



EQUITY RISK SCIENCES, INC
Institutional Investment Data Analytics

THE DANGERS OF INVESTING AND HOW TO REDUCE LOSSES: PROTECTING YOUR MONEY FROM THE NEXT MARKET CRASH

Produced November 2017

*“It does not matter how frequently something succeeds if failure
is too costly to bear.”*

Nassim Taleb, Ph.D.

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WHAT WE'LL REVIEW

1. The Dangers of Investing
2. The Obstacles to Success
3. Why Stocks Rise?
4. Why Stocks Fall?
5. Can Investing Be Made Safe?

Bonus Topics

IS INVESTING SAFE OR DANGEROUS?

“Those who fail to learn from the mistakes of their predecessors are destined to repeat them.”

-George Santayana

So, let's learn from history!

1. Is Investing An Unpredictable Roller Coaster?
2. Is Investing Safe & Reliable?
3. Are Positive Results Predictable?

AN UNPREDICTABLE ROLLER COASTER

This graph highlights most of the major changes.

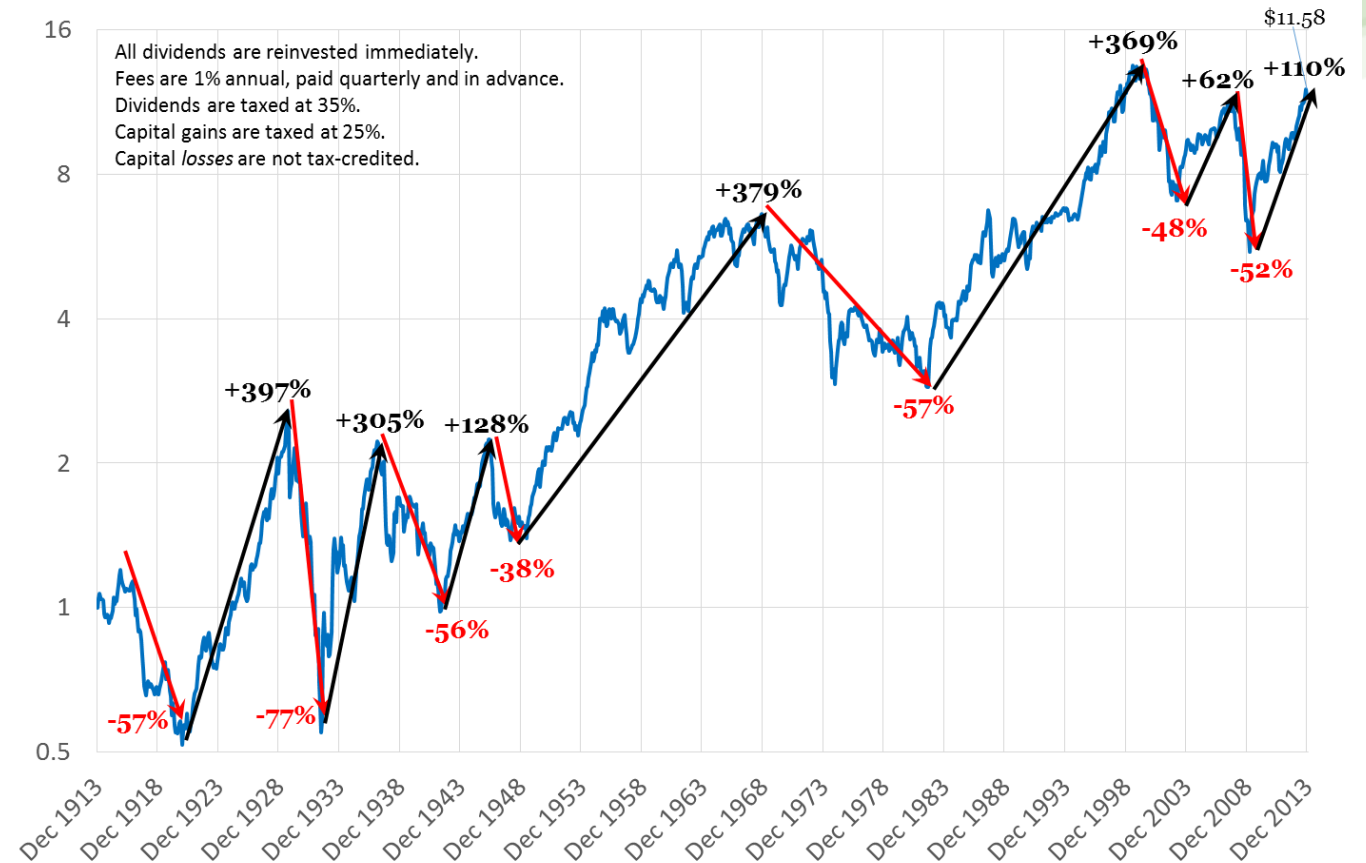
The market...

1. Very risky & unsafe
2. Inconsistent & erratic
3. Unpredictable & volatile
4. Often very rewarding
5. Sometimes very punishing

Market declines have mostly followed major market increases.

Market increases have mostly followed major market declines.

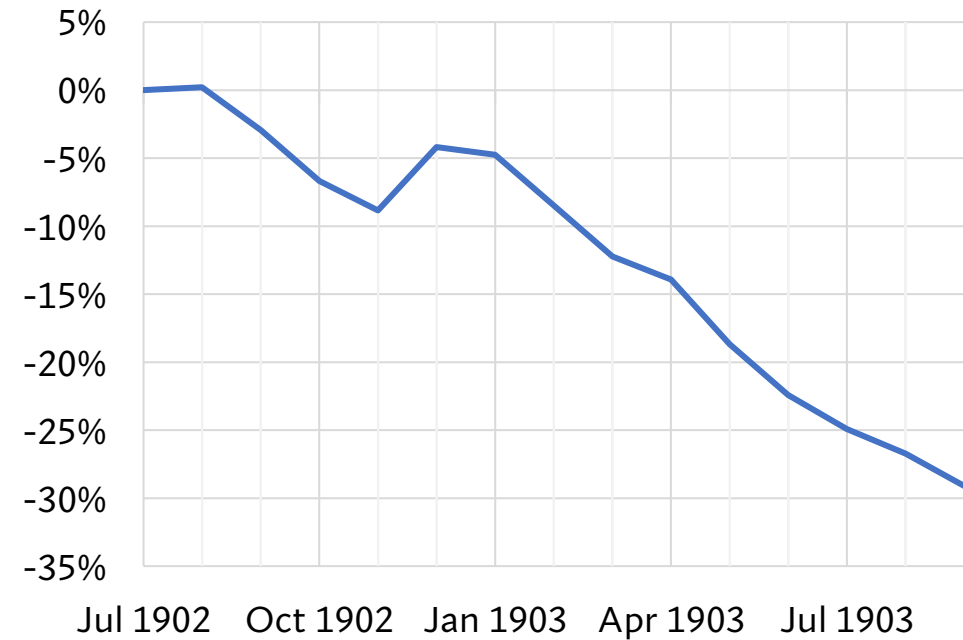
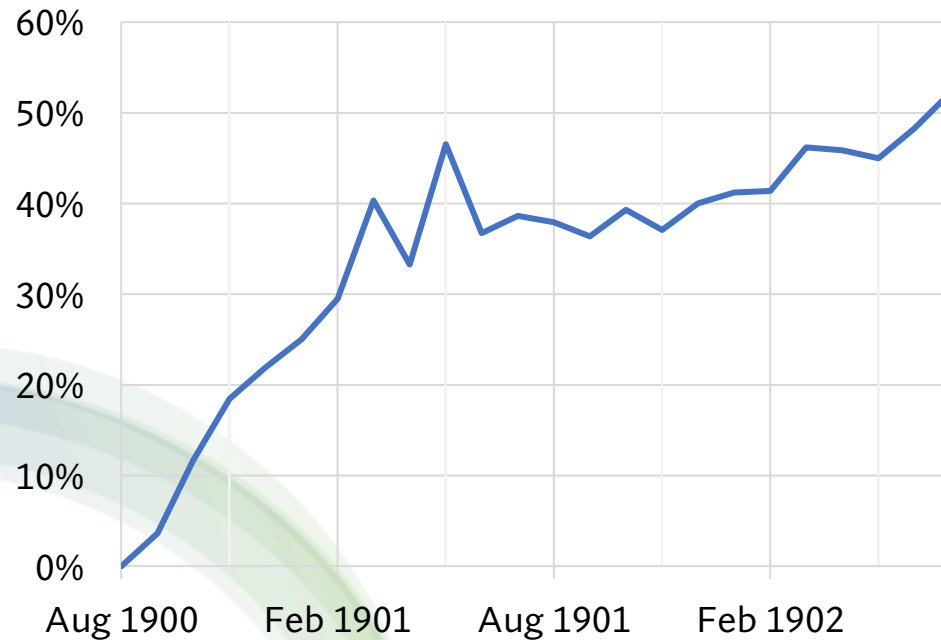
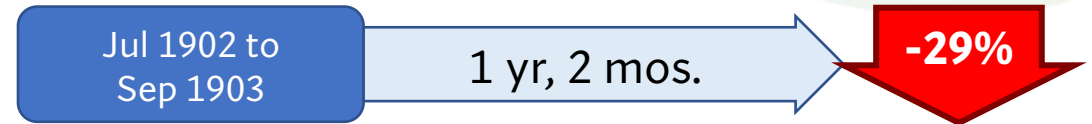
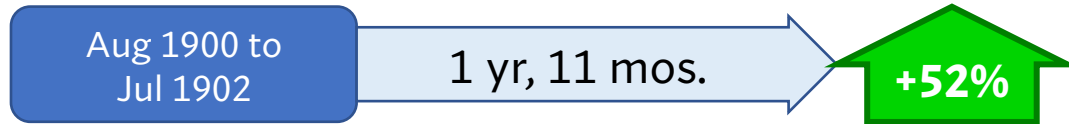
Real S&P, Adjusted For Inflation, Fees and Taxes
When Do You Make Money In The Stock Market?



IS INVESTING RELIABLE? ARE RESULTS PREDICTABLE?

August 1900 to September 1903:

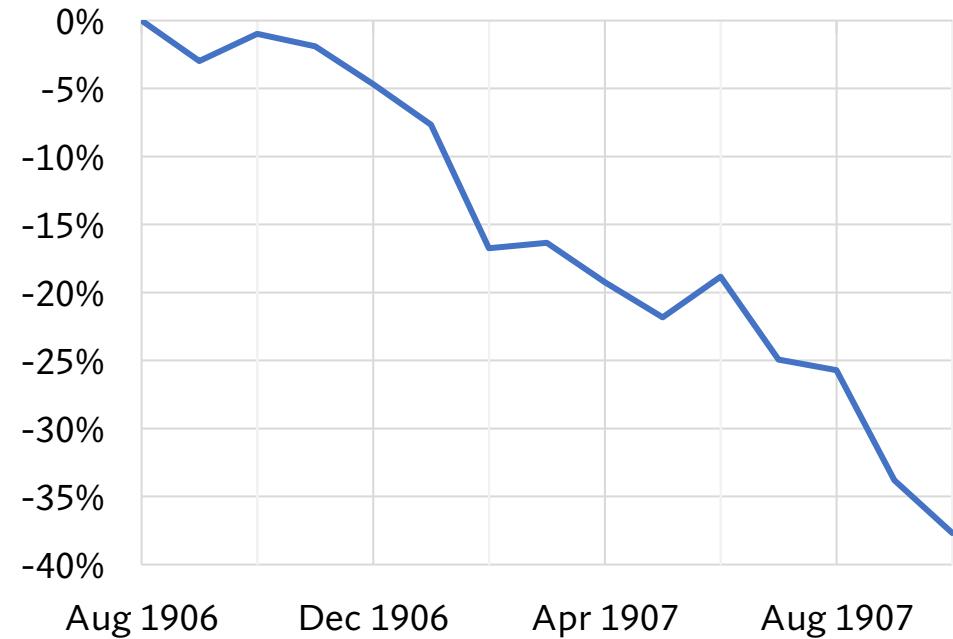
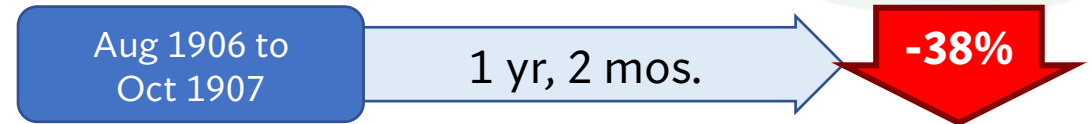
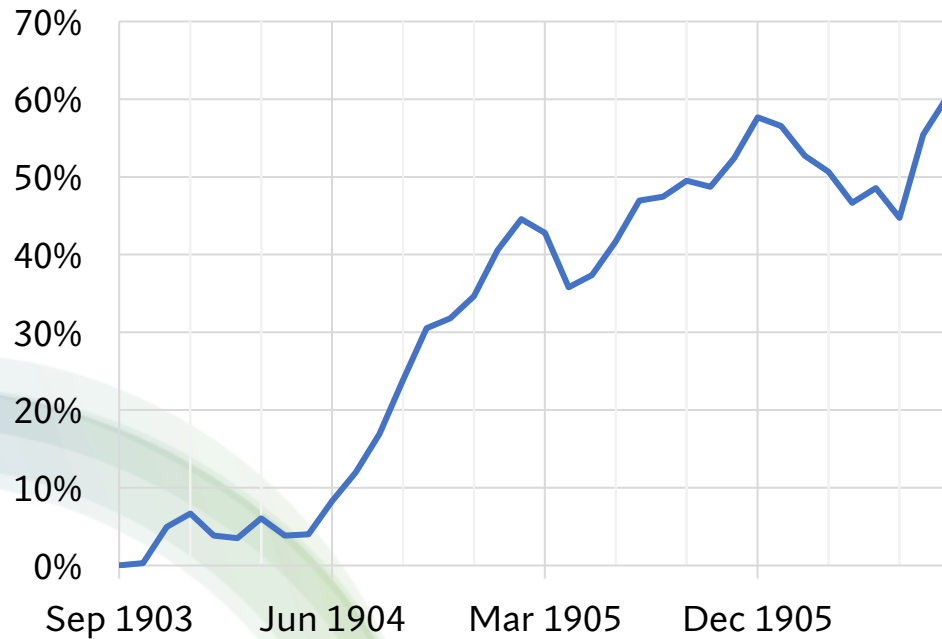
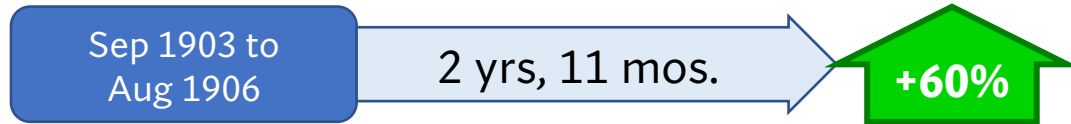
3 Years & 1 Month, Up 8%



IS INVESTING RELIABLE? ARE RESULTS PREDICTABLE?

September 1903 to October 1907

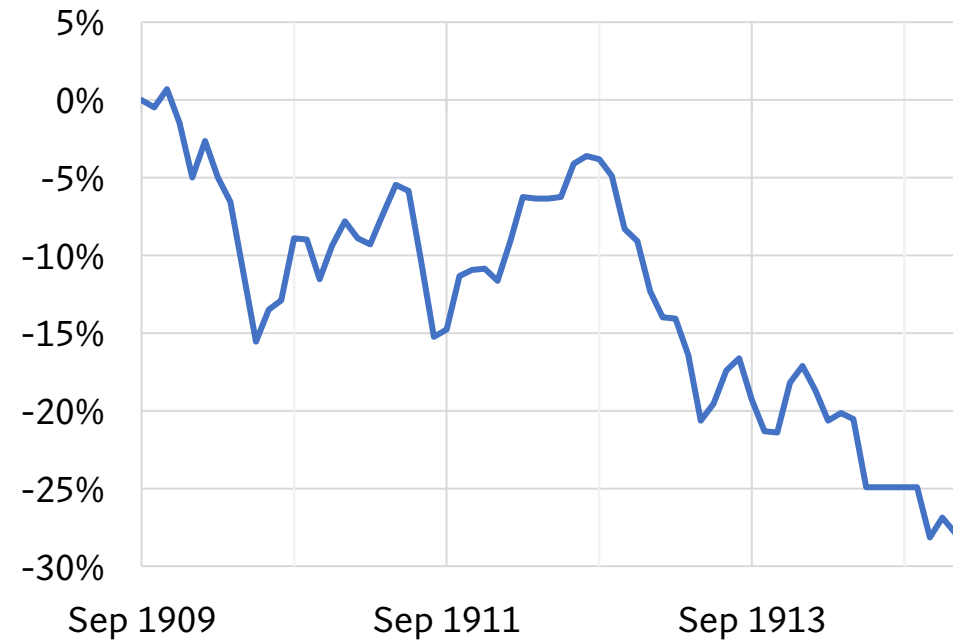
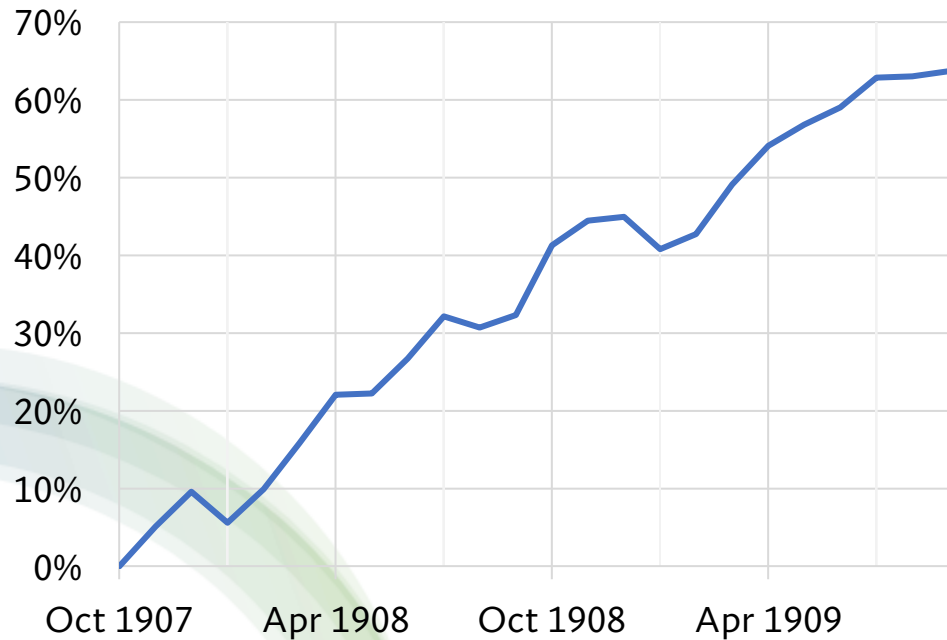
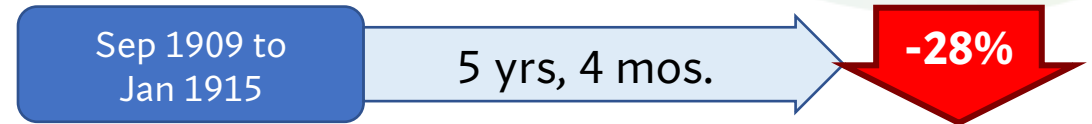
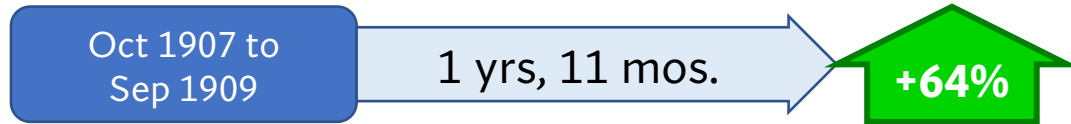
4 Years & 1 Month, Up 0%



IS INVESTING RELIABLE? ARE RESULTS PREDICTABLE?

October 1907 to January 1915:

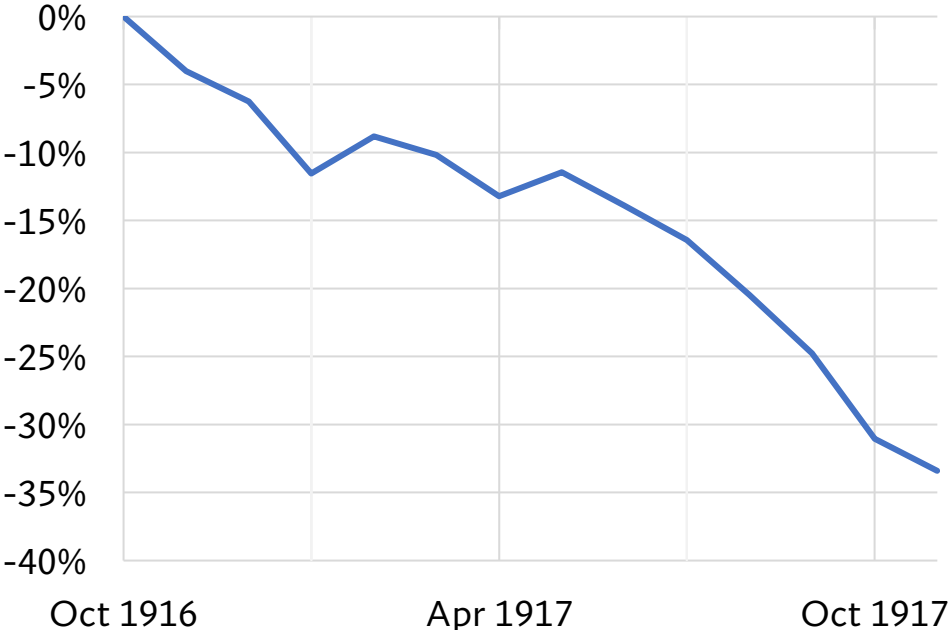
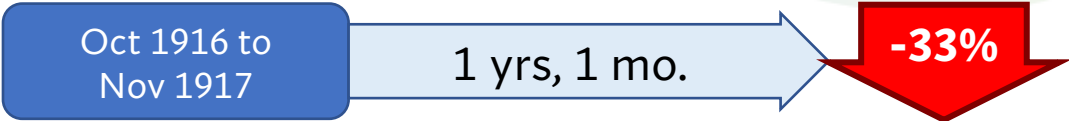
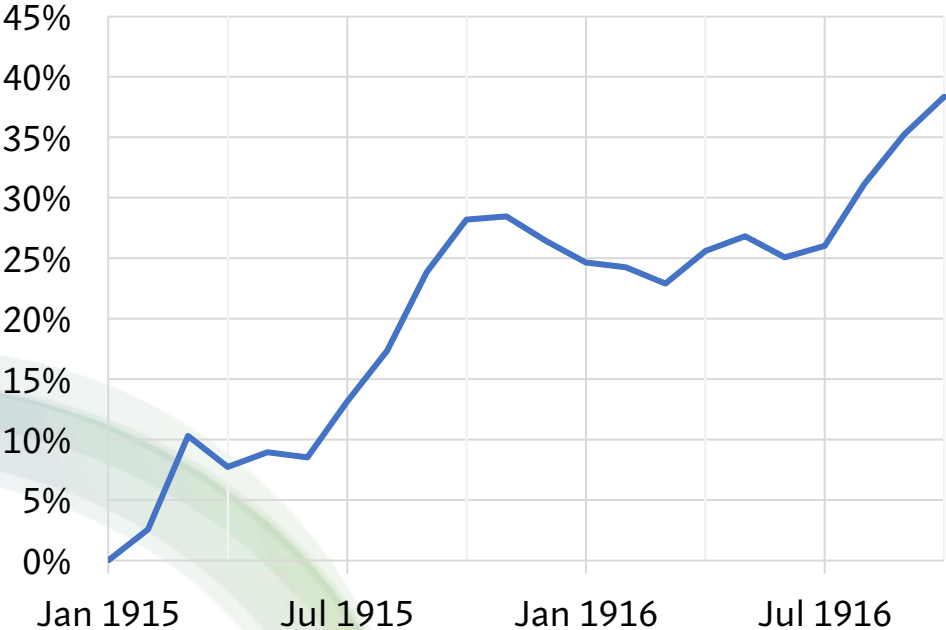
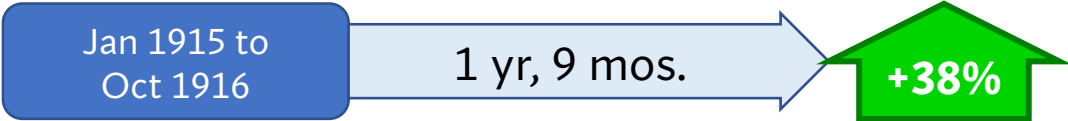
7 Years & 3 Months, Up 18%



IS INVESTING RELIABLE? ARE RESULTS PREDICTABLE?

January 1915 to November 1917:

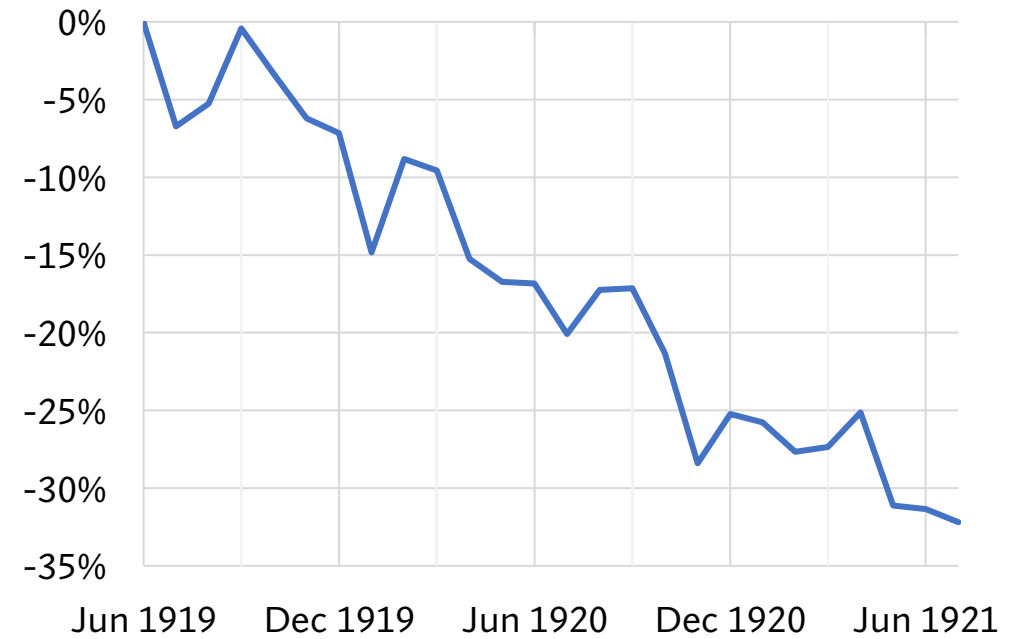
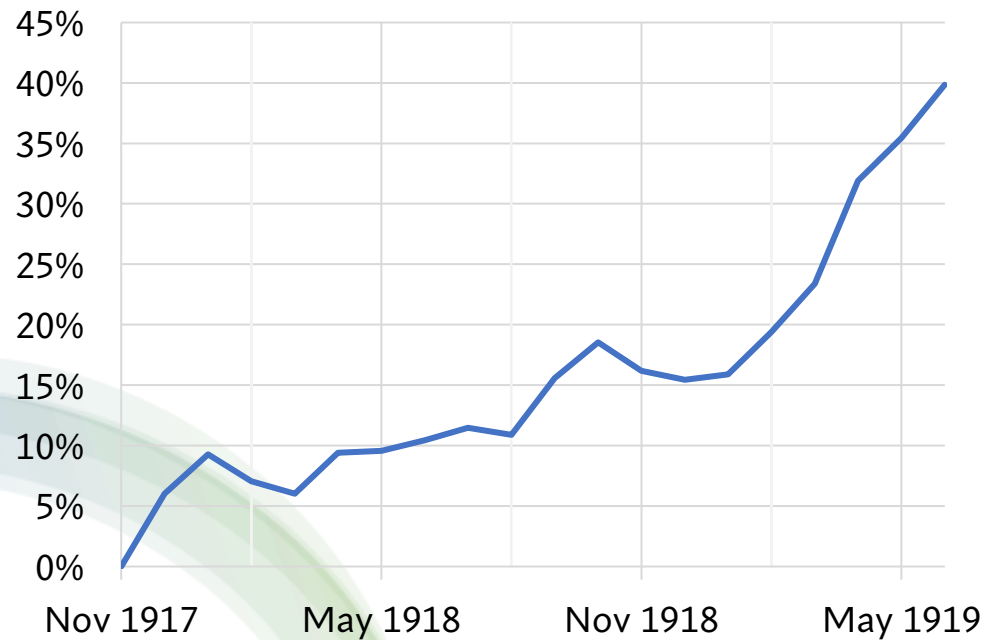
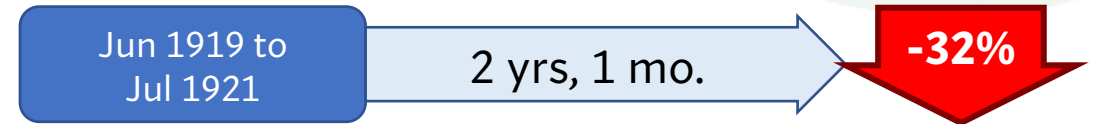
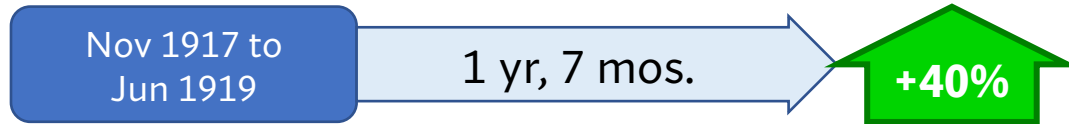
2 Years & 10 Months, Down 8%



IS INVESTING RELIABLE? ARE RESULTS PREDICTABLE?

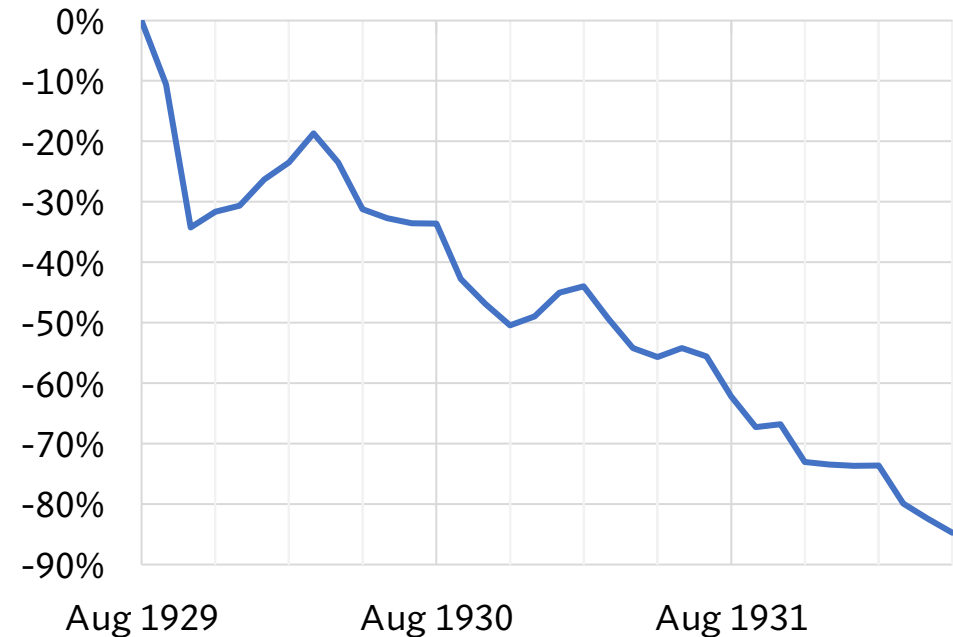
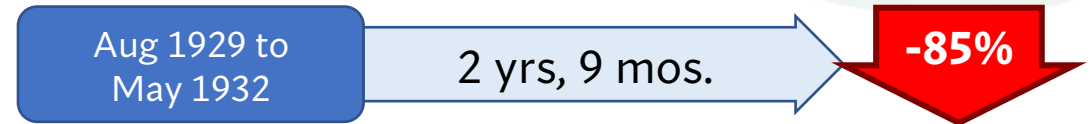
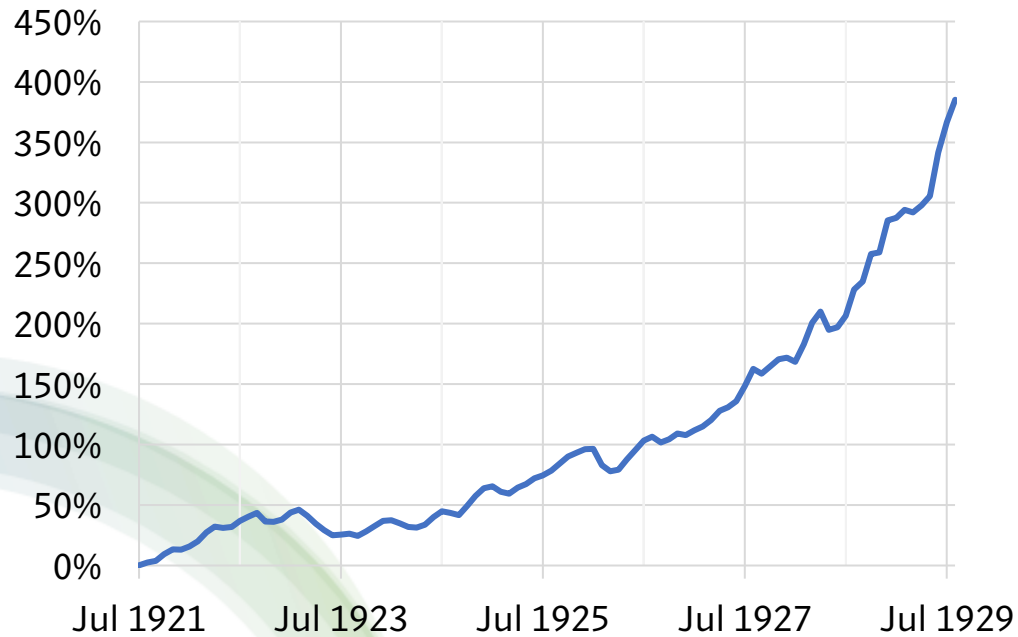
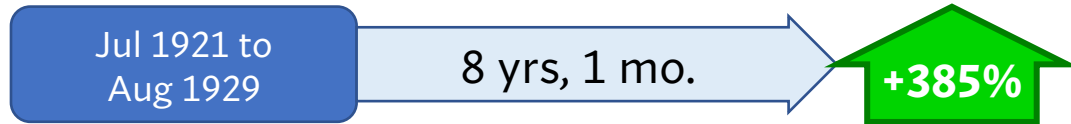
November 1917 to July 1921:

3 Years & 8 Months, Down 5%



IS INVESTING RELIABLE? ARE RESULTS PREDICTABLE?

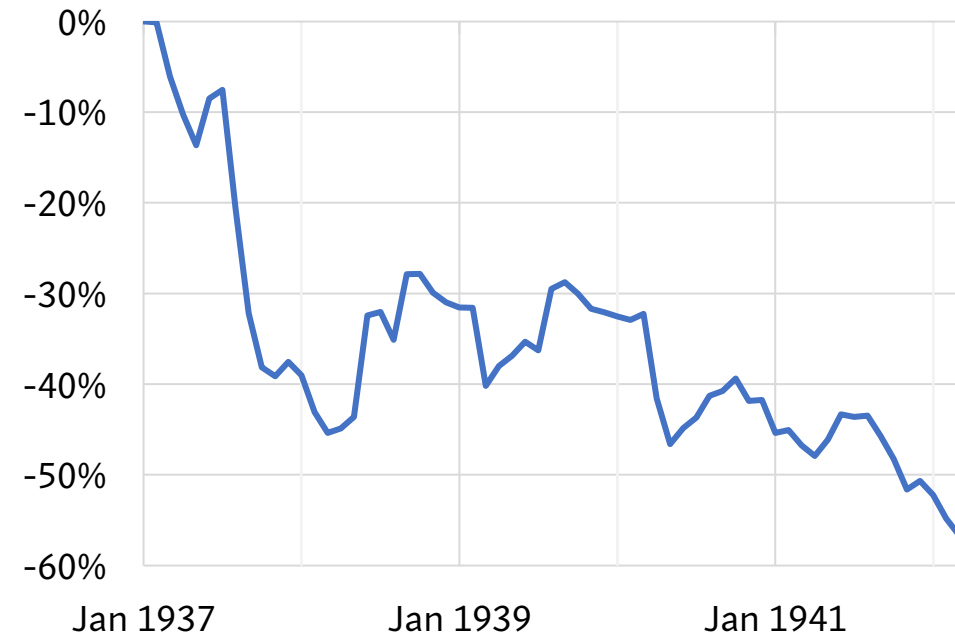
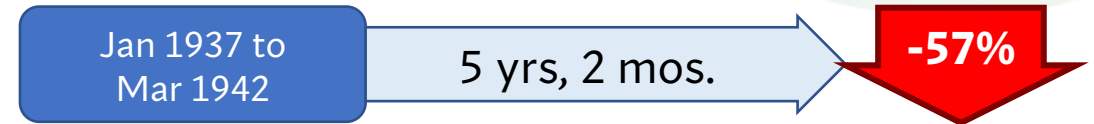
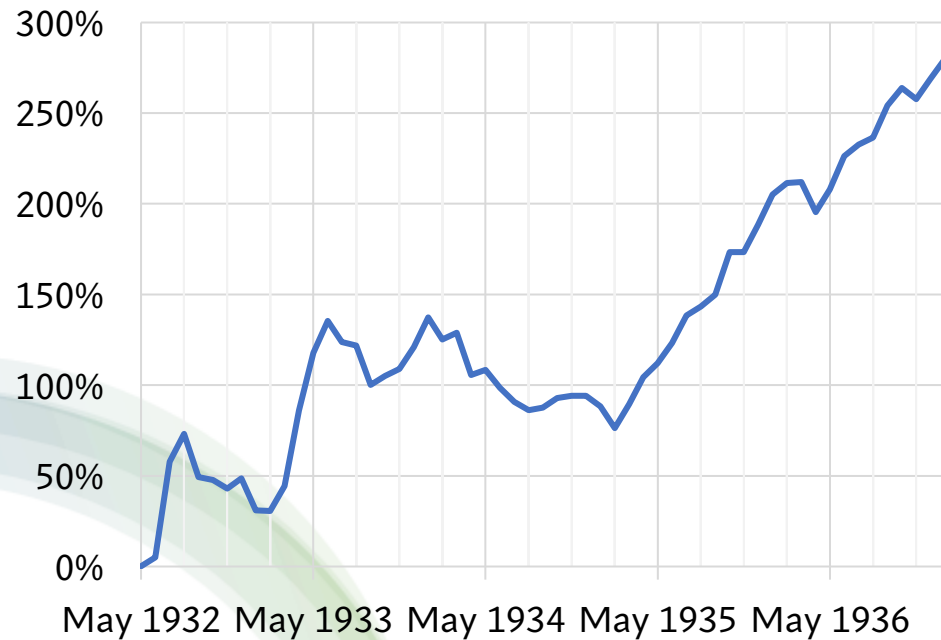
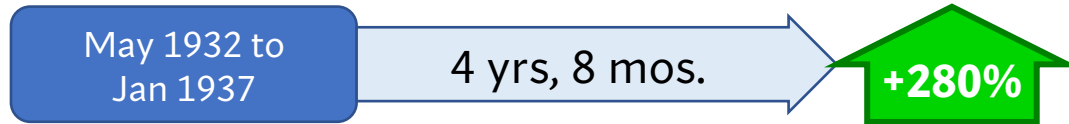
July 1921 to May 1932: 10 Years & 10 Months, Down 26%



IS INVESTING RELIABLE? ARE RESULTS PREDICTABLE?

May 1932 to March 1942:

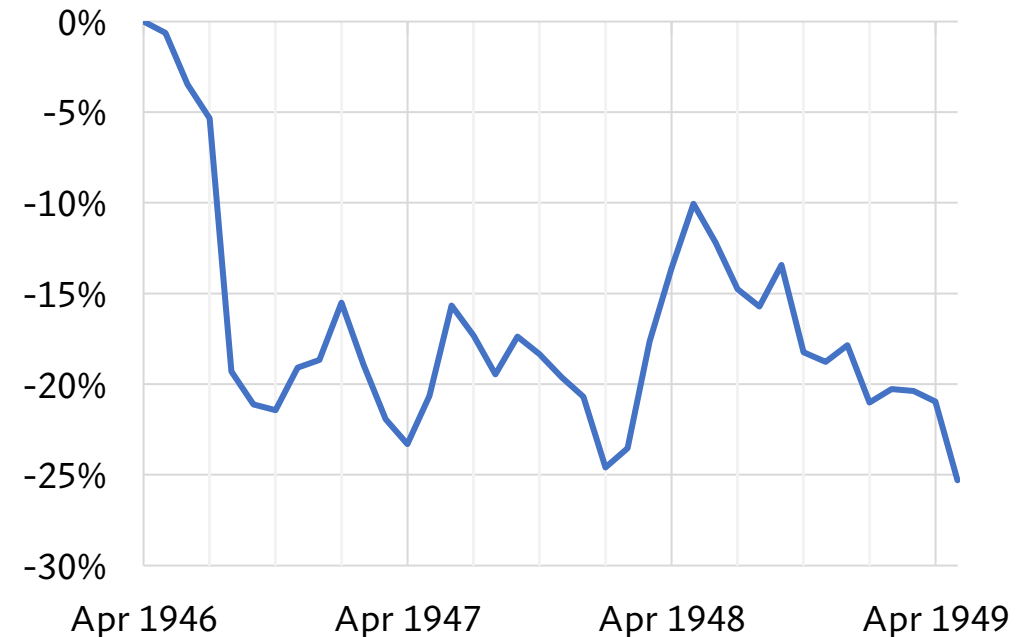
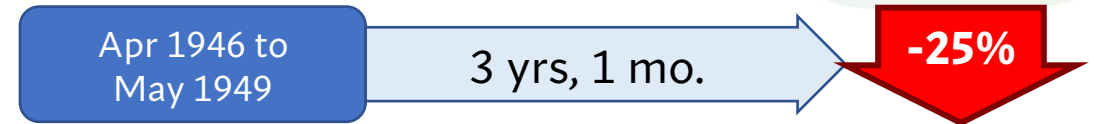
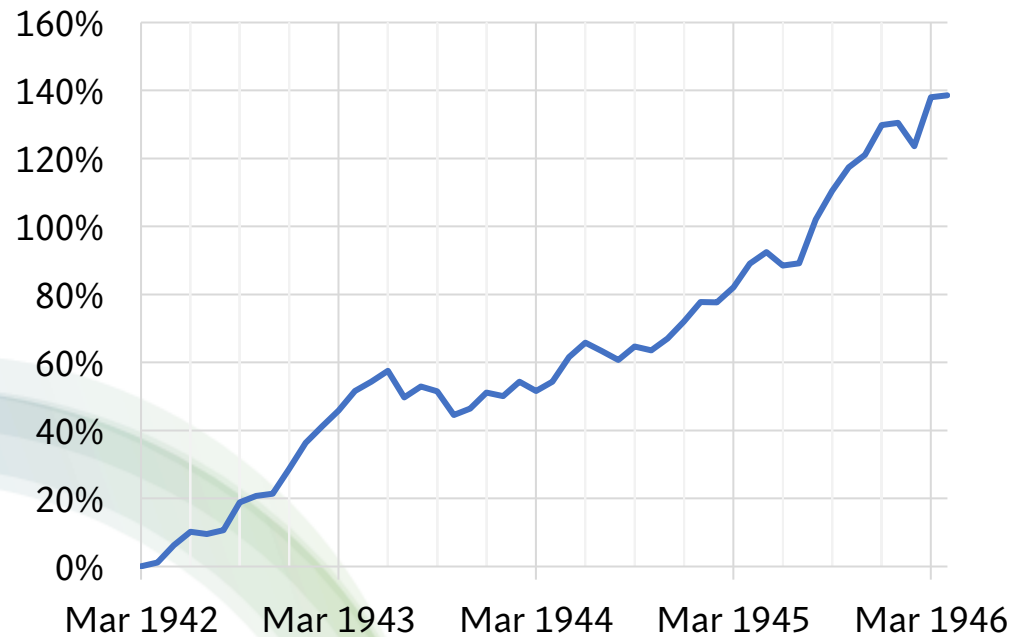
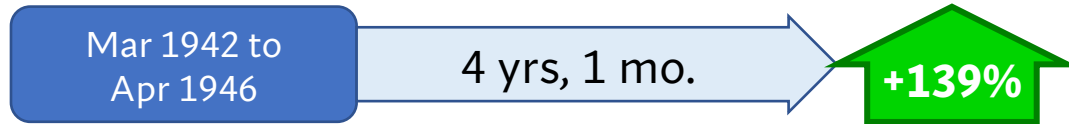
9 Years & 10 Months, Up 64%



IS INVESTING RELIABLE? ARE RESULTS PREDICTABLE?

March 1942 to May 1949:

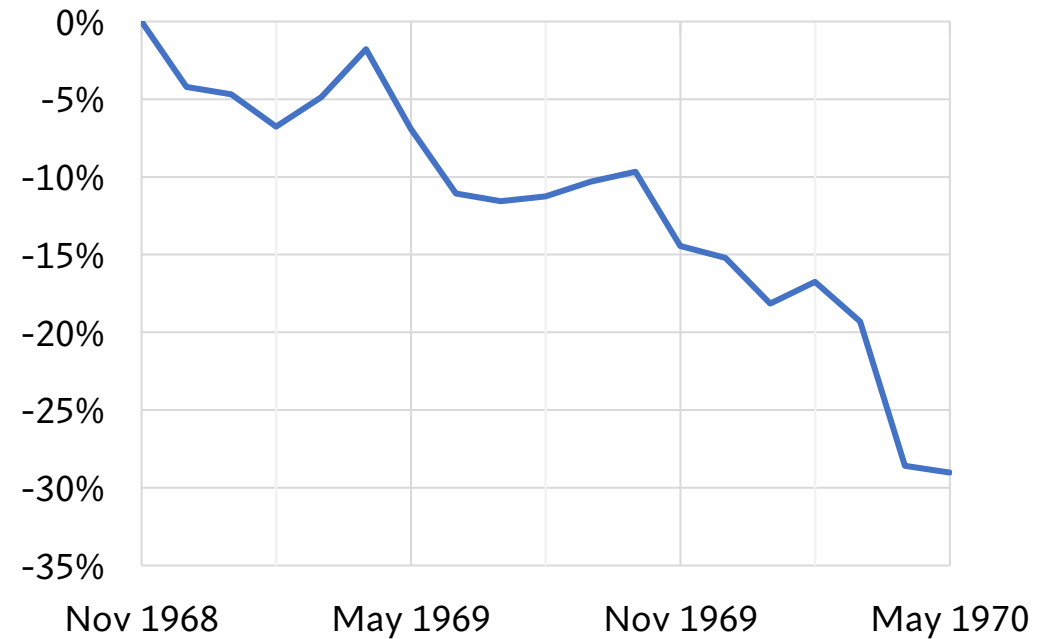
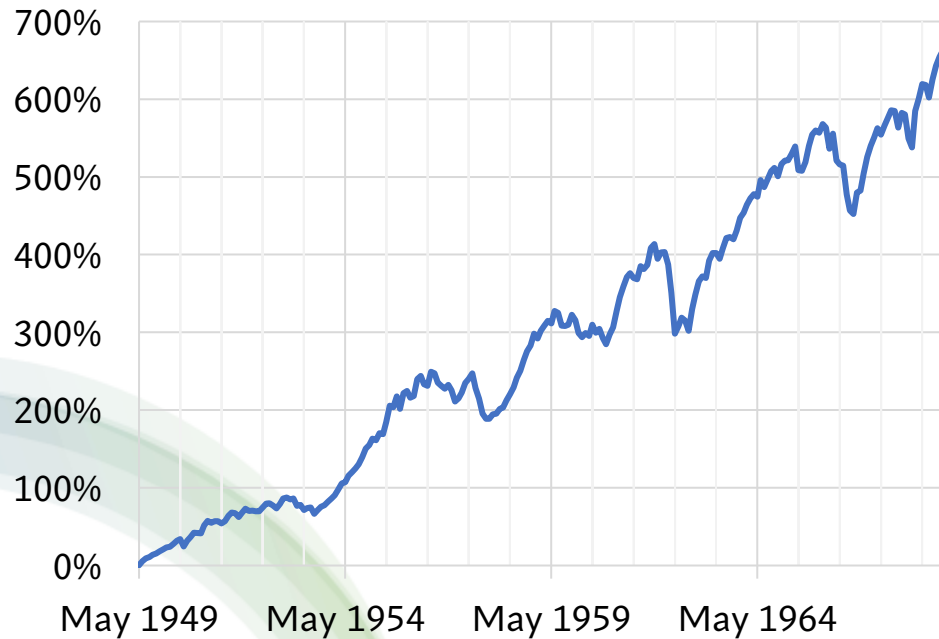
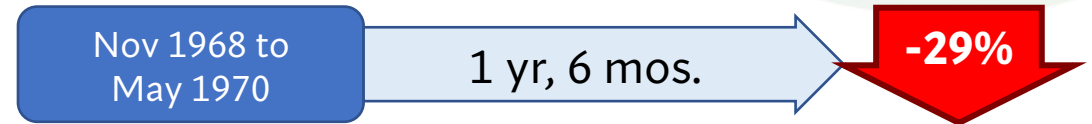
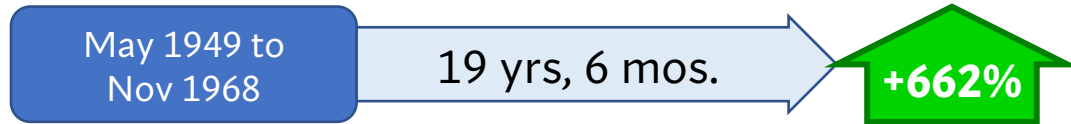
7 Years & 2 Months, Up 78%



IS INVESTING RELIABLE? ARE RESULTS PREDICTABLE?

May 1949 to May 1970:

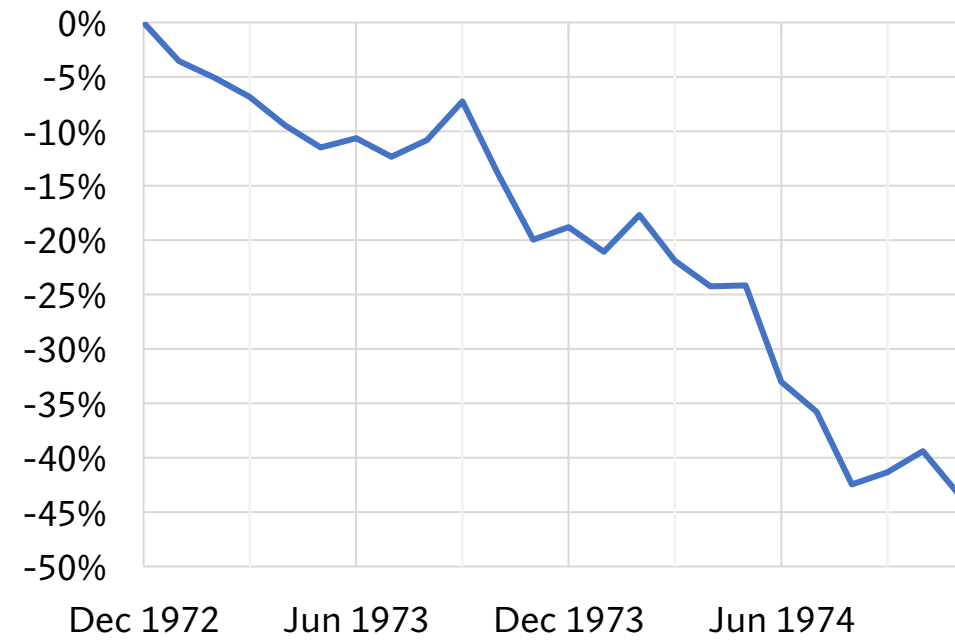
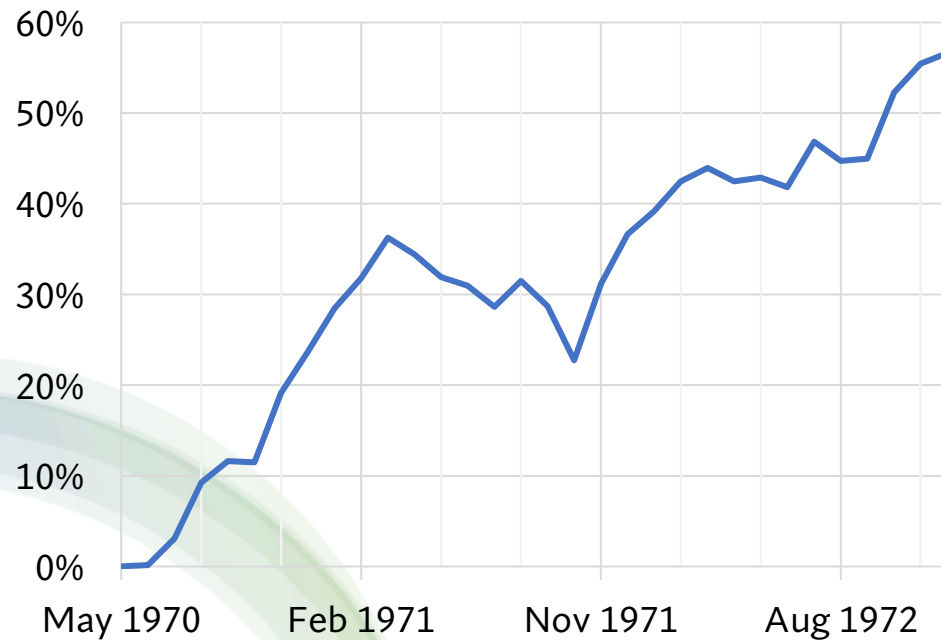
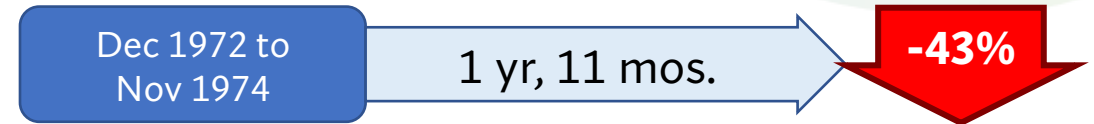
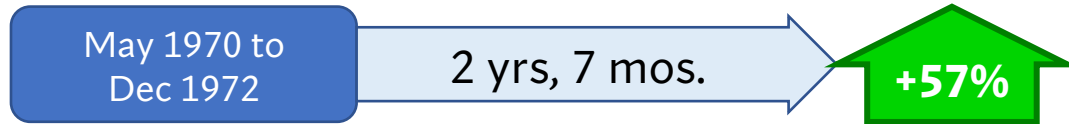
21 Years, Up 441%



IS INVESTING RELIABLE? ARE RESULTS PREDICTABLE?

May 1970 to November 1974:

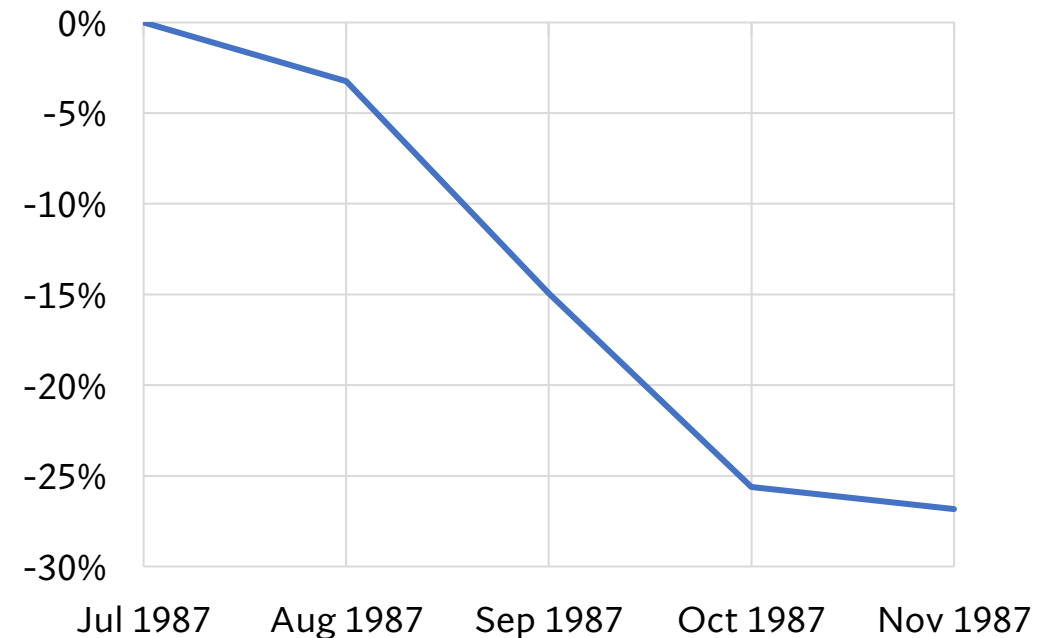
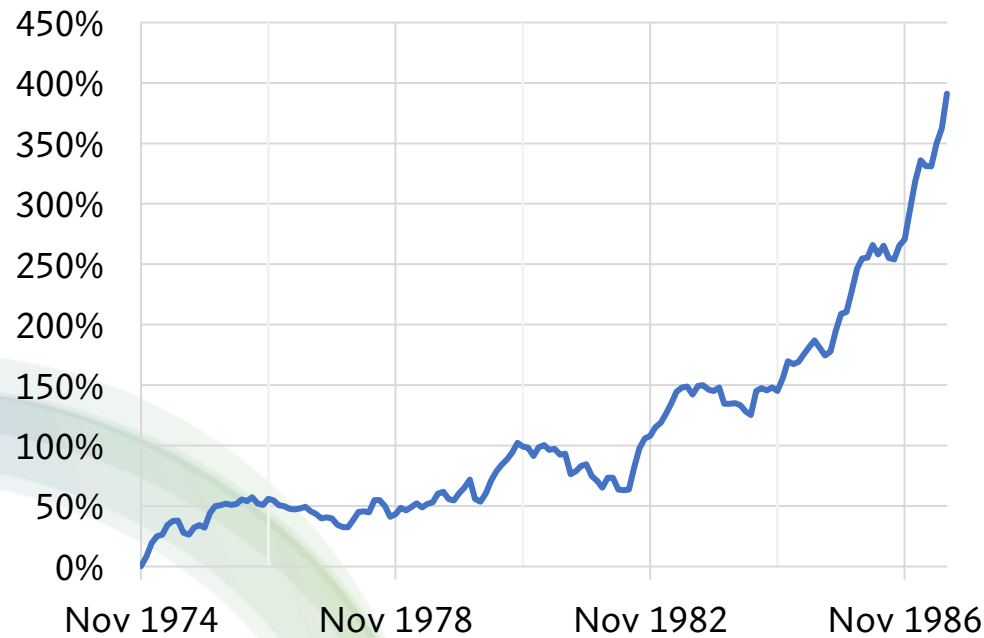
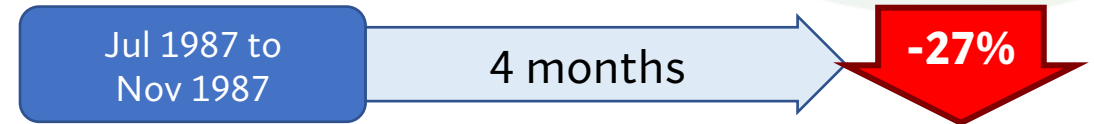
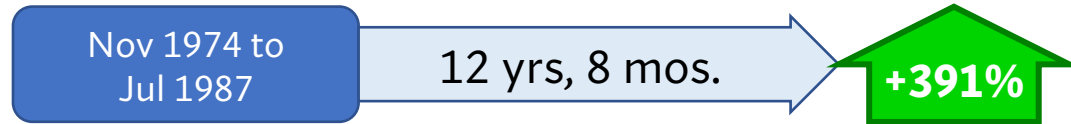
4 Years & 6 Months, Down 11%



IS INVESTING RELIABLE? ARE RESULTS PREDICTABLE?

November 1974 to November 1987:

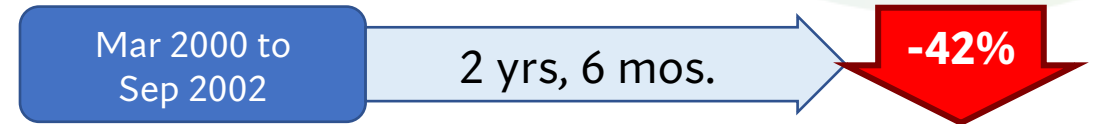
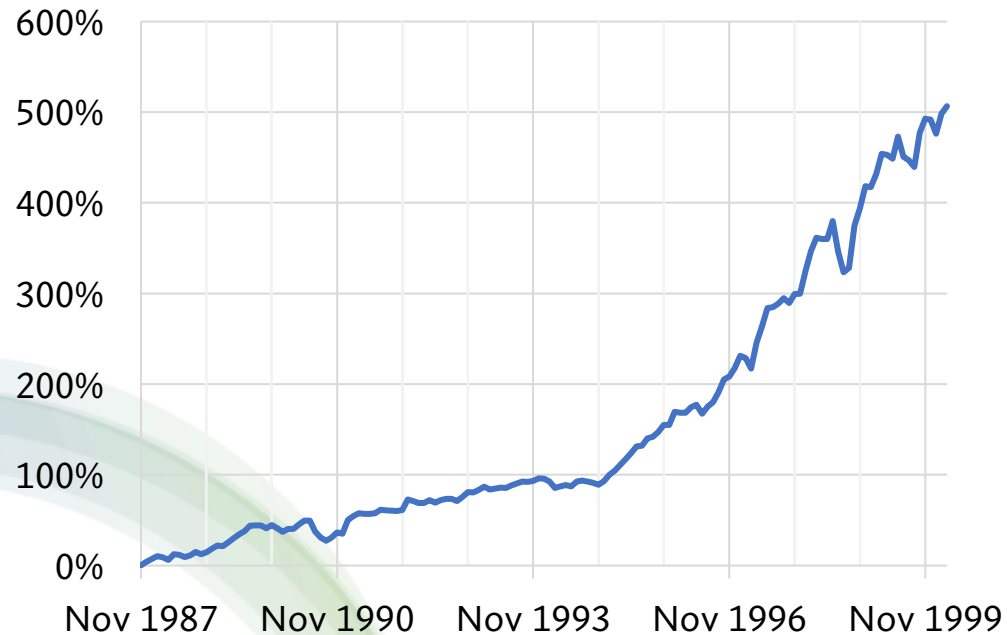
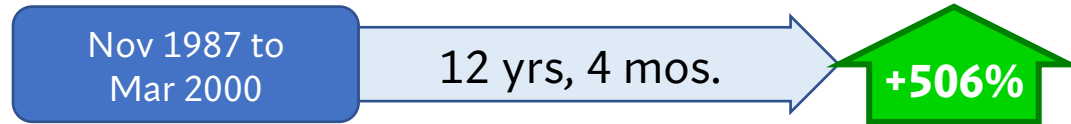
13 Years, Up 259%



IS INVESTING RELIABLE? ARE RESULTS PREDICTABLE?

November 1987 to September 2002:

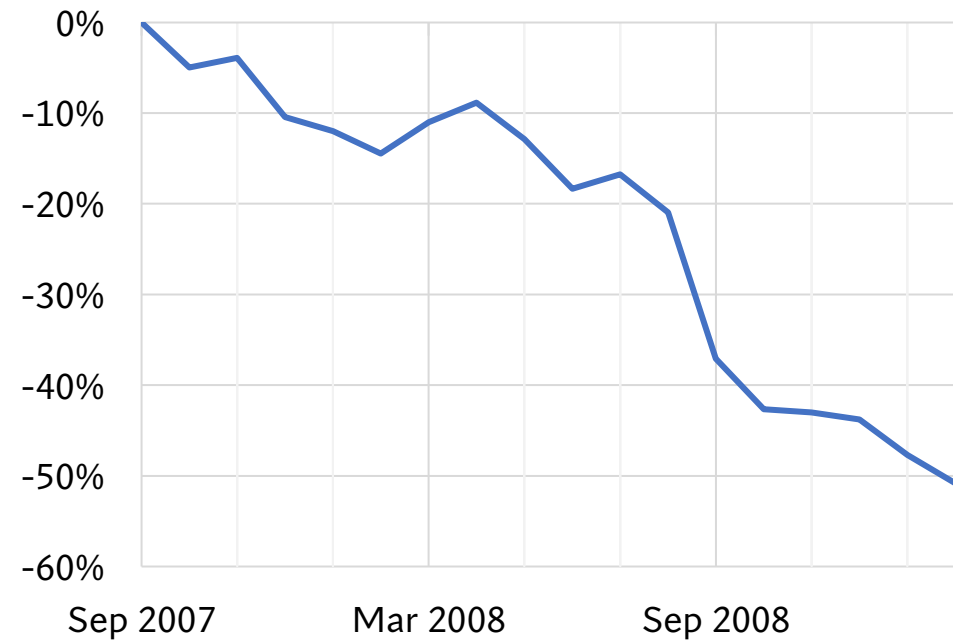
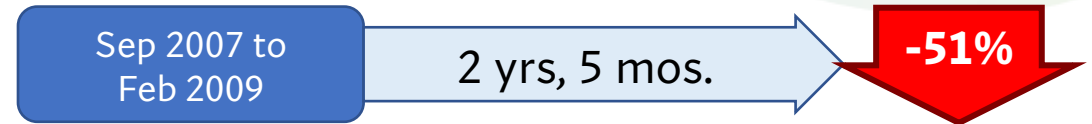
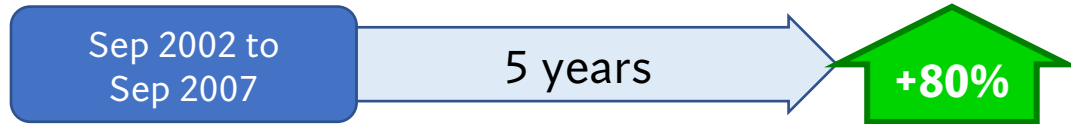
14 Years & 10 Months, Up 255%



IS INVESTING RELIABLE? ARE RESULTS PREDICTABLE?

September 2002 to February 2009:

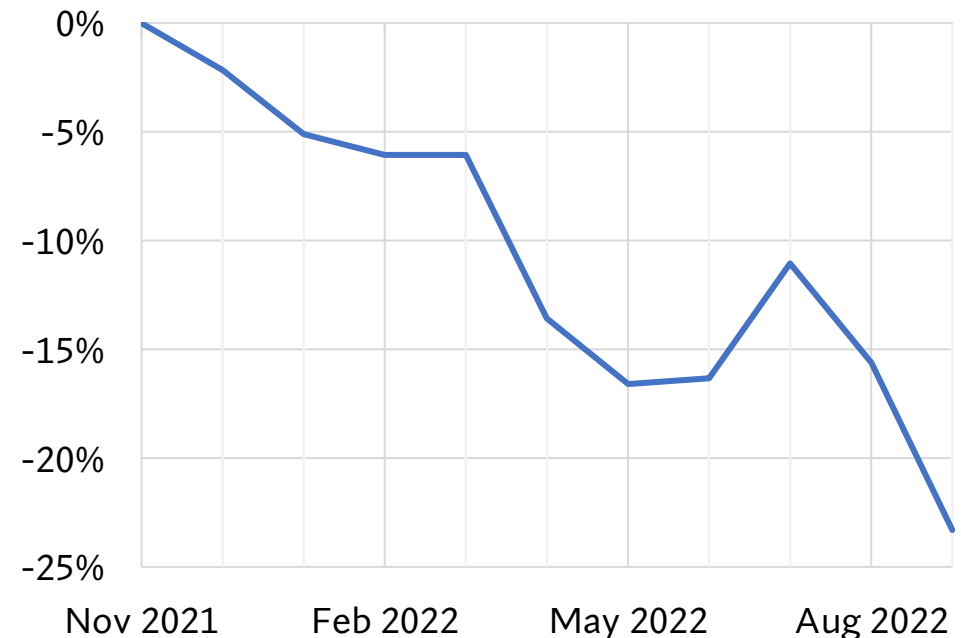
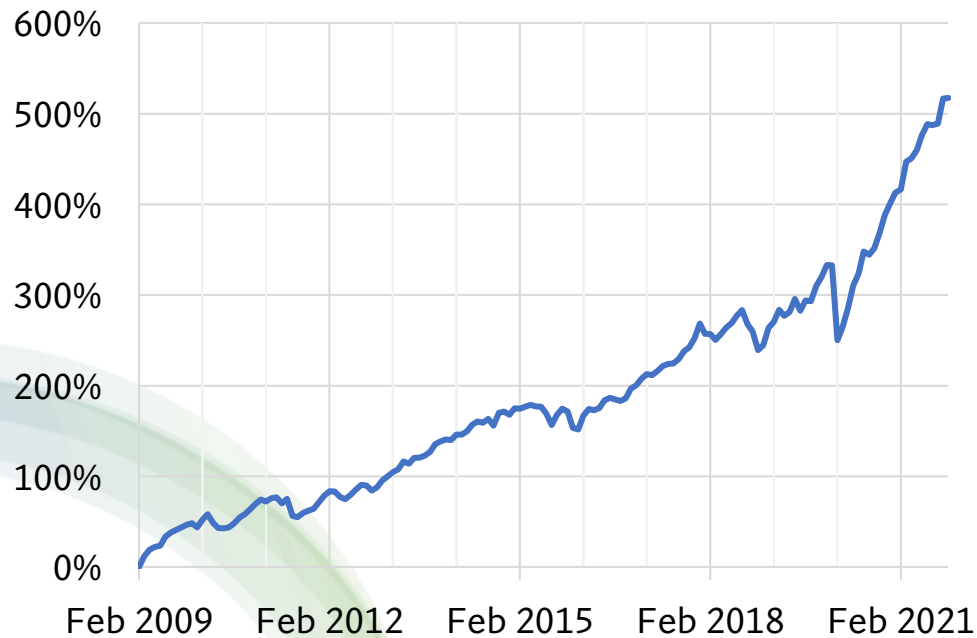
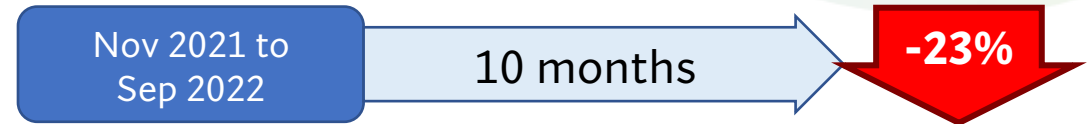
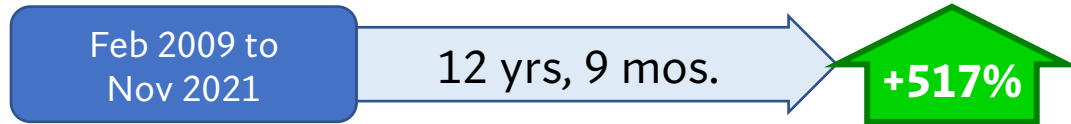
6 Years & 5 Months, Down 11%



IS INVESTING RELIABLE? ARE RESULTS PREDICTABLE?

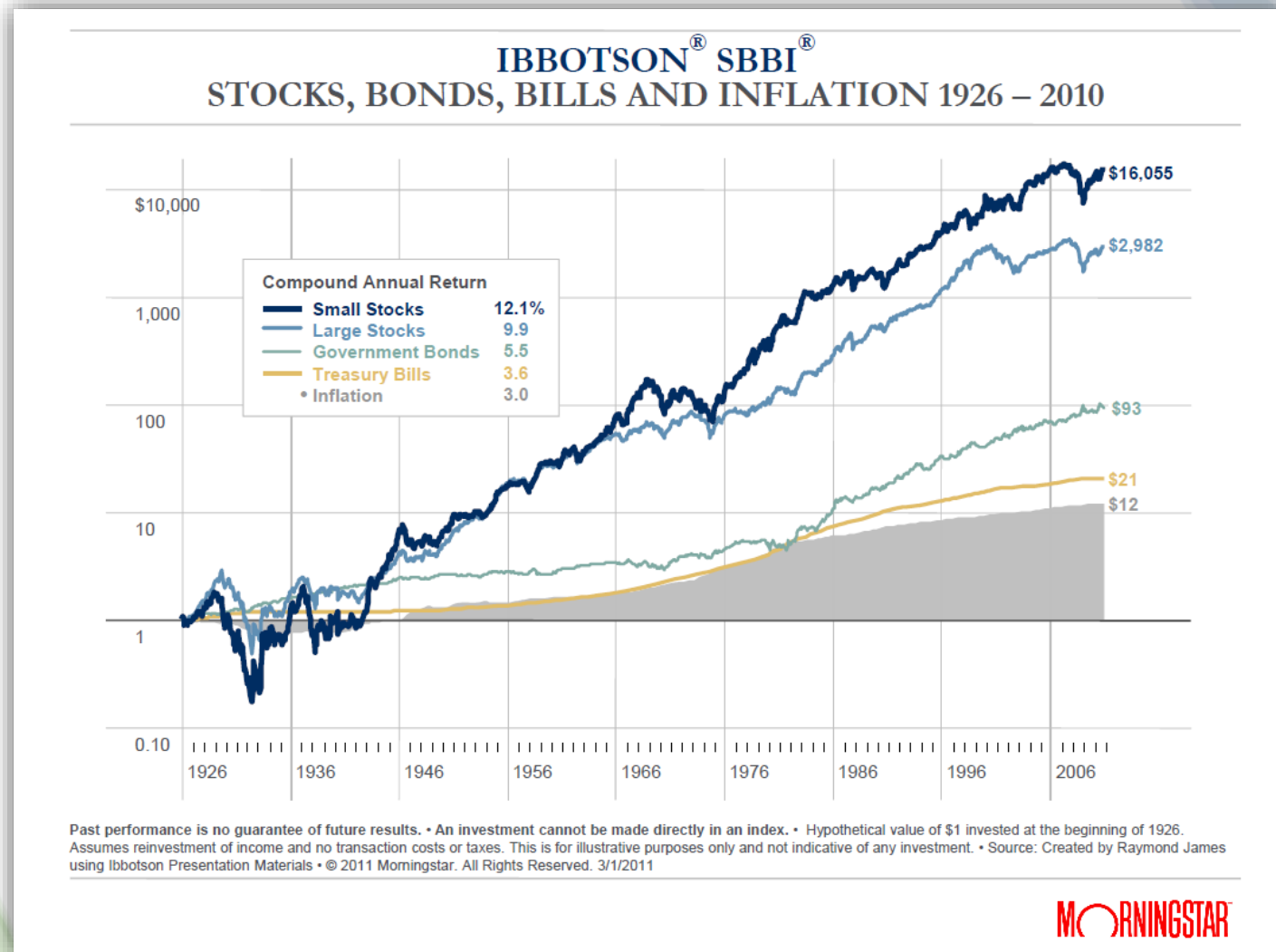
February 2009 to September 2022:

13 Years & 7 Months, Up 374%

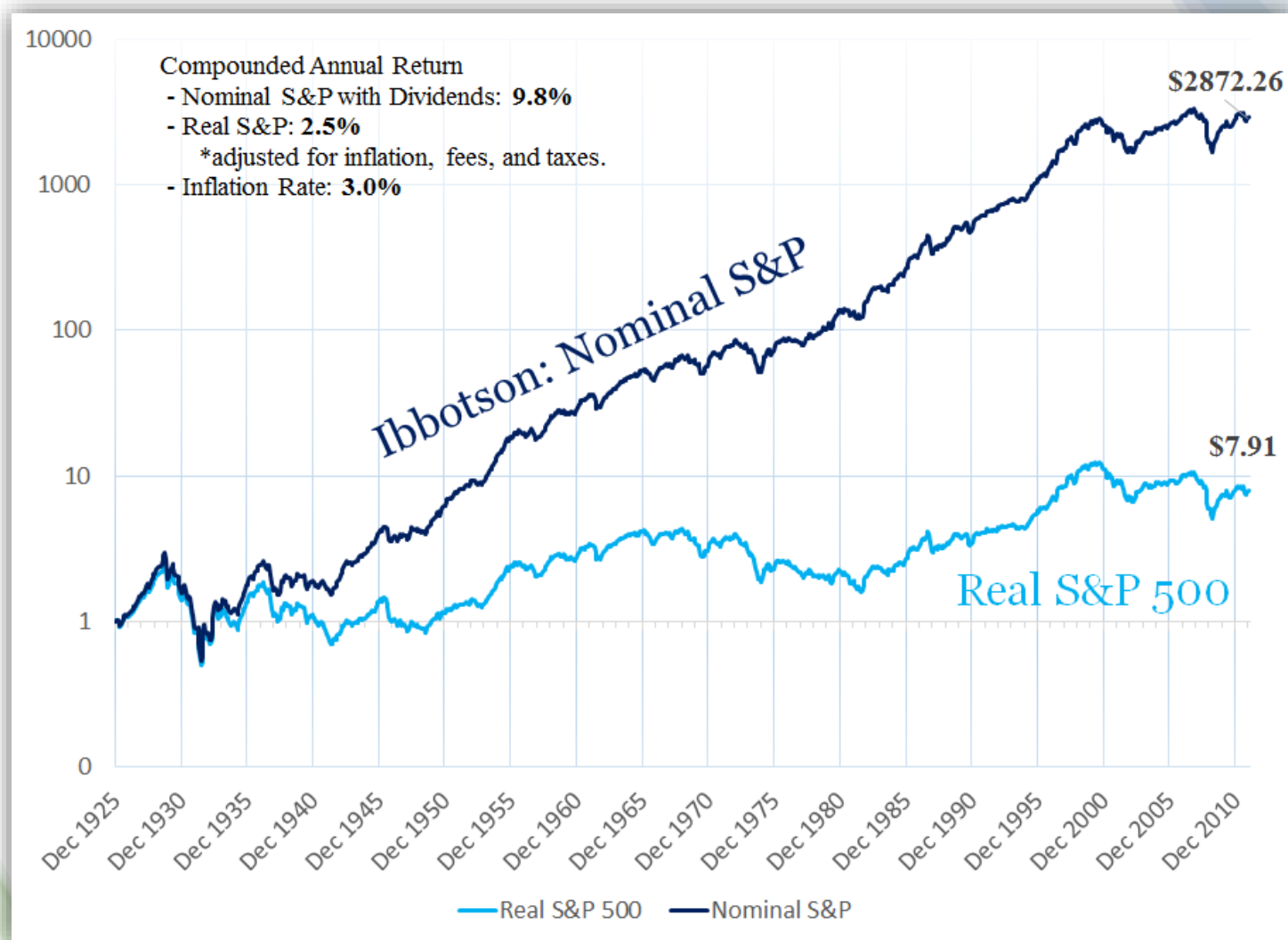


WHAT TO EXPECT FROM THE STOCK MARKET?

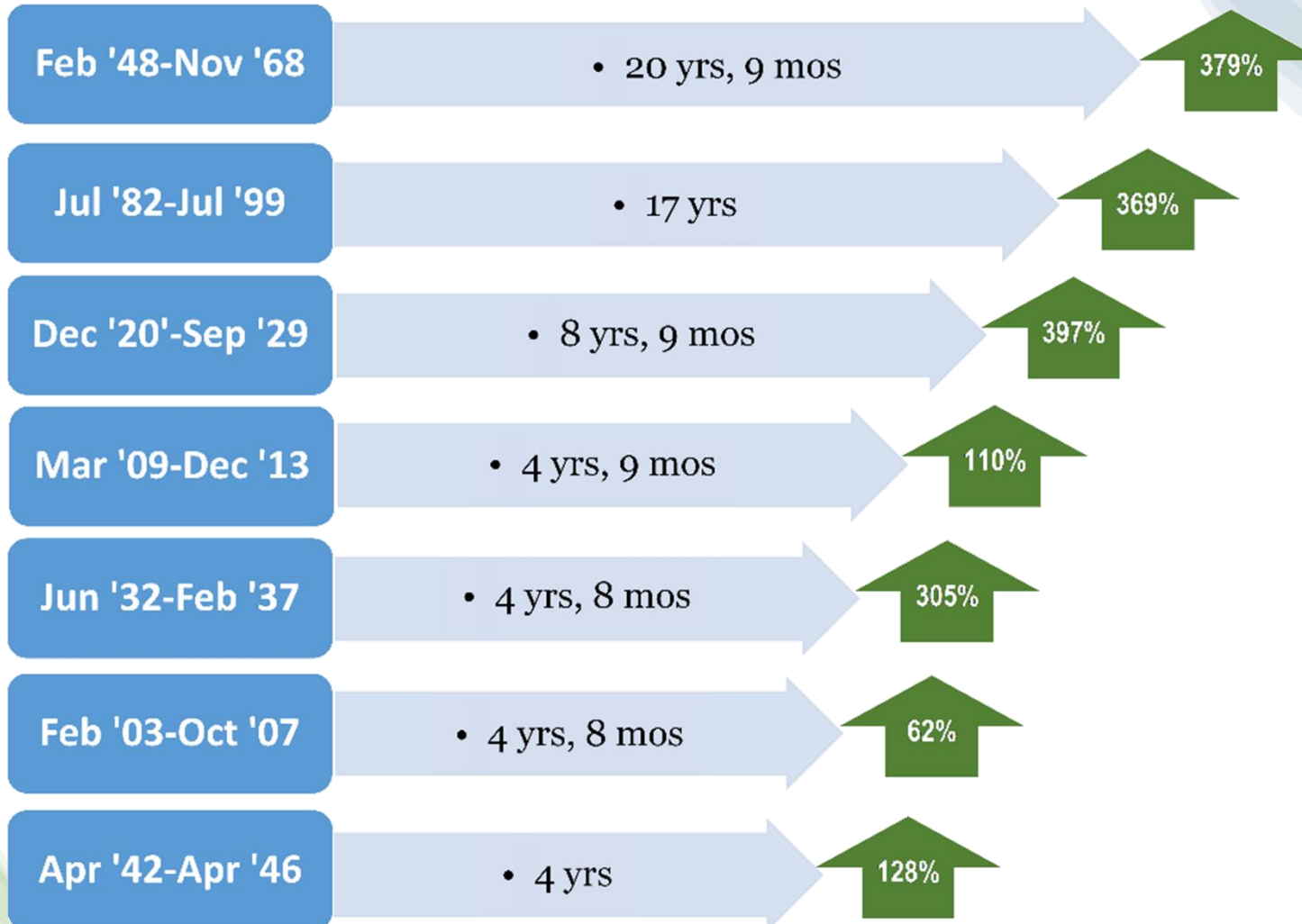
WHAT WALL STREET WILL SHOW YOU:



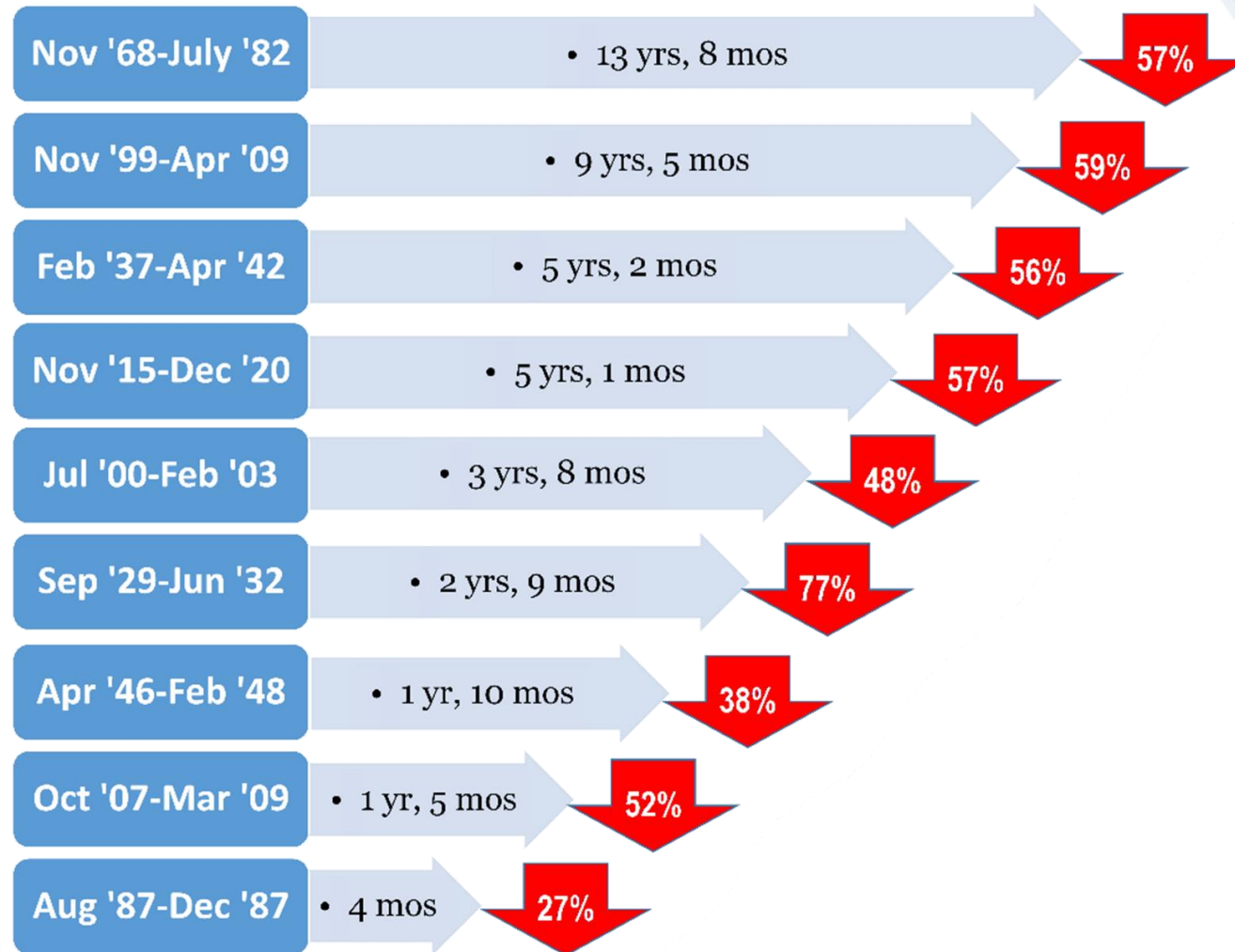
WHEN ADJUSTED FOR INFLATION, FEES, AND TAXES...



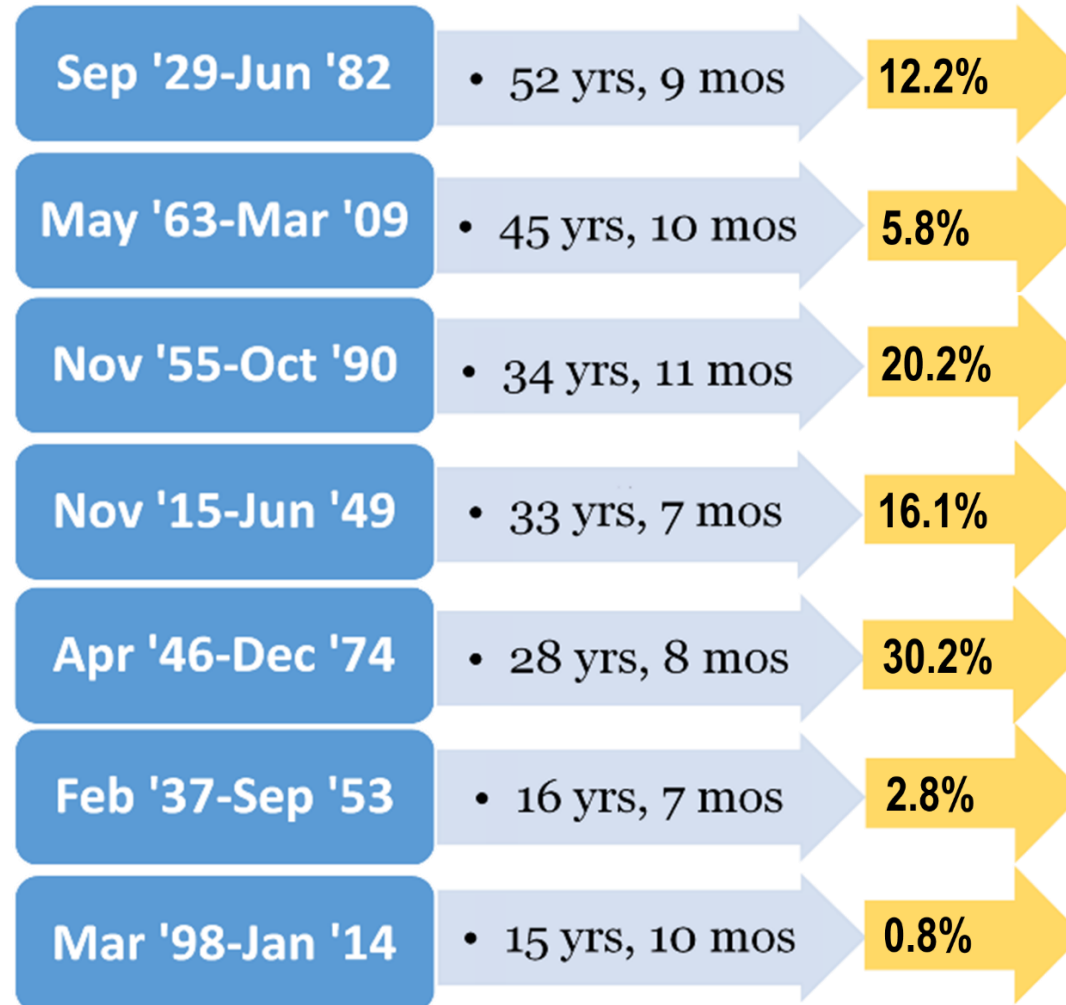
THE TREMENDOUSLY PROFITABLE PERIODS FINANCIAL SALESMAN SHOW TO LURE YOU IN



MARKET DECLINES WHICH HAVE DESTROYED THE LIVES OF MILLIONS OF FAMILIES AND BUSINESSES



PERIODS WHEN YOU WOULD HAVE WAITED, AND WAITED, AND WAITED...



HOW SAFE ARE “BLUE-CHIP” STOCKS?

Stock	High Date	High Price	Low Price	Low Date	% Loss
Amer. Int'l Group	Nov-00	\$1,737.21	\$5.87	Jun-09	-100%
Apple	Dec-12	\$702.10	\$390.53	Jun-13	-44%
AT&T	Jul-99	\$58.00	\$20.06	Sep-02	-65%
Blackberry	Jul-07	\$230.52	\$5.88	Dec-13	-97%
Campbell's Soup	Nov-98	\$59.15	\$19.79	Jan-03	-67%
Cisco	Mar-00	\$77.31	\$15.81	Sep-02	-80%
Citicorp	Dec-06	\$564.10	\$10.20	Feb-09	-98%
Corning	Sep-00	\$113.22	\$1.33	Oct-02	-99%
Eastman Kodak	Oct-87	\$104.91	\$0.03	Jan-14	-100%
Ford	Apr-99	\$40.78	\$1.58	Jan-09	-96%
GE	Aug-00	\$60.25	\$6.66	Feb-09	-89%
GM	Apr-00	\$93.63	\$0.00	Jun-09	-100%
Hewlett Packard	Jun-00	\$67.44	\$11.16	Sep-02	-83%
Home Depot	Dec-99	\$68.75	\$20.53	Jan-03	-70%
Intel	Aug-00	\$74.88	\$12.74	Feb-09	-83%
International Paper	Jan-00	\$58.62	\$4.09	Apr-09	-93%
Microsoft	Dec-99	\$59.56	\$15.15	Feb-09	-75%
Oracle	Aug-00	\$46.31	\$7.32	May-02	-84%
Pfizer	Jun-00	\$48.94	\$11.87	Feb-09	-76%
Pitney Bowes	Jul-99	\$70.63	\$10.41	Dec-12	-85%
Time Warner	Dec-99	\$194.04	\$14.59	Feb-09	-92%
US Steel	Jun-08	\$186.93	\$17.10	Jun-13	-91%
Wal-Mart	Dec-99	\$69.75	\$43.63	Sep-07	-37%
Xerox	Jan-99	\$62.00	\$4.34	Mar-09	-93%
Yahoo!	Dec-99	\$118.75	\$4.54	Sep-01	-96%

OBSTACLES TO SUCCESS

1. Supply and Demand for Stocks
2. Conflicts of Interest
3. Lack of Time for Research
4. Ignorance of Facts about Investing
5. Lack of Reliable Data
6. Lack of clear and reliable methods to evaluate risk
7. Lack of technology which allows for screening, sorting, comparing, and filtering 2000 stocks based on comprehensive data from financial statements

THE SUPPLY OF STOCKS

12,089	Total US Companies
2,435	...with a market cap greater than \$500M
1,777	...with earnings greater than \$25M
935	...priced under 5x NTE
276	...with debt less than half their Revenue
163	...with debt less than NTE

THE DEMAND FOR STOCKS

~50 million

~\$18 Trillion

~629,000 FINRA

~100,000 + 1600

~20,000

~200

~6,000

~3,300

Retail Investors

in Pensions and IRAs

Investment Salesmen

Multi-Millionaires and Billionaires

Investment Firms

Largest Corporations in world

Mutual Fund and Insurance Co's

Private Equity Firms

CONFLICTS OF INTEREST

3 Vital Services Wall Street Advisors Cannot Provide

1. An objective analysis of the risks and weaknesses of the products and services that *they sell*.
2. An objective analysis of the safety, costs, reliability, quality of service and potential for greater profits from competitors.
3. An objective analysis of completely different types of solutions from the solutions he sells.

WHY STOCKS RISE

1. Cash on Cash Return (ex: Dividends)
2. Below Breakup Value
3. Supply and Demand
4. Superstitions
5. Low Interest Rates

WHY STOCKS FALL

1. Real Business Problems
2. Rising Interest Rates
3. Recessions
4. Inflation Expectations
5. Over Valuation
6. Competition from Other Investments
7. Domestic or International Political Events
8. Bad Timing & Panics

CAN INVESTING BE MADE SAFE?

NO!

However, the more clearly we can identify the attributes of a safe stock,

AND

**the more clearly we can identify the attributes that make a stock risky,
the greater our capacity to avoid risky stocks;
which enables us to greatly reduce losses.**

Reducing losses is the foundation of safe investing!

WHAT ARE THE ATTRIBUTES OF A SAFE STOCK?

- 1. It is Very Solvent (has little or long-term debt);**
- 2. It is Cash Rich (has very high cash to total assets);**
- 3. It has at least 5 years of Stable Revenues;**
- 4. It has Clear and Positive Trends on its Balance Sheet;**
- 5. It has Income Congruency (Net Income = Increases to Net Tangible Equity)**
- 6. Its Share Price is Close to its “Net Tangible Equity (NTE).”**
- 7. Can be purchased below its average, historical Price/NTE ratio.**

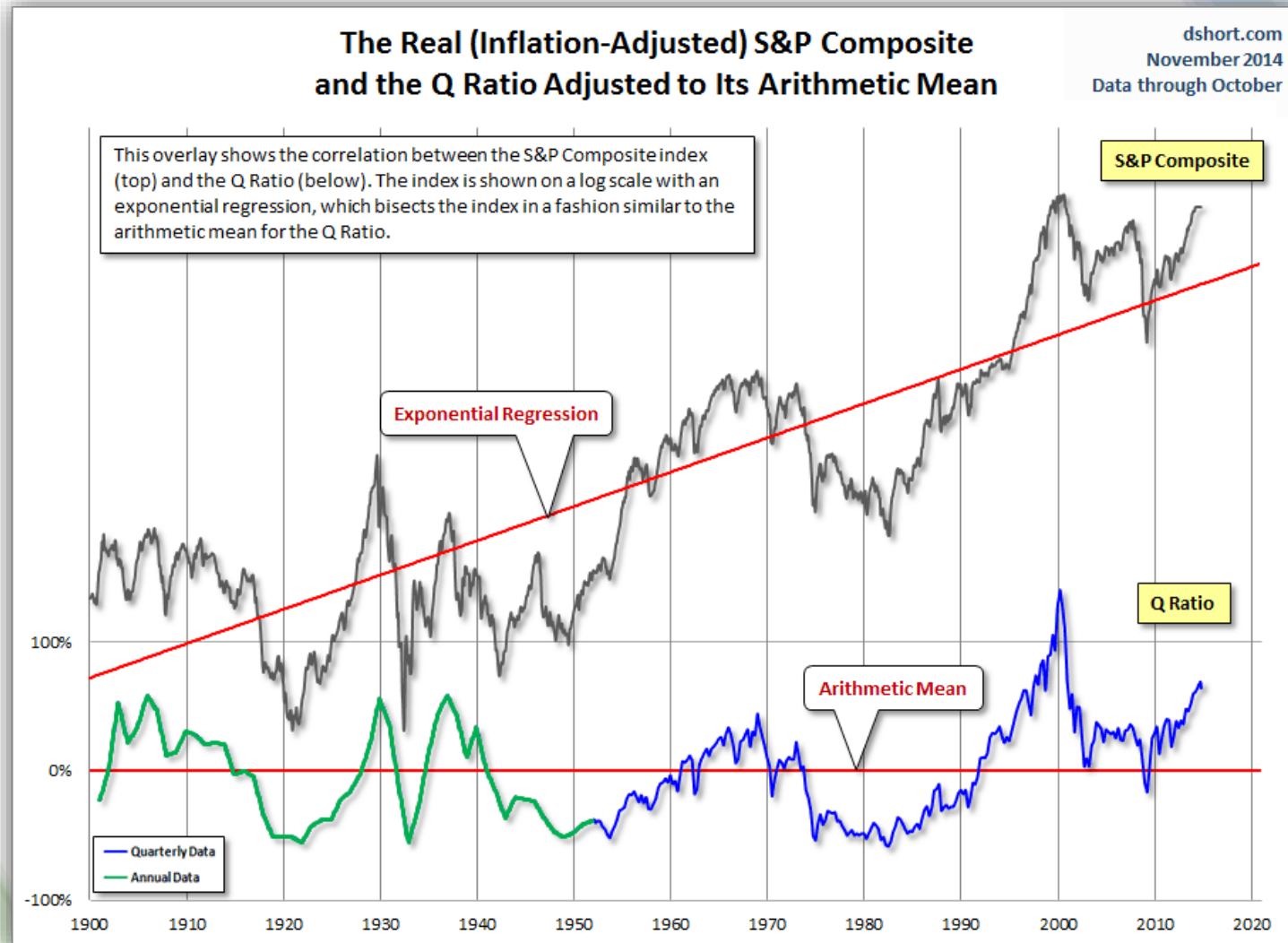
**Which attributes of safety
do you sacrifice when investing?**

3 VALUABLE MEASURES OF MARKET RISK

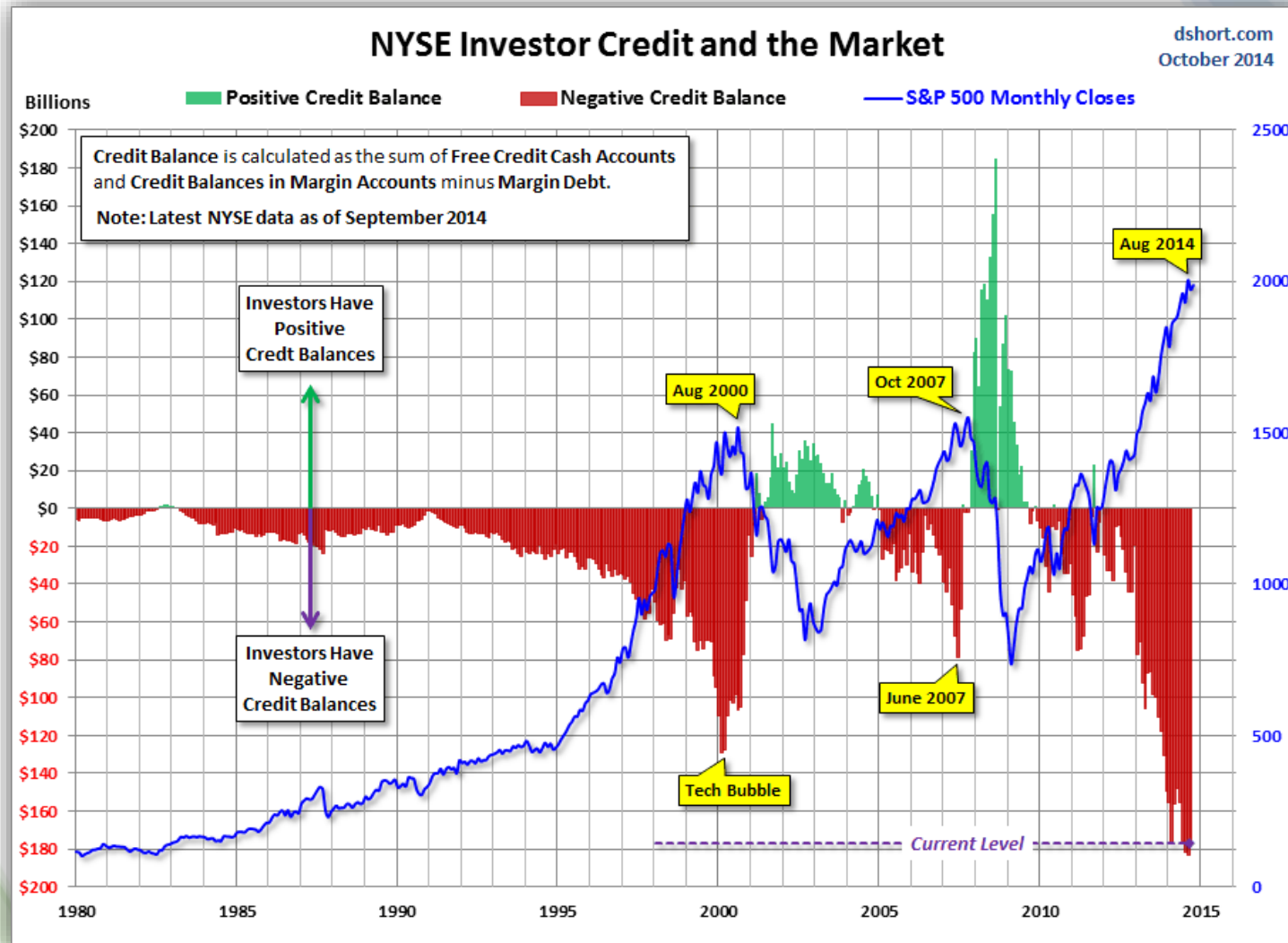
1. The Q-Ratio
2. NYSE Margin Debt
3. Price to Sales Ratio of the S&P 500

THE Q-RATIO

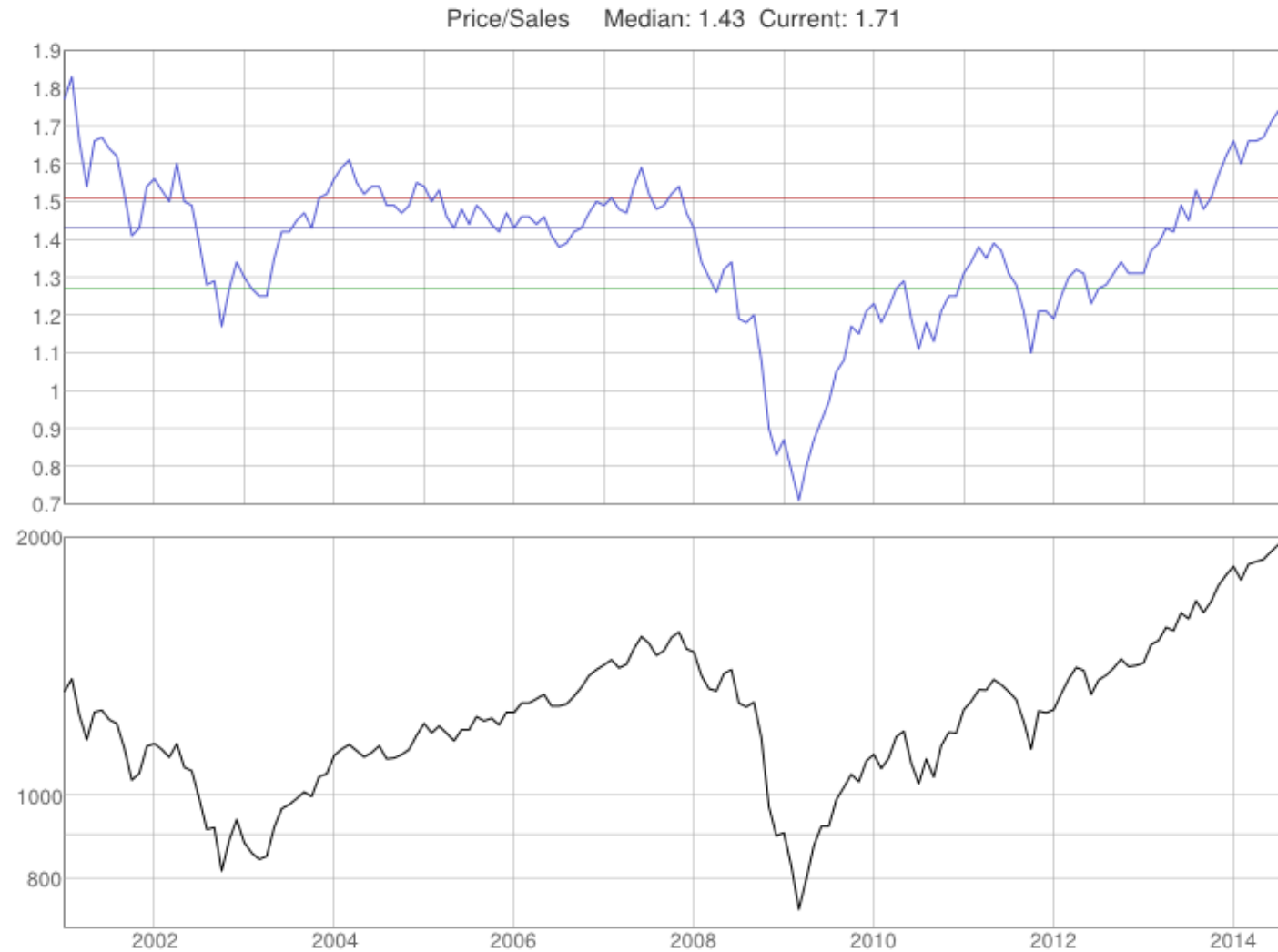
(DEVELOPED BY NOBEL LAUREATE, JAMES TOBIN, PH.D.)



NYSE MARGIN DEBT



PRICE TO SALES RATIO OF S&P500

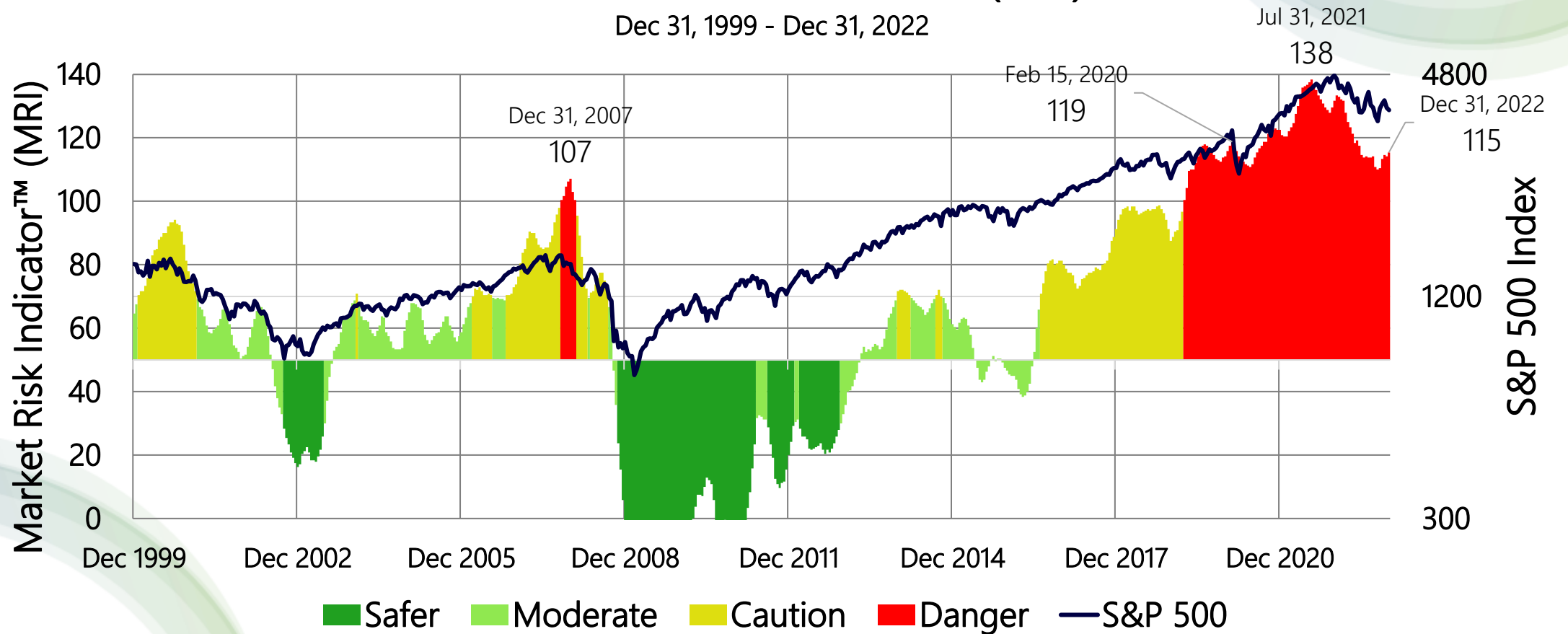


ERS's MARKET RISK INDICATOR™ (MRI)

SEE LEGAL DISCLOSURES AND LIMITATIONS

ERS's Market Risk Indicator™ (MRI)

Dec 31, 1999 - Dec 31, 2022



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