

Applied Investments: U.S. Stock Fund

INVESTMENT AND PORTFOLIO SIMULATION

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Stock Project: What is the Goal?

The goal is to invest in a stock fund that encourages you to:

- Follow the U.S. stock market over the next two months
- The U.S. stock market for this project is defined as S&P500
- S&P 500--the largest 500 public stocks in the U.S. economy
- See how market news and individual stock news affects prices
- Finance in action
 - When profitability or CF is higher than expected, stock values may rise
 - When profitability or CF is lower than expected, stock values may fall
 - We discount future values– interest rates and risk affect prices too

Stock Project: What is the Goal?

(continued)

- Pick 5 stocks that ***you want to learn more about***
- These may be companies that produce products you use or like
- These may be companies you have worked for or would consider interviewing with or working for in the future
- Or, they could be stocks that you think will do better than expected
- Buy and hold – give your positions a chance to play out
- You need to focus on academic work, so leave your portfolio as is
- Last class day in class, I will show you how to make a few exhibits and then you write a one page overview for your deliverable.

Invest \$100,000 all in the S&P500

\$100,000 Capital to Invest

\$75,000: buy the overall market via an ETF with the ticker IVV

\$25,000: buy \$5,000 each of 5 individual stocks.

When you buy the \$75,000 you will be diversified across 500 stocks. The S&P500 is market weighted so large stocks like MSFT and AAPL have larger weightings than smaller companies.

You will also invest in five stocks to learn about individual companies.

The professor will invest a “benchmark” of 100% in the S&P500.

Learning, not performance, is the key

If you put as much as \$5,000 in each stock, you may be heavily weighted in certain stocks since they are also held in the S&P500.

Thus, you may not be as diversified in your fund as some portfolio managers would be. That is ok. You are learning.

It is more important to set up a fund and learn this first go around.

You will not be evaluated in any way on performance. You will be evaluated on participating and then analyzing the results at the end.

Part of a term is too short of a time frame for us to really rank or compare. This is all about learning and evaluating the investment.

Stock Simulation Software: *Write down your user and password*— you need it.

Username is your fund name and should contain certain words.

Your username is public so it must be appropriate. It helps to have part of your name in it. Open only one fund.

Examples are “WashStock” or “PatelStockFund” or “TelStock”

The most important thing is to *place the six trades* on the first day.

This is a buy and hold strategy of U.S. stocks.

To be able to do the last day’s work on the data and analysis, it is best to keep the original positions in place.

Review: What Stocks might Interest you?

Again, pick stocks of public companies that you want to learn about for any of the following reasons:

- You like the products or management of the company
- You have worked for this company
- You may one day like to work for this company
- You think this company is better than what “the market” perception is
- You pick five stocks from different sectors to diversify
- Any of these reasons are fine. Don’t overthink it. Get it done to learn.

Though AI searches for stocks is not prohibited, I don’t think that makes for the most interesting end-of-class report of why you picked these stocks. Also, sometimes some of the data AI uses for analyst stock picks is stale.

Examples of Largest Stocks by Sector

INFORMATION TECHNOLOGY (XLK)

Apple Inc
Microsoft Corp
NVIDIA Corp
Visa Inc
Mastercard Inc
Broadcom Inc
Cisco Systems Inc
Accenture PLC
Adobe Inc
Salesforce Inc

COMMUNICATIONS SECTOR (XLC)

Meta Platforms Inc
Alphabet Inc
Alphabet Inc
Netflix Inc
Walt Disney Co/The
T-Mobile US Inc
Activision Blizzard Inc
Charter Communications Inc
Comcast Corp
AT&T Inc

Examples of Largest Stocks by Sector

CONSUMER DISCRETIONARY (XLY)

Amazon.com Inc
Tesla Inc
Home Depot Inc/The
McDonald's Corp
NIKE Inc
Lowe's Cos Inc
Starbucks Corp
Target Corp
TJX Cos Inc/The
Booking Holdings Inc

CONSUMER STAPLES (XLK)

Procter & Gamble Co/The
Coca-Cola Co/The
PepsiCo Inc
Costco Wholesale Corp
Walmart Inc
Mondelez International Inc
Altria Group Inc
Philip Morris International In
Colgate-Palmolive Co
Estee Lauder Cos Inc/The

Examples of Largest Stocks by Sector

HEALTHCARE (XLV)

UnitedHealth Group Inc
Johnson & Johnson
Pfizer Inc
AbbVie Inc
Eli Lilly & Co
Merck & Co Inc
Thermo Fisher Scientific Inc
Abbott Laboratories
Danaher Corp
Bristol-Myers Squibb Co

INDUSTRIALS (XLI)

United Parcel Service Inc
Union Pacific Corp
Raytheon Technologies Corp
Honeywell International Inc
Deere & Co
Lockheed Martin Corp
Caterpillar Inc
Boeing Co/The
General Electric Co
Northrop Grumman Corp

Examples of Largest Stocks by Sector

FINANCIALS (XLF)

Berkshire Hathaway Inc
JPMorgan Chase & Co
Bank of America Corp
Wells Fargo & Co
S&P Global Inc
Morgan Stanley
Goldman Sachs Group Inc/The
Charles Schwab Corp/The
BlackRock Inc
Citigroup Inc

REAL ESTATE (XLRE)

American Tower Corp
Prologis Inc
Crown Castle Inc
Equinix Inc
Public Storage
Realty Income Corp
Welltower Inc
SBA Communications Corp
Digital Realty Trust Inc
Simon Property Group Inc

Examples of Largest Stocks by Sector

ENERGY (XLE)

Exxon Mobil Corp
Chevron Corp
ConocoPhillips
Occidental Petroleum Corp
EOG Resources Inc
Pioneer Natural Resources Co
Marathon Petroleum Corp
Schlumberger NV
Valero Energy Corp
Devon Energy Corp

UTILITIES (XLU) AND MATERIALS (XLB)

NextEra Energy Inc
Southern Co/The
Duke Energy Corp
Dominion Energy Inc
Sempra Energy

Linde PLC
Sherwin-Williams Co/The
Air Products and Chemicals Inc
Corteva Inc
Freeport-McMoRan Inc

Implementing Trades / # Shares to Purchase – *Open one Fund Only*

In Stocktrak, make a trade tab

Put in ticker / symbol and Have your calculator available

shares = \$amount (per stock or ETF)/stock price (last /asked)

= approximate number of shares to buy ... enter that number

Leave order type on market. It is most important to get it invested promptly.

Preview to check you are buying **about** the correct amount ... a little above or below is fine.

Confirm if about correct. If not correct, go back and fix and confirm. If you invest a total of 99,000 to 101,000 that is fine.

Trade Deadline / Check your Positions

Make the trades as soon as possible, by the agreed upon investment deadline

- Deadline is the day the professor helps you open the account
- Complete all 6 trades that day
- In the event not all the trades go through, the extended deadline is 24 hours

Go to My Portfolio, Order History or Transactions History

You should see the orders there

Within a day you should see your buys in “open positions”

You should have at least 6 positions— one ETF and 5 stocks