



BECOMING AN...

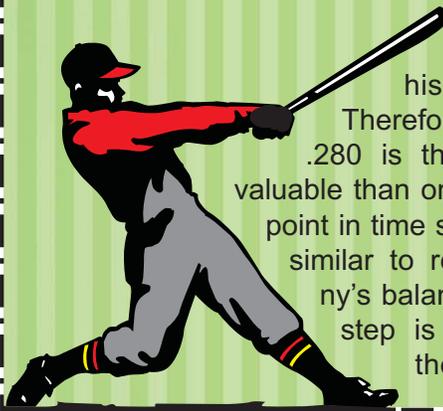
YOUNG INVESTORS

TODAY'S TOPIC: Fundamental Analysis

INFORMED INVESTOR

Most investors use fundamental analysis to determine the potential future value of a company's stock. Fundamental analysis is the review of a company's financial strength (balance sheet), its profitability (income statement) and current valuation based on future growth expectations.

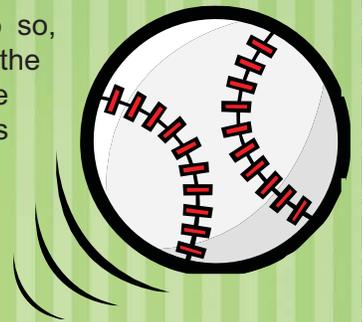
To help understand this analysis let's relate it to a baseball player's worth. A baseball player's worth at



a specific point in time is reflected in his batting average.

Therefore, a player batting .280 is thought to be more valuable than one hitting .250. This point in time snapshot of worth is similar to reviewing a company's balance sheet. The next step is to determine how the player achieved

the .280 average. To do so, you need to review all the player's AT-bats that make up the average. This is similar to an investor reviewing a company's income statement which shows all activity over a measured time period.



In reviewing our baseball player's statistics, let's assume we find he started the year batting .350. This suggests that his hitting percentage is trending lower. If this downward trend continues it would not only affect his current batting average but also his future worth to the team.

This type of review is the basis of fundamental analysis. We observe current results, review past trends, and set future expectations to determine what we believe will be a company's long term worth.

Running With The Bulls Stock Market Contest to Be Announced

THINGS TO KNOW

Price/Earning Ratio (P/E)

A commonly used valuation measure in fundamental analysis is the price-to-earnings ratio (P/E), also known as a stock's "multiple." The ratio is calculated by dividing the current price of a stock by the company's last reported annual earnings per share. For example, if a share of Nike stock is selling for \$77 and its last reported earnings per share was \$4.14, the company has a P/E ratio of 18.6.

$$P/E = \frac{\$77 \text{ per share}}{\$4.14 \text{ EPS}} = 18.6$$

The ratio gives investors an idea of how much they are paying for a company's earnings power. The higher the P/E, the more earnings growth investors are expecting. High P/E stocks are typically more risky than low P/E stocks because high P/E stocks have such high expectations that are more easily missed.

The analysis of a company's P/E is much more meaningful when it is compared to companies in its industry or sector. Analysts use these comparisons to determine whether a stock might be undervalued, overvalued, or fair valued relative to growth expectations.

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Laughing Studio

What do sea monsters eat for lunch?

Fish and Ships

How does a dog stop a movie?

He presses the paw's button.

What kind of suit does a duck wear?

Duck-Seeds.

What do police officers buy at the bakery?

Copcakes.

Kids, if you have a joke that you would like to submit, please send it to info@monetta.com. If we use your joke we'll send you a special prize!



Ha
Ha
Ha



Kid-Themed Investments



✓ The company was named after the Greek goddess of victory, Nike. The famous Nike "Swoosh" was created by a graphic design student named Carolyn Davidson for a fee of \$35!

✓ Did you know that the NBA banned the first Air Jordan shoe because it did not conform to the league's uniform rules? Michael Jordan wore the shoe anyway and was fined \$5,000 a game, which was gladly paid for by Nike for all of the publicity it created.

✓ The company was co-founded by Bill Bowerman, head track coach at University of Oregon from 1948 to 1973, and Phil Knight, a distance runner on Bowerman's track team. Knight is currently the Chairman of the company.

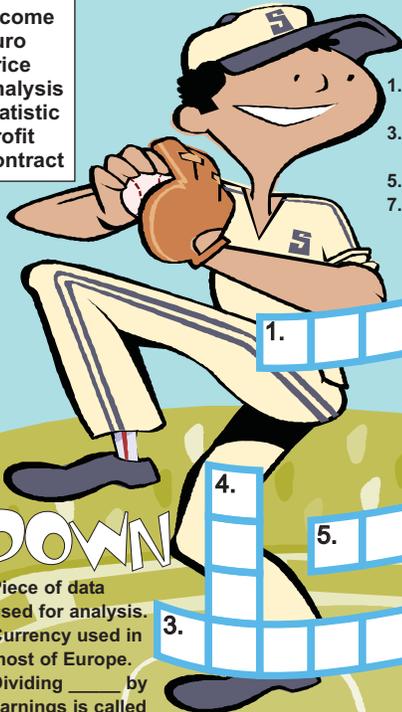
✓ Did you know Nike shoes' famous waffle sole was created by Bill Bowerman pouring liquid rubber into his wife's waffle iron?

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GAME STUDIO

W I N A S U R P R I S E !

income
euro
price
analysis
statistic
profit
contract

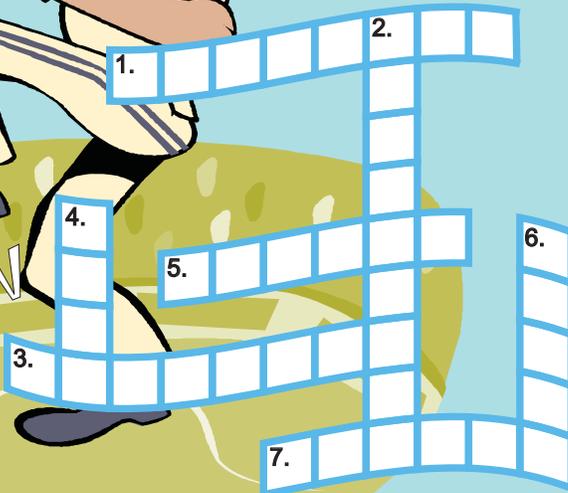


ACROSS

1. Fundamental _____ is the review of a company's financial strength.
3. An agreement between two parties.
5. _____ is income less expenses.
7. The sum of all the wages, salaries and other forms of earnings received.

DOWN

2. Piece of data used for analysis.
4. Currency used in most of Europe.
6. Dividing _____ by earnings is called a P/E Ratio.



CROSS WORDS



OBJECTIVE:
Fill in the puzzle with the correct words.

Name _____
Address _____
City _____ State _____ Zip _____
Phone _____
E-mail _____
Age _____

Mail Or Email To: info@monetta.com

Monetta Financial Services, Inc.
1776-A S. Naperville Rd, Suite 100
Wheaton, IL 60189

younginvestorfund.com

