

Invest Ed®

Students Tracking and Researching the Stock Market

Addi Duerksen, Junior

Mr. Bob Bailey, Personal Financial Literacy

Weatherford High School

Custer County

Northwest Region

Fall 2017

“Stop hitting each other with your backpacks! Why are you throwing your shoes? Please! Stop screaming!” Have you ever had the blessing of babysitting two first-graders? I do every day after school, and I say the first three statements *at least* once a day. This is my first real job, and I have learned a lot from these children. As a babysitter, my job is not only to watch the “kids” and force them to do their homework, but I am also there to guide them and protect them while their parents are at work. I am there to offer guidance and to teach them right and wrong. Just like my six-year-olds, I need guidance as well. As a junior, I know college is coming sooner than I realize, and from my research, I also know that college is very, *very* expensive! Unfortunately, I am undecided on what I want to do in life and because of that, I need to be very smart with my money. One of my objectives is to have a good understanding of finances. Thankfully, I took a Personal Financial Literacy (PFL) class which has helped me achieve this goal. My PFL class uses the Invest Ed® program, and through this program I have learned that investing money is very important for life. This program has also educated me about different types investments, the possible risk of investing, and how to avoid financial fraud.

The very first thing that I did in my PFL class was learn about the stock market. My teacher, Mr. Bob Bailey, briefed me on the basics of the stock market: what the word dividend means, what all those weird acronyms mean, and, of course, what a stock really is. He taught me that horizontal diversification is important in investments since it helps spread any potential losses. This inspired me to make a goal in my research to have at least two companies from each sector. At first, I had no clue where to start. What were good companies other than the name brands I used everyday? How do I find interesting companies? What makes a company worthwhile to research, let alone to invest? Mr. Bailey suggested that I make a list of ten products that I had used in the last week, and thus began my research. Every day, I would look up companies that had caught my attention, or I would easily find a company through Fin-Viz.com by choosing criteria that was important to me such as a mid-market cap and at least a 2% dividend yield. After finding a possible investment, I searched and wrote down its information from Yahoo Finance. I

studied the information for a few moments each time, taking the time to meditate on how well the company was doing compared to other similar companies and its trends for the last six months, year, and five years. If the company met my criteria, I then wrote its general information such as beta, earnings per share, and dividend yield. Using this information, I then calculated the capital gain and total rate of return. After researching forty companies, I decided it was time to find the twenty in which I would invest. I divided my research templates into sectors, and then further organized them by total rate of return computed in my research. Even though high rates of return are tempting, I knew that I had to look further than the possible amount of money to earn. Geography, society, and even weather could have a major impact on the outcome of the stock! For example, there was one company with a particularly steady and high dividend yield along with a fairly high capital gain; however, the company was centered in South Texas, and I knew that Hurricane Harvey could possibly shut the company down for an extended period of time. Sometimes, more than just the outside factors and return rates affected my choice. I would occasionally choose a company that had a slightly lower rate of return than another simply because I *knew* the company. My dad is a farmer, and dinner table conversations often center around different seed or chemical companies. These talks gave me knowledge about a few companies from the consumer's perspective. Occasionally, I would take a chance on a new company that was not as highly performing in the stock market just because I know that quality matters to consumers.

I really enjoyed the research process because I was able to discover new companies and also explore companies that I connected with personally. For example, this summer I was selected to attend the National Judicial Competition in Chicago, Illinois. This was an incredible honor, and I was so excited, but I had never flown before. The company that I flew with was Southwest Airlines. Aside from the thrill of flying, Southwest lived up to their mission statement of giving travelers "a sense of warmth [and] friendliness." Southwest Airlines truly made me feel *LUV*-ed (the company's ticker symbol) while traveling, so I know personally that they live up to their promises. The company's estimated capital gain

of 31.09% certainly made investing appealing, and their fairly low beta of 1.19 and price/earnings ratio of 15.68 truly sealed the deal. Southwest is leading the way for the airline industry. With more than 55,000 employees working to serve almost 100 million annual travelers, Southwest is extremely knowledgeable about what consumers want. It is the only major airline in the United States to offer two free bags plus a carry-on. Their free WiFi allows travelers to work on their personal devices or relax with nearly 20 free live television channels. According to an article by Rich Smith on *Motley Fool*, Southwest is “worth the price” and is “the most profitable airline in the world.” In my research of Southwest, I had the privilege of speaking with Peggy Jansen, Investment Relations Manager. She told me that Southwest has always been managed with the thought of growth. Ms. Jansen stated that in the forty-six years that Southwest has been in business, they have had forty-four profitable years, and in those forty-six years of operation, they had never laid off an employee nor had they ever declared bankruptcy, a claim no other domestic airline can make! Southwest “manages in the good to prepare for the bad” and because of this, “people believe in [their] story.” The company is not only focused on their customers, though. Southwest recently revamped its brand with *Heart*. This campaign remade the flight attendant galley along with releasing new uniforms that the employees themselves designed. Ms. Jansen stated that the CEO Gary Kelly’s philosophy is that “if [you] take care of [the] employees, they will take care of [the] customers.” Jansen noted that this outlook helps with investments since consumers directly influence shareholders. When I asked Ms. Jansen about expansion, she assured me that expansion is definitely on the horizon. She stated that in 2011, Southwest began a five-step plan in order to achieve financial growth. She stated that Southwest manages this balance sheet in order to be “conservative” in their purchases while also keeping “adequate leverage.” After hearing all of this, I was fairly confident in my choice to invest in Southwest Airlines. One thing that Ms. Jansen mentioned that impressed me and secured my investment was that Warren Buffett is the number-two shareholder of the company. If Mr. Buffett, who previously said that he would never invest

in an airline, has enough confidence to invest in Southwest Airlines, I know it is a very smart move for me to invest as well.

Although I valued learning about *how* to invest, I know I won't be able to substantially invest in a company for at least a few years. Thankfully, my PFL class not only educated me in how to invest but also how to *safely* invest. Through the "Anatomy of a Fraud" videos provided by the Oklahoma Securities Commission, I was able to learn about two major types of fraud, how to spot a con, and how to make wise decisions when investing. The first type of fraud I learned about was a Ponzi scheme. This type of fraud seems to be the most popular, and it is easy to see why. A Ponzi scheme is where all investments go towards paying the "returns" for other investors. This is unlike another type of fraud I discovered, pyramid schemes, where investors are in charge of gathering new recruits to fund the previous investors. Through the documentary about Marsha Schubert, I learned that I should never write or receive a check from anywhere except a brokerage firm. I also found that I should always investigate when my broker changes firms, and I should make sure that I am receiving a paper-trail of statements at a minimum of once a quarter. I know that these are easy to spot over a large period of time; when watching the documentaries, I could not believe how naive some of the people could be! For example, Nancy Hunter in the "Casanova Con" told Matthew McClintock about her financial situation before they had ever met in person. When looking at this case from an outside perspective, it seems so simple that one would never do that, but con artists are called "artists" for a reason – they know what they're doing. Cons are smart enough to blend in with the community and the situations around them, and they are usually very skilled with words; however, I learned that if I pay attention, their words and mannerisms can easily give them away. Cons are intelligent enough to use the information they have been given against their victims. Birdie Morris, an elderly woman who invested \$160,000 in a Ponzi scheme, is a perfect example. Birdie was widowed, and her children were gone from her house. Birdie wanted to leave all of her money to her grandchildren, but the bank she kept her money in had very low return rates on her savings account.

William Hickman used her grandchildren against her by promising high rates of return, but in reality she only got back 10% of her original investment. Fortunately, I am able to learn from these people's mistakes, and I know that "if it sounds too good to be true, it probably is."

During my PFL class, investing in the stock market almost seemed like a game between my classmates to see who had the highest rates of return. This mentality is possible when the money we are dealing with is make-believe, but in real life, I know that investing is serious and occasionally risky! At the beginning of the semester, I took a risk quiz which told me that I have an above-average tolerance for risk. I could tell that this score was fairly accurate because my personality is one to do what it takes within reason. An example of this would be in my driving: I am known to have a lead foot at times, but I will never intentionally endanger my life or my passengers' life. This tolerance found itself in my portfolio because I was horizontally diversified in every sector, but I had some investments in some small companies. This diversification helped to protect myself in that if one sector or stock dropped, then my other companies would be safe. I experienced this firsthand with one of my companies: Farmers & Merchants Bank. This company continued profiting throughout my research, but the bottom fell out of the stock barely a week after assembling my portfolio! After discussing the situation, my teacher allowed me to sell my shares. I did this in just the nick of time, too, because I bought it at 80.55 a share, sold at 70.00 a share, and the day after I sold the price had dropped to 25.00 a share! Throughout the writing process of this report, I have monitored the stock, and it has yet to rise over 40.00 a share. I took a risk on selling this investment – there was no information to suggest this drop, and there still is not any – and thankfully I made the right choice. Going back to diversification: I know that I need to be vertically diversified and horizontally diversified. I know that I should have investments in many different areas such as: certificates of deposit (CDs), real estate, savings accounts, bonds, and, of course, stocks to name a few. Many of the investment options just mentioned have fairly low risk but that comes with a price. Often times, these "safe" investments cannot keep up with the inflation rate because of the low rates of return. As for any other

decision, I will have to weigh the pros and cons for each investment type, and then deposit my money accordingly.

Throughout the process of writing this report, Invest Ed® has made me so much more knowledgeable about money and investments. I really appreciated the opportunity to take risks and to learn from them in a situation that would not damage me financially. Now knowing how to protect myself from fraud by learning how to spot a fraud in the first place, I can now research investments and make sure the investment is not overly risky. Finally, I found that guidance is important. Just as “my” first-graders grow in knowledge and confidence, Invest Ed® has armed me with the best knowledge of money possible. Being unsure about my career path, I am able to make smart financial decisions because of the lessons Invest Ed® has taught me. Thankfully, I was able to learn this without getting hit over the head with a flying backpack - metaphorical or literal!

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<input type="checkbox"/>	Name	Symbol	Last price	Change	Shares	Cost basis	Mkt value	Gain	Gain %	Day's gain	Overall return
<input type="checkbox"/>	Lightbridge Corp	LTBR	1.12	-0.01 (-1.32%)	2,750.00	2,911.15	3,080.00	+168.85	+5.80%	-54.72	5.80%
<input type="checkbox"/>	Southwest Airlines Co	LUV	54.61	+0.66 (1.22%)	775.00	40,501.50	42,315.00	+1,813.50	+4.48%	+499.88	4.48%
<input type="checkbox"/>	Cato Corp	CATO	13.75	+0.55 (4.17%)	750.00	9,900.00	10,297.50	+397.50	+4.02%	+397.50	4.02%
<input type="checkbox"/>	Enable Midstream...	ENBL	14.72	+0.16 (1.10%)	725.00	10,128.25	10,672.00	+543.75	+5.37%	+116.00	5.37%
<input type="checkbox"/>	Green Plains Partners LP	GPP	19.30	0.00 (0.00%)	600.00	11,445.00	11,580.00	+135.00	+1.18%	0.00	1.18%
<input type="checkbox"/>	Alexion Pharmaceuticals...	ALXN	145.31	+1.24 (0.86%)	450.00	63,535.50	65,385.00	+1,849.50	+2.91%	+553.63	2.91%
<input type="checkbox"/>	Farmers & Merchants...	FMAO	87.38	+0.38 (0.44%)	500.00	40,275.00	43,690.00	+3,415.00	+8.48%	+190.00	8.48%
<input type="checkbox"/>	Starbucks Corporation	SBUX	54.47	+0.92 (1.73%)	475.00	25,407.75	25,873.25	+465.50	+1.83%	+443.98	1.83%
<input type="checkbox"/>	Amazon.com, Inc.	AMZN	996.56	+13.98 (1.42%)	50.00	47,768.00	49,805.00	+2,037.00	+4.26%	+676.00	4.26%
<input type="checkbox"/>	Target Corporation	TGT	59.52	+1.63 (2.82%)	250.00	13,640.00	14,882.50	+1,242.50	+9.11%	+410.00	9.11%
<input type="checkbox"/>	Compass Diversified...	CODI	17.02	-0.02 (-0.15%)	375.00	6,375.00	6,382.50	+7.50	+0.12%	-9.38	0.12%
<input type="checkbox"/>	Celsius Holdings, Inc.	CELH	6.54	+0.06 (0.93%)	1,000.00	5,420.00	6,540.00	+1,120.00	+20.66%	+60.00	20.66%
<input type="checkbox"/>	Gildan Activewear Inc...	GIL	31.01	-0.34 (-1.08%)	325.00	10,175.75	10,078.25	-97.50	-0.96%	-110.50	-0.96%
<input type="checkbox"/>	CNH Industrial NV	CNHI	11.49	-0.03 (-0.22%)	1,000.00	11,000.00	11,490.00	+490.00	+4.45%	-25.00	4.45%
<input type="checkbox"/>	Domino's Pizza, Inc.	DPZ	188.83	-1.09 (-0.57%)	225.00	40,999.50	42,527.25	+1,527.75	+3.73%	-204.75	3.73%
<input type="checkbox"/>	Royal Caribbean Cruises...	RCL	122.32	+0.66 (0.54%)	225.00	27,139.50	27,519.75	+380.25	+1.40%	+146.25	1.40%
<input type="checkbox"/>	Electronic Arts Inc.	EA	120.10	-0.32 (-0.26%)	250.00	29,232.50	30,020.00	+787.50	+2.69%	-82.50	2.69%
<input type="checkbox"/>	Adobe Systems Incorporat...	ADBE	156.12	-0.19 (-0.12%)	175.00	27,172.25	27,315.75	+143.50	+0.53%	-38.31	0.53%
<input type="checkbox"/>	AES Corp	AES	11.25	+0.01 (0.09%)	1,500.00	16,665.00	16,875.00	+210.00	+1.26%	+15.00	1.26%
<input type="checkbox"/>	Calgon Carbon Corporatio...	CCC	13.18	+0.18 (1.35%)	2,000.00	24,640.00	26,360.00	+1,720.00	+6.98%	+350.00	6.98%
Cash - Deposit / Withdraw			\$35,668.35				\$35,668.35				
Portfolio value:				+3,333.07 (0.65%)		\$464,331.65	\$518,357.10	+\$18,357.10	+3.95%	+\$3,333.07	3.95%

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Name	Symbol	Last price	Change	Shares	Cost basis	Mkt value	Gain	Gain %	Days gain	Overall return
<input type="checkbox"/> Lightbridge Corp	LTBR	1.06	+0.01 (1.33%)	2,750.00	2,911.15	2,915.00	+3.85	+0.13%	+38.50	0.13%
<input type="checkbox"/> Southwest Airlines Co	LUV	54.74	+0.63 (1.16%)	775.00	40,501.50	42,423.50	+1,922.00	+4.75%	+488.25	4.75%
<input type="checkbox"/> Cato Corp	CATO	12.80	-0.16 (-1.23%)	750.00	9,900.00	9,600.00	-300.00	-3.03%	-120.00	-3.03%
<input type="checkbox"/> Enable Midstream...	ENBL	15.06	-0.11 (-0.73%)	725.00	10,128.25	10,918.50	+790.25	+7.80%	-79.75	7.80%
<input type="checkbox"/> Green Plains Partners LP	GPP	19.85	-0.15 (-0.75%)	600.00	11,445.00	11,910.00	+465.00	+4.06%	-90.00	4.06%
<input type="checkbox"/> Alexion Pharmaceuticals...	ALXN	127.82	-0.80 (-0.63%)	450.00	63,535.50	57,519.00	-6,016.50	-9.47%	-362.25	-9.47%
<input type="checkbox"/> Farmers & Merchants...	FMAO	36.77	-3.71 (-9.17%)	0.00 (closed)						-13.10%
<input type="checkbox"/> Starbucks Corporation	SBUX	55.20	+0.32 (0.59%)	475.00	25,407.75	26,220.00	+812.25	+3.20%	+153.19	3.20%
<input type="checkbox"/> Amazon.com, Inc.	AMZN	1,111.81	+10.86 (0.99%)	50.00	47,768.00	55,590.50	+7,822.50	+16.38%	+543.01	16.38%
<input type="checkbox"/> Target Corporation	TGT	59.57	-0.69 (-1.15%)	250.00	13,640.00	14,892.50	+1,252.50	+9.18%	-172.50	9.18%
<input type="checkbox"/> Compass Diversified...	CODI	17.27	-0.28 (-1.60%)	375.00	6,375.00	6,476.25	+101.25	+1.59%	-105.00	1.59%
<input type="checkbox"/> Celsius Holdings, Inc.	CELH	4.79	-0.36 (-6.99%)	1,000.00	5,420.00	4,790.00	-630.00	-11.62%	-360.00	-11.62%
<input type="checkbox"/> Gildan Activewear Inc...	GIL	31.01	-0.06 (-0.19%)	325.00	10,175.75	10,078.25	-97.50	-0.96%	-19.50	-0.96%
<input type="checkbox"/> CNH Industrial NV	CNHI	12.09	+0.01 (0.08%)	1,000.00	11,000.00	12,090.00	+1,090.00	+9.91%	+10.00	9.91%
<input type="checkbox"/> Domino's Pizza, Inc.	DPZ	181.47	-3.21 (-1.74%)	225.00	40,999.50	40,830.75	-168.75	-0.41%	-722.25	-0.41%
<input type="checkbox"/> Royal Caribbean Cruises...	RCL	121.93	-2.28 (-1.84%)	225.00	27,139.50	27,434.25	+294.75	+1.09%	-513.00	1.09%
<input type="checkbox"/> Electronic Arts Inc.	EA	117.41	+0.52 (0.44%)	250.00	29,232.50	29,352.50	+120.00	+0.41%	+130.00	0.41%
<input type="checkbox"/> Adobe Systems Informat...	ADBE	176.07	-1.26 (-0.71%)	175.00	27,172.25	30,812.25	+3,640.00	+13.40%	-220.50	13.40%
<input type="checkbox"/> AES Corp	AES	10.74	-0.03 (-0.32%)	1,500.00	16,665.00	16,110.00	-555.00	-3.33%	-52.50	-3.33%
<input type="checkbox"/> Calgon Carbon Corporatio...	CCC	21.55	+0.05 (0.23%)	2,000.00	24,640.00	43,100.00	+18,460.00	+74.92%	+100.00	74.92%
<input type="checkbox"/> T. Rowe Price Health...	PRHSX	74.38	+0.95 (1.29%)	135.00	9,968.40	10,041.30	+72.90	+0.73%	+128.25	0.73%
Cash - Deposit / Withdraw										\$61,320.95
Portfolio value:										\$61,320.95
Cash - Deposit / Withdraw										\$434,025.05
Portfolio value:										\$524,425.50
Cash - Deposit / Withdraw										-\$29,079.50
Portfolio value:										+6.70%
Cash - Deposit / Withdraw										-\$1,226.05
Portfolio value:										5.02%

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