



Mon Oct 6, 2008 / Todd Wenning

Meet CAPS

It all started when Motley Fool co-founder David Gardner was touting **Amazon.com** (Nasdaq: AMZN) on the Fool discussion boards a few years ago. David still firmly believed in Amazon's business model -- he had recommended it in 2002 for *Stock Advisor* -- but in that post-dot-com bubble era, many Fools thought the Web superstore was toast. The lively debate gave David an idea: What if members of the Fool community could build their own investment track records so fellow Fools would know who had proved themselves as superior investors?

And so Motley Fool CAPS was born. Since CAPS launched in 2006, community members have rated more than 5,500 stocks to either outperform or underperform the S&P 500 over a specific time period. CAPS tracks these predictions on each stock's CAPS page by converting them into 1-star (the lowest) to 5-star (the highest) ratings. You'll see these ratings throughout Motley Fool Pro on the portfolio and CAPShot pages (more on those in a moment).

But there's more. The members are rated as well, based on the performance and accuracy of their stock picks. The higher a member's rating, the more influence that person's picks will have on a stock's rating. Giving more weight to the best members makes CAPS smarter as an analytical tool, and it helps prevent shysters from pumping their stocks. Plus, it has helped CAPS identify some truly great investors in the Fool community -- a few were even featured in a Barron's article.

What Else Can I Do With CAPS?

In addition to stock ratings, CAPS community members use the service as a platform to explain why they made their picks with "pitches" as well as member blogs. Plus, CAPS tracks the moves of Wall Street's biggest names and media figures -- including Bank of America, Warren Buffett, and Jim Cramer -- so you can keep tabs on who's a good investor and who's just blowing hot air. (And as with any other member, the big wigs with the best track records have more influence over the stock ratings.) These are just a few of the ways you can find stock ideas on CAPS; there's also a nifty CAPS screening tool, which we'll be using to generate ideas for in *Motley Fool Pro*, not to mention a full slate of financial data for each stock.

What CAPS Isn't

Although CAPS is fun, it is not a game. CAPS is an ongoing effort to bring together investors to educate and enrich their investing experience while helping them make better investment decisions.

Nor is CAPS another mock portfolio program that allows investors to allocate fake money across various stocks. We're not interested in seeing which investors can make Hail Mary bets on speculative stocks and generate the largest portfolio value. That's luck, not investing. CAPS therefore gives the highest scores to members who not only outperform the market but also do it with a high degree of accuracy.

CAPS and the Motley Fool Pro Portfolio

The Fool's most recent data has found direct evidence that 5-star stocks, taken as a group, have significantly outperformed the S&P 500, while 1-star stocks have vastly underperformed. At *Motley Fool Pro*, we believe that by investing in 4- and 5-star stocks -- and using options to short low-rated stocks -- we can improve our odds of beating the market.

While we'll use the star ratings to guide us; we won't make them the sole criteria. Yes, they will influence our recommendation decisions, but we will also apply our own fundamental research before making a final decision. You'll be getting only the very best performers from the CAPS universe.

One way we will achieve this is through a brand-new feature we're calling a CAPShot. We've paired proprietary CAPS data with our own fundamental analysis to create a specialized checklist for every stock in the CAPS universe. For each criterion a company meets, it will earn a point on a scale of 0 to 12. You can search any ticker to get that company's CAPShot score. You'll also find additional charts and other financial information on the company, including links to our discussion boards and CAPS blogs. If it's a stock we've recommended for the *Motley Fool Pro* portfolio, you will also get our team's full analysis on that company.



Dive Into CAPS!

By combining the aggregated community intelligence CAPS offers with insight from the *Motley Fool Pro* team, we'll be giving you tremendous investment opportunities. Get more involved by exploring the tools offered by CAPS to research your own stocks -- [our CAPShot page](#) is a great place to start. Just type in any ticker to see how your stock stacks up against the criteria we've set out for our investments, then jump into [CAPS](#) to get the financial lowdown and read what other Fools are saying.