ZACKS
INVESTMENT RESEARCH

Intro

Disclaimer

The performance calculations for the Research Wizard strategies were produced through the backtesting feature of the Research Wizard using the DBCMHIST database and consist of the total return (price changes + dividends) of an equal weighted portfolio. Returns are calculated on a specified periodic basis (most often one or four weeks) and assume no transaction costs. The portfolio is rebalanced at the start of each new period. Returns can be stated as either annualized or compounded.

Stock trading/investing involves risk and you can lose some or all of your investment. Hypothetical or backtested results may not always be duplicated in the real world. Backtesting can at times produce an unintended look-ahead bias. Results can also at times be over or understated due to the exclusion of inactive companies. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading, not the least of which is the ability to withstand losses or to adhere to a particular trading strategy in spite of trading losses. These are material points which can also adversely affect actual trading results. The backtested results prepared for these materials were done using the DBCMHIST database and consisted of only active companies. The Research Wizard program has been aligned, to the extent possible, to eliminate look-ahead bias. Zacks however cannot make any guarantees in regard to this or any other possible limitation. For more information on backtesting, please go to: http://www.zacks.com/performance.

The performance of the Zacks Rank portfolios for annual and year-to-date periods are the linked monthly total returns (price changes + dividends) of equal weighted hypothetical portfolios, consisting of those stocks with the indicated Zacks Rank, assuming monthly rebalancing and zero transaction costs. These are not the returns of actual portfolios. The hypothetical portfolios were created at the beginning of each month from January 1988 forward based on the values of the Zacks Rank available to Zacks' clients before the beginning of each month. The portfolios created monthly from 1988 through September 2006 exclude ADRs and are comprised of stocks that have the indicated Zacks Rank and were covered by at least two analysts at the time of the stocks inclusion in the portfolio. Starting in October 2006 and going forward, the portfolios are comprised of all stocks with the indicated Zacks Rank and do not exclude ADRs, which is more reflective of the list of stocks that customers will find on the Zacks web sites. These performance numbers have been audited from 1995 through 2003 by Virchow, Krause & Company, LLP.

The S&P 500 Index ("S&P 500") is a well-known, unmanaged index of the prices of 500 large-company common stocks selected by Standard & Poor's. The S&P 500 includes the reinvestment of all dividends, no transaction costs, and represents the gross returns before management fees.

Table of Contents

Symbol Guide

To assist you in the use of this *Zacks Method for Trading: **Home Study Course Workbook***, icons have been used to identify specific areas of interest. They include:

Assignment: Identifies areas that require completion before moving on to the next lesson in the workbook.

Exercise: Identifies activities or exercises used to review or test your knowledge in the application of the tools or strategies.

Key Point: Identifies objects, lessons, main ideas or terms to help you gain expertise while developing strategies for trading.

Lesson: Designates practical information helpful in gaining knowledge and understanding of the Zacks Method for Trading in the stock market.

Notes: Indicates an area provided in your workbook allowing you to take notes and record additional information from your personal studies.

Objectives: Identifies information as well as targeted areas for discussion to be covered during your home study course.

Lesson Snapshot: Provides a brief summary or recap of topics or concepts covered in the lesson.

Web Address: Indicates a website or web address with supporting information or additional resources to help develop your skills.

Introduction—
The Zacks Method for Trading

👀 Objectives

The objectives for this lesson include:

- Introduction to the Zacks Method for Trading:
    Home Study Course
    – Becoming a Better Trader

- Zacks Method for Trading
    – Identify
    – Analyze
    – Manage

- The "I AM" Goal

- Research Wizard Overview

📋 Assignments and Exercises

The following assignments will help you in understanding the information in this lesson:

- **Watch DVD Disc 1: Introduction to the Zacks Method for Trading and Welcome by Len Zacks**

Plan to devote a minimum of 15-30 minutes per day to completing the assignments and exercises for each lesson. It is imperative to spend time educating yourself about the market in order to have long-term success and consistency in profitable investing.

Introduction to the Zacks Method for Trading: Home Study Course

Becoming a Better Trader

In this home study course, we are going to show you how you can become a better trader by using some of Zacks' most proven, profitable trading strategies using fundamental information. We are also going to show you how you can create your own trading strategies and how to backtest them to confirm that they work. We'll be using the Zacks Research Wizard stock picking and backtesting program to demonstrate this, so you can begin using the Zacks Method in your own trading.

Throughout these lessons, we are going to help you develop the life skills to make more money in the market, so you can live the kind of life you want to live and to have the kind of freedoms and choices that come with greater financial success.

You will also be able to identify the kinds of stocks to buy that have the highest probability of success—and when to sell to maximize your returns. We are also going to show you how you can minimize your risk while doing so.
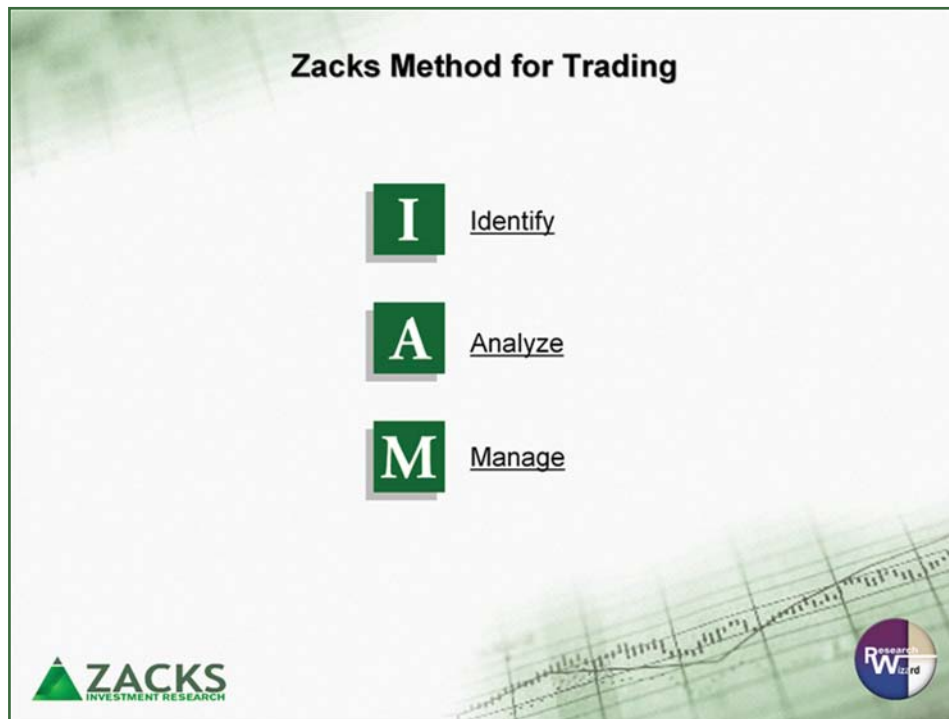
You are also going to see that it's a lot easier than you think. And you won't have to stay glued to your computer screen either to do it. The Zacks Method for Trading: Home Study Course is going to provide you with real-life, practical and actionable information and strategies, that you can start using immediately. It really comes down to just three things ...
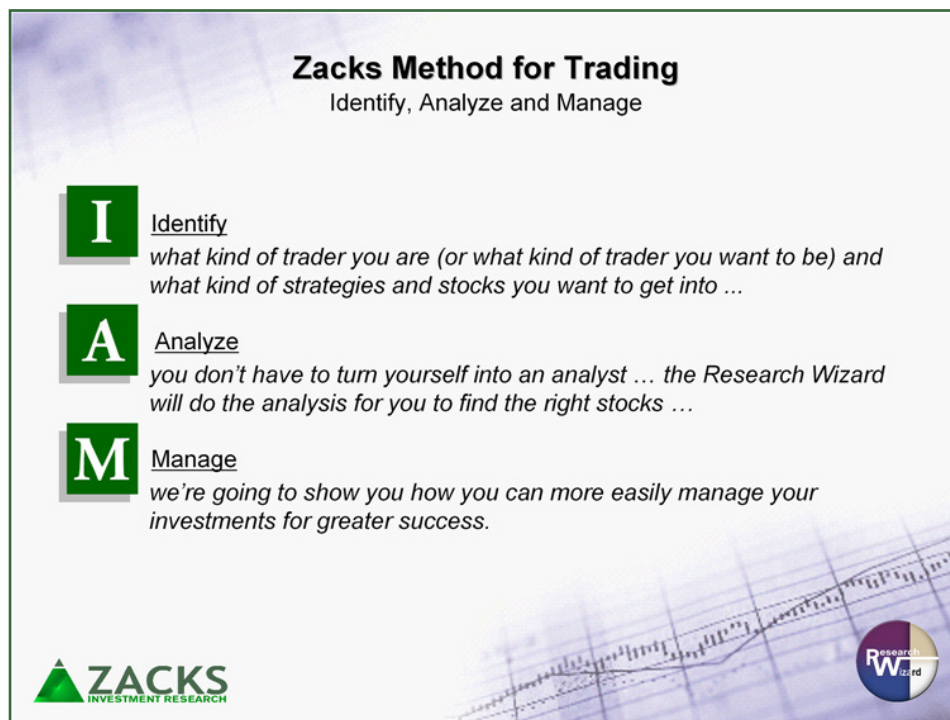
Notes

Zacks Method for Trading

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The return numbers presented assume no transaction costs. Details of how Zacks calculates performance for the Zacks Rank Portfolios and the backtested strategies can be found on page ii and at **http://www.zacks.com/performance**.

Zacks Method for Trading
Identify, Analyze and Manage

Identify

What kind of trader you are (or what kind of trader you want to be) and what kind of strategies and stocks you want to get into.

- Are you a Momentum Trader or do you look for Value Stocks? Are you an Aggressive Growth Trader or are you looking for Growth and Income? Perhaps you're a little bit of everything.

- Are you looking to simplify your life and increase your returns by trading one of Zacks' proven, profitable strategies?

- Or do you want to create your own screens and trading systems and test it all to make sure it works?

Notes

Using the Zacks Method for Trading and the Research Wizard makes it easy to identify the stocks you should add to your portfolio.

Analyze

> You don't have to turn yourself into an analyst because the Research Wizard will do the analysis for you. And it can be as easy as clicking a button.

The hardest part that keeps people from paying attention to their portfolio the way they should has now been made simple and easy; without any guesswork and without any headache.

Manage

> We're going to show you how to easily manage your investments for greater success. And you'll see it doesn't have to be difficult or time consuming to do it.

Your investments are probably the largest, most important chunk of money you will ever be responsible for in your entire life. We're going to show you the Zacks Method for Trading to better take care of it.
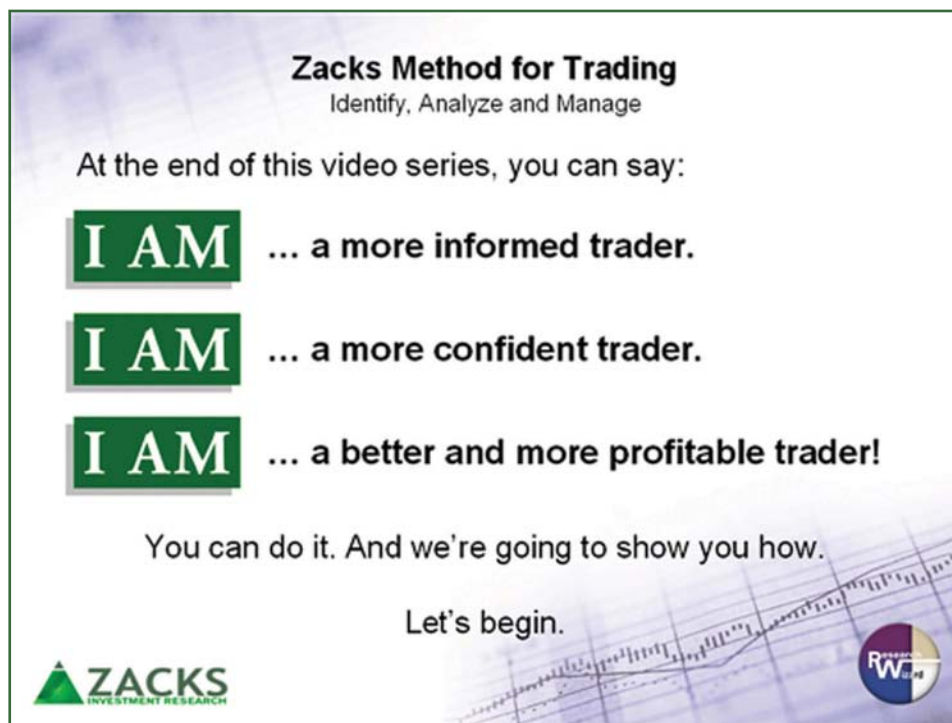
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The "I AM" Goal

Research Wizard Overview

As you may already know, the Research Wizard is the dynamic screening and backtesting software from Zacks Investment Research. And it's as powerful as it is easy to use. In short, the Research Wizard gives you access to some of Zacks' most proven, profitable trading strategies. It also let's you create and backtest your own stock picking and trading strategies.

The program comes loaded with over 8,600 stocks in its Universe. You can pick and choose from over 650 different, fundamental data items. There's also a Calculation Expression feature that allows you to create your own custom calculations—comparing one item to another, combining different items together and even comparing an item's value to its value from a different time period. The program also gives you access to years of historical data.
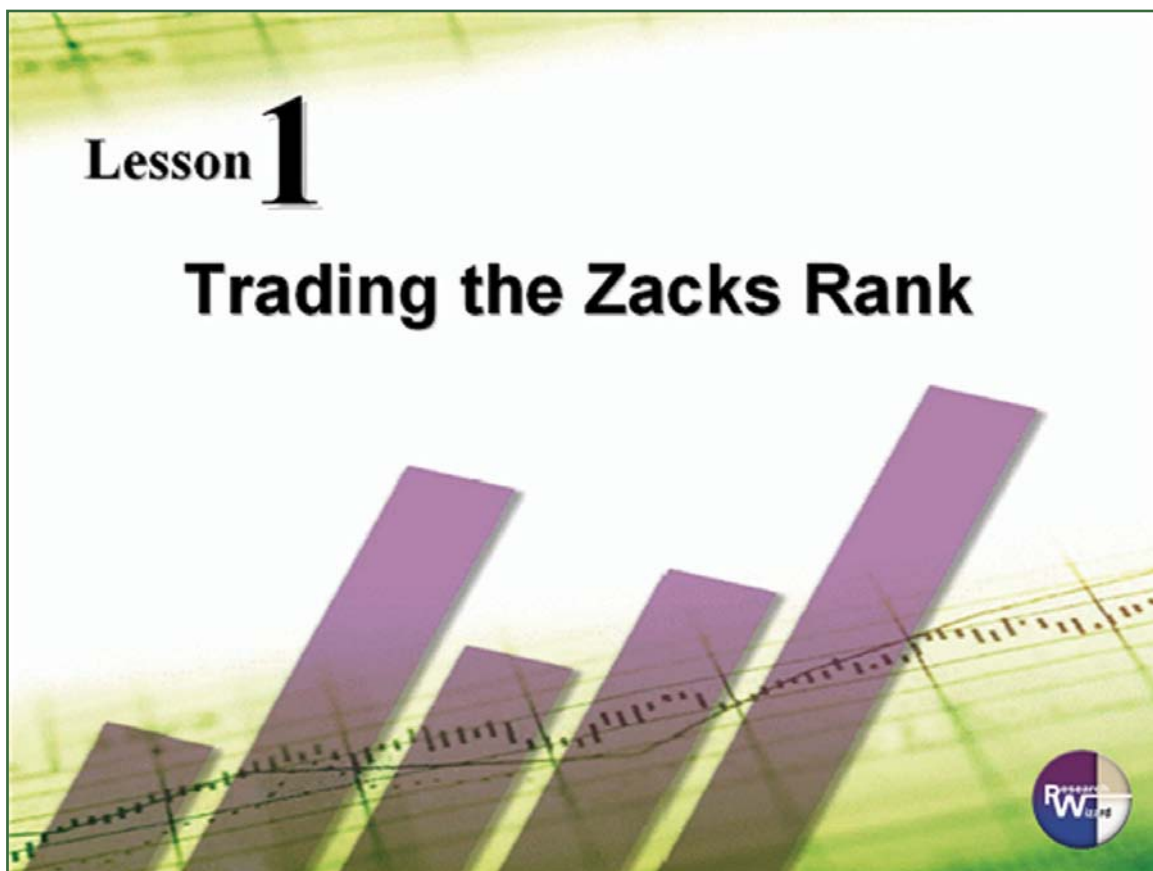
Notes

Probably half of the customers who buy the Research Wizard use it for the tool that it is—they want to search for stocks, do their own research and test it all to make sure it works. The other half buy the program because they want to trade the proven profitable trading strategies that Zacks has already created.

However, once customers and students have used the program, many find themselves doing a little bit of both. Either way, the Zacks Method for Trading is designed to help you develop the skills to make more money in the market and to become a more confident trader in the process.

Lesson One—Trading the Zacks Rank

Notes