

## The Stock Market Experience / Requirements & Grading

### I. Rationale for your overall investment strategy (25%) (Label this section Part I)

This section is a justification of your group's investment strategy. You should compose it (at least in rough draft) *before* you begin investing. It should show that you're proceeding with forethought. Identify your approach and explain why it's reasonable.

Begin with the following introduction:

*"Given a goal of maximum return on common stock investment over a ten week period, it seems reasonable to pursue the following strategy."*

Then provide an explanation of all the factors you considered. Following are merely some *possibilities*...

- analyzing the current market trends (popularity, fads, what's *hot*?)
- identify possible market sectors that are attractive to you (i.e., energy, telecommunications, retail sales, toys, banking, etc.)
- timing (FED announcements; earnings reports; possible mergers, positive news)
- the current political environment (conservative government more friendly to the pharmaceutical and oil industries, for example)
- the state of the world economy (think of import/export trends, turmoil in some key regions)
- personal knowledge (personal familiarity with products and businesses)
- expert advice (analysts' or insiders' advice on whether to buy/sell certain stock)

An in-depth, thoughtful, compelling discussion will earn top points.

### II. Listing of specific picks; justification for your specific decision-making (25%) (Label Part II)

You should have invested in a minimum of three companies, a maximum of ten. You should be nearly fully invested. Provide information about each company you invest in to demonstrate that you know what you're getting into. You should include what the company does and why you chose it. Possibilities...

- company reports; do NOT merely reproduce a company report; by all means, find one but then interpret it in your own words. What does this business do? How long have they been around? Where do they operate? How profitable have they been? Those sorts of things...
- a list of contacts/sources you've used (magazine, newspaper, TV, radio, internet, broker, friends of parents, etc.); describe the information/advice/recommendations you found, and then explain why you found compelling
- a thorough explanation of why you chose this particular stock using sound, logical reasoning with evidence to back it up; explain also how much you invested in each & why

### III. Chart showing daily movement of all your stocks (10%) (Label Part III)

Even though we'll get portfolio updates from SME, please track your individual selections. Graph the daily closes of each stock. Use time on the horizontal axis, price on the vertical. You can reprint these from the internet (3 month charts from Yahoo Finance are very good). Make sure to show your exact purchase date and the closing date of the SME.

### IV. Portfolio summary (25%) (Label Part IV)

What were the original purchase prices and the final prices at the end of the game? How much did you invest in each company? How much was each worth at the end? What was the ultimate total value of your portfolio, at the end of ten weeks? How profitable/unprofitable were your choices? How did you fare in the SME (what place did you end up in)? Most important, WHAT INVESTMENT LESSONS DID YOU LEARN? Be creative here. Feel free to include charts, graphs.

### V. Overall quality (15%)

Carefully assembled, readable, neat, good writing mechanics, professional-looking, accurate.

## **Personal Investment Strategy Requirements & Grading**

Each of the following sections is worth a possible 6 points each, adding up to 30. Good writing mechanics (¶s, sentence structure, good grammar & punctuation), neatness, readability, professional appearance all factor in to the write-up.

I. Goal setting. Before you devise an investment strategy, you need to decide what it is you're saving for. Is it to generate enough money to pay for a one year around-the-world trip following graduation from college? Is it to put a down payment on a house within the next ten years? Or is it longer term, to begin an account for your eventual retirement in about fifty years? Your unique financial goals will most likely affect your investment strategy. Your goal must be at least four years long and represent some significant endeavor in your life, as opposed to saving so you can buy your own cell phone. Entitle this section, "**Financial Goals.**"

II. Limits. How much can you reasonably expect to invest? Think of minimums here. Be realistic, given your level of income or expected income. Entitle this section, "**Affordability.**" You'll want to decide if this is a one time, lump sum investment (and explain why) or if it will be a consistent contribution (dollar cost averaging), on a monthly, bimonthly, quarterly, yearly, etc., basis (and explain why).

III. Based on your goals, how much you can afford to invest, and the time frame of your commitment, it's time to decide what to invest in. This section should describe the best options available to you (entitled "**Options**"). Consider at least three. Options could include a savings account, money market, CDs, common stock (and which ones), mutual funds (and which ones), bonds (and which ones, federal treasury, municipal, corporate, junk, etc.), commodities (which ones), futures (which ones), etc. Make sure to decide also whether this should be tax sheltered (IRA, TSA, pension plan) or a taxable, more liquid account.

IV. This section should evaluate each of the three options. In other words, measure how well each option fulfills your stated goals and limits (entitled "**Evaluation**").

V. Finally, make a decision. Based on your goals, how much you can afford, and the best options available, which of the investment options will you actually choose? Explain what your strategy is, how you'll begin, some of the nuts and bolts of actually setting up an account. Entitle this section "**Investment Strategy.**"