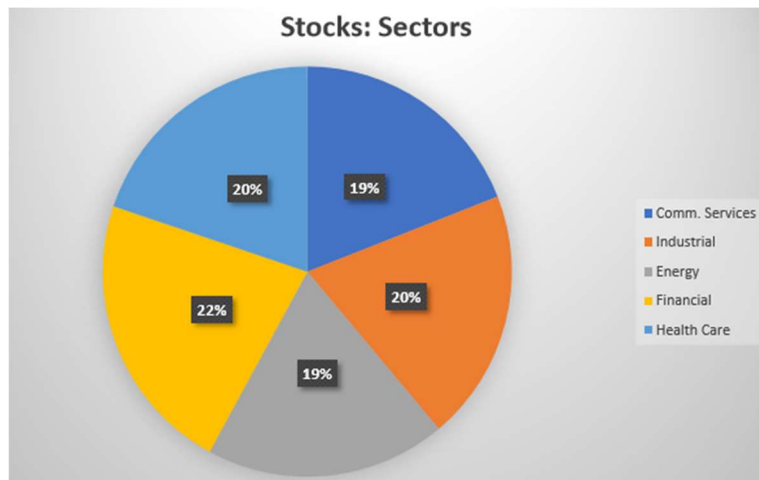# Creating an Investment Profile

Possibilities for a Diversified Portfolio

- Based on spending $100,000.00 available to you in the Stock Market Game.
- Teacher decides what asset classes will be used for investing (stocks, bonds mutual funds)
- This is one of many possible examples for diversifying your portfolio.
- Due to Maximum Percent Equity Rules Speculative Portfolio Investing is contained to 20% per stock. Mutual fund or bond

Conservative	Moderate	Speculative
15 – 20 stocks, bonds & mutual funds * $5,000.00-$7,500.00 per investment *5 to 7 Sectors * All Large Cap	**10 stocks & bonds** *Each purchased around $10,000 *3 to 5 Sectors *Company size 5 - 7 Lg. Cap 3 - 5 Sm. cap	**5 Stocks** *Each purchased around $20,000 *For my students it is 5 stocks at $20,000.00 each for very speculative. This is due to Maximum Equity Rule. It is set at 20% for my states

List of the 11 Major Sectors

Utilities	**Health Care**	**Telecomm. Services**	**Financials**
Auto Manufactures	**Materials**	**Consumer Staples**	**Energy**
Real Estate	**Consumer Discretionary**		**Information Tech**

Student/Team Profile

Student/Team: **Conservative**

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CONSERVATIVE          SPECULATIVE
          MODERATE
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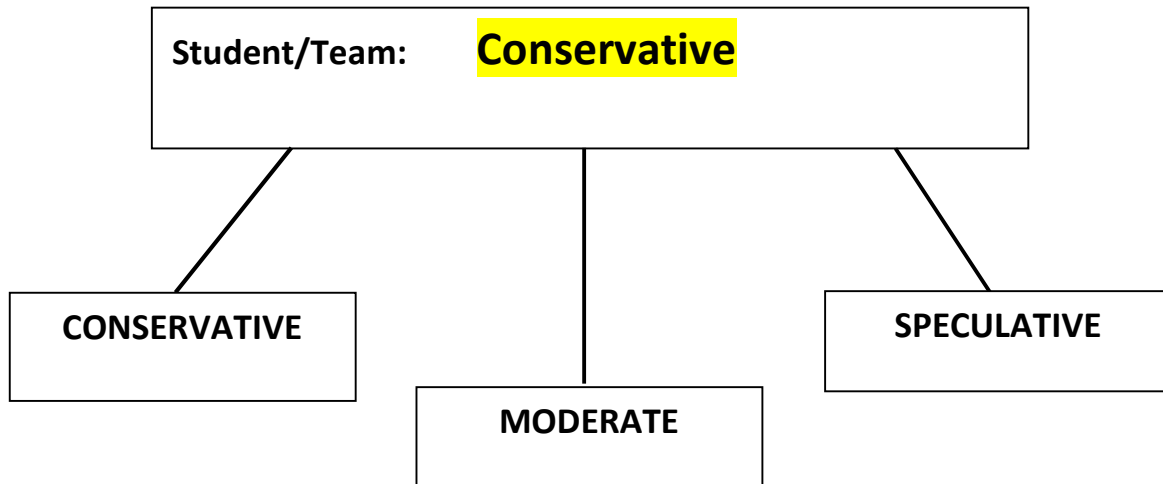
Directions: Have a team discussion on the level of risk that the SMG portfolio will have. Decide by team majority what your investment strategy will be. Indicate by placing $ signs in the box above which risk level has been decided on.

Below: Use the note pad to identify the specific investment position and percent of stocks, ETF's, mutual funds, and bonds you will buy.

1. stock   ($10,000)   Lg. Cap
2. stock   ($10,000)   Lg. Cap   **In the Large cap stocks I will consider dividends and Sectors**
3. stock   ($10,000)   Lg. Cap
4.stock   ($10,000)   Lg. Cap
5. stock   ($10,000)   Lg. Cap
6. stock   ($10,000) Mid Cap
7. stock   ($10,000) Mid Cap
8. stock   ($10,000) Small Cap
9. mutual fund   ($5,000) small cap
10. mutual fund   ($5,000)   small cap
11. bond   ($5,000) Corporate
12. bond   ($5,000)   Corporate

VOCABULARY

Risk Tolerance: the level of risk that an individual/team is willing to take. (Conservative, Moderate, and Aggressive Risk Levels)
Diversification: spreading your money among stocks, ETF's, mutual funds or bonds
Stock: investing in a company as a shareholder with expectation of investment profits and dividends
ETF/Mutual Fund: an investment with many stocks or bonds providing diversification/safety based on the funds risk objective
Bond: the investor is lending money to a corporation (Corporate Bond), city, state, institute (Municipal Bond) or the government (Treasury Bills, Notes, Bonds) considered to be a conservative and safe investment
Market Cap: the total dollar market value of all of a company's outstanding shares ***Large cap:** 10 billion + less risk* ***Mid cap:** 2 billion to 10 billion moderate risk* ***Small cap:** less than 2 billion speculative risk*
Dividend: a payment to shareholders of a portion of a company's earnings.
Beta: measure of the volatility of a security (stock) or a portfolio in comparison to the market as a whole. **Break down** – *a **beta of 1** indicates than the security's price will move with the market. A **beta of less than 1** means that the security will be less volatile than the market. A **beta greater than 1** indicates that the security's price will be more volatile than the market. For example, if a stock's beta is 1.2, it's theoretically 20% more volatile than the market.*
P/E: the ratio for valuing a company that measures its current share price relative to its per-share earnings. **Break down** – *the P/E ratio indicates the dollar amount an investor can expect to invest in a company in order to receive $1.00 of that company's earnings. If a company were currently trading at a P/E of 20 the interpretation is that an investor is willing to pay $20 for $1 of current earnings.* **In general, a high P/E: investor is expecting higher earnings growth in the future compared to companies with a lower P/E. A low P/E can indicate either that a company may currently be undervalued or that the company is doing exceptionally well relative to its past trends.*
Growth Stock: a company whose earnings are expected to grow at an above average rate relative to the market, most tech stocks are growth stocks and found on NASDAQ Exchange. Expect higher levels of risk
Income Stock: a company whose earnings are historically consistent, with less risk found on the NYSE Exchange

Possible reasons for stock prices to rise	Possible reasons for stock prices to drop
New Products, News	Accidents or Health Problems
Positive Leading Economic Indicators	Negative Leading Economic Indicators
Profit (Earnings report) shows growth	Supply & Demand for company stock
Co. takeover bids or spinoffs	Investigation by the SEC