McDonald's Investment Matrices

Jan-26

Models are designed for a ten-year look ahead through 12/31/35. Returns are based on the following expectations: 1) Total dividends over the course of ten years = $105; 2) Growth of market value at 3.8% per year for ten years means that the market price on 12/31/35 will approximate $455 per share.

Current Market Price 01/27/26	$313.91
Expected Dividends in 2026	$ 7.50
Dividend Yield 2026	2.38%

Type of Investor	Investment Description	Buy Price	Hold Period	Earned Dividends	Sell Price	Capital Gain	Total Earnings	Aggregated Annual Yield	Notes
Dividend-Driven	Standard requirement is a **low risk outlay** strictly to receive dividends that are constantly growing and grows at a good rate. The investor is seeking companies whereby the Board of Directors are focused on returning as much of the earnings as possible to the shareholders.	$315	Indefinitely	$105	N/A	N/A	$105	2.92%	Over the course of 30 years, the dividend yield improves to more than 14% annually. This is the primary driver for Widow & Orphan Funds, Retirement Funds, and any long-term investment requiring significant cash outlays in the future to meet the membership needs. Most dividend-driven funds evaluate the investment and once identified as a target for investment, the fund manager sets buy price for dip points that occur infrequently, so the buy price is ideal. For this investment, $260 buy point is more realistic. This generates a starting annual yield of 3.45% and 17% 30 years on.
Buy & Hold	Investor seeks low risk outlay of capital and purchases the security **strictly to receive dividends** and reasonable growth over the ten-year period whereby renewal is reviewed but the assumption is the stock is sold and all receipts are reinvested in a new security.	$315.00	10 Years	$105	$455	$140	$245	5.92%	Yield is driven more by dividends than capital gain. Here the low risk factor assures no loss in the investment basis. The investor is driven more by risk reduction than yield. Investor may sell at an earlier date if the market price soars beyond expectation. For example, assume market price hits $500 at the seven year point, the aggregated annual yield jumps to 8.73%
Traditional Trader	Traditional Trader seek out solid companies with a long history of performance. Their financial goal is to earn annual returns of > 10%. To do this, they focus in on the market price swing and supplement the capital gain with dividends. They expect to cycle the transaction in less than one year.	$298	9 Months	$5.58	$320	$22	$27.58	12.53%	Here the investor's focus is on the market price cycle for the investment. McDonald's cycles within these parameters about every seven months per this illustration of activity over the last 12 months. Here, the real risk is time; the market price can hold steady for an extended period of time, like 15 months. If so, the return on the investment drops to 6.9%, including dividend yield. Loss of investment is practically nil.

				Earned		Capital	Total	Aggregated	

Type of Investor	Investment Description	Buy Price	Hold Period	Dividends	Sell Price	Gain	Earnings	Annual Yield	Notes
Day Trading	Day Traders rely on volatile economic conditions or security issues to take advantage of swings over short periods (less than a week, preferably within a day). The more reliable a security, the less likely the investment will deliver dramatic change within a few days. McDonald's qualifies as a low-volatility investment due to several reasons: 1) Long history of positive earnings, 2) 75% of all holdings are owned by institutional investors; thus, further dampening any potential for wild swings. Daily average trading is around 3.2 million shares of the 710 million outstanding, which is a mere .5%. This is not an ideal candidate for day trading. The largest single-day swing in the last three months was $8 back in November 2025. Due to the costs of carrying a margin account, the return on investment is too slim to provide the kind of return Day Traders seek.								
Active Trading	Active traders buy purely to gather regular gains of at least 15% annually. They set buy and sell points well within the prior lows and highs during the last three months. During the last three months, McDonald's low was $297 and the high was $320. Most active traders utilize a volume of movement to determine the optimum point of buy and sell from this high/low schedule. For McDonald's this means that the buy is preset at $303 and the sell is $312. Expectation is receipt of a single dividend payment.	$303	3 months	1.86	$312	$9	$10.86	15.13%	First, risk of loss in the investment does not exist with this method of trading. The real risk is time. Any longer than three months and the return starts to drop quickly and dramatically. With McDonald's, the recovery time frame is actually quite faster than three months which means that the return on the investment will commonly exceed the 15% requirement. The drawback is that this price drop only occurs every one to two times per 3 month period. One must constantly update the buy and sell points to reflect the most recent history, i.e. they will increase about $2 per price point per quarter. It requires constant monitoring of the market prices and conditions. There is a justifiable risk that the market price will dip below the buy point for as long as two months, thus reducing the return on the investment. Over a period of ten years, an active trader should be able to perform this kind of trading upwards of twenty times, generating good returns. Having cash in reserve to take advantage of the opportunities is a cost involved; this includes having a margin account.
Value Investing	Value investors demand annual returns greater than 25%. To achieve this, the market price must drop dramatically. With McDonald's, the market price must hit $265 per share and the value investor would sell at the most recent market high point. In this case, $326 per share. The last time market price hit $265 was in May of 2024. The high of $326 was in March of 2025. This is a one year holding time frame.	$265	12 months	$11.22	$326	$61	$72.22	27.25%	The risk here is recovery taking longer than 12 months. If recovery hits 18 months, the return on investment drops to 17%. Furthermore, the temptation is getting the urge to buy when the price hits $275 as recovery is almost certain. Buying at $275 only generates a 23% annual return. Buying at $285 drops the return to 19%. One of the four principles of value investing is 'Patience'. Thus, to achieve strong returns, a value investor will witness several cycles of the price getting close to $265 and not buying. The key is to be patient in order to reduce **RISK** and increase the return on the investment. This deep cycle will only occur two times over the course of ten years. With each passing year, the buy/sell points will increase $12 to $14 from the prior settings. Thus, value investors will only get to experience a full buy/sell of McDonald's stock about one time assuming there is adequate cash available to take advantage when the price drops.

Investing comes with risk. Although McDonald's is a low-risk security, it still exists. The economy can drop into a depression stage which will greatly affect one's return. Although McDonald's will survive a depression, earning top-notch dividends and increasing market price will not happen. Here, the investor must be willing to wait out the economic turmoil in order to get their investment back without a loss. Never invest more than you are willing to forego for extended periods of time.