Information requirements

☐ It is impossible to value a commodity company without taking a point of view on commodity prices.
   a. True
   b. False
☐ Explain.
Price versus Value

- You are valuing Amazon and arrive at an estimate of value of $515 per share. The stock is trading at $625 a share. Which of the following statements most likely explains the difference?
  a. The market is much less optimistic about the company’s fundamentals (risk, growth and cash flows) than you are.
  b. The market is much more optimistic about the company’s fundamentals (risk, growth and cash flows) than you are.
  c. Neither.

Value and Price: The Importance of Faith

- If you find a company to be under valued (your value is much higher than the price), you need to have
  a. Faith in your estimate of value
  b. Faith that the stock price will move towards the value
  c. Faith that you can hold on long enough for (b) to happen
  d. None of the above. Investing is about being right, not having faith.