Services	AEROPOSTALE INC	2857
AZO	Consumer Services	AUTOZONE INC	8440
BBY	Consumer Services	BEST BUY CO INC	17783
DLTR	Consumer Services	DOLLAR TREE INC	5183
KSS	Consumer Services	KOHL'S CORP	16816
LPS	Consumer Services	LENDER PROCESSING SVCS	3662
MCO	Consumer Services	MOODY'S CORP	7047
ROST	Consumer Services	ROSS STORES INC	6623
TGT	Consumer Services	TARGET CORP	39166
TJX	Consumer Services	TJX COMPANIES INC THE	17846
VIAB	Consumer Services	VIACOM INC CL B	20882
WMT	Consumer Services	WAL-MART STORES INC	211846
AFL	Financials	AFLAC INC	25439
AHL	Financials	ASPEN INSURANCE HLDG LTD	2403
AIZ	Financials	ASSURANT INC	4010
CME	Financials	CME GROUP INC	21026
GS	Financials	GOLDMAN SACHS GROUP INC	87894
HCC	Financials	HCC INSURANCE HOLDINGS	3148
HUM	Financials	HUMANA INC	7959
L	Financials	LOEWS CORP	15847

LNC	Financials	LINCOLN NATIONAL CORP	9278
SFG	Financials	STANCORP FINANCIAL	2274
TMK	Financials	TORCHMARK CORP	4433
TRV	Financials	TRAVELERS COMPANIES INC	28065
UNM	Financials	UNUM GROUP	8219
ABT	Health	ABBOTT LABORATORIES	81716
AMGN	Health	AMGEN INC	59538
BMJ	Health	BRISTOL-MYERS SQUIBB CO	45630
CEPH	Health	CEPHALON INC	5078
FRX	Health	FOREST LABORATORIES INC	9482
HOLX	Health	HOLOGIC INC	4789
KCI	Health	KINETIC CONCEPTS INC	3407
LH	Health	LABORATORY CP AM HLDGS	7972
LLY	Health	ELI LILLY & CO	41650
MCK	Health	MCKESSON CORP	17704
MD	Health	MEDNAX INC	2733
MDT	Health	MEDTRONIC INC	49602
OCR	Health	OMNICARE INC	3403
STJ	Health	SAINT JUDE MEDICAL INC	13322
IM	Miscellaneous	INGRAM MICRO INC	2885
ATVI	Technology	ACTIVISION BLIZZARD INC	15068
HRS	Technology	HARRIS CORP	6141
LSI	Technology	LSI CORP	4018
LXK	Technology	LEXMARK INTERNATIONAL	2818
ONNN	Technology	ON SEMICONDUCTOR CORP	3418
ORCL	Technology	ORACLE CORP	128838
STX	Technology	SEAGATE TECHNOLOGY	9112
SYMC	Technology	SYMANTEC CORP	13648
TXN	Technology	TEXAS INSTRUMENTS INC	30346
WDC	Technology	WESTERN DIGITAL CORP	8890
CEG	Utilities	CONSTELLATION ENERGY GRP	7057
EP	Utilities	EL PASO CORP	7602
UGI	Utilities	UGI CORP	3059

Home Run Index – Russell 2000 Companies

Russell 2000			
Ticker	AFG Sector	Company Name	Market Cap
BKI	Basic Material	BUCKEYE TECHNOLOGIES INC	507
BZ	Basic Material	BOISE INC	517
KALU	Basic Material	KAISER ALUMINUM CORP	782
KS	Basic Material	KAPSTONE PAPER & PCKGING	539
AVTR	Capital Goods	AVATAR HOLDINGS INC	241
GIFI	Capital Goods	GULF ISLAND FABRICATION	311
TECUA	Capital Goods	TECUMSEH PRODUCTS CL A	227
IMN	Consumer Durable	IMATION CORP	419
AOI	Consumer Non Durable	ALLIANCE ONE INTERNAT	493
OME	Consumer Non Durable	OMEGA PROTEIN CORP	108
CATM	Consumer Services	CARDTRONICS INC	523
CRMT	Consumer Services	AMERICAS CAR-MART INC	283
CSS	Consumer Services	CSS INDUSTRIES INC	194
DDS	Consumer Services	DILLARD'S INC CL A	1742
DLX	Consumer Services	DELUXE CORP	994
MCS	Consumer Services	MARCUS CORP THE	388
MFW	Consumer Services	M&F WORLDWIDE CORP	592
NCFI	Consumer Services	NATIONAL CINEMEDIA INC	727

RLH	Consumer Services	RED LION HOTELS CORP	131
TXRH	Consumer Services	TEXAS ROADHOUSE INC	978
TYL	Consumer Services	TYLER TECHNOLOGIES	658
UEPS	Consumer Services	NET 1 UEPS TECHNOLS INC	835
VSEC	Consumer Services	VSE CORP	213
WBSN	Consumer Services	WEBSense INCORPORATED	988
AEA	Financials	ADVANCE AMERICA CSH ADV	359
AEL	Financials	AMERICAN EQTY INVST LIFE	599
AFSI	Financials	AMTRUST FINANCIAL SVCS	827
BLX	Financials	BANCO LATINO AMERICANO	525
DLLR	Financials	DOLLAR FINANCIAL CORP	583
GLRE	Financials	GREENLIGHT CAPITAL RE	969
MCGC	Financials	MCG CAPITAL CORP.	398
NFP	Financials	NATIONAL FINANCIAL PRTRS	583
NNI	Financials	NELNET INC	926
PNNT	Financials	PENNANTPARK INVESTMENT CORP.	268
SUR	Financials	CNA SURETY CORP	788
UAM	Financials	UNIVERSAL AMERICAN FIN	1146
WRLD	Financials	WORLD ACCEPTANCE CORP	591
EBS	Health	EMERGENT BIOSOLUTIONS, INC.	518
ENSG	Health	ENSIGN GROUP INC THE	356
HWAY	Health	HEALTHWAYS INC	544
LHCG	Health	LHC GROUP LLC	603
PBH	Health	PRESTIGE BRANDS HOLDINGS	450
PRX	Health	PAR PHARMACEUTICAL COMP	864
SIRO	Health	SIRONA DENTAL SYSTEMS	2093
COMS	Miscellaneous	3COM CORP	3037
CSGS	Miscellaneous	CSG SYSTEMS INTERNAT INC	738
SNX	Miscellaneous	SYNNEX	1017
AMKR	Technology	AMKOR TECHNOLOGY INC	1297
ARRS	Technology	ARRIS GROUP INC	1508
EPIC	Technology	EPICOR SOFTWARE CORP	585
IDCC	Technology	INTERDIGITAL INC	1205
NTLS	Technology	NTELOS HOLDINGS CORP	737
PLAB	Technology	PHOTRONICS INC	272
RSYS	Technology	RADISYS CORPORATION	214
SLH	Technology	SOLERA HOLDINGS, INC.	2699
SVR	Technology	SYNIVERSE HOLDINGS INC	1351
TQNT	Technology	TRIQUINT SEMICONDUCTOR	1073
USMO	Technology	USA MOBILITY	285
PHIIK	Transportation	PHI INC NON VOTING	324
PETD	Utilities	PETROLEUM DEVELOPMENT CORP.	446

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