

How to use the Timely Buys Portfolio

The purpose of this guide is to show you how to implement the trades recommended on the Timely Buys list to experience similar returns in your portfolio. Before we dive into the step-by-step instructions, it's important for you to have proper expectations of what it will take to be successful trading the Timely Buys List.

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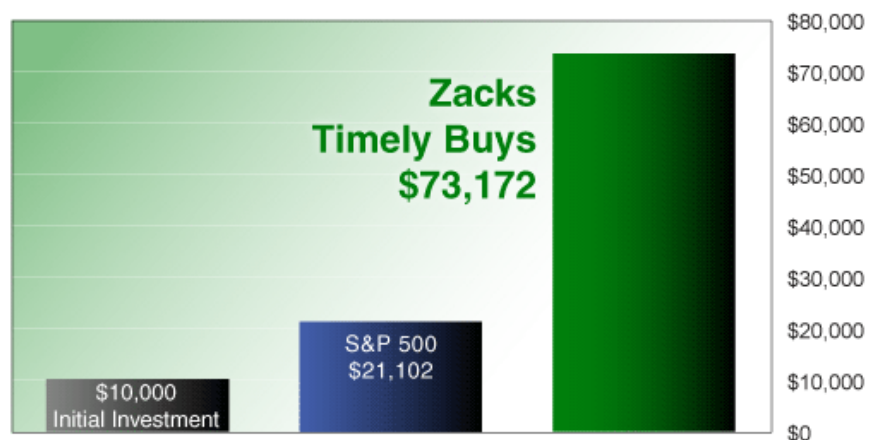
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If you have questions while using this guide, please contact your Zacks Elite Account Manager
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***Since inception in 1996
the Timely Buys portfolio has generated
superior results for subscribers of Zacks Elite.
In fact the Timely Buys Portfolio has
outperformed the S&P 500 for
11 of the last 13 years!***

Trading with the Timely Buys

Zacks Timely Buys vs. S&P 500 \$10,000 Starting Equity



Results are through September 30, 2009

Performance Calculations from 02/01/96 through 09/30/09

Short-Term Trading Strategy: The Timely Buys Portfolio has an average holding period of only 35 days (five weeks). With that being said, stocks can be in the Timely Buys as little as one week or as long as three to four months. In other words, you may have no trades for a given week or multiple trades, depending upon the strategy.

| | *1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|-------------|-------|-------|-------|-------|-------|--------|--------|-------|-------|------|-------|-------|--------|-------|
| Timely Buys | 31.6% | 37.3% | 33.3% | 59.3% | 37.3% | -8.3% | -11.5% | 46.5% | 53.2% | 7.7% | 6.2% | 19.7% | -47.8% | 6.8% |
| S&P 500 | 18.9% | 33.4% | 28.3% | 21.0% | -9.2% | -11.9% | -22.1% | 28.7% | 10.9% | 4.9% | 15.8% | 5.5% | -37.0% | 19.3% |
| Difference | 12.7% | 3.9% | 4.9% | 38.3% | 46.4% | 3.6% | 10.6% | 17.8% | 42.3% | 2.8% | -9.6% | 14.2% | -10.8% | 4.3% |

*Calculations for 1996 are from Feb 1, 1996 to Dec 31, 1996

Now imagine if you had been investing in the Timely Buys for the past 13 years. (For every \$10,000 invested in our philosophy starting back in 1996 is now worth \$73,172; versus just \$21,102 for the S&P 500.)

Limit Exposure: Over the last few years, the Timely Buys has averaged only six stocks in the portfolio at any given time. That does not offer enough diversification for most investors. Therefore, we strongly recommend that you only invest a limited portion of your funds in the Timely Buys given the risks associated with any portfolio that holds a small amount of stocks. In terms of your entire portfolio, think of the Timely Buys as the icing, not the cake.

If you would like a longer term, diversified approach please see our [Focus List portfolio](#).

Discipline: By following the “ZacksElite.com Stock Recommendation Alerts” e-mails and using discipline you can achieve similar results. That is why Zacks recommends you follow the strategy discussed in this guide. This will help you implement the Timely Buys list as it is meant to be used. In other words, we suggest you follow our buy and sell transactions within 24 hours of receiving your stock recommendation e-mail (to be discussed in detail later in this guide). The reason for following this disciplined approach is obvious; following our buy and sell decisions has allowed investors to outperform the markets during 11 of the last 13 years.

However, that does not mean that every stock is a winner. Or that every week or every month, or even every year, we will be in positive territory. If the market is experiencing a bearish run (as it did in 2000, 2001 and 2002) it pulls virtually every stock down with it, including ours. Yet as the table on the previous page clearly shows we were able to keep our subscribers ahead of the market at every turn. Yes, we lost money in 2001 and 2002, but much less than the overall market. And during the entire three year Bear run, our subscribers came out ahead by 17.51%. What other service can say that?

If you want to avoid losses at all costs, then don't invest in the stock market. If you think that any service will produce profits on every stock, every year, think again. But if you want to beat the market over the long haul, then continue reading this vital guide to implement the Timely Buys List in your portfolio.

What are Timely Buy Stocks?

The next three sections will give you the background necessary to understand the philosophy and process behind Timely Buy stock selection.

What are Timely Buy stocks?

Short Answer: The Timely Buys List contains all the stocks in the Zacks Focus List portfolio with a Zacks Rank of 1.

Long Answer: To our loyal subscribers the above makes perfect sense. To the newcomers we need to cover a bit of ground starting with this...

“Earnings estimate revisions are the most powerful force impacting stock prices.”

This is not just some meaningless slogan or some hot, short-term trend. It is based upon a fundamentally sound approach that has crushed the market since 1988. This approach is called the Zacks Rank, which focuses on four factors (three measures of earnings estimate revisions and one measure looking at past earnings surprises). Most importantly our Zacks #1 Rank (“strong buys”) stocks have produced the following returns:

Zacks Rank Performance Summary - Monthly Rebalancing

| Year | #1 Rank | #2 Rank | #3 Rank | #4 Rank | #5 Rank | S&P 500 |
|-----------------------|---------------|---------------|--------------|--------------|--------------|--------------|
| 1988 | 37.46% | 29.69% | 20.79% | 19.13% | 18.39% | 16.20% |
| 1989 | 36.09% | 26.84% | 15.85% | 9.55% | -5.10% | 31.70% |
| 1990 | -2.97% | -13.69% | -21.32% | -23.85% | -34.71% | -3.10% |
| 1991 | 79.79% | 56.80% | 45.98% | 36.60% | 34.35% | 30.40% |
| 1992 | 40.65% | 29.63% | 18.04% | 12.24% | 17.31% | 7.51% |
| 1993 | 44.41% | 26.86% | 14.78% | 8.59% | 9.54% | 10.07% |
| 1994 | 14.34% | 5.15% | -3.56% | -11.14% | -10.90% | 0.59% |
| 1995 | 54.99% | 46.84% | 30.63% | 17.35% | 9.11% | 36.31% |
| 1996 | 40.93% | 28.60% | 16.07% | 7.71% | 8.02% | 22.36% |
| 1997 | 43.91% | 33.87% | 22.93% | 10.17% | 3.05% | 33.25% |
| 1998 | 19.52% | 12.92% | -3.47% | -8.77% | -14.84% | 28.57% |
| 1999 | 45.92% | 35.53% | 31.02% | 18.46% | 17.69% | 21.03% |
| 2000 | 14.31% | -1.47% | -17.75% | -19.52% | -3.95% | -9.10% |
| 2001 | 24.27% | 11.70% | 14.09% | 17.93% | 20.20% | -11.88% |
| 2002 | 1.22% | -14.51% | -19.39% | -23.50% | -17.59% | -22.10% |
| 2003 | 74.74% | 71.02% | 66.69% | 57.34% | 55.99% | 28.69% |
| 2004 | 28.79% | 23.26% | 18.51% | 11.92% | 16.63% | 10.87% |
| 2005 | 17.79% | 12.01% | 6.54% | -1.31% | -5.08% | 4.90% |
| 2006 | 23.69% | 26.63% | 18.09% | 15.17% | 16.88% | 15.80% |
| 2007 | 19.91% | 5.42% | -4.34% | -13.06% | -23.90% | 5.49% |
| 2008 | -41.13% | -43.48% | -48.70% | -45.75% | -50.95% | -37.00% |
| 2009* | 60.10% | 71.27% | 69.97% | 53.61% | 51.41% | 19.26% |
| Annual Average | 28.19% | 18.85% | 9.88% | 3.97% | 1.85% | 9.23% |

*2009 results are for the period of Jan 1- Sept 30, 2009

To fully understand the virtues of the Zacks Rank, we have created this free report for Zacks Elite members: [The Billion Dollar Secret](#).

Have you read the Billion Dollar Secret yet? If not, then now would be the time to do so.

The Timely Buys list contains only those stocks that possess two important distinctions:

1) Focus List Stocks: The Focus List contains stocks hand-picked by Zacks to outperform the market over the next 12 months. There are 35-40 stocks on the Focus List at any one time. Zacks relies heavily on earnings estimate revisions along with years of market experience to select these companies. The portfolio is meant to provide a diverse group of stocks. And by “diverse” we mean the individual stocks are spread across many industries, market caps, growth rates etc.

- ➔ [Zacks Focus List](#)
- ➔ [Performance Details](#)

2) Zacks # 1 Rank: These are top-rated, “strong buy” stocks, selected by our exclusive ranking system. These stocks have the greatest potential to outperform the market over the next one to three months. On average, there are just over 200 stocks on the Zacks #1 Rank List at any given time.

By adding these two elements together, you now have a powerful combination. Not surprisingly, the Timely Buys list has outperformed the market in 11 of the past 13 years.

When are Changes made to the Timely Buys Portfolio?

As noted above the Timely Buys portfolio contains only stocks on the Focus List that have a Zacks Rank of 1. Now we face the timing decisions of when to add or delete stocks from the Timely Buys portfolio. Here are the rules to follow:

Q: When are stocks added to the Timely Buys List?

A: The first trading day of each week (Usually Mondays, except when the market is closed for a holiday; then, the additions will be made on Tuesday).

Q: If a Focus List stock gets upgraded to a Zacks #1 Rank on a Wednesday, when will it be added to the Timely Buys list?

A: On the first trading day of the following week. Why wait? To eliminate unnecessary turnover in our customers’ portfolio. Note that the Zacks Rank is a very sensitive indicator that is updated daily. It is very possible for a stock to have a Zacks #1 Rank today and fall back to a Zacks #2 Rank or lower the tomorrow. Therefore, using the once per week window minimizes turnover and transaction costs in your portfolio.

Q: When are stocks deleted from the Timely Buys List?

A: Deletions will occur on the first day of the trading week, just as the additions do. As a matter of fact, the additions and deletions will be sent to you in the same e-mail titled “ZacksElite.com Stock Recommendation Alerts“. However, if we delete a stock from the Focus List during the week, then we will simultaneously delete it from the Timely Buys list. Why? If we remove the stock from the Focus List, then we have lost faith in the company going forward. Therefore, there is no good reason to wait any longer to delete the stock from the Timely Buys list.

How is the Timely Buys Performance Calculated?

When you understand how we calculate performance, it will become clear how to implement the transactions in your portfolio to achieve similar, stellar results. Here is our performance calculation methodology as explained by our compliance department (don't worry, we will provide a more straight forward version below).

In calculating the Timely Buys model returns the price a security is bought or sold at is the closing price of the security on the first full trading day following the addition or deletion of the security from the Timely Buys. The Timely Buys model portfolio is rebalanced every week so the positions are equal weighted.

Let's highlight the important points from above:

- ➔ **Rebalance:** Every time we make a change to the portfolio, we also rebalance it. That means that each position held in the portfolio needs to start with the exact same dollar amount. If there are less than three stocks in the portfolio, a portion of the investment will be cash. Let's imagine you had \$10,000 to invest.
 - ↳ 2 Stocks in Timely Buys = \$3333 per stock + \$3333 in cash = \$10,000 portfolio
 - ↳ 3 Stocks in Timely Buys = \$3333 per stock = \$10,000 portfolio
 - ↳ 4 Stocks in Timely Buys = \$2500 per stock = \$10,000 portfolio
 - ↳ And so on.

- ➔ **Includes Dividends:** Certainly if dividends are paid while we own the shares, then the income should be added to the performance calculation.

- ➔ **No Transaction Fees:** So why not show transaction costs in our calculations? Because those costs vary greatly from investor to investor given the two variables below:
 - ↳ Commission Charges
 - ↳ Size of Portfolio

- ➔ **Price Added and Deleted:** When we add a stock to the Timely Buys portfolio, the price added (purchase price for our returns) will be the closing price for that day. The same methodology is applied when we delete/sell a stock from the portfolio.

How to trade the Timely Buys Portfolio?

Finally, you will now learn how to trade the Timely Buys Portfolio. Actually it is a very simple strategy to follow; as you will see here:

Step 1: An e-mail will be sent to you on the first trading day of each week, entitled “*Zacks Elite Stock Recommendation Alert*”. This e-mail will inform you to add and/or delete a stock (or stocks) to the Timely Buys List. If/When a new stock is added, you should buy it. If a stock is deleted from the list, you should sell it; regardless if you have a profit or a loss in the position.

Buy when we buy and sell when we sell. And of course, you should continue to hold onto any stock that remains on the list. (Keep in mind there may be a week, from time-to-time, where there are no additions or deletions to the Timely Buys Portfolio. If this is the case, you will NOT receive a Recommendation Alert e-mail.) Zacks also recommends you buy and/or sell the stocks recommended within 24 hours of receiving the Stock Recommendation Alert e-mail.

Remember, this portfolio is only designed to be rebalanced on the first trading day of the week and only then. Do not worry if a stock’s Rank changes during the week. If the Rank changes during the week and does not return to a #1 Zacks Rank, you will be informed to sell the stock on the first trading day next week.

Likewise, any stock from the Focus List that has been upgraded to a Zacks #1 Rank during the week will be added to the Timely Buys portfolio on the first trading day of the following week.

**If you are just beginning to trade the Timely Buys portfolio, there is no need to purchase the previous recommendations as they will not be a part of your portfolio. You will simply add the stocks as Zacks recommends new positions.

Step 2: Repeat Step #1 next Monday.

(See, I told you it was easy).

BONUS TIP: (You can also look at the Focus List to see which stocks have a Zacks #1 Rank. The stocks that have a Zacks #1 Rank on the Focus List on Saturday after 6am EST will be the Timely Buys portfolio on Monday morning.)

Timely Buys Resources

This guide is here to help you better understand the Timely Buys Portfolio. If you have questions, contact your Account Manager @ 1.800.585.9174 or e-mail zesupport@zacks.com. They are here to help answer your questions about the Timely Buys Portfolio as well as the entire Zacks Elite site.

Performance Guarantee:

[100% Performance Guarantee](#)

Happy Investing.

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Visit <http://www.zacks.com/performance> for information about the performance numbers displayed in this guide.

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