5 Words That Could Save Your Portfolio by Prince Damin

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I don't know about you, but investing after the 2008-2009 meltdown feels eerily similar to being an Oklahoma Sooners' football fan on the eve of the yet another BCS bowl game (the Sooners have lost their last five BCS outings).

One step forward, two steps back:- For one thing, any time I start making some real money on a company like Apple orChipotle, I get blindsided by blow-ups both literal and metaphorical at companies likeTransocean and Clearwire. And unfortunately for my net worth, the number of iProducts flying off the shelves and barbacoa burritos flying out the door never seem to offset the panic selling caused by things like the Gulf oil spill or the constant speculation that LTE is about to sink Wi-MAX (and Clearwire along with it). To make matters worse, I can never quite figure out when a major-drop represents a great buying opportunity and when it signifies a skull and crossbones.

So I've decided to do two things. First off, I'm heeding some advice my old man gave me on a tennis court when I was about 10 years old: "Always change a losing game." Not only are those five words the key behind some of the biggest successes in sports history, they're also remarkably similar to Warren Buffett's first rule of investing: "Don't lose money." With that in mind, I've begun studying the wide-ranging investment strategies used by ourMotley Fool Pro team. After all, they claim that by using both long and short positions, as well as options and ETFs, they can help investors like you and me make money in all markets.

Eight fundamentals the Pro team looks for:- While I'm still trying to wrap my head around their options strategies and how I can put them to work in my own portfolio, one thing I have found particularly useful is their CAPShot tool. This screen combines the power of The Motley Fool's unique community-intelligence platform, CAPS, with eight metrics that the Pro team seeks out in the stocks they recommend, namely:

Five-year revenue growth of at least 19%: to identify companies that can grow sales consistently in various environments. Year-over-year revenue growth of at least 14%: to isolate companies whose sales are strong in both the long and the short term. Gross margins of at least 35% (over the trailing 12 months): to find businesses on the upper end of the probability scale. Pre-tax margins of at least 20% (over the trailing 12 months): to isolate the most profitable businesses. Total debt-to-equity ratio of less than 0.50: to identify financially healthy companies with rock-solid balance sheets. Return on equity north of 14%: to find companies that make good use of their shareholders' equity. A 14% return is considerably higher than the 10.4% annualized return of the S&P 500 index since 1926, including dividends. $300,000 revenue per employee: to locate companies that are both ultra-lean and ultra-productive. Current assets to current liabilities ratio of 1.25: to identify financially healthy companies with plenty of liquidity that can pay all of their current bills.

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