



# Stock Selection Guide <sup>®</sup>

The most widely used aid to good investment judgment

Company	INVESTORS FINANCIAL SERVI		Date	07/14/05	
Prepared by	MG		Data taken from	NAIC Data	
Where traded	NASDAQ		Major product/service	Asset Manag	
CAPITALIZATION --- Outstanding Amounts			Reference		
Preferred (\$M)	0.0	% Insiders	% Institution		
Common (M Shares)	66.7	10.0	92.9		
Debt (\$M)	5,985.4	% to Tot.Cap.	89.3	% Potential Dil.	None

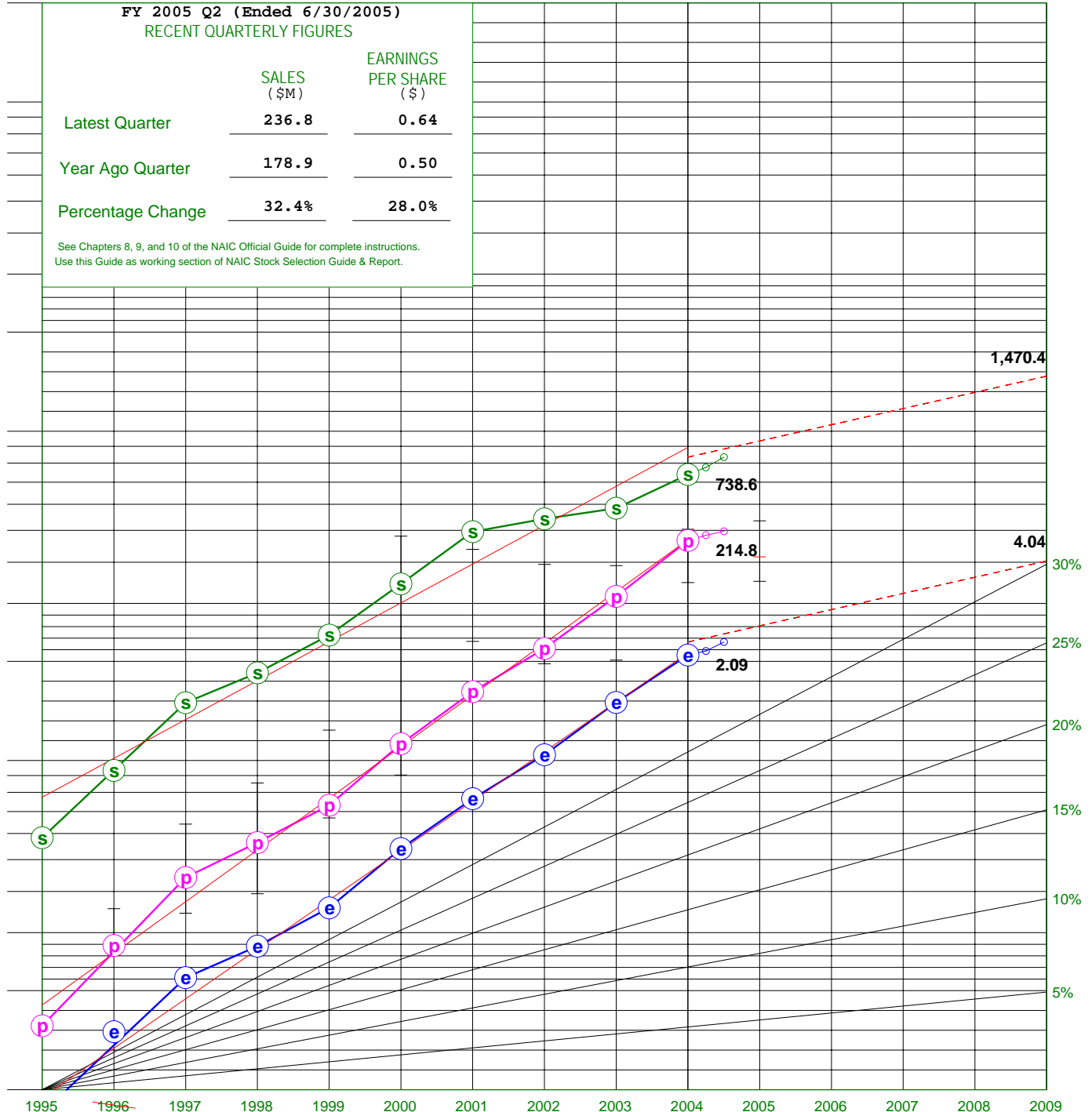
## 1 VISUAL ANALYSIS of Sales, Earnings and Price

IFIN

FY 2005 Q2 (Ended 6/30/2005)  
RECENT QUARTERLY FIGURES

	SALES (\$M)	EARNINGS PER SHARE (\$)
Latest Quarter	236.8	0.64
Year Ago Quarter	178.9	0.50
Percentage Change	32.4%	28.0%

See Chapters 8, 9, and 10 of the NAIC Official Guide for complete instructions.  
Use this Guide as working section of NAIC Stock Selection Guide & Report.



(1) Historical Sales Growth **31.2 %** (3) Historical Earnings Per Share Growth **41.3 %**  
 (2) Estimated Future Sales Growth **12.0 %** (4) Estimated Future Earnings Per Share Growth **12.0 %**

## 2 EVALUATING MANAGEMENT

Company

INVESTORS FINANCIAL SERVI

(IFIN)

07/14/05

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	LAST 5 YEAR AVG.	TREND	
												UP	DOWN
A % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	12.4	13.5	13.6	14.1	14.0	15.1	15.1	18.6	24.9	29.1	20.5	UP	
B % Earned on Equity (E/S ÷ Book Value)	24.3	12.5	15.1	16.6	15.2	18.1	14.3	15.2	18.2	19.5	17.0	UP	

## 3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

		PRESENT PRICE		41.520		HIGH THIS YEAR		53.440		LOW THIS YEAR		35.000	
Year		PRICE		C Earnings Per Share	D Price Earnings Ratio		E	F Dividend Per Share	G % Payout F ÷ C X 100	H % High Yield F ÷ B X 100			
		HIGH	LOW		HIGH A ÷ C	LOW B ÷ C					UP	DOWN	
1	2000	48.0	9.0	0.54	88.9	16.7	0.030	5.6	0.3				
2	2001	43.8	23.0	0.77	57.3	30.1	0.040	5.2	0.2				
3	2002	39.4	19.7	1.04	37.9	18.9	0.050	4.8	0.3				
4	2003	39.1	20.2	1.50	26.1	13.5	0.060	4.0	0.3				
5	2004	50.4	34.7	2.09	24.1	16.6	0.070	3.3	0.2				
6	TOTAL		86.9		88.1	49.0		22.9					
7	AVERAGE		21.7		29.4	16.3		4.6					
8	AVERAGE PRICE EARNINGS RATIO				22.8	9	CURRENT PRICE EARNINGS RATIO				18.1		

## 4 Proj. P/E [16.19] Based on Next 4 qtr. EPS [2.56] Current P/E Based on Last 4 qtr. EPS [2.29] EVALUATING RISK and REWARD over the next 5 years PEG=151

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

### A HIGH PRICE -- NEXT 5 YEARS

Avg. High P/E  $\frac{29.4}{(3D7 \text{ as adj.})} = 22.0$  X Estimate High Earnings/Share  $4.04$  = Forecast High Price \$  $88.9$  (4A1)

### B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E  $\frac{16.3}{(3E7 \text{ as adj.})} = 16.6$  X Estimated Low Earnings/Share  $2.09$  = \$  $35.7$

(b) Avg. Low Price of Last 5 Years =  $21.7$  (3B7)

(c) Recent Severe Market Low Price =  $20.2$

(d) Price Dividend Will Support  $\frac{\text{Present Divd.}}{\text{High Yield (H)}} = \frac{0.080}{0.003} = 24.0$

Selected Estimate Low Price = \$  $35.0$  (4B1)

### C ZONING

$88.9$  (4A1) High Forecast Price Minus  $35.0$  (4B1) Low Forecast Price Equals  $53.9$  (C) Range. 1/3 of Range =  $13.5$  (4CD)

(4C2) Lower 1/3 =  $35.0$  (4B1) to  $48.5$  (Buy) Note: Ranges changed to 25%/50%/25%

(4C3) Middle 1/3 =  $48.5$  to  $75.4$  (Maybe)

(4C4) Upper 1/3 =  $75.4$  to  $88.9$  (4A1) (Sell)

Present Market Price of  $41.520$  is in the **Buy** (4C5) Range

### D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

High Price (4A1)  $88.9$  Minus Present Price  $41.520$  =  $47.4$  =  $7.3$  To 1  
Present Price  $41.520$  Minus Low Price (4B1)  $35.0$  =  $6.5$  (4D)

### E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

High Price (4A1)  $88.9$  = (  $2.141$  ) X 100 = (  $214.1$  ) - 100 =  $114.1$  (4E) % Appreciation  
Present Market Price  $41.520$

Relative Value: 79.4% Proj. Relative Value: 71.0%

## 5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

A Present Full Year's Dividend \$  $0.080$  Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.  
Present Price of Stock \$  $41.520$  =  $0.002$  X 100 =  $0.2$  (5A) Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS  
Avg. Earnings Per Share Next 5 Years  $3.22$  X Avg. % Payout (3G7)  $4.6$  =  $14.8$  =  $0.4$  (5B) %  
Present Price \$  $41.520$

### C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

	5 Year Appreciation Potential (4E)	5	22.8	%	P.A.R.	Tot. Ret.
Average Yield (5B)					0.2%	0.2%
Average Total Annual Return Over the Next 5 Years (5C)			0.4	%	Annual Appreciation 13.4%	16.4%
			23.2	%	% Compd Ann Rate of Ret 13.7%	16.7%

# INVESTORS FIN'L SVCS NDQ-IFIN

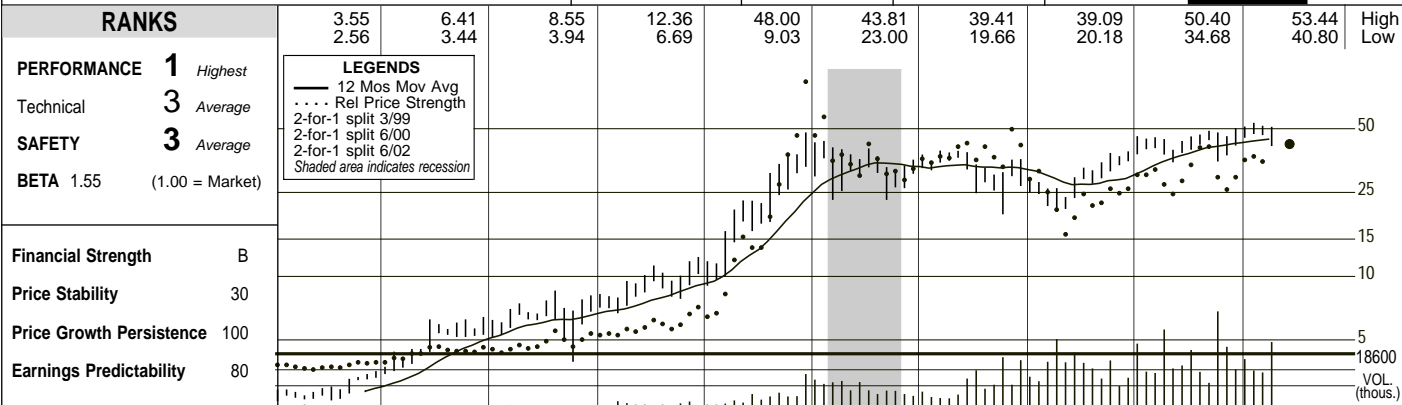
RECENT PRICE **42.32**

TRAILING P/E RATIO **19.7**

RELATIVE P/E RATIO **1.02**

DIV'D YLD **0.2%**

**VALUE LINE**



© VALUE LINE PUBLISHING, INC.	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005/2006
EARNINGS PER SH	.15	.22	.27	.36	.54	.77	1.04	1.39	2.09	<b>2.56<sup>A</sup>/3.03<sup>C</sup></b>
DIV'DS DECL'D PER SH	.00	.01	.02	.02	.03	.04	.05	.06	.07	
BOOK VALUE PER SH	1.20	1.45	1.64	2.34	2.99	5.36	6.84	8.26	10.71	
COMMON SHS OUTST'G (MILL)	51.55	51.78	53.74	58.44	59.83	63.94	64.78	65.41	66.52	
AVG ANN'L P/E RATIO	19.4	22.7	23.6	25.1	41.7	43.9	31.6	21.0	20.4	<b>16.5/14.0</b>
RELATIVE P/E RATIO	1.22	1.31	1.23	1.43	2.71	2.25	1.73	1.20	1.09	
AVG ANN'L DIV'D YIELD	.1%	.2%	.2%	.2%	.1%	.1%	.2%	.2%	.2%	
TOTAL ASSETS (\$MILL)	964.5	1459.3	1465.5	2553.1	3811.1	5298.6	7214.8	9223.2	11168	<b>Bold figures are consensus</b>
LOANS (\$MILL)	66.2	55.9	54.3	109.3	129.3	232.1	143.7	199.5	134.5	
NET INTEREST INC (\$MILL)	18.0	26.2	26.7	35.8	58.8	109.3	143.5	153.9	187.7	<b>earnings estimates and, using the recent prices, P/E ratios.</b>
LOAN LOSS PROV'N (\$MILL)	.1	--	--	--	--	--	--	--	--	
NONINTEREST INC (\$MILL)	56.6	76.8	98.9	133.8	162.0	243.3	294.1	336.2	425.5	
NONINTEREST EXP (\$MILL)	61.9	82.7	99.6	135.8	169.0	278.0	336.7	344.9	398.4	
NET PROFIT (\$MILL)	7.8	11.6	15.1	21.3	33.6	50.2	68.9	92.4	142.0	
INCOME TAX RATE	38.5%	36.0%	36.0%	32.0%	32.1%	30.6%	30.1%	36.3%	33.9%	
RETURN ON TOTAL ASSETS	.81%	.79%	1.03%	.83%	.88%	.95%	.96%	1.00%	1.27%	
LONG-TERM DEBT (\$MILL)	--	24.2	24.2	--	--	24.3	2575.3	574.8	724.8	
SHR. EQUITY (\$MILL)	61.9	74.9	88.3	136.8	178.8	342.8	443.0	540.3	712.3	
SHR. EQ. TO TOTAL ASSETS	6.4%	5.1%	6.0%	5.4%	4.7%	6.5%	6.1%	5.9%	6.4%	
LOANS TO TOT ASSETS	6.9%	3.8%	3.7%	4.3%	3.4%	4.4%	2.0%	2.2%	1.2%	
RETURN ON SHR. EQUITY	12.6%	15.5%	17.0%	15.5%	18.8%	14.6%	15.6%	17.1%	19.9%	
RETAINED TO COM EQ	12.3%	15.4%	16.1%	14.7%	17.8%	13.9%	14.8%	16.4%	19.3%	
ALL DIV'DS TO NET PROF	2%	1%	6%	5%	5%	5%	5%	4%	3%	

<sup>A</sup>No. of analysts changing earn. est. in last 30 days: 1 up, 1 down, consensus 5-year earnings growth 25.0% per year. <sup>B</sup>Based upon 4 analysts' estimates. <sup>C</sup>Based upon 4 analysts' estimates.

ANNUAL RATES		
of change (per share)	5 Yrs.	1 Yr.
Loans	13.0%	-33.5%
Earnings	39.5%	50.5%
Dividends	32.0%	16.5%
Book Value	36.5%	29.5%
Total Assets	33.5%	19.0%

Fiscal Year	LOANS (\$mill.)			
	1Q	2Q	3Q	4Q
12/31/02	135.2	125.8	139.0	143.7
12/31/03	107.2	126.7	166.8	199.5
12/31/04	152.7	192.2	148.8	134.5
12/31/05	167.8			

Fiscal Year	EARNINGS PER SHARE				Full Year
	1Q	2Q	3Q	4Q	
12/31/01	.16	.18	.21	.22	.77
12/31/02	.24	.26	.26	.28	1.04
12/31/03	.09	.42	.41	.47	1.39
12/31/04	.54	.50	.53	.52	2.09
12/31/05	.60	.61	.67	.69	

Cal-endar	QUARTERLY DIVIDENDS PAID				Full Year
	1Q	2Q	3Q	4Q	
2002	.013	.013	.013	.013	.05
2003	.015	.015	.015	.015	.06
2004	.018	.018	.018	.018	.07
2005	.02	.02			

INSTITUTIONAL DECISIONS			
	2Q'04	3Q'04	4Q'04
to Buy	156	133	138
to Sell	86	106	121
Hld's(000)	77426	71829	73303

ASSETS (\$mill.)	2002	2003	12/31/04
Loans	143.7	199.5	134.5
Funds Sold	.0	.0	.0
Securities	6711.2	8602.9	10508.2
Other Earning	.0	.0	.0
Other	359.9	420.8	525.1

LIABILITIES (\$mill.)	2002	2003	12/31/04
Deposits	3332.9	4207.1	5396.4
Funds Borrowed	491.1	3806.1	4150.2
Long-Term Debt	2575.3	574.8	724.8
Net Worth	443.0	540.3	712.3
Other	372.5	94.9	184.1
Total	7214.8	9223.2	11167.8
Loan Loss Resrv.	.1	.1	.1

**LONG-TERM DEBT AND EQUITY as of 12/31/04**

LT Debt \$724.8 mill. **Due in 5 Yrs. None Including Cap. Leases None**

Leases, Uncapitalized Annual rentals \$30.3 mill.

Pension Liability None in '04 vs. None in '03

Pfd Stock None **Pfd Div'd Paid None**

Common Stock 66,522,112 shares

## INDUSTRY: Financial Svcs. (Div.)

**BUSINESS:** Investors Financial Services Corp. acts as a bank holding company for Investors Bank & Trust Company. It provides a broad range of services to financial asset managers, such as mutual fund complexes, investment advisors, family offices, banks, and insurance companies. The company defines these services as core services and value-added services. Its core services include middle office outsourcing, global custody, multicurrency accounting and fund administration. The value-added services include securities lending, foreign exchange, cash management, performance measurement, institutional transfer agency, investment advisory services, lines of credit, and brokerage and transition management services. At December 31, 2004, the company provided services for approximately \$1.4 trillion in net assets, including approximately \$236 billion of foreign net assets. Has 2778 employees. Chairman & C.E.O.: Kevin J. Sheehan. Inc.: DE. Address: 200 Clarendon Street, P.O. Box 9130, Boston, MA 02117. Tel.: (617) 937-6700. Internet: <http://www.investorsbnk.com>.

E.B.

May 13, 2005

TOTAL SHAREHOLDER RETURN				
Dividends plus appreciation as of 4/30/2005				
3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
-16.64%	9.21%	8.16%	14.73%	104.87%