Exercise 1:

* Stock worth discounted sum of its future dividend payments [NPV]
  + Calculate fair value irrespective of prevailing market conditions
  + Undervalued and overvalued [value vs current trading price of shares]
  + Dividend payments originate from business profits
  + **Future Value = Present Value(1+i)**
  + Note: **growth rate of dividend**
  + (r – g) Is rate of return – dividend growth rate