Validea Guru Analysis User Guide

Our goal at Validea is to follow proven quantitative strategies that have a long-term track record of outperforming the market. Our team combs through both published books and academic research to identify factor-based strategies for inclusion on our site.

For us to follow a strategy, it must meet two major criteria

1. It must either be developed by someone who has a long-term record of beating the market or it must be based on academic research that has been tested over the long-term.
2. It must be able to be run in a purely quantitative manner to eliminate the negative effects of human emotion.

Some of our strategies are based on investors whose names you probably recognize like Warren Buffett, Peter Lynch, and Ben Graham. Others are based on lessor known investors or academics like Joseph Piotroski, Pim Van Vliet and Dashan Huang. But regardless of how widely known a strategy's creator is, our requirements are the same: it must have a long-term track record of outperformance. Our strategies cover all the major investing factors, including value, growth, momentum, quality and low volatility.

In total, we follow 22 individual guru strategies. 12 of the strategies are included in our standard subscription and 10 additional strategies are included in our professional subscription. You can see which strategies are included in each subscription here.

How Guru Analysis Works

The guru strategies we follow each have a series of fundamental-based criteria. Some strategies have only a few criteria, while others have many. Our Guru Analysis offers a simple score between 1 and 100 that tells you how closely any given stock meets the tests of each of our guru strategies. After each trading day, we run each of the 3000+ stocks we cover through our 22 guru models. The resulting score is displayed on our Guru Analysis page. The score will give you a general idea of how closely that stock meets the tests of any one of our individual strategies. For example, if a stock meets 90% of the criteria of one of our strategies, it will receive a score of 90. It is important to note that some criteria are more important than others, so the score is not a simple average. It is weighted based on what is most important to that strategy. In general, we consider a score of 90 or above to be a passing score for a strategy (we refer to it as strong interest) and a score of 80 or above to be some interest.

Using Our Guru Analysis System

Our guru analysis system consists of two pages. The main guru analysis page allows you to enter any ticker and receive scores from all of our guru strategies for that stock (you get scores for 12 strategies as a regular subscriber and 10 more as a professional subscriber). Our strategies all have very stringent criteria so don't expect to see lots of high scores for any stock. It is rare for any given stock to pass more than 5

or 6 of our 22 strategies. The types of strategies a stock passes can tell you a lot about it, though. For example, a stock that passes our Benjamin Graham strategy is likely a deep value stock. Or a stock that passes our strategy based on Warren Buffett is likely high quality and has produced consistent earnings over time. Or a stock the meets the tests of our Twin Momentum model likely has had strong price appreciation and improving fundamentals.

The second page of our guru analysis is our detailed analysis page. This can be accessed by clicking any strategy on the main guru analysis page. The detailed page will help you to understand exactly why a stock passes or does not pass any of our strategies. It contains two main sections. The report card at the top offers an overview of each criteria contained within the strategy and whether that stock passes or fails them. The detailed analysis takes it a step further by offering simple sentences that explain what the strategy looks for and why the stock does or does not meet each test. The stock's fundamentals are filled in to the sentences so you can see how close it was to passing or failing each criterion. The detailed analysis is the most powerful part of our guru analysis system because it lets you take a deep dive into any company's fundamentals in the same way a professional analyst might to uncover both its strengths and its weaknesses.

You can switch between strategies on the detailed analysis page using the drop-down box at the top.