



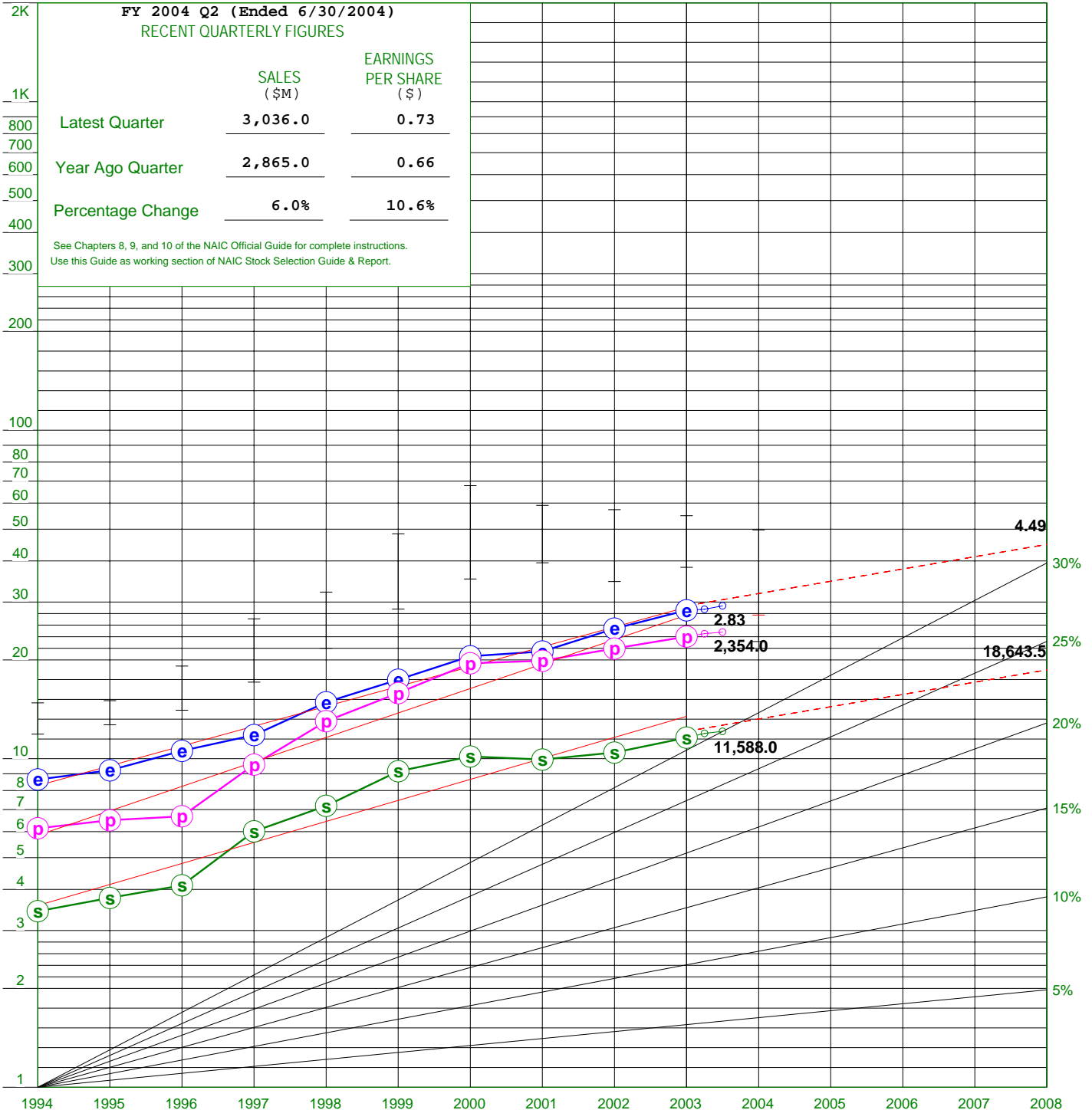
# Stock Selection Guide <sup>®</sup>

The most widely used aid to good investment judgment

Company	MARSH & MCLENNAN CO'S		Date	11/11/04	
Prepared by	MG		Data taken from	NAIC Data	
Where traded	NYSE		Major product/service	Insurance B	
CAPITALIZATION --- Outstanding Amounts			Reference		
Preferred (\$M)	0.0	% Insiders	% Institution		
Common (M Shares)	520.5	8.0	36.1		
Debt (\$M)	3,210.0	% to Tot.Cap.	37.3	% Potential Dil.	None

## 1 VISUAL ANALYSIS of Sales, Earnings and Price

MMC



- (1) Historical Sales Growth 15.9 %
- (2) Estimated Future Sales Growth 9.0 %
- (3) Historical Earnings Per Share Growth 14.9 %
- (4) Estimated Future Earnings Per Share Growth 9.0 %

## 2 EVALUATING MANAGEMENT

Company **MARSH & MCLENNAN CO'S** (MMC)

11/11/04

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	LAST 5 YEAR AVG.	TREND	
												UP	DOWN
<b>A</b> % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	17.9	17.2	16.2	16.0	18.1	17.3	19.2	20.0	20.7	20.3	19.5	UP	
<b>B</b> % Earned on Equity (E/S ÷ Book Value) (Prev. Year)	NMF	27.7	27.7	27.1	23.4	24.4	26.3	22.4	26.4	30.4	26.0	UP	

## 3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

		PRESENT PRICE		27.380		HIGH THIS YEAR		49.690		LOW THIS YEAR		22.750	
Year		PRICE		C Earnings Per Share	D Price Earnings Ratio		F Dividend Per Share	G % Payout F ÷ C X 100	H % High Yield F ÷ B X 100				
		HIGH	LOW		HIGH A ÷ C	LOW B ÷ C							
1	1999	48.4	28.6	1.74	<del>27.8</del>	<del>16.4</del>	0.850	48.9	3.0				
2	2000	67.8	35.3	2.05	<del>33.1</del>	<del>17.2</del>	0.950	46.3	2.7				
3	2001	59.0	39.5	2.12	27.8	18.6	1.030	48.6	2.6				
4	2002	57.3	34.6	2.49	23.0	13.9	1.090	43.8	3.1				
5	2003	55.0	38.3	2.83	19.4	13.5	1.490	52.7	3.9				
6	TOTAL	176.2			70.2	46.0		240.3					
7	AVERAGE	35.2			23.4	15.3		48.1					
8	AVERAGE PRICE EARNINGS RATIO				19.3		9	CURRENT PRICE EARNINGS RATIO				9.4	

Proj. P/E [8.60] Based on Next 4 qtr. EPS [3.18]

Current P/E Based on Last 4 qtr. EPS [2.92]

## 4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

### A HIGH PRICE -- NEXT 5 YEARS

Avg. High P/E ~~23.4~~ **18.5** X Estimate High Earnings/Share **4.49** = Forecast High Price \$ **83.1** (4A1)

### B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E ~~15.3~~ **13.6** X Estimated Low Earnings/Share ~~2.83~~ **2.92** = \$ **39.7**

(b) Avg. Low Price of Last 5 Years = **35.2** (3B7 as adj.)

(c) Recent Severe Market Low Price = **22.8** (3B7)

(d) Price Dividend Will Support  $\frac{\text{Present Divd.}}{\text{High Yield (H)}} = \frac{1.360}{0.039} = 34.9$

Selected Estimate Low Price = \$ **22.8** (4B1)

### C ZONING

**83.1** (4A1) High Forecast Price Minus **22.8** (4B1) Low Forecast Price Equals **60.4** (C) Range. 1/3 of Range = **15.1** (4CD)

(4C2) Lower 1/3 = **22.8** (4B1) to **37.9** (Buy) Note: Ranges changed to 25%/50%/25%

(4C3) Middle 1/3 = **37.9** to **68.0** (Maybe)

(4C4) Upper 1/3 = **68.0** to **83.1** (4A1) (Sell)

Present Market Price of **27.380** is in the **Buy** (4C5) Range

### D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

High Price (4A1) **83.1** Minus Present Price **27.380** = **55.7** = **12.0** To 1  
Present Price **27.380** Minus Low Price (4B1) **22.8** = **4.6** (4D)

### E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

High Price (4A1) **83.1** = ( **3.035** ) X 100 = ( **303.5** ) - 100 = **203.5** (4E) % Appreciation

Present Market Price **27.380**

Relative Value: 48.7% Proj. Relative Value: 44.6%

## 5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.

**A** Present Full Year's Dividend \$ **1.360**  
Present Price of Stock \$ **27.380** = **0.050** X 100 = **5.0** (5A) Present Yield or % Returned on Purchase Price

### B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. Earnings Per Share Next 5 Years **3.78** X Avg. % Payout (3G7) **48.1** = **181.8** = **6.6** % (5B)  
Present Price \$ **27.380**

### C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

	5 Year Appreciation Potential (4E)		P.A.R.	Tot. Ret.
5	<b>203.5</b>	<b>40.7</b> %	<b>3.0%</b>	<b>2.6%</b>
Average Yield (5B)	<b>6.6</b> %	<b>6.6</b> %	<b>21.4%</b>	<b>24.9%</b>
Average Total Annual Return Over the Next 5 Years (5C)	<b>47.3</b> %	<b>47.3</b> %	<b>24.4%</b>	<b>27.5%</b>



# PERT Worksheet-A

Company MARSH & MCLENNAN CO'S (MMC)

QUARTERLY DATA									LAST 12 MONTHS DATA								
PERIOD	EPS		PRE-TAX PROFIT			SALES		INCOME TAX RATE	EPS \$	PRE-TAX PROFIT		SALES MIL	INCOME TAX		% CHANGE		
	\$	% CHANGE	\$ MIL	% SALES	% CHANGE	\$ MIL	% CHANGE			\$ MIL	% SALES		\$ MIL	% RATE	EPS	PRE-TAX PROFIT	SALES
03/96	0.65		230.80	21.6		1,070.70		38.0					38.0				
06/96						1,036.80		31.2			3,987.4		36.3				
09/96						989.00	7.3	31.2			4,054.8		34.6				
12/96						1,052.50	9.8	31.2			4,149.0		32.9				
03/97	0.73	12.9	263.00	20.3	14.0	1,295.00	20.9	37.6			4,373.3		32.8				
06/97	0.28		238.00	15.5		1,540.00	48.5	39.1			4,876.5		34.8				22.3
09/97	0.27		227.00	14.7		1,548.00	56.5	38.3			5,435.5		36.6				34.1
12/97	-0.10		-65.60	-4.0		1,626.00	54.5	24.4	1.19	662.40	11.0	6,009.0	230.8	34.9			44.8
03/98	0.44	-40.6	381.00	21.5	44.9	1,776.00	37.1	39.4	0.89	780.40	12.0	6,490.0	275.5	35.3			48.4
06/98	0.36	27.2	320.00	18.3	34.5	1,750.00	13.6	39.7	0.97	862.40	12.9	6,700.0	305.7	35.5			37.4
09/98	0.35	28.3	307.00	17.9	35.2	1,719.00	11.0	40.9	1.04	942.40	13.7	6,871.0	340.2	36.1			26.4
12/98	0.35	NMF	293.00	15.1	NMF	1,945.00	19.6	37.8	1.49	1,301.00	18.1	7,190.0	513.3	39.5	25.0	96.4	19.7
03/99	0.52	18.1	466.00	19.8	22.3	2,351.00	32.4	41.2	1.57	1,386.00	17.8	7,765.0	553.1	39.9	75.6	77.6	19.6
06/99	0.42	15.3	380.00	16.9	18.8	2,245.00	28.3	40.6	1.62	1,446.00	17.5	8,260.0	580.3	40.1	67.4	67.7	23.3
09/99	0.41	17.4	372.00	16.7	21.2	2,227.00	29.6	40.6	1.68	1,511.00	17.2	8,768.0	605.1	40.0	60.9	60.3	27.6
12/99	0.41	18.8	366.00	15.7	24.9	2,334.00	20.0	38.4	1.75	1,584.00	17.3	9,157.0	636.5	40.2	17.4	21.8	27.4
03/00	0.60	15.5	564.00	21.2	21.0	2,665.00	13.4	40.9	1.83	1,682.00	17.8	9,471.0	674.7	40.1	16.6	21.4	22.0
06/00	0.48	15.7	452.00	18.2	18.9	2,481.00	10.5	39.9	1.89	1,754.00	18.1	9,707.0	700.5	39.9	16.7	21.3	17.5
09/00	0.49	19.8	470.00	18.5	26.3	2,535.00	13.8	41.0	1.97	1,852.00	18.5	10,015.0	741.6	40.0	17.3	22.6	14.2
12/00	0.49	19.5	467.00	18.9	27.6	2,476.00	6.1	39.6	2.05	1,953.00	19.2	10,157.0	787.8	40.3	17.5	23.3	10.9
03/01	0.64	6.7	598.00	22.7	6.0	2,631.00	-1.3	38.8	2.09	1,987.00	19.6	10,123.0	791.2	39.8	14.5	18.1	6.9
06/01	0.51	6.3	477.00	18.8	5.5	2,541.00	2.4	38.6	2.12	2,012.00	19.8	10,183.0	794.8	39.5	12.2	14.7	4.9
09/01	0.48	-1.0	445.00	18.5	-5.3	2,407.00	-5.0	38.7	2.12	1,987.00	19.8	10,055.0	773.7	38.9	7.4	7.3	0.4
12/01	0.50	1.0	466.00	20.3	-0.2	2,290.00	-7.5	39.5	2.12	1,986.00	20.1	9,869.0	772.8	38.9	3.4	1.7	-2.8
03/02	0.74	15.7	655.00	24.9	9.5	2,635.00	0.2	36.3	2.22	2,043.00	20.7	9,873.0	781.8	38.3	6.2	2.8	-2.5
06/02	0.60	17.6	531.00	20.3	11.3	2,612.00	2.8	36.5	2.31	2,097.00	21.1	9,944.0	791.3	37.7	9.0	4.2	-2.3
09/02	0.59	22.9	506.00	19.8	13.7	2,553.00	6.1	36.1	2.42	2,158.00	21.4	10,090.0	800.2	37.1	14.4	8.6	0.3
12/02	0.57	15.2	473.00	17.9	1.5	2,640.00	15.3	33.7	2.50	2,165.00	20.7	10,440.0	771.7	35.6	17.7	9.0	5.8
03/03	0.81	10.2	680.00	23.8	3.8	2,852.00	8.2	34.8	2.57	2,190.00	20.5	10,657.0	772.9	35.3	15.8	7.2	7.9
06/03	0.66	10.0	560.00	19.5	5.5	2,865.00	9.7	34.9	2.63	2,219.00	20.3	10,910.0	774.5	34.9	13.9	5.8	9.7
09/03	0.65	10.2	551.00	19.4	8.9	2,837.00	11.1	35.1	2.69	2,264.00	20.2	11,194.0	784.6	34.7	11.2	4.9	10.9
12/03	0.71	24.6	563.00	18.6	19.0	3,034.00	14.9	31.5	2.83	2,354.00	20.3	11,588.0	802.9	34.1	13.4	8.7	11.0
03/04	0.83	2.5	728.00	22.7	7.1	3,210.00	12.6	38.4	2.85	2,402.00	20.1	11,946.0	840.8	35.0	10.9	9.7	12.1
06/04	0.73	10.6	588.00	19.4	5.0	3,036.00	6.0	33.7	2.92	2,430.00	20.1	12,117.0	843.1	34.7	11.0	9.5	11.1
09/04								41.8						36.4			
12/04								41.8						38.9			

A B C D E F G H I J K L M N O P Q R S T

Trailing 4 quarters

# PERT Worksheet-A Graph

Company MARSH & MCLENNAN CO'S

(MMC)

