

David Dreman's Contrarian Approach to Stock Selection

This week's AAI [Weekly Digest](#) highlights these "must-read" AAI articles:



[Shorting: A Strategy for Profiting From Price Declines](#)

AAII Journal editor Charles Rotblut discusses short selling with Greg Swenson, co-manager of the Grizzly Short Fund ([GRZZX](#)). Swenson offers insights into how he identifies potential short-sale candidates and how investors may handle the risks inherent with shorting stocks.

[Using the Z-Score to Assess the Risk of Bankruptcy](#)

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Altman

Edward Altman is a professor emeritus at New York University's Stern School of Business. He talks with *AAII Journal* editor Charles Rotblut about his Z-Score model and how to use it to assess the financial riskiness of a company. The original Z-Score is calculated and automatically updated in AAI's [Stock Investor Pro](#) fundamental stock screening and research database program.

[Finbox.io: 5 Tools for Stock Research](#)



Finbox.io is an online stock research platform designed for individual investors and asset managers who care about understanding a stock's fundamental value. The platform helps investors analyze their investments so they can better understand what they're investing in and why, which can help reduce risk and increase returns. The founder of Finbox.io website describes the popular features of the site.

[David Dreman's Contrarian Approach to Stock Selection](#)



David Dreman is a famous investor whose name is linked with the definition of “contrarian.” Contrarians think independently, as opposed to going along with the crowd. Dreman feels that irrational behavior in the markets tends to push a stock's value away from its true value. The savvy contrarian investor executes a value investing approach with a strong defense and a powerful offense. Defensively, a systematic approach should preserve capital. Offensively, it takes advantage of consistent mistakes made in the markets. Removing emotion from investing and being aware of investing pitfalls are the contrarian methods that Dreman has successfully followed. This article outlines Dreman's approach for selecting discounted, fundamentally sound stocks.

[Our Member Question for this week is:](#)

What do you think is the most important financial news story of 2016?

[Vote Now »](#)

Vote to answer this week's Special Question: *What is your biggest financial regret of 2016?*

Last Week's Results:

How useful are social media channels, such as Twitter, in your investment decision-making process?

Not useful at all : 64%

An unwelcome distraction with negative utility : 32%

Somewhat useful : 3%

Very useful : 0%

Extremely useful : 0%

Poll results are as of 9 a.m. (Central) on Monday. 4,435 respondents.



[AAll Readers Look Past Social Media as a Research Tool](#)

For do-it-yourself investors, investment analysis may include combing over earnings releases, quarterly and annual reports and analyst research. However, forming our opinions of a security is only half the battle; the other half is understanding the market's perception of the security, and how that perception manifests itself in the security's price. Some investors also use social media as a tool for gauging the perceptions of others, specifically the feelings investors have about a particular stock or bond. Our latest survey and special question delved into how AAI readers use social media as part of their own investment research and analysis.



[AAII E-book: Stock Investing Strategies](#)

One of the biggest difficulties for individuals interested in investing in stocks is getting started. This AAI e-book, an exclusive benefit of AAI members, provides a general outline for analyzing stocks and walks through the process as it is practically applied to specific types of investment approaches. It first describes, in very broad terms, the basic process that is followed in fundamental analysis. It then goes into the various steps in more detail and shows how they can be adapted and practically applied to an individual's specific approach using commonly found information sources.

The AAI Weekly Digest is one of the many **[benefits](#)** of AAI membership. To learn more, consider a **[risk-free 30-day Trial AAI Membership](#)** to start becoming an effective manager of your own assets.