



# The Fundamentals of Stock Investing

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# Motivation - Why invest at all?

Premise: *Your working life doesn't need to be longer than your time in Education*

FINANCIAL INDEPENDENCE

Inflation vs Opportunity Cost

Financial Capitalism & Financial Inventions

Investing vs Speculating

Financial Education

Analytical Skills

It's fun!

# How to do it

## Revolut Advantages:

- Quick access to reports, analyst projections
- Unlimited trading once you've got Metal
- Easy to put market orders

## Disadvantages:

- No index funds
- No simulator



*Revolut*

TRADING 212

Robinhood

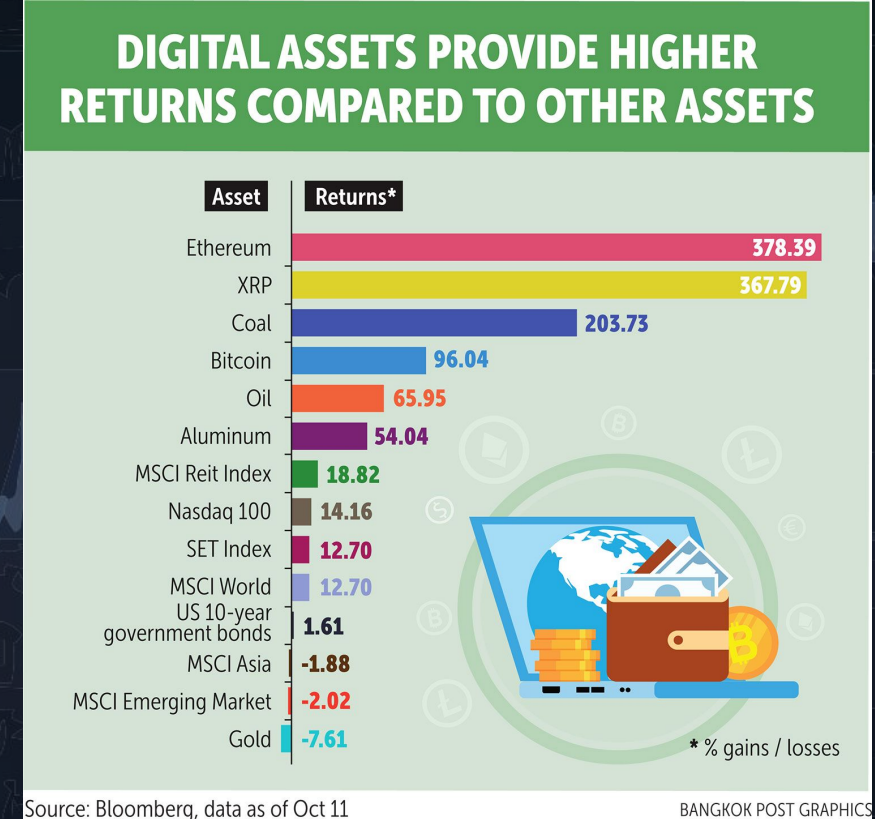


eToro



# Investment opportunities

- Starting your own business
- Bonds(government or private)
- Foreign Currencies
- Commodities and future markets
- Cryptocurrencies
- Hedge Funds
- etc



Stocks are a middle ground in terms of risk, time required *and* *return*.



# What is a stock?

- A piece of ownership in a company
- Gives you the right to vote
- A company issues stocks at IPO and later, then uses the incurred money to expand
- S&P 500, DOW, NASDAQ
- Shares can be fractional
- Shares can be bought back!





# Ways to earn money through stocks

## 1. Investing for growth

- Selling at a higher price  
=> Capital Gain
- Typically highly innovative, young companies

*Other variations:*

- *Day trading*
- *Swing trading*

**TESLA**

## 2. Investing for income

- Dividends
- Paid quarterly, monthly or randomly
- Established companies with steady revenues
- A simple way of creating a secondary revenue source

**Coca-Cola**

# Analysis Example

## 1. Investing for growth

- Price: 1045\$
- Volume: 810 mil (f)
- PE: 340
- Beta: 2.1
- EPS: 0.64
- RoI: 2.0%
- Dividend yield: 0%
- Payout ratio: 0

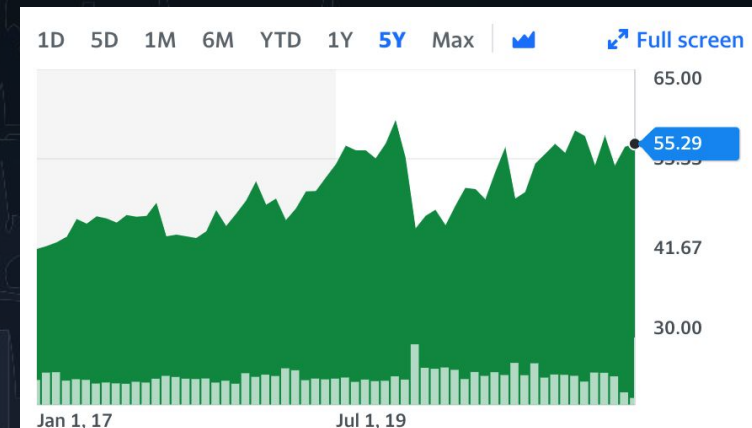
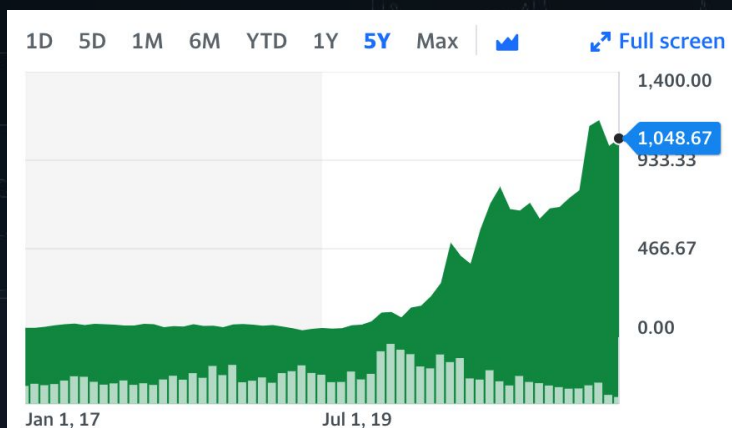
TESLA

## 2. Investing for income

- Price: 55\$
- Volume: 4.2 billion(f)
- PE: 27
- Beta: 0.6
- EPS: 1.79\$
- RoI: 12%
- Dividend yield: 3.4%
- Payout ratio: 0.3

Coca-Cola





Does this mean the price is sure to grow? <https://www.alphaspread.com/dcf-calculator>

TESLA

Coca-Cola



# Taxes!!

As with any revenue, you incur taxes on:

## 1. Capital gains

- Short Term: 10-20%!!
- Long Term: even 0%

## 2. Dividends

- Ordinary: taxed as short term capital gains
- Qualified: taxed as long term

*\*Having some short term loss can be good because you can claim back taxes!*

<https://finance.yahoo.com/topic/taxes/>



# Investing for Growth

- If the revenue and profit are growing, the stock price will catch up, as long as:
  - The Free Cash is growing faster than the price of the security ([DCF Method](#))
- Look for megatrends(renewable transition, automatization etc)
- Beware! > 60% drop below the IPO price within the first year!



*“A rising tide lifts all boats!”*



# Investing for Income

1. Dividend yield = The yield is the annual dividend by the instant stock price.

- Income stocks: > 3% yield

2. Payout ratio! How much of the company's cash flow is paid as dividend.

3. Yield on cost: accounts for how much the stock price grew

4. Consecutive year dividend increase (dividend aristocrats)

Income Industries:

Energy

Utilities

Food/Beverage

Pharmaceuticals

Banks

Mining

Exercise: let's find the dividends

The logo for Yahoo! Finance, featuring the word "yahoo!" in a bold, lowercase, sans-serif font, with a large exclamation mark. Below it, the word "finance" is written in a smaller, lowercase, sans-serif font. The entire logo is in a bright blue color.

**yahoo!**  
**finance**



# Analysis Methods

## Fundamental Analysis

- What to buy
- Market cap
- PE Ratio
- Return on Investment
- EPS across sector

### Criticism:

- **Slow**
- **Passive**

*Overvalued / Undervalued*

## Technical Analysis

- When to buy
- Beta
- Yearly averages
- Dividend yield!
- Trading volume

### Criticism:

- **Stochastic**
- **Insignificant**

*Overbought / Oversold*

# AlphaSpread: Fair Value Calculator



## ET Fair Value

Average of all stock values



The Fair Value of one ET stock under the base scenario is 25.36 USD. Compared to the current market price of 8.33 USD, ET stock is **undervalued by 204%**.

The Fair Value is calculated as the average of ET's **Intrinsic Value**, **Relative Value**, and **Wall Street Price Target**.

## ET Fair Value

Base Scenario

**25.36** USD

**Undervalued by 204%**



### INTRINSIC VALUE

**31.67** USD

**Undervalued by 280%**



### RELATIVE VALUE

**29.95** USD

**Undervalued by 260%**



### WALL STREET TARGET

**14.47** USD

**Undervalued by 74%**

Fair Value

Price

204%

Bear  
Scenario

**Base  
Scenario**

Bull  
Scenario



# Reading Financial Reports

## Efforts required:

- Skimming the Annual Report
- Monitoring quarterly results(January, May, August, November)
- Monitoring analysts' opinions but not taking them for gospel
- Monitoring news about the company

# Automating the process

- Stop loss orders



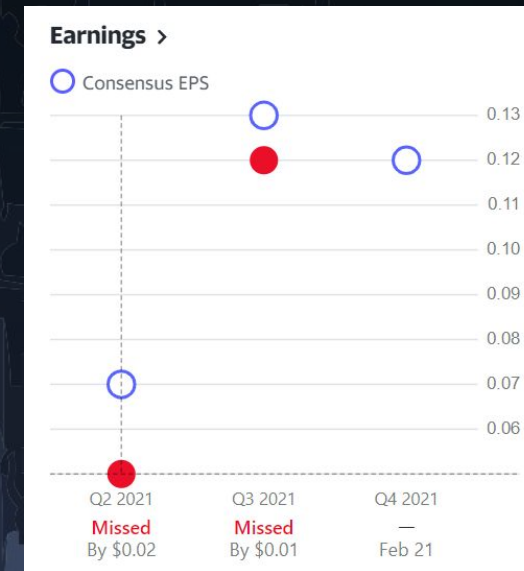


# Practical Tips

- Don't trade during the first or last 30min of the day
- If you hear of insider buyback or institutional buys, consider joining!
- Watch youtube videos on quarterly reports
- Know the ticker symbol
- [Use stock screeners](#)
- Diversification: Industry, Revenue Type, Geographical Area, Other investments(bonds, real estate, commodities)

# The bigger picture

- Check unemployment figures
- Interest rates of the Central Bank
- Beware of election seasons
- Too much debt close to a recession?
- Check the competition! Even though your company grows, others might grow faster
- Human factors: Friday-Monday effect, Holiday season, September



Try InvestMate: <https://capital.com/learn-trading-app>



# Useful Numbers

PE never more than

- ❑ 50 for a growth stock
- ❑ 15 for an income stock

Rol of 10% or more

A company relying on innovation should invest at least as much on R&D as they did the year before(Apple)

# Five key takeaways

For beginners, only invest in a company if:

- It's making profit RIGHT NOW
- Both revenue and profits are rising
- The PE is reasonable
- Majority of analysts agree it is going up
- Positive Return on Investment(ROI)



# Growth Stock Cheatsheet

- Has a PE ratio! (making profit) and it is less than 50
- Growing revenue and profit
- Growing free cash flow
- Better Price to earnings/book/sales than the industry average
- Wall street projections are favorable
- Positive RoI, RoA, RoE
- Strong brand value
-

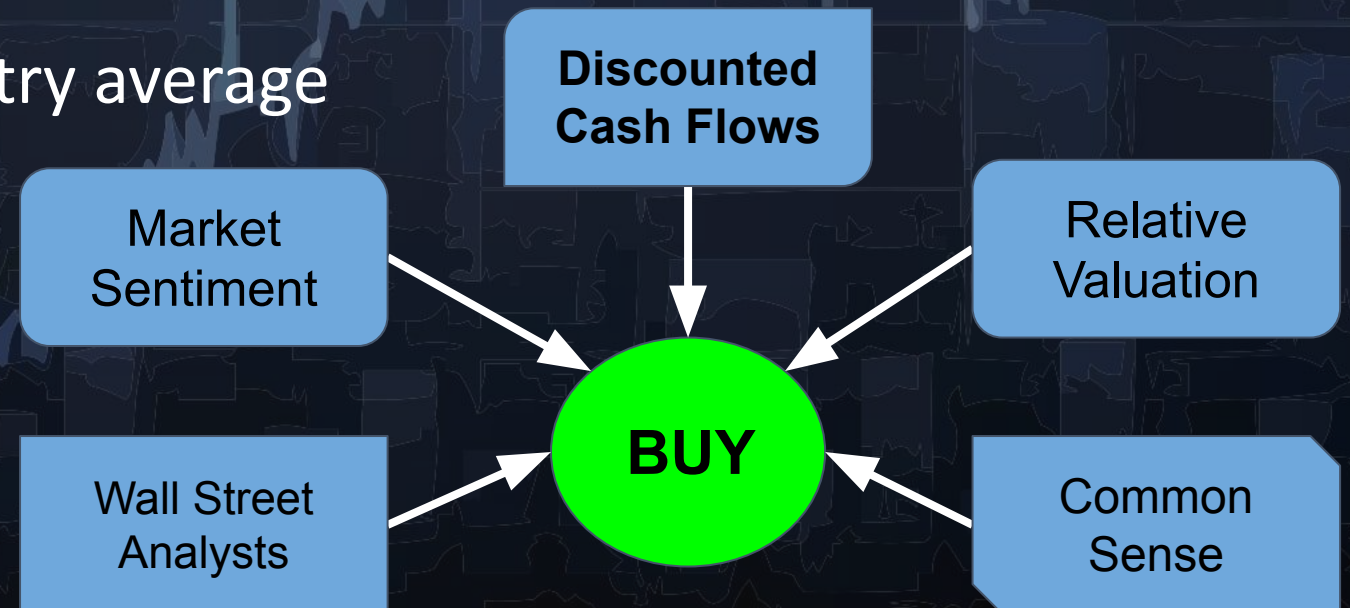
# Income Stock Cheatsheet

- Has a PE ratio! (making profit) and it is less than 15
- Payout ratio less than 0.5, or 0.8 worst case
- Projected to grow, or at least stay constant
- Positive relative valuation
- Dividend yield more than 3.5
- Positive Return on Investment(>9% for 5yr)
- Insider buyback
- Mutual fund, government purchase
- Low controversy / high sustainability levels
- Have been paying dividends for at least 10 years
- **Dividend increase year after year!**



# Growth Stock Cheatsheet

- >50% discount based on DCF valuation method
- Also >20% undervalued through the method of comparables
- Has a PE ratio! (making profit) and it is less than 50
- Growing revenue, profit and free cash flow
- Positive RoI, RoA, RoE
- Better ratios than the industry average
- Strong brand value
- Market sentiment:
  - Put/call ratio
  - % of shares shorted
  - Sustainability



# Once growth stock grow, what to do with them?

## Passive income options

- Real estate
- Starting your own business
- Buying a helicopter
-



# Financial Invention

*New investing tools are being adopted every day:*

- Fractional Shares
- NFTs democratizing the art market
- **Blockchain**
  - PayPal
- Carbon Coin

# Ways to prepare for a bear market

- Stick with dividends
- Check that your companies are low on debt
- Buy inverse and volatility ETFs
- Put short term capital gains into Gold ETFs but not gold itself
- Inflation resistant assets

Advanced:

- Long put options
- Shorting a stock





# Mistakes I made

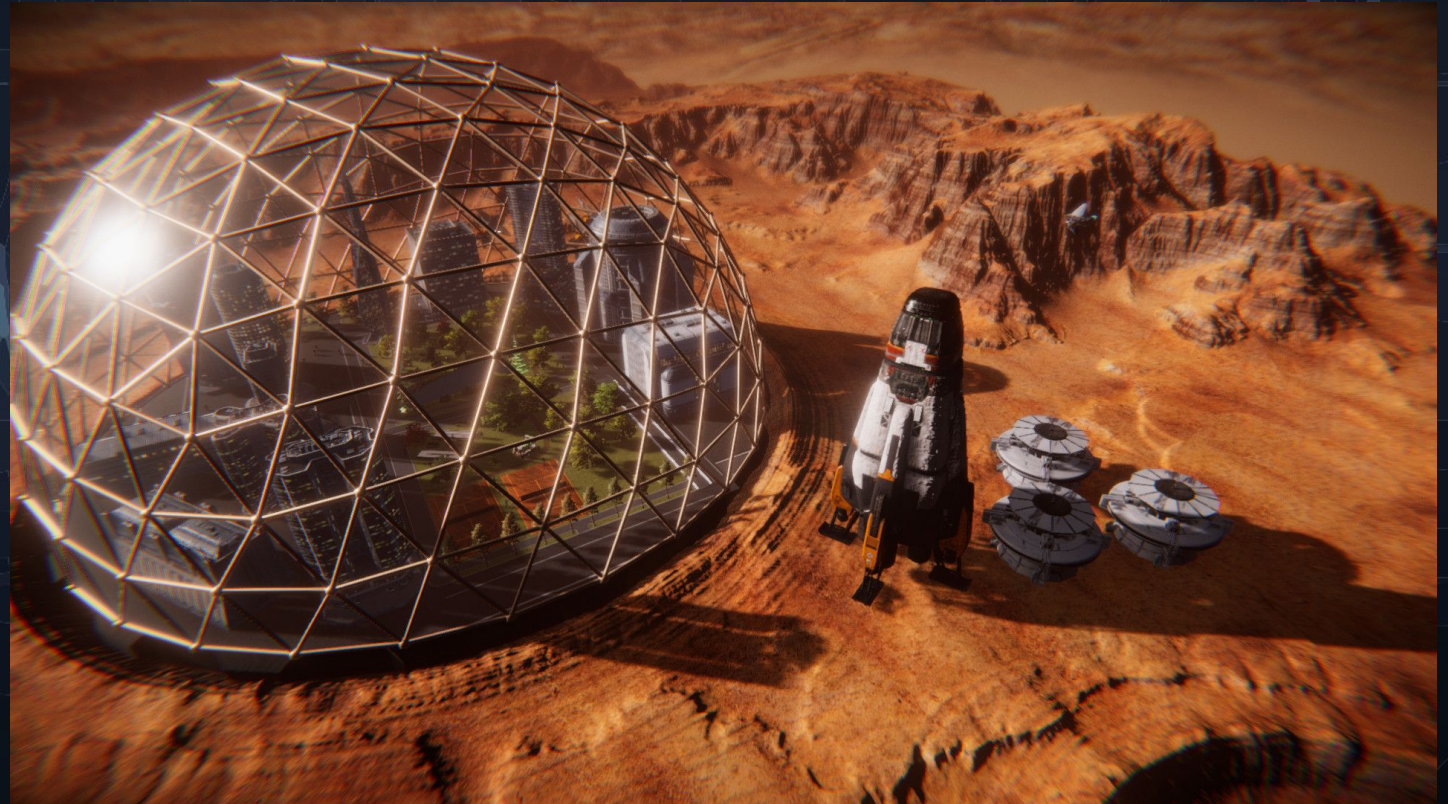
- Investing too much at once
- Selling stocks at a loss to invest in something that is on the rise
- 
-

# Recommended Resources

- Fundamental Analysis, Value Investing and Growth Investing by R. Lowenstein
- Understanding Investments, C. Fullenkamp, The Great Courses
- Financial Markets (Lecture Series) by Robert Shiller, Yale University
- Stock Investing for Dummies, P. Mladjenovic
- Technical Analysis for Dummies, 3rd Edition by Barbara Rockefeller
- Finance and the Good Society by Robert Shiller
- Youtube: [Scott's Stock Due Diligence](#), [Dividend Data](#)



# Conclusions





An aerial photograph of the Atlantis hotel in Dubai, United Arab Emirates. The hotel is a large, ornate structure with multiple towers and a central archway, situated on a sandy beach. In the foreground, a curved, elevated walkway or bridge extends from the bottom right towards the hotel. The water is a deep blue, and the sky is clear. The text "See you next time in Dubai!" is overlaid in large white letters on the left side of the image.

# See you next time in Dubai!

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# Spending Categories

