



## Weekly Educational Topics



### Fundamental vs Quantitative Analysis

---

**"THE MAJORITY OF INVESTORS WHO WANT TO EVALUATE LONG-TERM INVESTMENT DECISIONS START WITH A FUNDAMENTAL ANALYSIS OF A COMPANY"**

---

**"EVALUATION OF THE HISTORICAL PERFORMANCE OF A COMPANY OR BROAD MARKET IS OFTEN DONE THROUGH QUANTITATIVE ANALYSIS."**

---

BY:  
BEN ROSS

The most common methods that investors use to analyze the benefits and risks associated with long-term investments in the stock market are fundamental analysis and quantitative analysis. Here's a general overview of each type.

#### Fundamental Analysis

The majority of investors who want to evaluate long-term investment decisions start with a fundamental analysis of a company, an individual stock or the market as a whole. Fundamental analysis is the process of measuring a security's intrinsic value by evaluating all aspects of a business or market. Tangible assets, including land, equipment or buildings that a company owns, are reviewed in combination with intangible assets such as trademarks, patents, branding or intellectual property.

When evaluating the broader scope of the stock market, investors use fundamental analysis to review economic factors, including the overall strength of the economy, and specific industry sector conditions.

Fundamental analysis results in a value assigned to the security in review that is compared to the security's current price. Investors use the comparison to determine whether a long-term investment is worth buying because it is undervalued or if it is worth selling because it is overvalued.

#### Quantitative Analysis

Evaluation of the historical performance of a company or broad market is often done through quantitative analysis. Investors perform quantitative analysis through simple financial ratio calculations such as earnings per share (EPS) or more complex calculations such as the discounted cash flow (DCF).



## *Weekly Educational Topics*



## **Fundamental vs Quantitative Analysis**

The results of quantitative analysis provide insight into the valuation or historic performance of a specific security or market. But quantitative analysis is not often used as a standalone method for evaluating long-term investments. Instead, quantitative analysis is used in conjunction with fundamental and technical analysis to determine the potential advantages and risks of investment decisions.

### Summary

Fundamental analysis is most often used when determining the quality of long-term investments in a wide array of securities and markets, while quantitative analysis is used more in the review of short-term investment decisions, such as active trading of stocks, and to evaluate the financial stability of a company.