



Stock Selection Guide[®]

The most widely used aid to good investment judgment

Company MARSH & MCLENNAN CO'S Date 11/10/06

Prepared by MG Data taken from NAIC Data

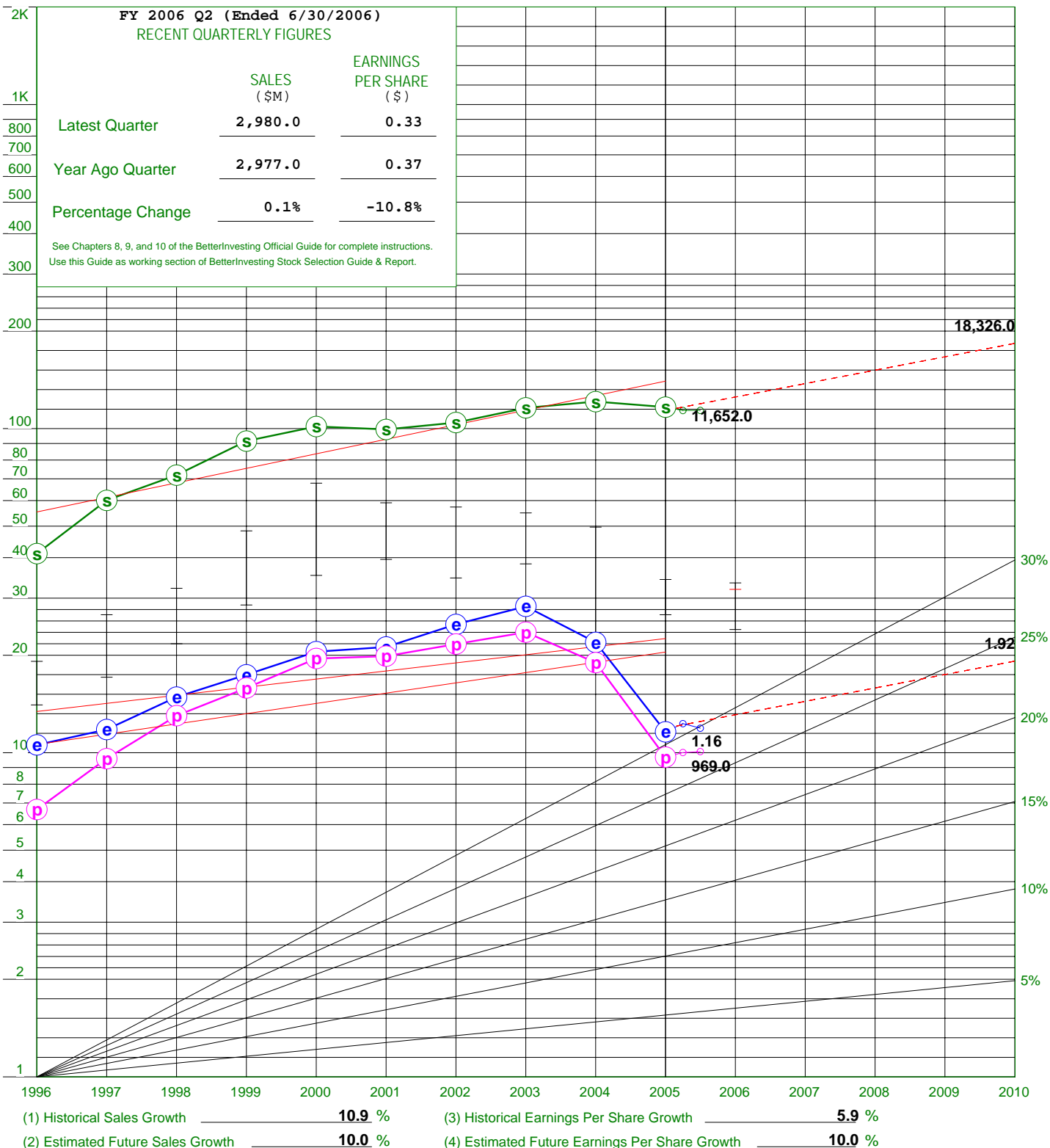
Where traded NYSE Major product/service Insurance B

CAPITALIZATION --- Outstanding Amounts Reference

Preferred (\$M)	0.0	% Insiders	% Institution	
Common (M Shares)	550.0	8.0	34.2	
Debt (\$M)	5,232.0	% to Tot.Cap.	49.2	% Potential Dil. None

1 VISUAL ANALYSIS of Sales, Earnings and Price

MMC



2 EVALUATING MANAGEMENT

Company **MARSH & MCLENNAN CO'S**

(MMC)

11/10/06

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	LAST 5 YEAR AVG.	TREND	
												UP	DOWN
A % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	16.2	16.0	18.1	17.3	19.2	20.0	20.7	20.3	15.7	8.3	17.0		DOWN
B % Earned on Equity (E/S ÷ Book Value)	24.3	18.6	20.9	22.3	21.6	22.5	26.7	27.3	22.8	11.8	22.2		DOWN

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 31.930 HIGH THIS YEAR 33.420 LOW THIS YEAR 24.000

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 2001	59.0	39.5	2.12	27.8	18.6	1.030	48.6	2.6
2 2002	57.3	34.6	2.49	23.0	13.9	1.090	43.8	3.2
3 2003	55.0	38.3	2.83	19.4	13.5	1.490	52.7	3.9
4 2004	49.7	22.8	2.19	22.7	10.4	0.990	45.2	4.3
5 2005	34.3	26.7	1.16	29.6	23.0	0.680	58.6	2.5
6 TOTAL		161.9		94.7	60.8		248.9	
7 AVERAGE		32.4		23.7	15.2		49.8	
8 AVERAGE PRICE EARNINGS RATIO	19.5			9		CURRENT PRICE EARNINGS RATIO		26.8

4 Proj. P/E [24.39] Based on Next 4 qtr. EPS [1.31] Current P/E Based on Last 4 qtr. EPS [1.19] EVALUATING RISK and REWARD over the next 5 years PEG=244

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 ~~23.7~~ 22.0 X Estimate High Earnings/Share 1.92 = Forecast High Price \$ 42.2 (4A1)

B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E ~~15.2~~ 14.0 X Estimated Low Earnings/Share 1.16 = \$ 16.7 (3E7 as adj.)

(b) Avg. Low Price of Last 5 Years = 32.4 (3B7)

(c) Recent Severe Market Low Price = 22.8

(d) Price Dividend Will Support $\frac{\text{Present Divd.}}{\text{High Yield (H)}} = \frac{0.680}{0.043} = 15.7$

Selected Estimate Low Price = \$ 16.7 (4B1)

C ZONING

42.2 (4A1) High Forecast Price Minus 16.7 (4B1) Low Forecast Price Equals 25.5 (C) Range. 1/3 of Range = 6.4 (4CD)

(4C2) Lower 1/3 = 16.7 (4B1) to 23.1 (Buy) Note: Ranges changed to 25%/50%/25%

(4C3) Middle 1/3 = 23.1 to 35.8 (Maybe)

(4C4) Upper 1/3 = 35.8 to 42.2 (4A1) (Sell)

Present Market Price of 31.930 is in the Hold (4C5) Range

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

High Price (4A1) 42.2 Minus Present Price 31.930 = 10.3 = 0.7 To 1
Present Price 31.930 Minus Low Price (4B1) 16.7 = 15.2 (4D)

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

High Price (4A1) 42.2 = (1.322) X 100 = (132.2) - 100 = 32.2 (4E) % Appreciation
Present Market Price 31.930

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 \$ 0.680
Present Price of Stock \$ 31.930 = 0.021 X 100 = 2.1 (5A) Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. Earnings Per Share Next 5 Years 1.58 X Avg. % Payout (3G7) 49.8 = 78.7 = 2.5 (5B) %
Present Price \$ 31.930

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

5 Year Appreciation Potential (4E) <u>32.2</u>		P.A.R.	Tot. Ret.
$\frac{5}{32.2} = 6.4$ %		Average Yield	2.8%
Average Yield (5B) <u>2.5</u> %		Annual Appreciation	1.6%
Average Total Annual Return Over the Next 5 Years (5C) <u>8.9</u> %		% Compd Ann Rate of Ret	4.4%
			8.0%

PERT Worksheet-A Graph

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