

Como preparar um relatório de análise

CFA Society of Brazil
3rd Investment Research Challenge

Stephen Boyd, CFA

Overview

- How to write a research report
- Two important principles
- Keep it clear and simple
- A few more hints on improving your report

How to write a research report

Know your conclusion before you begin writing

- The planning stage is fundamental
- First, try to understand the company, its industry, competitive position, and prospects.
- Analyze the company's published financial statements, making suitable adjustments.
- Build a forecast model for the next few years.

Know your conclusion before you begin writing

- Value the company using different approaches. Is it overvalued or undervalued?
- Look at how the stock has performed and what has driven the stock price. What do you think will drive the stock price?
- Is the stock likely to outperform or underperform versus the market and sector?

Know your conclusion before you begin writing

- Decide what you want to say.
- What is your investment conclusion?
- What is new in your analysis?
- What risks or catalysts would change or reinforce your view?
- Only then should you start sketching an outline for the report.

From planning to writing

- Begin by sketching the outline of the report, writing section headings and bullet points.
- One approach is to write the front page first, and labor over it. The rest of the report should then flow more easily.
- Put the conclusion at the beginning, not at the end – a research report is not an academic essay.

Some standard building blocks of a report

- Stock reports usually include most of the following (the order may vary):
 - Front page
 - Investment summary
 - Valuation
 - Business description
 - Industry analysis and competitive positioning
 - Risks
 - Financials

What to include and what not to include

- There is no rule that says you have to write X pages describing what the company does and Y pages on your model assumptions.
- Include the information necessary to support your investment case.
- Risks and counter-arguments cannot be ignored.
- Use your own judgement. Decide what you think is important and interesting.

The front page is crucial

- The front page is by far the most important page of the report.
- In the real world, only a small proportion of readers get beyond the first page.
- The front page can be crammed full of information – make sure the message does not get lost.
- “The 30 second elevator pitch”

Be your own critic

- When you have finished the report, take a step back and imagine you are the reader – an investor interested in the stock.
 - Does the front page make you want to read on and find out more?
 - Are the arguments convincing?
 - If you didn't know the company, would the report still be clear?
 - What questions do you have?

Prepare to be challenged

- What push-back or questions do you think you are likely to get from investors?
- Tweak the report so it addresses these directly.
- Be prepared to defend your arguments.

Two important
principles

Writing responsibly

- Investment research that is published and distributed to investors is covered by many different laws and regulations.
- In Brazil new rules come into force on October 1: CVM Instrução 483 and Apimec's Código de Conduta.
- These address material nonpublic information, personal trading in securities, supervision of analysts, disclosures of conflicts of interest, etc.

Writing responsibly

- Not all these rules are relevant to the IRC.
- However, there are two general principles common to nearly every set of rules:
 - “have a reasonable and adequate basis”
 - “distinguish between fact and opinion”
- These are also included in the CFA Institute’s own Standards of Professional Conduct.

Keep it clear and simple

Write for your readers, not for yourself

- Know your audience. Who are your readers? What are they looking for?
- Keep your reader in mind as you write.
- Do not try to prove how much you know or how smart you are.

Keep it clear and simple

- Keep your paragraphs short and your sentences shorter.
- Use bullet points and charts to break up the text and simplify a complicated idea.
- Use the active voice and active verbs.
- Minimize jargon and acronyms.

Put a message in every heading

- Anything in bold stands out.
- As readers skim through the report, they should be able to understand the story and get the main points just by reading what is in bold.
- Don't waste an opportunity to get the message across:
 - “New regulations and product setbacks are the main risks” not “Risks”

A few more hints on
improving your report

Write for an international audience

- Some things may be unfamiliar to foreign readers: FGTS, pre-dated checks, etc.
- Explain these succinctly the first time they are mentioned.
- A sector may have very different investment characteristics in Brazil compared with developed markets.

False friends and common mistakes

- premises
- propitiate
- actually
- discuss
- access/assess

The professional touch

- Do not use multiple bright colors in charts; stick to shades of one or two colors.
- Do not underline or use ALL CAPS.
- Use bold sparingly.
- Write numbers in the English format: 5,000 10.5
- vs. not x
- bn not bi