Purpose

The purpose of this fund is to provide retirement benefits for employees. SWC Capital assist Lake Corporation in effectively supervising, monitoring and evaluating their investment assets for their Lake Corporation Pension Plan. Those investment assets are held by the organization as a steward for the sake of carrying out its mission and purposes.

Objective

The Objective of this investment is to preserve principal and increase the asset value of the securities held within and the preservation of the net Asset Value to limit downside risk.

Asset Allocation

Allocation of the portfolio will be 70% stock and 30% bonds.

Guidelines

We can invest in equities including common (large and small cap), preferred, international, and convertible. We can use options to reduce risk and generating income only. We can use debt securities issued by the US Government and agencies. We can use corporate bond debentures and other forms of debt obligations. Convertible bonds are another security we can use for the pension plan. We are not allowed to used any packaged security like mutual funds or hedge funds. ETFs are not available for use by the pension plan either.

Below is a spreadsheet with the current state of the portfolio for the 1/3rd I control.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Symbol | Description | Quantity | LastPrice | PricePaid | MarketValue | HoldingPeriodReturn |
| AMZN | Amazon.com Inc. | 200 | 1911.52 | 1599.28 | 382304 | 19.52 |
| BRKB | Berkshire Hathaway inc. | 2500 | 216.71 | 197.32 | 541775 | 9.83 |
| MSFT | Microsoft Corporation | 3270 | 127.88 | 109.32 | 418167.6 | 16.98 |
| NFLX | Netflix Inc. | 700 | 378.81 | 356.985 | 265167 | 6.11 |
| PANW | Palo Alto Networks Inc | 2100 | 246.39 | 237.94 | 517419 | 3.55 |
| QCOM | QUALCOMM Incorporated | 6100 | 86.37 | 53.54 | 526857 | 61.32 |
| VMW | VMware Inc. | 1950 | 202.46 | 167.3 | 394797 | 21.02 |

**Commissions**

106 Trades

$1030 Commission

Total

$3,046,486.6

Palo Alto Networks Inc

NYSE: PANW

Palo Alto (PANW) was purchased 3/7/2019 at $237.94

**Why did I look at this stock?**

Palo Alto was a stock of interest because the security space is increasing and is a proven contender in the space. Cybersecurity threats are on the mind of every CIO and CEO. Bases on my experience as an IT consultant, Palo Alto is a household name among its potential and current customers. There is a saying that “nobody has ever been fired for buying Cisco” and the same goes for the security giant Palo Alto based out of Silicon Valley. This was one of the first stocks I had looked at including Cisco, Fortinet, Symantec and FireEye (the company you call when it already “hit the fan” and you need cleanup).

**Why did I purchase this stock?**

Below is the link to the article I referenced when evaluating security company stocks posted Feb 19th 2019. The stock has a track record of 20%+ revenue growth and has a total of 350% increase over the past 5 years. The stock was also trading with 2 SD from the mean being greater than the simple moving average which is a good sign that the current growth is enough to change the average market price which is a promising sign for an investment. I used Zacks, Google Finance (for searching stock by beta to not change the total the portfolio’s risk), MarketWatch, and my existing domain knowledge of the sector. Palo Alto’s Cash on hand after the Jan 2019 quarter was $2.83 Billion, a 73.01% increase YoY. PANW has a beta of .86.

<https://investorplace.com/2019/02/15-cybersecurity-stocks-to-watch-as-the-industry-heats-up/>

I referenced an article posted by an analyst named Clifford Jones on March 24th and I am quoting findings from the article below. Jeffries Financial Group projected the stock to increase to $296.00. Godman Sachs had Palo Alto as a sell and once the quarterly earnings beat what the analysts projected, everyone turned from sell to buy. On February 4th, ValueEngine upgraded the shares of Palo Alto Networks from a buy rating to a strong buy. Morgan Stanley boosted their price target from $266.00 according to the attached article. Based on these estimated I am taking a consensus target of $267.37.

Average analyst consensus target price $267.34, currently trading at $246.39

**What Did I do with the stock?**

I will put a sell order in at $266. The StockTracker was giving us issue preventing the entry of the trailing stop, but the stock rose constantly as I manually monitored it.

The next earning statement does not come out until May 2nd so I was waiting on more news from the company to make a decision If I should sell it to take the profit and then buy another security. I am waiting on more news, but as the project comes to an end I am happy with the gains.

Palo Alto Networks revenue for the quarter ending January 31, 2019 was $0.711B, a 30.35% increase YoY.

June 250 Call Option Sold giving an insurance value from $229.04 - $250

VMware, Inc.

NYSE: VMW

VMware was purchased 3/7/2019 at $ 167.30

**Why did I look at this stock?**

VMware was originally pursued because virtualization and remote access are hot topics in nearly every industry and VMware lead the pack beating out Microsoft’s Hyper-V solution in the past 5 years. Dell had purchased EMC which owns VMware, but knowing that VMware would not be under the influence of leadership from Dell was comforting as they tend to hurt the company brands they purchase while taking what they can from their acquisitions. This gave the confidence to pursue VMware as a viable investment. Zacks gave VMware a growth score of B as it is less volatile, but VMware is the maker of the industry standard hypervisor which lays under most applications companies use worldwide. Vmware is what I thought of as a “recession Proof” company since their product has regular maintenance fees for their management solutions and many of their customers are regulation driven and will always purchase the expensive maintenance.

**Why did I purchase this stock?**

I referenced the analyst research section from Nasdaq.com showing analyst research and consensus. Majority of analysts are recommending VMW as a strong buy and most of the remaining analysts are recommending a hold. I referenced an article posted March 25th by Philip Parker stating the price objective for VMW was upped from $172 to $192 by analysts at KeyCorp. There is a potential upside of 4.52% from the current price based on the article. Citigroup issued a buy rating and a $166 target price while Zack’s Investment raised the shares from a hold to a buy and set a $183 price objective. Jefferies increased their price objective from $186 to $196 and also issues a buy rating for the stock VMW.

I put a training stop on VMware for $167.30 to protect from a downside move. VMW has a 3 year monthly beta of .79 making it less volatile than the S&P 500. VMW is currently up to a price of $181.26 gaining >$27,000 for our portfolio.

For the quarter ending Jan 2019, VMware had $2.849 Billion cash on hand, a decrease of 75.77 YoY.

Average analyst consensus target price $190

**What Did I do with the stock?**

On April 10th at 9:49pm I sold qty 10, $190 July Calls for $9,600 and qty 9, $195 July Calls for $6,750 to make my original purchase only impact the portfolio -$560, where $560 is the premium we spent on the position. As of the beginning of may the stock was trading consistently more than 2 SD from the simple moving average showing growth despite the low beta making it a safe investment to help balance our portfolio beta and add value to the portfolio.

Amazon.com Inc.

NASDAQ: AMZN

Amazon was purchased on 3/7/2019 at a share price of $1599.28.

**Why did I look at this stock?**

Amazon is one of the leading cloud providers both directly and indirectly. With the healthcare space looking at more than just hosting some legacy application in the cloud and the increase in companies like ClearData that manage healthcare data in the cloud, it was reasonable to believe the company would begin to see an exponential increase in value. 79% of millennials have purchased something from Amazon making the stock familiar to potential investors which tends to increase the stock price as more people are willing to purchase it even if they are not a savvy trader. AWS’s increase in popularity made Amazon a viable investment to pursue. Amazon is into online retail (including their profitable Prime Membership), cloud storage, music, video, and Amazon purchased Wholefoods which saved Whole Foods from activist investors and allowed Amazon to pursue using their RFID tags in the retail space which lead to our own Amazon Go store in Ogilvie Metra station.

**Why did I purchase this stock?**

I referenced an article written by Scott Fields on January 11th telling how Amazon has sold more items and raked in more revenue than it ever has before during the holiday season. TipRanks analytics shows AMZN as a strong buy and 38 out of 40 analysts are showing AMZN as bullish. 2019 estimates call for another 36% earnings growth and 20% sales growth.

Average analyst consensus price is $2,100.

**What Did I do with the stock?**

I am not putting a trailing stop on AMZN as there is no need due to earnings and projected earnings. Amazon’s beta is 1.63 which makes it more volatile than the S&P 500 but this matches what analysts are saying about the stock and their extreme increase in target price. Amazon is volatile enough to add a little risk to our portfolio and higher returns.

There was no additional trading done with Amazon shares due to the safe growth numbers in the portfolio. Amazon is currently trading at $1911.52 as it heads towards the projected $1599.28.

Amazon’s cash on hand as of March 31st was $37.02 Billion, a 48.3% increase YoY.

Microsoft Corporation

NASDAQ: MSFT

Microsoft was purchased on 3/7/2019 at a share price of $109.32.

**Why did I look at this stock?**

Microsoft is the world leader in operating systems manufacturing and enterprise application which other application are dependent.

**Why did I purchase this stock?**

Microsoft also has a push for augmented reality which already has companies looking at practical uses and are investing heavily in it.

I referenced an article written by analyst Benjamin Rains quoting that Microsoft has won a $480 million contract with the US government to supply augmented reality systems for the Army. Microsoft’s 3rd quarter earnings are projected to jump 11.24% based on the Zack’s Consensus and the full year earning are projected to jump 12%. Despite Zacks rating Microsoft as a hold in the face of such excellent news, other sites with 22 analysts rate Microsoft as a strong buy. I also referenced a report from Nasdaq.com rating MSFT as a strong buy along with the list of firms releasing the ratings. Microsoft’s strengths in the sector along with news of government contract awards and recent overhaul of their licensing structure last year made Microsoft a viable investment to pursue. Microsoft had a 15% gain over the past 12 months showing a small spurt of volatility for a company with a market value of $847 Billion. Morning star released a statement “We see wide-moat Microsoft as an attractive investment opportunity throughout 2019, as there are very few companies the size of Microsoft that can offer 12% revenue growth and 15% earnings growth in each of the next several years.”

Microsoft has a beta of 1.22 making it an excellent growth stock for our portfolio while analysts are saying the stock will increase in value. Despite Microsoft’s high beta the stock is something I see as recession proof as most technology manufacturers have their applications dependent on Microsoft OS. This will eventually change as Linux gains popularity, but this will not effect our project now. Microsoft is currently pushing their Azure cloud offering to compete with Amazon and their run rate is now $36 Billion, up from $34 Billion one quarter prior. Microsoft’s cloud business has grown 76% YoY making this a two company race between Azure and AWS.

The stock is currently trading at $117.35, up from the purchase price of $109.32 with an increase in >$7 per share.

**What Did I do with the stock?**

4/25/2019: a sell stop order was placed at $125 to protect recent earnings.

Netflix Inc.

NASDAQ: NFLX

Netflix was purchased on 3/7/2019 at a share price of $356.99.

**Why did I look at this stock?**

Netflix has added their own original movies made and distributed exclusively by Netflix adding them to the sector as a media content creator as opposed to a media distribution platform. Netflix is growing in popularity and positive earning through the beginning of the year reflects the company’s public perception. 20% of people who have a streaming service choose only Netflix and between 9 and 14% of people who purchased a competing streaming service have also purchased Netflix. Domestic subscriber growth is beginning to slow, but this will not affect us during this project period. Netflix is investing a lot into original content production to combat the multiple competitors launching their own streaming service. The advances in Netflix and its growing popularity made the stock a viable investment to look into.

**Why did I purchase this stock?**

Average analyst consensus price is $420. I referenced an article written by analyst Nora Barnes on March 26th stating there has been a +0.77% growth in the stock price in the past 5 trading days and over the past 12 months the stock price has moved between $231.23 and $423.21, which can be summed up by saying that despite the 50% drop in share price Spring of 2018, the stock continues to trade at high values. The Wall Street Journal has released a report showing 27 analysts have rated Netflix as a buy and that the stock is overweight.

Netflix has a beta of 1.29 making it more volatile than the S&P 500 by 29% and thus a stock with enough risk to balance our portfolio to a medium risk portfolio. Netflix is currently at $378.81 making a 6.11 % increase in the value of the stock adding >$2,000 to the value of our portfolio.

Cash on hand for Netflix is $3.794 Billion, an increase of 34.42% from 2017 and as of March that Cash on hand is $3.349 Billion, a 29.11% increase YoY.

**What Did I do with the stock?**

I let this stock ride. It was relatively horizontal and I did not expect anything new to happen during the course of this project.

Berkshire Hathaway Inc.

NYSE: BRKB

Berkshire Hathaway was purchased on 3/7/2019 at a share price of $197.32.

**Why did I look at this stock?**

Berkshire Hathaway is Warren Buffet’s company and if there is one name everyone knows it is Warren Buffet, the genius investor giant.

**Why did I purchase this stock?**

Berkshire Hathaway bought back nearly $1 Billion in stock, signaling Buffet believes shares trade below their intrinsic value. Berkshire Hathaway is built on insurance, railroads, utilities and aerospace making online analysts say that this company can run on “autopilot” for the next century. Our portfolio was being unbalanced by some riskier stocks that offer high returns so a stock that is both safe with good returns was needed which originally made Berkshire Hathaway a viable investment to pursue.

The stock was originally purchased at $197.32 and currently sits at $216.71 granting a 9.83% increase and adding $8,400 to our portfolio’s gains. Despite a red graph in Google Finance, BRBK has a rating of Strong Buy from Zacks. The simple moving average is consistently within 2 SD from the mean of the stock price which signals this is a safe stock to bring down my total beta for the 1/3rd of the portfolio I manage.

Berkshire Hathaway’s cash on hand for the quarter ending December 2018 was #30.361 Billion, a 3.87% decline from 2017.

**What Did I do with the stock?**

I will not be putting a trailing stop on Warren Buffet’s Berkshire Hathaway due to the low volatility and the good 12 growth. Berkshire Hathaway has a beta of .67 making it less volatile than the S&P 500 and reducing the amount of risk in our portfolio.

QUALCOMM Incorporated

NASDAQ: QCOM

Qualcomm was purchased on 3/7/2019 at a share price of $53.54.

**Why did I look at this stock?**

Qualcomm makes the processors most of us have in our cell phones and has settled a suit against Apple stating that Apple violated their patents on their processor for their A12 processor, but the stock was purchased before the final settlement, but there was a high level of confidence that they would win the case. Apple has not been an innovator since the days of Steve Jobs and Apple had made the case that their technology would not be possible without the use of Qualcomm technology so they did not need to pay the royalties which is wrong. This recent activity would mean there is a boost to Qualcomm to satisfy the supposed increase in demand now that Apple cannot sell their famed powerful new iPhones until a new processor is developed.

The New Qualcomm processors offer a 50% increase in performance on average granting the ability to use mobile processors in machines other than cell phone thus increasing their market share after pursuing additional devices. The chip manufacturer is now able to take market share from Microsoft in the mobile compute space. With this domain knowledge, the stock was a viable investment to pursue.

**Why did I purchase this stock?**

Different sources place Qualcomm as either a strong buy or a hold, but strong buy is the majority. Qualcomm is currently trading at $86.37 granting a 61.3% increase from our purchase price and adding >$200,263 to our portfolio.

Qualcomm has a beta of 1.21 making it 21% more volatile than the S&P 500 adding a comfortable level of risk to our portfolio. Qualcomm has outperformed expectations and the next 12 months has CNN analysts projecting a high of $76.70 and a low of $55 being possible at the worst. The median expectation according to CNN is $61 which is still an increase in our portfolio.

Average analyst consensus price is $64.5.

**What Did I do with the stock?**

Qualcomm received their boost in the form of a 23% gain the first day the settlement was announced and an additional 11% gain the day after.

There were 40 Calls purchased for $20.89 during the first class costing about $5,200 from the portfolio on accident, but instead of letting them expire I exercised the options during the stock run to add $83,560 on the day of expiration (4/18/2019). If I had noticed that someone purchased these calls before, I would have liquidated it and tried to recoup the losses.

As sell stop was entered at $82.00 to lock in profit if the stock continued to run. I was expecting the stock to hit $82 since it was at $70.45 on April 16th after the settlement.

During the final project of building our portfolio for FINC452, my role was to find good investments within the technology sector for one third of the stocks purchased. I increased my domain knowledge of the sector and found the best or safest participants to research. I learned how to use quantitative and technical tools to evaluate stocks after looking at fundamental tools to augment my lack of experience in trading. After I had an idea if a stock was going to increase I wanted to prove it so I wouldn’t let the group down which led to the use of Bollinger bands, consensus data, analyst reports, and discovering that you can search Google Finance foe stock by beta so I would not make the whole portfolio’s beta go off. After researching the technology sector, I studied how to make trades and later went as far as getting a Bloomberg account through Loyola and studied their certificate on trading using Bloomberg. I augmented my studies by finding the OIC material and followed their learning path on options in case we needed them. I used Udemy to purchase a course specific to options trading and completed it. I prepared the Google slides, complete with custom theme and layout, for our final presentation and shared it with the group where everyone has read and write permissions. I setup the group chat via SMS where everyone stays in communication which is our preferred forum where email and phone augment communications. I have been called the managing fund manager by the team for my contribution towards communication and research. Before the final presentation I rallied the group to set about 30 minutes aside to meet online via zoon to share slides and opinions.

The portfolio was split into 3 portions where all three managers are completely in charge for their own portion of the portfolio. I, Matthew Salmon, am in charge of my own 1/3rd of the net asset value of the portfolio which has been allocated to stock. The securities in my portion of the portfolio are worth $3,046,486.6 as of 5/01/2019 and options were used to boost income on the portfolio and mitigate risk of VMware.