FINANCIAL RESEARCH RETURN ON INVESTMENT

HOW TO ACHIEVE AN ROI OF 100 PERCENT OR MORE ON AN INVESTMENT IN WANTED ANALYTICAL SERVICES

Assumptions

Users: Buy-side portfolio analysts overseeing equities within a specific sector

Responsibilities: Analysts are expected to understand the fundamentals of a broad set of companies operating in a particular industry sector. Their responsibilities include:

- Integrating multiple sources of research and analysis
- Making recommendations on portfolio composition and allocation by company

Performance Targets

Buy-side portfolio analysts support the trading division of an asset management firm with objectives of consistently exceeding the performance of the S&P Index by one percentage point, on average over a three- to five-year period.

- Number of companies in sector portfolio: 25
- Major Sector Reports per year: 4
- Typical changes in analyst ratings per quarter: 6
- Total Value of sector portfolio: $25 million
- Accurate ratings changes required to meet one percent performance: 5

Actual Performance Compared to Targets

During the prior twelve months, the sector portfolio had not achieved its performance target of one percent over the benchmark S&P sector index. The S&P sector had been up 5.0 percent, and the portfolio had been up 5.2 percent, for a shortfall of 0.8 percent:

Sector Portfolio Performance Before WANTED Services			
Activity	**Target**	**Actual**	**Difference**
Ratings changes	6	6	0
Portfolio Benchmark Premium	1.0 %	0.2 %	(0.8 %)
Portfolio Valuation Gain	$250,000	$50,000	($200,000)

Assessment

Equity analysts covering this sector did not have sufficient insight into the fundamentals of the sector to allocate weights among the various companies active in the sector. As a result of the misalignment of weights among portfolio companies, the portfolio did not perform up to expectations.

"ROI" DEFINED

Return-On-Investment (ROI) is a way to evaluate an investment in a new service designed to generate incremental revenue. ROI calculates the percentage gain over a period of time on the amount of the original investment.

The higher the percentage gain over the specified period, the better the investment.

In other words, for every $1,000 invested in new product or service, each incremental $100 in revenue represents a 10 percent Return on Investment.

For more information, please visit our website at www.wantedtech.com.

Conclusion

More detailed and timely insight into the fundamentals of particular companies is required to better anticipate and forecast changes in valuation for specific companies in the portfolio.

Corrective Action

Management subscribes to WANTED services which provide sector and company-specific data on the hiring volume, occupations, geography and skill-set requirements for all companies within the portfolio.

WANTED Hiring Demand Indicators Investment

The annual investment required for detailed Hiring Demand Indicators for the 25 companies within the sector:

- Annual investment per sector: $25,000
- Additional Analyst Time incorporating data in Models: $25,000
- Staff Time, Discussion, Analysis: $25,000

RESULTS AFTER TWELVE MONTHS OF HIRING DEMAND INDICATORS ANALYSIS AND MODELING

WANTED's Hiring Demand Indicators enable the sector analyst to see on a weekly basis the level of hiring activity for individual companies in the portfolio. The analyst is able to compare the hiring levels among competitors within the sector and correlate this with additional research to identify the highest growth companies. The analyst includes this hiring activity insight with additional research and analysis to make more timely and effective portfolio allocations.

Sector Portfolio Performance After WANTED Services			
Activity	**Before WANTED**	**After WANTED**	**Difference**
Ratings changes	6	6	0
Portfolio Benchmark Premium	0.2 %	1.0 %	0.8 %
Portfolio Valuation Gain	$50,000	$250,000	$200,000

ROI Calculation

The calculation of the Return-On-Investment involves dividing the incremental gain from the WANTED services, less their fully-allocated cost, by the cost of the services. The ROI for several investment options can be compared to determine which yields the highest gain.

$$\frac{\$200{,}000 - \$75{,}000}{\$75{,}000} = 167\ \%$$

WANTED TECHNOLOGIES

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