Introduction to Business Professor Susan Berston
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Stock Market Write-Up

1. **(10 points) What did you learn from this assignment?**

This was quite an experience. Stocks are definitely a concept that gets a bit over-simplified. 1 think back to middle and high school when they talk about stocks as something that you can just invest some money here and if the company does well you make a lot. In some instances, it can be that simple, but this is not the smartest way to be profitable.

Smart investors use multiple strategies when investing or have a very smart portfolio manager make the decisions for them. At any rate a lot of effort goes into the experience. At face value, you could just find a cheap stock and invest hoping it gets larger. The reality is that you MUST research companies to be a smart investor. Investing is a gamble, but you can be a very smart gambler. Before looking into a stock, it would be good to note their growth so far, therefore, having a look at their history is a wise decision. A smart investor is also going to look at the public interest in the company. No investor has to be a customer or consumer for the company at all but knowing the clientele and customer base is very smart. This means that a good investor should understand the industry they are looking to invest in as well. If they understand the industry and a company still looks competitive, a good investor might want to know the edge that the company has. Knowing what sets the company apart from the pack may show an investor that maybe their first choice isn't the best choice. On top of the advantage the company may have, a good investor may want to know any research and development or projects that will create advantages in the future. Some investments don't pay dividends, and that is still something to wrap my head around but owning a number of shares in a company with high value can dramatically increase one's net worth.

Stock owners are wealthy because they stay in the game. The mantra of buy-low-sell-high is obvious, but some stocks can dip fairly dramatically at the drop of a hat. Had we started this project a few weeks earlier, there would have been a very dramatic decrease for Nike's stock the week Zion Williamson's shoe blew out on court. Personally, I would have picked that week to invest in Nike if I had the capital. The reasons some get as wealthy as they do off stocks is because they research, hop on to a solid company, and they stick to it. There is money to be made in shorter runs too, but time is a testament to wealth. For example: Nintendo started as a card company in the late 1800's and grew into the consumer electronics industry by making games and consoles. They went public through ADR's in the early 90's. In 2003, the company's stocks were around $15 per share. If you bought 100 shares you spent $1,500. In late 2007, the stock hit almost $79 per share. If you cashed in your stocks you would have made $4,900. Since then their stock has dropped off quite a bit but the point is still the same, sticking it out on companies that stick around, earns a smart investor the most cash.

a. **How would you describe the experience?**

It was interesting. Initially, there was a lot of work in filtering down information. Many sites simply summarized blurbs of other articles and without that context it can be hard to absorb. Some articles were just opinions. Some of the articles were so deep in investor lingo that you really have to go look at what it is that's being discussed. Highs, lows, indexes, annual reports,
This made things pretty stressful.

Another thing was simply monitoring the stocks. It's task to even learn what you should actually pay attention to. On one hand you could just watch the price, or you could monitor the number of shares traded. I am still unsure of how much they actually correlate. I think that the number of shares traded for a company means a bit more than the price of a stock in terms of what the company may have done, bad, good, or neutral.

After all that, interpreting information was another true task. Some of the news may be released directly from the company itself and could be very positive, like a new green product. At the same time, a natural disaster may have come through and been assumed to have destroyed the
much if at all. On a few occasions, bad news was released and the stock rose. How do you correlate the two? If stocks were as simple as good news equals raise and bad means drop, the stocks for certain companies like Oracle could be much higher. When I reached this conclusion, I learned that being a good investor takes a lot of time and knowledge. Particularly this knowledge should be of the stuff behind the news that most people won't catch. For some of the larger companies like Apple or Amazon, it may work simply that news releases can guide one to prosperity, but for most stocks it doesn't work that way.

b. What type of emotions, if any, did you feel during the assignment?

This was exhausting. I can only imagine what it would feel like to be a portfolio manager. If it takes that much knowledge to ensure people are profitable, there are libraries of financial knowledge in stock managers and fund managers. Following all the companies was a task in its own. For some companies it wasn't too hard to find stuff from a reputable site. For other companies it was a nightmare to find much of anything.

In terms of finding scandalous activity from leaders within a company, initially I was stressed from not finding anything. That stress left me as I understood that, smart CEO's at good companies either hide their issues very well, or generally just don't conduct themselves in a way to draw that kind of attention. I think that their companies matter to them too much to let it all go for what probably wasn't going to do as much for them in the long run. Before the project, I was scared Nike would be in hot water for months over the PG 2.5 blowout. They recovered remarkably fast due to Nike's prompt action.

As I got used to the monitoring, it got a bit easier. I think my mindset going in helped a lot. I knew from the beginning that I didn't want to be ripping my hair out at every news article or possible blowout, so I would check the articles more than I did the price of the stock. When I discovered that you can see the opening and closing values to the day, I started checking the price once per week. This is because I really thought to be like an investor looking for long term growth. I was at great ease even though my stocks didn't do as well as many others over these seven weeks. My mindset was as if I
were to invest and watch a stock for a year. That way I actually have more data points to go off of than simply the turmoil of this week and the joy of the next.

2. (10 points) For each of the six stocks you chose to purchase, discuss in detail the basis of your decision i.e., why you decided to purchase each stock.

a. Why you purchased stock A

Nike is the brand for me. This was my heart and soul choice. Nike has to me the craziest concepts for shoes. Not only that, the amount of research, development and technology they put into their sportswear is THE force to be reckoned with.

I have been a Nike fan my entire life. Growing up, I had some cool pairs but I also wore a lot of shoes that my family could just afford which were usually practical and not Nikes. As I longed for the coolest looking pair of Nikes, I was always curious why they were priced so high. When I was able to finally buy them, I had tunnel vision on all of the greatest pairs. I was up at midnight clicking the refresh button to see shoes appear. I waited outside of malls at God-knows-what-hour just to have.

More than just the craze is I can trust the value of the product. Because of the research and development done on Nike shoes, I can trust them. You can see it as they release new shoes
shoes. Whether they are matching trends with fitness or just attempting to create the best fit of shoe with minimal material, they test their products to ensure that they go the distance and perform until the soles give out.

b. **Why you purchased stock B**

Salesforce was my technology bid. I didn't know much about them then and I understand a limited amount more now after Investing, but what I have observed was their growth before this project.

Salesforce sells product solutions and interfaces for companies to help them sell their products better. Notably I have noticed their large building in San Francisco and seen an office of theirs in Palo Alto where I work. Even closer to home, one of the companies I work for utilizes them.

The company has capitalized on customer resource management and has really made themselves a front runner through its solutions. My hunch here was that if they continue to perform as they have, their stock will seldom see a negative day.

c. **Why you purchased stock C**

Oracle has been in computer technology for a long time. They are massive in size with over 100,000 employees and are based in the Bay Area's Redwood Shores. The main reason I picked them was because I did an internship there Summer 2018. It was a great experience.

Oracle hasn't had the easiest time getting into cloud computing but they're succeeding with it. While they are competitors with Salesforce in certain aspects, another reason I chose them was because of their proven longevity.

Though it's unfortunate they were unable to get the rights to build the new arena and keep the Golden State Warriors, part of me was also betting that if they did, I would get to see the fruits of that investment.

d. **Why you purchased stock D**

General Motors is a car manufacturing company that owns the brands GMC, Buick, Chevrolet, and Cadillac. They have been doing business since the late 1800' s but really got started in the early 1900' s.

I used to own a Chevy and I loved it. Part of the investment was a bit of loyalty if you will. They produce solid cars that are in the middle of the pack when it comes to repairs. In recent years, I have also really enjoyed the look of their new modeled vehicles. Noticing the increase in newer models on the road, I thought it would be a good decision as well to capitalize on their popularity.

Finally, General Motors is a part of the American culture. It is a traditional brand which speaks to its longevity again. As the desire for green vehicles grows, GM is using Chevrolet to really get into that market with more than just compact vehicles.

e. **Why you purchased stock E**

Berkshire Hathaway is a stock I knew nothing about. Even now their reach is massive. That is the exact reason I purchased them. The CEO, Warren Buffett, has made a career of a diverse portfolio and, at 88, still runs the company. If his assets weren't calculated, you could almost begin to say that the man is invaluable.

The company owns shares of Delta, Apple, Goldman Sachs, Coca-Cola, Wells Fargo, and a
When I think about it now it doesn't make sense but I had two things in mind with this purchase. The first was that they would continue to grow and I would get to witness it. The second
was that it would maintain my portfolio value in the event one of my other stocks didn't work out well.

f. **Why you purchased stock F**

XCEL Energy is an energy provider that serves much of the mid-western United States as well as some southern states like Texas and New Mexico. Any company that provides that much coverage must be worth a grip but because it's a utility, I didn't expect too much.

My hope was that they were growing but that they were an underdog in the market so they might creep up on some of their competitors a little bit. Not much of a rationale there I know.

3. (10 points) What was the overall result (gain or loss) of each of your six stocks from the beginning of the assignment (3/4/2019) until the end of the assignment (approximately 4/19/2019)?

Company	Stock Price 3/1/2019	Stock Price 4/19/2019
Nike (NKE)	86	89.20
Salesforce (CRM)	163.45	155.99
General Motors (GM)	39.90	40.30
Oracle (ORCL)	52.33	54.52
Berkshire Hathaway (BRK.B)	202.74	209.99
XCEL Energy (XEL)	54.26	54.68

I am actually pretty proud of this. To begin with $100,000 and end with $1723.23 more means we were successful at making a profit. My portfolio value increased by 1.72% and that's decent. Although I was hoping my stocks would have been more lucrative, the news definitely does play a role at times in determining the stock's value.

a. What was your expectation?

I expected to see more growth from GM and Salesforce. With the exception of the scandal of aiding sex traffickers and Salesforce I thought they would see an increase. Looking at it from the current date, that may have really held back the company from recovering in the weeks after. For GM, I expected the investment into autonomous vehicle services to be a bigger boost as well. In retrospect, that project isn't as well known to consumers. Adding a new CEO and closing the plant in Ohio didn't help much either. And on that note, the CEO isn't an issue, but it is a fresh person in place to handle a recovering company. For CEO's in this position, shareholder's and board members are generally impatient when it comes to seeing progress. For her to be the face of plant closures so early on, it doesn't look the best.

From Berkshire Hathaway, I expected to see more growth. With that said, to see 3.5% growth is really encouraging. Oddly enough, the days I checked the stock it always felt like it was down. This is probably because of the fluctuations that occur, and the stock's visual of either red or green. On many days, it felt red but that could have been because we are tuned to remember bad news, and red in most instances is bad in our culture. I did expect to also find a limited number of industries Berkshire Hathaway would be invested in. They are utterly everywhere: Apple, Mastercard, American Express, General Motors, American Airlines, Proctor & Gamble, Visa, Restaurant Brands International, Red Hat, and so many more. It is very easy to see why so many people try to emulate them by investing in many different industries. In retrospect, they did increase my portfolio's value by more dollars per share than any other company I invested in and that's awesome.

Oracle was actually a stock I imagined would be a big maintainer of value for me. Though they are a very large corporation, I don't think they are known by many people. As far as investors it is probably different but for the average consumer, they probably only know them because the Golden State Warriors have played there for so long. Oracle's services are sold through larger contracts and I should have looked deeper into tracking their business endeavors with other companies. In fact, what I really should have done was try to contact my former manager from when I did an internship there to find out exactly what I should be snooping around for. Honing in on the read and not really focusing on the numbers, it looked like they weren't going to bode as well as they ultimately did. Many articles backed this as well claiming that the company wasn't looking to hot in comparison to some of their newer competitors. Like anything, I should have rested easy considering how long Oracle has been around. Not to say that big companies will stick around forever but it takes a lot to bring large companies down.

For Xcel Energy, I expected this company to be another maintainer as well. There were many things I considered. In one space, they operate in areas of the country where coal mining is part of local markets. Only later did I really look into where coal mining operations are happening in the US and realize that this angle may not serve so well. The thought was that with the politically conservative atmosphere in many of these places, people would continue to invest in them because they have been a coal-first company. In the years to come, I figured they may lose many investors if they didn't move to green energy but I was only worried about the time being with seven weeks. In another space I was thinking the exact opposite; what if people pull their investment now? Before learning of their ambitious endeavors in Colorado, I was hesitant that maybe an energy company like this would only see decline. I didn't know how invested they are into renewable energy and that definitely was comforting when I did look more into them. In the end they did their job for me. They didn't maintain a great rise over the course of these weeks but they maintained well.

For my pride and joy, Nike, I expected slightly more than what I got from them. I was happy to see their overall growth. An almost 4% growth is very nice and encouraging. I knew they would get a boost in March because of March Madness. The NCAA makes more off of that one tournament than almost all of the other NCAA sports tournaments combined. To be more exact, they earn about 90% of their annual revenue from the big dance. With this in mind, I new Nike's releases of basketball shoes in college team colorways would be nice for them. There was also the inkling that all of the ads featuring women on the Nike app would also pay off. Fun fact: Nike is the first sportswear company to make an athletic hijab (this happened years ago). Whether it was for monetary reasons or social ones, I was very proud of Nike for this. Ultimately, my loyalty with them was worth the investment.

b. **What would you do differently?**

If I could do this project over again, I would try to invest in a couple different industries and I would have taken more risk by investing in trendier companies.

For one, I was only invested in three different industries: consumer goods, technology, and utilities. Why in the world did I leave real estate alone?! What about healthcare? Even though roughly 40% of my investments were in technology, they were in quiet corporations that mainly sell business to business. The risk of investing is ubiquitous but I should have tried something that utilized a business-to-consumer model. Definitely should have followed other trends as well. E-gaming is starting to really grow in popularity and the stocks for computer components manufacturers like Nvidia and AMD are killing it. Those are two companies I definitely should have placed money into.

Trends are literally waves of money. Like avocado toast and or sriracha sauce, I learned that following the trends in what is most popular is very lucrative in investing. I didn't do any monitoring on them but Starbucks would have been a good buy. They have been a trend for a long time and even with more, smaller and gourmet coffee shops popping up, they are still spreading to places in the United States that people have never even heard of. Clovis, New Mexico is a great example.

c. **What type of investor do you think you a**re?

This project showed me that I am growing in being bold. The snapshot shows me as a very tentative investor and I agree with that. I'm definitely not the kind to throw cash blindly and hope for the best. At the same time, it shows that I can be much more aggressive in order to earn more. In a strange way, this project is a bit of a glimpse at one's self. Maybe that's a stretch, but I do wonder how many people invest wildly but are well kept together personally. It is definitely a note from this that you really must be willing to take more risk to get more of a reward.

In another light, I noticed that I am right in between the average consumer and a confident investor. Clearly, I am unmoved by most articles that may be presented as a possible issue. At the same time, as it was harder to keep track of what news may benefit or deplete from a company's earnings, I became wary. To be a better investor, its important to stand strongly by your investment and your own standards of performance.

d. **What type of investor do you aspire to be?**

First, I want to be less bothered by seeing red. For one, stocks go up and down literally all day long and it's a long-term way of making money despite the hype. With that in mind, it be beneficial to truly embrace a "set it and forget it" mindset. Stocks move for so many different reasons that it is irrational to scrutinize it to the minute. I doubt that is a healthy practice. Maybe one way of doing this is tuning out the numbers as much or checking the stocks once a month. Either way, the more comfortable I can be in seeing the color, the more I can focus on what the numbers actually are.

Good investors are methodical and it would be well worth the time to gain that trait. There's a strategy to the way they invest, the timing of buying, selling, and waiting. A good way to really be a solid investor is to read and understand different strategies and attack the market accordingly. Investing blindly poses unnecessary risk and too much scrutiny could easily keep one out of the game. The balance is in the middle where there is a practice but a flow of decisions. I also think that there's probably something to be said about stocks not being mechanical. Some of the largest corporations have died over the smallest actions that compile into a big deal. If a company looks to be getting into legal trouble, for instance, it may not be the best move to immediately distance one's investments without context. Instead, knowing what a company may survive could be the difference between no profits, some profits, and major profits.

Wealthy investors either have great portfolio managers or they themselves are in tune with market and industry trends. Even though its odd to see older generations where the trendiest clothing or use the newest products on the market, it is invaluable to know where your money is going. Being able to follow trends allows an investor to see when a formerly quiet industry may make its way to the front. More realistically, when a company within an industry has just found the good or service that will bring them to the front. Whether that's investing in Champion because the retro sports brands are coming back or companies that sell single blade razors, the point is the same. Knowing what's becoming popular can pay large dividends. The best of investors are probably also in tune with jumping on the new companies that will have the means to prolong themselves or even create more trends.

Before one can even follow a trend, it would probably be best to just have a general knowledge of the environment within each industry. To know a company will be great because of a particular line of products that are popular is one thing, but the prerequisite to this is always understanding why it's even a game changer. If cannabis had quietly become legal or even always been legal, it would be in a very different place right now. Money makers probably watched the country discuss it, but really snooped into the states and business owners that were getting the rights to produce and sell products from it. That took an immense breadth of knowledge and a solid understanding of consumers goods, healthcare, and or agriculture.

As a personal goal, my aim would be to be independent of account or portfolio managers. This isn't to say that they're a bad idea. Just as the challenge, I would want to be able to handle my stocks myself. With the rise of ECN's like Robinhood, that would be my route. There is a pride to be taken when making one's own money. Though it may be more lucrative to have a portfolio with an amazing manager at the helm, its more important to me that I monitor my own funds and make the decisions. It would be a great experience to have as well that you can share with the next generations.