

# Investing with PredictWallStreet Data

PredictWallStreet harnesses the collective intelligence of millions of online investors to provide an edge in the market. We are the leader in collecting predictions on U.S. stocks, ETFs, and indices. Each day,

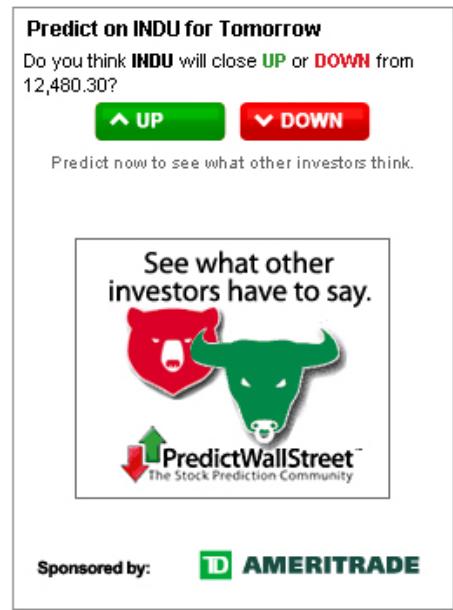


Figure 1. The PredictWallStreet prediction widget

PredictWallStreet collects many thousands of predictions through its prediction widgets (Figure 1). These widgets are located on the PredictWallStreet website ([www.predictwallstreet.com](http://www.predictwallstreet.com)) and partner sites, such as [www.tdameritrade.com](http://www.tdameritrade.com); [www.zcco.com](http://www.zcco.com); and [www.ragingbull.com](http://www.ragingbull.com). Predictions made via these widgets reflect how the online investing community feels about specific securities.

PredictWallStreet evaluates these predictions daily and stores the results in an historical database containing more than two years worth of prediction data. Using this data, we can rate the accuracy of individual predictors and the community on various securities. Our proprietary algorithms also use prediction data to derive daily forecasts on the price movements of specific securities each day.

PredictWallStreet has tracked the profitability of its forecasts since July 2006. Particularly noteworthy are our recent results compared to the market. Since October 19, 2007, the date we launched our distributable widgets and greatly increased the number of daily predictions, we estimate we have beat the S&P 500 by 40.8% (Figure 2.)

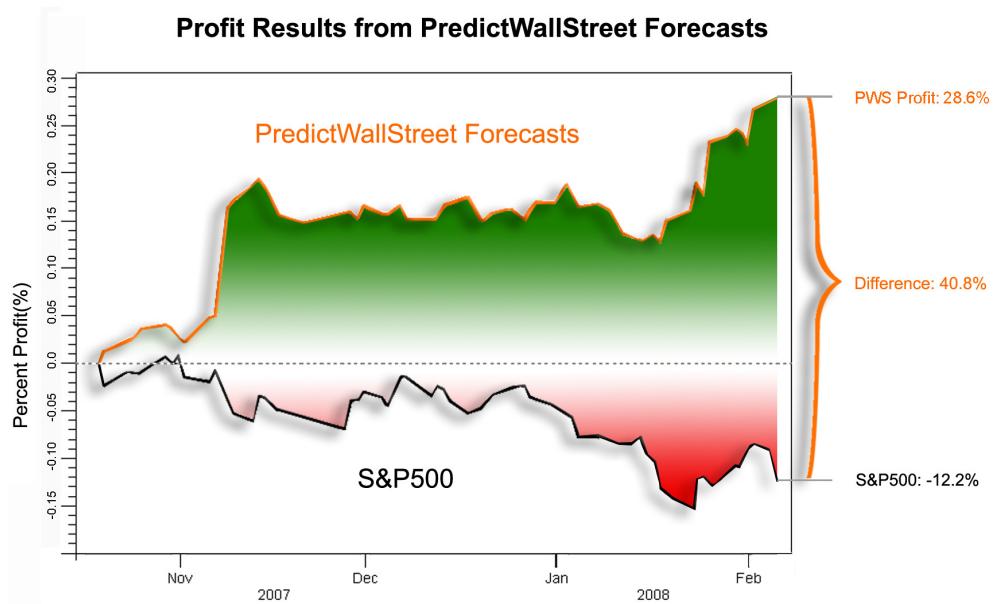


Figure 2. Performance of the PredictWallStreet Forecasts post distributable widget launch compared to the Standard & Poor's 500 (S&P 500).

Later in this paper we discuss our performance in more detail and over a longer period of time. But first it may be helpful to understand how we gather predictions and share forecasts and other information with users. The following sections describe the information on the PredictWallStreet prediction widgets and the performance of the PredictWallStreet forecasts.

## The PredictWallStreet Poll

The PredictWallStreet Poll is the first step in understanding how the community feels about a particular security. Poll results are displayed after a user makes a prediction. The Poll results display the percentage of users predicting that a security will close UP and DOWN from its current price – tomorrow. The Poll also shows the number of predictions made today (Figure 3).



Figure 3. An example of the PredictWallStreet Poll results.

## The PredictWallStreet Community Sentiment Indicator and Sentiment Trend

PredictWallStreet has been tracking the Poll results for over two years and across more than 10,000 securities. This has led to the development of a Community Sentiment Indicator. This indicator measures significant shifts within the community in the prediction patterns for a given security.

The Sentiment Trend (Figure 4) shows how the Community Sentiment Indicator evolves over time. Each stock, ETF, and index has its own unique Sentiment Trend. The Sentiment Trend can be displayed over various time intervals (e.g. one week, one month, three months, one year).

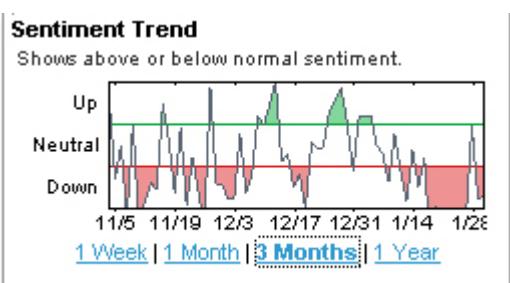


Figure 4. An example of the PredictWallStreet Sentiment Trend.

The graph of the Sentiment Trend shows a line representing the community sentiment moving within three zones: Up, Neutral, and Down. When the community sentiment falls within a normal range, as determined by the Community Sentiment Indicator, the line stays within the Neutral zone. When the community sentiment crosses the upper green line into the Up zone, the community is bullish on the security compared to historical norms. When the community sentiment crosses the lower red line into the Down zone, the community is bearish. The farther the line moves from the red or green lines towards the lower or upper edge of the graph, the stronger the sentiment. For example, the Sentiment Trend of INDU (Dow Jones Industrial Average), shown in Figure 4 between November 5, 2007, and January 28, 2008, was primarily bearish, although there were a few days on which the community was bullish. An investigation of the actual market movement shows that the Dow Jones Industrial Average lost slightly less than 9% during this period, but had days with significant rallies where it gained more than 1%. It is important to remember that the community was predicting the movement of the INDU before the close of the market the next day.

## PredictWallStreet Accuracy Measures

PredictWallStreet evaluates each daily prediction made on a particular security as well as the predictor who made the prediction. These results are continually updated and used to determine the ratings of individual predictors as well as the community on specific securities. The rating scale is based on a star system. A five-star rating means an individual predictor (or the community) was consistently accurate on a particular security. A one-star rating means an individual predictor or the community was consistently inaccurate. Securities or predictors with a three-star rating have no clear tendency. These accuracy measures are displayed on the accuracy tab, as shown in Figure 5.

**Accuracy Ratings**

Compare your rating on INDU to other predictors:

Your accuracy rating on INDU:



Average rating of today's other predictors:



[Accuracy Ratings](#) | [UPs vs. DOWNs](#) | [Star Performers](#)

Figure 5. An example of PredictWallStreet's Accuracy ratings

Additional measures are calculated using the star rating system to gain further insight into the prediction patterns of the predictors. For example, the "UPs vs. DOWNs" display, compares the average star ratings of the users predicting UP to the average star rating of the users predicting DOWN (Figure 6).

**UPs vs. DOWNs**

Accuracy ratings of today's UP and DOWN predictors:

UP predictors' average rating on INDU:



DOWN predictors' average rating on INDU:



[Accuracy Ratings](#) | [UPs vs. DOWNs](#) | [Star Performers](#)

Figure 6. An example of UPs vs DOWNs Accuracy ratings

Another measure distributes the predictions on the securities by the star rating of the predictors. This allows for a comparison between the experts, or five-star predictors, to the average and below average predictors on individual securities (Figure 7 shows the Star Performers who predicted on the Dow). PredictWallStreet is continually developing new and more informative ways of segmenting the data to better serve the community.

**Star Performers**

What predictors of different ratings predict today.

# of Predictors	Majority
5 Star predictors:	6 DOWN
4 Star predictors:	15 UP
3 Star predictors:	177 UP
2 Star predictors:	26 UP
1 Star predictors:	6 UP

[Accuracy Ratings](#) | [UPs vs. DOWNs](#) | [Star Performers](#)

Figure 7. An example of Star Performers' Accuracy ratings on the Dow

## The PredictWallStreet Forecasts

PredictWallStreet is able to provide unique forecasts (Figures 8 and 9), for a select set of securities on most market days by processing prediction data using our proprietary algorithms and historical prediction database.

**Today's Forecast for INDU**

Forecast generated from yesterday's predictions.

Direction	Details	Strength
	From (OPEN) to CLOSE on 1/29/2008	LOW

Forecast generated 12:52 AM ET, 1/29/2008

[Forecast Details](#) | [All Forecasts](#)

Figure 8. An example of a PredictWallStreet Forecast for the Dow

**Today's Active Forecasts**

Forecast from OPEN to CLOSE on 1/29/2008.

Symbol	Forecast Direction
<a href="#">GOOG</a>	
<a href="#">AAPL</a>	
<a href="#">INDU</a>	

[Forecast Details](#) | [All Forecasts](#)

Figure 9. An example of a list of PredictWallStreet Forecasts

The company began research and development of our proprietary and confidential algorithms in 1999, and a patents covering related technology was issued in 2006. PredictWallStreet also uses its historical database of millions of predictions distributed across 10,000+ securities to continually improve the forecast performance.

## PredictWallStreet Forecast Performance

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Figure 10 shows the aggregate performance of PredictWallStreet forecasts since July 11, 2006 – the first date we released forecasts to third parties who actually traded on them. The first segment of the graph, from July 11, 2006 to May 5, 2007 shows the actual trading profits (including commission costs) of our third party trading partner, on a restricted set of securities. During this period we were not releasing forecasts to the public at large because we wanted to test that it was actually possible to trade profitably on our forecasts.

On May 24, 2007 we began releasing forecasts on a much wider range of securities to the public at large via our website. As of May 24, 2007, we no longer show actual trading performance because we do not know how the public at large will trade on the forecasts. Instead, we estimate profitability of the forecasts by calculating the difference between the opening and closing price of the security that was forecast. For example, suppose we forecast XYZ to close UP from its opening price, and we publish this forecast before the market actually opens (which we always do). Then we subtract the opening price from the closing price to estimate the profit (or loss) from this forecast, excluding commissions. When we apply this same method to every published forecast for stocks with share prices over \$5, use a stop loss of 2%, and reinvest any profits made, we get the estimated profit line shown in orange on the graph.

You'll notice that performance of our published forecasts began to improve dramatically in October. We believe this is a direct result of launching our distributable widgets on partner sites and free platforms such as the iPhone and Facebook, which provide an order of magnitude more predictions that we were getting previous to the launch. Since mid-October, PredictWallStreet's generated 158 forecasts on 38 different securities (see the table below).

Period Tracked	07/11/2006 - 02/05/2008*	10/19/2007 - 02/05/2008**
Total Return	39.9%	28.6%
Forecasts/Trades	449	158
Securities Traded	70	38
“Up” Forecasts	179 (40%)	66 (42%)
“Down” Forecasts	270 (60%)	92 (58%)
Largest Daily Loss	-4.2%	-2.4%
Correlation to SPY	0.00	-0.67
Days in Market	181	59
Mean Monthly Return	2.0%	5.7%
Standard Deviation of Monthly Return	4.1%	5.5%
Sharpe Ratio	1.32	3.36
Estimated Annual Return***	24.0%	68.6%
Average Dollar Volume per day of Daily Forecast		\$10 Billion USD
Distribution of Forecasts by Sector:		
Technology	27%	30%
Financial	10%	14%
Healthcare	6%	5%

\* May 24, 2007 = first published forecasts on our website.

\*\* October 19, 2007 = distributable widgets launched.

\*\*\* Mean monthly return multiplied by 12.

The majority of the forecast were on securities with large dollar volume capacities, such as PowerShares QQQ Trust, Series 1 (QQQQ), Diamonds Trust, Series 1 (DIA), SPDR Trust, Series 1 (SPY), Google (GOOG), Apple (AAPL), and Citigroup Inc. (C).

The orange line in Figure 10 shows the cumulative profit since PredictWallStreet began releasing forecasts. The bar graphs below the line show the number of “UP” and “DOWN” securities that were traded. You can see that we generated both UP and DOWN forecasts indicating that our results are not due to simply selling in a down market. Note that no trading occurred on days without forecasts. By comparing the all-time performance of our forecasts (39.9%) to the performance of the Standard & Poor’s 500 (5.5%), over the same period of time, one sees a significant difference of 34.4%. Furthermore, by separating the results by pre-widget launch and post-widget launch, the power of gathering predictions via distributable widgets is evident. This is represented in Figure 2 where the profit potential of the forecasts drastically improved once PredictWallStreet processed large numbers of predictions from distributable widgets. During this period, the PredictWallStreet forecasts yielded positive profit potentials with a combination of “UP” and “DOWN” forecasts even though the overall market behaved bearishly.

# Profit Results from PredictWallStreet Forecasts

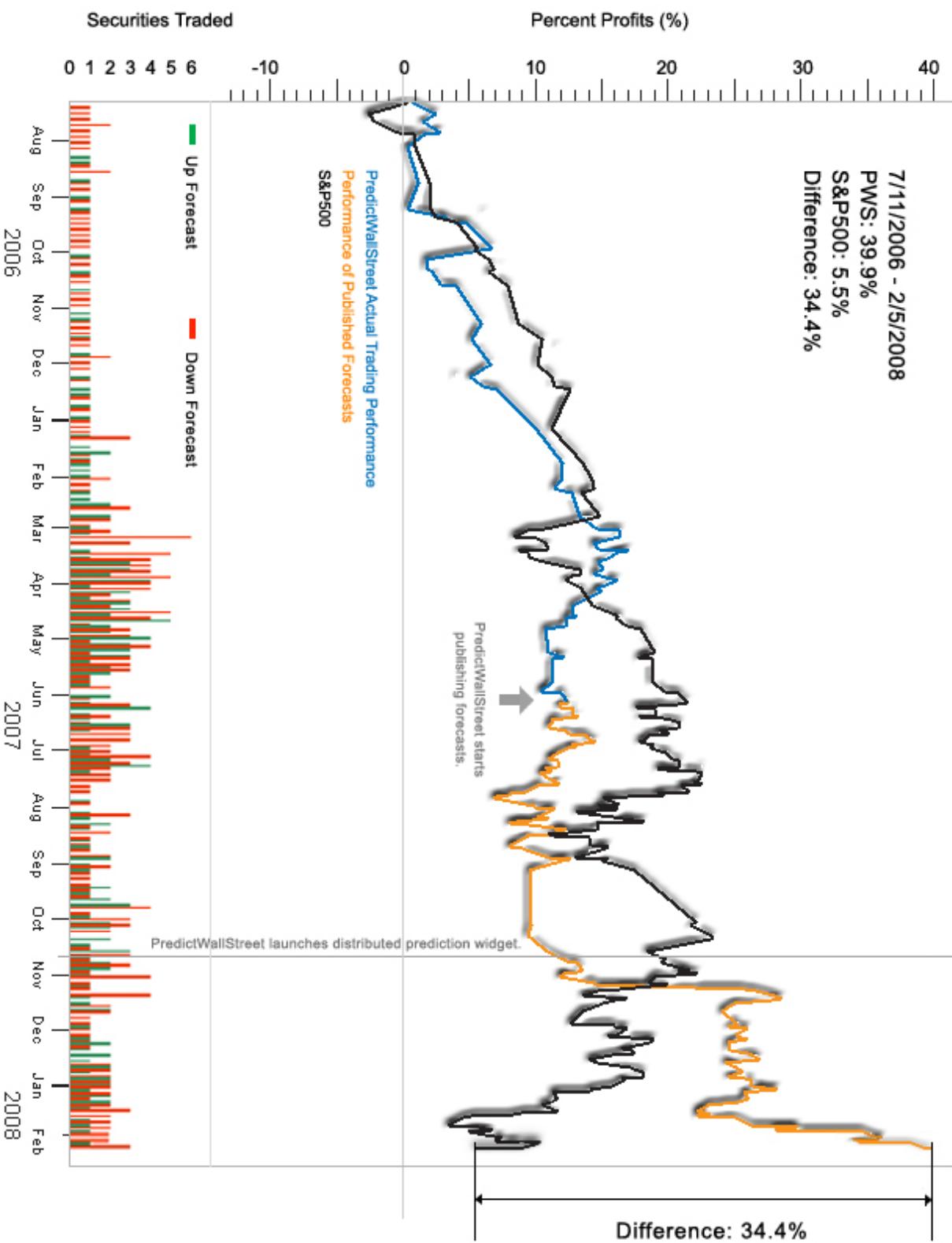


Figure 10.

If you have questions or comments or would like more information, please call (831)464-0308 or email [sales@predictwallstreet.com](mailto:sales@predictwallstreet.com).

Disclaimer: Talk to a professional before making any investment decisions! The information provided should not be considered advice or a recommendation. PredictWallStreet makes no guarantee that the forecasts will be accurate or generate profits. We are not responsible for any losses that may result from the use of PredictWallStreet Forecasts.

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