IDENTIFICATION OF FINANCIAL INSTRUMENTS - IMPORTANT STEP IN BUILDING PORTFOLIOS

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Abstract

Construction of any portfolio is initially identifying financial instruments to be traded, and the timing for entering the capital market (ie the optimal timing of trading) . This is the stage in which the market analysis is made in order to collect the necessary information in making investment decision. In this regard it is recommended that investment activity should be based on a thorough evaluation of both the individual performance of the instruments to be purchased and the overall development of the capital market on which the investment is to be made.

Key words: *Technical analysis of financial instruments, Fundamental Analysis of financial instruments, Current Ratio, Quick Ratio; overall solvency ratio, rate of financial autonomy; overall autonomy ratio, total debt ratio, rate of return on assets, Return on equity.*

Evaluation involves holding databases and connections between the various sources of information on the market to monitor gains and losses, given values for main efficiency indicators and statistics instruments or markets. This assessment can be done through two types of operational analysis of securities, namely: technical analysis and fundamental analysis of financial instruments.

The technical Analysis (Chartist) of financial instruments involves studying the historical development of financial instruments covered by the investor and forecasting - based on the information identified - their subsequent developments . In practice technical analysis is based on the interpretation of graphs and the main statistics on the evolution of transactions that involved certain types of securities. This review aims to identify the optimal moments for conducting transactions with financial instruments that identify "turning points" that occur in the evolution of any financial instrument. Also this technical analysis researches the cyclic movements occurring in any financial markets- as a whole - and in each financial instrument individually (in practice, it is considered that any financial asset records growth period as well as periods

of regression). Finally, through technical analysis we look for the forecasting, using statistical models - specialized mathematical (eg: linear and nonlinear regression models) the subsequent evolution of the financial instruments to be included in the securities portfolio .

Fundamental analysis involves studying the realistic financial position of issuers of financial instruments, as well as the general economic circumstances, in order to estimate the rate and risk of each individual instrument. Specifically, fundamental analysis involves the study of the main economic-financial firm's issuing financial instruments or financial balance indicators (working capital, necessary of working capital, net cash), the margins of return (value added tax in operating net profit). Based on financial information-collected accounting is theoretically possible to determine a course of financial instruments (course can be found in the literature as the book value). Information on this course can be compared with the theoretically aimed at real market value of financial instruments, thus identifying securities that are overvalued, and those that are undervalued.

Also, in the analysis of companies that have issued financial instruments we aim the forecast of the cash flows and dividends to be obtained in the following period. Analysis of issuers of financial instruments requires the identification of factors not directly related to economic performance - the company's financial statement, but significantly influences its performance. In this regard, we recall a number of factors such as the activity in which the entity operates, cyclicality or seasonality of the company's business, product quality and compatibility with the company's actual market requirements, quality management company, its shareholders structure, etc.

Finally, this fundamental analysis involves identifying key components of macroeconomic developments related to the economic, political and/or social that can significantly influence the performance of each company or on the capital market as a whole. In the literature, two types of approaches are recognized specific fundamental analysis eg "top - bottom " and " bottom - top " . The first type of fundamental analysis involves the study in the first place, information on the evolution of the main macroeconomic indicators, then, as relates to the field of activity in which it is the issuer of the securities trader and finally analyzed company -specific indicators. When using the "bottom-top", the analysis is based upon the economic agent and ends with the study of the macroeconomic environment and its influence on the performance of the securities concerned.

From a theoretical perspective, the decision to invest in certain types of financial instruments may be based solely on information gathered by one of the two methods mentioned above. Complexity of specific economic

activities leading contemporary economy but the recommendation to use both technical and fundamental analysis to identify those securities that offer an optimum between financial results that may be obtained and the level of risk that the investor must also take. As the financial markets have grown increasingly stronger proponents of technical analysis or fundamental had contradictory attitudes. However, one can not say for sure which of them is right, whereas in some cases are confirmed predictions made by analysts technicians, sometimes those of fundamentalists. Technicians provide market information as a whole, but also about trends, while followers of fundamental analysis notes that non-market action has preconditions that lead to the goal established investment. Currently, to obtain an accurate picture of the market, it is advisable to use both types of analysis, to varying degrees depending on the individual vision. Regarding construction and portfolio management is recommended to select the category of undervalued shares, to choose the best time to enter the market and to sell and profit, to wait when the price reaches consistent financial results, taking into account market fluctuations in order not to miss the opportunities offered by it.

When building a portfolio of financial instruments should be considered as a wide range so that the risk assumed to be at the minimum of it. The number of financial instruments that could be part of the portfolio depends on the investor, but experts in the field say that it must be at least 7 financial instruments to be compensated for a loss that could be incurred if one or more of these suffer any unexpected drop. At the same time, they recommend the diversifying of the instruments on different activity sectors.

In order to achieve this research, we set up a virtual portfolio consisting of securities issued by companies in our country and that can be traded through BSE. In order to identify financial instruments to be traded we used fundamental analysis based on the rate of liquidity, solvency ratio, rate of return and the market rate. In this regard, we gave ratings on the following criteria:

VG	G	S	I
3	2	1	0

Also, we established the following percentages:

Index	**Percentages**
Liquidity	30%
Solvency	30%
Return	20%
Market share	20%

Fixing these shares was based on the following logical argument: liquidity is a key indicator in the analysis of a company, therefore we allocated 30%, if the company is wound up, in general, it is solvable, so that the weight is allocated 30% where a company is solvent and liquid, certainly it self cost-for this reason we have allocated a lower share of 20%. A special feature is the amount of shares in the market as the gain realized from their change - weight given is 20%.

$$\text{Weighted score obtained} = \text{0,3} \cdot \text{liquidity points} + \text{0,3} \cdot \text{solvency points} + \text{0,2} \cdot \text{return points} + \text{0,2} \cdot \text{market share points} \quad (1)$$

Liquidity ratios investigate the ability of the company to honor its payment obligations in the short term (short-term liquidity). Current ratio (LCR) measures the company's ability to pay short-term debts using short-term assets in the balance sheet.

$$\textbf{Liquidity current ratio} = \textbf{current assets/current liabilities*100} \quad (2)$$

The recommended value of this indicator is in the range 2-2.5, considering that the optimum value is approximately 2. However, it can record different variations depending on the activity. A reassuring degree of the indicator is between 1.5 - 2.0, less than 1.0 signifies the difficulty of company to meet short-term outstanding obligations, and nil means that the entity is in a position to borrow or to sell part of its fixed assets to pay its debts and thus avoid bankruptcy.

Immediate Liquidity Ratio (ILR) expresses the extent to which the entity can pay payable allusions to the current balance sheet showing the highest degree of liquidity. The best value for this indicator is generally 1, indicating that in this case there may be areas where immediate liquidity may be less than one (stocks have a high share in total current assets). A satisfactory value of immediate liquidity is considered 0.8.

$$\textbf{ILR} = \textbf{(current assets- stocks)/current liabilities*100} \quad (3)$$

$$\textbf{ILR} = \textbf{(receivables+cash assets)/ current liabilities*100} \quad (4)$$

Immediate liquidity ratio has the recommended value equal to 0,2.

Current liquidity ratio = cash assets/ current liabilities*100 (5)

Cash assets include cash and current account as well as short-term financial investments.

Solvency ratios

Overall solvency ratio (GSR) analysis shows the economic capacity to pay debts. If the overall solvency ratio shows a value less than 1, then it is insolvent.

Overall solvency ratio = total assets/ current liabilities*100 (6)

Financial autonomy rate (FAR) shows the share of own resources in the long-term financial resources attracted by the company. The recorded value of the ratio must be greater than or at least equal to 50%.

Financial autonomy rate = equity/ permanent equity *100 (7)

Global autonomy rate indicates the share of own sources of global autonomy in all means available to the trader. The optimal case is the value recorded to be as close to 100%, a situation that indicates the maximum financial autonomy. However, if this ratio is less than 33% of total funding by source is considered a satisfactory situation.

Global autonomy rate= equity/total liabilities*100 (8)

Total debt ratio means the share of funding sources attracted in the total liabilities of the company (assets=liabilities). In practice, because the company is considered to be safe, it is recommended that the value to be placed below 50%.

Total debt ratio= total debt/total assets*100 (9)

Return rate is a characteristic of a company to achieve a higher income than expenses. Return on Assets highlights how the company managers use the company's total resources (financial and real) in order to obtain profit.

ROA= net profit/total assets*100 (10)

Return on equity highlights the effectiveness of equity, that the investment made by the shareholders of an economic entity by purchasing the company's shares. This indicator values are increased when equity compensation is effective. The value of this indicator shall be higher than 5%.

ROE = Net Profit/ Equity *100 (11)

Market rates

PER (Price to Earning Ratio) is the ratio of market capitalization and the number of times investors are willing to pay the net income per share. A low value means that the PER recorded action is cheaper and, therefore, is indicated acquisition. Otherwise, the PER has a large enough value, this is expensive and can thus be overstated, keeping it in the portfolio is no longer motivated.

PER= average price of the share in a trading day/net profit per share*100 (12)

EPS (Earning per Share - Earnings per share) shows the ability of the issuer to make a profit. The EPS values recorded are higher, the increase in the economic potential for a greater society. Conversely, when the values are lower, the risk for the company is higher.

EPS= Net profit (after tax)/ total number of shares in the market*100 (13)

PB / V (Price per Book Value) is an indicator that shows if the shares are overvalued or undervalued. Actions are considered overvalued when they have a high price on book value and a shareholders gain and they are unevaluated when they have a small price and large shareholders gain.

PB/V = Share price/Book value *100 (14)

Book value is the value of equity (assets - liabilities)

A nil value indicator recorded for PB/V means a sign for purchase.

Based on how to interpret the indicators analyzed values that can be found in the literature and their qualifications awarded on the basis of the above argument, we have created the following summary table:

Summary table of indicators used in fundamental analysis of companies

Indicator	Range						
Liquidity				**Return**			
Current liquidity	[2 – 2,5]	VG	3	Economic return (%)	>5%	FB	3
	[1,5 – 2)	G	2		[3% – 5%]	B	2
	[1 – 1,5)	S	1		[1% – 3%)	S	1
	<1 sau >2,5	I	0		<1%	I	0
Immediate liquidity	[0,8 – 1,1]	VG	3	Financial return (%)	>5%	FB	3
	[0,6 – 0,8) sau (1,1 – 1,3]	G	2		[3% – 5%]	B	2
	[0,4 – 0,6) sau (1,3 – 1,5]	S	1		[1% – 3%)	S	1
	<0,4 sau >1,5	I	0		<1%	I	0
At sight liquidity	[0,2– 0,3]	VG	3	Growth rates of profit (%)	>40%	FB	3
	[0,1– 0,2)	G	2		[20%–40%]	B	2
	[0,05 – 0,1)	S	1		[0% – 20%)	S	1
	<0,05 sau >0,3	I	0		<0%	I	0
Solvency				**Market rates**			
General solvency	>3	VG	3	PER	[0 – 5]	FB	3
	(2 – 3]	G	2		(5 – 10]	B	2
	[1 – 2)	S	1		(10 – 15]	S	1
	<1	I	0		>15	I	0
Financial autonomy rate (%)	[75% – 100%]	VG	3	P/BV	<1	FB	3
	[50% – 75%)	G	2		[1 – 1,5]	B	2
	[25% – 50%)	S	1		(1,5 – 2]	S	1
	<25%	I	0		>2	I	0
Global autonomy rate (%)	[75% – 100%]	VG	3	EPS	>3	FB	3
	[50% – 75%)	G	2		[1 – 3]	B	2
	[33% – 50%)	S	1		[0,01 – 1)	S	1
	<33%	I	0		<0	I	0
Total debt ratio (%)	<25%	VG	3				
	[25% – 50%)	G	2				
	[50% – 75%)	S	1				
	[75% – 100%]	I	0				

Considering the specific banking to analyze the banks can not fully apply the indicators used to analyze companies so that to study the financial situation of banks under analysis based indicators:

Capital adequacy

Equity Ratio= Equity/ Total assets*100 (15)

Liquidity indicators:

Current liquidity= current assets/ current liabilities*100 (16)

Bank liquidity= Loans to customers/ Deposits from customers*100 (17)

Profitability index

Economic rate of return (Return on Assets - ROA) shows the effectiveness of the bank's management capacity in the use of resources to achieve profit. For efficient operation, this indicator should have values greater than 5%.

ROA = Net profit/Total assets*100 (18)

Return on equity (Return on Equity - ROE) for shareholders is the way they can check what the result is their contribution to the work of the banking company. Specifically, the calculation of this indicator shows the effect of using their own sources. The value of this indicator for the banks to be more than 10%.

ROA=Net profit/ Equity *100 (19)

With regard to market rates, the analysis of banking companies will apply the same indicators as in the case of companies, or PER (Price to Earning Ratio), EPS (Earning per Share), PB/V (Price per Book Value) indicators that were previously presented.

Also considering how to interpret the values of the indicators analyzed and given their ratings, we created a new table applicable to banking companies:

Summary table of indicators used in fundamental analysis banking firms

Indicator	Range				Range		
Liquidity				**capital adequacy**			
Current liquidity (%)	> 130%	VG	3	Equity ratio(%)	>6%	VG	3
	[100% – 130%]	G	2		[4% – 6%]	G	2
	[70%– 100%)	S	1		[2% – 4%)	S	1
	<70%	I	0		<2%	I	0
Loans to customers/ Deposits from customers (%)	<85%	VG	3	Equity/Capital (%)	>120%	VG	3
	[85% – 105%]	G	2		[85%–120%]	G	2
	(105% – 125%]	S	1		[50% – 85%)	S	1
	>125%	I	0		<50%	I	0
Return				**Market rates**			
Economic return (%)	>5%	VG	3	PER	[0 – 5]	VG	3
	[3% – 5%]	G	2		(5 – 10]	G	2
	[1% – 3%)	S	1		(10 – 15]	S	1
	<1%	I	0		>15	I	0
Financial return(%)	>10%	VG	3	P/BV	<1	VG	3
	[7% – 10%]	G	2		[1 – 1,5]	G	2
	[4% – 7%)	S	1		(1,5 – 2]	S	1
	<4%	I	0		>2	I	0
Profit growth rates (%)	>40%	VG	3	EPS	>3	VG	3
	[20%–40%]	G	2		[1 – 3]	G	2
	[0% – 20%)	S	1		[0,01 – 1)	S	1
	<0%	I	0		<0	I	0

In order to identify financial instruments that will be part of the portfolio, we have undergone fundamental analysis of 20 companies listed on the Bucharest Stock Exchange whose shares are traded currently on the main market REGS, both on category I of financial instruments and on category II. The analysis was based on information contained in the records of the balance sheet and profit and loss account in the period 2009 - 2011, information was taken from the stock exchange website. The companies analyzed are:

• AEROSTAR S.A. has a total capital value of 37,483,689.60 lei, which is divided into 117,136,530 shares with a nominal value of 0.3200 lei/ share.

Shares held by the operator were admitted to trading on the Bucharest Stock Exchange on February 10, 1998, following the notation identifying symbol ARS. Shares issued by AEROSTAR S.A. are traded today on BSE, REGS main market, are included in category II instruments.

• SC ALRO S.A. has a total capital value of 356,889,567.50 lei, which is divided into 713,779,135 shares with a nominal value of 0.5 lei/share.

Shares held by the operator were admitted to trading on the Bucharest Stock Exchange on October 16, 1997, following the notation identifying symbol ALR. Shares issued by SC Alro S.A. are traded today

on BSE, REGS main market, were included in category I of financial instruments.

• ANTIBIOTICE S. A. has a total capital value of 56,800,710.00 lei, which is divided into 568,007,100 shares with a nominal value of 0.1000 lei/ share. Shares held by the operator were admitted to trading on the Bucharest Stock Exchange on April 16, 1997, receiving the identifying symbol notation ATB. Shares issued by ANTIBIOTICE S.A. are traded today on BSE, on REGS main market and were included in category I of financial instruments.

• BERMAS S.A. has a total capital value of 15,087,134.30 lei, which is divided into 21,553,049 shares with a nominal value of 0.7000 lei/share.

Shares held by the operator were admitted to trading on the Bucharest Stock Exchange on 16 April 1998, following the notation identifying symbol BRM. Shares issued by BERMAS S.A. are traded today on BSE, REGS main market, are included in category II of financial instruments.

• BOROMIR PROD S.A. has a total capital value of 23,306,373.80 lei, which is divided into 233,063,738 shares with a nominal value of 0.1000 lei/ share.

Shares held by the operator were admitted to trading on the Bucharest Stock Exchange on January 15, 1997, receiving the identifying symbol notation SPCU. Shares issued by BOROMIR PROD S.A. are traded today on BSE, REGS main market, are included in category II of financial instruments.

• CALIPSO S.A. has a total capital value of 44,946,172.50 lei, which is divided into 17,978,469 shares with a nominal value of 2.5000 lei/share.
Shares held by the operator were admitted to trading on the Bucharest Stock Exchange on February 22, 1997, receiving the identifying symbol notation CAOR. Shares issued by CALIPSO S.A. are traded today on BSE, REGS main market were included in the second category of financial instruments.

• Electromagnetica S. A. has a total capital value of 67,603,870.40 lei, which is divided into 676,038,704 shares with a nominal value of 0.1000 lei/share.

Shares held by the operator were admitted to trading on the Bucharest Stock Exchange on November 8, 1996, receiving the identifying symbol notation ELMA. Shares issued by the Electromagnetica S. A. are traded today on BSE, REGS main market, were included in category I of financial instruments.

• OMV Petrom S.A. has a total capital value of 56,644,108,335 lei, which is divided into 5,664,410,833.50 shares with a nominal value of 0.1000 lei/share.

Shares held by the operator were admitted to trading on the Bucharest Stock Exchange on 03 September 2001 receiving a symbol notation SNP identification. The shares issued by OMV Petrom S.A. are traded today on BSE, REGS main market, were included in category I of financial instruments.

• PRODPLAST S.A. has a total capital value of 17,072,385 lei, which is divided into 17,072,385 shares with a nominal value of 1.0000 lei/share.

Shares held by the operator were admitted to trading on the Bucharest Stock Exchange on August 11, 1997, following the notation identifying symbol PPL. Shares issued by PRODPLAST S.A. are traded today on BSE, REGS main market, are included in category II instruments.

• SIF Muntenia S.A. has a total capital value of £ 80,703,651.00, which is divided into 807,036,515 shares with a nominal value of 0.1 lei/share.

Shares held by the operator were admitted to trading on the Bucharest Stock Exchange on 01 November 1999 received the identifying symbol notation SIF 4. Shares issued by SC SIF Muntenia S.A. are traded today on BSE, main market REGS, were included in category I of financial instruments.

• C.N.T.E.E. TRANSELECTRICA has a total capital value of 73,303,142 lei, which is divided into 733,031,420 shares with a nominal value of 10.0000 lei/ share.

Shares issued by C.N.T.E.E. TRANSELECTRICA were admitted to trading on the Bucharest Stock Exchange on 29 August 2006, receiving the identifying symbol notation TEL, currently they are traded on BSE, REGS main market, are included in the I category financial instruments.

• S.N.T.G.N. TRANSGAZ has a total capital amounting to 117,738,440 lei, which is divided into 11,773,844 shares with a nominal value of 10.0000 lei/ share.

Shares issued by S.N.T.G.N. TRANSGAZ SA have been accepted for trading on the Bucharest Stock Exchange on 24 January 2008, received the identifying symbol notation TGN, currently they are traded on BSE, REGS main market, being included in I financial instruments.

• Turism Felix S.A. Baile Felix has a total capital value of 49,614,945.60 lei, which is divided into 496,149,456 shares with a nominal value of 0.1000 lei/share.

Shares held by the operator were admitted to trading on the Bucharest Stock Exchange on December 20, 1996, receiving the identifying symbol notation TUFE. Shares issued by Turism Felix S. A. Baile Felix are traded on BSE, REGS main market, were included in the second category of financial instruments.

• SC BRD - Groupe Société Générale S.A. has a total capital amounting to 696,901,518 lei, which is divided into 696,901,518 shares with a nominal value of 1 leu/share.

Shares issued by BRD - Groupe Société Générale SA have been accepted for trading on the Bucharest Stock Exchange on January 15, 2001, receiving the identifying symbol notation BRD. Shares issued by SC BRD - Groupe Société Générale S.A. are traded today on BSE, REGS main market and were included in category I of financial instruments.

• SC Banca Transilvania S.A. has a total capital amounting to 2,206,436,324 lei, which is divided into 2,206,436,324 shares with a nominal value of 0.1 lei/share.

Shares issued by Banca Transilvania SA have been accepted for trading on the Bucharest Stock Exchange on October 15, 1997, following the notation identifying symbol TLV. Shares issued by SC Banca Transilvania S.A. are traded today on BSE, REGS main market and were included in category I of financial instruments.

• SC BANK OF CARPATICA S.A. has a total capital amounting to 314,629,049 lei, which is divided into 3,146,290,494 shares with a nominal value of 0.1 lei/share.

Shares issued by commercial banks CARPATICA SA have been accepted for trading on the Bucharest Stock Exchange on June 9, 2004, following the notation identifying symbol BCC. Shares issued by SC BANK OF CARPATICA S.A. are traded today on BSE, REGS main market, were included in category I of financial instruments.

• SIF BANAT CRIŞANA S.A. has a total capital value of 54,884,926.80 lei, which is divided into 548,849,268 shares with a nominal value of 0.1 lei / share.

Shares issued by SIF Banat Crişana have been accepted for trading on the Bucharest Stock Exchange on 01 November 1999 and received the identifying symbol notation SIF 1. Shares issued by SC SIF BANAT CRIŞANA S.A. are traded today on BSE, REGS main market and were included in category I of financial instruments.

• SIF Oltenia S.A. has a total capital value of 58,016,571.40 lei, which is divided into 580,165,714 shares with a nominal value of 0.1 lei/share.

Shares issued by SIF Oltenia S.A. have been accepted for trading on the Bucharest Stock Exchange on 01 November 1999 received the identifying symbol notation SIF 5. Shares issued by SC SIF Oltenia S.A. are traded today on BSE, REGS main market, in category I of financial instruments.

• SC BIOFARM S.A. has a total capital amounting to 109,486,149 lei, which is divided into 1,094,861,499 shares with a nominal value of 0.1 lei/ share. Shares issued by BIOFARM S.A. have been accepted for trading on the Bucharest Stock Exchange on November 19, 1996, receiving the BIO notation identifying symbol. Shares issued by SC BIOFARM S.A. are traded today on BSE, REGS main market, in category I of financial instruments.

• SC FARMACEUTICA REMEDIA S.A. has a total capital value of 10,608,980 lei, which is divided into 106,089,800 shares with a nominal value of 0.1 lei/share. Shares issued by FARMACEUTICA Remedia SA have been accepted for trading on the Bucharest Stock Exchange on 5 February

2009, receiving the identifying symbol notation RMAH. Shares issued by SC FARMACEUTICA REMEDIA S.A. are traded today on BSE, REGS main market, are included in category II of instruments.

As one can see, the companies selected to be analyzed are part of a wide range of view of the industry as a portfolio diversified across economic sectors will be less risky than a portfolio that includes securities of one branch. The values of the indicators calculated for the 20 companies analyzed for the period 2009-2011 can be found in Annex.1 - Financial analysis of companies.

Depending on the values recorded by indicators calculated, we gave value points as described above; we calculated weights and the final result is the total weighted score obtained by each company individually.

Analyzed companies according to their score

No.	Company	2009	Company	2010	Company	2011	Company	Total
1.	SIF MUNTENIA	6.90	Banca Carpatica	7.50	Electromagnetica	7.60	Electromagnetica	21.30
2.	SIF Banat Crişana	6.70	BERMAS	7.40	OMV PETROM	7.60	OMV PETROM	21.30
3.	Electromagnetica	6.60	TURISM FELIX	7.10	BOROMIR	7.10	BERMAS	20.70
4.	OMV PETROM	6.30	AEROSTAR	6.90	Transelectrica	7.10	TRANSGAZ	19.80
5.	TURISM FELIX	6.30	FARMACEUTICA REMEDIASA	6.20	TURISM FELIX	7.10	TURISM FELIX	19.10
6.	BERMAS	6.30	Electromagnetica	6.00	SIF OLTENIA	7.10	SIF OLTENIA	19.10
7.	TRANSGAZ	5.90	BOROMIR	6.00	TRANSGAZ	7.00	BOROMIR	18.90
8.	BOROMIR	5.80	SIF OLTENIA	5.90	BERMAS	6.90	SIF MUNTENIA	18.70
9.	SIF OLTENIA S.A.	5.80	SIF Banat Crişana	5.80	PRODPLAST	6.60	Transelectrica	18.30
10.	ALRO	5.50	Transelectrica	5.70	BIOFARM BIO	6.50	BIOFARM BIO	17.40
11.	AEROSTAR	5.50	BRD	5.70	ANTIBIOTICE	6.20	PRODPLAST	17.20
12.	Transelectrica	5.30	TRANSGAZ	5.60	SIF Banat Crişana	6.00	ANTIBIOTICE	17.00
13.	BIOFARM BIO	5.20	SIF MUNTENIA	5.30	FARMACEUTICA REMEDIASA	5.90	AEROSTAR	16.50
14.	ANTIBIOTICE	5.0	Banca Transilvania	5.30	SIF MUNTENIA	5.80	ALRO	15.90
15.	PRODPLAST	5.0	ALRO	5.10	AEROSTAR	5.70	FARMACEUTICA REMEDIA SA	15.10
16.	CALIPSO S.A.	4.40	OMV PETROM	4.20	ALRO	5.30	SIF Banat Crişana	14.70
17.	FARMACEUTICA REMEDIA SA	3.90	ANTIBIOTICE	3.70	CALIPSO S.A.	4.80	CALIPSO S.A.	13.40
18.	BRD	3.40	BIOFARM BIO	3.40	Banca Transilvania	3.70	Banca Transilvania	10.80
19.	Banca Transilvania	3.40	CALIPSO S.A.	2.00	BRD	2.40	BRD	9.20
20.	Banca Carpatica	3.30	PRODPLAST	1.50	Banca Carpatica	2.40	Banca Carpatica	7.20

The decision to include or not to include the shares in the portfolio to be built is based on weighted score obtained, being selected a total of 10 shares. As we stated in the paper, the decision determining the number of component securities in the portfolio is taken by the investor, but it is recommended to take into account the opinion of specialists who say that it must be at least 7 securities to compensate otherwise the return variations of such securities and the maximum 14 to 15 titles for the models used to provide reliable results. Based on these issues, we have decided that the portfolio is composed of 10 shares. Given that the analysis of the banks was made after other indicators than other companies analyzed is normal, the scores obtained are not comparable. Considering this fact and the desire for inclusion a bank shares in the portfolio, we have selected the bank that obtained the highest total score, Transilvania Bank (BT). As can be seen, the BT is not listed in the top 10, so for it to be included in the portfolio is the question of the exclusion of another company. The exclusion decision was based on financial criteria and decided removing SC Boromir S.A. because of the profit decrease in 2010 compared to 2009 of 83.91%. Although 2011 has seen a comeback with a total net profit growth compared to 2010 (132.18%) of the value recorded in the year of £1,177,362 is far below the level of 2009 (3,150,845 lei).

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