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Club Meeting Meeting

Invest with™ your friends

Why have a club meeting meeting? Because it is a fun project to select investments. It is another whole project to run a club which selects investments. We thought we might help you to take the burden of running the club off your shoulders so you can spend time on learning to invest.

This is an Educational Demonstration

- *No investment recommendation is intended.*
- The information in this presentation is for educational purposes only and is not intended to be a recommendation to purchase or sell any of the stocks, mutual funds, or other securities that may be referenced. The securities of companies referenced or featured are for *illustrative purposes only* and are not to be considered endorsed or recommended for purchase or sale by Manifest Investing or bivio. The views expressed are those of the instructors, commentators, guests and participants. Investors should conduct their own review and analysis of any company of interest before making an investment decision.
- Securities discussed may be held by the instructors in their own personal portfolios or in those of their clients.

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Poll

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How many saw last months presentation? Either live or the recording.

Agenda Overview

- Club Business (15 min)
  - Welcome and introduction of any guests
  - Minutes
  - Treasurers Report
- Investing Discussion (45 min-1 hr)
  - Portfolio Review
  - Stock Discussion
- Educational Topic (15-20 min)
- Other (5-10 min)

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Here's a sample of an agenda you could use for your club. Note that a reasonable time length for a meeting might be 1.5-2 hours. I'd break down the percentage of time spent in each area like this. A minimal amount of time on club "business" issues perhaps 15 minutes. Most of your time on your investing discussion perhaps 45 min-1 hr. 15-20 min on your educational topic and 5-10 minutes to wrap things up. It's very important not to spend too much of your meeting on club business. The fun is in discussing your investments. If you have some club management issue that needs to be discussed, I suggest you appoint a sub committee to meet and come up with recommendations you can put to the membership for a vote, even outside of the regular meeting time.

Club Business-Minutes

- Keep for each meeting
- Brief
  - Record important decisions
    - Votes
    - Stock purchases/sales
    - Club expenditures
    - Membership matters
      - New members
      - Withdrawals
    - Action Items
  - Store minutes in bivio files area

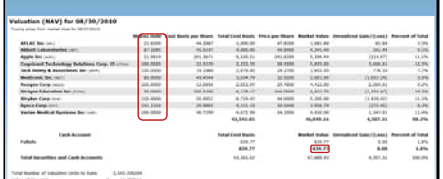
Club Business-Treasurers Report

- Club financial status
- Member financial status

3 Reports

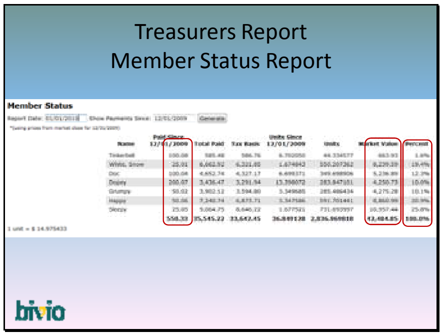
Your treasurers report should consist of the first three reports you will find on the Accounting>Reports page.

Treasurers Report Valuation Report

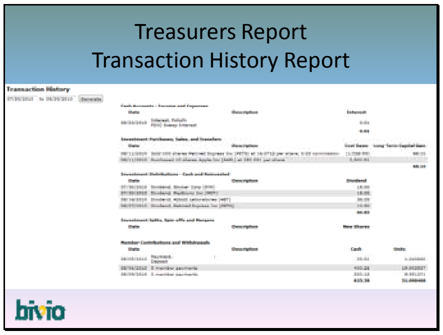


Purpose
- Current Value of Club Assets
  - Amount of Cash available
  - Proves Club Accounts agree with financial institution statements

Shows value of clubs assets
- Date of most recent financial account statement
  - Show comparison with statement
    - Proves account has been reconciled
    - Financial transactions in bivio are real
- What date to prepare the report on? Official Club Valuation Date Value

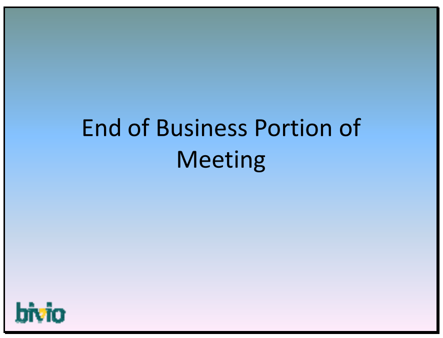


Shows contributions recorded since last meeting
Value of members accounts



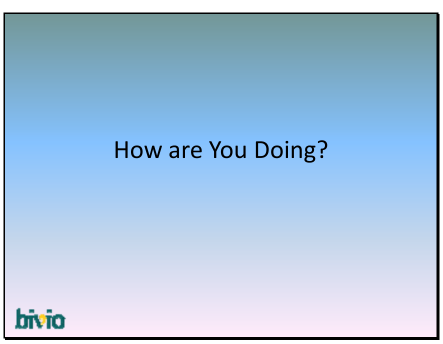
Transactions recorded since last meeting

- Dividends and Interest received
- Purchases/Sales Should agree with notes in minutes
- Expenses should have been agreed to in minutes



That should wrap up the club operations business portion of your meeting. It's very important not to spend too much of your meeting discussing club operations. The fun is in discussing investing. If you have some club management issue that needs to be discussed, I suggest you appoint a sub committee to meet and come up with recommendations you can put to the membership for a vote, perhaps even outside of the regular meeting time.

Once you get your club operations business out of the way, you can get to the fun part of your meeting.



The first question you should ask is, how is your portfolio doing? You need to do a portfolio review.

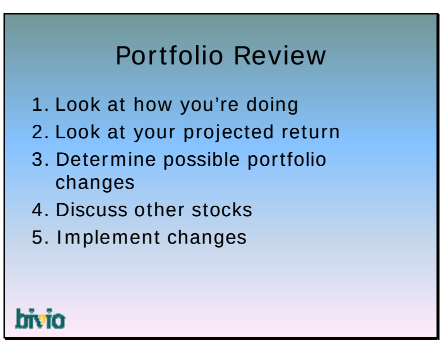
Tonights featured club is the Cents and Sensibility club from Pennsylvania. They have been very gracious to offer their portfolio to use for the portfolio demonstration .

It's important to start your investing discussion with a portfolio review because looking at your stocks in the context of overall portfolio return will help focus and guide your investing activities. When I asked the registration question "What would you like your club to be better at?", many of you gave the response "deciding when to sell". Investing is not just about buying stocks. It's about managing a portfolio of investments to try and achieve the highest possible rate of return. We've been taught to go shopping and pick new stocks but that's only part of what you need to understand to make money. Letting go of stocks whose projected return has diminished is as important as buying good stocks in the first place.

Maintaining a club portfolio is a continuous monitoring and improvement process.

Your club is probably a group of friends with a common interest. But it is also important to think of yourselves as an investment partnership which is managing a portfolio for maximum return. Think of yourselves as a business, managing a mutual fund. Each one of you is an analyst researching companies. As a group, you are putting together all the pieces to develop the best portfolio you can.

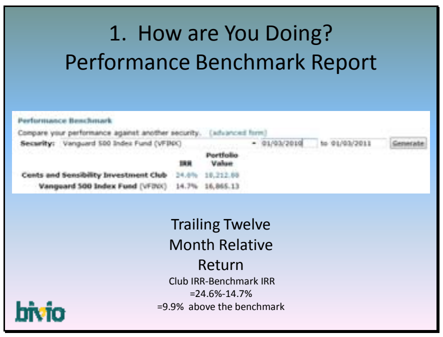
I'm going to go through an overview of the Portfolio review process. If you would like more detail and to watch the process I suggest you attend one of the ManifestInvesting Dashboard Diagnostics sessions. Mark Robertson goes through the analysis and review of a club portfolio, just like you should go through your own analysis.



- Look at how you're doing
- Look at how your portfolio is projected to perform
- Determine possible changes
- Study other stocks
- Implement Changes

This is a very important step. For some reason, (perhaps fear), we don't do this often enough. What you might think about is that having a goal you'd like to achieve will help make it clear what you must try and do to get to it. The first step toward fixing things is finding out where you stand.
Even if you are not doing well now, your overall goal is to learn to do well. Nobody does well when they are first learning something. In fact, many times the best learning comes from making mistakes.
Pat yourselves on the back that you are trying to learn. Investing is not something you will learn unless you really try and do it. So get up your courage and look at your portfolio performance numbers.

The place to go in bivio to see how you're doing is called the Performance Benchmark Report. You get to it from the reports page.



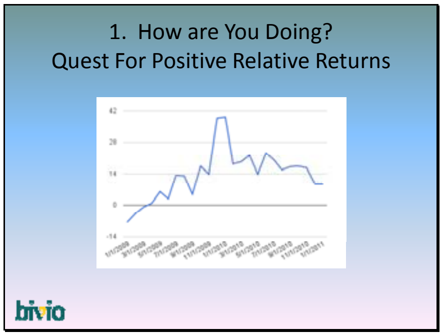
This report is called a performance benchmark report because it compares your rate of return to another investment . You select the investment you want to compare to and the time period over which you want to make the comparison

The comparison that is made is between IRR or Annualized Internal Rate Of Return for the two investments.
This gives you a birds eye view of how good you are at making investing decisions A higher number means your investments are growing faster than if you'd put the money into whatever you are comparing with.

What's interesting is to track "relative Return"

this is the difference between the return you achieved by your club investment management efforts and the return you would have received if you had done a lot less work and just purchased shares of your benchmark investment.

I usually have clubs regularly keep on eye on their relative return for the past year. It is also interesting to look at the month to month trend in this value. For the past 1 year time frame, this club has had an exemplary rate of return. They are beating an investment in the Vanguard Index 500 fund by 9%. This means that from a year ago, their starting amount of $12503.73 along with their contributions during the year, has grown to $18,212.88. If they had invested the same money at the same times in the Vanguard Index 500 fund, they would only have $16865.13 today.



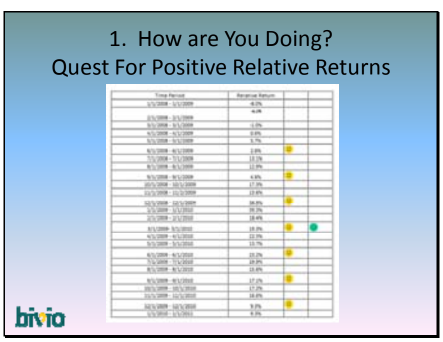
Here's a graph of the trend in their relative return since the beginning of 2008. At bivio, we are encouraging clubs to join our Quest for Positive Relative Returns. If you'd like to participate, we'll make a graph like this for your club and add a link to your club pages to see it. The graph shows your club's relative return for successive 12 month periods starting in 2008 (assuming you have enough data).

When we first looked at this graph for this club, we didn't believe it. It was so good, we thought there must have been some issue with their records. Of course, they had just won a portfolio contest so obviously they have skill at investing. As we looked closer, we determined there were some really interesting things that explained their results. They were also some validations of some of the ways we teach you to manage your portfolios.

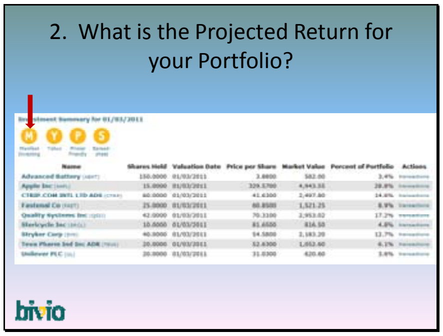
The club had several withdrawals in 2008 where they transferred appreciated stock to withdrawing members. There are a benefits to both the club and the member to doing this. We recommend it.
But, in this case, it had additional benefits. We recommend that you monitor your portfolio regularly and challenge the stocks with the least projected return. These are good candidates to thinking about selling. The only problem we all have is that we look at a valuation report. The reason these stocks often have the lowest projected return is because they're the ones that have gone up in value and that we have the most profit on. We hate to sell those! So we don't. And they drag down our future return.

When this club transferred those same appreciated shares, they did a good thing for their portfolio. Not only did they improve the projected return of their portfolio but they did it at a time when the market took off in 2009. In addition, they made a really good decision to purchase Apple stock in the same time frame. That's why their results have been exemplary.

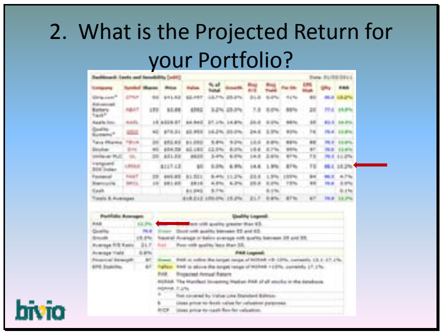
Everyone always wants to know when to sell. Consider selling stocks in your portfolio with the lowest projected returns. Harvest your gains and challenge yourselves to find a place to put it with more potential for growth.



In addition to the graph, we're having some fun by rewarding you bivio "friends" when ever you meet certain benchmark goals. Green friends even earn you bivio bucks toward your subscription renewal. If you'd like to participate, just email support@bivio.com



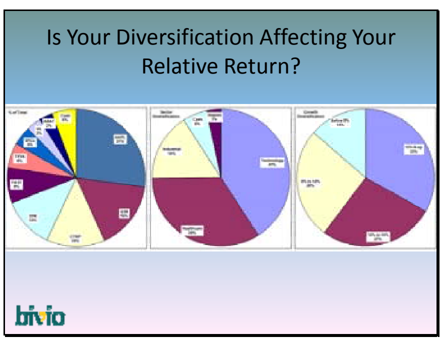
Once you know how your club has done so far, you will want to look at how your club is projected to do in the future. You can do that by looking at a list of your club holdings in a ManifestInvesting dashboard. You can access this using the Manifest button on the Accounting>Investments page.



This step may begin to give you some insight if you are having difficulty beating the return of the benchmark. This is a ManifestInvesting dashboard. ManifestInvesting compiles analysts projections about company fundamentals to come up with a projected return for each of the stocks you own. When combined and weighted by the amounts you own of each,

A Projected Annual Return or PAR is calculated for your entire portfolio. To beat the benchmark, you want your portolio projected return to be greater than the projected return for the benchmark.

If you want to look for candidates to sell, you might look at those with lower projected returns. If you want to look for those to buy, look at the holdings you already have with the highest projected returns. If you need to increase your percentage in any of them, it might make more sense to buy some more of a company you are already familiar with than to add an entirely new company to your portfolio.



This club has a pretty nicely diversified portfolio.

The club has a nice balance of sales growth potential especially in the 8-15% range. This is where the many expect the market to perform especially well in the near future.

Possible Changes

- Challenge low PAR holdings
- Shop within current high PAR holdings
- Keep an eye on trying to stay nicely diversified by holding percentage, industry and growth rate

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Once you've determined where your portfolio stands, you will have a better idea of your problem areas which will give you some direction to decide what stocks to study.

Do you need to increase the growth projections for your portfolio by replacing lower growth potential stocks with higher quality alternatives? What stocks might be dragging your projected return down? Possible sell candidates!

What higher potential return stocks might you add to your portfolio? These are your stock study candidates. Don't be afraid to add to holdings you already own. You are familiar with following those companies already so adding additional shares doesn't create an additional stock watcher burden.

Are you over/underweighted in any stocks or sectors? This will also lead you to possible sell candidates or help guide your search efforts for new stocks. Look for companies that will fill in holes in your portfolio. Don't look for companies first and then just stuff them into the mix.

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Dashboard: bivio dozen — Date: 01/03/2011

Company	Symbol	Shares	Price	Value	% of Total	Growth	Proj P/E	Proj Yield	Fin Str	EPS Stab	Qlty	PAR
Strayer Education	STRA	0.627	$152.87	$95	5.8%	14.1%	20.0	0.9%	97%	97	84.2	20.4%
True Religion Apparel	TRLG	5.381	$21.85	$117	7.1%	12.9%	14.0	0.0%	88%	50	72.3	18.1%
Abbott Labs	ABT	2.444	$47.82	$116	7.1%	9.0%	15.0	2.1%	98%	98	80.9	17.0%
AFLAC	AFL	2.116	$57.54	$121	7.4%	13.1%	12.0	2.1%	75%	87	85.3	16.0%
VistaPrint Ltd.*	VPRT	2.653	$46.25	$122	7.5%	19.8%	20.0	0.0%	55%	92	80.6	15.9%
Bio Reference Labs*	BRLI	5.261	$22.61	$118	7.2%	21.0%	20.0	0.0%	56%	87	73.6	15.9%
Microsoft	MSFT	4.381	$27.98	$122	7.4%	8.0%	14.0	1.9%	95%	91	82.2	15.7%
Cisco Systems	CSCO	5.935	$20.49	$121	7.4%	10.2%	17.0	0.0%	92%	84	77.0	15.2%
HMS Holdings*	HMSY	1.773	$65.30	$115	7.0%	22.0%	33.0	0.0%	93%	56	70.7	14.6%
Apple Inc.	AAPL	0.362	$329.57	$119	7.2%	14.8%	20.0	0.0%	98%	35	83.3	14.5%
Buffalo Wild Wings	BWLD	2.599	$45.38	$117	7.2%	15.0%	21.0	0.0%	67%	86	88.4	14.3%
Medtronic	MDT	3.2	$37.41	$119	7.3%	4.9%	14.0	1.7%	94%	100	79.8	13.5%
Oracle Corp.	ORCL	3.686	$31.62	$116	7.1%	9.1%	17.0	0.8%	94%	96	84.5	12.3%
Vanguard 500 Index	VFINX	1.012	$117.13	$118	7.2%	6.9%	14.6	1.9%	87%	73	68.1	10.2%
Totals & Averages				$1,646	100.0%	12.9%	17.9	0.8%	86%	80	79.3	15.2%

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If you need a starting point to get some ideas of stocks to study, you might look at the ManifestInvesting bivio dozen. This list is published monthly and it is the stocks with the highest quality and growth projections from the Manifest universe.
You'll find a link to the current list in the Expected Returns column on our Homepage.

Here's an example of this months list. You can see how their PAR compares to VFINX. You can also see they represent a variety of industries. I would not just purchase any of these stocks blindly but, depending on what your portfolio needs, you may find some of them might be interesting for you use as a starting point for further studies.

Recap
Portfolio Review Process

1. Look at how you're doing
   – Performance Benchmark Report
2. Look at how your portfolio is projected to perform
   – ManifestInvesting Dashboard
3. Identify areas for improvement
4. Identify and study candidates for replacement
5. Implement changes

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Educational Topic

Pricing a Stock

P/E Ratio

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Have you ever wondered what determines a stocks price? In tonights educational topic, we'll discuss one of the ways used to determine it.

The P/E Ratio

Why Is This Important?

"it's far better to buy a wonderful company at a fair price than a fair company at a wonderful price"

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Why is it important to understand how stocks are priced?

Because, to paraphrase Warren Buffet, you want to purchase "wonderful companies at fair prices".

If you pay too much for a company you won't receive as good of a return on your investment. If you do not purchase well managed companies you will have a hard time predicting what their stock price might be in the future.

What Should the Price of a Share of Stock Be?

- In theory, a company is worth the total amount of cash it will generate over its lifetime
- Discounted to its present value

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So how do you know what a fair price should be for a stock? Its important to think about this. Recent prices may be misleadingly seductive.

In theory it is the value today of the earnings you will receive in the future.

We call this their present value. For example, $100 that you will receive a year from now is worth less to you than $100 you will receive today. The reason for this is because if you had it today, you could invest it at some interest rate and a year from now you'd have more than $100.

Definition

Price/Earnings Ratio

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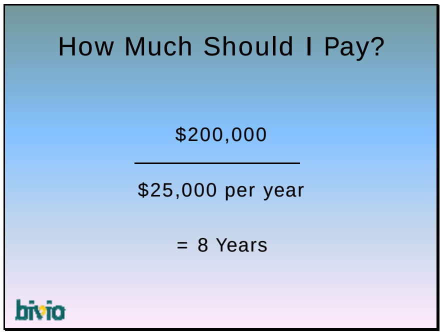
Present value is calculated using a mathematical technique called discounted cash flow. Using computers, it is not hard to come up with this value though it does require making several judgments.

Many investors like to start with simpler rules of thumb so they can evaluate prices quickly.

One of these is the Price/Earnings Ratio also called the price to earnings multiple. It is calculated by dividing the price of a share of stock by 1 years earnings per share.

As you know by now, I think a good way to understand what you need to know about investing is by thinking about owning a candy store in your local downtown.

Suppose you make $25,000 profit each year and you'd like to sell your business for $200,000



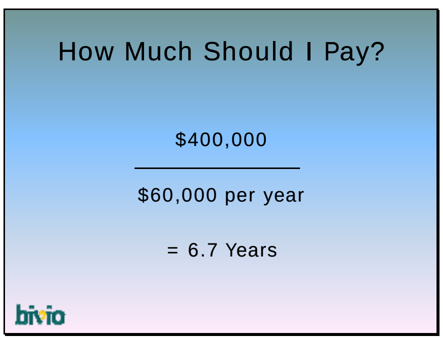
Suppose I want to purchase it. If I pay your asking price of

$200,000 and I think I will continue to earn

$25,000 dollars each year,

I can do a quick calculation to determine that it will take

8 years for me to recoup my investment.
My price to earnings ratio is 8. I can compare this to the price of other candy shops, the price of other retailers in similar businesses or the price of completely other businesses to get a feel for whether the price was reasonable or not and whether it was something I wanted to invest in.



For example, if the candy shop down the road was selling for twice as much,

$400,000 but had earnings of

$60,000 per year, it would have a

P/E ratio of 6.7 and might be a better investment, even though it cost more.

Of course all this assumes that the candy shop business is not growing. It is reliable and predictable which adds value to the business. But, it's even better if it is increasing each year.
Suppose I buy the candy shop for $200,0000 but instead of earning

$25000 my second year,

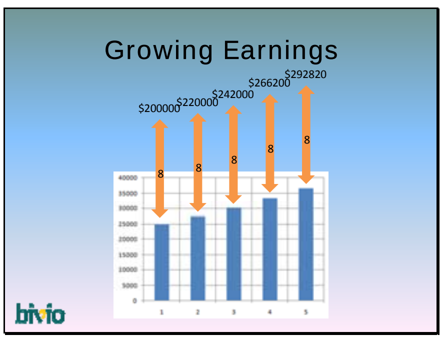
my earnings grow by 10% and I earn

$27500.

If someone would still pay a multiple of 8 times earnings for my business, it has now increased in value from

$200,000 to $220000. This means along with the earnings from the business, I have made money because of the increase in value of the business. The earnings have gone up 10% but so has the value of my business and the price I might be able to get for it if I want to sell it.

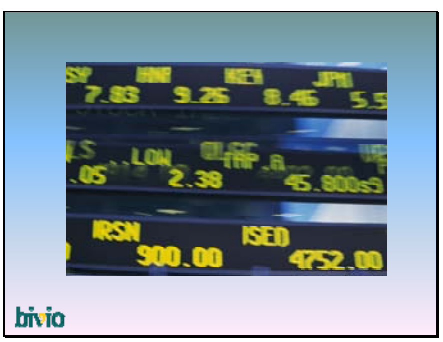
I will recoup my original investment faster than I originally thought.



If my earnings increase by 10% each year, ^^^^^ for the next 5 years

and then I want to sell the business, I might even be able to find someone who will think it will be worth more than 8 times the earnings. The P/E might increase because not only do I have the reliable earnings that were present when I purchased the store, I have demonstrated that earnings can grow reliably by 10% each year.

It's the same with stocks, the price of the stock will be affected by how fast and how reliably earnings are growing.

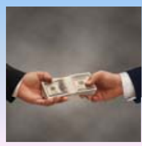


If you were purchasing a candy shop, you would probably take a little time to figure out what you felt comfortable paying for it. You should make sure to do this when purchasing stocks also.

Train yourself to not be enticed by stock prices that change by the minute and stream across your television or computer screen. If you are an investor you don't need to jump in without taking the time to make a reasonable determination of what an appropriate price is.

How is a Stock Price Determined?

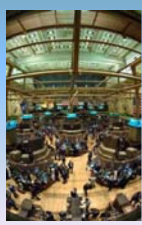
A stock price is nothing more than the most recent result of a price negotiation



So how is candy store price related to stock prices?
While you aren't buying the whole business when you buy a share of stock, you have an ownership stake. You will earn money on your investment if the company distributes part of their earnings to you as dividends, and/or if the stock price grows due to growth in earnings.

The price of the share is the result of a negotiation between current owners of the stock and prospective buyers.

Stock Market



The stock market is where the negotiation takes place.

What Affects the Price Earnings Multiple?

- Market supply and demand
- Earnings growth
- Perceived risk
  - Earnings consistency
  - Use of debt
- The economy

As you can imagine, different people will place a different value on certain characteristics of a company. That's why stock prices vary so much.
While a company with a long history will tend to develop a "signature" Price to earnings multiple, there may be short term fluctuations and even long term changes due to several factors. For example,

Market supply and demand

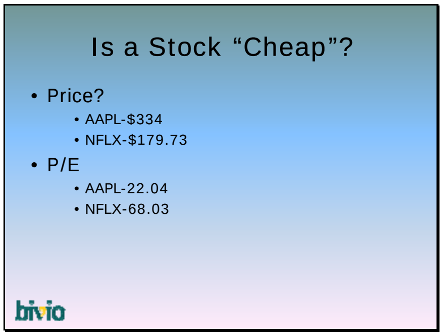
Earnings growth rates, both historical and expected future

Perceived risk, including risk due to things like

consistency in earnings or

increased or decreased use of debt

Changes in the economy can have sweeping impacts on Price to earnings multiples of all the companies in the stock market. An awareness of this type of influence can provide you with an opportunity to buy good companies at bargain prices.



Sometimes people use the price of a share of stock to determine whether a it is "cheap" or not.

A stock with a low price may actually be quite expensive. Conversely, one with a stock price in the hundreds of dollars may actually be quite inexpensive.

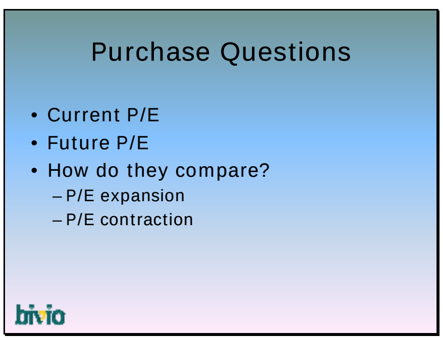
For example, APPL closed yesterday at a price of $334,

NetFlix closed at $179.73
It looks like Apple is an "expensive" stock compared to Netflix.

That is why it is important to have a reference point to determine whether these shares are a good value. That is why we look at their Price to Earnings Ratio's

Apple is trading at a multiple of 22.04 of it's past 12 month earnings

while Netflix is trading at a multiple of 68.03
This should certainly raise some flags that Netflix, while having a price around half of Apple, may not offer as much potential for future price increases and therefore may not be the better value.



Here are some questions to answer about P/E of a stock you are looking at purchasing.

Is it's current P/E reasonable?

What might you expect it's P/E to be in the future?

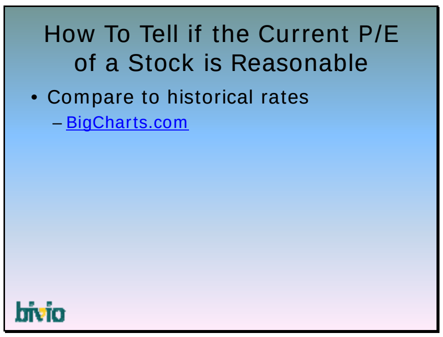
How do they compare? If a stock is "undervalued", ie you are buying it for a really good multiple of earnings
You might increase the return on your investment if it returns to its fair value or or more when you sell it. We call that P/E expansion because the price may increase faster than the earnings growth. If this happens in a reasonable time frame, you can brag about the "bargain" you got.

If you overpay for a company, it's price may decrease, even if it's earnings increase as you expect. We call that P/E contraction. This often happens when stocks are priced at unrealistic levels. If you remember the "dot com" bubble, this is what happened. People were making really bad judgments about future earnings potential of many internet companies and then using them to justify paying really high prices for the companies stocks.

Let's talk about how to find out what the current P/E's are and how to decide whether they are reasonable or not. One place you can find information about P/E's is at finance.yahoo.com.

If you select "Key Statistics", you'll get to a page of information like this. As of the closing price on Wednesday January 5, Apple was selling at a current P/E of 22.04. Current P/E is current price divided by the trailing 12 months earnings.

It's Forward P/E was 14.08. This is the current price divided by the analysts estimates for earnings for their 2011 fiscal year. If Apple can sustain a 22 P/E, it looks like there might be room for the price to grow.

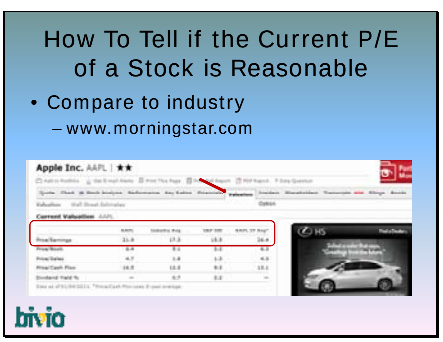


There are several other checks you can do to determine if the current P/E of a stock you are interested in is reasonable.

First, you can compare it to the P/E's the stock has sold at in the past. This is probably one of the best indicators of how people have been valuing the stock in relation to its earnings. You can get a plot of historical P/E's at www.bigcharts.com

On this graph you can see that in the past 5 years, Apple stock has traded for as high as a 43 P/E and as low as an 11.4 P/E For the past couple of years, it looks like it has been trading around 20

If the P/E changed dramatically at some point, make sure you understand why. This helps you decide whether you might expect similar changes in the future. Apples P/E seems to reflect the state of the stock market pretty well and probably also has some correlation to the state of Steve Jobs health.

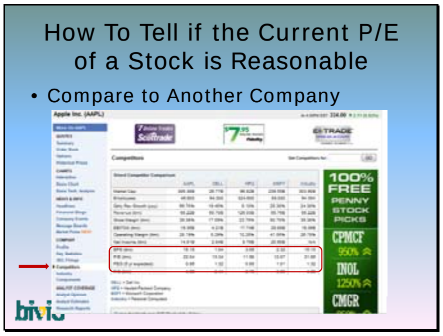


You can also compare the current P/E to average P/E's for the industry sector it is in. You can find industry comparisons in a variety of places.

One of them is at morningstar.com.

Select the "Valuation tab"

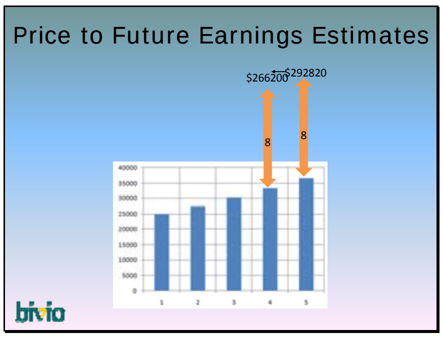
You'll see a table like this, where both Apples P/E and the P/E for the industry sector it is part of are displayed. You'll see here that Apple has a little higher valuation than the average for it's industry. Apple has been hitting a lot of homeruns recently so there is probably a good reason for that. However, the industry average gives us some sense of how Apple stock prices might move downward if it's momentum slows. It is interesting that despite the current success of Apple, it's stock price still seems to be pretty down to earth.



Finally, you can compare it to the current P/E's of companies in similar businesses. At finance.yahoo.com,

you'll find a competitors page which will present comparison statistics for you.

While you can see that Apples current P/E is a bit higher than it's competitors, it's price to expected growth rate or "PEG" ratio is lower. If you recall from our candy store example, a higher growth rate might justify a higher Price to Earnings ratio because return on your investment will happen faster. Another rule of thumb some use is to look for a PEG ratio of 1 or less.

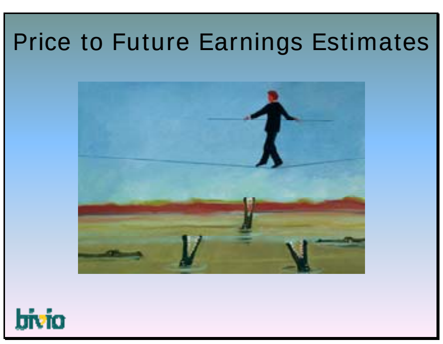


You can also look at future earnings estimates for a company and look at it's current price compared to those. Often times a stock price may have moved up in advance of earnings being reported.

For example, lets go back to our candy store. Suppose we've just completed year four. We've had another successful year and again, our earnings grew 10%.

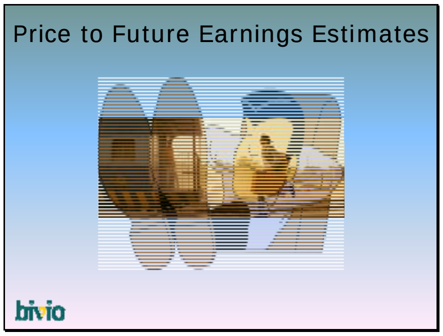
At the 8 P/E we use to value our business, we determine it's now worth $266200
Suppose we decide that we are ready to retire from this business and place it up for sale. What will we charge for it? $266200? Probably not. If we expect earnings for the future to grow at 10% a year again, and we only charged $266200, the buyer would be getting our store for a bargain future P/E of 7.28

We would probably set the price assuming at least an 8 P/E for the projected earnings. The buyer will take a risk that store earnings will grow as they have in the past. But, tolerance for those risks is what makes a market.



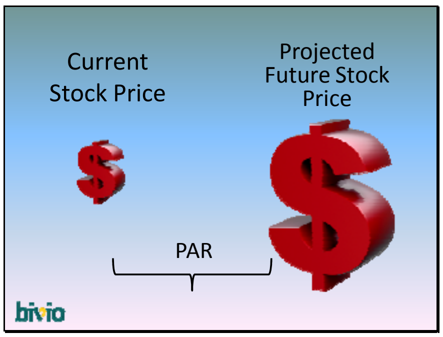
This happens a lot with stocks.
Investors are making judgments about the future and stocks are priced assuming they might come true.

They may be educated judgments but a stock trading at a P/E much higher than it's historical rates may have more risk involved with it's purchase. As an investor, you have to understand the risk and determine whether you are comfortable making the investment.



A lot of times, when a stock price is going up and up and up and P/E's are expanding, we feel pressure to "get on board". In general, especially if you have not developed a lot of investing expertise, this is a pretty risky action to take.

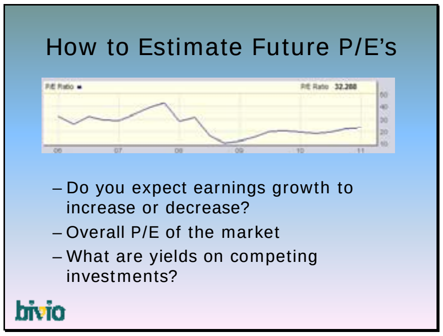
If you look for good, well managed companies, you have the time to watch and wait for their prices to get to attractive levels. This often happens due to influences that have nothing to do with a specific company. There may be overall reasons the market goes up and down. If you're keeping an eye on good companies, you will know when to take advantage of these opportunities and purchase your stocks then.



So how do we use P/E to decide ahead of time what price we think is reasonable to purchase a stock at? We make a judgment about what we think the P/E will be in the future.

That allows us to calculate a possible future stock price.

We can compare it to todays price to figure out our projected annualized return.



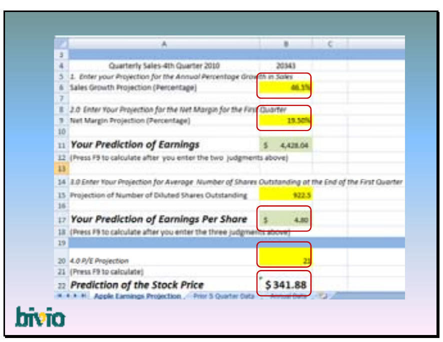
To estimate the future P/E, you need to think about the types of things that might change that might affect it.

First, I would take a look at it's history. Here is the plot of the quarterly P/E's for the past 5 years from bigcharts.com. When I try to estimate what the P/E might be in the future, I first take time frame into account. I think for the next year or so, it is not unreasonable to project that the Price of Apple stock might remain at least where it is now at a P/E of 21 or 22.
If, however, I am thinking out for a longer time frame, I get more conservative in my thinking. In that case, I think a more conservative estimate of perhaps 18 might make me more comfortable.
At some level I am taking things like this into account:

Do I expect their earnings growth rates to increase or decrease in the future? Apple is a pretty big company, I think it is reasonable to expect they might slow down a bit.

What is the overall P/E of the stock market? Is it historically high or low right now?
Since 1900, the average P/E ratio for the S&P 500 index has ranged from 4.78 in Dec 1920 to 44.20 in Dec 1999,with an average around 15 which is where it is today. The average P/E of the market varies in relation with, among other factors, expected growth of earnings, expected stability in growth of earnings and expected inflation.

Yields of competing investments will also affect P/E. For example, when US treasuries yield high returns, investors prefer them as a risk free place to put their money and therefore will pay less for a given earnings per share and P/E's fall.



Once we've decided on our P/E judgment, it's time for us to run our calculations. If you recall from our discussions of sales growth and net margin in November and December, we use a spreadsheet like this to enter our judgments and do that.

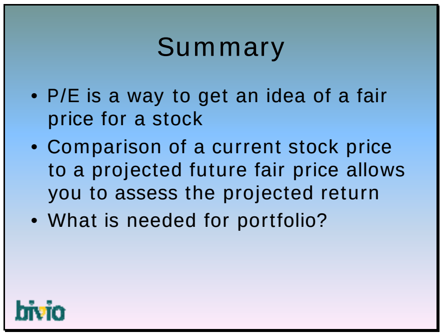
First, we enter a judgment for sales growth

Then net margin

These are used to calculate future earnings per share

We can multiply this by our expected P/E

to get an idea of what the stock price might be. In this example, we are looking at a projection for stock price for the current quarter. We can easily adjust this to project out over any time frame we'd like.



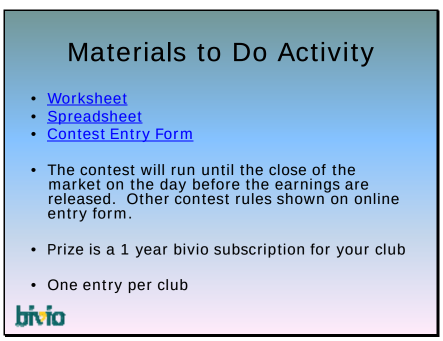
In summary, the P/E ratio is a rule of thumb you can use to help you decide whether the current price of a stock is high, low or reasonable.

Comparison of a current stock price to a projected future fair price allows you to assess the projected return if you bought the stock at it's current price.

If the projected return is not what you need for your portfolio, you can use P/E to determine what price might be a good one to wait to purchase the stock at.

As we've been discussing for the past two months, we are having a contest. To participate, you'll get to practice making the three judgments we've learned about to try and project what Apple will announce for first quarter 2011 earnings on January 18. If you share your practice results, you might even win a free 1 year bivio subscription for your club. The club that comes closest to the announced earnings will win.

I've provided you with the the spreadsheet I showed you earlier so you can play around with different values of each judgment. In the webinars for this month, November and December, we talked about making each of the three judgments and there were many examples of Apple information that might help you decide.



Last month we talked about how to project sales growth. I gave you a worksheet you can use to help you decide your sales growth judgment. It,

The Spreadsheet to make calculations

And the Contest Entry Form

Are all posted on the Club MM website. A copy of this presentation is also posted there.

Other Upcoming Events

Dashboard Diagnostics-January 13
Apple First Quarter Earnings Announcement-January 18
Last date for Apple Contest Entry, January 17
Challenge Club-January 18
Audit Party Weekend-January 29&30
Tax Webinars in February
Register at www.bivio.com/club_cafe

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Finally, thank you again to all who have become our friends on Facebook. We hope that if you haven't done so yet that you will.

Questions?

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