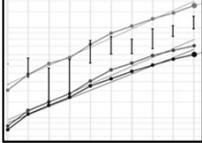


BETTERINVESTING™

Introduction to Stock Investing Your Path to Better Investing

Presenter:
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 Director, Education
 NAIC/BetterInvesting



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BetterInvesting is a non-profit, investment education organization

- We're a member driven community of investment clubs and individual investors
- We show you how to create and manage a successful stock portfolio



Our Mission: Creating successful life long investors



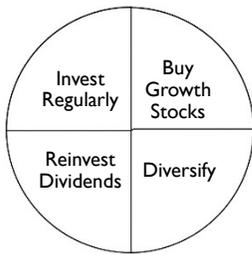
Our Philosophy...

- Invest in quality growth companies on a long term basis
- Focus on company performance, both proven and potential, not emotional swings of the market
- Earnings are the ultimate driver of stock price
- Only consider buying a stock when the possibility of achieving an adequate return is good.



Our Principles

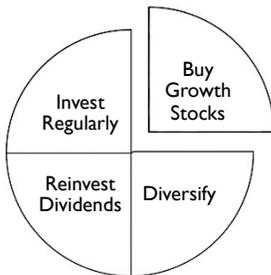
- We are fundamental investors
- Follow four simple principles





Our Principles

- We are fundamental investors
- Follow four simple principles
- Focus on growth companies





What we do...

- Identify good quality growth companies
- Verify quality company characteristics
- Estimate the company's potential
- Determine a fair price to pay for that potential



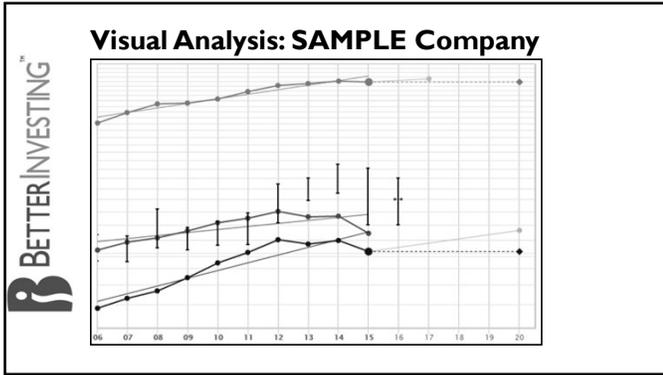
How We Study a Growth Stock

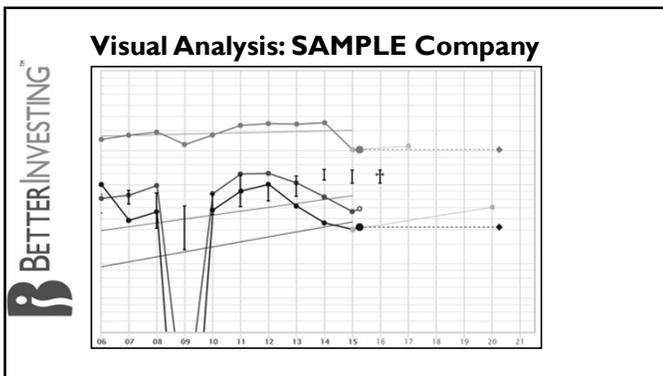
- **Analyze Growth and Evaluate Management**
 - Visual analysis – quick look at history
 - Examine past and do research – build comfort level
- **Forecast Sales and Earnings**
 - Estimate growth potential for next five years
- **Evaluate Risk and Reward**
 - Estimate high price and low price for next five years
- **Valuation and Return**
 - Potential total return

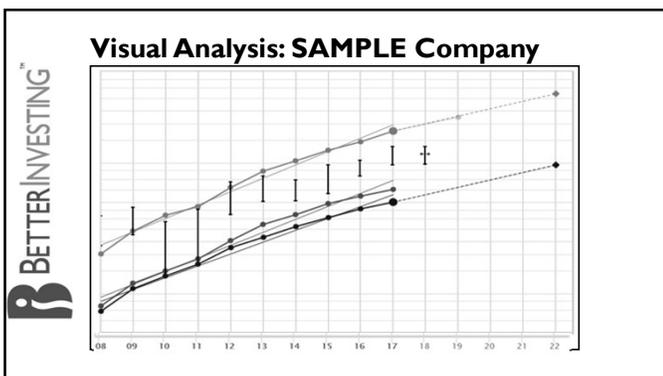


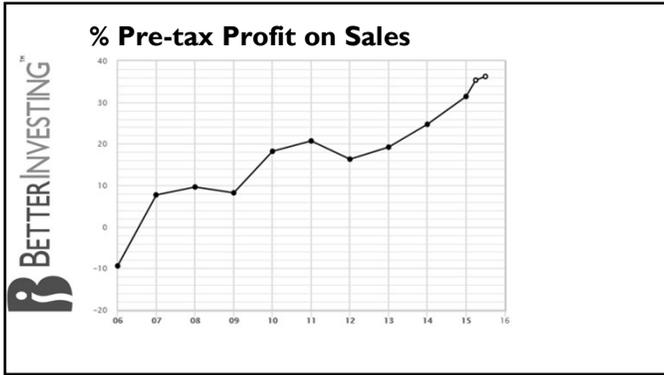
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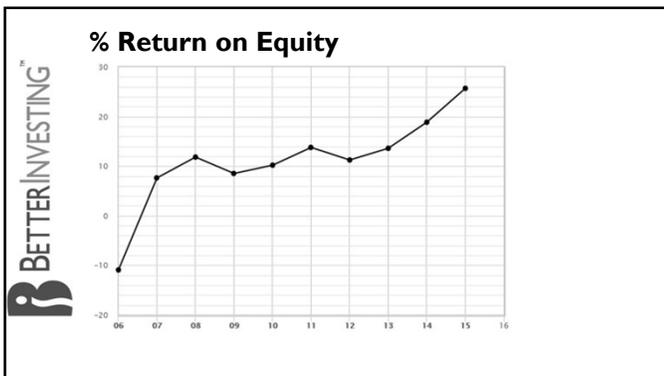
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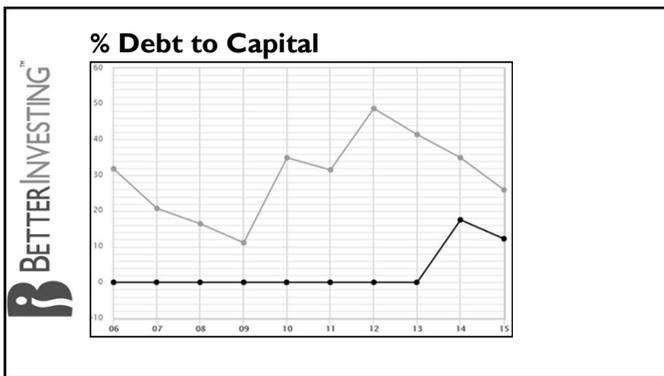












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REVIEW

- ✓ Strong and consistent Sales
- ✓ Strong and consistent EPS
- ✓ Steady or increasing PTP
- ✓ Steady or increasing ROE
- ✓ Low Debt to Capital

Next we will dive deeper into the fundamental data and conduct research to verify quality.

BETTER INVESTING

How We Study a Growth Stock

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BETTER INVESTING

What Do We Do Next?

- We need to have a good understanding of the company's future prospects. Research will uncover the company's growth potential.
- Using this information combined with our understanding of historical performance, we will be prepared to make reasonable, forward-looking estimates regarding the company's future sales and earnings growth.

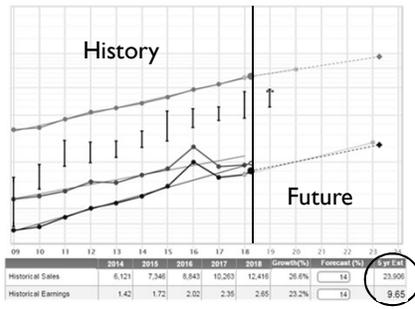


Forecast Sales and Earnings

- Things to consider along with historical performance:
- How does the company plan to grow sales and earnings?
 - What are the drivers for future growth?
 - What are risks or limitations to future growth?
 - What are analysts saying about future sales and EPS growth?
 - Who are the competitors?
 - How does the company stack up?



Forecasting Sales and EPS Growth





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Evaluating Risk and Reward

Forecast High Price

Forecast High Price

Enter Your Average High PE Forecast: X High EPS Forecast: = High Stock Price Forecast:

5 Year Average High P/E: 27.9 Closing Price (05/10/16): 152.6

5 Year Average P/E: 24.0

Current P/E: 25.5

P/E x Earnings = Price

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Evaluating Risk and Reward

Forecast Low Price

Forecast Low Price

Select Low Stock Price Forecast:

Your Low Stock Price Forecast:

Low P/E X Low EPS Forecast:

Enter Your Average Low PE Forecast: X Low EPS Forecast: = Low Stock Price Forecast:

5 Year Average Low P/E: 20.0 Last 4 Qtr EPS: 5.99 Closing Price (05/10/16): 152.6

5 Year Average P/E: 24.0

Current P/E: 25.5

Recent Market Low Price:

2014 Low Stock Price: 101.1 52 Week Low Stock Price: 136.0
2015 Low Stock Price: 110.8

P/E x Earnings = Price

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Evaluating Risk and Reward

Potential Gain vs Loss

Scenario	Current Price	Forecasted Price	Change (%)
Forecasted High Price	152.6	250.9	+64.2%
Forecasted Low Price	152.6	107.8	-29.4%



How We Study a Stock

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Five-Year Potential Total Return

Total Return:

- Rate of return of an investment over a certain period of time.

Two components:

- **Capital Appreciation** – the change in market price of an asset
- **Income Appreciation** – dividend distributions



Five-Year Potential

Determine 5 Year Potential - Composed Total Return	
Compound Total Return (using Forecast High P/E)	
View Calculators Learn More	
Potential Annual Price Appreciation:	10.4%
Yield:	1.1%
Annual Rate of Return:	11.6%
Current Yield:	1.3%



REVIEW: How We Invest

- **BetterInvesting Stock Selection Methodology**
 - **Evaluate Management – looking for quality**
 - Visual analysis
 - Historical performance
 - **Forecast Sales and Earnings – estimate potential**
 - **Valuation and Return – potential worth**
 - Forecast high price and low price
 - Potential total return



Questions?
