



Generating great investment ideas for you and your clients every day.

Investors Intelligence is one of the leading technical analyst groups in the world and one of the longest established. We advise institutions, professional investors and private individuals in over 20 countries.

Our mission is to provide clients with market intelligence from which they can make great investment decisions.

Collectively our key analysts have decades of experience and have ridden the great bull and bear markets of the last 30 years. The experience shows: our *US Bear Corner* short fund made 19.4% in 2002 and our *US Low Priced & Trading* model portfolio was up 15.2% in 2002 and has achieved an average annual growth of 11.6% for the last ten years.

US Stock Market Research

We advise clients through two distinct services:

- **Chartcraft**
the stock and sector service, covering over 6,000 stocks and 40 sectors
- **US Market Timing**
addressing the direction of the markets, both short and long term.

Together, they build into a comprehensive and vital study drilling down from market to sector to stock.

Our research is delivered primarily by e-mail, supported by our integrated web platform. This not only offers access to our all analysis through one "briefing screen" but allows subscribers to browse and explore their own ideas using our extensive online charting and breadth resources.

Chartcraft Stock Analysis Service:

Chartcraft has 4 basic aims:

- **up-to-date facts and information**
Charts and data 'mine' for over 6,000 NYSE, ASE and Nasdaq stocks and indices updated each day, clearly laid out & easily accessible
- **reality check on fundamental recommendations**
Is the timing right? Chartcraft will give you the stock's trend, and relative strength.
- **constant source of ideas where action is imminent.**
We direct you toward breaking stocks in strong sectors
- **great track record**
Model portfolios for impressive compound returns.

The Chartcraft Service:

I. Chartcraft Daily Hotline

- Market calls
- Market Breadth
- Other Indicators
- Daily Stock Breakouts
- Stock of the day
- Stock action
- Portfolio changes

II. Industry studies

III. Buying & selling climaxes

IV. Portfolio Update

- Weekly e-mail of model stock portfolios
- Bear Corner – short sale portfolio
- Long Term Stock Portfolio
- Low Priced & Trading Portfolio
- Income & Appreciation Portfolio

V. Mutual Fund Portfolio Analysis

- Weekly e-mail of model mutual fund portfolios
- General analysis and market comment
- Fidelity Mutual Fund (Equity) portfolio
- Fidelity Fixed Income Switch Fund portfolio
- Fidelity International Switch Fund
- Fidelity Precious Metals Switch Fund

The Chartcraft Daily Hotline

Started back in 1983 as a phone-in service, the *Daily Hotline* e-mail now provides market strategy and commentary, stock and sector index analysis, market breadth studies, portfolio changes, stock ideas and the new p&f stock breakouts.

Market Calls

The **Hotline** alerts you to communicate important market timing calls as soon as they are generated. Our most recent calls were:

Daily Hotline October 8, 2002:

"All (breadth indicators) remain at areas that rallies start from, so now is certainly not the time to get bearish, rather prepare for buying opportunities when we finally do get upside shifts"

The outcome: DJIA rose to 8862.57 (+19.4%); S&P 500 rose to 934.53 (+ 19.0%); and Nasdaq rose to 1484.78 (+32.6%) by their closing levels on December 2, 2002

Daily Hotline December 3, 2002:

"With the index gains of around 25% from early October lows, risk has increased substantially. Rather than generally initiating new positions as overbought conditions are reached, now is the time to prepare for a top with the tightening of stops and realizing gains. Don't be greedy in December"

The outcome: DJIA fell to 8303.76 (-6.3%); S&P 500 fell to 875.40 (-6.3%); and Nasdaq fell to 1348.31 (-9.2%) Closing levels December 29, 2002

Daily Hotline January 8, 2003:

"We looked for this early January rally to test the highs of early December and August but we also project that this a last gasp, and with perhaps the final chance to seeking some profits before another, large sell off."

The outcome: DJIA fell to 7806.9 (-6.0%), S&P 500 fell to 827.6 (-5.5%) and Nasdaq fell to 1303.6 (-3.3%). Closing levels February 26, 2003.

Market Breadth

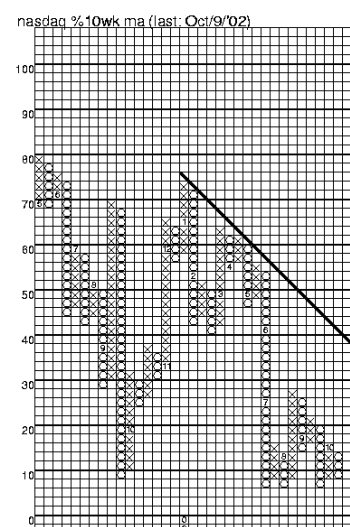
Index breadth indicators were developed by Chartcraft in the 1950's and over the last twenty years we have developed industry studies which have become widely adopted as standards by the investment community.

These indicators measure the breadth of trends within a particular index and are best known for their use as "contrary indicators". They work on the principle that once virtually all components of a particular stock index are participating in the same market movement then there is a strong probability that this movement is about to come to an end. The phenomenon of over-extended trend conditions is classified as being "overbought" or "oversold", providing essential tools for market timing.

Each day in the Hotline, we discuss action in all major index and industry breadth indicators:

Extract from Hotline October 10th 2002

"The Nasdaq % 10 week indicator reversed down to 10% Wednesday, with previous recent lows at 8% in July, August and September. Nasdaq indicators are very oversold, and an upturn, confirmed by other indicators, could signal a rally"



The Nasdaq %10 week moving average is one of our short term timing indicators and shows the % of stocks above their own average price for the past ten weeks.

Other Indicators

We have developed a range of indicators designed to generate both leading and confirming signals of market trend change. For example, the *TIR Composite indicator* which is our principal short term timing tool and has proved effective as an indicator for predicting changes in short and intermediate market trends. The indicator comprises 29 market indicators (unweighted) and is only concerned with the most recent action. Bullish signals are generated from upturns from the lows and bearish signals from the highs.

The *Broad Industry Group Bullish %* and the *Bullish % Sum* indicators have been developed to provide more medium term confirmation that sectoral breadth characteristics are sufficient to support the market trend.

Daily Stock Breakouts

Each day, we list stocks generating new p&f trend signals. For each stock we calculate both (a) price objective and (b) stop loss points. This generates a valuable watch list of individual stocks and more importantly identifies each stock to its industry group, indicating multiple action and sector rotation.

Stock of the day

We focus on a particular stock in more detail and discuss technical signals, important levels, give a brief fundamental appraisal, and comment on any interesting insider action

Example: February 28th, 2003

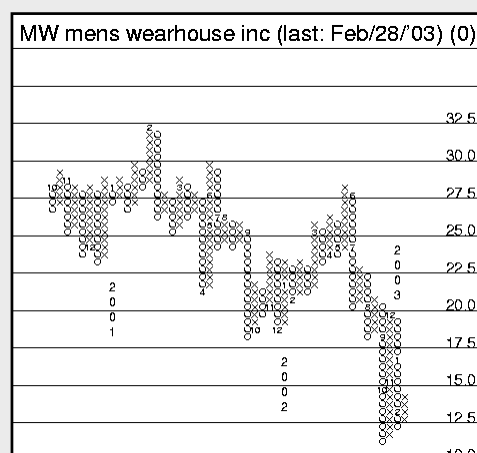
Mens Wearhouse inc (MW)

"Mens Wearhouse was up 18.2% yesterday after their 4th quarter sales and profits beat street estimates. The stock is still down 17.7% year to date.

This stock was a great performer in the bull market, and was a great example of a perfect Elliot Wave pattern.. The stock moved from a split adjusted \$2.50 in 1992 to \$15.40, down to \$7, up to \$25.70, down to \$10.80, Up to a final high of \$36.90 in mid 1998. The highs for the year for the next three years were \$34.90, \$34 and \$33.10 so they certainly allowed you plenty of time to get out.

Shortly before each of the three tops the stock split 3-2. Splits, although lots of people like them, often come around tops. The "last chance to get out" rally was a move to \$28 in 5/02 from a \$16 low. This top was preceded by insiders switching to the sell side reported by us at \$23 and followed by a High Pole at \$22. Those who ignored these warnings saw the stock plunge all the way down to \$10 at the October low. The reversal after the 19 boxes in a row was a great place to get in as the stock moved to a \$19 1/2 high just one month later. This was a move where you had to get in and get out like a commando raid as the stock turned around and plunged to a \$12 low.

This is now a stock that is getting apparently cheap on fundamental basis, but no rush to do anything just yet. Insiders feel the same way and there are no buyers and four sellers."



Stock Action

We highlight interesting stock action and look for commonality between stocks within a particular group.

Portfolios

We monitor and report on our model portfolios on a daily basis and advise on any new buys and sells and changes to be made to stops or target levels.

Subscribers to the Chartcraft service have access to the following additional analysis on our website.

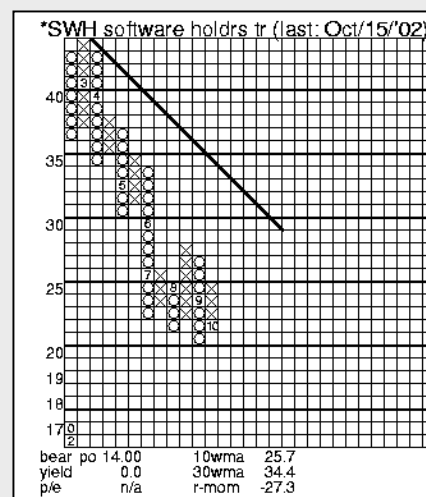
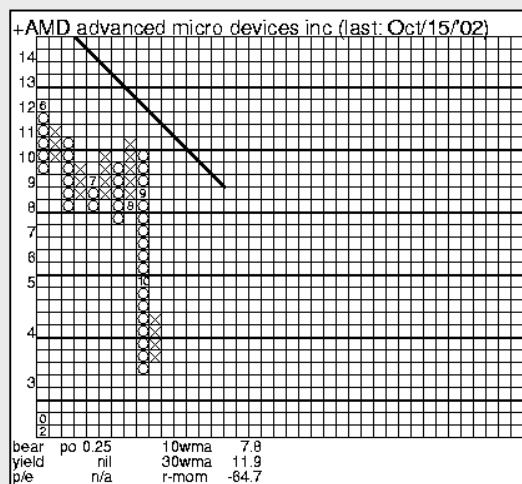
Stock & Mutual Fund Model Portfolios

Each week we provide a more detailed report with a price update of current positions, summary of stop and target levels, discuss changes made and outline our strategy for the future.

Example : October 15th, 2002

In the weekly portfolio report, we added new positions “to take advantage of the upturn that we think has started.”

The **Long Term Portfolio** added three index positions, S&P500 Spydres (SPY), Software Holders (SWH) and Semiconductor Holders (SMH).



The **Low Priced Trading Portfolio** added Advanced Micro Devices (AMD) and Sun Micro (SUNW) which had signalled selling climaxes the previous week.

Subscribers were advised to “keep in mind that we are looking for a trading move here, not a big new bull market” and stops and target levels were set over the following weeks.

Example: December 10th, 2002

In early December, subscribers were advised to “take profits, raise stops and reduce targets” and the model portfolios took profits in all the above positions recommended in October. The results were as follows:

S&P500 Spydres	+ 9.9%
Software Holders	+ 24.7%
Semiconductor Holders	+ 47.0%
Sun Micro	+ 61.9%
Advanced Micro	+103.5%

The model portfolios provide a working example of unique approach employed by Chartcraft analysts: combining many years’ experience with p&f stock signals, market breadth and timing studies.

The results speak for themselves: in 2002, the above mentioned Long Term Portfolio was down just 2.7% whilst the Low Priced and Trading Portfolio was up 15.2%

The US Market Timing Service formerly “Investors Intelligence”

Overview

Our sophisticated market and sector timing service is built on five analytical disciplines. Many of these techniques are *contrarian* studies and therefore lead to early and timely signals of market trend change.

The daily modular format allows us to analyse the results of these disciplines in daily rotation, in a clear and logical manner.

Friday’s weekly review summarises the main findings from each week's research and draws the results together, providing a market outlook for the forthcoming week and even the year ahead.

Weekly Schedule

The modules are published as follows:

Monday	<p>Buying & Selling Climaxes</p> <p>Changes of trend from annual and/or historic levels provide powerful reversal signals for individual stocks. Large numbers of these signals across the market frequently provide an early indication of a change in trend for the market as a whole.</p>
Tuesday	<p>Industry Group Analysis</p> <p>Changes in the levels of industry group breadth show investment rotations between groups as well as providing a good measurement of the underlying "health" of the market.</p>
Wednesday	<p>Advisors’ Sentiment</p> <p>We assess over 130 independent market newsletters on a weekly basis and rank them according to each author's stance on the market: bullish, bearish or neutral. Extreme readings signal market turning points. This is a contrary indicator and strong bullish advisors’ sentiment is a signal for bearish market moves - and vice versa.</p>
Thursday	<p>Insider Activity</p> <p>Insiders are generally more right than wrong about their corporation’s future financial performance. They tend to be ahead of the market which catches up some time later. Argus/Vickers data is used to create a market calendar one year forward. We also study insider activity for particular industry groups and identify stocks within them.</p>
Friday	<p>The Master Indicator</p> <p>The Master Indicator provides a vital medium outlook on the market and is most powerful when used as a confirming, rather than a leading, indicator. It is generated from the weighted scores given to over 40 indicators, indices, ratios and pieces of economic data.</p>

Buying & Selling Climaxes

Climaxes are used within the Chartcraft service to identify individual stock reversal situations. Used cumulatively by our US MarketTiming service these numbers and ratios of buy/sell climaxes generate a powerful market timing tool when analysed against our historical data libraries.

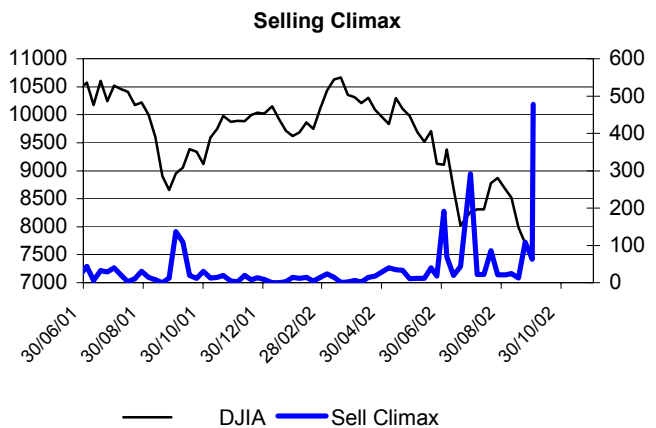
The climax signal is a useful portent of trend change. When we see historically high numbers it often signals that the market is due for a reversal.

A high concentration in a particular sector will also pre-warn of a potential industry rotation.

Example: October 14th, 2002

The record number of climaxes, clarified just how important the market turning in October was.

"We saw a record 487 selling climaxes this week and that is a very bullish indication for the market. This huge number is a strong indication that investors panicked and dumped their stocks. The market's upturn broke a six-week downswing and we think the low is in place for a while."

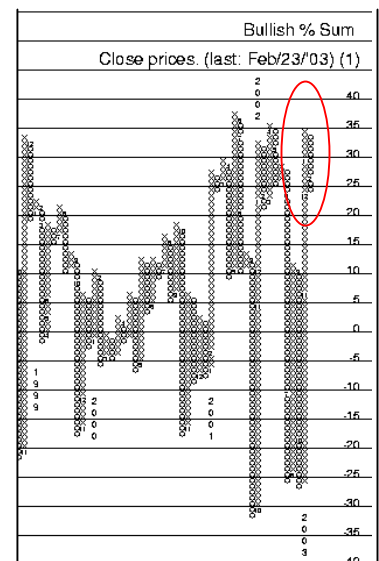


Industry Group Analysis

Market Structure

Looking at the extension and breadth of trends within the underlying industry groups provides a strong background reading for the strength of the current market trend and its likely duration.

Our report aims to confirm whether or not the industry groups support the current market trend and identify potential turning points. Our principal indicator here is the *Bullish % Sum Indicator*. This is an oscillator which provides a timely warning signal as the proportion of groups in bull trends reaches extreme levels. For example, in January 2003, we were well prepared for the market set-back as this indicator had reached previously important extreme levels.



Industry Rotation

This report also focuses on a number of industry groups each week and aims to identify likely rotations using extreme levels in the relevant group's bullish percentage indicator. We suggest suitable stocks and funds to benefit from such anticipated moves.

Example: July 24th, 2002

We identified the rotation into Telecoms which proved to be one of the best performing groups in the second half of 2002.

"The Telephone Group reversed up from under 30% and is now bull alert status. (bull alert means a trading move to the upside or better). We have previously suggested Deutsche Telekom (DT) if it pulled back to \$10.5 and that price was reached yesterday."

Advisors' Sentiment

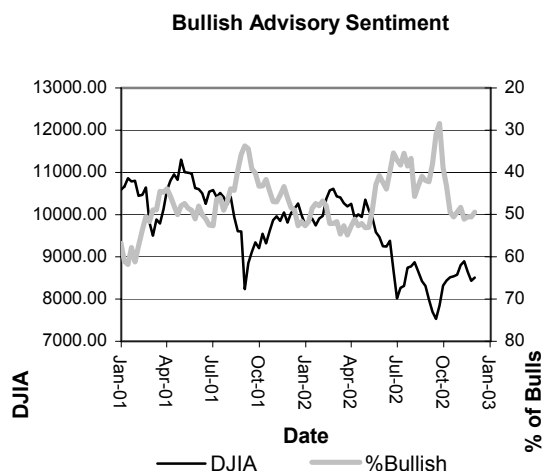
This survey has been widely adopted and reported on by the financial media since its inception in 1963. We study over 130 independent market newsletters and assess each author's stance on the market: bullish, bearish or neutral.

This is a contrarian indicator and extreme readings signal market turning points.

In mid 1994, the ten year low readings of bullish advisors heralded the subsequent break-out (early '95) and acceleration of the Dow.

In January 2000, extreme highs in the bullish advisors' ratio forewarned us of the impending market decline

This analysis has been very influential in keeping our market outlook on a cautious footing since then: *"we are still in the opposite situation with too many advisors wanting to be too bullish, too soon"*.



Insider Activity

Over the years, we have observed that "insiders tend to be right, but are way too early".

On this basis, we have built forward-looking insider models covering the market, specific sectors and their component stocks.

Insider Forecast for the Year Ahead		
2002	July	Bear (some kind of low)
	August	Bear
	September	Bear
	October	Change to Neutral
	November	Bull
	December	Change to Bear
2003	January	Bear
	February	Bear
	March	Bear
	April	Bear
	May	What happens next?
	June	
	July	

Market Forecast

The left-hand table is an extract from the Insiders report published in July 2002. The Insider forecast predicts the outlook *one year ahead*.

Our insider model correctly anticipated:

- the July, 2002 low (DJIA 7500 low),
- the October, 2002 low (DJIA 7200 low)
- the seasonal rally (DJIA 9000 high)
- the renewed downtrend in 2003

Industry Rankings

Each week, we rank industry groups from analysis of the insider action of the underlying stocks within each group.

Rotational ideas are provided via our *favored* and *worst* industries lists.

Insider Stock Action

We highlight stocks with particularly large amounts of insider buying and selling. As with the market and industry models, the timing of insider action is often early and provides an early warning signal.

Example: January 23rd, 2002

" We also see excellent insider buying in General Electric with 5 buyers and 1 seller. The Electrical Equipment Industry was a 59 (best ranking over the last five years) and sharply up from three months ago. This group shows 59 buy decisions compared to 40 sell decisions. This is the first time in many years that we have seen more buyers than sellers here."

The Master Indicator

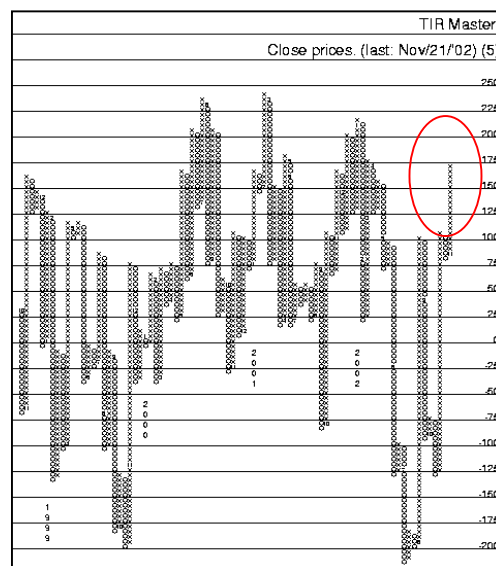
This is our principal indicator for confirming the market outlook. It is generated from the weighted scores given to over 40 indicators, indices, ratios and items of economic data.

Market Outlook

Each week, we report on the current status of the Master indicator and what this suggests for the market ahead.

Example: Nov 21st, 2002

*“The Master indicator is now starting to become overbought. As previously mentioned, we had been looking an overbought reading of +175, but we are now at +170 and that is close enough. Whilst our target is still 9,150 to 9,600 for the Dow Industrials, **our indicators are now flashing a yellow caution light.**”*



Indicator Highlights

We identify the major “swing” changes amongst the 40 component indicators and discuss what impact they will have on the Master Indicator.

Example: Nov 21st, 2002

“Breadth Indicators are becoming overbought. The Nasdaq 100 Bullish % and DJIA Bullish % are now over 70%. The last time these indicators reached 70% was in December 2001 and in March 2002, and both were great times to sell”

The Master Matrix

This table shows the current and previous scores awarded to the component indicators within the Master Indicator. The scores awarded undergo regular re-appraisal by our analysts to ensure the indicator maintains maximum accuracy.

The Weekly Review

The weekly review draws together the findings from the daily modules to suggest a market outlook for the week ahead and possibly the longer term.

We look for confirmation from five very different types of analysis which, combined, can generate powerful market timing signals.

Example: January 3rd, 2003

“Short term upside but do not overstay the rally

The year got off to a good start Thursday with the 250 point gain in the Dow. This strength should continue to perhaps the middle of January, but we are looking for major negative action after that and expect the October 2002 low to be broken probably in May.”