



Mill Island
Birr
Co. Offaly

Telephone: +353 (0) 5791 24060
Fax: +353 (0) 5791 21911
www.axiscommunications.ie

Investment styles

Active investors tend to fall into three main groups which are growth, value and income. All three investment styles look for revenue and earnings growth; strong cash flow; healthy margins; high returns on assets, equity and investment; and good prospects for continuing improvement. However, each style of investing emphasises elements to a lesser or greater degree and within each there are key variations.

GROWTH STYLES

Core growth

These are typically investors in mid to large cap, blue chip companies that have historically performed near the top of their sector in terms of profitability, earnings and revenue growth. Investors are usually willing to pay premium multiples for sustainable businesses, strong management and consistent growth over the longer term.

Growth

More aggressive than core growth investors and are willing to pay higher multiples for shares and trade their portfolio more actively.

Aggressive Growth

More extreme than growth investors and tend to focus on companies that are growing revenue and EPS very quickly, are in the early stage of their life cycle or have minimal current earnings.

GARP (growth at a reasonable price)

Generally invested in two types of companies 1) those that are trading at a discount to the market of their peers yet are expected to have higher than average growth and 2) those whose forward p/e is less than or just above the long term projected growth of the company. This is a more conservative style than a straight growth orientated strategy.

VALUE STYLES

Value

These companies trade at relatively low valuations on an absolute basis or in relation to the market or historical levels. Characteristics include – 5 year estimated EPS growth less than 10%, forward P/E less than the average, P/S less than 2.5 times.

Core Value

Very similar to value investing and includes measures such as below average price to earnings, price to book and price to cash flow multiples. In addition secular revenue growth rates are below the market average and their earnings tend to be more cyclical.

Income Value

Similar to core value but they are also interested in the dividend yield.

Deep value

These investors invest in stocks with extremely low valuation measures. Generally the stocks or industries are out of favour. They can sometimes be active investors seeking management changes, a merger, divestitures, etc.

Income

Cash flow and growth are important to income investors as these supply continuation of the company's dividend and hopefully a progressive dividend policy, leading to higher yields. Most income investors require a minimum dividend yield and payout ratio. Companies are usually screened against the current market average and companies must be near or above the average to qualify for investment consideration.

OTHER STYLES

Momentum

These investors seek stocks whose price, earnings, or earnings estimates are advancing at a faster rate than the market or other stocks in the same sector; companies that are generally experiencing upward earnings revisions or producing positive earnings surprises. Generally they have a high portfolio turnover due to a short term focus and will liquidate their position at the slightest hint of a disappointment or deceleration.

Index

This is almost self explanatory. These are investors who match the composition of one or more broad based indices. Their investment decision is based solely on the make up of the index that is being tracked rather than any evaluation of the company or its business prospects.