


Course of Study for Beginning Investors


Understanding the Jargon

Course of Study for Beginning Investors

UNDERSTANDING THE JARGON




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Disclaimer:


All stock references are meant to be used for educational purposes.

No recommendation for purchase or sale is intended or implied.

This presentation is being recorded for future use!




2




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- STOCK MARKET DROPS 6%!
- THE DOW REACHES NEW HIGH!
- SELL OFF IN MARKET CONTINUES!
- PONZI SCHEME SINKS INVESTORS!




3




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COMMON COMMENTS ABOUT THE STOCK MARKET



The stock market is a dart game.
I work too hard for my money to gamble it away.
Only professionals can be in the stock market.
I wonder how you learn how to pick a stock?

4




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TODAY WE'LL LEARN


1. How the Stock Market provides a mechanism to share in company profits.
2. The basic vocabulary needed to study stocks.
3. Why price depends on perception as well as supply and demand.
4. How the BetterInvesting method provides a structure to evaluate and select stocks for maximum return.

5




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WHAT A GREAT IDEA!



6



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HOW DO WE GET STARTED?

What is needed:

- A factory? Maybe an office?
- Manufacturing Equipment?
- Parts?
- People?


How do we get the money to get started?

7 

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RAISING FUNDS

- Investors provide funding
- In return, investors receive a share of the company
- A new company is formed!
- Why would anyone invest?
 - Profit
 - Prestige
 - Power

8 

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WHAT HAPPENS NEXT?

- The Company GROWS!!!!
- We need more money to expand
- We sell shares to the public
 - IPO – initial public offering
 - “going public”
- We could also occasionally borrow money
- The Company GROWS again!

9 


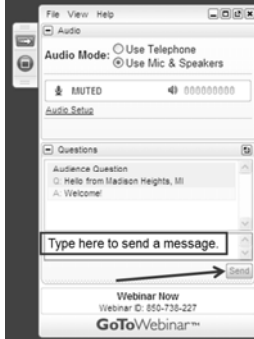
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	Private Co.	Public Co.
<i>Ownership</i>	Smaller group of investors	Large numbers of investors
<i>Buying/Selling</i>	Directly among investors	Directly or Through a third party
<i>Disclosure</i>	Not required	Government rules apply
<i>Rationale for choice</i>	Fewer government regulations; no need for extra money for expansion; closer control	Need to raise money for growth and/or expansion
<i>Control</i>	Relatively direct	Indirect through election of Directors

10 

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Let's pause for some questions!





11 

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WHY DO INVESTORS RISK MONEY IN A COMPANY?

FOR PROFIT

12 


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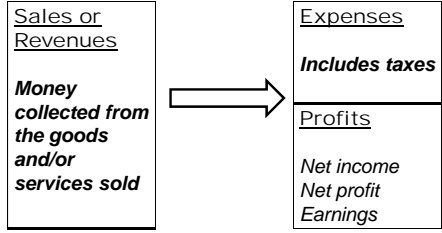
DEFINING PROFITS


- Money is collected from the goods and services sold.
 - Sales or Revenues
- Expenses are subtracted from the sales.
- What is left are the profits
 - *Net Income, Net Profit, or Earnings.*
- These earnings belong to the shareholders.

13 

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A PICTURE OF PROFIT




14 

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MEASURING PROFIT

- Dividing the company's profits by the number of shares results in:
EARNINGS PER SHARE
- These are the earnings that belong to each shareholder as a result of owning a share.

15 


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PROFITS ARE IMPORTANT

Over the long term....

- It starts with growth in sales
- Sales growth drives the bottom line earnings
- Earnings drive the Stock Price!

Stock prices ultimately follow earnings !


16 

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AND PEOPLE INVEST...

To make


MONEY!


17 

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THE STOCK MARKET

A Giant Supermarket for buying and selling Stock




18 

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WHAT IS WALL STREET?




- NYSE: New York Stock Exchange
- NASDAQ: National Association of Securities Dealers Automated Quotation (System)
- OTC: Over the counter exchanges for smaller companies

19 

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MEASURING THE MARKET


- Dow Jones Industrial Average
 - 30 stocks of all types of businesses
- S&P 500 Index
 - 500 stocks from the NYSE & NASDAQ
- NASDAQ Composite Index
 - Heavily weighted with technology stocks
- Russell 2000
 - Represents smaller companies

20 

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Let's pause for some questions!

21 


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TICKER SYMBOLS

- New York Stock Exchange (NYSE) - 1-3 letters
- NASDAQ - 4 or 5 letters

ATTENTION: TICKER SYMBOL RULES HAVE CHANGED

ABT	Abbott Laboratories
T	AT&T
COH	Cognate
GE	General Electric
CTSH	Cognate
NEOG	Neogen
BELFA	Bel Fuse


22 

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COMPANY INFORMATION

ABBOTT LABORATORIES (NYSE: ABT)			
NEW Real-time: 50.00 ↑ 0.78 (1.58%) 3:59pm ET			
Last Trade:	49.92	Day's Range:	49.34 - 50.35
Trade Time:	Jan 16	52wk Range:	45.75 - 60.86
Change:	↑ 0.70 (1.42%)	Volume:	12,845,910
Prev Close:	49.22	Avg Vol (3m):	9,095,320
Open:	49.56	Market Cap:	77.45B
Bid:	N/A	P/E (ttm):	17.13
Ask:	N/A	EPS (ttm):	2.91
1y Target Est:	61.00	Div & Yield:	1.44 (2.90%)

SOURCE: YAHOO! FINANCE

23 


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PRICE OR QUOTE

Symbol	Name	Trade	Change	52-wk Range	EPS (ttm)	P/E	Div/Shr
ABT	ABBOTT LABORATORIES	59.09	↓ 0.22	↓ 0.37%	50.09 - 61.09	2.68	22.03 1.44
AFL	AFLAC INC	58.60	↑ 0.19	↑ 0.34%	52.90 - 68.81	3.61	16.23 0.96
AOB	AMERICAN ORIENTL BLD	7.05	↓ 0.02	↓ 0.28%	5.81 - 14.48	0.95	10.77 N/A

The 58.60 in the trade column represents the price (in dollars) paid for this stock the last time it traded.

It will change during the trading day.

24 

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CLOSE OR CLOSING PRICE

Symbol	Name	Trade	Change	52-wk Range	EPS (ttm)	P/E	Div/Shr
ABT	ABBOTT LABORATORIES	59.09	↓ 0.22	↓ 0.37%	50.09 - 61.09	2.68	22.03 1.44
AFL	AFLAC INC	58.60	↑ 0.49	↑ 0.84%	52.90 - 68.81	3.61	16.23 0.96
AOB	AMERICAN ORIENTL BIO	7.03	↓ 0.02	↓ 0.28%	6.81 - 14.48	0.65	10.77 N/A

When the market is closed, this number represents the final price from the last trading session.

25 


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CHANGE OR PRICE CHANGE

Symbol	Name	Trade	Change	52-wk Range	EPS (ttm)	P/E	Div/Shr
ABT	ABBOTT LABORATORIES	59.09	↓ 0.22	↓ 0.37%	50.09 - 61.09	2.68	22.03 1.44
AFL	AFLAC INC	58.60	↑ 0.49	↑ 0.84%	52.90 - 68.81	3.61	16.23 0.96
AOB	AMERICAN ORIENTL BIO	7.03	↓ 0.02	↓ 0.28%	6.81 - 14.48	0.65	10.77 N/A

The upward green arrow and the .49 shows that this stock's price increased \$.49 from the previous day's closing price.

The column next to it represents the gain (or loss) as a percentage of the price at the close of the previous trading day.


26 

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52-WK RANGE

Symbol	Name	Trade	Change	52-wk Range	EPS (ttm)	P/E	Div/Shr
ABT	ABBOTT LABORATORIES	59.09	↓ 0.22	↓ 0.37%	50.09 - 61.09	2.68	22.03 1.44
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AOB	AMERICAN ORIENTL BIO	7.03	↓ 0.02	↓ 0.28%	6.81 - 14.48	0.65	10.77 N/A

These numbers represent the highest and lowest prices for the stock in the preceding 52-week period.

27 


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EPS OR EARNINGS PER SHARE

Symbol	Name	Trade	Change	52-wk Range	EPS (ttm)	P/E	Div/Shr
ABT	ABBOTT LABORATORIES	59.09	↓ 0.22	↓ 0.37%	50.09 - 61.09	2.68	22.03 1.44
AFL	AFLAC INC	58.60	↑ 0.49	↑ 0.84%	52.90 - 68.81	3.61	16.23 0.96
AOB	AMERICAN ORIENTL BIO	7.03	↓ 0.02	↓ 0.28%	6.81 - 14.48	0.65	10.77 N/A

The 3.61 represents the Earnings per Share (EPS) for the last, or trailing, twelve month period (TTM).

This number will not necessarily be the last fiscal year's EPS.

28 


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DIV/SHR OR DIVIDEND PER SHARE

Symbol	Name	Trade	Change	52-wk Range	EPS (ttm)	P/E	Div/Shr
ABT	ABBOTT LABORATORIES	59.09	↓ 0.22	↓ 0.37%	50.09 - 61.09	2.68	22.03 1.44
AFL	AFLAC INC	58.60	↑ 0.49	↑ 0.84%	52.90 - 68.81	3.61	16.23 0.96
AOB	AMERICAN ORIENTL BIO	7.03	↓ 0.02	↓ 0.28%	6.81 - 14.48	0.65	10.77 N/A

The .96 figure represents the dividend per share paid by this company. It is a dollar figure and is similar to interest on savings that you might receive from a bank.

N/A means not applicable and indicates the company does not pay a dividend.

29 


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P/E OR PRICE TO EARNINGS RATIO

Symbol	Name	Trade	Change	52-wk Range	EPS (ttm)	P/E	Div/Shr
ABT	ABBOTT LABORATORIES	59.09	↓ 0.22	↓ 0.37%	50.09 - 61.09	2.68	22.03 1.44
AFL	AFLAC INC	58.60	↑ 0.49	↑ 0.84%	52.90 - 68.81	3.61	16.23 0.96
AOB	AMERICAN ORIENTL BIO	7.03	↓ 0.02	↓ 0.28%	6.81 - 14.48	0.65	10.77 N/A

The P/E is a ratio (fraction) that is used to compare stocks. P/E is the current stock price divided by four quarters of earnings.

The P/E values on the chart are calculated by using the most recent four quarters or trailing twelve months (TTM) earnings.

30 

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P/E OR PRICE/EARNINGS RATIO

Symbol	Name	Trade	Change	52-wk Range	EPS (ttm)	P/E	Div/Shr
ABT	ABBOTT LABORATORIES	59.09	↓ 0.22	↓ 0.37%	50.09 - 61.09	2.68	22.03 1.44
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Price/Earnings (P/E) ratios can be thought of as how much an investor is willing to pay for \$1.00 of a company's earnings.

The higher the P/E value, the more the investor is willing to pay.


Faster growing, higher quality companies usually carry higher P/E values.

31 

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Let's practice these terms!



32 



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NAME	TICKER/ SYMBOL	TRADE/ PRICE/ QUOTE	CHANGE	52-WEEK RANGE	EPS	P/E
ABBOTT LABS	ABT	59.62	+0.92	50.09 - 61.09	2.68	22.23
AFLAC	AFL	55.31	-0.48	51.71 - 68.81	3.61	15.32
COHEN	COH	31.19	+0.13	23.22 - 50.95	2.17	14.35
COGNIZANT TECHNOLOGY	CTSH	30.77	-0.29	23.37 - 43.00	1.32	23.31
GENERAL ELECTRIC	GE	29.80	+0.28	25.60 - 42.15	2.15	13.86
JOHNSON & JOHNSON	JNJ	71.33	+0.14	61.17 - 71.90	4.12	17.31
KNIGHT TRANSPORTATION	KNX	10.09	-0.39	14.30 - 21.89	0.60	16.64
NEOGEN	NEOG	27.28	-0.15	19.33 - 28.50	0.81	33.80

33 

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Let's pause for some questions!





34 

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SUPPLY AND DEMAND CAN INFLUENCE PRICE / VALUE


- Beanie Babies 
- World Series Tickets 

35 


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SUDDEN CHANGE IN PRICE

Announcement of iphone
January 9, 2007



Jan 8 = \$85.47 Jan 9 = \$92.57
Apple's price up over \$7.00


36 


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FACTORS AFFECTING PRICE

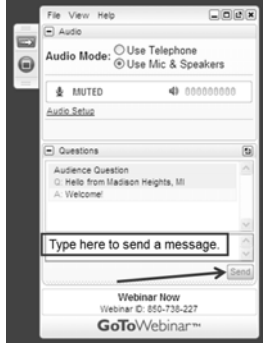

- Good news
 - New product
 - Lower oil prices
 - Economic recovery
- Bad news
 - Product recall
 - Lawsuit
 - Recession




37 

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Let's pause for some questions!





38 

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WHERE DO WE GO FROM HERE?

- We know some basic terms, some "investing jargon".
- We understand some market psychology.
- Is there an investing methodology which allows us to invest for the long-term?
- Are there tools which will help us make investment decisions?




39 

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BetterInvesting believes that you should ...


INVEST REGULARLY

40 

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BetterInvesting believes that you should ...


REINVEST ALL EARNINGS

41 

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BetterInvesting believes that you should ...

BUY HIGH-QUALITY GROWTH STOCKS AT FAIR PRICES

42 


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BetterInvesting believes that you should ...

DIVERSIFY

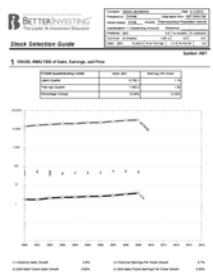
43 


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The BetterInvesting Stock Selection Guide (SSG)

Organizes all of the jargon to determine answers to two key questions:

1. Is the stock a quality growth stock?
2. Is it selling at a fair value?



44 

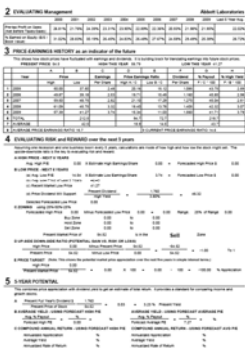
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The SSG is:

- A Tool
- A Guide to Your Judgment

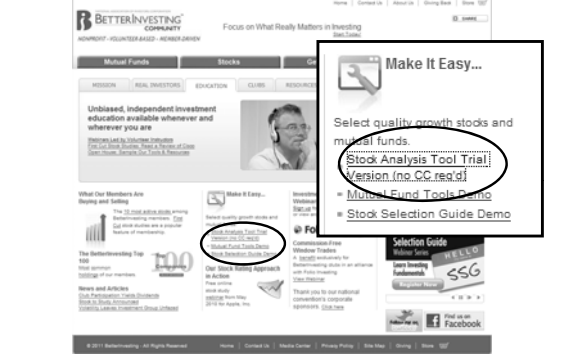
The SSG is not:


- A Black Box
- A Substitute for Study and Judgment



45 

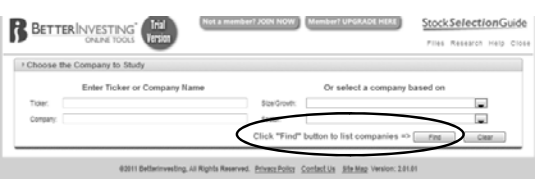
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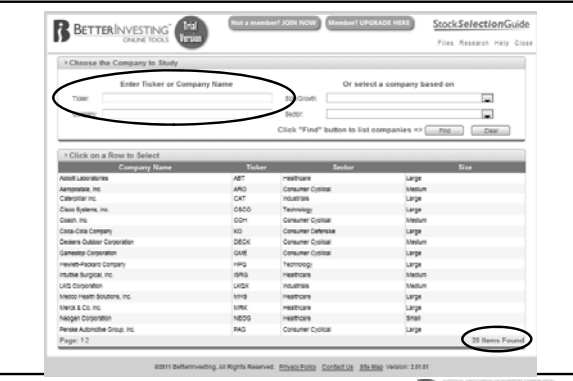
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tools.betterinvesting.org/stockanalysis



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You're just a click away!

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www.betterinvesting.org/IntroSSG

Register for the upcoming classes on Getting to Know the SSG.

Also access the recordings and handouts from this class and *Understanding the Jargon* when they're posted.

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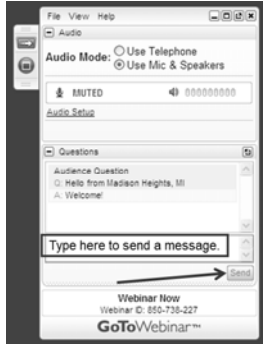
LET'S RECAP

1. People buy stocks to make money.
2. The Stock Market provides a mechanism to share in company profits.
3. There is basic vocabulary you need to know to study stocks.
4. Price depends on perception as well as supply and demand.
5. The BetterInvesting method provides a structure for evaluating and selecting stocks for maximum return.

51

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Last chance for some questions!

52

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Future Webinars


- Introduction to the Stock Selection Guide
 - 5 sessions on Tuesdays from 8 PM to 9:30 PM ET (homework review 7:30 PM - 8 PM)
 - Selecting the Best Companies (2/8/11)
 - Determining a Fair Price (2/22/11)
 - Estimating Future Growth (3/8/11)
 - Estimating Future P/Es (3/22/11)
 - Interactive Wrap-Up Session (4/12/11)
 - Total Series Cost: \$40 Members; \$60 Non-Members
 - Recordings will be available through 4/20/11
 - SIGN UP NOW AT BETTERINVESTING.ORG/INTROSSG

53

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THANK YOU



54