

# A Fidelity Investments Webinar Series: Basics of Stock Investing



# Agenda

- **Reasons for stock investing**
- **Getting started**
- **Research stocks**
- **Analyze stocks**
- **Buy Stocks**
- **Monitor stocks**
- **Resources**



# Reasons for Stock Investing

- **Why do you invest in stocks?**
  - Create or grow your portfolio
  - Increase income



# Getting Started with Stock Investing

## - Make a list



*To Do ...*

- Research** – make a list of stocks to consider
- Analyze** – narrow down your list
- Buy** – place your trades
- Monitor** – track performance and news to determine next steps



# Stock Investing To Do List

## What to consider ...

- **Timeframe** – what timeframe are you looking to invest in stocks?
- **Investment** – how much money do you want to put towards this strategy?
- **Exit Strategy** – what is your plan if the stocks performs well or badly?



# What are the different stock types?

## Equity Share Classes

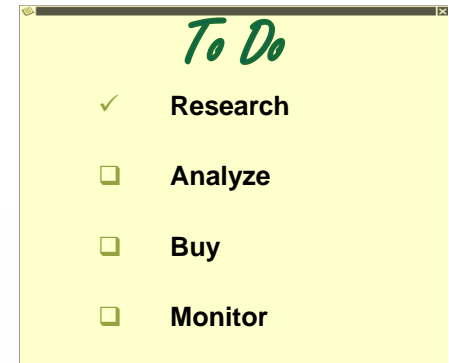
### Common Stock

- Represents ownership in a company and a claim (dividends) portion of the profits; investors get one vote per share to elect board members.

### Preferred Stock

- Represents a class of ownership in a company that has a higher claim on the assets compared to common stock; has a dividend that must be paid out prior to common stockholders; these shares do not have voting rights.

# Research Stocks Using Fidelity.com



- **Where to start?**

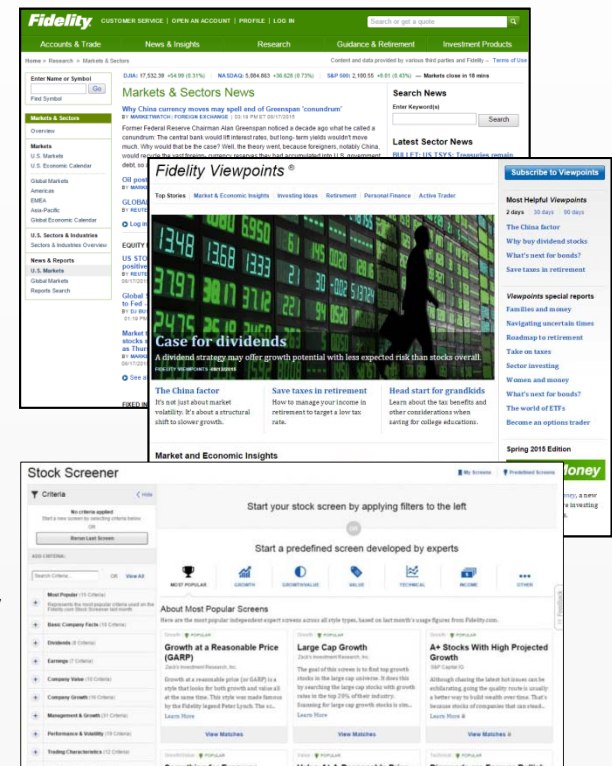
- Determine proper research tools and information to help identify stocks

- **What tools to use?**

- Read Fidelity Viewpoints articles
- Read Fidelity White papers
- Review quarterly market updates
- Use the Stock Screener

- **Where can I learn more?**

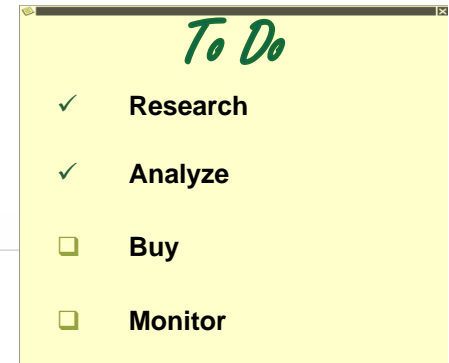
- View the Getting Started with the Stock Screener video from the Fidelity Learning Center



Screenshots are for illustrative purposes only.



# Stock Analysis



- **Where do I start?**

- Review key financial metrics and rates
- Research using fundamental analysis or a process that involves key indicators

- **How do I analyze my list of stocks?**

- Identify the most important factors in evaluating the list of researched companies, compare:
  - Companies
  - Industry average and sector average
- Consider additional factors for companies on your list, review:
  - Any recent news about a particular company
  - Company snapshot page on Fidelity.com





# Market Capitalization

## Large Cap, Mid Cap, Small Cap, Oh My...

- When you hear large cap, or even mega cap, for a company, it references the company's size or *Market Capitalization*. This is the market value of a company's outstanding shares and is determined by taking the stock price and multiplying it by the total number of shares outstanding.
- **Large Cap:** These companies are represented in the Dow Jones Industrial Average and the Standard & Poor's 500 (S&P 500).
- **Small Cap:** These companies are not widely followed by Wall Street analysts; have the potential to grow faster, but with more risk than larger, more established companies.



**Market Capitalization  
is a measure of size**



# Defining Fundamental Analysis

- **What is it?**

- The study of a company – measures used may include:

- Quality of management
- Labor relations
- Inventory control
- PE, EPS growth rates, debt
- Return on equity, assets, etc...

- **Why you should use it?**

- Helps you understand if the company is a “good” company

- Does not help you with the timing of the investment
- Does not help you with the sell decision
- Does not help you quantify risk vs. reward

Fundamental Analysis					
Balance Sheet - Sample Corp. FY 2007, 2008					
12/31/2008			12/31/2007		
<b>ASSETS</b>			<b>LIABILITIES and OWNERS' EQUITY</b>		
<i>Current Assets</i>			<i>Current Liabilities</i>		
Cash	\$45,000	\$40,000	Long-Term Debt – 1 Yr.	\$12,000	\$11,000
Marketable Securities	\$65,000	\$60,000	Notes Payable	\$15,000	\$14,000
Accounts Receivable	\$85,000	\$70,000	Accounts Payable	\$13,000	\$12,000
Notes Receivable	\$45,000	\$40,000	Taxes Payable	\$11,000	\$10,000
Inventories	\$85,000	\$80,000	Accrued Expenses	\$21,000	\$20,000
<b>Total Current Assets</b>	<b>\$325,000</b>	<b>\$290,000</b>	Other Current Liabilities	\$10,000	\$9,000
<i>Long-Term Assets</i>			<b>Total Current Liabilities</b>		
Land	\$85,000	\$80,000		\$82,000	\$76,000
Buildings	\$100,000	\$90,000	<i>Long-Term Liabilities</i>		
Machinery	\$30,000	\$25,000	Notes Payable	\$30,000	\$27,000
—Accumulated Depreciation	(\$4,000)	(\$3,500)	Bonds Payable	\$60,000	\$52,000
Net Tangible Assets	\$211,000	\$191,500	<b>Total Long-Term Liabilities</b>	<b>\$90,000</b>	<b>\$79,000</b>
<i>Intangible Assets</i>			<i>Other Liabilities</i>		
Goodwill	\$15,000	\$5,000	Pension Obligations	\$90,000	\$82,000
Patents	\$20,000	\$19,000	Deferred Taxes	\$70,000	\$62,000
Trademarks	\$15,500	\$13,400	Minority Interest	\$15,000	\$12,000
Organizational Costs	\$24,000	\$22,900	<b>Total Other Liabilities</b>	<b>\$175,000</b>	<b>\$156,000</b>
<b>Total Intangibles</b>	<b>\$74,500</b>	<b>\$60,300</b>	<b>Total Liabilities</b>	<b>\$347,000</b>	<b>\$311,000</b>
<i>Other Assets</i>			<b>OWNERS' EQUITY</b>		
Investments	\$25,000	\$23,000	Preferred Stock	\$60,000	\$50,000
Deferred Charges	\$50,000	\$45,000	<i>Common Equity</i>		
<b>Total Other Assets</b>	<b>\$75,000</b>	<b>\$68,000</b>	Common Stock	\$97,500	\$89,000
<b>Total Long-Term Assets</b>	<b>\$360,500</b>	<b>\$319,800</b>	Capital Surplus	\$111,000	\$99,000
			Retained Earnings	\$120,000	\$105,800
			—Treasury Stock	(\$50,000)	(\$45,000)
			<b>Total Common Equity</b>	<b>\$278,500</b>	<b>\$248,800</b>
			<b>Total Owners' Equity</b>	<b>\$338,500</b>	<b>\$298,800</b>
			<b>Total Liabilities and Owners' Equity</b>		
<b>Total Assets</b>	<b>\$685,500</b>	<b>\$609,800</b>		<b>\$685,500</b>	<b>\$609,800</b>

For illustrative purposes only.

# Work with Valuation Ratios for Stock Analysis

## Price-to-Book (P/B)

- Your share of the assets
- Stock's price divided by its book value per share.
- Price/Book ratio compares the market's valuation of a company to its book value according to its financial statements

## Price to Earnings (P/E)

- Comparison of a company's current share price to its earnings per share during a specified time period.
- Closing Stock Price / Annual Earnings per share = P/E Ratio

## Price-to-Sales ratio (P/S)

- Value of revenue
- A stock's price divided by sales per share for a specified period of time.
- Time periods measured include: Most Recent Quarter (MRQ) & Trailing 12 Months (TTM)

# Consider Growth and Earnings Metrics



## Review Earnings Per Share growth

- This is the trailing 12-month total (TTM) earnings divided by the average diluted shares outstanding for the trailing 12 months.
- Compare company earnings

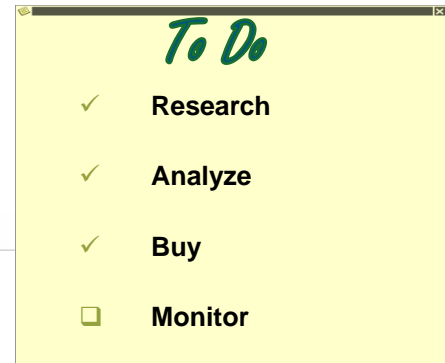
## Review Revenue Growth

- In a Company Profile, this is the percent change in annual sales as compared to the same period 1, 3, or 5 year(s) ago.

## Review Cash Flow Growth

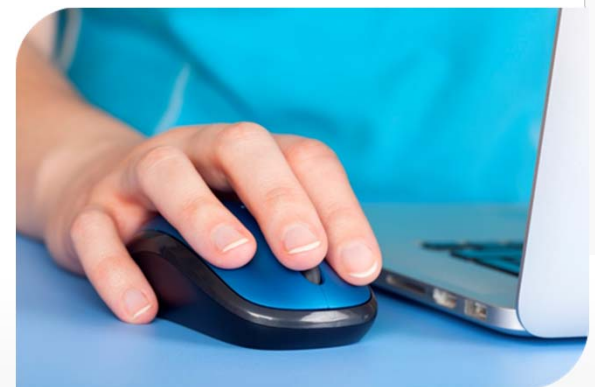
- In a Company Profile, this value is the TTM cash flow divided by the TTM average shares outstanding. Cash flow is defined as the sum of income after taxes minus preferred dividends and general partner distributions plus depreciation, depletion, and amortization.

# Buy – Place your trades

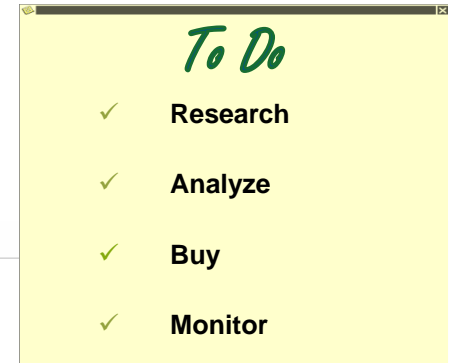


## How do I place a Trade?

- Place the trade (or enter an order)
  - Market
  - Limit
  - Conditional
- Multiple ways to place a trade via Fidelity.com, Active Trader Pro®, or Fidelity’s Service and Trading Team via phone



# Monitor Stocks



- **How often should I watch my stocks?**

- Carve out time to monitor your stocks
- Determine if you will view daily, weekly, monthly, or another timeframe

- **How can I watch my stocks?**

- Set up Price Alerts on Fidelity.com
- Access Fidelity's Guided Portfolio Summary<sup>SM</sup>, or GPS, to help monitor proper allocation and ratings.
- Check the Equity Summary Score by Thomson Reuters StarMine regularly to optimize portfolio monitoring



# Monitor:

## Use the Customized Research Experience

- **What is it?**

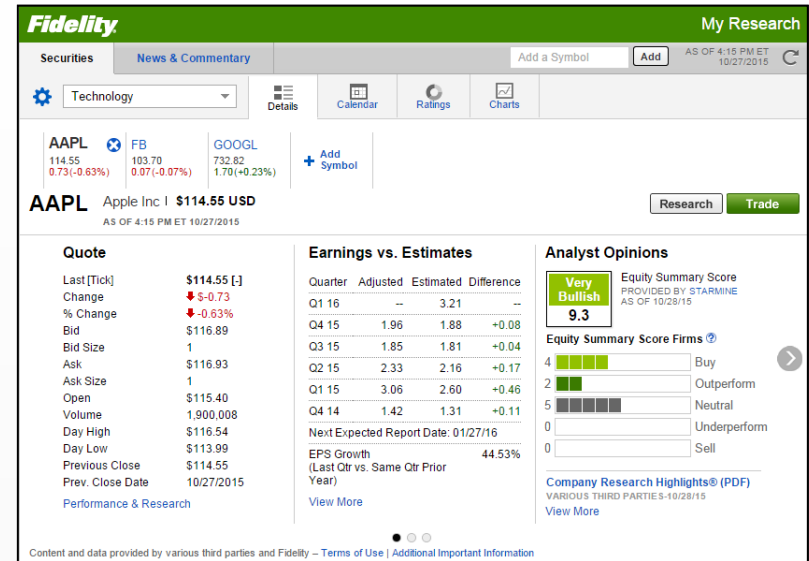
- My Research is an interactive tool that allows you to create a personal and relevant research experience

- **How can it help me?**

- Customize your view to see what's most important to you
- Easily get your fundamental facts such as a quote or the Equity Summary Score, along with news and market commentary all in ONE place

- **Where can I learn more?**

- View an educational demo accessible in the My Research bricklet on the Stock Research Center



For illustrative purposes only.



Research > Stocks > My Research

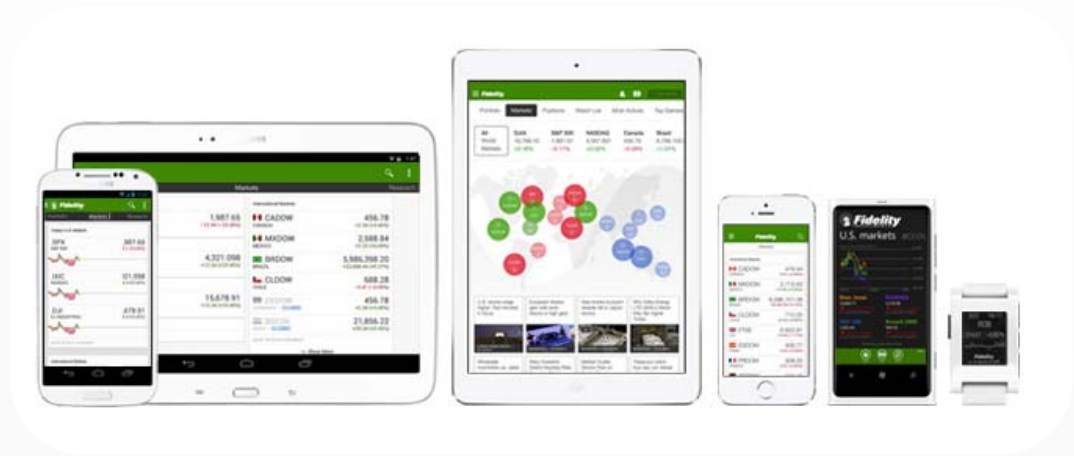


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## Mobile Platform Highlights\*

- Track your portfolio
- Pay bills
- Research and news
- Investor Center locator
- Trade anytime, anywhere
- Workplace accounts
- Remote check deposit
- IRA contributions



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\* Not all features are available on all platforms. For a list of available features please visit the mobile details page for your specific device.



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# Summary



## To Do ...

- ✓ **Research** – make a list of stocks to consider
- ✓ **Analyze** – narrow down your list
- ✓ **Buy** – place your trades
- ✓ **Monitor** – track performance and news to determine next steps

### Where can I learn more?



Research > Learning Center > Trading & Investing > Fundamental analysis



# Use the Fidelity Learning Center at home to...



## Watch videos

Learn how to navigate and leverage Fidelity's research and tools.

**Example:** Introduction to fundamental analysis on Fidelity.com



## Get more information

Visit Fidelity.com and select **Research > Learning Center** to obtain more about Fundamental Analysis.



## Read individual articles

That cover a variety of topics from multiple independent third parties.

**Examples:** Using key financial metrics and ratios



## Attend seminars/webinars

Register for a seminar at your local investor center, or view one of our monthly webinars from Fidelity.com.

# You have access to even more resources



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