



Stock Selection Guide®

The most widely used aid to good investment judgment

Company FANNIE MAE Date 12/22/03

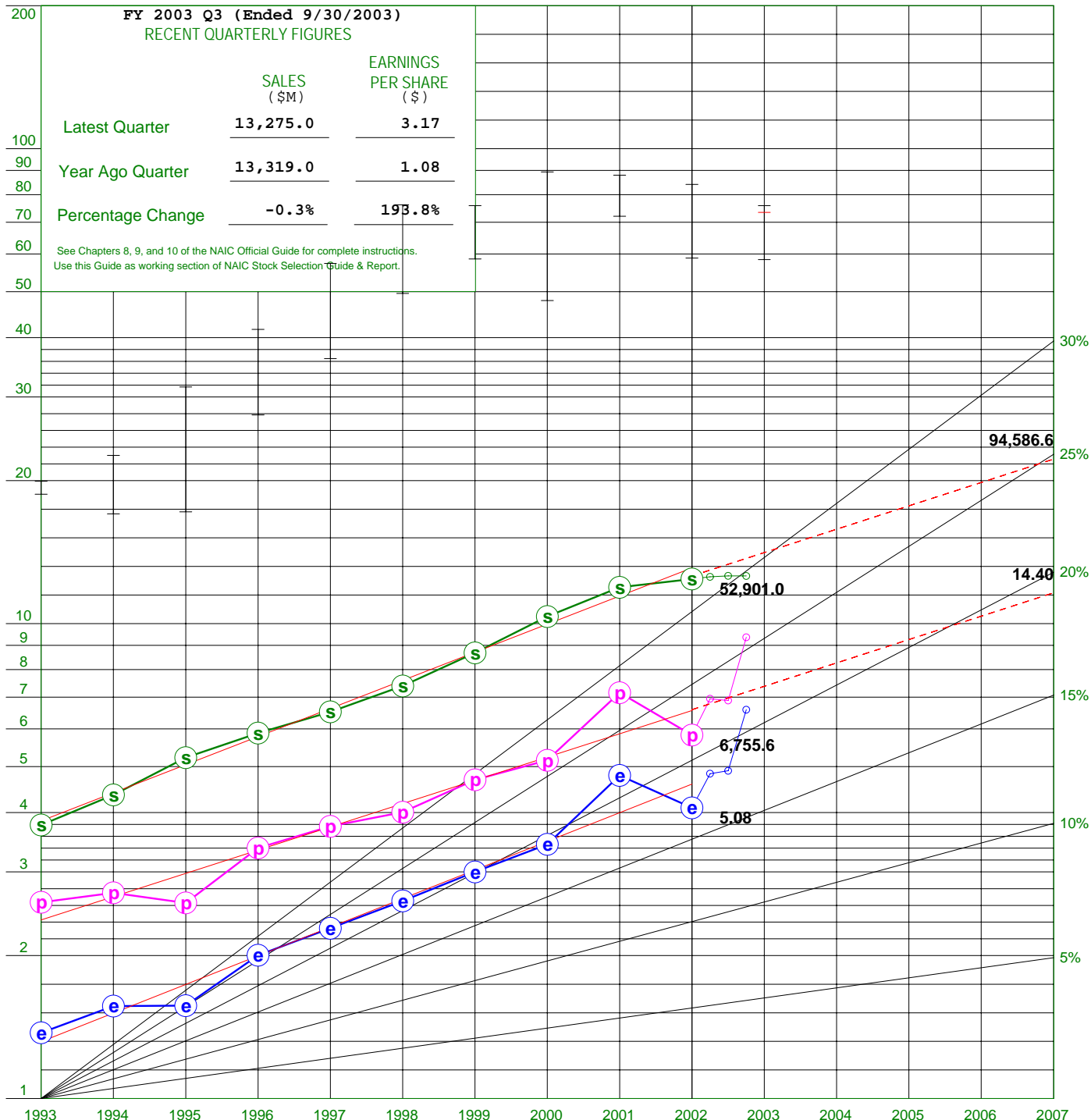
Prepared by MG Data taken from M

Where traded NYSE Major product/service Consumer Fi

CAPITALIZATION --- Outstanding Amounts		Reference	
Preferred (\$M)	4,108.0	% Insiders	% Institution
Common (M Shares)	973.0	16.0	86.1
Debt (\$M)	850,982.0	% to Tot.Cap.	98.0
		% Potential Dil.	None

1 VISUAL ANALYSIS of Sales, Earnings and Price

FNM



(1) Historical Sales Growth 14.6 % (3) Historical Earnings Per Share Growth 14.9 %
 (2) Estimated Future Sales Growth 12.0 % (4) Estimated Future Earnings Per Share Growth 12.0 %

2 EVALUATING MANAGEMENT

Company **FANNIE MAE (FNM)**

12/22/03

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	LAST 5 YEAR AVG.	TREND	
												UP	DOWN
A % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	18.7	16.9	13.5	15.6	15.6	14.8	14.7	13.6	16.3	12.8	14.4		DOWN
B % Earned on Equity (E/S ÷ Book Value)	23.3	22.3	19.6	22.6	23.2	23.3	23.3	23.0	37.5	37.0	28.8	UP	

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

Year	PRESENT PRICE		73.450	HIGH THIS YEAR		75.840	LOW THIS YEAR		58.400
	A	B	C	D	E	F	G	H	
	HIGH	LOW	Earnings Per Share	Price Earnings Ratio	Price Earnings Ratio	Dividend Per Share	% Payout	% High Yield	
1 1998	76.2	49.6	3.23	23.6	15.3	0.960	29.7	1.9	
2 1999	75.9	58.6	3.72	20.4	15.8	1.080	29.0	1.8	
3 2000	89.4	47.9	4.25	21.0	11.3	1.120	26.3	2.3	
4 2001	87.9	72.1	5.94	14.8	12.1	1.200	20.2	1.7	
5 2002	84.1	58.9	5.08	16.6	11.6	1.320	26.0	2.2	
6 TOTAL		287.1		96.4	66.1		131.2		
7 AVERAGE		57.4		19.3	13.2		26.2		
8 AVERAGE PRICE EARNINGS RATIO			16.2	9 CURRENT PRICE EARNINGS RATIO				9.0	

4 Proj. P/E [8.03] Based on Next 4 qtr. EPS [9.15] Current P/E Based on Last 4 qtr. EPS [8.17] EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE -- NEXT 5 YEARS

Avg. High P/E 19.3 X Estimate High Earnings/Share 14.40 = Forecast High Price \$ 277.9
(3D7 as adj.) (4A1)

B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E 13.2 X Estimated Low Earnings/Share 5.08 = \$ 67.0
(3E7 as adj.)

(b) Avg. Low Price of Last 5 Years = 57.4
(3B7)

(c) Recent Severe Market Low Price = 58.9

(d) Price Dividend Will Support $\frac{\text{Present Divd.}}{\text{High Yield (H)}} = \frac{1.800}{0.023} = 77.0$

Selected Estimate Low Price = \$ 57.4
(4B1)

C ZONING

277.9 High Forecast Price Minus 57.4 Low Forecast Price Equals 220.5 Range. 1/3 of Range = 55.1
(4A1) (4B1) (C) (4CD)

(4C2) Lower 1/3 = 57.4 to 112.5 (Buy) Note: Ranges changed to 25%/50%/25%

(4C3) Middle 1/3 = 112.5 to 222.8 (Maybe)

(4C4) Upper 1/3 = 222.8 to 277.9 (4A1) (Sell)

Present Market Price of 73.450 is in the Buy Range
(4C5)

D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

High Price (4A1) 277.9 Minus Present Price 73.450
 Present Price 73.450 Minus Low Price (4B1) 57.4 = $\frac{204.5}{16.1} = 12.7$ To 1
(4D)

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

High Price (4A1) 277.9
 Present Market Price 73.450 = $(\frac{3.784}{73.450}) \times 100 = (378.4) - 100 = 278.4$ % Appreciation
(4E)

Relative Value: 55.6% Proj. Relative Value: 49.5%

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

A Present Full Year's Dividend \$ 1.800
 Present Price of Stock \$ 73.450 = $\frac{0.025}{73.450} \times 100 = 2.5$ Present Yield or % Returned on Purchase Price
(5A)

B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. Earnings Per Share Next 5 Years 11.48 X Avg. % Payout (3G7) 26.2 = 300.8 = 4.1 %
(5B)

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

	5 Year Appreciation Potential <small>(4E)</small>	Average Yield <small>(5B)</small>	Average Total Annual Return Over the Next 5 Years <small>(5C)</small>	P.A.R. Average Yield	Tot. Ret.
	<u>278.4</u>	<u>4.1</u> %	<u>55.7</u> %	<u>1.6%</u>	<u>1.4%</u>
				<u>26.1%</u>	<u>30.5%</u>
				<u>27.7%</u>	<u>31.8%</u>

Trailing 4 quarters

PERT Worksheet-A Graph

Company FANNIE MAE (FNM)

