**Compare the values you calculated to each of the market prices for the top twenty stock picks. Are your calculations close approximations of the market prices? Why do you think there are differences?**

The stock value, that is, the intrinsic value is different from the market price for the top twenty stock picks. The intrinsic value refers to the estimated true value of the common shares. On the other hand, market price is the value of a company, which is reflected in its stock price. The market price is significantly higher that some intrinsic values while it is significantly lower for others.

The calculations are not close approximations of the market prices. The intrinsic value is thus different from the market price. Notably, some stocks had dividends worth $0.00. It implies that there were no dividends paid at all. The intrinsic value will result to zero values for the stocks with $0.00 worth of dividends. Also, with the five-year dividend growth rate, it usually results in extreme values. There is the need to use a constantly growing dividend rate rather than the compound growth rate calculated using the dividends at -5 to period 0. For example, stocks that have a positive dividend to a zero dividend have growth rate of -100%.

The differences in the values also result due to the market auction process that is unlikely to use fundamental dividend, growth, and risk measures. It is also clear that the constant growth model and the CAPM have unrealistic assumptions on investor psychology and the dynamics in the market that are not as they are in the real world. Thus, the intrinsic stock value is not something that is readily provable. It is only the private estimates of the worth of the company that may not match the market price of the stock. It can thus be said that the market price is driven by public opinions and expectations while the intrinsic stock value is driven by the private and internal opinions. Therefore, the value is referred to as intrinsic since it does not fully reflect the value of the company.

**What are the implications of your analysis to Fred's choice of stocks?**

Fred must make a consideration for more than just the intrinsic value when considering the stocks to buy. Therefore, the intrinsic value of the stock is not the indicator of the stocks that he should invest in. Fred must comprehend that the stock market is coupled with dynamic changes that make the marketing environment complicated. Decisions regarding the stock to buy must be made based on the good deal at the time of bidding on the deal. The reason for the choice of stock should be the profitability of the company since stocks are part of the long-term success of an organization. Therefore, buying on stock is dependent on the current environment at the time of buying, which includes the customer base, the general economy, and the industry rank.

Fred must note that it is important the information needed for the choice of stocks is intangible and it is difficult to measure. However, the company’s financial health is easily accessible. Thus, there should be a combination of both the qualitative and the quantitative factors to predict success in stock choices. The CAPM and the constant growth model formulas cannot predict the exact success. At the same time, there are inherent risks in the stock market that make stock prices to move than they are anticipated. They can change faster and unpredictably. There is thus no one way in the choice of stocks. It is important to consider every stock strategy than just theories and formulas. The investment strategy chosen should match with the personal risk tolerance, investment time in devotion of the stocks and the time frame.