

Peter Lynch



What Stocks Will He Pick ?



Who is Peter Lynch?

He is one of the most successful fund managers around. His portfolio has achieved an average annual gain of 29.2% over the last 13 years, outperforming the S&P 500 index. In his book “One Up On Wall Street”, one of the charts he used to find undervalued stocks, compared the earnings line with the current stock price; he would then buy a growing company he was familiar with when the stock price fell well below the earnings line, and sell them when the stock price rose dramatically above it.

Andy is a beginner investor and has read the book, “One Up On Wall Street” by Peter Lynch recently. He is fascinated by the trading methodology illustrated in the book.

Andy would like to implement a similar philosophy but he finds that plotting earnings lines is rather tedious. He would need countless nights to plot the lines for more than 700 stocks listed in Singapore, or thousands of stocks listed in the US and other exchanges. Hence, he decided to consult his finance lecturer, Prof. Dan, on the easiest way to implement this investment approach.

Prof. Dan thought for a while and recalled one comprehensive trading tool offered by his broker, Maybank Kim Eng, which could duplicate Peter Lynch’s investment methodology. He summarized the trading tool in **3 simple questions** for Andy.

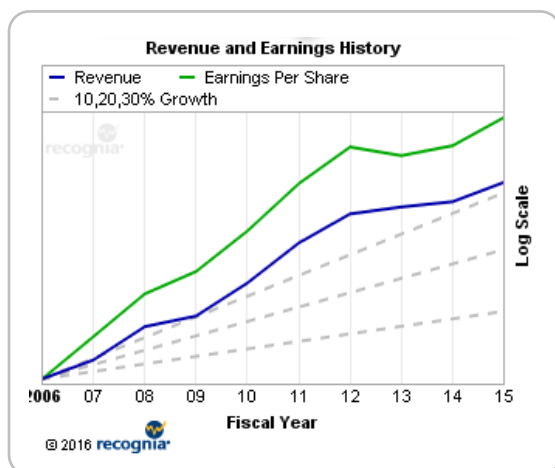


Figure 1: Apple Inc’s earnings per share and revenue

Question 1:

Growing Earnings and Revenue



Would you like to invest in a company which produces increasing profits yearly or a company with declining profits?

Take a look at Figure 1, Apple Inc. has been making consistent and growing profits since 2006, generating more value for investors year after year.

Question 2:

Undervalued Stocks

Would you like to buy undervalued stocks?

Take a look at Figure 2:

- The green line represents the fair value based on earnings per share. A solid green line indicates historical fair value while a dotted green line indicates estimated fair value for the next 5 years.
- The purple bars indicate the historical price. The protruding line at the right most purple bar is the end of day closing price of the stock.

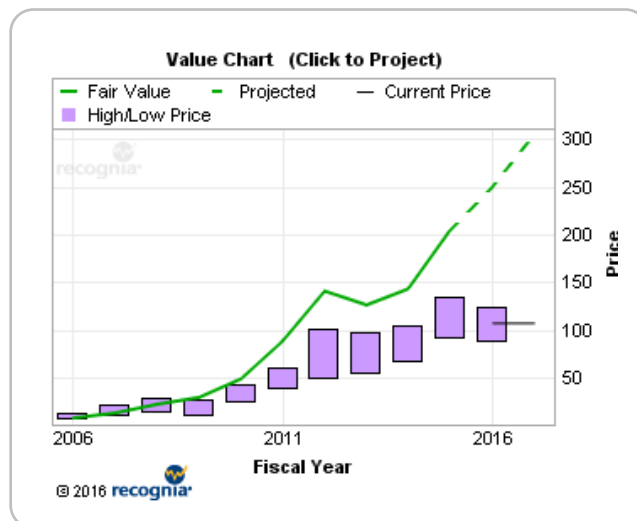


Figure 2: Apple Inc's value chart

Apple Inc is undervalued since its stock price (purple bar) is under its fair value (green line).

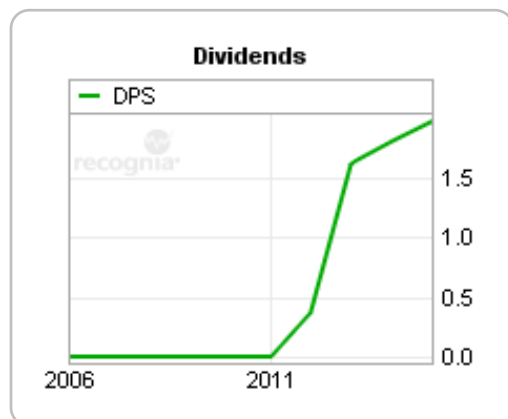


Figure 3: Apple Inc's dividend chart

Question 3:

Passive Income

Would you like to receive dividends that grow year after year?

Apple Inc has increased their dividend payout since 2011 by more than 300%.

How to access all this information in **3 simple steps?**

Step 1: Log in to our KE Trade online platform.

Step 2: Open Recognia Value Analyzer.

Step 3: Search for your favourite stock or go to "Featured Value Stocks" for the list of undervalued stocks shortlisted by Recognia.

1. Open a FREE KE Trade account with Maybank Kim Eng to try out Recognia Value Analyzer.
2. Attend one of our value investing seminars for more details.
www.maybank-ke.com.sg/seminars/