

# Hamilton Investments

## Term and Definitions

**Market Cap:** Number of shares outstanding X current market price.

This helps to determine the size of a company.

Microsoft (MSFT) = \$281.13 Billion

Yum! Brands (YUM) = \$13.31 Billion

Bluefly (BFLY) = \$19.81 Million

**Average Volume:** The average number of shares that are traded on the market during the average day. This helps you just how widely followed the stock is and how much volatility to expect.

Microsoft (MSFT) =

Yum! Brands (YUM) =

Bluefly (BFLY) =

**Price Range:** Where has this stock been in the last few 4 quarters? By establishing its historic price range you can see whether you are catching the stock on an upswing or a plateau. Is there potential left in the stock or is it too pricey. This is also helpful for establishing a price target.

**EPS, Earnings Per Share:** The amount of profits allocated to each outstanding share. To find a companies EPS you simply take its NET income for the last 4 quarter and divide it by the number of outstanding shares. This calculation is a good indicator of the profitability of the company. It is also important to compare this number to other firms in the same sector.

**P/E, Price to Earnings:** The ratio of the price to the amount of money that share earns over the trailing 4 quarters. To find P/E you take the current market price and divide it by the EPS. This number is a good indication of what analysts think the stock will do in the future. If a companies P/E is relatively high people are expecting higher returns than their lower P/E counterparts.

**Beta:** The volatility of a stock in comparison to the market where the stock trades. You will never have to calculate a Beta for a stock, ever. A Beta for a stock is the resultant of a regression analysis between a stocks daily percentage yield and the markets. A company with a Beta of 1.0 moves up one percentage point for every 1% that the market goes up. A company with a Beta of 3.2 moves 3.2% for every 1% movement in the market. Companies can have negative Beta as well, so that for every 1% movement the market is up, the stock can be down 0.5%. It is important that a portfolio be a mixture of Betas so that the overall volatility of the fund is inline with the performance goals.