

Final Report: StockApes

School Information:

Signature School, Evansville, Indiana, United States of America

Advisor: Mr. Nicholas Bullington (jose.mota@signature.edu) (Teacher)

Leader: Parth Patel (parthpatel792008@gmail.com)

Members: Adam Tipton, Suyash Bhagwat, Kris Lau, Abdul-Aleem Mohammed, Neel Patel

WInS Username: Neo1234-8860753

ID Number: 8860753

The Wealth Whisperers:

Nike, Coca-Cola, and General Motors, all of us have seen the red can of Coke, the Nike Swoosh, and the Chevy Logo. Our strategy focuses on the buying of large-cap, high-recognizability multinational conglomerates. These three companies alone have lost a combined market cap of 40 billion dollars this year despite all three having sizable increases in revenue. We have compiled a list of stocks, supplementing natural market growth in order to fund Ladi's dreams.

Our strategy at its core focuses on companies with naturally high amounts of revenue that have recently slumped due to losses in profitability. The multinational conglomerate will rarely fail to turn increased revenue into profit, but the market judges this as poor performance. Disneyland Tokyo's rebound, Toyota's new Indian megafactory, and McDonald's China's growth, instead of investing in small foreign companies, we pick large companies with growing prospects: minimizing risk, maximizing reward.

"As the advisor for the Signature School team, I am continually impressed by the insights and strategies the students developed during the Wharton Global High School Investment Competition. They discovered that while conventional market investing offers safe and predictable returns, it may not fully address the unique financial needs of a client's distinct phases. By integrating alternative approaches, such as purchasing government-issued bonds and analyzing lowered projected S&P forecasts, the team crafted an investment strategy that effectively balances market stability with the potential for higher returns. This experience allowed them to deepen their understanding of financial markets and develop innovative, client-focused solutions, preparing them for future challenges in the world of finance."

“We are buying VWO as we believe it is the most reliable indice for tracking the emerging market (due to its heavy regulation). We are buying \$5,000 worth as it rebounds from a one-month slump.” 10/16/24 9:30 A.M.

This was our first ETF trade. Ultimately, the acquisition of the stock at this price was undercut as the index dropped to \$415 a share near the end of October. We had set a limit buy order for \$20,000 at \$420 a share at the beginning of the competition after seeing a bearish market outlook, which we assumed would never fill as the price rocketed to above \$450 instead of dropping. Nevertheless, we bought the first drop we saw, this trade. Coupled with a similar purchase at \$430, we thought we would have to fill the other \$20,000 at a much higher price; however, the bearish October we had anticipated filled our original order.

“GM is down 33% year-over-year despite positive increases in sales and earnings. Following a positive earnings call, its P/E ratio is the best in our portfolio, even for its sector.” 11/08/2024 9:31 A.M.

While our trading notes got lazier, our selection of stocks and buying prices throughout the competition bettered as our sense of acquisition grew more acute. We stopped impulse buying and stuck to our core strategy, foreshadowing a larger gap between us and the market. We included this trade because it was our worst performance for months. Throughout the competition, we have grown more comfortable knowing we have short-term losses and have no qualms about suggesting this stock to Ladi as it will grow in the long term.

Stock-Trak Portfolio Summary (as of 12/13/2024)













































Total Portfolio Return: -0.29%

S&P 500 return over the same time period: 5.30%

Cash in Hand: 75% (\$75,000.95)

ETF Holding: WVO (\$5,000)

Symbol	Value
AEP	7.76
GOOG	8.57
HSBC	8.67
MA	8.56
MAR	8.29
MRNA	6.65
NKE	7.66
NVDA	8.07
TT	8.34
VWO	20.08
XOM	7.35

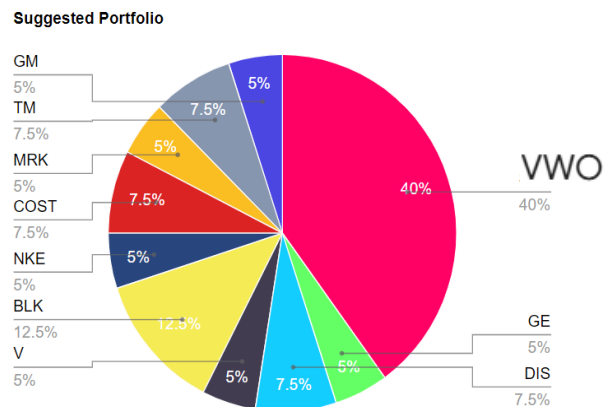
SYMBOL	QTY	PRICE PAID	LAST PRICE	DAYS CHG	P/L	P/L %	MKT VALUE (USD)	ACTIONS
 AEP	20.00	\$100.04	95.85	0.00	-83.80	-4.19%	\$1,917.00	  
 GOOG	12.00	\$167.53	176.49	0.00	107.52	5.35%	\$2,117.88	  
 HSBC	45.00	\$44.51	47.59	0.00	138.60	6.92%	\$2,141.55	  
 MA	4.00	\$514.32	528.97	0.00	57.00	2.77%	\$2,114.28	  
 MAR	7.00	\$265.54	292.59	0.00	189.35	10.19%	\$2,048.13	  
 MRNA	37.00	\$53.36	44.44	0.00	-330.04	-16.72%	\$1,644.28	  
 NKE	24.00	\$81.70	78.89	0.00	-67.44	-3.44%	\$1,893.36	  
 NVDA	14.00	\$139.26	142.44	0.00	44.52	2.28%	\$1,994.16	  
 TT	5.00	\$395.08	412.18	0.00	85.50	4.33%	\$2,060.90	  
 VWO	107.00	\$47.35	46.38	0.00	-103.79	-2.05%	\$4,962.66	  
 XOM	16.00	\$120.81	113.97	0.00	-115.84	-5.99%	\$1,817.12	  

Suggested Portfolio Summary

Cash in Hand: 0%

ETF Holding: VWO (\$40,000)

Symbol	% Value	Sector		
VWO	40	ETF		
GE	5	Industrials		
DIS	7.5	Communication Services		
V	5	Financials		
BLK	12.5	Financials		
NKE	5	Consumer Discretionary		
COST	7.5	Consumer Staples		
MRK	5	Healthcare		
TM	7.5	Consumer Discretionary		
GM	5	Consumer Discretionary		



After reviewing our portfolio, our team concluded that most of our holdings were still well poised for long-term gains. Of course, our portfolio did not translate exactly. We had additions such as Toyota and Merck and Co. that replaced stocks that had already grown the percentage we projected them to. In fact, all of the stocks we removed had outperformed the VWO (except JNJ). Blackrock's weighting in our portfolio was cut significantly as our team thought its over 18% gain would be difficult to continue. We recently voted on the weighting of our portfolio with the change from our StockTrak portfolio mirroring our sentiment on each stock, some being completely removed to having an increased weighting. For this reason, many of our weightings are near-exact as we crafted a more specialized portfolio containing fewer stocks that we can better monitor.

In our Midterm Report, we outlined the costs Ladi would face achieving his goals with an ambitious goal of delivering Ladi with his required money in 15 years, we believe this can be

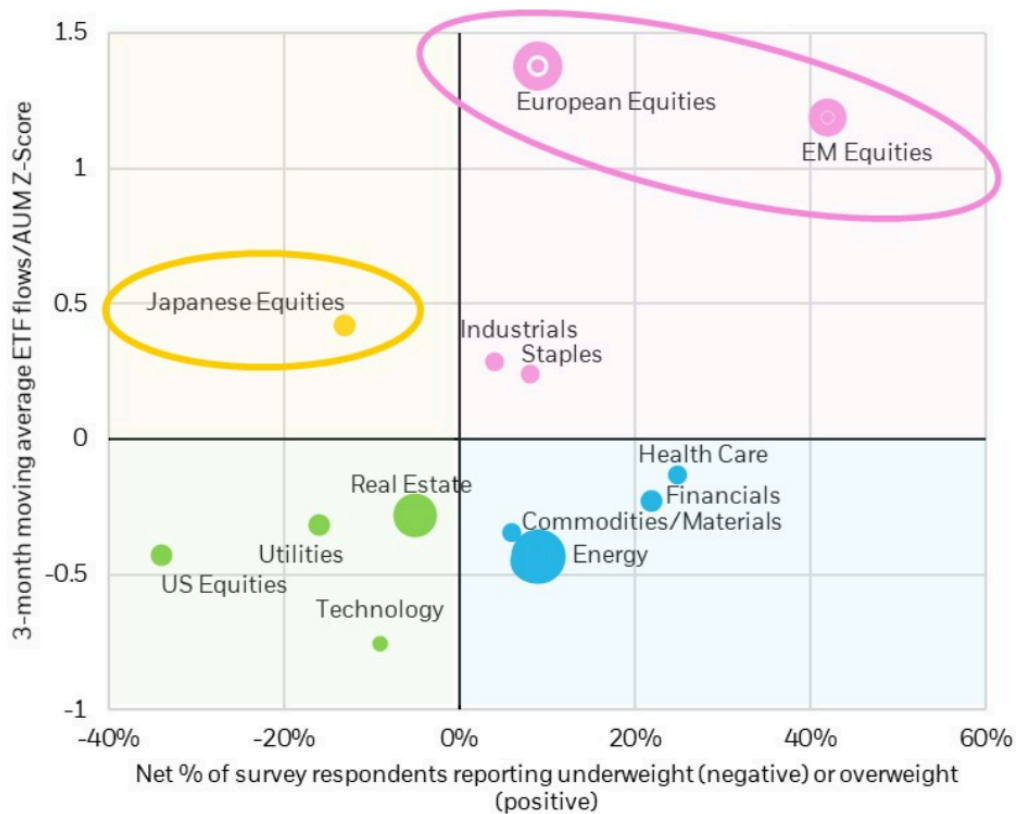
accomplished through supplementation of natural foreign market growth supplemented with domestic individual growth, the reason we have a large-cap index fund that we will ultimately leave there for 15 years. Growing Ladi's \$100,000 17 percent annually (while reinvesting dividends,) will grow his portfolio to over \$160,000, which, after withdrawing either of the steps in his plan will leave sizably more than the initial (*Compound Interest Calculator | Investor.gov*, n.d.). The 30-year growth rate of the S&P 500 is 9.62% annually. Even if this growth rate falls, which experts from Charles Schwab predict will do so to just over 18% annually, putting 40% of our portfolio into this index serves as the most reliable method that doesn't weigh the rest of our portfolio down (*Schwab's 2022 Long-Term Capital Market Expectations*, n.d.). We expect the other 60% of our portfolio will generate returns nearing 14%, and we are confident that that is a benchmark that our active investing will be able to reliably cross.

Earlier, on the second page of this report, we expressed our disinclination towards the purchase of foreign companies, particularly small-cap. Buying emerging markets, which initially seem poised for higher long-term growth than the often considered overweight U.S. market, currently poses a variety of risks that we decided best for Ladi not to incur ("Investors Most Underweight on US Stocks since 2005, BofA Poll Shows," 2023). Fluctuations in foreign currency effects, changes in foreign policy, and the natural volatility of these markets all pose a challenge that outweighs the projected returns. For example, the Chinese and Hong Kong markets, which we had considered investing in with stocks such as HSBC early in the competition hit a wall amidst a capital outflow due in no small portion to rising foreign policy issues ("China's Economic Slowdown Was Inevitable," 2023). Changes in foreign currency exchange rates in Indian, Brazilian, Japanese, and other relatively large markets can also wipe

out sizable gains amidst times when the dollar strengthens. Of course, the largest issue with investing in these markets is their natural volatility due to less capital in the overall indexes.

While we are not recommending foreign securities to Ladi at this time, we may choose to invest sizable portions in large-cap international ETFs in these same countries. According to a historical market analysis conducted by BlackRock, “international stocks outperformed 96% of the time when the U.S. market grew less than 6%” (gchaudhu & jspiegel, n.d.). We plan to consider this metric as we weigh buying foreign stocks in the following few years. In times when the VWO slows, diverting some of our \$40,000 ETF allocations to \$5000 increments of foreign ETFs is likely to upset this decline in developed countries like China, India, and Brazil. If we were to do so, the amount invested in foreign ETFs would stay below 25% of our total portfolio at all times and we would not purchase individual foreign stocks. Even in times when the market is stagnant, we are confident in our ability to pick out domestic stocks to a greater extent than foreign ones.

The infographic below published by BlackRock a few months ago models why our portfolios might seem underdiversified at first, with a lack of foreign involvement as well as notable sectors like energy and technology being absent from our portfolios. Capital inflow into U.S. bonds from sources worldwide following Fed rate hikes has led to U.S. equities being considered severely underweight; as described by the East Asia Forum, “Thirty-eight emerging economies are now in danger of a debt crisis or are currently experiencing one” due to developed countries combating inflation while globally, some nations are still reeling from setbacks induced by Covid-19 (Dhungel, 2022). We believe this primes the U.S. stock market for an exceptional Q1 2024 that will boost our portfolio to a starting point over the 10% return we seek to provide Ladi with.



Source: BlackRock, Bloomberg, Bank of America, Emerging Portfolio Fund Research (EPFR). Groupings determined by EPFR. As of February 23, 2023. Z-scores are a statistical calculation that capture flows/AUM variability in relation to the 3-month average – a z-score of 0 indicates ETF flows/AUM are equal to its mean value, while exposures with z-scores above 0 indicate larger-than-average ETF flows/AUM. Bank of America's Global Fund Manager Survey is a monthly report that canvasses the views of approximately 300 institutional, mutual and hedge fund managers around the world. Flows are subject to change.

After we concluded that we would focus on domestic stocks for the time being, our team divided into sectors, with three people per sector (each person obviously partaking in various groups) to better evaluate stocks throughout the broader market, through this process, we were able to quickly eliminate the energy sector amidst the ongoing volatility we saw while monitoring XOM and CVX, two stocks that we had considered buying for sector diversification. We further considered larger-cap solar and alternative energy stocks; however, these were far too volatile and Exxon's upcoming purchase of Pioneer Natural Resources (the event that made us consider the stock) served as a partial reason for souring renewable energy futures (Soni, n.d.). Since all of us were placed into at least one group with each of our team members, we optimized

communication and cross-comparisons between different sectors as we established our evaluations of each as a whole before picking out individual companies. We established favorable views of industrials, financials, and consumer Services (leading to StockTrak purchases) while we essentially blacklisted energy, real estate (due to rising interest rates), and communication services (due to rising operating costs as a whole) for the time (*US Companies Struggle to Keep Operating Costs down in Q4 2022*, n.d.). We stayed out of information technology for the time being as we are uncertain of the ability of companies such as Nvidia to continue outperforming the market following a robust 2023.

A notable flaw to this divide-and-conquer strategy became apparent during our purchase of Disney. Certain members of our team thought that Disney was severely undervalued as its streaming service, Disney+, had begun to show signs of profitability following an 11 billion dollar loss in 2019 (Watercutter, n.d.). However, half of our team thought its year-to-date downturn was continuing negative and voted to avoid this stock as well as the greater sector. Yet, we bought this stock as the people in charge of monitoring the sector had increased voting power. While this stock performed better than we had expected, it clearly outlined the need for a change in strategy. Following this point, all of our trades were only executed in unanimous or near-unanimous situations.

Prior to the writing of this report, our team voted on changes between our StockTrak portfolio and the one we would recommend to Ladi. Johnson and Johnson had to go. It was subsequently replaced by Merck and Co. due to its better earnings, better P/E ratio, and better alignment with our core trend of buying high-cap companies in a downturn through positive cash inflow. A stock we were all incredibly confident in buying was BLK. The reason for its recent downturn is capital outflow from investors, similar to what has happened to many banks and

passive investing firms. We intend to place a fifth of our portfolio into this holding as the world's largest asset-managing company gained over 1 trillion dollars in assets under management, reaching a total of 9.42 trillion dollars. In this same time frame, its share price has fallen over 20%, causing its market cap to be nearly 100 billion dollars at one point. However, we fear a mid-term slowdown in growth following high performance and thought it would be wise to free up capital that went into stocks like Toyota and Merck and Co., diversifying our portfolio while making management and monitoring simpler.

Bonds, traditional banking methods, and even real estate alone have historically outperformed the VWO. We encourage Ladi in his goals to create generational wealth through real estate, but to raise the capital he needs to start a business, we recommend the market for diversification that can not be achieved through a collection of real estate. Yet, the market alone comes with inconsistencies. In 2022, the S&P lost 19.4%, the seventh worst year since the Great Depression and the worst since '08 (*SP 500 Q4 2022 Sector Earnings Revenue Data*, n.d.). In this same time period, the Chinese market fell over 40% (priming it for growth in future years), while the Indian, Brazilian, and some European markets fell by a far smaller amount, even reporting gains in some areas (*2022 Stock Market Decline*, 2023). In order to minimize this risk and still provide Ladi with the robust growth of the stock market, we have included active investing in our portfolio, focusing on common macro statistics such as revenue, future prospects, and competitors in order to partially shield him from market fluctuations. We hope that in 15 years time, Ladi will have the necessary capital he needs for step 3 and any other future goals he may have as he matures with his portfolio.

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