

Session 3

Growth vs Value

Value Investing vs Growth Investing



Value Investing vs Growth Investing

- Do you think these styles of investing fall under “Passive” or “Active” investing?
- Both fall under the same school of thought.
- However, they have a different set of criteria when selecting stocks.
- Growth investing => Fast and Furious Approach
- Value investing => Slow and Steady Approach

How to tell the difference?



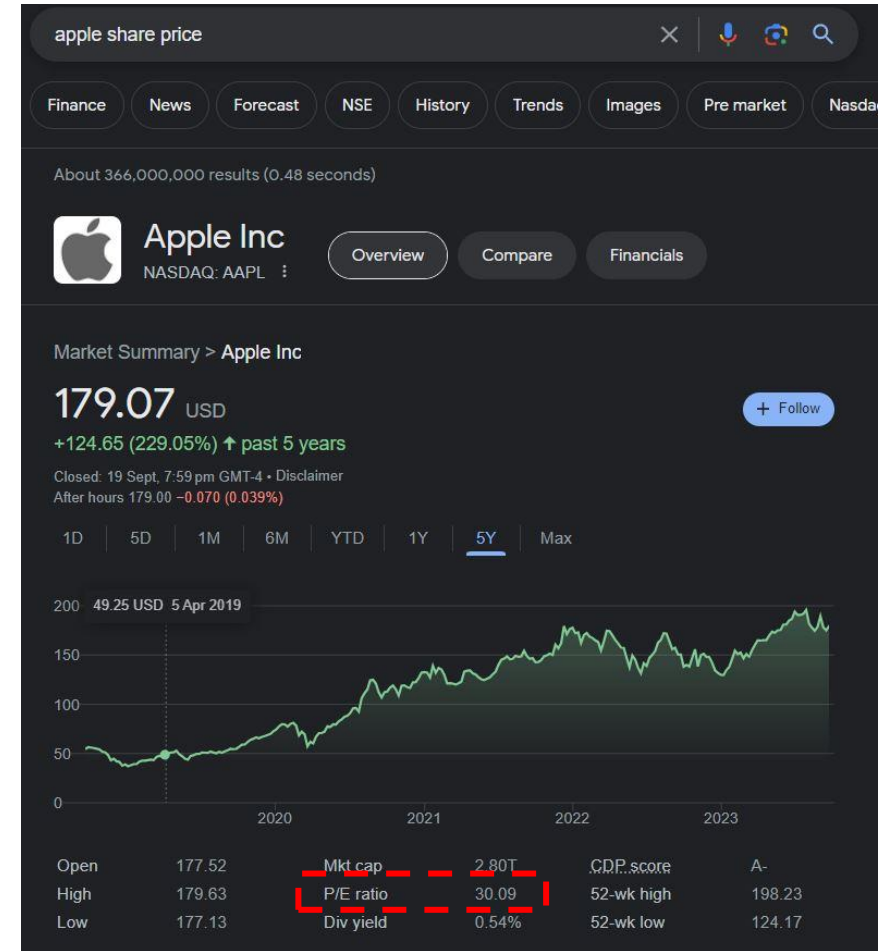
Growth



Value

Valuation Ratios

$$\text{P/E Ratio} = \frac{\text{Market Share Price}}{\text{Earnings Per Share (EPS)}}$$



Valuation Ratios



De Wei's Bookstore

P/E Ratio: 5.0x



Random Bookstore

P/E Ratio: 20.0x

Questions

Can the P/E ratio be negative?

If value stocks have an average P/E of about 20x, what about **growth** stocks, do you think they will have higher or lower P/E ratios?

What are some drawbacks and limitations of using the P/E ratio?

Pros and Cons



**Thank You
&
See You Next Week!**