

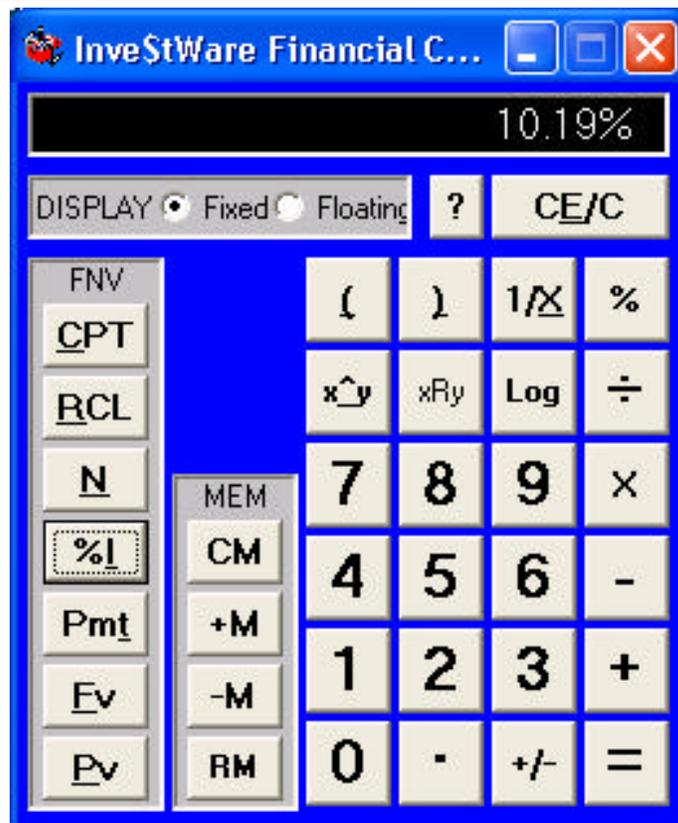
Computing Total Return in Toolkit

AKA “When is Five Years Not Five Years?”

Many are familiar with total return. It means that if we buy a stock at the present price and sell at the forecast high price in five years, total return will be our average annualized [compounded] return from a combination of price appreciation and yield [if any].

Did you know that in Toolkit, five years is not always five years? In the example below, the forecast high price in five years is \$34.60 [not shown.] The present price is \$21.30 [not shown.] If you use the Toolkit calculator to find total return, you get an answer of 10.2%, not 12.0% shown in Part 5 of this SSG. Why the difference? See next page.

Per Share Next 5 Years	1.74	X Avg. % Payout	(3G7) 4.8	=	8.4	=	0.4 %
		Present Price \$	21.300				
AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS							
Position Potential (4E)	62.4		12.5 %		Average Yield	0.4%	Tot. Ret. 0.3%
5			0.4 %		Annual Appreciation	7.4%	11.7%
Annual Return Over the Next 5 Years (5C)			12.9 %		% Compd Ann Rate of Ret	7.8%	12.0%



?
Why the difference?

FV = 34.6

PV = 21.3

N = 5 [yrs]

%I = ?

FV = future value

PV = present value

N = number of compounding periods [years]

Computing Total Return in Toolkit

The SSG, Part 5 is programmed to compute total return for a period that runs from the current price date to the end of the company's current fiscal year, plus four additional fiscal years. In the example, the price date is August 8. The end of the company's current fiscal year is Dec 31. The number of days left in this fiscal year, ie., Aug 9 — Dec 31, is 145. This represents 0.3973 [145/365] of the year. So, in the previous calculation, substitute 4.3973 for N, instead of 5.0. You will get 11.7%. Add this to the 0.3% for dividends, and you have 12.0%.

Portfolio Evaluation Review Technique

Date: 08/09/2002

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Portfolio: Restaurants
Prepared using The NAIC Investor's Toolkit

DIV	COMPANY	PRICE	RV	5 YR AVE P/E RATIO			EST GROWTH RATE EPS	P/E AS % OF GROWTH RATE	US/DS	% COMPD ANNUAL RATE OF RETURN	EST FIVE YEARS	
				HI	AVG	LOW					LOW PRICE	HIGH PRICE
		22.13 08/08/02	80.1	20.0	17.4	14.9	10.0	164.9	2.3	10.8	15.8	36.6
		21.30 08/08/02	102.4	16.0	13.5	11.0	11.5	125.6	1.7	10.2	13.3	34.6

So, how do you find out what the total return is for five full fiscal years without having to use the calculator? Simple — go to the PERT entry for that company and read the figure under “% **Compounded Annual Rate of Return.**”

Total Return - Revisited

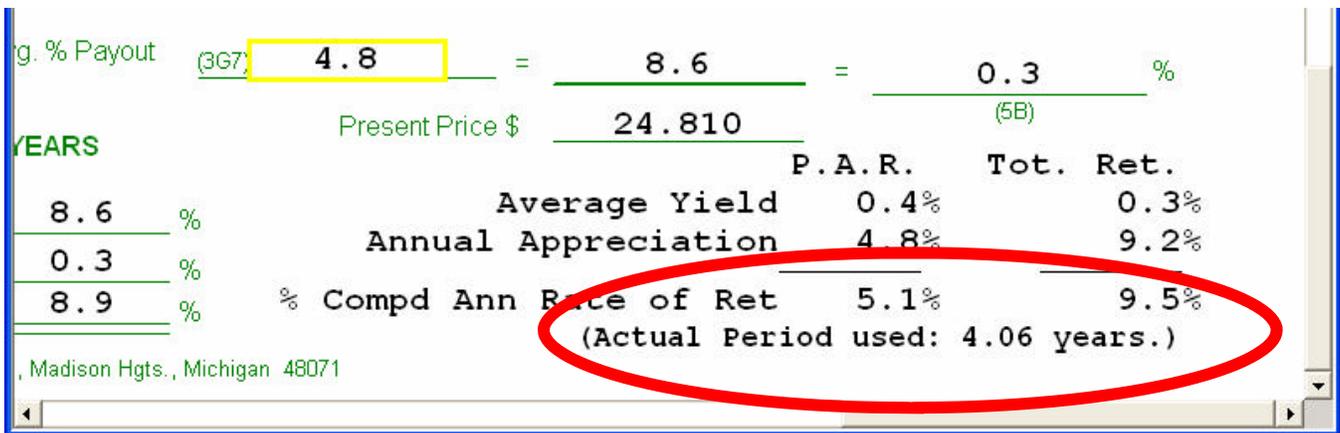
[Before proceeding through this tip, please go back and review Tip #12]

In Tip 12, we explained how Toolkit figures the time frame over which total return is calculated. We explain that this time frame is almost always less than the "nominal" 5 years.

To find out what time frame is used for the TR calculation, go to part 5 of the SSG and press CTRL+ ALT+ N

In the example below, the current price date is Dec 9 [not shown.] That leaves 22 days in this company's fiscal [ending on Dec 31.] The remaining 22 days in this fiscal year, divided by a full year of 365 day = ~ .06 years. From Tip 11, we know that we add four full fiscal years to find the time frame over which Toolkit computes TR. Therefore, the timeframe is 4.06 years.

Again, if we want to know what the TR would be for five full fiscal years, we can use the Toolkit calculator. [Tip # 12]. Remember that the TR figure for five full years will be less than the TR calculated for 4+ years.



g. % Payout	(367)	4.8	=	8.6	=	0.3	%
		Present Price \$		24.810		(5B)	
YEARS					P.A.R.	Tot. Ret.	
8.6	%			Average Yield	0.4%	0.3%	
0.3	%			Annual Appreciation	4.8%	9.2%	
8.9	%			% Compd Ann Rate of Ret	5.1%	9.5%	
							(Actual Period used: 4.06 years.)

↑
CTRL + ALT + N