



# **OUTLIERS: MAPPING THE BEST STOCKS**

UPDATED JUNE 2022

## ABSTRACT

*Please note that the findings in this paper are for informational purposes only and have not been verified. Quantitative researchers performed a best efforts back test on a back-tested data set.*

MAPsignals' quantitative stock process shows evidence of identifying many big winning stocks early on. In this paper we will study the following:

- Including back-tested data, MAPsignals' COMPASS 20 buy list hypothetically beat the market for 28.5 years through 2017 (study conclusion). Buying Compass 20 stocks, beat the S&P 500 over 1-, 3-, 6-, 9-, and 12-month holding periods through 2017. Updated hypothetical results through 2021 also showed evidence of market outperformance.
- MAPsignals' strongest COMPASS 20 signals hypothetically traded in a simple, low turnover, equal weighted strategy rebalancing every six months, greatly outperformed the S&P 500 (updated through 2021).
- MAPsignals' COMPASS 20 buy list hypothetically identified, on average, half of the top 25 performing stocks in the S&P 500 each year from January 1, 1990 – 2017
- MAP hypothetically identified the FANG stocks (Facebook, Amazon, Netflix, Google (Alphabet) – and later FAANG with Apple) before Jim Cramer even coined the popular acronym. This basket of stocks hypothetically trounced the market.
- MAPsignals' own FAANG is DANNN, (DPZ, ALGN, NFLX, NVDA, NTES) which when back tested easily beat the famous FAANG's returns.

The bottom line is that MAPsignals' quantitative process is completely unique in its approach. We look for the best stocks likely being bought and sold unusually by big institutions. Obviously, we can't know if an institution is building a position without being on a trading desk, however the founders of MAP collectively spent decades handling large institutional stock order flow and built an algorithm to look for the telling signs they witnessed day-in and day-out for years. MAP has a strong existing track record of identifying the market's most explosive high-quality stocks given to MAPsignals' subscribers each week. This report aims to look backwards through back-testing to apply our current criteria.

It is important to note that the results in all studies contained in this report are hypothetical based on best efforts back testing. In many cases, data for stocks was unavailable. This means results might not resemble what would be observed in real-world application of these hypothetical processes. In this update, efforts were employed to adjust returns downward to account for conservative methodology, trading costs, bid-offer impact, and market phenomena.

The data in this paper was largely sourced from FactSet. All data sources include:

- FactSet
- Bloomberg
- Money.net
- Yahoo Finance
- IEX
- Quandl

Read on to find out how we try to MAP out the best stocks ...

## INTRODUCING THE OUTLIER

Did you ever notice that some winners just keep winning?

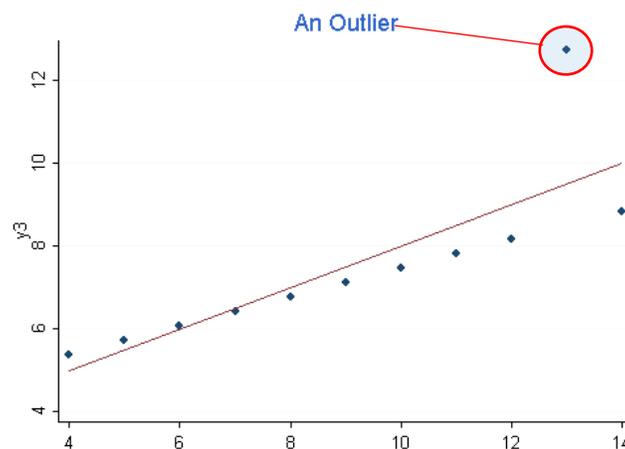
We all want to win. When we play games, we want to win. I can't think of many people who settle in to play a game in hopes of losing. Renowned football coach Vince Lombardi famously said, "Show me a good loser and I will show you a loser."

Sports is all about winning as Lombardi also nailed with: "winning isn't everything, it's the only thing!"

And while it's no sport...investing, let's face it ...is all about winning.

The thing is, for most of us, winning doesn't come naturally. It takes hard work, dedication, and passion. Most people like a good game of cards or basketball or picking a stock every now and then. But only a rare few have the passion and focus required to become a professional card or ball player, or investor. It takes way more time and commitment than most people have to give.

But for those professionals who put in the time and dedication, even then, they may not become masters. They may never become *outliers*.



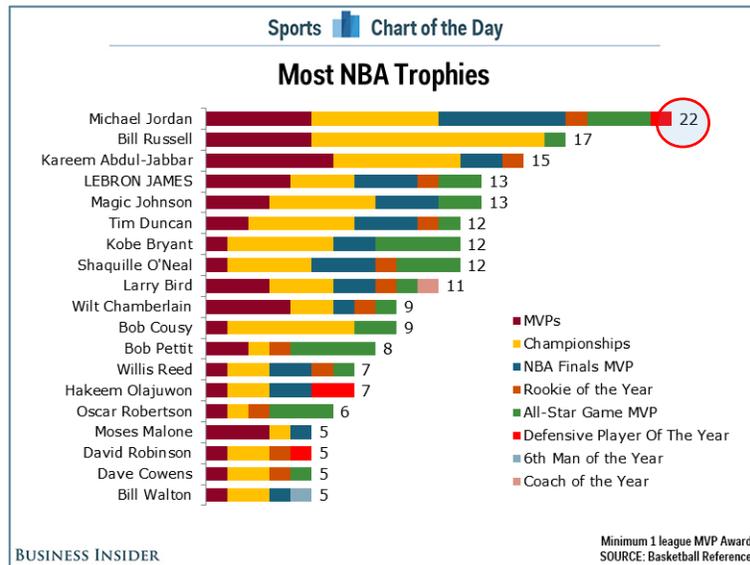
Source: Wordpress

Malcolm Gladwell wrote in the book *Outliers: The Story of Success*, that 10,000 hours is the magic number. He basically said that it takes 10,000 hours to achieve outlier greatness. 10,000 hours to become a chess grandmaster, a violin virtuoso, or a wizard in a chosen field. "The emerging picture from such studies is that ten thousand hours of practice is required to achieve the level of mastery associated with being a world-class expert—in anything," writes the neurologist Daniel Levitin. — p. 40." 10,000 hours corresponds to about 10 years of practice, commitment, and effort.

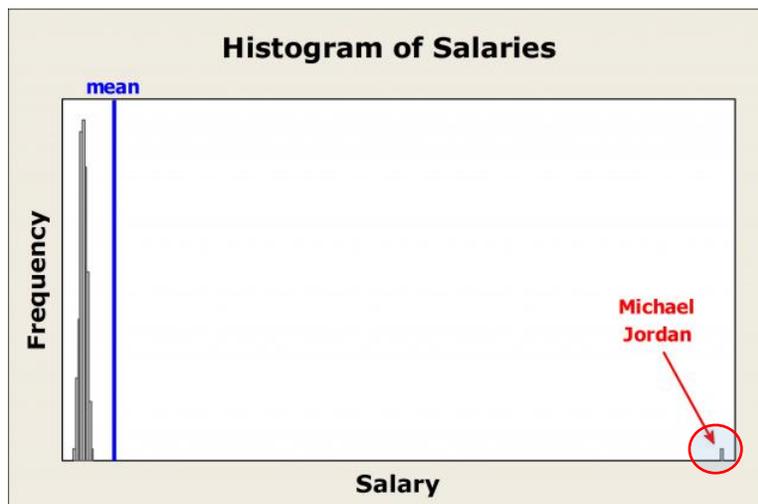
Gladwell isn't just talking about pro-level people here. He is talking about the best of the best. The outliers. The ones in their field who dominate and leave an indelible mark forever. We all know them. They are the ones whose stats shatter everyone else's.

In basketball, one name towers above the rest: Michael Jordan. He may someday be joined by LeBron James, but for now, Jordan is all over the NBA archives. For hockey, Wayne Gretzky basically re-wrote the record books. Babe Ruth still ranks #1 on many lists of Baseball's best players of all-time.

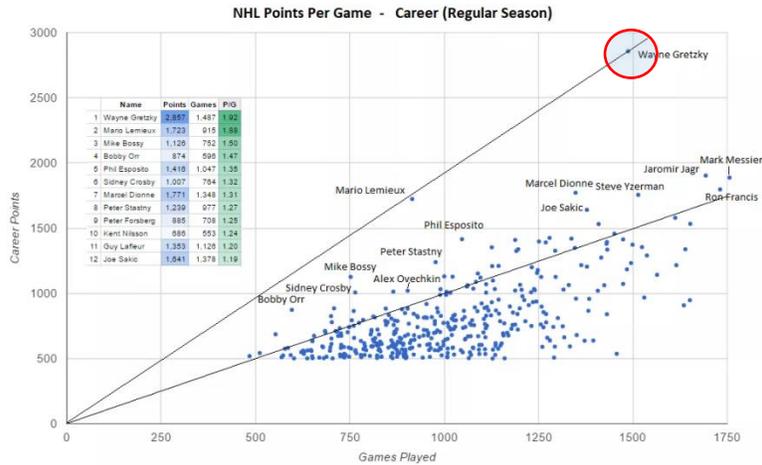
Let's see what real outliers look like:



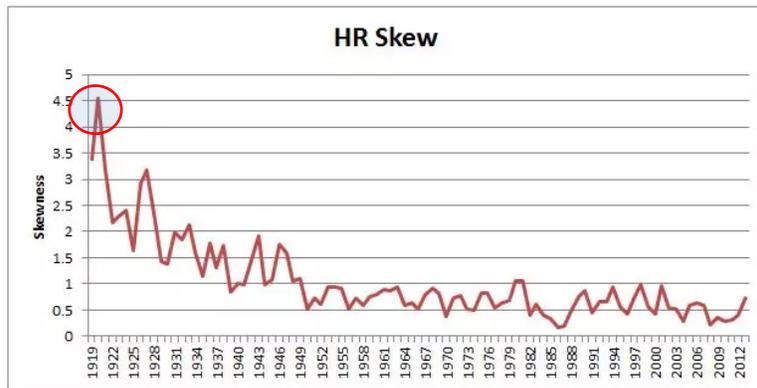
Jordan towers above everyone for trophies. Source: Business Insider



Especially in salary. Source: blog.minitab.com



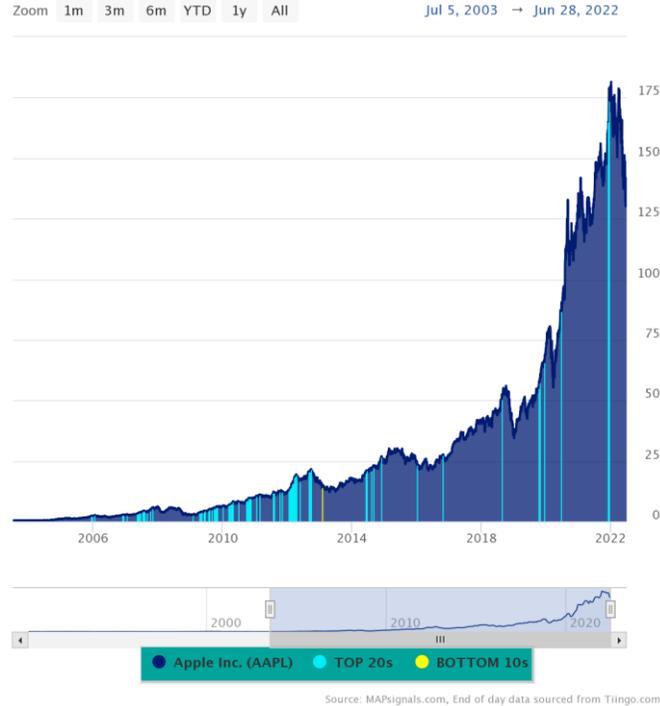
Wayne Gretzky is literally almost off the chart. Source: medium.com



Babe Ruth skewed homeruns for nearly a century. Source: fangraphs

Of course, there are outliers in everything, not only sports. They exist in entertainment, business, and investing. I only need to mention Warren Buffett's name to make my point. Outliers also exist in the stock market.

## Apple Inc. (AAPL)



1

*AAPL is an outlier stock, up +6167% since MAPsignals identified it by back test in December 2005. Source: MAPsignals.com*

They are the stuff of investment legend. The unicorns. The stocks that increase in value thousands of percent over the market. They are the holy grail of stock-picking.

Anyone can identify them after the fact. So, then the all-important question becomes “can outlier stocks be found *before* they shoot higher?”

We not only believe the answer is yes, but we have data that suggests so.

In this paper:

- We will analyze through back tests the success rate for MAPsignals’ method of picking stocks.
- We will go into detail how MAPsignals’ stock selection theoretically compares to the overall market.
- We will construct a simple hypothetical trading strategy to demonstrate our market-beating stocks.

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<sup>1</sup> Charts contained in this report are for informational purposes only. In cases, data for stocks was unavailable. This means results might not resemble what would be observed in real-world application of these hypothetical processes.

- We will analyze how early MAP theoretically was in identifying the most storied stocks of this decade- the FAANG stocks. (FB, AMZN, AAPL, NFLX, GOOGL)
- We will demonstrate how the MAPsignals process might have identified stocks that beat FAANG.

So how did two average guys end up mapping the best stocks out there? After 10,000+ hours, they focused on trying to master a process.

MAP opened its doors as a business in July of 2014. Since then, we have been providing top-class quantitative research on the best stocks likely being accumulated by big institutions in an unusual way. We have been pointing out the top leading stocks consistently in one form or another since 2007.

Seven years prior to MAPsignals' birth, its two co-founders met each other: A former bookkeeper from Louisiana and a former musician from Florida. We ended up spending over two decades combined on Wall Street trading floors, some of that time running trading desks, asking a ton of questions and honing our stock picking techniques.

The time led us on a quest to find the biggest and best outlier stocks. It also adds up to tens of thousands of hours.

MAP devotes all its time and energy to quantitative analysis of markets and outlier stocks. In a way, our process is an outlier in that we focus on outliers.

Join us as we show you how we seek to map out the best outlier stocks of the market.

But first let's go over exactly what we do and how we do it...

## A QUICK INTRODUCTION TO THE MAP PROCESS

At MAPsignals we specifically look for unusual trading activity in stocks that are likely being accumulated by institutions. We believe many of the smartest institutional investors in the world can spot the best stocks out there. We want to be along for the ride. We believe that our method stacks the odds of success in our favor and exploits these footprints over time.

So, how does MAPsignals do it?

Our system is a sophisticated process of filters upon filters. We look at:

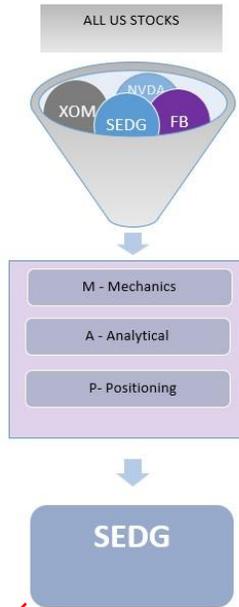
- **Mechanics** which are things like: abnormal trading volume, buying/selling pressure, price ranges, and volatility.
- **Analysis of Fundamentals** deals with the health of a company: sales and earnings growth, debt, and company guidance to name a few.
- **Positioning** deals with abnormal trading activity in shares (likely institutional buying). Once we rank our stocks based on score, we then filter the list to 20. This list is our best guess to stocks we believe institutions are building positions in.

We sift through nearly 6,000 U.S. stocks each day to find those that institutions can trade regularly without impacting the price. We avoid low-liquidity stocks while searching for abnormal patterns in price and volume relationships.

Our goal is to isolate when we believe an institution starts getting into a stock. When the signal flags our system, it receives an unusual institutional buying signal. This tells us unusual institutional buying is likely. Our next big winning stock could be hiding in the list of stocks with this abnormal trading activity.

Every day, our models scan nearly 6,000 actively traded U.S. stocks. Every morning, we pull 120+ data points for each stock. This includes basics like volume, price, and fundamental data... and more. We then rank each stock using our MAP scores.

The algorithms we use were crafted, then tested and monitored. This took place years ago and the process is the same one we use today to try to identify winners. Remember, we sift through thousands of stocks to find the ones we think institutions are buying. When a stock meets our criteria and shows the signals, it goes into a pool of stocks. We get an average of 500 unusual signals per week. We remove duplicate tickers and are typically left with approximately 300 stocks per week. From there we rank them from highest to lowest by MAP score. We then highlight the Compass 20 as the twenty stocks we believe have the best chance of future price appreciation.



### COMPASS 20/10 April 11, 2017

COMPASS Top 20 and bottom 10 Stocks for the week prior to 04/11/2017  
 Prepared by Macro Analytics for Professionals on 04/11/2017 based on closing prices for the previous day.

TICKER	NAME	INDUSTRY SUBGROUP	PRIOR CLOSE	COMPASS SC	TECHNICAL	FUNDAMENTAL	INITIAL DATE	INITIAL PRICE	RETURN
ALGN	Align Technology, Inc.	Health Care Supplies	114.73	93.1	94%	92%	3/21/2017	\$ 113.23	1.32%
ANET	Arista Networks, Inc.	Communications Equipment	133.27	93.1	94%	92%	2/21/2017	\$ 119.06	11.94%
ILG	ILG, Inc.	Hotels Resorts & Cruise Lines	21.33	89.7	94%	83%	4/4/2017	\$ 20.57	3.69%
SWKS	Skyworks Solutions, Inc.	Semiconductors	101.53	86.2	91%	79%	1/24/2017	\$ 89.90	12.94%
QRVO	Qorvo, Inc.	Semiconductors	70.64	86.2	94%	75%	1/24/2017	\$ 61.85	14.21%
AMZN	Amazon.com, Inc.	Internet & Direct Marketing R	907.04	84.5	91%	75%	4/4/2017	\$ 891.51	1.74%
CRUS	Cirrus Logic, Inc.	Semiconductors	64.69	84.5	94%	71%	1/31/2017	\$ 60.52	6.89%
AKRX	Akorn, Inc.	Pharmaceuticals	32.5	82.8	85%	79%			NEW BUY
CRM	salesforce.com, inc.	Application Software	84.24	81.0	85%	75%	3/7/2017	\$ 82.50	2.11%
WIX	Wix.com Ltd.	Internet Software & Services	76.3	79.3	91%	63%			NEW BUY
JAZZ	Jazz Pharmaceuticals Plc	Pharmaceuticals	152.88	79.3	82%	75%	3/28/2017	\$ 146.98	4.01%
BAX	Baxter International Inc.	Health Care Equipment	52.84	79.3	85%	71%	3/14/2017	\$ 52.30	1.03%
SBRA	Sabra Health Care REIT, Inc.	Health Care REITs	28.27	77.6	88%	63%			NEW BUY
SCSS	Select Comfort Corporation	Homefurnishing Retail	25.63	77.6	85%	67%			NEW BUY
TER	Teradyne, Inc.	Semiconductor Equipment	31.76	77.6	94%	54%			NEW BUY
DRI	Darden Restaurants, Inc.	Restaurants	82.7	77.6	94%	54%			NEW BUY
APQ	Apollo Global Management, LLC Cla	Asset Management & Custod	25.51	75.9	85%	63%			NEW BUY
CTO	CareTrust REIT Inc	Health Care REITs	17.51	75.9	85%	63%			NEW BUY
SEDG	SolarEdge Technologies, Inc.	Semiconductor Equipment	16.4	75.9	71%	83%			NEW BUY
ADS	Alliance Data Systems Corporation	Data Processing & Outsourcer	247.66	75.9	88%	58%			NEW BUY
XON	Intrexon Corporation	Biotechnology	20.19	31.0	26%	38%	1/31/2017	\$ 21.00	3.86%
HTZ	Hertz Global Holdings, Inc.	Trucking	16	29.3	18%	46%	1/24/2017	\$ 20.93	23.55%
NTNX	Nutanix, Inc. Class A	Internet Software & Services	18.58	29.3	24%	38%	4/4/2017	\$ 18.15	-2.37%
RRD	R.R. Donnelley & Sons Company	Commercial Printing	11.84	29.3	21%	42%	3/28/2017	\$ 11.35	-4.32%
NVCB	New York Community Bancorp, Inc.	Thrifts & Mortgage Finance	13.7	29.3	26%	33%			NEW SELL
DDR	DDR Corp.	Retail REITs	12.41	27.6	21%	38%	2/21/2017	\$ 14.28	13.09%
FPRX	Five Prime Therapeutics, Inc.	Biotechnology	33.84	27.6	26%	29%			NEW SELL
ANF	Abercrombie & Fitch Co. Class A	Apparel Retail	10.93	27.6	26%	29%	1/31/2017	\$ 11.08	1.37%
ALDR	Alder Biopharmaceuticals, Inc.	Biotechnology	19.55	25.9	18%	38%			NEW SELL
CVE	Cenovus Energy Inc.	Integrated Oil & Gas	11.26	25.9	18%	38%	2/14/2017	\$ 13.41	16.02%

## **CAN USING THE MAPSIGNALS PROCESS BEAT THE MARKET?**

Does the MAPsignals stock picking process work? Back testing through history suggests our process has identified many big winning stocks.

As mentioned above, MAPsignals came into being in 2014. The algorithms we use today were applied across extensive back testing. We accessed a high-level professional database of FactSet in an effort to test this data as accurately and precisely as the tests allow. Please note, a back test is not a claim that past hypothetical performance was possible or that it will be possible in the future.

Our data set begins January 1<sup>st</sup>, 1990. Several test data sets conclude until May 2<sup>nd</sup>, 2018. That timeline represents 10,348 calendar days or 7,140 trading days. Over the more than 28.3-year period tested, we generated an average of 85.5 unusual institutional activity signals each day. Now, as time wore on, daily signals increased. This is logical due to increased trading volumes over time. In short, we had 610,836 stock signals to test over a period of nearly thirty years. 58% buy signals were generated leaving 42% sell signals. This is in-line with current observations for our 4+ years of live data.

The 85.5 stocks per day worked out to an average of 428 stocks per week. After removing duplicate tickers (stocks making more than one unusual signal each week), we arrived at roughly 280 stocks per week. This is consistent with our expected average of 300 unusual institutionally active stocks per week. Keep in mind, that number can fluctuate and increase over time as unusual stock volumes can vary in different time periods. We then scored and ranked these stocks applying the same method we currently employ where available. This was done according to historical data that was available to us. This means we conducted our back test so that our current algorithms would function as similarly as practically possible as they would have done on that day in time.

Once our back tested average 280 stocks per week were scored and ranked, we constructed the 20-stock buy list using the same sorting criteria we currently employ to generate the Compass 20/10 report. We then tested various combinations of buying different quantities of these stocks accompanied with different holding periods. The results of this hypothetical back test were very impressive across all combinations. If you theoretically bought the top Compass 20, you hypothetically beat the market over 1-, 3-, 6-, 9-, and 12-month holding periods.

Here is a summary of our first back test (please read Investment Research Disclaimer, end of report):

- Buying all Compass 20 stocks and holding them for only one month hypothetically outperformed the return of the S&P 500.
- As we can also see below, buying all Compass 20 stocks and holding for a period of 6 or 9-months offered the most compelling theoretical return profile.
- Buying the Compass 20 and holding for 12 months hypothetically beat the market as well. 12 and 24 month returns assumed holding top 20 from last available date of this study 4/25/2017.

	1M	3M	6M	9M	12M	24 M
<b>TOP 20</b>	<b>1.1%</b>	<b>3.5%</b>	<b>7.6%</b>	<b>11.9%</b>	<b>15.8%</b>	<b>27.3%</b>
<b>S&amp;P 500</b>	<b>0.7%</b>	<b>2.0%</b>	<b>4.1%</b>	<b>6.5%</b>	<b>8.8%</b>	<b>18.7%</b>

Updating this method using data through 2021, we found that these back tested results were very strong on average comparing the Top 20 stocks versus the S&P 500 since 1990:

	1M	3M	6M	9M	12M	24M
<b>S&amp;P 500</b>	<b>0.8%</b>	<b>2.2%</b>	<b>4.5%</b>	<b>6.8%</b>	<b>9.2%</b>	<b>19.0%</b>
<b>TOP 20</b>	<b>1.2%</b>	<b>3.6%</b>	<b>7.6%</b>	<b>11.7%</b>	<b>15.3%</b>	<b>26.5%</b>

Now to take it one step further, we studied the impact of filtering for only the highest quality Top 20 stocks too. We mentioned each stock is ranked with our proprietary process. The following back tested results show what happens if we only theoretically allocated capital to stocks that rank between an 80 and 90 overall MAP score. We compared this particular study to the SPY (SPDR S&P 500 tracking ETF)

	1m	3m	6m	9m	12m
<b>TOP 20 80-90</b>	<b>1.02%</b>	<b>3.24%</b>	<b>6.52%</b>	<b>8.98%</b>	<b>11.87%</b>
<b>SPY</b>	<b>0.48%</b>	<b>1.48%</b>	<b>2.99%</b>	<b>4.42%</b>	<b>5.78%</b>
<b>OUTPERF</b>	<b>113.34%</b>	<b>118.50%</b>	<b>118.02%</b>	<b>103.24%</b>	<b>105.22%</b>

The results of that test shows something interesting. Despite the Top 20 already being picky out of a weekly average of 300 stocks, we can be pickier. By hypothetically focusing only on the top quality, this theoretical back test suggests investors might favor being choosy.

<sup>2</sup> Tables are for informational purposes only, based on current public information that we consider reliable. However, we do not represent that such information is accurate or complete, nor should it be relied on as such.

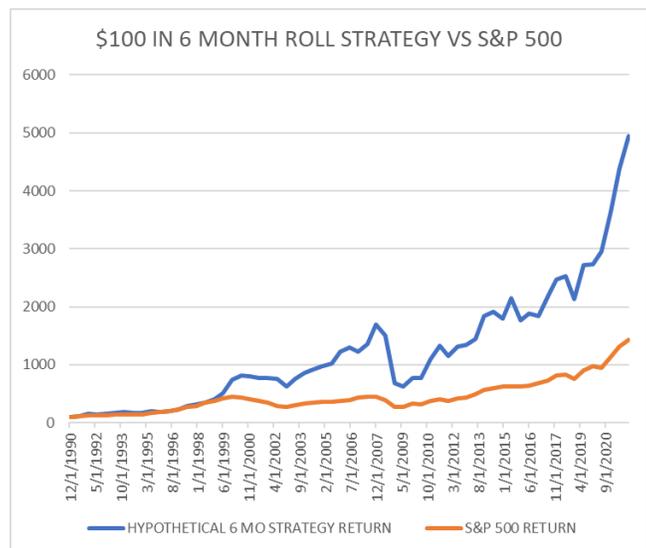
## FINDING REPEATING TOP NAMES

I know what you're thinking: "It's not realistic to buy 20 stocks every week." That is totally true. The average individual investor may have 20 stocks in their portfolio at any given time. We would certainly not expect an average investor to buy 1,040 stocks in a year! So, one researcher devised a simple trading strategy. The results hypothetically beat the S&P 500, over quite a long-term period.

Here's how the hypothetical strategy works:

Let's start January 1<sup>st</sup>, 1991. This allows us to observe the Compass 20 Buy reports that come out weekly for the prior 6 months. On January 1<sup>st</sup> 1991, we construct a basket of stocks. We hypothetically buy the 20 strongest signals of the previous 6 months equally weighted. These are the stocks that appeared most frequently on the weekly Compass 20 report for 6 months. We hypothetically hold those for 6 months and rebalance the account every 6 months. We do this by closing all positions and buying the strongest 20 signals from the most recent 6 months.

It sounds pretty simple: theoretically, an investor holds 20 stocks for six months and replaces them with 20 new ones for another six months and on and on. The investor theoretically only ever holds 20 stocks at one given time and trades twice a year. Our research constructed a back test using these assumptions. Look what it shows us with an initial starting amount of \$100:



<sup>3</sup> Charts contained in this report are for informational purposes only. In cases, data for stocks was unavailable. This means results might not resemble what would be observed in real-world application of these hypothetical processes.

What this really tells us is that if we hypothetically invested \$100 in this Strongest 20 Portfolio beginning January 1<sup>st</sup> 1991 and rebalanced every 6 months, at the end of 2021 we would have \$4,946.35. That cumulative return was adjusted downward to reflect a conservative methodology and to account for trading costs, spreads, slippage, and overnight market phenomena. In contrast, if we just invested \$100 in the S&P 500 beginning January 1<sup>st</sup>, 1991, we would end up with a still impressive \$1,432.59 at the end of 2022. This strategy however, hypothetically beat the market to the tune of more than 3.5 times over the time period back tested.

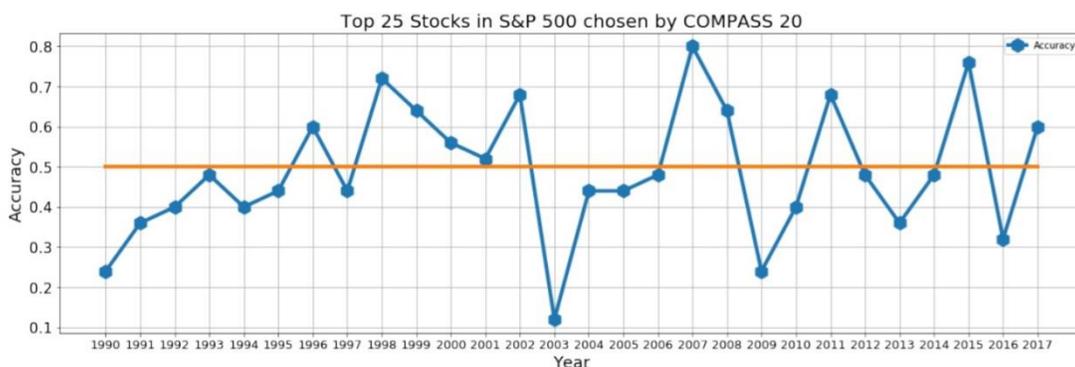
## CAN MAPSIGNALS IDENTIFY THE TOP STOCKS OF THE MARKET EARLY ON?

If MAPsignals data can potentially help beat the market, this might suggest that it is possible to identify top performing stocks before they become the top performing stocks. Well, investors might beat the market in many ways. One can buy poor quality stocks bouncing off lows. One can trade high frequency strategies or even short the market. At MAPsignals, as we focus on outlier stocks, seeking the biggest winners of tomorrow, today. How might that have worked for us over the past nearly thirty years?

What our MAPsignals researchers found in another back test was really interesting: MAPsignals hypothetically identified nearly half of the top performing stocks of the S&P 500 on average by using the Compass-20 process.

This back test started on January 1, 1990. We then identified the top 25 stocks of the S&P 500 by year. We wanted to see how much of the top 5% of the S&P 500 MAPsignals could theoretically identify. What we learned is that the Compass-20 buy list could have hypothetically helped us pick out nearly half of the top 25 stocks each year through 2017. On average, the Compass 20 identified 12.25 of the 25 leading names of the index every year since 1990.

This result was powerful potential evidence that our process can find leaders. Many years, the market's best performing stocks may have been the prior year's worst performers. For instance, there may have been a sector out of favor like Financials' stocks in the height of the housing crisis. In subsequent years, stocks with poor fundamentals might have risen immensely. Remember, we seek the highest quality stocks with positive sales and earnings growth, superior technicals, and most importantly the unusual institutional activity signal. When we are this choosy, it is even more meaningful to be theoretically able to identify nearly half of the leading 25 stocks of the S&P 500 each year.



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<sup>4</sup> Charts contained in this report are for informational purposes only. In cases, data for stocks was unavailable. This means results might not resemble what would be observed in real-world application of these hypothetical processes.

As we can see in the above chart, on average the back test found almost half of the top 25. In addition to years which found fewer than half, there were outlier years to balance. In 1998, the back test identified over 70% of the top 25. In 2007 it was 80% of the top 25.

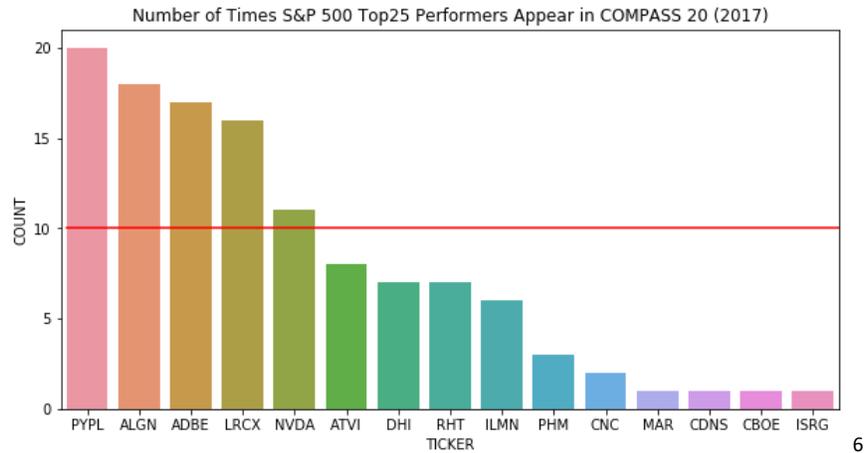
Even in a year like 2017 when the market itself had abnormally high returns, the percentage was 60%. The following table illustrates this. Not only did the back test identify 15 out of the top 25 S&P 500 stocks of 2017 (60%), but the process had early timing. The stocks highlighted in yellow, in the table below, show that this back tested process caught most of the return for the year on those stocks. In other words, not only did the process identify them, but it did so early on.

	Ticker	Name	Return (2017)	First Day On MAP	Captured Return	PCT captured
1	ALGN UW Equity	Align Technology Inc	1.3055	2017/3/21	1.0128	77.58%
2	NVDA UW Equity	NVIDIA Corp	0.9430	2017/1/3	0.9430	100.00%
3	DHI UN Equity	DR Horton Inc	0.8711	2017/7/11	0.3855	44.25%
4	PYPL UW Equity	PayPal Holdings Inc	0.8452	2017/1/24	0.7700	91.10%
5	PHM UN Equity	PulteGroup Inc	0.8345	2017/7/4	0.3787	45.38%
6	CNC UN Equity	Centene Corp	0.7537	2017/6/20	0.3057	40.55%
7	ATVI UW Equity	Activision Blizzard Inc	0.7423	2017/2/14	0.4193	56.48%
8	LRCX UW Equity	Lam Research Corp	0.7392	2017/3/14	0.5189	70.20%
9	RHT UN Equity	Red Hat Inc	0.7201	2017/6/27	0.2564	35.60%
10	CBOE UW Equity	Cboe Global Markets Inc	0.7178	2017/7/11	0.3434	47.84%
11	ISRG UW Equity	Intuitive Surgical Inc	0.7100	2017/10/31	-0.0254	0.00%
12	ADBE UW Equity	Adobe Systems Inc	0.6857	2017/1/24	0.5339	77.86%
13	CDNS UW Equity	Cadence Design Systems Inc	0.6563	2017/4/25	0.3144	47.91%
14	MAR UW Equity	Marriott International Inc/MD	0.6362	2017/3/28	0.4237	66.60%
15	ILMN UW Equity	Illumina Inc	0.6336	2017/4/18	0.2220	35.04%

5

<sup>5</sup> Tables are for informational purposes only, based on current public information that we consider reliable. However, we do not represent that such information is accurate or complete, nor should it be relied on as such.

The COMPASS-20 buy list theoretically beat the comparison S&P 500 Index 95.65% of the time during 2017. 14 of the top 25 stocks of 2017 actually appeared in the COMPASS 20. The graph below shows that several names appeared many times throughout the year:



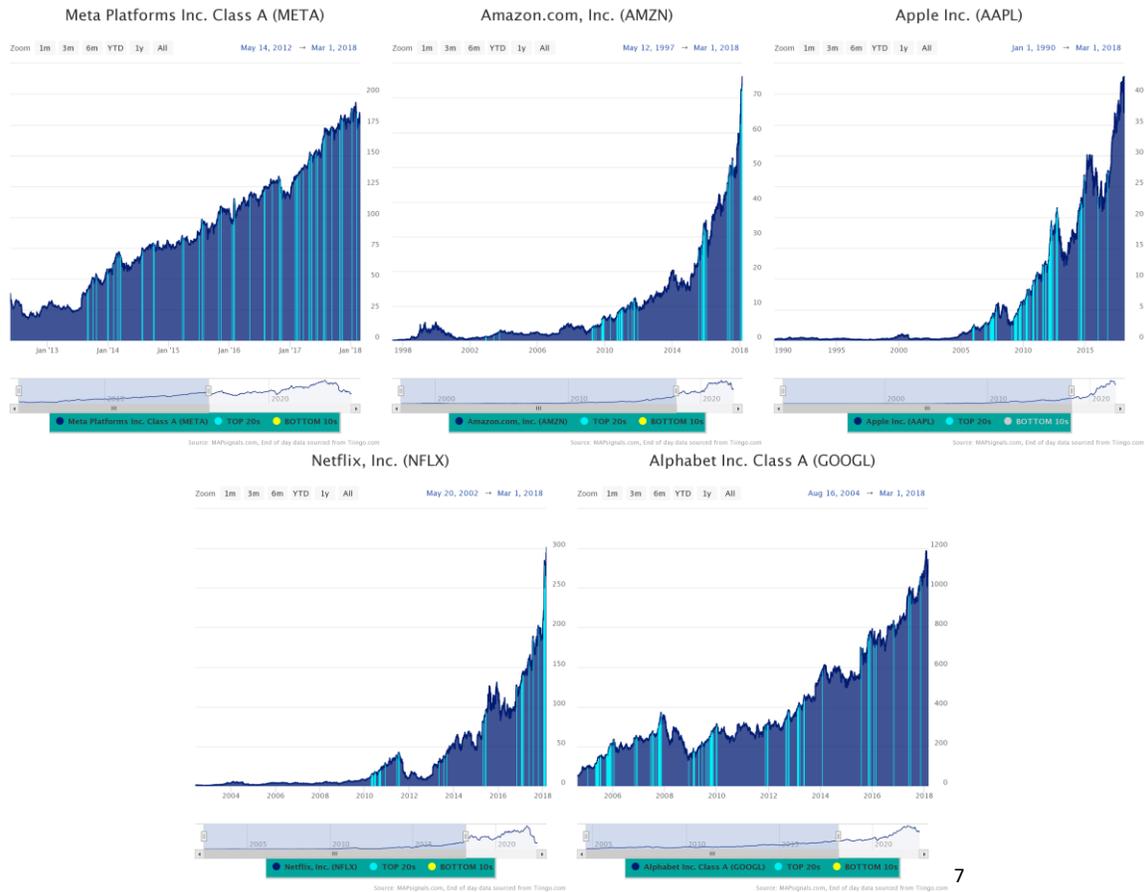
The takeaway here is that even in a standout year with abnormally high returns like 2017, the process still theoretically found some of the best and biggest stocks. In other words, in a major bull year, the MAPsignals process theoretically could find stocks to beat the market- and potentially early on.

<sup>6</sup> Charts contained in this report are for informational purposes only. In cases, data for stocks was unavailable. This means results might not resemble what would be observed in real-world application of these hypothetical processes.

## WHAT ABOUT THE FAANG STOCKS- DID MAPSIGNALS CATCH THOSE?

You may be thinking that identifying the leading stocks of the market means FAANG. Facebook (now Meta), Apple, Amazon, Netflix, and Google (Alphabet) have captivated the investing public for years. They have accounted for an impressive percentage of market gains and have become a thermometer of sorts for the market. There is no disputing that FAANG stocks have been major market leaders for a long time. When then, did MAPsignals theoretically find them? When did they first appear on the COMPASS-20 buy list? What did the returns look like?

These are the questions we sought to answer with yet another back test. When dealing with the most talked about stocks in decades, we wanted to see when they would have showed up on our radar had MAPsignals existed then. Here's what this back test found through 2018: The following 5 graphs plot the price of each of the FAANG stocks. The blue vertical lines represent each time the stocks appeared on the COMPASS-20 buy list.



7

<sup>7</sup> Charts contained in this report are for informational purposes only. In cases, data for stocks was unavailable. This means results might not resemble what would be observed in real-world application of these hypothetical processes.

We can clearly see that the COMPASS-20 hypothetically profiled each of them as buys early in their growth cycle. When we calculated returns for each stock starting from the first instance of when our model would have theoretically recommended it on the COMPASS 20 list, we see very positive returns.

MAP Identifies FAANG

Ticker	Name	Debut	Repetitions	Starting Price	Final Price(2017)	Cumulative Return
<b>FB</b>	Facebook Inc	8/27/2013	51	39.64	176.46	345%
<b>AMZN</b>	Amazon.com, Inc.	11/18/2002	48	22.42	1169.47	5116%
<b>AAPL</b>	Apple Computer Inc.	12/5/2005	86	2.19	40.35	1742%
<b>NFLX</b>	Netflix, Inc.	4/12/2010	43	11.88	191.96	1516%
<b>GOOGL</b>	Google Inc. Class A	1/10/2005	83	97.63	1053.4	979%

8

<sup>8</sup> Tables are for informational purposes only, based on current public information that we consider reliable. However, we do not represent that such information is accurate or complete, nor should it be relied on as such.

## ANOTHER ACCRONYM: DANNN

We wanted to know what a basket of MAPsignals' top 5 stocks would have looked like over the testing period. What we found was DANNN, an acronym for 5 stocks. DANNN theoretically outperformed FAANG in the same prior timeframe.

DANNN is our acronym for the stocks hypothetically found in the next test: Domino's Pizza, Align Technologies, Nvidia, NetEase, and Netflix. As you can see below DANNN of course hypothetically dwarfed the return of the broader stock market over the same time: DANNN showed hypothetical returns from 5/23/2011 until 4/30/2018 of +916.7%. This is versus the S&P 500 return of 101% during the same period.

HYPOTHETICAL RETURNS 5/23/2011 - 4/30/2018	
DANNN	916.7%
S&P 500	101.0%

Again, the MAPsignals process theoretically caught these stocks in their growth cycle and captured an impressive share of performance:

TICKER	MAP Captured Date	Overall Returns Since MAP Captured(%)
ALGN	2011-04-18	1070.81
DPZ	2011-05-23	1035.31
NVDA	2000-06-05	2067.27
NFLX	2010-04-12	2529.50
NTES	2005-04-25	2089.11

Just for the sake of comparison, META (FB) appeared in our data for the first time on 8/27/2013. Using that as a start date for a FAANG basket until the study concluded 4/30/2018, the FAANG basket showed performance of 356% during that time. DANNN however during the same time period, showed performance of 652.5%. This shows the hypothetical performance of DANNN versus FAANG as nearly +83% for the same time summarized here.

FAANG			
FB	8/27/2013	4/30/2018	333.9%
AMZN	8/27/2013	4/30/2018	457.5%
AAPL	8/27/2013	4/30/2018	157.9%
NFLX	8/27/2013	4/30/2018	692.4%
GOOGL	8/27/2013	4/30/2018	139.4%
<b>AVERAGE</b>			<b>356.2%</b>
DANNN			
ALGN	8/27/2013	4/30/2018	472.8%
DPZ	8/27/2013	4/30/2018	316.7%
NVDA	8/27/2013	4/30/2018	1502.7%
NFLX	8/27/2013	4/30/2018	692.4%
NTES	8/27/2013	4/30/2018	277.8%
<b>AVERAGE</b>			<b>652.5%</b>
S&P 500			
S&P 500	8/27/2013	4/30/2018	62.4%

<sup>9</sup> Tables are for informational purposes only, based on current public information that we consider reliable. However, we do not represent that such information is accurate or complete, nor should it be relied on as such.

## A MAP FOR THE FUTURE

What we have here is a body of back tested data that hints at how important it is to pay attention to how a stock trades and its quality. We just showed you with best efforts quantitative historical research that:

- MAPsignals' COMPASS 20 buy list hypothetically can outperform the market with our back tested stock selection process over many holding periods.
- MAPsignals' strongest signals every six months hypothetically outperformed the market by an attractive margin over the long haul.
- MAPsignals hypothetically identified nearly half of the top 5% best performing S&P 500 stocks in the market on average every year early in their cycle.
- In our back-test, MAP profiled FAANG stocks early in their growth phase.
- MAPsignals' back-tested DANNN tickers outperformed FAANG over nearly 6 years.

Two average guys met each other on Wall Street. They each showed up with a truckload of questions. After years of hunting, reading, living, breathing, tweaking, and being in the markets, they came up with an effective way to find the leading stocks of tomorrow. They spent another few years perfecting their process. Then they went out on their own to form MAPsignals. We live our lives for the outliers. Malcolm Gladwell said it takes 10,000 hours to become a master at anything. Jason and Luke have spent close to 100,000 hours on this process seeking to become masters. All those hours were spent with one singular goal. To find the best stocks that they bet the biggest institutions are buying up. These are the potential outlier stocks.

We employ quantitative research looking for outlier stocks: ones that might change portfolios and lives. To find outlier stocks, you may want a MAP.

### ***Investment Research Disclaimer:***

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