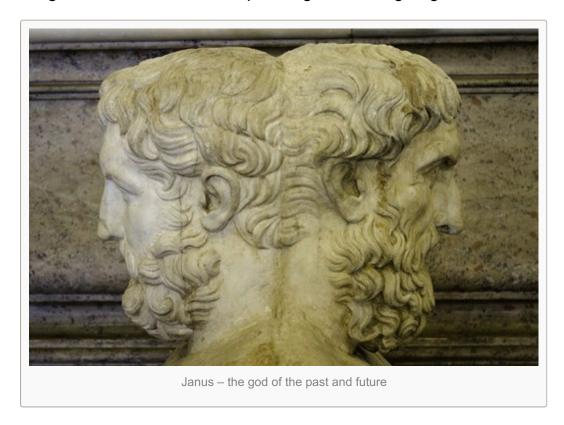# How My Value Screeners Performed in 2014

Written by Jae Jun follow me on Facebook Twitter

In ancient Roman mythology, there is a god with two faces.

His name is Janus and with two faces, he looks in both directions representing the past and future.

His name is where the word January came from.

Although January 2015 is fully under way, it's appropriate because we are still at a stage of looking back at 2014 while also planning and strategizing for 2015.
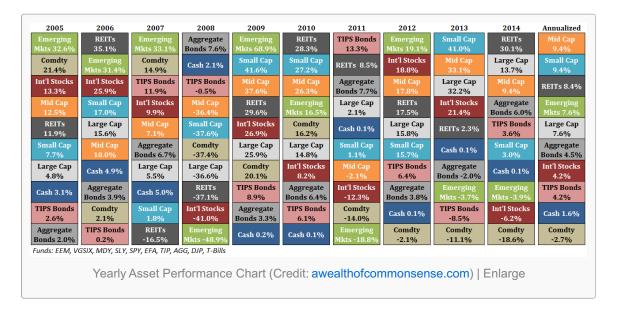

Janus – the god of the past and future

Now one of the very last tasks of the year (or first of the year) is to go through all the performances of the **value stock screeners** and see what worked and what didn't.

I don't bother with gathering results for all different asset classes and sectors because there are plenty of people who are better than me at this.

It's easier to leverage the work of others and to put my value strategies into context.

Here's the best chart I came across showing the performance of the major asset classes.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Annualized
Emerging Mkts 32.6%	REITs 35.1%	Emerging Mkts 33.1%	Aggregate Bonds 7.6%	Emerging Mkts 68.9%	REITs 28.3%	TIPS Bonds 13.3%	Emerging Mkts 19.1%	Small Cap 41.0%	REITs 30.1%	Mid Cap 9.4%
Comdty 21.4%	Emerging Mkts 31.4%	Comdty 14.9%	Cash 2.1%	Small Cap 41.6%	Small Cap 27.2%	REITs 8.5%	Int'l Stocks 18.8%	Mid Cap 33.1%	Large Cap 13.7%	Small Cap 9.4%
Int'l Stocks 13.3%	Int'l Stocks 25.9%	TIPS Bonds 11.9%	TIPS Bonds -0.5%	Mid Cap 37.6%	Mid Cap 26.3%	Aggregate Bonds 7.7%	Mid Cap 17.8%	Large Cap 32.2%	Mid Cap 9.4%	REITs 8.4%
Mid Cap 12.5%	Small Cap 17.0%	Int'l Stocks 9.9%	Mid Cap -36.4%	REITs 29.6%	Emerging Mkts 16.5%	Large Cap 2.1%	REITs 17.5%	Int'l Stocks 21.4%	Aggregate Bonds 6.0%	Emerging Mkts 7.6%
REITs 11.9%	Large Cap 15.6%	Mid Cap 7.1%	Small Cap -37.6%	Int'l Stocks 26.9%	Comdty 16.2%	Cash 0.1%	Large Cap 15.8%	REITs 2.3%	TIPS Bonds 3.6%	Large Cap 7.6%
Small Cap 7.7%	Mid Cap 10.0%	Aggregate Bonds 6.7%	Comdty -37.4%	Large Cap 25.9%	Large Cap 14.8%	Small Cap 1.1%	Small Cap 15.7%	Cash 0.1%	Small Cap 3.0%	Aggregate Bonds 4.5%
Large Cap 4.8%	Cash 4.9%	Large Cap 5.5%	Large Cap -36.6%	Comdty 20.1%	Int'l Stocks 8.2%	Mid Cap -2.1%	TIPS Bonds 6.4%	Aggregate Bonds -2.0%	Cash 0.1%	Int'l Stocks 4.2%
Cash 3.1%	Aggregate Bonds 3.9%	Cash 5.0%	REITs -37.1%	TIPS Bonds 8.9%	Aggregate Bonds 6.4%	Int'l Stocks -12.3%	Aggregate Bonds 3.8%	Emerging Mkts -3.7%	Emerging Mkts -3.9%	TIPS Bonds 4.2%
TIPS Bonds 2.6%	Comdty 2.1%	Small Cap 1.8%	Int'l Stocks -41.0%	Aggregate Bonds 3.3%	TIPS Bonds 6.1%	Comdty -14.0%	Cash 0.1%	TIPS Bonds -8.5%	Int'l Stocks -6.2%	Cash 1.6%
Aggregate Bonds 2.0%	TIPS Bonds 0.2%	REITs -16.5%	Emerging Mkts -48.9%	Cash 0.2%	Cash 0.1%	Emerging Mkts -18.8%	Comdty -2.1%	Comdty -11.1%	Comdty -18.6%	Comdty -2.7%

Funds: EEM, VGSIX, MDY, SLY, SPY, EFA, TIP, AGG, DJP, T-Bills

Yearly Asset Performance Chart (Credit: awealthofcommonsense.com) | Enlarge

Because this blog is about value stocks, the stocks shown on the value screens all fall into the large, mid and small cap boxes above.

But most of those stocks should be categorized into the small cap group which managed 3% on the year.

So in the grand scheme of things, no matter how good the strategy or quality of the company was, small caps had a rough 2014.

It goes to show how difficult it is to beat the market.

The market isn't going to award you easily just because the company has strong fundamentals.

What works one year, may not the next and it's a test of conviction and temperament to see it through.

That's why having a clear process to buy and sell stocks and to focus on creating long term wealth is important over short term gains.

Sure it feels good when you beat the market, but that's something you can leave to fund managers who are judged based on their quarterly or yearly results.

You and I have the luxury of looking 5 or 10 years down the road and comparing performance then.

A few bad years after having achieved 200% vs the market's 100% over a 10 year period isn't important.

The end goal is to outperform the market over the long run because you aren't trying to invest for a few months and then call it quits.

With that in mind, here are the final 2014 results for each of the **Value Screeners**.

2014 Value Screener Results

Before getting into the results, a very common question that I receive daily is whether the **OSV Analyzer** will screen for stocks and tell people what to buy and sell.

I want to start by clearing up that these strategies are **NOT** created with the OSV Analyzer.

The OSV Analyzer is a deep fundamental analysis and valuation tool.

A tool to drill down deeply into a single company quickly instead of just scratching the surface and looking at basic stats.

Screening will come in the future.

With that out of the way, here are the results.

2014	end of 2014 Q1	α vs SPY	α vs Russ2k	end of 2014 Q2	α vs SPY	α vs Russ2k	end of 2014 Q3	α vs SPY	α vs Russ2k	end of 2014 Q4	α vs SPY	α vs Russ2k
Altman Z	6.15%	3.99%	3.90%	19.56%	12.42%	16.37%	16.80%	7.56%	20.56%	24.47%	10.78%	19.58%
Graham Formula	4.10%	1.94%	1.85%	8.32%	1.18%	5.13%	6.06%	-3.18%	9.82%	20.05%	6.36%	15.16%
Piotroski	1.20%	-0.96%	-1.05%	6.33%	-0.81%	3.14%	5.47%	-3.77%	9.23%	16.77%	3.08%	11.88%
Piotroski Best	4.93%	2.77%	2.68%	12.06%	4.92%	8.87%	8.68%	-0.56%	12.44%	15.58%	1.89%	10.69%
CROIC	1.08%	-1.08%	-1.17%	8.66%	1.52%	5.47%	3.95%	-5.29%	7.71%	6.28%	-7.41%	1.39%
Magic Formula	3.60%	1.44%	1.35%	6.52%	-0.62%	3.33%	0.88%	-8.36%	4.64%	5.19%	-8.50%	0.30%
FCF Cow	20.47%	18.31%	18.22%	14.55%	7.41%	11.36%	10.21%	0.97%	13.97%	2.06%	-11.63%	-2.83%
Low Expectations	-0.76%	-2.92%	-3.01%	0.16%	-6.98%	-3.03%	-1.77%	-11.01%	1.99%	1.50%	-12.19%	-3.39%
Graham Checklist	-0.07%	-2.23%	-2.32%	0.90%	-6.24%	-2.29%	-1.48%	-10.72%	2.28%	-1.31%	-15.00%	-6.20%
Insider Buys	4.23%	2.07%	1.98%	1.42%	-5.72%	-1.77%	1.88%	-7.36%	5.64%	-1.82%	-15.51%	-6.71%
Share Buyback	-5.42%	-7.58%	-7.67%	-0.51%	-7.65%	-3.70%	-5.19%	-14.43%	-1.43%	-4.25%	-17.94%	-9.14%
NCAV	-0.02%	-2.18%	-2.27%	-2.30%	-9.44%	-5.49%	-3.10%	-12.34%	0.66%	-7.01%	-20.70%	-11.90%
NNWC Increasing	-1.59%	-3.75%	-3.84%	1.32%	-5.82%	-1.87%	-4.89%	-14.13%	-1.13%	-9.02%	-22.71%	-13.91%
NNWC	1.80%	-0.36%	-0.45%	-2.22%	-9.36%	-5.41%	-4.10%	-13.34%	-0.34%	-9.24%	-22.93%	-14.13%
Negative Enterprise	-1.57%	-3.73%	-3.82%	-4.03%	-11.17%	-7.22%	-6.47%	-15.71%	-2.71%	-11.23%	-24.92%	-16.12%
SPY	2.16%			7.14%			9.24%			13.69%		
Russell2000	2.25%			3.19%			-3.76%			4.89%		

2014 Full Value Screener Results | Enlarge

Out of 15 value strategies, only 4 managed to outperform the market at the end of the year.

The outperforming strategies (Altman, Graham, Piotroski) were the ones that contained a lot of mid and large caps.

With the Altman Z value screen leading the pack this year, here's a look at the 20 stocks that made up the list from the beginning of the year and how each performed.

No	Ticker	Name	Start Price	End Price	Gain(%)	MktCap (M)	Industry
		2014 Altman Z Screener Results: 24.47% Total Return					
1	REGI	Renewable Energy Group Inc	11.64	9.72	-16.49	422.43	Oil, Gas & Consumable Fuels
2	SAFM	Sanderson Farms Inc	70.9	83.82	18.22	1664.75	Food Products
3	OVTI	OmniVision Technologies Inc	17.02	26.02	52.81	952.11	Semiconductors & Semiconductor Equipment
4	TECD	Tech Data Corp	51.17	62.88	22.88	1933.36	Electronic Equipment, Instruments & Components
5	SMCI	Super Micro Computer Inc	16.72	34.84	108.4	733.26	Computers & Peripherals
6	FN	Fabrinet	20.12	16.99	-15.58	706.84	Electronic Equipment, Instruments & Components
7	MYGN	Myriad Genetics Inc	21.17	34.51	63.05	1854.31	Biotechnology
8	SYKE	Sykes Enterprises Inc	21.53	23.49	9.06	957.84	IT Services
9	HNT	Health Net Inc.	29.5	53.61	81.71	2300.64	Health Care Providers & Services
10	SYNA	Synaptics Inc	50.43	64.87	28.62	1638.67	Semiconductors & Semiconductor Equipment
11	ECHO	Echo Global Logistics Inc	20.89	28.81	37.92	493.43	Air Freight & Logistics
12	KIRK	Kirkland's Inc	23.67	23.3	-1.56	420.64	Specialty Retail
13	WNR	Western Refining Inc	39.24	38.03	-3.06	3281.23	Oil, Gas & Consumable Fuels
14	IM	Ingram Micro Inc.	23.3	27.51	18.09	3603.91	Electronic Equipment, Instruments & Components
15	UNF	UniFirst Corp	106.08	120.17	13.27	2132.12	Commercial Services & Supplies
16	ACET	Aceto Corp	23.96	21.59	-9.89	666.24	Trading Companies & Distributors
17	WCG	WellCare Health Plans Inc	70.24	81.58	16.13	2997.75	Health Care Providers & Services
18	MTRX	Matrix Service Co	24	22.24	-7.35	628.72	Energy Equipment & Services
19	CNC	Centene Corp	58.85	105.37	79.03	3143.68	Health Care Providers & Services
20	SNDK	SanDisk Corp	68.82	97.6	41.83	15866.58	Computers & Peripherals

2014 Altman Z Performance: 24.47%

There are stocks that I definitely wouldn't purchase, but that's the beauty of mechanical investing It's simplified down to how well you create a strategy and stick with it.

This reduces many of the variables that go into individual stock picking.

However, I still find it difficult to give up total control of my portfolio. I prefer to further filter the list with **my analyzer** because screeners still make mistakes.

Manual analysis is also required because there are things like off balance sheet items screens can't recognize and qualitative events that can't be simulated.

But if this is something that I want to follow with real money, I'll probably create a new account with at least $20k instead of using money from my existing portfolio.

Not the Time to Invest in US Net Nets

One sure thing about 2014 was that it wasn't a good year for net nets.

It's especially clear looking at the Net Net performance. Since the results are all US listed stocks, the horrible performance isn't surprising.

When markets are hot, stay away from employing a pure USA net net investing strategy. You need to expand to international net nets if you want to stick with Graham's net nets.

I can't trade international stocks with my brokerage at Optionshouse or retirement account at Fidelity so I'm stuck with looking around for OTC or US stocks.

But right now, there aren't many US net nets that you should be investing in.

The ones you see floating around the stock market have serious issues.

The official screeners identified around 5-6 stocks at the start of the year and the minimum that I test with is always 20 stocks.

For any mechanical strategy where you have to trust the theory and the system, holding 5-6 stocks is going to get you killed.

The full 20 stocks is required for the portfolio to be diversified enough for each strategy to work over the long run.

As I showed previously, when the number of net nets increase, it's definitely a sign that the market is getting cheaper and that's the time to be loading up on good net nets.

Just not now.

Year	OTC	Total Net Nets	Total Net Nets (No OTC)	NCAV > MktCap (No OTC)	Returns (No OTC)	Russell2000
1999	72	134	62	165	77.4%	18.3%
2000	49	87	38	116	-30.9%	-5.7%
2001	99	285	186	355	23.6%	2.6%
2002	90	188	98	223	-9.7%	-20.8%
2003	106	244	138	299	161.2%	44.9%
2004	55	71	16	54	66.9%	16.6%
2005	54	59	5	29	-60.6%	6.2%
2006	25	29	4	34	7.7%	16.3%
2007	38	47	9	21	73.2%	-3.7%
2008	31	54	23	72	-57.6%	-35.1%
2009	130	308	178	326	152.7%	25.6%
2010	62	79	17	80	8.0%	24.1%
2011	53	64	11	51	-9.9%	-6.2%
2012	58	89	31	99	-3.6%	14.2%
2013*	45	76	31	93	54.1%	24.5%

Total Net Nets 1999 – Sept 2013 | Recession Year Highlighted Pink

In the next post, I'll be listing the official stocks for each screen that will be tracked for 2015.

Frequently Asked Questions About the Screeners

How often are the screens updated?

Once a week. Usually at the start of the week but no set time.

How long are the positions held?

The official stats that I track hold positions for 1 year to reduce taxes and fees if you were to follow this for real.

How many stocks are held?

20.

Can the OSV Analyzer screen a list of stocks or the market index?

The OSV Analyzer is not a screener and will not produce a list of stocks. It is for deep analysis of individual stocks.