HOW TO ACHIEVE

STOCK MARKET *SUCCESS*

LEARN THE DIFFERENCE BETWEEN STOCKS AND BONDS, HOW TO APPROACH DIVIDENDS AND HOW TO BEGIN ANALYZING INDIVIDUAL COMPANIES

Do you AGREE?

This was posted in our community earlier this week.

Let's talk about it.

One way the financial world has been able to orchestrate their power is by making it so complicated that regular people can't understand it. They created the rules—
the impenetrable rules—
that are impossible to understand so they can benefit from that misunderstanding.

Jodie Foster,
American actress

HUMAN REFORM POLITICS
a force for positive change

MY

THOUGHTS

THIS ISN'T FALSE.

In fact, it's the reason I entered the field of finance. I couldn't understand why the people who needed the markets most, just weren't participating. I was convinced that it was intentionally over-complicated, by greek-letter speaking quants who wanted more money for themselves.

It wasn't until I started speaking "Greek letter", that I realized that this wasn't entirely true.

WE KNOW FROM OUR WORK IN DESIGN THINKING THAT THERE ARE GRAVITY PROBLEMS AND POORLY FRAMED PROBLEMS.

This is a Poorly Framed Problem.

by looking at it this way, you’re saying that you don’t understand, and can’t understand finance because the industry itself doesn’t want you in it, and that it’s a zero sum game. Not much room for a solution here.

What’s the real problem? Is it that you feel like you don’t have the education to become an investor? Better. We can solve for this. See where I’m going?

The truth is that there are some very complicated derivative products out there you need more degrees than a thermometer to understand.

It's also true that this is not the game we're playing. Very few people are.

Don't let the belief that finance is complicated stop you from investing and building wealth for your family. Finance is not IMPOSSIBLE. Investing is quite simple actually - and I'm determined to make you a believer.

The industry doesn't care if you're involved or not. And believe it or not, there are great people out there building wealth for their families.

I encourage you to search within yourself too, if this is something you believe, who told you that it wasn't for you. Who told you money was bad, and that people who had it were dishonest?

When money is source of discontent in our lives, it's easy to blame the industry, to externalize something that's been holding us hostage from the inside, often times based on false information given to us by people who just wanted to protect us.

AND NOW FOR TODAY'S PRESENTATION

WHAT'S *on the* AGENDA?

PART ONE:

INTRODUCTION

WHAT TYPE OF INVESTOR AM I?

We need to ask ourselves - What's my strategy?

In a previous presentation we spoke about the difference between active and passive investing. Neither are right or wrong. The question is how much time do you want to dedicate to research, reading financial statements etc.?

Most of us here are passive. We have created a system where every week, or every month, we invest into well diversified ETFs whether or not the market is up or down. (Unless it's really down, then we ideally BUY MORE)

MY ACTIVE STRATEGY

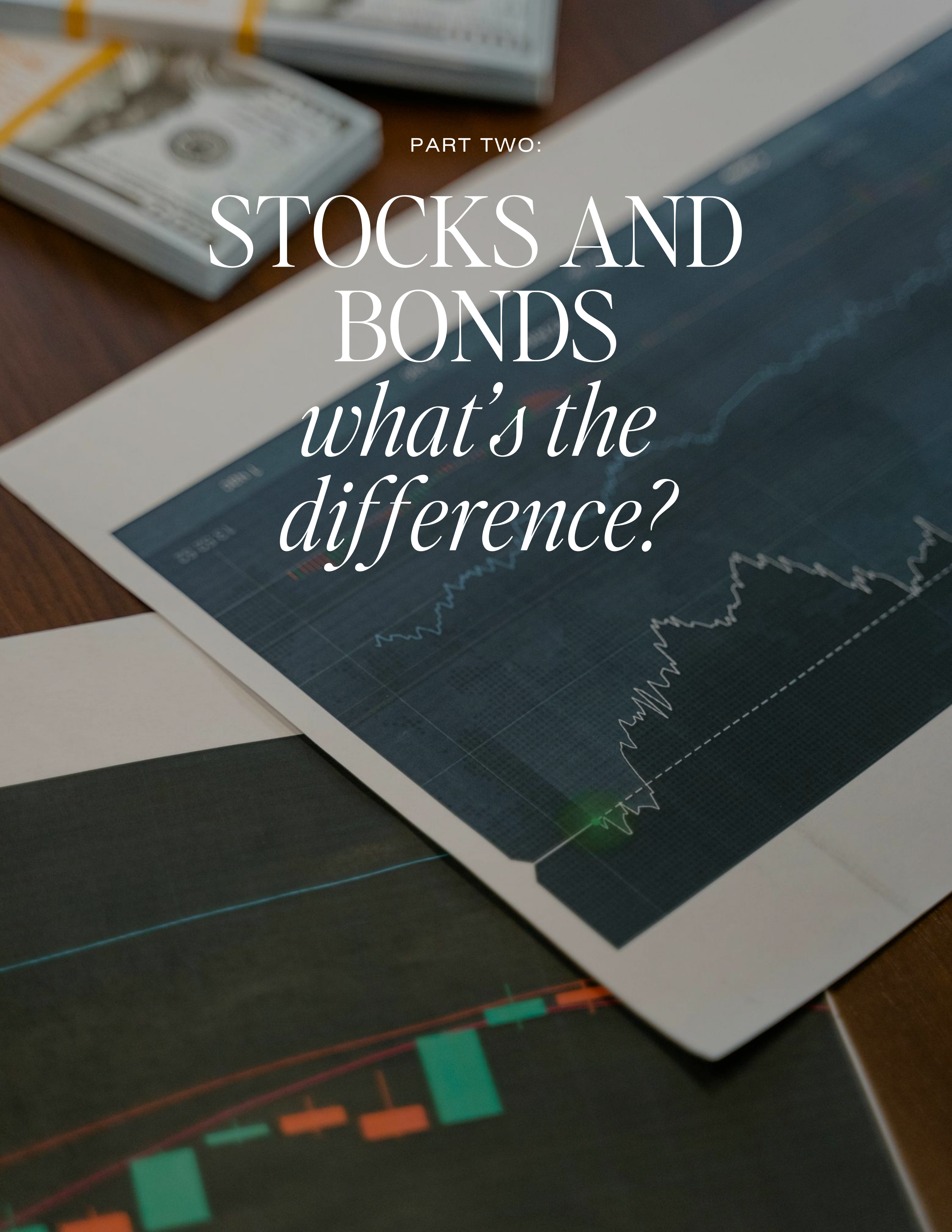
A note here. As single moms I strongly believe in investing in ourselves, our knowledge, our health, our businesses. Your human capital is inflation proof.

MINDSET SHIFT

My job is what brings in money. The higher my salary, the wealthier I am. **Not true**. We need to start thinking in terms of income generating assets. We make money from our jobs, we use that money to buy assets that in tern make us more money so that we can buy more assets that pay us an income to live off of.

PART TWO:

STOCKS AND BONDS *what's the difference?*



Bond Market vs. Stock Market: An Overview

Stocks and bonds are the 2 most traded asset classes.

KEY TAKEAWAYS

- A stock market is a place where investors go to trade **equity securities** (e.g., shares) issued by corporations.
- The bond market is where investors go to **buy and sell debt** securities issued by corporations or governments.
- Stocks typically trade on various exchanges, while bonds are mainly sold over the counter rather than in a centralized location.

REMEMBER THAT A WELL-DIVERSIFIED PORTFOLIO STRATEGY IS RECOMMENDED BEFORE YOU START TO BUY ASSETS SUCH AS STOCKS AND BONDS.

SECURITIES SOLD ON THE BOND MARKET ARE ALL VARIOUS FORMS OF DEBT.

When you buy a bond, Or debt security, you're *Lending money for a* Set period of time.

A bond is a fixed-income investment that's issued by corporations and governments to raise money for business ventures.

In this way, bonds are essentially loans. You lend money to a company or government body with the promise that they'll pay back the principal – plus interest.

Because of this promise, bonds are typically less risky than stocks. Less risk, of course, means less potential for higher returns: bond payouts are generally less promising than the long-term growth of stock investing. That said, most bond investors are willing to trade higher gains for the stability and higher long-term returns that bonds promise.

Types of BONDS

01

GOVERNMENT BONDS

These bonds are issued by the Canadian Federal Government and are the least risky of all bonds. Government bonds pay twice per year (every six months) and come with terms that range from one to 30 years.

02

PROVINCIAL AND MUNICIPAL BONDS

These bonds are also issued by a government entity, but in this case, it's the governments of provinces, cities, and towns. Like government bonds, provincial and municipal bonds are considered ultralow risk investments, though they have slightly more risk than those issued by the federal government.

03

CORPORATE BONDS (INVESTMENT / HIGH YEILD)

These bonds are issued by corporations and businesses. They're riskier than government bonds, as businesses are more vulnerable to insolvency than governments, but they typically have higher interest rates. Corporate bonds themselves are separated into two classes, which can help you assess their risk:

INVESTMENT GRADE

The companies that issue these bonds are generally at low risk of defaulting.

HIGH YEILD

The companies that issue these bonds are generally at a higher risk of defaulting. Because they have a higher risk, they will offer higher returns.

BOND BENEFITS

01 **Predicable income stream.** Most bonds pay twice per year. This can give investors a reliable stream of passive income.

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02 **Principal is (almost) guaranteed**. Government and most investment-grade corporate bonds are considered safe investments, as the entity backing them isn't likely to become insolvent.

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03 **Less volatility than stocks.** Stock prices fluctuate daily, hourly, and even by the minute. Many bond yields – once purchased – are fixed and will pay out at a steady rate.

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04 **Better yield than most bank products.** Though bond yields can't compare to the gains on some stocks, they are usually higher than GICs and savings accounts.

How *to* Buy Bonds:

Bonds are not traded on major stock exchanges, but you can buy them through a financial institution (like your bank) or a broker.

Many banks and brokers will provide you with a list of bonds you can buy. This list will also include a few important keywords that will help you decide which bonds fit best with your investment strategy. Some of these keywords include:

COUPON RATE

This is the annual interest rate the bond pays out. For instance, it could be 5% or 6%. Most bonds will pay interest semiannually (twice per year), but some will also pay quarterly or monthly. These rates can be fixed or variable.

MATURITY DATE

This is the date when the bond issuer will repay what they initially borrowed. If you paid $1,000 for a bond, then the bond issuer will pay $1,000 at this date. Note: You can sell a bond before its maturity date to another investor, especially if the coupon rate is fixed and higher than current rates.

FACE VALUE

This is the amount the bondholder receives on the maturity date. Again, if the initial price of a bond is $1,000, then the face value is $1,000.

BOND RATING

This indicates the financial strength of the bond issuer. The higher the rating, the safer the bond.

WHEN YOU'VE DECIDED WHICH BOND HAS THE RIGHT QUALITIES FOR YOU, YOU CAN PLACE AN ORDER WITH YOUR BROKER OR BANK

It's important to note that brokers will likely charge trading fees to buy or sell bonds.

Although you can't buy individual bonds on stock exchanges, you can purchase bond ETFs through your **online brokerage account**. These ETFs will unify dozens and dozens of different bonds within one investment. Bond ETFs have fund managers who will buy new bonds to replace those that have matured, as well as distribute bond payments (usually monthly) to shareholders.

OK, BONDS ARE COVERED...

So what are stocks *exactly?*

STOCKS: WHAT THEY ARE AND HOW THEY DIFFER FROM BONDS

What Are Stocks?

A stock, also known as equity, is a security that represents the ownership of a fraction of the issuing corporation. (You own a small piece of the company)

Units of stock are called shares, which entitle the owner to a proportion of the corporation's assets and profits equal to how much stock they own.

Stocks are bought and sold predominantly on stock exchanges and are the foundation of many individual investors' portfolios. Stock trades have to conform to government regulations meant to protect investors from fraudulent practices.

and that's it!

UNDERSTANDING STOCKS

Corporations issue stock to raise funds to operate their businesses. The holder of stock, a shareholder, may have a claim to part of the company's assets and earnings.

A shareholder is considered an owner of the issuing company, determined by the number of shares an investor owns relative to the number of outstanding shares. If a company has 1,000 shares of stock outstanding and one person owns 100 shares, that person would own and have a claim to 10% of the company's assets and earnings.

How do you buy stock?

Most often, stocks are bought and sold on stock exchanges, such as the Nasdaq or the New York Stock Exchange (NYSE). After a company goes public through an initial public offering (IPO), its stock becomes available for investors to buy and sell on an exchange.

Typically, investors will use a brokerage account to purchase stock on the exchange, which will list the purchasing price (the bid) or the selling price (the offer). The price of the stock is influenced by supply and demand factors in the market, among other variables.

you're an owner

YOUR TAKEAWAY:

A stock is a form of security that indicates the holder has proportionate ownership in the issuing corporation and is sold predominantly on stock exchanges.

Corporations issue stock to raise funds to operate their businesses.

Historically, stocks have outperformed most other investments over the long run.

So Explain the Main Difference Between Stocks and Bonds...

Stocks are issued by **companies to raise capital** to grow the business or take on new projects.

There are important distinctions between whether somebody buys shares directly from the company when it issues them in the primary market or from **another shareholder in the secondary market**. (We are buying in the secondary market)

When the corporation issues **shares**, it does so in return for **money**.

When the company does well, **so do you**. If it does poorly, you will see your portfolio value go down proportionally to your investment in this company.

Bondholders, on the other hand, are **creditors** to the corporation and are **entitled to interest as well as repayment of the principal invested**. Also, creditors are given **legal priority** over other stakeholders in the event of a bankruptcy and will be made whole first if a company is forced to sell assets.

Also, shareholders often receive nothing in the event of bankruptcy, implying that **stocks are inherently riskier investments than bonds.**

PART THREE:

DIVIDEND PAYING STOCKS

should I own them?

ON DIVIIDENDS...

How Can You Earn Income from Owning Stock?

There are 2 ways to earn money by owning shares of stock: **through dividends and through capital appreciation.**

Dividends are cash distributions of company profits. If a company has 1,000 shares outstanding and declares a $5,000 dividend, then stockholders will get **$5 for each share they own**.

Capital appreciation is the **increase in the share price itself**. If you sell a share to someone for $10, and the stock is later worth $11, the shareholder has made $1.

one is not necessarily better than the other

First, let's talk about what we want to look for in a dividend paying stock.

2 questions we want to ask:

1) How long have they paid dividends?

2) How often do they increase dividend payouts?

look for companies with a long history of consistent dividend growth

What Is the Difference Between **Dividend Yield** and **Dividend Growth?**

Dividend yield is the **amount that a company pays** out in dividends compared to its stock price. Dividend growth is the **increase** in the value of dividends that a company pays out over a period of time.

you'll see these terms...

LET'S MAKE THIS SUPER EASY

Dividend Champions, Achievers, Kings: what are they?

Dividend Growth Levels

DIVIDEND ACHIEVER

Companies with a record of paying and increasing dividends for at least the last 10 years.

DIVIDEND CHAMPIONS

Companies that have maintained and increased dividends for at least 25 years.

DIVIDEND KINGS

Companies that have a remarkable track record of paying and increasing dividends for at least 50 consecutive years.

Research *These Terms* And You'll Have *A List of Great* Companies.

REMEMBER THOUGH

You're not just interested in the income, you're also investing in the company.

We want to make sure that the company (the asset we purchased) is also a good investment.

how do we do that?

PART FOUR:

HOW TO BEGIN ANALYZING *individual companies*

a very brief and simple introduction

The PROCESS

01

WHAT IS THE COMPANY DOING?

How do you and others feel about the company? Is this company producing for tomorrow? Are you using the product? Are the constantly innovating - all great signs.

02

DOES THE COMPANY HAVE A MOAT?

A term coined by Warren Buffet to explain how easy it is for another company to “attack”. Is it difficult? (Think Coke). Do they have a strong brand, contracts?

03

FUNDAMENTAL ANALYSIS

We do some digging here. We look at the company’s presentation, listen to investor calls, look at financial atatements and read analysts reports.

04

A BIT OF FINANCIAL ANALYSIS

This answers the question - Is it a good time to buy right now? Is the current price higher or lower than what you believe the company is worth?

HOW IS THE COMPANY DOING? 01

This is the simplest way to start.

Ask yourself questions like: Would I buy this company's product? Are the innovating? What is the media saying about them? Do I believe in what they're doing? Are there lines around the store to purchase something they're selling? How do other people feel about the company?

DOES THE COMPANY HAVE A MOAT?

02

The term "economic moat," popularized by Warren Buffett, refers to a business's ability to maintain competitive advantages over its competitors in order to protect its long-term profits and market share.

Just like a medieval castle, the moat serves to protect those inside the fortress and their riches from outsiders. Is the company you’re invested in protected?

Types of Moats:

COST ADVANTAGE

Companies with significant cost advantages can undercut the prices of any competitor that attempts to move into their industry, either forcing the competitor to leave the industry or at least impeding its growth.

SIZE ADVANTAGE

Being big can sometimes, in itself, create an economic moat for a company. At a certain size, a firm achieves economies of scale. This is when more units of a good or service can be produced on a larger scale with lower input costs. This reduces overhead costs in areas such as financing, advertising, production, etc.

HIGH SWITCHING COSTS

Being the big fish in the pond has other advantages. When a company is able to establish itself in an industry, suppliers and customers can be subject to high switching costs should they choose to do business with a new competitor.

INTANGIBLES

Another type of economic moat can be created through a firm's intangible assets, which include items such as patents, brand recognition, government licenses, and others. Strong brand name recognition allows these types of companies to charge a premium for their products over other competitors' goods, which boosts profits.

REMEMBER

We are investing in companies *for the* long term

We're not TRADING, so we want to make sure the company is FUNDAMENTALLY strong.

FUNDAMENTAL ANALYSIS 03

I'll try not to lose anyone here, but it's where we get into the specifics of the health of the company. This is just a quick primer. Fundamental analysis can be highly specialized and takes years of study. We're just going to scratch the surface, but you'll walk out with an understanding of how companies are valued my the market.

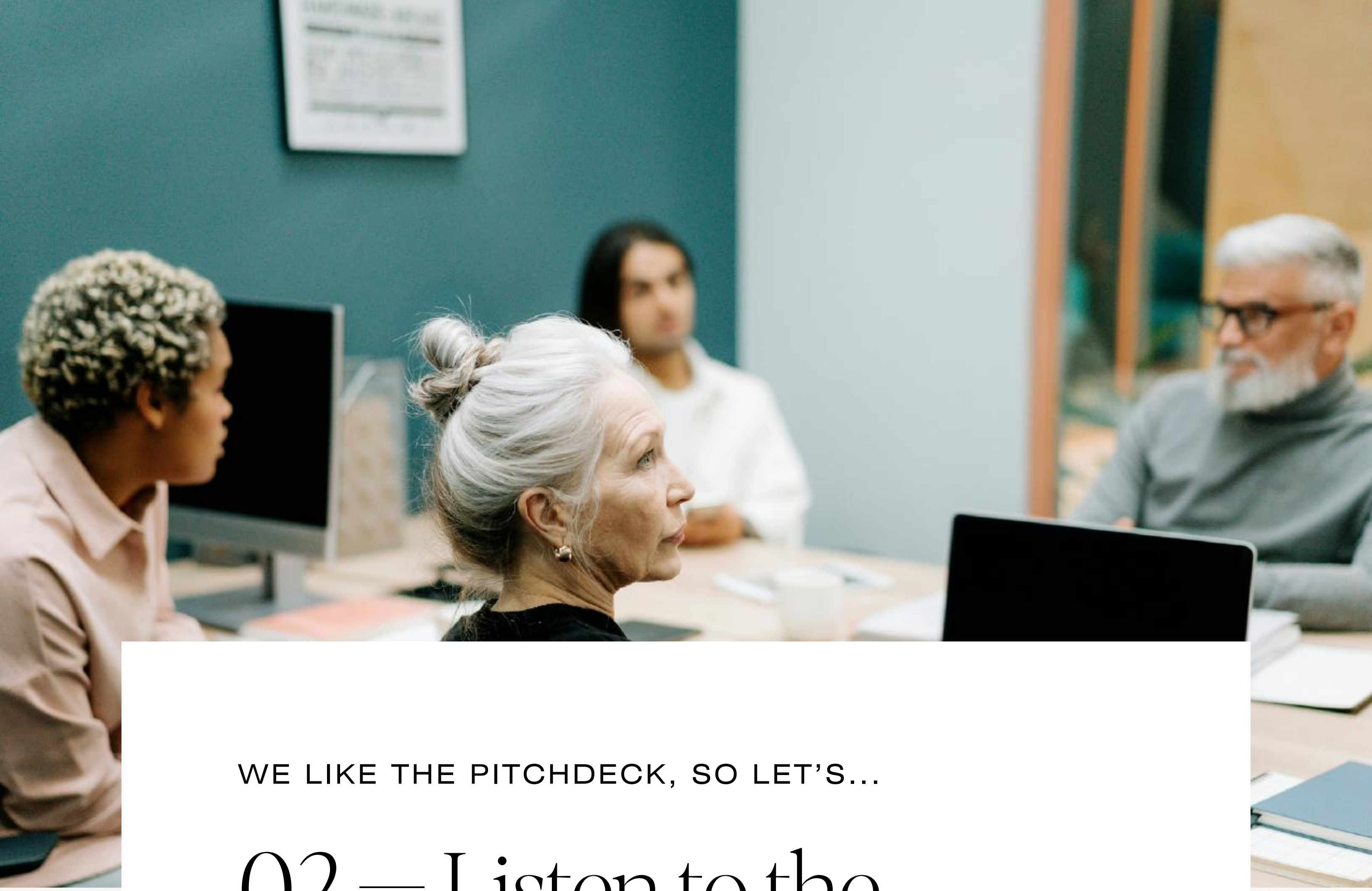
THE FIRST STEP IN FUNDAMENTAL ANALYSIS

01 — Pitch Deck

Go to the company's website and read the pitch deck or investor presentation. It's on every public company's website. This is what they are telling investors to get them to make an investment.

If you read the presentation, and you're aren't impressed - consider it a red flag. The company is selling themselves through this presentation, so you should like what you read.

ok, so I like the presentation,
what's next?



WE LIKE THE PITCHDECK, SO LET'S...

02 — Listen to the Earnings Call

Publicly traded companies are required to host earnings calls.

During these calls, the company talks about how they did over the last few months, how revenues have grown or shrunk, how expenses have grown or shrunk and any other items of interest...

Investors call and ask questions and the executives answer.

you still like what you hear...

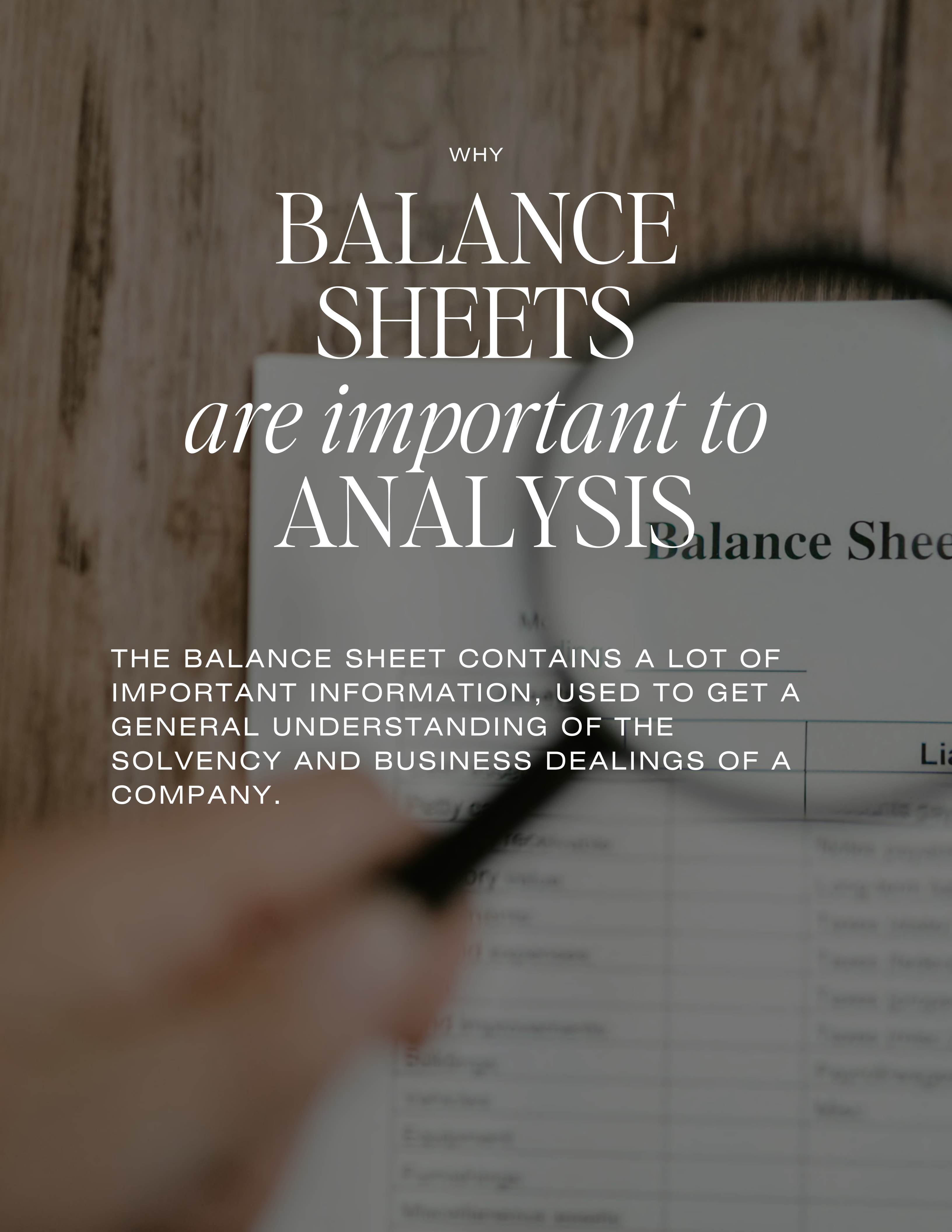
HERE'S WHERE WE LOOK DEEPER

03 — Look through the financial statements

You can go to the company's website, yahoo finance or go to SEDAR+ for these documents. They're easy to find.

Every quarter, companies are required to put out their financial statements. The main statements are: Balance Sheet, Income Statement, and Cashflow Statement. The company also puts out a documents called The Management Discussion & Analysis (MD&A), where the executives analyze the company's performance.

let's look more deeply.



WHY

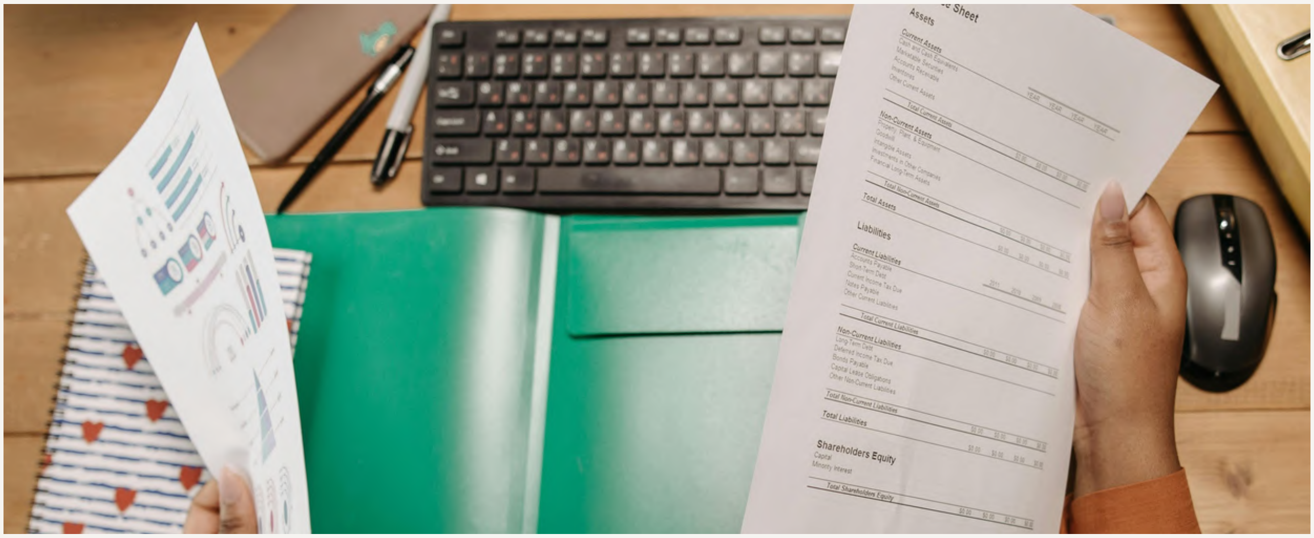
BALANCE SHEETS *are important to* ANALYSIS

THE BALANCE SHEET CONTAINS A LOT OF IMPORTANT INFORMATION, USED TO GET A GENERAL UNDERSTANDING OF THE SOLVENCY AND BUSINESS DEALINGS OF A COMPANY.

Balance sheets are important for many reasons, but the most common ones are...

when a merger is being considered, when a company needs to consider asset liquidation to pay debt, when an investor is considering a position in a company, and when a company looks inward to determine if they are in a stable enough financial situation to expand or begin paying back debts.

Many experts consider the top line, or cash, the most important item on a company's balance sheet. Other critical items include **accounts receivable**, **short-term investments, property, plant, and equipment, and major liability items**. The big three categories on any balance sheet are **assets, liabilities, and equity.**



Walmart Inc.

Consolidated Balance Sheets

cash

$55B in inventory

what's owed to vendors

add these up for total liabilities

(Amounts in millions)	As of January 31, 2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,867	$ 8,625
Receivables, net	8,796	7,933
Inventories	54,892	56,576
Prepaid expenses and other	3,322	2,521
Total current assets	76,877	75,655
Property and equipment, net	110,810	100,760
Operating lease right-of-use assets	13,673	13,555
Finance lease right-of-use assets, net	5,855	4,919
Goodwill	28,113	28,174
Other long-term assets	17,071	20,134
Total assets	$ 252,399	$ 243,197
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST, AND EQUITY		
Current liabilities:		
Short-term borrowings	$ 878	$ 372
Accounts payable	56,812	53,742
Accrued liabilities	28,759	31,126
Accrued income taxes	307	727
Long-term debt due within one year	3,447	4,191
Operating lease obligations due within one year	1,487	1,473
Finance lease obligations due within one year	725	567
Total current liabilities	92,415	92,198
Long-term debt	36,132	34,649
Long-term operating lease obligations	12,943	12,828
Long-term finance lease obligations	5,709	4,843
Deferred income taxes and other	14,629	14,688
Commitments and contingencies		
Redeemable noncontrolling interest	222	237
Equity:		
Common stock	805	808
Capital in excess of par value	4,544	4,430
Retained earnings	89,814	83,135
Accumulated other comprehensive loss	(11,302)	(11,680)
Total Walmart shareholders' equity	83,861	76,693
Noncontrolling interest	6,488	7,061
Total equity	90,349	83,754
Total liabilities, redeemable noncontrolling interest, and equity	$ 252,399	$ 243,197

HOW TO READ A BALANCE SHEET

Walmart had a large cash position of $10 billion in 2024, and inventories valued at over $54.9 billion. This reflects the fact that Walmart is a big-box retailer with its many stores and online fulfillment centers stocked with thousands of items ready for sale. This is matched on the liabilities side by $56.8 billion in accounts payable, likely money owed to the vendors and suppliers of many of those goods.

Subtracting total liabilities from total assets, **Walmart had a large positive shareholders' equity value, over $81.3 billion.**

The Income Statement

THIS IS WHERE YOU SEE HOW MUCH A COMPANY HAS MADE

Have the company's revenue been increasing or decreasing? Net income? Have expenses been increasing or decreasing? Then ask why this is happening. This will all be discussed on the earnings calls. Consider - If costs are rising because they're investing heavily, that's great. If they're rising because of regulatory changes – not great. What about the revenue? How quickly is it rising? How are competitors revenues doing in comparison?

INCOME STATEMENTS

(In millions, except per share amounts)

Year Ended June 30,	**2024**	**2023**	**2022**
Revenue:			
Product	$ **64,773**	$ 64,699	$ 72,732
Service and other	**180,349**	147,216	125,538
Total revenue	**245,122**	211,915	198,270
Cost of revenue:			
Product	**15,272**	17,804	19,064
Service and other	**58,842**	48,059	43,586
Total cost of revenue	**74,114**	65,863	62,650
Gross margin	**171,008**	146,052	135,620
Research and development	**29,510**	27,195	24,512
Sales and marketing	**24,456**	22,759	21,825
General and administrative	**7,609**	7,575	5,900
Operating income	**109,433**	88,523	83,383
Other income (expense), net	**(1,646)**	788	333
Income before income taxes	**107,787**	89,311	83,716
Provision for income taxes	**19,651**	16,950	10,978
Net income	$ **88,136**	$ 72,361	$ 72,738
Earnings per share:			
Basic	$ **11.86**	$ 9.72	$ 9.70
Diluted	$ **11.80**	$ 9.68	$ 9.65
Weighted average shares outstanding:			
Basic	**7,431**	7,446	7,496
Diluted	**7,469**	7,472	7,540

minus

Refer to accompanying notes.

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Why Cash Flow Analysis Is Important

CASH IS IMPORTANT TO EVERY BUSINESS. HAVING ENOUGH MONEY TO PAY THE BILLS, PURCHASE NEEDED ASSETS, AND OPERATE A BUSINESS TO MAKE A PROFIT IS VITAL TO A COMPANY'S SUCCESS AND LONGEVITY.

A company must understand how well it is generating cash and how much it has. That way, it can take corrective action, if needed. When you track your finances, including where cash comes from and where it goes, you can place yourself in a better position to plan business activities and company operations that lead to profits and growth.

Cash flow analysis examines the **cash that flows into and out of a company—where it comes from, what it goes to, and the amounts for each.**

Ongoing positive cash flow points to a company that is operating on a strong footing. Continued negative cash flow may indicate a company is in financial trouble.

Analyzing cashflow statements is beyond the scope of today's talk, but hopefully you're starting to get an idea as to how companies are valued by the market

alright!

If this still looks good, you can hear expert analysis talks.

You want to hear analyst's opinions about the companies you want to invest in. You want to consider the opinion of analysts that disagree with each other to get all perspectives.

YOU LOOKED AT THE COMPANY, YOU LOOKED AT THE MOAT, YOU LOOKED AT THE INVESTOR PRESENTATION, THE FINANCIAL STATEMENTS, EARNINGS CALL AND ANALYSTS REPORTS.

and now for a little financial analysis

FINANCIAL ANALYSIS 04

There are an Infinite number of ways to do this. But essentially, what we're asking is:

"Is this a good time to buy the stock?" (Is the price too high or too low?)

BOOK VALUE ANALYSIS

Book value is the amount found by **totalling a company's tangible assets (such as stocks, bonds, inventory, manufacturing equipment, real estate, and so forth) and subtracting its liabilities**. In theory, book value should include everything down to the pencils and staples used by employees, but for simplicity's sake, **companies generally only include large assets that are easily quantified.**

Companies with lots of machinery, like railroads, or lots of financial instruments, like banks, tend to have **large book values**. In contrast, video game companies, fashion designers, or trading firms may have little or no book value because they are only as good as the people who work there.

CONSIDER

Book value is not very useful in the video game company case, but for companies with solid assets, it's often the No.1 figure for investors.

Calculating Book Value

BELOW IS THE BALANCE SHEET FOR THE FISCAL YEAR ENDING IN 2023 FOR BANK OF AMERICA FROM THE BANK'S ANNUAL REPORT.

Assets total $3.18 trillion., Liabilities total $2.89 trillion. The book value was $290 billion as of the end of 2023.

In theory, if Bank of America liquidated all of its assets and paid down its liabilities, the bank would have roughly **$290 billion left over to pay shareholders.**

Bank of America Corporation and Subsidiaries

Consolidated Balance Sheet

	December 31	
(Dollars in millions)	**2023**	2022
Assets		
Cash and due from banks	$ **27,892**	$ 30,334
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	**305,181**	199,869
Cash and cash equivalents	**333,073**	230,203
Time deposits placed and other short-term investments	**8,346**	7,259
Federal funds sold and securities borrowed or purchased under agreements to resell (includes **$133,053** and $146,999 measured at fair value)	**280,624**	267,574
Trading account assets (includes **$130,815** and $115,505 pledged as collateral)	**277,354**	296,108
Derivative assets	**39,323**	48,642
Debt securities:		
Carried at fair value	**276,852**	229,994
Held-to-maturity, at cost (fair value **$496,597** and $524,267)	**594,555**	632,825
Total debt securities	**871,407**	862,819
Loans and leases (includes **$3,569** and $5,771 measured at fair value)	**1,053,732**	1,045,747
Allowance for loan and lease losses	**(13,342)**	(12,682)
Loans and leases, net of allowance	**1,040,390**	1,033,065
Premises and equipment, net	**11,855**	11,510
Goodwill	**69,021**	69,022
Loans held-for-sale (includes **$2,059** and $1,115 measured at fair value)	**6,002**	6,871
Customer and other receivables	**81,881**	67,543
Other assets (includes **$11,861** and $9,594 measured at fair value)	**160,875**	150,759
Total assets	$ **3,180,151**	$ 3,051,375
Liabilities		
Deposits in U.S. offices:		
Noninterest-bearing	$ **530,619**	$ 640,745
Interest-bearing (includes **$284** and $311 measured at fair value)	**1,273,904**	1,182,590
Deposits in non-U.S. offices:		
Noninterest-bearing	**16,427**	20,480
Interest-bearing	**102,877**	86,526
Total deposits	**1,923,827**	1,930,341
Federal funds purchased and securities loaned or sold under agreements to repurchase (includes **$178,609** and $151,708 measured at fair value)	**283,887**	195,635
Trading account liabilities	**95,530**	80,399
Derivative liabilities	**43,432**	44,816
Short-term borrowings (includes **$4,690** and $832 measured at fair value)	**32,098**	26,932
Accrued expenses and other liabilities (includes **$11,473** and $9,752 measured at fair value and **$1,209** and $1,540 of reserve for unfunded lending commitments)	**207,527**	224,073
Long-term debt (includes **$42,809** and $33,070 measured at fair value)	**302,204**	275,982
Total liabilities	**2,888,505**	2,778,178

Commitments and contingencies (Note 6 – Securitizations and Other Variable Interest Entities

NOW WHAT?

Now let's *Compare* Book value to *Market value*

LET'S COMPARE...

What is Market Value?

The market value is the value of a company according to the financial markets. The market value of a company is calculated by multiplying the **current stock price by the number of outstanding shares** that are trading in the market. **Market value is also known as market capitalization.**

For example, as of May 29, 2024, Bank of America had **7.82 billion shares outstanding while the stock closed at $38.72**, making Bank of America's market value or market capitalization **$303 billion** (7.82 billion x 38.72).

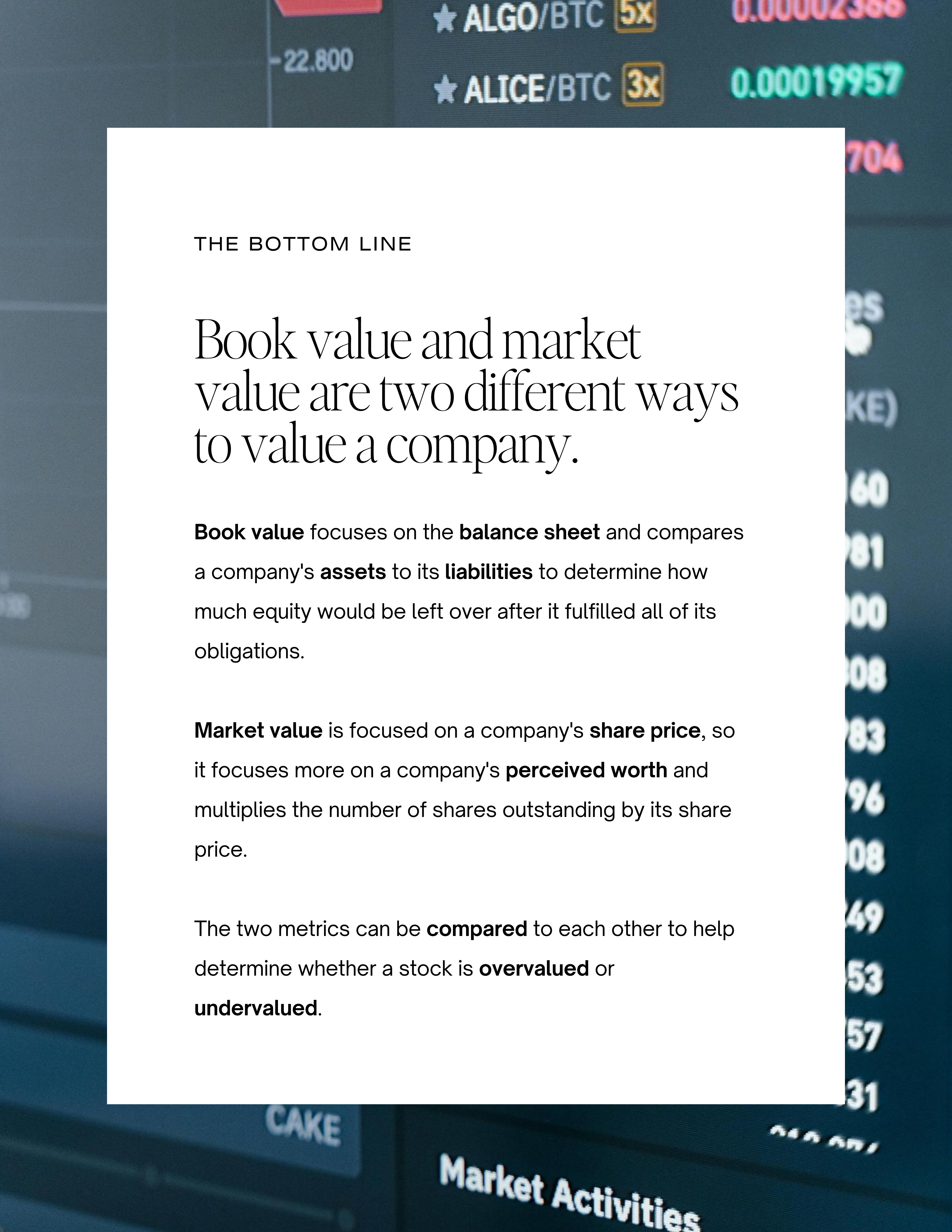
SO WHAT DOES THIS MEAN?

When the market value of a company is less than its book value, it may mean that investors have lost confidence in the company. In other words, the market may not believe the company is worth the value on its books.

On the other hand, **value investors** might look for a company where the **market value is less than its book value** hoping that the market is wrong in its valuation.

For example, during the Great Recession, Bank of America's market value was below its book value. As of 2024, the company's market value is no longer trading at a discount to its book value.

When the **market value is greater than the book value**, the stock market is assigning a **higher value** to the company due to the **earnings power of the company's assets**. Consistently profitable companies typically have market values greater than their book values because investors have **confidence** in the companies' abilities to generate revenue growth and earnings growth.



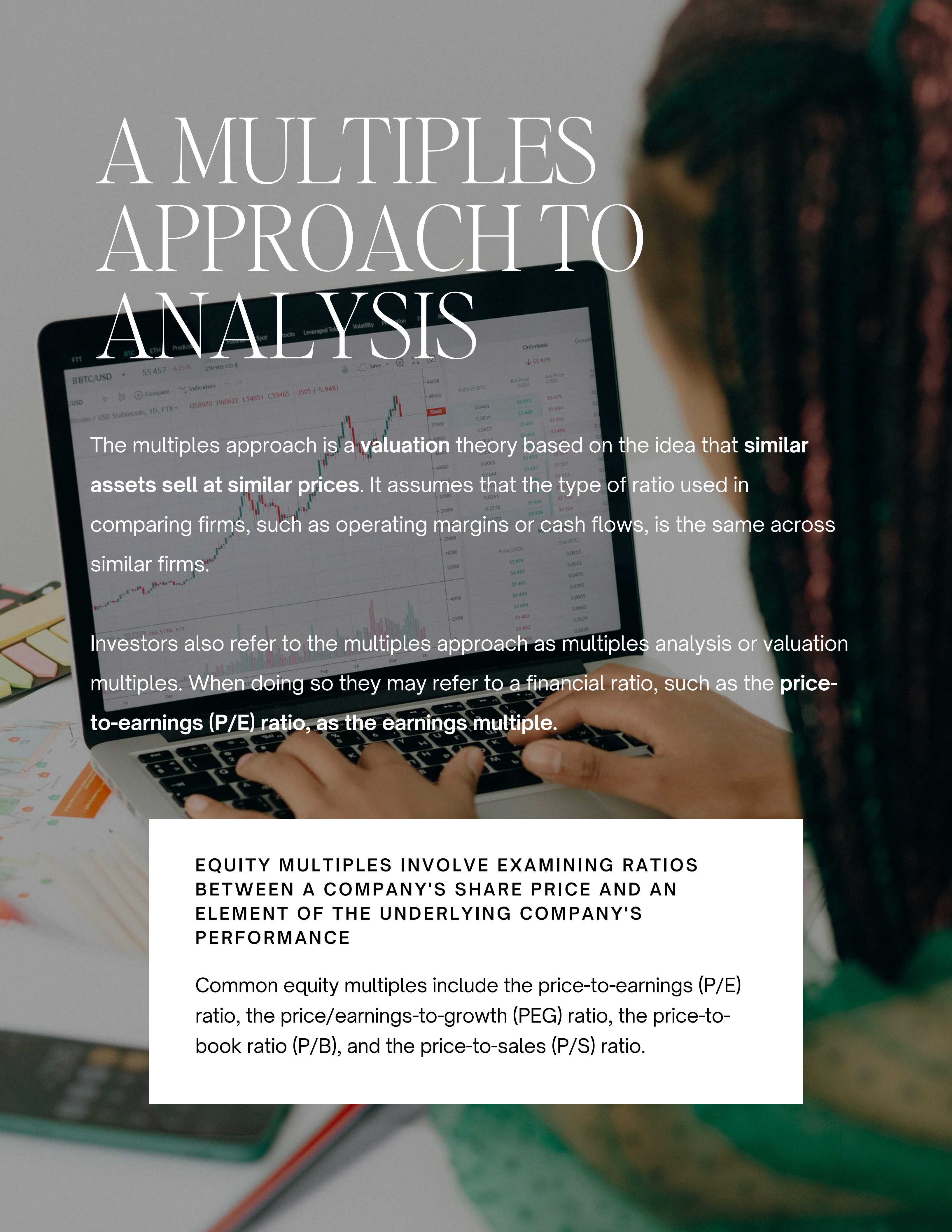
THE BOTTOM LINE

Book value and market value are two different ways to value a company.

Book value focuses on the **balance sheet** and compares a company's **assets** to its **liabilities** to determine how much equity would be left over after it fulfilled all of its obligations.

Market value is focused on a company's **share price**, so it focuses more on a company's **perceived worth** and multiplies the number of shares outstanding by its share price.

The two metrics can be **compared** to each other to help determine whether a stock is **overvalued** or **undervalued**.



A MULTIPLES APPROACH TO ANALYSIS

The multiples approach is a **valuation** theory based on the idea that **similar assets sell at similar prices**. It assumes that the type of ratio used in comparing firms, such as operating margins or cash flows, is the same across similar firms.

Investors also refer to the multiples approach as multiples analysis or valuation multiples. When doing so they may refer to a financial ratio, such as the **price-to-earnings (P/E) ratio, as the earnings multiple.**

EQUITY MULTIPLES INVOLVE EXAMINING RATIOS BETWEEN A COMPANY'S SHARE PRICE AND AN ELEMENT OF THE UNDERLYING COMPANY'S PERFORMANCE

Common equity multiples include the price-to-earnings (P/E) ratio, the price/earnings-to-growth (PEG) ratio, the price-to-book ratio (P/B), and the price-to-sales (P/S) ratio.

LET'S LOOK AT SHARK TANK OR DRAGON'S DEN

Investors say they're willing to sell 10% for $100,000 – this means that they are valuing the company at $1,000,000.

My company is selling at 10x earnings. This is the MULTIPLE.

MULTIPLES

ANY STOCK WEBSITE TELLS YOU THE COMPANY IS SELLING FOR A CERTAIN MULTIPLE OF EARNINGS.

Any stock website tells you the company is selling for a certain multiple of earnings.

Search any stock, and you'll find something that's called a **P/E ratio** (price to earnings ratio) It takes a company and applies a multiple. What you want to look at – **is this company is selling at a higher multiple or lower multiple from competitors?**

A **general rule of thumb (Warren Buffet) looks for multiples 15 or under.** Figure out what a good multiple for the company you're considering is by looking at the competitors and the industry as a whole. If the multiple is high, the company may be overvalued, if now, undervalued.

You'll see all industries are different.

So this was the tip of the iceburg

I hope this gives you a general understanding of how the market values certain companies. Analysts use many methods (and their are infinite) to triangulate a fair price for a stock. This is the art and the science of valuation.

Remember the goal is to find "mispricings".

What a company is worth must be compared to the valuation the market gives it. It can be a fabulous company, but if it's overvalued, you'll lose money on your investment as the market catches up.

YOU CAN STILL DO EVERYTHING RIGHT, AND LOSE MONEY! THIS IS WHY WE PRIORITIZE A DIVERSIFIED ETF STRATEGY OVER INDIVIDUAL COMPANY STOCKS.

SUMMARY

01 To succeed in the stock market, understanding how to analyze potential investments is crucial.

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02 When focusing on dividend stocks, seek companies with a consistent history of dividend growth.

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03 Before delving into financial analysis, ensure you're investing in a reputable company.

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04 Analyzing Company Investments:

- Assess company type, innovations, and moat.
- Access investor presentations and earnings calls.
- Examine expert analyses and financial metrics.

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05 Investing inherently carries risks; mitigating risks involves long-term investment and thorough research.