Infi-flux

Fundamental analysis in our case of investing is a method of estimating the intrinsic value of various instruments listed on stock / Financial markets by analyzing fundamental factors related to the underlying entity of the Instrument. This method helps us to understand if the instrument asset is overvalued or undervalued which in turn helps us make investment decisions based on this analysis.

Basic Components of Fundamental Analysis

- Financial Statements
    - Balance Sheets
        - Asset Analysis
        - Liability Analysis
        - Equity Analysis
        - Liquidity Analysis
        - Solvency Analysis
    - Cash Flow Statements
        - Operating Cash Flow (CF)
        - Investing CF
        - Financing CF
        - Free CF
    - Income Statement analysis
        - Revenue Analysis
        - Profit Margins
        - Expense Analysis
- Management and Corporate Governance
- Market and Industry Analysis
- External Macroeconomic Factors
- Valuation Models
- Qualitative Factors
- Peer Comparison
- Trend Analysis
- Basic Risk Assessment

Advanced Components of Fundamental Analysis

- Earning Quality Analysis
    - Revenue & Expense Recognition
    - Earnings Management
    - Sustainability estimation
    - Aggressive revenue recognition
    - One-Time Items non-recurring events
        - Ratio analysis with and without (WAW) One-Time items
        - Regression Analysis WAW One-Time Items
    - Narrative Analysis
    - Provisions and Reserves
    - Accounting Policy Changes
    - Auditor's Report
    - Management's Discussions and Analysis (MD&A)
    - Liquidity and Solvency
    - Credibility w.r.t Disclosure and Transparency
    - Company Earnings Guidance
- Financial Ratio Analysis
    - Liquidity Ratios
    - Profitability Ratios
    - Solvency Ratios
    - Efficiency Ratios
    - Market Ratios
    - Converge Ratios
    - Growth Ratios
    - Operating Ratios
    - Coverage Ratios
    - Dividend Ratios
    - Price Ratios
    - Liability Ratios
    - Asset ratios
    - EBITDA ratios
    - Valuation Ratios
    - Interest ratios
    - Earning yields
    - Bankruptcy Prediction models
    - Frameworks
        - Dupont Analysis
        - Extended Dupont Analysis
        - Profitability Decomposition
        - SGR Analysis
        - Segmental strength analysis

- Discounted Cash Flow Valuation
    - Cashflow, Revenue projections
    - Present value Calculation
    - Terminal Value estimation
    - Intrinsic Value with Peer Comparison
    - Discount rate for TVM
        - Risk-Free Rate
        - Risk Premium
        - Sensitivity Analysis
        - Risk and return Trade-Off.
    - Scenario Analysis – Monte Carlo
    - Budget Estimation
- Relative Valuation
- Scenario Analysis
- Competitive Positioning Analysis
    - SWOT Analysis
    - USPs
    - Pricing Power / Differentiation
    - Market Share Analysis
    - Competitive Strategies
    - Customer Analysis
    - Industry Disruption and Trends
    - Competitive Benchmarking
- Management Assessment
    - Corporate Governance
    - Leadership team Analysis
    - Compensation and Incentives
    - Communication and Transparency
    - Strategic Vision and Execution
    - Capital Allocation
    - Ethical Conduct and Integrity
    - Industry Knowledge and Competitive Positioning
- ESG Analysis
    - Environmental Factors
        - Climate change and Carbon emissions
        - Resource efficiency
        - Environmental Regulations and Compliance
    - Social Factors
        - Labor laws
        - Diversity
        - Inclusion
        - Community Engagement

        - Product Safety & Quality
    - Governance Factors
        - Board Structure and Independence
        - Shareholder's rights
        - Ethical Business Practices
    - ESG Ratings by Third party
    - ESG related Risk mitigation & Opportunity Identification
    - ESG Reporting & Disclosure
- Top-Down vs. Bottom-up Analysis
- Quantitative Models
- Risk Management
- Global Analysis
- Cash flow Quality analysis
- Forensic outlook Accounting
- Scenario and Sensitivity Analysis
- Monte Carlo Simulation
- Credit Analysis
- Event Driven Analysis
- Correlation Interconnected Analysis
- Real Options Analysis in High Uncertainty Volatile Markets
- Market Sentiment and Behavioural Analysis
- Geo-political Risk Assessment
- Portfolio Optimization
- Factor Analysis
- Data Science Statistical Approaches
    - Regression Analysis
    - Machine Learning in Fundamental Analysis
    - Natural Language Processing
    - Multi-period Forecasting
    - Alternative Data Integration
    - Non-Linear Timeseries Analysis
    - Complex ML Ensembles
- Stress Testing & Scenario Planning
    - Assumptions & Variables
    - Scenario Development
    - Impact Analysis
    - Risk Mitigation Strategies
    - Liquidity risk
    - Capital Adequacy
- Comparable Company Analysis
    - Competitors
    - Market share composition metrics
    - Portfolio building for analysis.

- Relative Valuation Metrics
- Instrument Correlation metrics

- Intrinsic Value Models
  - DCF, DDM, CCA, EVA.
- Volatility Analysis
  - Historical Volatility
  - Implied Volatility
  - GARCH Generalized Autoregressive Conditional Heteroskedasticity Models
  - ARCH Autoregressive Conditional Heteroskedasticity Models
  - Stochastic Models
  - Heston model
  - Local Volatility model
  - Jump Diffusion Models
  - Multivariate Volatility
  - Realized Volatility
  - Integrated VA
  - Non- parametric VA
- Event Studies
  - Event Selection, Sensitivity analysis
  - Hypothesis testing
- Market Micro Structure Analysis
  - Behavioural Finance Aspects
  - Order Flow
  - Market Liquidity Analysis
  - Market Maker Analysis
    - Bid-Ask Spread
    - Hedging Strategies
    - Market Depth
    - Bid-Ask Imbalance
    - Sentiment Analysis
    - Latency Analysis
    - Cross Market Analysis
  - Price Discovery
  - Market Order Types
  - Information Asymmetry
  - Surveillance Tools
- Complex Derivatives Hedging Structured Strategies
  - Options
  - Exotic Options
  - Interest rate Swaps and swaptions
  - Delta analysis (First Derivative)
  - Gamma Scalping (Second Derivative)
  - Volatility and Variance Swaps (σ & σ^2)

  - Convertible Arbitrage
  - Structured Credit Strategies
  - Inflation Derivatives
  - Factor-based Investing
  - Derivatives-based Risk Parity
  - Regime-based trading
- Real asset Valuation
  - Cost Approach
  - Infrastructure Valuation
  - Market research & due diligence
  - Hybrid Valuation Models
  - Dynamic Valuation models
  - Ecosystem Valuation
  - Complex lease structuring
  - Capital Stack Analysis
  - Value at risk (VaR) analysis
- Emerging Market Analysis
  - Political Risk Assessment
  - Macroeconomic Analysis
  - Sovereign Credit Analysis
  - Local Currency Valuation
  - Corporate Governance Analysis
  - Infrastructure & supply chain analysis
  - Emerging market debt analysis
  - Forecasting
  - Currency peg analysis
  - Network all stakeholder's analysis
  - Risk-adjusted Return Analysis
  - SDGs
  - Systemic Risk Assessment
- Cyclical Analysis
  - Business Cycle Phase
  - Cyclical Sector Rotation
  - Market Breadth Analysis
  - Yield curve analysis
  - Consumer and Business Confidence Surveys
  - Leading Economics index
  - Cyclic stocks analysis
  - Tech disruptions and cycles
  - Global supply chain analysis
  - Event Driven
  - Global Economic Synchronization
- Sector Specific Analysis

- Industry life cycle
- Competitive Dynamics
  - Porter's five forces
  - SWOT
  - PESTEL
  - Value chain analysis
  - BCG matrix
  - Blue-red ocean strategy
  - Ansoff Matrix
  - Competitive Profile Matrix
  - Core Competencies Analysis
  - Business strength matrix
  - Industry Attractiveness
  - Dynamic Capabilities | Adaptability
  - Culture web model
  - Tech S-curve Analysis
  - Balanced Scorecards
  - Blue ocean shift
  - Game theory
  - Enterprise risk management

- Mergers and acquisitions
  - Competitive Impact
  - Synergy Estimation
  - Strategic Rationale
  - Financial Due diligence
  - Cultural fit
- Distressed debt investing
  - Bankruptcy Code Analysis
  - Credit risk assessment
  - Debt valuation
  - Liquidation Analysis
  - DIP Debtor-in-Possession Financing
  - Operational Due Diligence
  - Legal and litigation
  - Recovery estimation model
  - Bankruptcy auctions and sales
- Event Driven Arbitrage
  - Merger Arbitrage
  - Earning-Related Arbitrage
  - Risk Arbitrage
  - Regulatory Arbitrage
    - Tax inversion strategies
  - Quantitive Arbitrage models

        - Pair trading
    - Proxy Contest Arbitrage
- Options pricing Models
    - Black Scholes-Merton Model (BSM)
    - Implied Volatility Analysis
    - Local Volatility models
    - Stochastic Volatility models
        - Heston
        - SABR
        - Variance gamma model
        - SDE Stochastic Differential model
    - Jump diffusion models
    - Barrier option pricing
        - Knock-in & Knock-out pricing
    - Volatility Surface Construction
    - Options Greek Sensitivity Analysis
    - Interest rate Options Pricing
        - Black Derman Toy
        - Heath-Jarrow-Morton (HJM) Model
    - Dividend Yield consideration
    - Multi-Asset Options pricing
- High-frequency Fundamental analysis
    - Event Recognition Algorithms
    - Microstructure Analysis
    - Sentiment Analysis
    - Real-Time Economic Indicator Monitoring
    - Intraday Valuation Models
    - Corporate Action Analysis
    - Options Implied Volatility Analysis
    - News Analytics
    - High-frequency Risk management
    - Real-time order flow analysis
    - Dynamic alpha Models
    - Market Impact Analysis
- Complex financial Regulation analysis
- Behavioural Economics Integration
    - Bias
    - Market Aberrations
    - Contrarian Strategies
    - Behavior Factors
    - Bounded Rationality models
    - Investor Relations and communication
- Cross Asset Class Analysis

  - Risk-on & Risk-off Analysis
  - Asset Correlation analysis
  - Macroeconomic factor
  - Currency Analysis
  - Commodities and inflation
  - Global Macro Strategies
  - Alternative Investments
  - Multi-Asset Risk Models
  - Dynamic asset Allocation
- Credit Risk Analysis
  - Default probability models
  - Credit Spread Analysis
  - Credit Risk Model Valuation
  - Default recovery Analysis
  - Credit Risk Mitigation Techniques
  - Early warning Indicators
  - Credit risk stress test
- Market Microstructure Modelling
- Stochastic Calculus for Finance
- Counterparty Risk assessment
- Portfolio Optimizations with Constraints
  - Linear programming
  - Quadratic programming
  - Mixed Integer LP
  - Black Litterman Model
  - Optimal Asset-Liability Management
- Primary and Secondary market analysis
  - IPO Analysis
  - Private Placement Analysis
  - Issuer’s Financial Health
  - Market Demand
  - Trading Volume Analysis
- Corporate Strategies
  - Core Business Model Analysis
  - Entry and Expansion Strategies
  - M&A
  - Divestiture & asset alloctation
  - R&D
  - Positioning
  - Communication and Transparency
- Game theory
  - Nash Equilibrium
  - Strategic Behaviour Modelling

    - Stackelberg Leadership Model
- Portfolio Theory
    - Capital Market Line Analysis
    - Drawdown Analysis
    - Rebalancing strategies
    - Portfolio Performance Attribution
- Time Horizon Considerations (Time value of money)
- Corporate Finance
    - Capital Structure Analysis
    - Cost of capital estimation
    - Equity and buyback analysis
    - Dividend Policy & Shareholder Returns
    - Shareholder Activism
    - Financial Strategy with Business Goals
- Comparative and Common-size Financial statement analysis
- ROE Du-Pont Analysis
- Cash Conversion Cycle

Type of Instruments for Investments

- Stocks (Equities)
    - Common Stocks
    - Preferred Stocks
    - Class of Stocks
    - Authorized Shares
    - Issued Shares
    - Outstanding Shares
    - Treasury Stock
    - Float
    - Par Value
    - APIC Additional Paid in Capital
    - Retained earnings
    - Reserves
    - Stock-Holder's Equity
    - Rights Issues
    - Warrants
    - Depository receipts
    - Stock splits/ Reverse stock splits
    - DRIPS Dividend Reinvestment Plans
- Stock Market Indices
- Mutual Funds
- Exchange-Traded-funds
- Bond (Fixed Income)
- Real Estate Investment Trusts
- Savings and Certificates of Deposit (CDs)
- Commodities
- Options and Futures
- Cryptocurrencies
- Bonds
- Foreign Exchange (Forex)
- Certificates of Deposit (CDs)
- Treasury Securities
- Structured Products
- Convertible Securities
- ESOPS
- CIS Collective Investment schemes
- Structured Notes
- Precious Metals
- Fractional Ownership
- Exchange-Traded Notes

Note: We have written each term in the above index only once. Meaning if a term was written once, it was not used in the following sub-parts of those terms even if it was a core part of that term. If the terms were repeated, they were used slightly differently from the previous category. The above index constructed is incomplete w.r.t to encapsulating the Fundamental Analysis approaches for investment Decision-making. The above terms mentioned are collected using search engines and GPT Models which are available in the public domain and some terms known by us. Assuming you were able to gather all the missing terms and add them to the above list, it still won't be a complete list/index that encapsulates Fundamental Analysis for tomorrow as Stock Markets are forever evolving.

Hence, Continuous Learning.

But before you dive into the specific topic from the above list of terms-topics without structured planning, we would like to share a light-hearted anecdote or childish story with you. This applies to technical analysis documents as well. Please indulge with us for a moment.

The following story is all about a child asking one simple question, why is the Lion called the King of the Jungle? We'll shortly explain how it's related to you. There are multiple answers to this question. The common answer we get is due to its reputation as a powerful and majestic Apex predator. More explanation given is the ability of the Lion to dominate its Habitat. They hunt together, having a complex social structure known as pride. The list goes on as big cat species, physical attributes and their use in symbolizing strength, courage, and nobility in various cultures and societies throughout history helped the Lion to solidify their reputations as "KINGS".

But if the same question is asked to a guy who has a knack for having a mathematical and statistical outlook on the very existence of different Concepts in life. To answer the very first question why Lion is called the King of the Jungle? This guy will ask multiple questions to arrive at a particular answer. We are interested in .. what questions will the guy ask to arrive at an answer to what makes Lion the King of the Jungle. This guy will always try to look for patterns that explain the very concepts. The first question is what skills, the lion possesses that made Humans choose the Lion as the King of the Jungle. The guy will create a list and will realize that the Lions will not have the top placement in most of the skills. The Lion is not the biggest, not the tallest, not the fastest, nor the fastest swimmer, or Agile. So to truly understand why the lion is called the king of the jungle, this guy will look for the patterns in the entity of different ecosystem that were assigned different qualities of the king in their respective ecosystem. Different ecosystem and their Kings can be described as follows. King of the sky, Eagle. King of the Sea, killer whales. King of the rivers, Crocodiles, etc. In every case. If we consider in terms of skills, The entity that is considered King does not have Supreme (top) placement in most sets of skills they require in their respective ecosystem. This can be the first insight into this case. But there is a second insight that could be considered as the logical explanation for why these entities were assigned the title of King

by Human society and this insight comes to be common to everyone the entities who bear the title The King of their respective Ecosystem in the wild and human society as well.

The insight is. Every single entity that is given the title “King” has the ability to master each skill up to a certain level where they were able to outperform by at least 50% or more of their peer entities and have a niche in some skills. In conclusion, they are just above average but not Exceptional in every single skill W.R.T. their ecosystem except very few skills.

We can see similarities between the above insight in the real world of Human Society about all leadership roles. This includes all government leadership roles like politicians, presidents, Ministers, HODs, etc. extending it to the corporate sector, roles like Managers, CEOs, CFOs, CTOs, and anyone who oversees a team are expected to have some degree of knowledge, skills, and experience of every field and expertise in some that they are correlated to their products to achieve their Goals holistically.

So how is this story useful to us, you may ask? It’s simple. As you have read the list of terms we mentioned for Fundamental analysis, It’s huge and you won’t need every single skill to achieve an understanding of an instrument if it is overpriced or underpriced based on your investment goals. The learnings are simple 3 things.

1. The first is to define the Ecosystem, in our case the Investment Goals. This includes endless variables like time horizon, for what purposes, etc.
2. The second is the set of skills that are related to your ecosystem, Skills that will help you achieve your goals. Make a list of skills. We have no definitive way of recognizing what set of skills you might need; hence we listed every single one of the skills (Terms) and made an incomplete list that we were able to find in the public domain for Fundamental Analysis.
3. The last thing from the story is to further narrow down the skills (terms) that will help you the most in understanding if the instrument is overvalued or undervalued in respective Stock / Financial Markets by allocating more time to learn them. Highly correlated skills!

This approach can be used in other fields too to achieve your different goals.

One can notice similar patterns, and concepts that are displayed by the above 3 basic things in most of the educational systems established around the Globe.

Also please subscribe to our newsletter Under our Guide Section to get Major updates as we intend to provide more Games, algorithms, silly insights, completing the above incomplete list in our Opinion, new innovative products, and much more. We hope our documents will help you reduce uncertainty while investing in stock/Financial markets.

Disclaimer: The whole document is considered as an Opinion by Infi-flux. There may be errors in insight collection or listing of concepts. Terms and conditions of Infi-flux are applied to this Document.

Hope this helps

Thank you

Be careful

By Infi-flux

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