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## Trading Stocks

An Interactive Qualifying Project

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# Abstract

In this Interactive Qualifying Project, a simulation of trading shares of stock was done for six weeks. The stock portfolio contained eight different stocks, which were comprehensively researched, and had an initial investment of two hundred thousand dollars. Also contained in the Interactive Qualifying Project is an inclusive history of the stock market. Different investment web sites were investigated on the World Wide Web to find which site offered the most to an investor.

# Acknowledgements

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# Chapter 1: Introduction

This project is a stock market simulation. We are doing a simulation in order to understand how the stock market works. We will simulate an actual stock market portfolio over a six-week period in June and July using the World Wide Web. The World Wide Web offers a variety of tools to help evaluate stocks. It has made the stock market accessible to the common man.

We are not trying to trade stocks as professionals but as ordinary working class people. We will invest \$200,000. This is a rather high amount to assume the working class man has to invest at one time but this amount could represent assets that the ordinary man has accumulated over time and is now ready to invest on his own. The ordinary workingman is working during the day and does not have ability to trade stocks while the market is open. We will be doing most of our trading after the market has closed for the day in order to assimilate how ordinary people trade stocks.

We will evaluate companies using tools provided by the World Wide Web. Since we are not trading as professionals we will also stick to corporations that we know from personal experience. We will try to invest in companies whose products we use or see in our everyday life. Staying with companies who we know something about takes some of the risk out of investing in a company we know nothing about but their online reports and news. The tools provided online will help us better understand the risks involved in investing in the companies that we know. We will also diversify our portfolio. This will also reduce the risk of losing money if the market falls in one particular area.

Our overall goal is to make money by buying stocks low and selling when they are high. It would be ideal to double our money but if it were that easy then we would all be millionaires. A realistic goal is to make a 5-10% profit over the six weeks. This does not seem like a tremendous profit but making a 5-10% profit every six weeks would certainly become a tremendous profit.

## Chapter 2: Background on the Stock Market

Wall Street two hundred and fifty years ago was a dirt path that went from the trinity church down to the dockyards of Manhattan's East River. This is where the stock market emerged. No paper money was exchanged. Silver was used in trade, since gold was so rare. Silver bars were cut in to eighths, called "doubloons," and this is why stocks are traded in eighths. In 1789, as a result of debt from the Revolutionary War, Congress authorized the issue of \$80 million in government bonds. Bonds are debt instruments that have longer maturities than stocks. Bonds, unlike stocks, represent a piece of ownership, or a loan by the bondholder of the issuing company, and the bondholder usually receives interest payments rather than dividends. A bond also promises that when the loan has matured that the full amount of the loan will be paid. Congress issued the government bonds in 1789, to payoff there debts, and when the bonds matured they would repay the citizens back what they had paid for the bond. This is what a company would do if they had acquired a large amount of debt, and could not pay it off. Also by issuing the bonds, the citizens could feel as they own apart of the country, and feel proud of why the fought the war. A few years after the issuing of bonds, bank stocks were offered as a result of the first national banks. Insurance companies also started to appear, and trading emerged. There were securities to be traded, but there was no stock market. In the spring of 1792, the New York Stock Exchange (NYSE) was established. Twenty-four men made an agreement to sell securities to each other, at fixed rates. Not until May of 1875 did the policy of the fixed rates change. During the Industrial Revolution, Wall Street exploded with activity. The New York Stock and Exchange Board regarded some of the issues, at this time to be uncertain. Since the only the member of the board could

trade issues with each other, the issues that were regarded as uncertain were traded by the nonmembers. The nonmembers often could not afford an office on Wall Street, so they would trade securities in the street. The nonmembers who traded in the street were called “curbstone brokers.” The “curbstone brokers” traded on “the curb” or there market, using hand signals to communicate buying and selling of securities. They used hand signals because the street was so noisy, and this was the only way to communicate with each other. That is the reason to this day why the traders on the floor of the stock exchange use hand signals to communicate buying and selling of securities. “The curb” eventually moved inside was named the American Stock Exchange (AMEX).

Before the market crashed in 1929, banks were heavily investing in the stock market. As the market went down the banks lost money, and finally failed. As a result of the banks failing, the Great Depression occurred. Franklin D. Roosevelt was taking office at the beginning of the depression, and Congress at this time wanted to enact laws that would not let this happen again. They believed that the federal government have certain regulative powers over the securities market, especially the stock market. They also did not want commercial banks to involve themselves, through brokerage services, in corporate securities. This is basically the Glass-Steagall Act of 1933. Only commercial banks were allowed to take deposits and issue loans, and investment banks were established to buy and sell securities. In the 1980’s, this was challenged by the commercial banks, so now the commercial banks are allowed to buy and sell securities, but no one in the bank is allowed to give investment advice. Similarly, investment banks nowadays offer checking accounts. Although the banks are allowed to do this, there is still a very fine line.



In the stock market there are two types of marketplaces. The first is the primary market, where new issues are sold, and the second is the secondary market, where old issues are sold. There are two types of stocks, preferred and common stocks. Preferred stockholders are paid dividends regularly with a fixed amount. The dividends with which a corporation issues are paid to the preferred stockholder first, and then if there is any left over the common stockholder will be paid. Also if a corporation fails, the assets need to be liquefied, sold for cash, in order to pay any outstanding debts. After all debts are paid, the rest of the cash goes to the bondholders, and then the preferred stockholders receive their cash. The preferred stockholders usually have no control over the day-to-day decisions of the corporation. The common stockholders do however contribute to the day-to-day decisions of the corporation. Dividends can be paid to the common stockholders if the board of directors chooses to do so. If the board of directors wants to reinvest back into the corporation the money that could have been used for payment of dividends to the common stockholders, they can. If a corporation fails, and the assets are liquefied to obtain cash for all outstanding debts, the common stockholders are the last to receive any kind of cash, if there is any left.

Companies issue stocks to investors to gain long-term financial support. In essence, the corporation is selling small pieces of the corporation to investors. Corporations sell stock to make money, and the investors buy stock to own a piece of the corporation, and then turn a profit, by selling the stock for more than they bought it for. Investing in stocks, when compared to real estate or artwork is the best way to turn a profit, in the short or long term.

In order for a company to go public, there needs to be an initial public offering (IPO) of that certain company. The first step in going public is to find an investment bank to sell or underwrite the securities. Negotiating the terms of an arrangement between the issuer and the banker is the underwriting. The investment banker needs to decide what the best way to sell the companies stock. Whether it is all or none requirement, where all or none of the stock is sold, or best effort, where the stockbroker tries to get as much of the stock sold as possible. When a company wants to go public they have to register with Securities and Exchange Commission (SEC). After the stock market crash, it was found that the companies were issuing at there own will, without regard for the value of the stock, or the possible economic impact on the country. The main purpose of the Securities Act of 1933 was to protect from this happening again, and the SEC enforces it. The SEC requires a company that wants to go public to file a full disclosure statement, which is prepared by the underwriter and the issuer. The SEC has to accept the disclosure statement for the company to proceed with going public.

## Chapter 3: Evaluation of Web Sites

For this simulation we will primarily use the World Wide Web to research companies, track our portfolio and gather news and information. There are many websites that allow users to do all of these things. The important question is “What website offers the most to the user?” We explored eight websites and evaluated them based on content, ease of use, research tools and help. We also explored what other options these web pages offered from a non-financial standpoint such as email accounts, search engines, news, weather, shopping and entertainment. We were looking for a web page that offered the user everything he/she could want when going online.

Most web sites offer stock news, charts, company profiles and analyst ratings without creating an account. In order to set up a portfolio on most pages, the user must enter some standard information (name, email address, home address etc.) to create an account. Once the user has an account he/she can enter the stock symbol, purchase price, date purchased and number of shares to be tracked. The user can check his/her portfolio changes, (which is automatically updated) by logging on to the site. Having a log in prevents others from viewing one’s assets.

We set up portfolios on each website in order to see what the site had to offer. We scored the five categories used to evaluate each site on a scale of 1 to 5. Excite.com scored the highest with a score of 24 while NASDAQ.com scored the lowest with a score of 12. Excite.com is partnered with Quicken.com and uses exactly the same features offered on the Quicken web page for its financial services. It scored higher because of the other features that an Internet user may also want to take advantage of.

| Web Site                  | Content | Ease of Use | Research Tools | Help | Other Options | Total |
|---------------------------|---------|-------------|----------------|------|---------------|-------|
| Lycos Investing           | 3       | 2           | 3              | 2    | 5             | 15    |
| Quote.com                 | 4       | 3           | 3              | 3    | 3             | 16    |
| Yahoo Finance             | 5       | 4           | 4              | 5    | 5             | 23    |
| Netscape Personal Finance | 3       | 4           | 2              | 2    | 5             | 16    |
| NYSE.com                  | 3       | 4           | 2              | 4    | 1             | 14    |
| NASDAQ.com                | 3       | 3           | 3              | 2    | 1             | 12    |
| Excite.com                | 5       | 5           | 5              | 4    | 5             | 24    |
| Quicken.com               | 5       | 5           | 5              | 4    | 3             | 22    |

### 3.1 Lycos Investing

| Web Site        | Content | Ease of Use | Research Tools | Help | Other Options | Total |
|-----------------|---------|-------------|----------------|------|---------------|-------|
| Lycos Investing | 3       | 2           | 3              | 2    | 5             | 15    |

Lycos.com is a popular Internet site that offers users a variety of options. Once the user sets up an account the user can log on to My Lycos and My Lycos Investing. The My Lycos account offers the user email; free web page, shopping, news, finance, sports and much more. For this reason Lycos scored high in the other options category.

The user can edit what topics are shown on the My Lycos page. A summary of the user's portfolio can be shown directly on the My Lycos page.

The user can click on the portfolio to access the My Lycos Investing page. This page allows the user to track his/her portfolio in a similar manner to the other sites. The portfolio does not offer much information to the user though. It only shows the last trade, the change and the volume traded. Below the portfolio there is a news window that gives the latest headlines (and link to the full story) for the user's assets. There is a lot of extra information shown on the page that may not be the most important to the users. This information can be edited to suit the user to his/her desires. My Lycos Investing scored low in the ease of use category because the user has to edit the page to his/her liking. The information one may want to display is not always readily available and the user may have to search for.

The Lycos Investing page also scored low in the content and research tools category because of the fact that it uses Quote.com to supply most of its information. Quote.com is partnered with Lycos but Lycos does not use it for the My Lycos Investing page. This makes it confusing to the new user who now has to figure out two web sites. (Another reason for the low score in ease of use category.) If the user wanted to set up an account on Quote.com they would have done so in the first place.

Lycos Investing scores low in the help category because it only offers general help for Lycos.com. It does not offer help for the Lycos Investing page individually. If the user wants help on a certain feature on the page he/she cannot easily receive it. He/she is stuck with a vague help page offering a variety of topics for the user to sort out.

Overall the Lycos Investing page is not a recommended site to use for an investor. The Lycos account offers a variety of nice features for the Internet user to use in other areas but for investing it does not offer enough. Lycos Investing is one of the worst sites with a score of 15.

### 3.2 Quote.com

| Web Site  | Content | Ease of Use | Research Tools | Help | Other Options | Total |
|-----------|---------|-------------|----------------|------|---------------|-------|
| Quote.com | 4       | 3           | 3              | 3    | 3             | 16    |

As mentioned in the previous section, Quote.com is partnered with Lycos.com. When the user signs up for a Quote.com account, he/she also receives a Lycos account. Quote.com scores lower than Lycos in the other options category because the user must go to the My Lycos page to use these options.

A portfolio can be set up in a similar manner to other sites. Again as with Lycos the portfolio does not offer very much information to the user all at once. It offers different portfolios for different categories. The “Quotes” gives the daily changes and is the default portfolio. Clicking on the stock symbol gives more in depth information such as P/E ratio, EPS and 52-week hi/low. To see other information about a portfolio there are other types of portfolios such as “Profit/Loss,” “Fundamentals,” (which displays market cap, EPS, P/E ratio, dividend, 52 week hi/low) or the user can create a custom view. Quote.com scores in the middle for the ease of use category because the lack of information displayed on the default portfolio. In order to see more information about changes the user must go to another page. The information could be placed on one page to make it easier for the user. Quote.com does score well in the content category because there is a lot of information available; it is just not on one page.

Quote.com also has an average score in the research tools and help categories. The site offers all the information one would need to evaluate stocks. It does not however offer any tips or explanation of this information. The user must have good knowledge of the stock market in order to understand this information. The help page offers frequently asked questions or the user can do a key word search. The help page also offers email support if the user cannot find an answer to his/her question.

Compared to the other sites Quote.com scores low. It is average in all categories except for content. It does have a lot of information available but the user has to look for it. It is a good site for an experienced investor but it is not very helpful to the novice. Even an experienced investor may want to look elsewhere to get more for his/her efforts.

### 3.3 Yahoo Finance

| Web Site      | Content | Ease of Use | Research Tools | Help | Other Options | Total |
|---------------|---------|-------------|----------------|------|---------------|-------|
| Yahoo Finance | 5       | 4           | 4              | 5    | 5             | 23    |

Yahoo Finance is another site that requires the user to set up an account. A Yahoo account gives the user email, a free web page, search engine and access news, weather, sports and entertainment. The user can log into the My Yahoo page and receive all the information he/she wants directly on this page. For this reason, Yahoo scores high in the other options category.

Yahoo Finance is divided into separate sections on the home page. There is an Investing section, Personal Finance section, (which allows the user to pay bills, file taxes, and search for loans and insurance), a News section and a Market Summary, which can be edited to show specific assets. The default portfolio is lacking a bit in the amount of

information that is shown. It only shows the Last Trade, the Change and Volume. The user must click on the performance portfolio to track how well his/her stocks are doing. Since the user has to click on the default portfolio to then see the performance portfolio Yahoo Finance loses a point in the ease of use category.

Next to each stock in the portfolio there are links (under More Info) to Charts, News, Profile, Research, Insider and Options. This gives the user an abundance of information about each company. This along with the amount of information on the main page gave Yahoo Finance a 5 in the Content Category.

Yahoo Finance also scored well in the Research Tools and Help categories. Clicking on the Research link brings the user to a page with Company Earnings, Analyst Research, Company Reports as well as other research tools. The Help link looks like it is going to be just a general help link similar to Lycos because it is in the header of the page. Actually, The Yahoo Finance Help link takes the user to a page that offers help on every topic offered on the main page. The page is nicely separated into categories so the user can easily find what he/she is looking for.

Yahoo Finance is a very good page. It took second place among the web sites we researched. It is easy to use and understand. There is plenty of information for any user, novice or expert. The other options offered with an account make the site a good one for any needs, not just financial.

### 3.4 Netscape Personal Finance

| Web Site                  | Content | Ease of Use | Research Tools | Help | Other Options | Total |
|---------------------------|---------|-------------|----------------|------|---------------|-------|
| Netscape Personal Finance | 3       | 4           | 2              | 2    | 5             | 16    |



Netscape Personal Finance is yet another site that requires the user to set up an account. The account gives the user email, instant messenger service, search engine and access news, weather, sports and entertainment. Setting up an account allows the user to log on to the My Netscape page and see the information he/she wants. The variety of options gives Netscape a high score in the other options category.

The portfolio is set up similar to other portfolios but this one includes the number of shares, purchase price, and current value. This portfolio displays more than other pages but the user cannot make changes in what is displayed. Clicking on a stock symbol in the portfolio gives a quote and access to news, charts, company profile and other analysis tools. The page is relatively easy to use so it scores high in the ease of use category but the site is lacking in content compared to other sites so it receives an average score.

Netscape does not have many tools to user for research and it does not offer any tips or explanation of this information. Like Quote.com the user must have good knowledge of the stock market in order to decipher the information on this page. As a result of the lack of tools and explanation Netscape scores low in the research tools category.

Netscape Personal Finance does not have a very good help section. Clicking on help brings the user to a page with the main topics covered on the main page with brief explanation of what they are. Clicking on the topic brings the user to that specific feature on the main page with no further explanation.

Netscape Personal Finance is not a strong page for tracking personal finances. The other options are good for users who are not serious about investing. A serious investor will want a site with more content and research tools to use in his/her investing.

### 3.5 NYSE.com

| Web Site | Content | Ease of Use | Research Tools | Help | Other Options | Total |
|----------|---------|-------------|----------------|------|---------------|-------|
| NYSE.com | 3       | 4           | 2              | 4    | 1             | 14    |

The NYSE home page requires the user to register the standard information in order to track a portfolio. Unlike other sites there is not a log in page so a user cannot check his/her portfolio from another computer. Although the user is required to register, the site does not offer any other options to the user. For this reason NYSE scores low in that category.

The site is quite easy to use. There is a frame along the left side that remains open all the time. Clicking a link expands the options but continues to show the original options as well. It is rather easy to find what you are looking for because of this frame. The NYSE receives a score of 4 in the ease of use category.

Since the NYSE is an exchange itself it primarily focuses on itself for obvious reasons. It does offer information on other indices but it is not quite as in depth as stocks on the NYSE. The NYSE page offers much of the same information provided by other sites but because of the concentration on one index it only receives an average score of 3 in the content category.

The site does not offer many research tools to help the user. It has the basic information about a company and the user must analyze it him/herself. The user must again have quite a bit of knowledge about the stock market in order to understand this information. The user can click on help and find how to use the information found during research. The help section provides quite a bit of information for the novice

investor and is very user friendly. The research tools on the NYSE page scores low for lack of information but the help scores high for giving the user a place to find out how to research.

The NYSE home page is a good page for the experienced investor mainly concerned with the NYSE. It is not recommended for the novice investor who is looking for a site to take care all his/her need besides investing. There is nothing extra to offer the user besides information about the NSYE. There are other sites that offer the user more in both investing and other areas.

### 3.6 NASDAQ.com

| Web Site   | Content | Ease of Use | Research Tools | Help | Other Options | Total |
|------------|---------|-------------|----------------|------|---------------|-------|
| NASDAQ.com | 3       | 3           | 3              | 2    | 1             | 12    |

The NASDAQ home page is similar to the home page of the NYSE. It only requires the user to enter email address and name to track his/her portfolio. Like the NYSE home page there is not a log in page so a user cannot check his/her portfolio from another computer. The site also does not offer any other options to the user. For this reason NASDAQ scores low in that category.

Like the NYSE, the NASDAQ is an exchange itself it primarily focuses on itself. It does offer information on other indices but it is not quite as in depth as stocks on the NASDAQ. The NASDAQ page offers much of the same information provided by other sites but because of the concentration on one index it only receives an average score of 3 in the content category.

The NASDAQ has a frame along the top that allows the user to easily access his/her interests. The NASDAQ home page scores low in the ease of user category

because the information provided on is difficult to follow. It takes some time to follow how the page works. It is also more confusing than all the other sites to set up and track a portfolio. For this reason the NASDAQ scores low in the ease of use category.

The NASDAQ does offer more than average research tools but they are not the most helpful in evaluating stocks. Once again the user must have good knowledge of the stock market in order to research on the NASDAQ page. The NASDAQ does offer more than average research tools but the lack of need for these specific tools causes it to only score a 3 in this category. The NASDAQ help page does not offer much information about investing to the user so the user cannot turn to the help page to learn about investing. The help page primarily describes technical information regarding the site. As a result of the lack of help to the novice user who would primarily need it NASDAQ scores a 2.

The NASDAQ home page is a good page for the experienced investor mainly concerned with the NASDAQ. It is not recommended for the novice investor who is looking for a site to take care all his/her need besides investing. There is nothing extra to offer the user besides information about the NADAQ. There are other sites that offer the user more in both investing and other areas.

### 3.7 Excite.com

| Web Site   | Content | Ease of Use | Research Tools | Help | Other Options | Total |
|------------|---------|-------------|----------------|------|---------------|-------|
| Excite.com | 5       | 5           | 5              | 4    | 5             | 24    |

Excite.com requires the user to sign up for an account to track his/her portfolio. The account offers the user email, photo download, news, entertainment and more. The

excite home page can be edited to show the only the user's interests. All the extra options on Excite.com make it give it a 5 in the other options category.

A small outline of the user's portfolio is on the Excite main page. Clicking on Full portfolio brings the user to the Excite Money and Investing Page. The default portfolio shows the most of any page displaying the day's change, gain and percent gain; the overall gain and percent gain and the number of shares and value of the stock. It is also possible to view other portfolios or customize your own. Entering a stock symbol provides a full quote and along the left side there is a variety of other options from charts and news to company profiles. It is very easy to find what you are looking for on this site with the frame of options on the running down the left side. This wealth of information and ease of use gives Excite a score of 5 in both the content and ease of use categories.

The left frame also provides very good research tool for the user. It had analyst ratings, company profiles, stock evaluator and a scorecard. The Scorecard is a rather nice feature that rates stocks based on four strategies, NAIC's Established Growth, Robert Hagstrom's The Warren Buffett Way, Geraldine Weiss' Blue-Chip Value and Motley Fool's Foolish 8. The site automatically chooses the recommended strategy for each stock. There is a link to explain how each strategy works next to the name of the strategy. The help link also offers a great deal of information about everything on the site. The only drawback is that the page sometimes has too much information and it gets a little confusing. The amount of research tools and the ability to get help using these tools gives Excite high scores in both categories.

The Excite page is the best page that we evaluated. A novice to the most expert trader can use it. The other options make Excite a good page for all around Internet use.

It is partnered with Quicken.com so the user receives the same information from the Quicken site without the extras. Unlike Lycos it uses the Quicken information all the time so it always the same setup. We strongly recommend Excite.com for all of your Internet needs.

### 3.8 Quicken.com

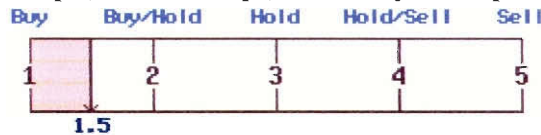
| Web Site    | Content | Ease of Use | Research Tools | Help | Other Options | Total |
|-------------|---------|-------------|----------------|------|---------------|-------|
| Quicken.com | 5       | 5           | 5              | 4    | 3             | 22    |

As mentioned in the previous section Excite.com and Quicken.com are partners in the same network. The only difference in the sites is that the Quicken home page only offers financial information. Signing up for an account still gives the user access to an Excite account but he/she must go to the Excite home page. If the user only wants financial information and nothing else then Quicken.com is the site for him/her.

# Chapter 4: Selection Process









There are many ways to decide which stocks will bring you the best return on an investment. Tools that were used in identifying whether a company would be a good investment were found on the Internet. The first tool from the Internet was found on Netscape's home page in the personal finance section. All that is needed is to identify which company you would like to look at, and a page appears with information about that certain company. You click on the analysis section, and a graph appears. There are five sections on the graph: buy, buy/hold, hold, hold/sell and sell. There will be a rating, one through five on the graph, which corresponds to one of the sections. A rating of one corresponds to buy more stock, and rating of five corresponds to sell the stock. A rating that is between one and five corresponds to buy/hold, hold, or hold/sell. Provided is an example, in Figure 1, of what the graph would look like on Netscape.

**Figure 1: An example, from Netscape, of an analysis of a particular company.**



The second tool which was used from the internet was called the Scorecard. It is found on Excite's website under personal finance. Once you get to the personal finance section of the website, you can enter in the specific company that you need to look at, and when you do that there will be several options, including Scorecard, click on that and it will show you something similar to Figure 2.

**Figure 2: An example, from Excite, of an analysis of a particular company.**

- |  |   |
|--|---|
| 1. <a href="#">Is this stock winning the race?</a>                               |  |
| 2. <a href="#">Is the price safely above penny stock territory?</a>              |  |
| 3. <a href="#">Is the company still relatively undiscovered?</a>                 |  |
| 4. <a href="#">Is the company's growth dynamic?</a>                              |  |
| 5. <a href="#">Is this a monster or an uncut gem?</a>                            |  |
| 6. <a href="#">Does the company have high-quality earnings?</a>                  |  |
| 7. <a href="#">Does the management team have a financial stake in the stock?</a> |  |
| 8. <a href="#">Does the company generate cash rather than consume it?</a>        |  |

The green checkmark symbolizes: pass, the yellow square symbolizes: neutral, and the red X symbolizes: fail. Using this system, Excite rates different companies. There are four different methods, at the disposal of Excite, when evaluating a company. The method, which is used, depends on the company, because the company prefers a certain method. The four methods are: Motley's Fool's Foolish, 8 NAIC's Established Growth, Robert Hagstrom's The Warren Buffett Way, and Geraldine Weiss' Blue-Chip Value. Each asks seven questions about the company, and they are answered based on pass, neutral or fail. The questions are different for each of the four methods. For a detailed description of each method, see the appendix.

Another factor that is used to determine if buying a certain stock is the right choice is the price per share. In a perfect world, you would buy when the stock is at its lowest point, and then sell when the stock is at its highest point. Unfortunately we do not live in a perfect world, so that would never happen. What we can do is take an educated guess of what we think the stock price will do, any buy and sell when we think it is best. Looking at the closing prices of the stock of the past year, and try to tell from the past prices of the stock whether the price will go up or down.



## 4.1 Kraft Foods Inc.

Kraft Foods is the largest brand food and beverage company in North America, and second in the world. Over one hundred and forty countries sell Kraft Foods brands, and consumers of all ages enjoy these brands. Whether at home or away from home, for breakfast, lunch, dinner, or snacks, Kraft Foods can be found everywhere, and used by everyone. Kraft Foods brand foods has a market cap of \$53.18 billion, and they employ approximately one hundred and seventeen thousand people worldwide. Some well know brands of Kraft Foods are: *Kraft, Jacobs, Philadelphia, Maxwell House, Nabisco, Oscar Mayer, and Post*. Kraft Foods covers five sectors of the food production, and distribution market. They are snacks, beverages, cheese, grocery, and convenient meals. Seven of Kraft Foods brands earn over \$1 billion a year, and sixty-one of the brands total more than \$100 million a year. The management at Kraft Foods is dedicated to expanding their employees' diversity, which gives Kraft Foods a competitive edge and thus a critical source of their success. They also give back to communities around the world. There management believes the Company has a responsibility to the communities where their employees live and work in, and that they need to make a difference on important social issues. They have corporate programs that give back to the community, and are deeply involved in the fight against hunger. Annually, Kraft Foods gives over \$30 million a year in money and food to communities and causes, which need their attention. Kraft Foods also has websites, for consumers, where you can go and get recipes, meal plans for the

week, and information to live a healthy life. Worldwide, Kraft Foods has over two hundred manufacturing and processing plants, in forty-seven countries.

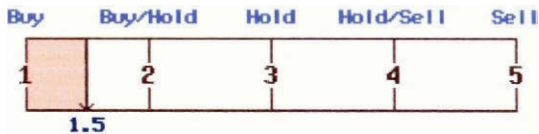
Kraft Foods brands can be dated back to the mid seventeen hundreds. Here are some of the more important dates, which helped make Kraft Foods what it is today. In 1767, Bayldon and Berry began to sell candied fruit peel to the citizens of York, England. Soon Joseph Terry joins the business, which grows and the name gets changed to Terry's of York. Then in 1883, Oscar F. Mayer and his brothers lease a failing meat market, in Chicago, Illinois, and turn it into a success in under five years. In 1892, Joel Cheek, who works for Maxwell House Hotel, in Nashville, Tennessee, developed a coffee blend for the hotel and called it *Maxwell House* coffee. In 1898, The National Biscuit Company is formed in the United States by the merger of several regional baking companies. The National Biscuit Company over the next few years introduced; *Uneeda* crackers, Graham crackers, *Barnum Animal* crackers, and *Oreo* cookies. Then in 1903, James L. Kraft, began a wholesale cheese business, in Chicago. Then by 1914, Kraft had opened his first plant, and began to manufacture his own cheese. The National Biscuit Company in 1922 began to sell its products in Puerto Rico, through a distributor, and then they bought a controlling interest in one of France's leading biscuit companies called Societe Anonyme Biscuits Gondolo, who was the maker of *Gondolo* cookies. In 1924, James L. Kraft opens his first European sales office in London, England, and then in 1927 sales office in Hamburg, Germany is opened. Also that year, Kraft Cheese Company Ltd. was established in England. In 1928, Kraft Cheese Company buys out Phoenix Cheese, the maker of Philadelphia brand cream cheese. Also in 1928, National Biscuit Company acquires Shredded Wheat Company, the makers of Triscuit wafers and Shredded Wheat

cereal. The Postum Company in 1929, who was the maker of *Post* cereals, *Baker's* chocolate, *Maxwell House* coffee, *Jello* gelatin, and other famous American food, changed its name to General Foods Corporation. In 1934 *Ritz* crackers are introduced in the United States, by the National Biscuit Company, and then in 1937 Kraft Macaroni and Cheese dinner is introduced in the United States. After the armed forces, in 1946, used *Maxwell House* instant coffee, it was introduced to the consumers of the United States. General Foods Corporation acquired Alfred Bird and Sons Ltd., which increased the production of their products in England and introduced *Maxwell House* coffee to the United Kingdom, in 1947. In 1950, Kraft Foods introduced process cheese slices to the United States, and then in 1952, the red triangle first appeared on the upper left-hand corner of National Biscuit Company products. Kraft in 1955, forms Kraft Foods de Mexico, and opens the first United States processing plant in Mexico. In 1971, National Biscuit Company changed its name to Nabisco, Inc, and then in 1981, General Foods acquires Oscar Mayer & Co. Also in 1981, Nabisco, Inc, merges with Standard Brands, to become Nabisco Brands. In 1985, Philips Morris Companies, Inc, acquires General Foods Corporation, and also in 1985, Nabisco Brands merges with R.J. Reynolds, to form the largest consumer goods company in the United States. In 1988, Kraft, Inc is acquired by Philips Morris Companies, Inc., which makes Philips Morris the largest consumer goods company. In 1989, Kraft General Foods and Kraft General Foods International are established as food divisions of Philip Morris. In 1993, Kraft General Foods acquires the ready to eat cereal business from R.J. Reynolds, which included *Shreddies* and *Shredded Wheat* Cereal products. The Philip Morris Companies, Inc., in 2000, who is the parent company of Kraft Foods, acquired Nabisco Holdings, who is a world leader in cookies,

crackers and snacks. Then in June 2001, the Philip Morris Companies, Inc. offers an initial public offering for Kraft Foods. These are important glances into the history of how Kraft Foods originated, because it shows how the company has grown with the changing times, and how they dominate the food market.

Kraft Foods has a long history of providing consumers with the products they love, as well as bringing more to the marketplace. According to the analysis from the personal finance section of Netscape’s website, Kraft Foods has a rating if 1.5, which suggests buying more shares. See figure 3 for rating.

**Figure 3: Netscape’s analysis of Kraft Foods.**



Also looking at the personal finance section of the Excite website, the scorecard for Kraft Foods, who prefers the Motley’s Fool’s Foolish 8 method of analysis, has five neutrals, two passes and one fail. All around a decent company, but the main reason that Kraft Foods was invested in was because when the portfolio started Kraft Foods went public.

## 4.2 EMC Corp.

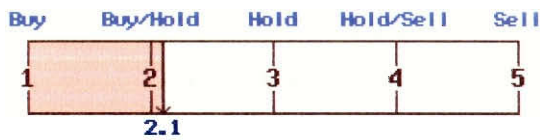
EMC Corporation designs, manufactures, markets, and supports a wide range of hardware and software, who provides services for the storage, management, protection and sharing of electronic information. EMC has a market cap of \$4.9 billion, and employs approximately twenty-four thousand people. EMC is the world leader in systems, which enables enterprises of all kinds to unite information as one resource, harness it as one source of value, and leverage it as one asset to reach the goals of management. In October 2000, there was an independent survey done of storage customers, and it was found that EMC was rated the number one in overall customer

satisfaction, by a huge margin. Also Information Week had a survey done by four hundred IT decision makers, and they rated EMC number one in five categories. They were: product reliability, interoperability standards, service level guarantees, product innovation and after sale service. During the 1990's EMC achieved the highest single decade performance of any stock in the history of the New York Stock Exchange. EMC's stock rose eighty thousand, five hundred and seventy-five percent from January 1, 1990 to December 31, 1999.

In 1979, Richard J. Egan and Roger Marino, in Newton, Massachusetts, founded EMC. Richard, Roger, and "C", who was the third person involved in the startup, but only involved initially, all sold office furniture to make money to start EMC. They did this because, even though they had five electrical engineering degrees between them, they needed the money, and a friend from California convinced them. In 1981, a 64-kilobyte chip of memory boards was developed for Prime computers. EMC, in 1985 was the first company to ship memory upgrades using a 1-megabit random access memory. In 1986, EMC went public on the NASDAQ stock exchange, and they also doubled the memory capacity of Hewlett Packard 3000 computers. EMC in 1987, split capability controllers increase IBM midrange disk subsystem performance. In 1989, an advance storage subsystem was developed for IBM. In 1994, EMC enters the Fortune 500 list of industrial companies. In 2001, EMC was named by Fortune 100, best company to work for in America. In almost every year since 1979, EMC has grown, or made a product that was on the cutting edge for the industry.

EMC has been one of the forerunners in storage of information since they have been established.

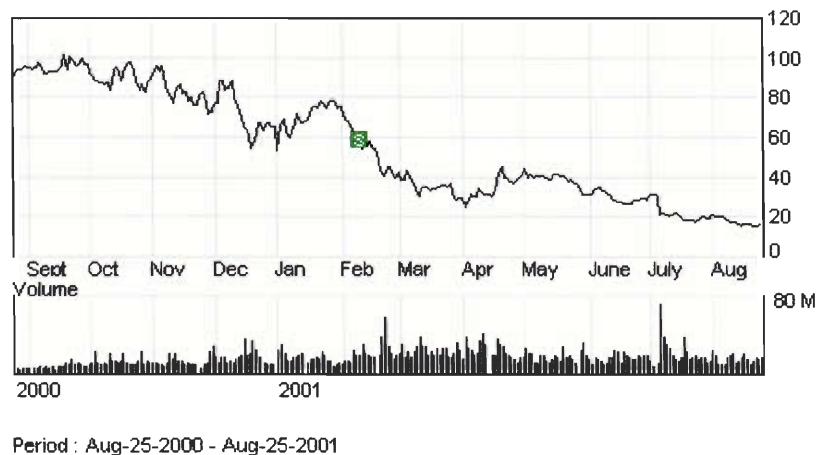
**Figure 4: Netscape's analysis of EMC.**



There distinguished history has played a role

investing in EMC. Netscape’s analysis of EMC was good. The rating of 2.1 tended towards holding shares, while buying a few. The graph for Netscape’s analysis of EMC can be seen ion figure 4. Excites scorecard for EMC was good. Using the NAIC’s Established Growth method of analysis, chosen by EMC, there was one neutral, five passes and one fail. Also at the time of investing, the price of stock for EMC was \$30.30, which at the time was on the low end of the closing prices for EMC. See figure 5 for a graph of the closing price for the year of EMC.

**Figure 5: Graph of EMC closing stock prices for the year.**



All of the factors that have been discussed above have contributed to the decision to invest in EMC.

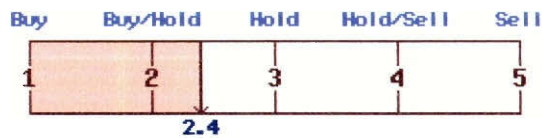
### 4.3 Boston Scientific Corp.

Boston Scientific Corporation is a worldwide developer, manufacturer, and marketer of minimally invasive medical devices. The products that are developed at

Boston Scientific are used in a vast array of international medical specialties. The company has a market cap of \$6.89, and approximately thirteen thousand, seven hundred and twenty employees. In the late 1960's, one of Boston Scientific's co-founder, John Abele, acquired an equity interest in *Medi-tech*, Inc. This was a development company, whose initial product was a steerable catheter, which was introduced in 1969. These catheters were some of the first less-invasive procedures performed, and are the original forms of catheters that are being sold today. John Abele joined with Peter Nichols, in 1979, and they formed Boston Scientific Corporation. John and Peter formed Boston Scientific for the sole purpose of acquiring *Medi-tech*, Inc.. This allowed Boston Scientific to start a period of growth focused upon marketing, new product development, and managerial growth. Boston Scientific is the largest medical device company in the world, one dedicated to minimally invasive therapy. The catalog for Boston Scientific has over ten thousand different products of their fifty different categories. The categories are defined as vascular or non-vascular, depending upon the system and procedure, in which the device is going to be used. Major product applications involve: opening or enlarging obstructed or narrowed vessels; bypassing closed or sealed vessels; sampling, removing or ablating; drainage of wounds, cysts, or fluid deposits; imaging; and many other applications and devices for diagnostic or therapeutic applications. Boston Scientific markets their vast line of products through different divisions. The vascular products are supplied and serviced through: *EP Technologies*, *Scimed*, and *Medi-tech*. The non-vascular products are supplied and serviced through: *Microvasive Urology*, and *Microvasive Endoscopy*. Internationally, the European and Japanese subsidiaries of Boston Scientific, deal with the development, manufacturing, marketing and sales of the

company. It has been the vision of John Abele and Peter Nichols, to produce devices that would be less invasive, because it would improve outcomes and reduce health costs. In deciding whether Boston Scientific was a good investment, the history, analyses of the company, and closing stock prices for the year were all taken in to consideration. Boston Scientific has always been on the cutting edge of the medical field. According to Netscape, the analysis of Boston Scientific is decent, with a rating of 2.4, which means to hold on to the stock, but do not necessarily by more. To see the graph of Netscape's analysis, see figure 6.

**Figure 6: Netscape's analysis of Boston scientific.**

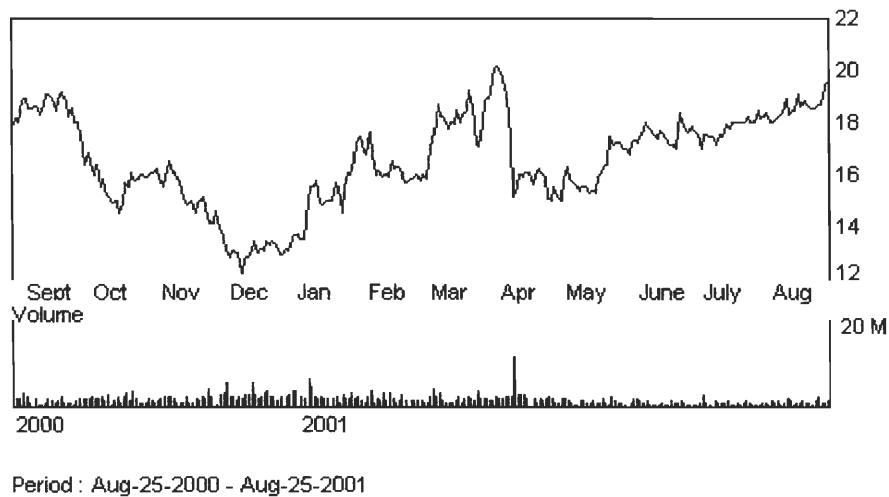


Also looking at the scorecard from

Excites website, who used Robert Hagstrom's The Warren Buffett Way as the method of analysis, was not good. With one pass and six fails, the company was not a good investment according to Excite. The last item that was looked at was the closing prices of the stock for the year. On the day the Boston Scientific was investigated, the closing price from the day before was \$17.57, which looked like from the previous closing prices that the price was on the return back up. To see the closing prices for the year for Boston Scientific, see figure . Taking all of the information that was learned about Boston Scientific, it was added to the portfolio.



**Figure 7: Graph of the closing prices of the year for the stock of Boston Scientific.**



#### **4.4 Nokia Corp.**

The Nokia Corporation is a supplier of data, video, and voice network solutions, mobile and fixed access solutions, and broadband and IP network solutions. They also manufacture mobile phones and are a pioneer in digital multimedia terminals for digital TV and interactive services. The Nokia Corporation has a market cap of \$87.79 billion, and they employ approximately sixty thousand people worldwide. The Nokia Corporation is an international company that leads the world in mobile communication. Besides leading the world in supplying mobile phones, the Nokia Corporation also leads in almost every aspect of supplying the mobile world. This can range from corporate and personal innovations, mobile, and fixed or IP networks. Nokia has production facilities in ten countries, research and development in fifteen countries, and sales in more than one hundred and thirty countries.

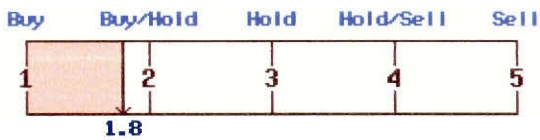
At first Nokia Company manufactured paper, the original communication medium. Then the Finnish Rubber Works was founded at the turn of the nineteenth

century. They produced rubber, and other chemicals associated with rubber. With the explosion of electricity coming into homes and factories, the Finnish Cable Works Company was established in 1912. They manufactured cables for the telegraph, and helped support the telephone. After operating for more than fifty years, the Finnish Cable Works Company established an electronics department, which helped in creating the new era of telecommunications. In 1967, the Nokia Corporation was formed, by merging the Nokia Company, the Finnish Rubber Works, and the Finnish Cable Works. Nokia Corporation's design concepts have always been a place where others will follow. Whether it is multi-colored clip on faces to mobile phones, or making multi-colored boots in the 1960's when no one else was doing it. Nokia Corporation was the first in 1987 to make a handheld cellular phone, unlike the previous heavy and huge portable phones that came before. The Nokia Corporation has always believed in and practiced excellence, in every product that they make. This is why the Nokia Corporation has lasted so long.

We chose Nokia Corporation as one of the companies to invest in because they are an established corporation that is the leader in their market. In 2000 operating profit rose 48%, which is remarkably higher than the industry average. Also in 2000, net sales were up 54%, as well as earnings per share, which was up 50%. From 1996 to 2000, the revenue of Nokia Corporation has grown from 8.4 billion to 26.9 billion.

In deciding to add Nokia to the portfolio, the history, outside analysis's, and closing prices of the last year were looked at. Nokia has a long history of making the best product, which is shown today in the many products that they manufacture.

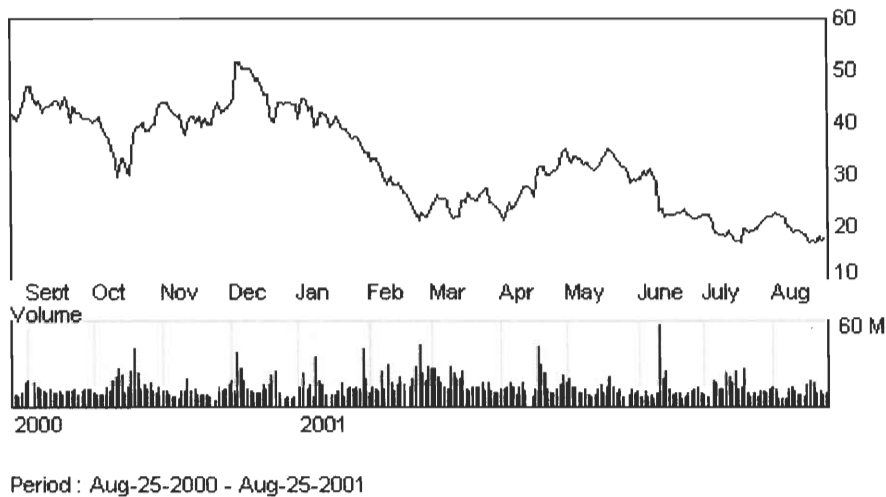
**Figure 8: Netscape's analysis of Nokia.**



According to the analysis on Netscape's

website, Nokia is a good company with a rating of 1.8, which means that as an investor you should hold the share which you have and but more. See figure 8, for the graph that is provided by Netscape. Using the scorecard, which is provided by Excite, Nokia recommends that the NAIC's Established Growth method of analyzing a company, says that Nokia is a good company to invest in, with six passes and one fail. The day that Nokia was investigated to possibly be added to the portfolio, the day before closing price was \$23.59. Looking at the closing prices for the year, Nokia seemed to be at a low point in price and it seemed that it would start to go back up. To see the closing prices of the year for Nokia, see figure 9. Taking all of the information that was gathered for Nokia, it was decided that Nokia should be added to the portfolio.

**Figure 9: Closing prices of Nokia's stock.**



## 4.5 Groupe Danone

Danone Group is a worldwide food manufacturer, who focuses on three product categories: fresh dairy products (yogurt and similar products), packaged water, and cookies and crackers. The main brands of Groupe Danone are *Dannon*, *Lu*, *Evian*, and *Galbani*. Danone employs eighty-six thousand six hundred and fifty seven people in more than one hundred and twenty countries. Danone Group has a market cap of \$3.57 billion. On February 25, 1966, two glass companies, the *Souchon-Neuvesel* glass works and *Glaces de Boussois*, merged. The glass company *Souchon-Neuvesel* was based in the Lyon region, and they produced bottles, industrial containers, flacons, and container glass. *Glaces de Boussois* Company was located in northern France, and they made windows for buildings and automobiles. The two companies wanted to change with the trends of the market, and make no-deposit, and no-return bottles. They thought that by doing this they would be able to establish a company that was competitive, and large enough to expand with the common market. The new company was called *Boussois Souchon-Neuvesel*, or BSN for short. BSN had an annual turnover of 1 billion francs. BSN was encouraged by its takeover bid for *Saint-Gobain*, which was a giant in the French glass industry.

In January 1969, BSN took over *Evian*, and *Kronenbourg* and the *European Breweries Company*, in 1970. BSN believed that glass bottles were going to lose strength in the beverage industry. The company did not have the resources to use plastic or cardboard as containers, so they did the next best thing; make what goes into the container. In 1970, BSN became the leading manufacturer of beer, mineral water, and

baby food. In 1973, BSN and Gervais Danone announced that they were merging to form the largest food producer in France. Gervais was already growing rapidly worldwide, and he was hoping that the merger would increase his growth. BSN was gaining growth, and new markets to sell their products. In October 1973, oil prices were extremely high and European economies suffered; BSN Gervais Danone was no exception. The glass making business was the hardest hit, so they withdrew from manufacturing plate glass, and in 1981, pulled out of the glass industry all together. Europe became a single market, and BSN Gervais Danone decided to start their business there. They went to the countries that offered the greatest room for expansion, like Italy and Spain. They made a series of partnerships, and takeovers of local companies, and expanded their areas of business. This established them in southern Europe, as well as in England and Germany. In 1986, BSN Gervais Danone bought General Biscuit, which led them into the cookie industry, and then in 1989, they bought Nabisco's European subsidiaries. In less than twenty years they became the third largest food group in Europe.

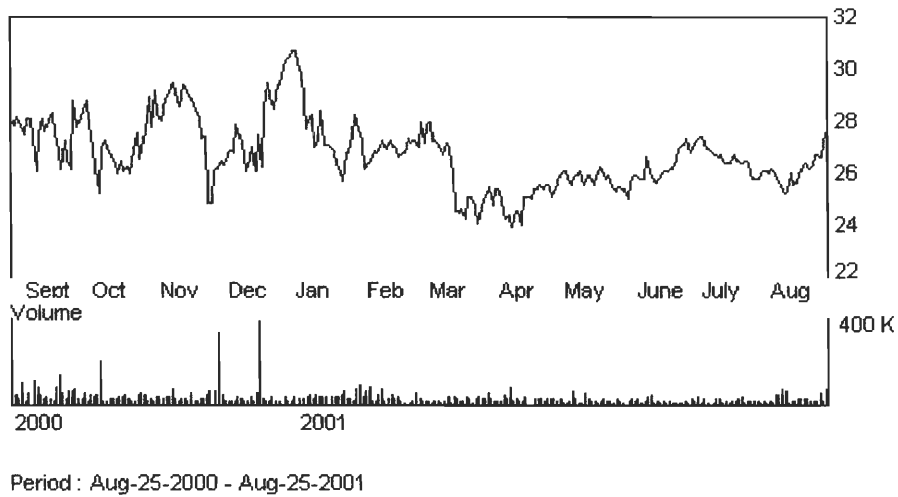
When the collapse of the Soviet empire occurred there was a new market. BSN Gervais Danone sent in teams to explore the possibilities of moving into the area, and sell products that were already known internationally. At first BSN Gervais Danone imported all of their products into Eastern Europe, but later agreed that they would use local dairies and produce their products in Eastern Europe. In 1993, BSN Gervais Danone established a special division for exporting their goods internationally. Besides exporting goods to other countries globally, they also bought out companies, and made partnerships, especially in Asia, Latin America, and South Africa. In June 1994, with the

company looking towards the future, they dropped the BSN from the name and called the company Danone Group, symbolized by a boy gazing up at a star.

On November 20, 1997, Danone Group joined the New York Stock Exchange, with the fifteen other French companies. On that day on Wall Street, children handed out samples of *Dannon* yogurt, *Evian* water, and *Lu* cookies. The initial offer amounted to three million American Depository Shares (ADS), which is equivalent to six hundred thousand ordinary shares. When Danone Group joined the New York Stock Exchange; it opened itself up to investors and financial growth throughout the world.

The history of Danone is amazing. They went from making glass to making yogurt. Netscape's analysis section did not have an evaluation for Danone. The scorecard from the Excite website was used in analyzing the company. According to the scorecard, using the NAIC's Established Growth method, company looked okay to invest in, with six neutrals and one fail. When Danone was first considered for the portfolio, the closing price was looked at. The closing price was \$26.00 from the day before, and looking at the closing prices for the year so far, it was felt the now would be a good time to invest, because the price seem at its lowest point, and would begin to climb back. To see the graph of the closing prices of the year for Danone, see figure 10. Taking the history, and analysis given by Excite, and the closing price of the year so far, it was decided to invest in Danone.

**Figure 10: Closing stock prices of the year of Danone.**



#### **4.6 Coca Cola Co.**

The Coca Cola Company manufactures and sells soft drinks and non-carbonated beverage concentrates and syrups. This includes fountain syrups, some finished beverages, and certain juice and juice-drink products. Beverages include: *Coca Cola (Coke)*, *Mr. Pibb*, *Mello Yellow*, and *Minute Maid*. Coke has a market cap of \$111.76 billion, and they employ approximately 36,900 people. Coke believes that they exist to benefit and refresh everyone. The Coca Cola Company was founded in 1886, and has become the world's leading manufacturer, marketer, and distributor of non-alcoholic beverage concentrates and syrups. With over 230 different brands, in almost 200 countries, Coke wants to give the consumer the type of product that they deserve. Coke is determined not only to make a good beverage, but to also to contribute back to the communities around the world, through education, health, wellness, and diversity. Coke strives to be a good neighbor, who makes business decisions to improve the quality of life in the communities whom they do business with. For more than a century, Coke has consistently delivered their promise, which has allowed them to have a long period of

growth. The most pivotal moments of Coke's history have brought changes to their business, because they needed to meet the new challenges of the changing world. Coke was able to do this because of three different factors: The Coca Cola promise, the employees have kept Coke's promise and made it part of their lives, and the management of Coke, have had the vision, foresight and courage to change the business to adapt to what is called for in the beverage business.

The year 2000 was a significant one, because there were many good results and accomplishments that reorganized The Coca Cola Company. This allowed the company to capitalize upon many opportunities in almost every market around the world.

Between the years of 1886 and 1892, Coca Cola had its first beginnings. In 1886, John Pemberton, a Civil War veteran and an Atlanta pharmacist, was inspired by his curiosity. John loved to fiddle with medical formulas, and one afternoon, he was looking for a quick cure for headaches. He made up a fragrant, caramel-colored liquid, and when it was finished he brought it to Jacobs' Pharmacy. There they combined what John had concocted with carbonated water, and gave it to customers. John's bookkeeper named the concoction Coca Cola, and wrote it in his unusual script, which is how Coca Cola is written today. In the first year that John produced the Coca Cola, he sold nine glasses a day. Three years later John, who was an inventor not a businessman, sold the company to Asa Griggs Candler, an Atlanta businessman, for \$2300. Candler was the first president of the company, and the first to bring vision to the new brand.

Between the years of 1893 and 1904, Coca Cola went national. Candler, being a good sharp businessman, came up with an idea to spread the idea of Coca Cola. He gave away coupons for complimentary first sips of Coca Cola, and gave distributing



pharmacists clocks, urns, calendars and scales bearing the Coca Cola brand. It worked because as of 1895, Candler had opened syrup plants in Chicago, Dallas, and Los Angeles. In 1894, a Mississippi businessman named Joseph Biedenharn was the first to put the soda in glass bottles. Candler rejected the idea, which was bad because he did not realize that until the soda was put in bottles it was not portable. So in 1899, two Chattanooga lawyers, Benjamin F. Thomas and Joseph B. Whitehead, secured exclusive rights from him to bottle and sell the beverage. Benjamin and Joseph only paid Candler one dollar.

Between the years of 1905 and 1918, Coca Cola would protect their name, and grow tremendously. The Coca Cola Company was not pleased that there was a copycat of their product. They knew that it was a great product, and it had to be protected, which was accomplished by advertising and changing the bottle. Coca Cola had ads that said, "Demand the Genuine" and "Accept no Substitute." They also decided that changing the bottle to make it more distinct from the copycat's was a good idea. They had the Root Glass Company of Terre Haute, Indiana, design a bottle that could be distinct in the dark. Coca Cola's reach grew internationally. In 1900, there were two bottlers of Coca Cola, and in 1920, there were approximately one thousand bottlers.

Between the years of 1919 and 1940, Robert Woodruff lead Coca Cola to the world. In 1923, Robert Woodruff became president of Coca Cola after his father bought the company five years earlier. Woodruff spent nearly sixty years leading Coca Cola. Woodruff was a marketing genius, who saw opportunities for expansion everywhere. To get foreign markets involved, Woodruff had the company travel with the United States team at the 1928 Amsterdam Olympics, the logo was on Canadian racing dogsleds, and

on the walls of Spanish bullfighting rings. He also developed the six-pack, and in order for women at home to open the bottles easier, he sent women around door to door installing Coca Cola bottle openers.

Between the years of 1941 and 1959, Coca Cola enjoyed prosperity and growth in the world and especially Europe. When America entered World War II in 1941, Coca Cola wanted every service person overseas to be able to get a bottle of Coke for five cents, no matter what it cost the Company. In 1943, General Dwight D. Eisenhower sent a cablegram to Coca Cola, saying that he wanted them to send enough materials for ten bottling plants. Europeans for the first time enjoyed Coca Cola, and when the war was over, the number of overseas bottling plants doubled for Coca Cola, from the 1940's until 1960.

From the years of 1960 till 1981, Coca Cola expanded their flavors, and went where no United States Company had gone before. After seventy-five years of producing Coca Cola, the Company decided to expand their flavor base. They released: Sprite, Tab, and Fresca, in the 1960's. Advertising in the 1970's played an important role for the future of the company. The 1971 commercial, where there are a group of young people from all over the world gathered on a hilltop in Italy, singing "I'd Like to Buy the World a Coke," had an international appeal to many. This opened the door for Coca Cola to sell their product to many countries that would not necessarily have Coke in their homes. Some of the countries were: Cambodia, Paraguay, and Turkey. One of the greatest achievements of Coca Cola was that they were the only ones allowed to sell packaged cold drinks in the People's Republic of China.

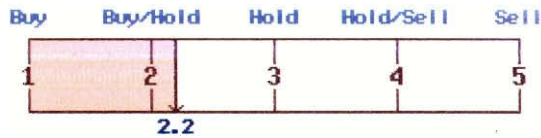
In the years of 1982 till 1989, Coca Cola Company, as well as the soda Coca Cola went through changes. In 1981, Roberto C. Goizueta became the new chairman and CEO of the Coca Cola Company. He reorganized the United States bottling operations into a new public company called Coca Cola Enterprises, Inc. Goizueta also introduced a new Coca Cola product called diet Coke. This came at a time when the United States was health conscious. Within two years of the introduction of diet Coke, it had become the top low-calorie drink in the world. Then in 1985, Goizueta released the new taste of Coca Cola, which was the first change in the formula in ninety-nine years. People loved the new formula, but were attached to the original. The new taste was called the biggest marketing blunder ever. So Goizueta did the only thing that he could do, return the original formula to the market. When he reentered the original formula into the market he called in Coca Cola classic.

From 1990 till the present, the Companies goal is to provide the great taste of Coca Cola in two hundred countries, with each of it's two hundred and thirty plus brands. In February 2000, Doug Draft was named the Companies new chairman. Draft's goal for Coca Cola was to operate the company as a collection of smaller, locally run businesses. He wanted Coca Cola to be committed to the local markets, because they could pay attention to what the local consumers needed and wanted, and could enjoy there Coca Cola the way that they wanted it. The history of Coca Cola shows how the Company has changed to what the consumers want, and that they have made good business decisions.

Coca Cola has always invented ways that show people how great a product they sell. Looking at the history of Coca Cola, they have made strides in their business, and

throughout the world. The analysis given by Netscape was a good one with a rating of 2.2.

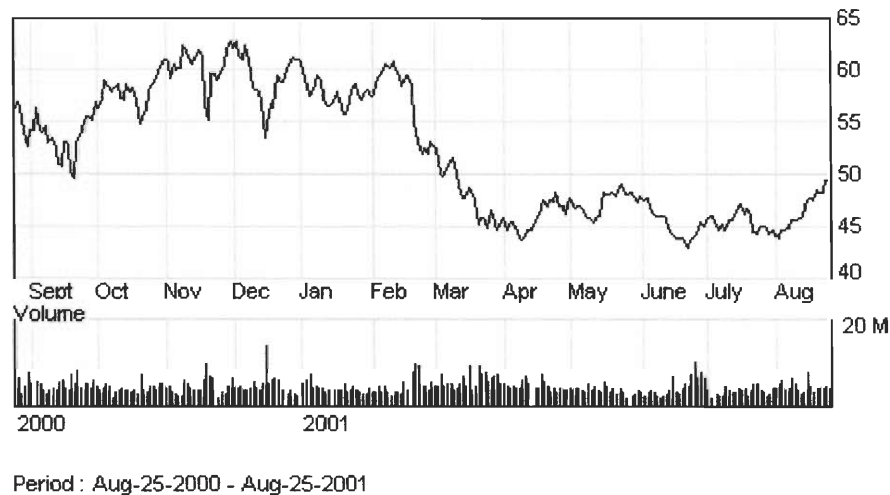
**Figure 11: Netscape's analysis of Coca Cola.**



They suggest that as an investor you hang on

to the stock that you have and buy more. To see the graph of Netscape's analysis of Coca Cola, see figure 11. Also looking at the scorecard provided by Excite, using Robert Hagstrom's The Warren Buffett Way, they recommend that Coca Cola is a good company to invest in, with five passes and two fails. The closing price for Coca Cola on the day they were investigated for the portfolio was \$48.55. Looking at the closing prices for the year, it was decided that the closing price was at a low point and would return. To see the graph of the closing prices for the year, see figure 12. Looking at all of the information about Coca Cola, it was decided to invest in Coca Cola.

**Figure 12: Closing stock prices of the year for Coca Cola.**



## 4.7 Fidelity National Financial

Fidelity National Financial Inc. is one of the largest national underwriters engaged in the business of issuing title insurance policies and providing diversified real estate related services. Fidelity has a market cap of 1.81 billion, and employs approximately sixteen thousand employees. Fidelity owns the majority of a company called *Micro General Corporation*. They were recognized as one of the top one hundred fast growing companies in 1999. They offer a range of information technology, telecommunications, and eCommerce services. *Micro General Corporation* entered and agreed with *Fannie Mae*, to provide lenders with electronic access to title insurance and other real estate related products. Also, Fidelity through *Micro General* has financed a new company called *escrow.com*, which allows a secure haven for the transmission of funds and merchandise between buyer and seller. Fidelity can trace back their origins 150 years, through their underwriting subsidiaries which is one of the foremost real estate service companies in the nation, which provides insurance and other real estate related products and services.

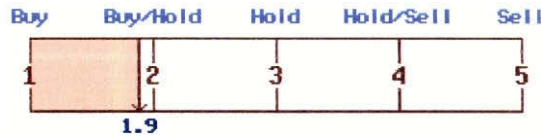
In 1884 the Western Title Insurance Company, now Fidelity National Title Insurance Company of California, traced its roots to C.V. Gillespie, and he was a notary public and a searcher of records in San Francisco. The original Western Title Insurance Company was formed in 1920, and then in 1961 Fidelity National Title Insurance Company (FNTIC), a Nebraska corporation received a certificate of authority to begin doing business in Nebraska. The Fidelity National Title Insurance Company in 1980 acquired the assets of a small underwriter in Tucson, Arizona. In 1881, FNTIC purchased Maricopa and Pima counties in Arizona, from CIGNA. FNTIC was ranked

48<sup>th</sup> in the country among title insurance companies, with an annual revenue of \$6.2 million. Fidelity National Financial, Inc., in 1984 purchased FNTIC, and then in 1985, the SEC approved the sale of Fidelity's stock to the employees of the various subsidiaries. Fidelity became the nation's first and only employee owned title insurance underwriter. In 1987, Fidelity started to be traded on the American Stock Exchange, and also acquired Western Title Insurance Company. In 1992, Fidelity joined the New York Stock Exchange. Also in 1992, Fidelity, acquired Meridian Title and Insurance Company, and Security Title and Guarantee Company, which expanded Fidelity's direct operations to include: Florida, Michigan, Missouri, New Jersey, New York, North Carolina, and Pennsylvania. In 1994, Fidelity bought ACS Systems, Inc., which is a computer software development company that enhanced FNTIC's electronic data interchange through the development and marketing of its trust, escrow, and title related software. In 1996, Fidelity acquired Nations Title, Inc., the 8<sup>th</sup> largest title underwriter in the United States. This made FNTIC the 4<sup>th</sup> largest title underwriter in the United States, and it also doubled their agency base. In 1998, Fidelity sold ACS Systems, Inc. to General Micro, Inc. In 2000, Fidelity National Financial acquired Chicago Title Corporation and its title subsidiaries, which include: Chicago Title, Ticor Title and Security Union Title. When all of the companies were combined, they formed the largest title insurance organization in the world.

Fidelity has grown from one of the smallest financial businesses in the United States to one of the biggest. To decide whether Fidelity is the correct choice for the portfolio, the history, outside analyses and the closing prices for the year were all investigated. Netscape's analysis of Fidelity, they thought that Fidelity was a good

company to invest in, and they gave Fidelity a rating of 1.9, meaning that it was a good time to buy shares of stock, as well as hold on the ones that you already own.

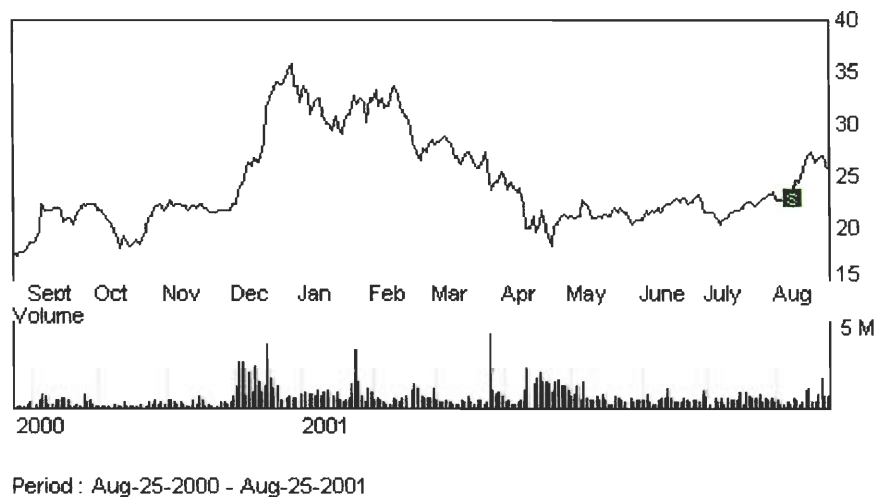
**Figure 13: Netscape's analysis of Fidelity.**



To see the graph provided by

Netscape, see figure 13. The Excite scorecard, using Geraldine Weiss' Blue-Chip Value, suggested that Fidelity was a good company to invest in. They rated Fidelity with six passes and one fail. The closing price for Fidelity the day that they were possibly going to be added to the portfolio was \$24.23, which when looking at the closing prices for the year was low. It was thought that the closing price for Fidelity would return to a higher closing price. To see the graph of the closing prices for the year of Fidelity, see figure 14. Taking all of the information from the history, the outside analysis, and the closing price being low, it was decided to invest in Fidelity.

**Figure 14: Closing stock price of the year for Fidelity.**



## **4.8 Hewlett Packard Co.**

Hewlett Packard Corporation is a global provider of computing and imaging solutions and services for business and home. The company's operations are organized into four major businesses: imaging and printing, computing systems, information technology services, and measurement systems. Hewlett Packard's market cap is \$50.96 billion, and they employ approximately eighty-eight thousand five hundred workers. There are more than five hundred and forty sales, support offices and distributorships worldwide, and they are located in more than one hundred and twenty countries. In 2000 alone, Hewlett Packard donated nearly \$52 million dollars in cash and equipment grants to nonprofit organizations. Also Hewlett Packard created innovative programs, which are changing the ways in which patronage is done.

Bill Hewlett and David Packard, the founders of Hewlett Packard started in a garage in California. Hewlett Packard's first product was invented in 1938. It was a resistance capacity audio oscillator, which was called the HP 200A. It was an electronic instrument used to test sound equipment. This was an amazing breakthrough for technology, because of its size, price and performance. For the making of Fantasia, Walt Disney bought eight HP 200B's. Then in 1939 the Hewlett Packard Company was born. In the 1940's David Packard, thought of a new way of managing his employees, which was called Management by Walking Around (MBWA). David Packard described MBWA as: "I learned that quality requires minute attention to every detail, that everyone in an organization wants to do a good job, that written instructions are seldom adequate, and that personal involvement needs to be frequent, friendly, unfocused, and unscheduled – but far from pointless. And since the principle aim is to seek out people's thoughts and

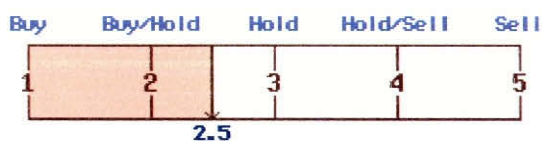


opinions, it requires good listening.” (HP website). Hewlett Packard started an open door policy for all of their employees. They wanted to guarantee to employees that on any level the managers were available to them, and that they would be open and receptive. Hewlett Packard managers hoped that this would build trust and understanding, between the management and the workers. Hewlett Packard believed in the open door policy so much that they had open cubicles and executive offices without doors. In 1951, a high-speed frequency counter (HP 524A) was invented, which reduced the time to accurately measure high frequencies. This allowed radio stations to set their frequencies in compliance with the FCC. In 1958, division structure was established at Hewlett Packard in order to separate profit and loss accountability. Every product group became a self-sustaining organization responsible for developing, manufacturing, and marketing of their respective product. To remain responsive, any group that grew to more than fifteen hundred people would be divided and be moved to a new division. They believed that autonomy would encourage individual motivation, initiative and creativity. This also allowed the employees to work with a wide range of freedom in achieving common goals and objectives. In 1959, stock purchase plans became part of Hewlett Packard’s employee benefit package. Hewlett Packard was the first company to develop and apply cash profit sharing. In 1966, Hewlett Packard Laboratories was established as the central research facility. The first scientific desktop calculator (HP 9100) was invented by Hewlett Packard, in 1968. Then in 1972, Hewlett Packard invented the first handheld scientific calculator (HP 35), and they also started to branch their business into other areas, such as with the HP 3000 minicomputer. In 1984, Hewlett Packard entered the printer business with inkjet and LaserJet printers. The LaserJet printer became the

world's most popular personal desktop printer, and was the most successful product for Hewlett Packard ever. In 1991, Hewlett Packard designed a noninvasive cardiac analysis device, which enabled doctors to perform quantitative, noninvasive cardiac analysis in real-time by processing ultrasonic waves. In 1994, Hewlett Packard developed a telecommuting policy. This made Hewlett Packard one of the first companies to encourage telecommuting. Employees could work at home or remote offices, which increase job satisfaction, flexibility between personal and work schedules, and stress levels. For the future Hewlett Packard believes that e-services is the future of the company and the Internet. They want to design, manufacture, and market devices, which will allow people to communicate and surf the Internet from anywhere.

Hewlett Packard is one of the most popular manufacturers of printing devices. Wherever you go, you see one of there products. Knowing this Hewlett Packard was investigated. Looking at their history, outside analysis's, and the closing prices for the last year, Hewlett Packard was a possibility for an investing. According to Netscape's analysis of Hewlett Packard, they believed that Hewlett Packard was a decent investment, with a rating of 2.5, which means that an investor is better off holding what they have invested with Hewlett Packard than buying. Buying though is not necessarily bad, but it was not as strong of a recommendation as hold.

**Figure 15: Netscape's analysis of Hewlett Packard.**

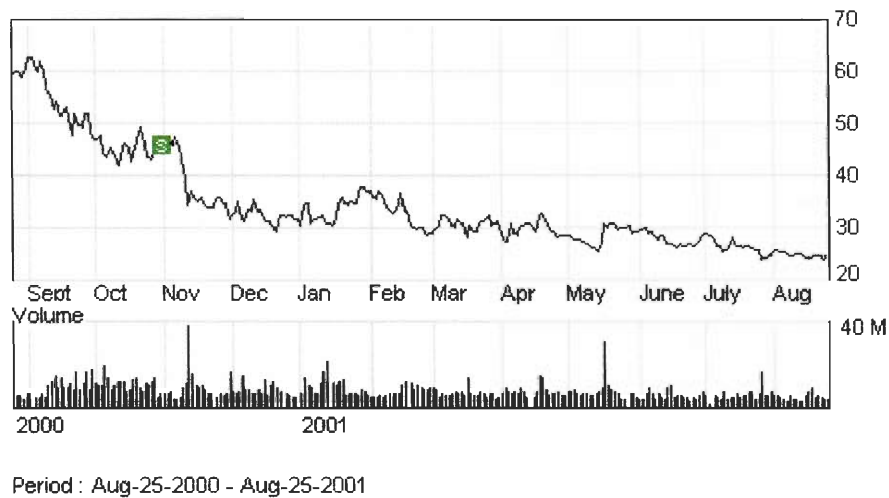


To see the graph of Netscape's analysis of

Hewlett Packard, see figure 15. Excite's scorecard for Hewlett Packard, using Robert Hagstrom's The Warren Buffett Way, was a decent recommendation to invest in Hewlett

Packard. They gave Hewlett Packard four passes and three fails. The closing price for Hewlett Packard the day they were investigated was \$27.90. Looking at the closing prices for Hewlett Packard for the year, it was believed that since the closing price was slow low, when compared to the closing prices earlier in the year, it was believed that the closing price would return to where it was earlier in the year. To see a graph of the closing prices for Hewlett Packard, see figure 16. Taking the history of Hewlett Packard, the outside analysis's and the inclination that the closing prices would return to were they used to be earlier in the year Hewlett Packard was added to the portfolio.

**Figure 16: Closing stock prices of the year for Hewlett Packard.**



# Chapter 5: Analysis

We began our simulation on June 13, 2001. It lasted for six weeks until July 25, 2001. We began by investing just under \$100,000 of our available \$200,000 evenly (about \$12,500 each) between the Kraft Foods Inc, EMC Corp, Boston Scientific Corp, Nokia Corp, Groupe Danone, Coca Cola Co, Fidelity National Financial and Hewlett Packard. We made changes to our portfolio based on the percent change in the stock, news surrounding each company, news affecting the entire market and looking for trends in the stock price.

During the six-week simulation we made trades on 14 of the thirty days. We were very active in our trading but we were not aggressive. We did not use all \$200,000. We only spent a total of \$160,363.31. We were not aggressive because the entire market was down for the year and we did not want to make a mistake that would hurt us. We only had six weeks for the simulation and it can take as much as two years for the market to fully turn around.

## **5.1 Kraft Foods Inc.**

We initially purchased 400 shares Kraft Foods Inc for a total cost of \$12,500. After a 3.52% drop to \$30.15 the first day, the price of the stock leveled out. The stock price varied up or down less than 1% except for a few rare occasions. There were no surprises to cause a sharp increase or decrease stock price of Kraft Foods Inc. It remained consistent throughout the entire simulation.

On July 9, Kraft stated that they would announce earnings on July 18. On July 17 the stock price closed at \$31.45, 20 cents higher than our purchase price. It was expected

that the earnings announcement from Kraft Foods would be positive. We decided to wait until the announcement to make any move in shares. On July 18 Kraft Foods announced second quarter earnings of \$581 million up from \$512 the previous year. As a result of this announcement, the stock price closed at \$31.49, 24 cents higher than our purchase price. Since the simulation was nearing its end, we decided to sell half of our 400 shares. We sold 200 shares and received \$6298, a profit of \$48.

The stock price gradually dropped below \$31.00 by the end of the simulation. It closed at \$30.70 on the final day of the simulation. We lost \$110 on the remaining shares for a total loss of \$62 from our initial \$12,500 investment. It was a loss of less than 0.5%. Kraft Foods Inc. is a stable stock that with a low risk factor. We would suggest this stock for a long-term investment.

**Table 1: Day by day portfolio for Kraft Inc. \*numbers in italic in the overall gain column represent only the gain for the remaining shares.**

| Kraft Foods Inc. |          |                |         |             |             |            |              |
|------------------|----------|----------------|---------|-------------|-------------|------------|--------------|
| Date             | Change   | Percent Change | Close   | # of Shares | Value       | Day's Gain | Overall Gain |
| 13-Jun           | -        | -              | \$31.25 | 400         | \$12,500.00 | -          | -            |
| 14-Jun           | (\$1.10) | -3.52%         | \$30.15 | 400         | \$12,060.00 | -\$440.00  | -\$440.00    |
| 15-Jun           | \$0.45   | 1.49%          | \$30.60 | 400         | \$12,240.00 | \$180.00   | -\$260.00    |
| 18-Jun           | (\$0.28) | -0.92%         | \$30.32 | 400         | \$12,128.00 | -\$112.00  | -\$372.00    |
| 19-Jun           | \$0.08   | 0.26%          | \$30.40 | 400         | \$12,160.00 | \$32.00    | -\$340.00    |
| 20-Jun           | (\$0.10) | -0.33%         | \$30.30 | 400         | \$12,120.00 | -\$40.00   | -\$380.00    |
| 21-Jun           | (\$0.30) | -0.99%         | \$30.00 | 400         | \$12,000.00 | -\$120.00  | -\$500.00    |
| 22-Jun           | \$0.00   | 0.00%          | \$30.00 | 400         | \$12,000.00 | \$0.00     | -\$500.00    |
| 25-Jun           | \$0.15   | 0.50%          | \$30.15 | 400         | \$12,060.00 | \$60.00    | -\$440.00    |
| 26-Jun           | (\$0.11) | -0.36%         | \$30.04 | 400         | \$12,016.00 | -\$44.00   | -\$484.00    |
| 27-Jun           | (\$0.10) | -0.33%         | \$29.94 | 400         | \$11,976.00 | -\$40.00   | -\$524.00    |
| 28-Jun           | \$0.47   | 1.57%          | \$30.41 | 400         | \$12,164.00 | \$188.00   | -\$336.00    |
| 29-Jun           | \$0.59   | 1.94%          | \$31.00 | 400         | \$12,400.00 | \$236.00   | -\$100.00    |
| 2-Jul            | (\$0.53) | -1.71%         | \$30.47 | 400         | \$12,188.00 | -\$212.00  | -\$312.00    |
| 3-Jul            | \$0.09   | 0.30%          | \$30.56 | 400         | \$12,224.00 | \$36.00    | -\$276.00    |
| 5-Jul            | \$0.37   | 1.21%          | \$30.93 | 400         | \$12,372.00 | \$148.00   | -\$128.00    |
| 6-Jul            | (\$0.28) | -0.91%         | \$30.65 | 400         | \$12,260.00 | -\$112.00  | -\$240.00    |
| 9-Jul            | (\$0.27) | -0.88%         | \$30.38 | 400         | \$12,152.00 | -\$108.00  | -\$348.00    |

### Kraft Foods Inc.

| Date   | Change   | Percent Change | Close   | # of Shares | Value       | Day's Gain | Overall Gain |
|--------|----------|----------------|---------|-------------|-------------|------------|--------------|
| 10-Jul | (\$0.03) | -0.10%         | \$30.35 | 400         | \$12,140.00 | -\$12.00   | -\$360.00    |
| 11-Jul | (\$0.05) | -0.16%         | \$30.30 | 400         | \$12,120.00 | -\$20.00   | -\$380.00    |
| 12-Jul | \$0.60   | 1.98%          | \$30.90 | 400         | \$12,360.00 | \$240.00   | -\$140.00    |
| 13-Jul | (\$0.17) | -0.55%         | \$30.73 | 400         | \$12,292.00 | -\$68.00   | -\$208.00    |
| 16-Jul | (\$0.02) | -0.07%         | \$30.71 | 400         | \$12,284.00 | -\$8.00    | -\$216.00    |
| 17-Jul | \$0.74   | 2.41%          | \$31.45 | 400         | \$12,580.00 | \$296.00   | \$80.00      |
| 18-Jul | \$0.04   | 0.13%          | \$31.49 | 200         | \$6,298.00  | \$8.00     | \$48.00      |
| 19-Jul | (\$0.17) | -0.54%         | \$31.32 | 200         | \$6,264.00  | -\$34.00   | \$14.00      |
| 20-Jul | (\$0.12) | -0.38%         | \$31.20 | 200         | \$6,240.00  | -\$24.00   | -\$10.00     |
| 23-Jul | (\$0.20) | -0.64%         | \$31.00 | 200         | \$6,200.00  | -\$40.00   | -\$50.00     |
| 24-Jul | \$0.07   | 0.23%          | \$31.07 | 200         | \$6,214.00  | \$14.00    | -\$36.00     |
| 25-Jul | (\$0.37) | -1.19%         | \$30.70 | 200         | \$6,140.00  | -\$74.00   | -\$110.00    |

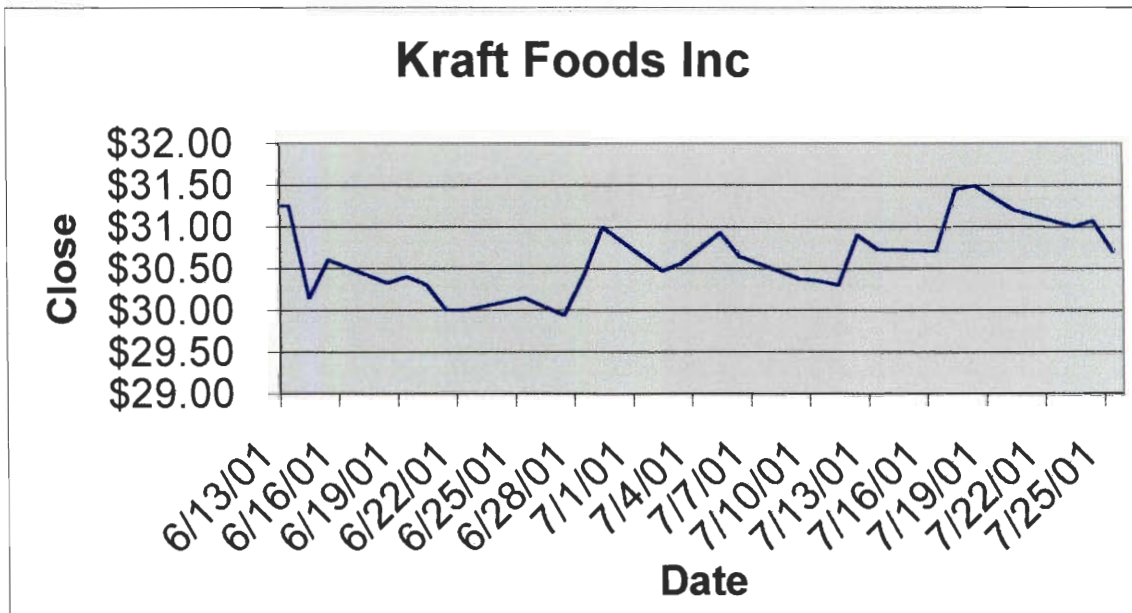


Figure 17: A chart of the closing price for Kraft Foods Inc.

### 5.2 EMC Corp.

We initially purchased 412 shares of EMC Corp. for a total cost of \$12,483.60. Like Kraft, EMC also had a rather large loss the first day. EMC dropped 6.77% from \$30.30 to \$28.77. Unlike Kraft, EMC did not level out and stay consistent. The price of



EMC varied greatly with different news surrounding the market. With such a varying price, we looked for the most opportune times to buy and sell shares.

The stock price of EMC was consistently dropping during the first seven days of trading. On Friday June 22, the stock price had dropped to \$26.41, down 12.8% from our initial purchase price. We were now looking to buy more shares. EMC had mainly positive news in the first days of the simulation. We decided to wait until Monday June 25 to make a move. Unfortunately for us, on Monday June 25, EMC Corp announced a hardware deal with Lereta. This news made the stock price rise over 7%. Knowing that the Federal Reserve was planning an interest rate drop for June 27, we decided to wait another day to buy more stock in EMC. On June 26 we purchased 388 shares of EMC at \$28.30 a share. We made this move hoping the recent good news and a drop of a half-percentage point would help the stock price continue to rise.

The Federal Reserve only reduced interest rates a quarter-point instead of the half-point we had hoped for. The stock price did not increase as we had hoped but it was beginning to rise. On July 3, the price of EMC stock was up 10.5% from our previous purchase price to \$31.62. We decided to sell 400 shares and received a total of \$12,648, a profit of \$916.

On July 5, 2001, EMC Corp. issued a warning after trading had closed that the company earnings would only be 4 cents a share instead of the expected 17 cents a share. This caused the stock price of EMC to plummet 28% on July 6. The price reached a new 52-week low. We decided to watch the price for a couple of days before making any moves. Finally, on July 10, we decided to buy 400 more shares of EMC at \$21.37. With

the stock price at its 52-week low we hoped to buy at one of the most opportune times if the prices flourish again.

On July 18, 2001, EMC announced its second quarter earnings. They reported a net income of \$109 million down 75% from the previous year and earnings of 5 cents a share. Although the earnings per share were higher than expected, the stock price still dropped 11.5% to \$18.05 setting another new 52-week low. As a result of the simulation nearing its end we chose not to buy. It was a good time to buy for the long-term investor but there were only five days left for us. When the simulation ended, the price of EMC was \$18.17. We lost a total of \$4,744.00 during our simulation. EMC is a volatile company that has a high risk factor for investors. It is a stock that can make or lose investors a lot of money.

**Table 2: Day by day portfolio for EMC Corp. \*numbers in italic in the overall gain column represent only the gain for the remaining shares.**

| EMC Corp |                 |                |         |             |             |             |              |
|----------|-----------------|----------------|---------|-------------|-------------|-------------|--------------|
| Date     | Change          | Percent Change | Close   | # of Shares | Value       | Day's Gain  | Overall Gain |
| 13-Jun   | -               | -              | \$30.30 | 412         | \$12,483.60 | -           | -            |
| 14-Jun   | <i>(\$2.05)</i> | -6.77%         | \$28.25 | 412         | \$11,639.00 | -\$844.60   | -\$844.60    |
| 15-Jun   | <i>(\$0.48)</i> | -1.70%         | \$27.77 | 412         | \$11,441.24 | -\$197.76   | -\$1,042.36  |
| 18-Jun   | <i>(\$0.17)</i> | -0.61%         | \$27.60 | 412         | \$11,371.20 | -\$70.04    | -\$1,112.40  |
| 19-Jun   | <i>(\$0.93)</i> | -3.37%         | \$26.67 | 412         | \$10,988.04 | -\$383.16   | -\$1,495.56  |
| 20-Jun   | <i>\$0.48</i>   | 1.80%          | \$27.15 | 412         | \$11,185.80 | \$197.76    | -\$1,297.80  |
| 21-Jun   | <i>(\$0.04)</i> | -0.15%         | \$27.11 | 412         | \$11,169.32 | -\$16.48    | -\$1,314.28  |
| 22-Jun   | <i>(\$0.70)</i> | -2.58%         | \$26.41 | 412         | \$10,880.92 | -\$288.40   | -\$1,602.68  |
| 25-Jun   | <i>\$1.94</i>   | 7.35%          | \$28.35 | 412         | \$11,680.20 | \$799.28    | -\$803.40    |
| 26-Jun   | <i>(\$0.05)</i> | -0.18%         | \$28.30 | 800         | \$22,640.00 | -\$20.60    | -\$824.00    |
| 27-Jun   | <i>(\$0.10)</i> | -0.35%         | \$28.20 | 800         | \$22,560.00 | -\$80.00    | -\$904.00    |
| 28-Jun   | <i>\$1.25</i>   | 4.43%          | \$29.45 | 800         | \$23,560.00 | \$1,000.00  | \$96.00      |
| 29-Jun   | <i>(\$0.20)</i> | -0.68%         | \$29.25 | 800         | \$23,400.00 | -\$160.00   | -\$64.00     |
| 2-Jul    | <i>\$1.35</i>   | 4.62%          | \$30.60 | 800         | \$24,480.00 | \$1,080.00  | \$1,016.00   |
| 3-Jul    | <i>\$1.02</i>   | 3.33%          | \$31.62 | 400         | \$12,648.00 | \$408.00    | \$1,328.00   |
| 5-Jul    | <i>(\$1.59)</i> | -5.03%         | \$30.03 | 400         | \$12,012.00 | -\$636.00   | \$692.00     |
| 6-Jul    | <i>(\$8.43)</i> | -28.07%        | \$21.60 | 400         | \$8,640.00  | -\$3,372.00 | -\$2,680.00  |



## EMC Corp

| Date   | Change   | Percent Change | Close   | # of Shares | Value       | Day's Gain  | Overall Gain |
|--------|----------|----------------|---------|-------------|-------------|-------------|--------------|
| 9-Jul  | \$0.72   | 3.33%          | \$22.32 | 400         | \$8,928.00  | \$288.00    | -\$2,392.00  |
| 10-Jul | (\$0.95) | -4.26%         | \$21.37 | 800         | \$17,096.00 | -\$380.00   | -\$2,772.00  |
| 11-Jul | (\$1.07) | -5.01%         | \$20.30 | 800         | \$16,240.00 | -\$856.00   | -\$3,628.00  |
| 12-Jul | \$1.21   | 5.96%          | \$21.51 | 800         | \$17,208.00 | \$968.00    | -\$2,660.00  |
| 13-Jul | \$0.61   | 2.84%          | \$22.12 | 800         | \$17,696.00 | \$488.00    | -\$2,172.00  |
| 16-Jul | (\$0.97) | -4.39%         | \$21.15 | 800         | \$16,920.00 | -\$776.00   | -\$2,948.00  |
| 17-Jul | (\$0.76) | -3.59%         | \$20.39 | 800         | \$16,312.00 | -\$608.00   | -\$3,556.00  |
| 18-Jul | (\$2.34) | -11.48%        | \$18.05 | 800         | \$14,440.00 | -\$1,872.00 | -\$5,428.00  |
| 19-Jul | \$0.30   | 1.66%          | \$18.35 | 800         | \$14,680.00 | \$240.00    | -\$5,188.00  |
| 20-Jul | (\$0.26) | -1.42%         | \$18.09 | 800         | \$14,472.00 | -\$208.00   | -\$5,396.00  |
| 23-Jul | (\$0.09) | -0.50%         | \$18.00 | 800         | \$14,400.00 | -\$72.00    | -\$5,468.00  |
| 24-Jul | (\$0.05) | -0.28%         | \$17.95 | 800         | \$14,360.00 | -\$40.00    | -\$5,508.00  |
| 25-Jul | \$0.22   | 1.23%          | \$18.17 | 800         | \$14,536.00 | \$176.00    | -\$5,332.00  |

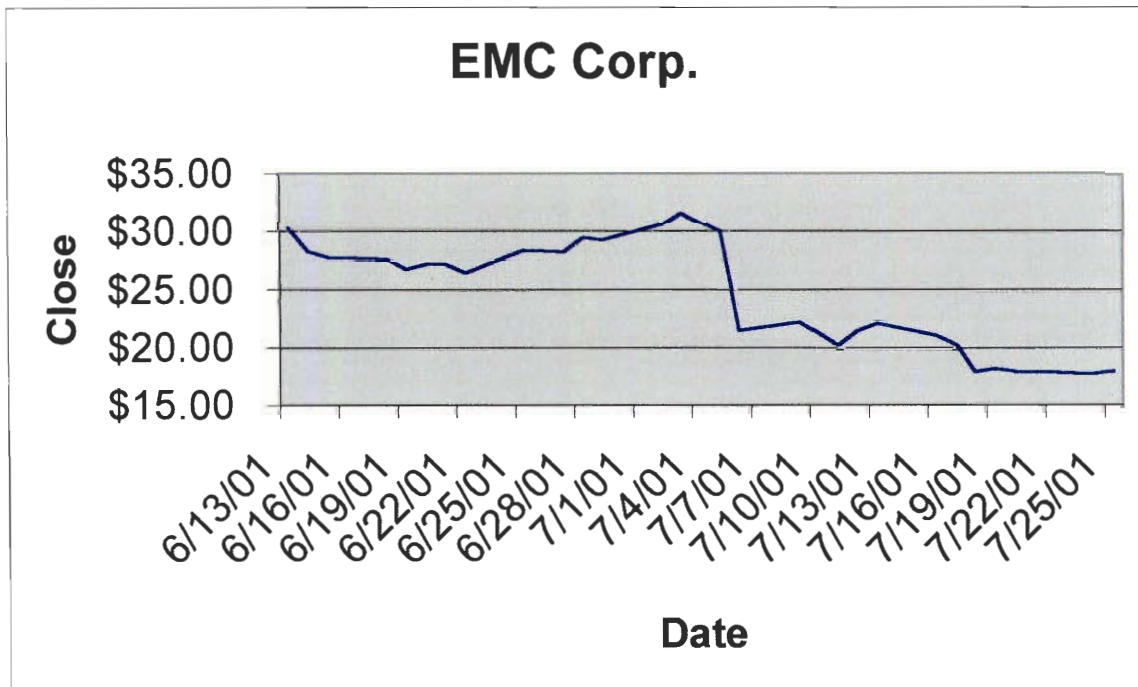


Figure 18: A chart of the closing price of EMC Corp.

### 5.3 Boston Scientific Corp.

We initially purchased 711 shares of Boston Scientific Corp. at a price of \$17.57 a share for a total cost of \$12,492,27. The stock price of Boston Scientific did not vary

greatly throughout the simulation. The price tended to vary less than 1-2% day to day. The changes were often small so we looked to take advantage of larger changes when the opportunity arose.

On June 20, 2001, the stock price of Boston Scientific closed at \$18.40. The stock price rose 7.6% for the day and 4.5% from our initial investment. We decided to sell 111 shares. We did not make an aggressive move because the price had only been this high for one day. There was still the possibility that the price would continue to rise. We wanted to take advantage of this gain while hoping to gain even further.

The price of Boston Scientific did not continue to rise above \$18.40. We made a good move by selling at this price but would have benefited by being more aggressive. The stock price continued to remain very steady throughout the simulation. Boston Scientific had announced a 3% decline in earnings, on July 18, from the second quarter in 2000 but it did not have a direct affect on the stock price. Nearing the end of the simulation on July 20, the price was at \$18.26. Since the end of simulation was nearing we decided to sell 300 shares. It was a gain of 3.7% from our purchase price.

On the last day of our simulation, Boston Scientific closed at \$18.48. It was the highest price of the entire simulation. We made \$273 on our remaining 300 shares of Boston Scientific. Overall we profited \$572.13 on our total investment. Boston Scientific was a good investment for us. Its performance was very stable throughout the simulation.

**Table 3: Day by day portfolio for Boston Scientific Corp. \*numbers in italic in the overall gain column represent only the gain for the remaining shares.**

| Boston Scientific Corp |        |                |         |             |             |            |              |
|------------------------|--------|----------------|---------|-------------|-------------|------------|--------------|
| Date                   | Change | Percent Change | Close   | # of Shares | Value       | Day's Gain | Overall Gain |
| 13-Jun                 | -      | -              | \$17.57 | 711         | \$12,492.27 | -          | -            |

## Boston Scientific Corp

| Date   | Change   | Percent Change | Close   | # of Shares | Value       | Day's Gain | Overall Gain |
|--------|----------|----------------|---------|-------------|-------------|------------|--------------|
| 14-Jun | (\$0.39) | -2.22%         | \$17.18 | 711         | \$12,214.98 | -\$277.29  | -\$277.29    |
| 15-Jun | (\$0.10) | -0.58%         | \$17.08 | 711         | \$12,143.88 | -\$71.10   | -\$348.39    |
| 18-Jun | \$0.02   | 0.12%          | \$17.10 | 711         | \$12,143.88 | \$0.00     | -\$348.39    |
| 19-Jun | \$0.00   | 0.00%          | \$17.10 | 711         | \$12,158.10 | \$14.22    | -\$334.17    |
| 20-Jun | \$1.30   | 7.60%          | \$18.40 | 600         | \$11,040.00 | \$780.00   | \$498.00     |
| 21-Jun | (\$0.35) | -1.90%         | \$18.05 | 600         | \$10,830.00 | -\$210.00  | \$288.00     |
| 22-Jun | (\$0.33) | -1.83%         | \$17.72 | 600         | \$10,632.00 | -\$198.00  | \$90.00      |
| 25-Jun | (\$0.08) | -0.45%         | \$17.64 | 600         | \$10,584.00 | -\$48.00   | \$42.00      |
| 26-Jun | \$0.17   | 0.96%          | \$17.81 | 600         | \$10,686.00 | \$102.00   | \$144.00     |
| 27-Jun | (\$0.10) | -0.56%         | \$17.71 | 600         | \$10,626.00 | -\$60.00   | \$84.00      |
| 28-Jun | (\$0.20) | -1.13%         | \$17.51 | 600         | \$10,506.00 | -\$120.00  | -\$36.00     |
| 29-Jun | (\$0.51) | -2.91%         | \$17.00 | 600         | \$10,200.00 | -\$306.00  | -\$342.00    |
| 2-Jul  | \$0.56   | 3.29%          | \$17.56 | 600         | \$10,536.00 | \$336.00   | -\$6.00      |
| 3-Jul  | (\$0.12) | -0.68%         | \$17.44 | 600         | \$10,464.00 | -\$72.00   | -\$78.00     |
| 5-Jul  | (\$0.06) | -0.34%         | \$17.38 | 600         | \$10,428.00 | -\$36.00   | -\$114.00    |
| 6-Jul  | (\$0.21) | -1.21%         | \$17.17 | 600         | \$10,302.00 | -\$126.00  | -\$240.00    |
| 9-Jul  | \$0.34   | 1.98%          | \$17.51 | 600         | \$10,506.00 | \$204.00   | -\$36.00     |
| 10-Jul | (\$0.10) | -0.57%         | \$17.41 | 600         | \$10,446.00 | -\$60.00   | -\$96.00     |
| 11-Jul | \$0.55   | 3.16%          | \$17.96 | 600         | \$10,776.00 | \$330.00   | \$234.00     |
| 12-Jul | (\$0.18) | -1.00%         | \$17.78 | 600         | \$10,668.00 | -\$108.00  | \$126.00     |
| 13-Jul | \$0.21   | 1.18%          | \$17.99 | 600         | \$10,794.00 | \$126.00   | \$252.00     |
| 16-Jul | \$0.03   | 0.17%          | \$18.02 | 600         | \$10,812.00 | \$18.00    | \$270.00     |
| 17-Jul | (\$0.04) | -0.22%         | \$17.98 | 600         | \$10,788.00 | -\$24.00   | \$246.00     |
| 18-Jul | (\$0.01) | -0.06%         | \$17.97 | 600         | \$10,782.00 | -\$6.00    | \$240.00     |
| 19-Jul | \$0.04   | 0.22%          | \$18.01 | 600         | \$10,806.00 | \$24.00    | \$264.00     |
| 20-Jul | \$0.25   | 1.39%          | \$18.26 | 300         | \$5,478.00  | \$75.00    | \$207.00     |
| 23-Jul | (\$0.26) | -1.42%         | \$18.00 | 300         | \$5,400.00  | -\$78.00   | \$129.00     |
| 24-Jul | \$0.00   | 0.00%          | \$18.00 | 300         | \$5,400.00  | \$0.00     | \$129.00     |
| 25-Jul | \$0.48   | 2.67%          | \$18.48 | 300         | \$5,544.00  | \$144.00   | \$273.00     |

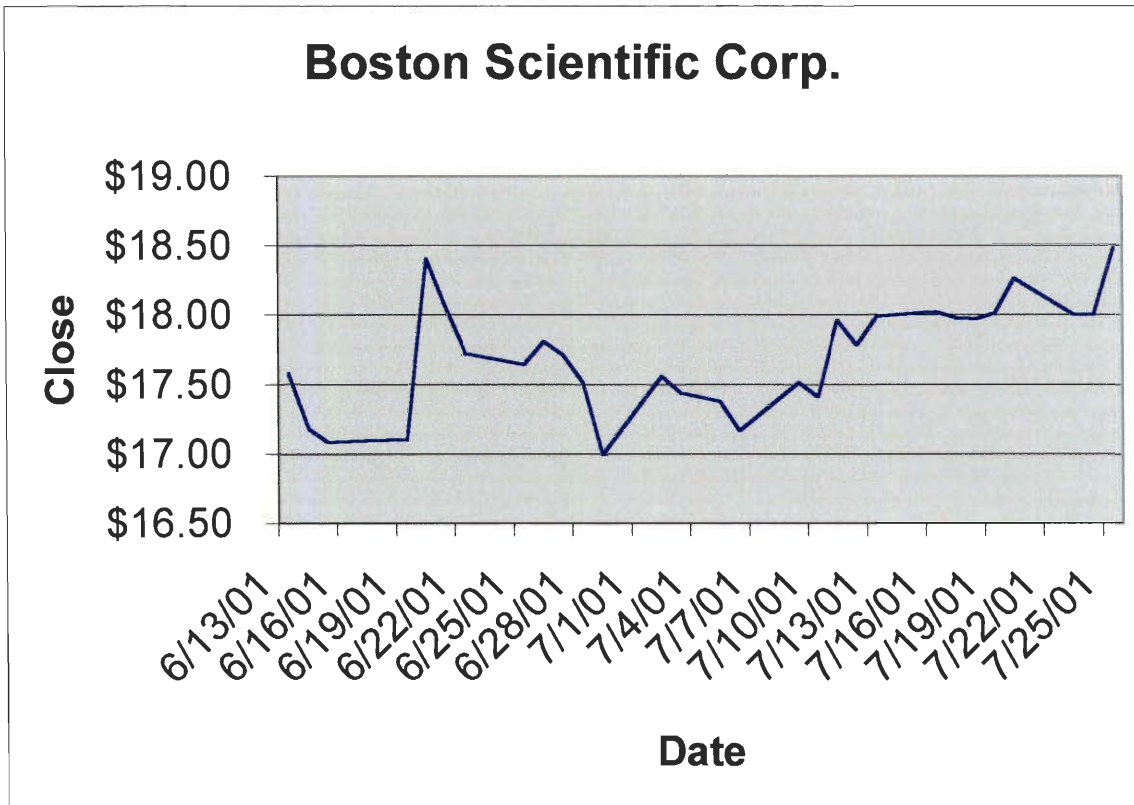


Figure 19: A chart of the closing prices for Boston Scientific Corp

#### 5.4 Nokia Corp.

We initially purchased 529 shares of Nokia Corp. stock at \$23.59 a share for a total cost of \$12,479.11. During the simulation, Nokia made some announcements that caused the stock price to fall. Being one of the largest corporations in the telecommunications industry we felt confident that Nokia would recover. We looked to take advantage of these low prices.

After a 6.3% drop the first day of the simulation, the price began to recover in the second week. At the beginning of the third week (July 25-29) of the simulation Nokia announced encouraging growth in the firewall market and an alliance with F5 Networks. Although the news was positive the price of Nokia's stock fell. On July 28 Nokia

announced 1,000 job cuts would be made. It was not good news but it was better than other companies in the telecommunications industry who were making much larger cuts to their workforce. The three-day drop of almost 8% had ended at the close when Nokia closed up .0.5% for the day. With this mixed news we decided to purchase 171 more shares at a \$21.56 a share.

Nokia began to make improvements but when British networking and telecommunications company, Marconi announced its earnings would be cut in half this year on July 5, the entire telecommunications sector fell. Nokia dropped for five straight days losing almost 20%. It reached new 52-week lows on four of the five days. The telecommunications sector was not showing good signs and we began to wonder how low Nokia would go.

We did not expect the price to drop much greater than 20% without some form of rebound. We decided that if Nokia dropped below \$18 we would purchase more shares. On July 16, Nokia closed at \$17.17 a share so we bought 300 more shares. On July 19, Nokia released its earnings report. It had beat estimates that it would produce 13 cents a share with a report of 15 cents a share. However, revenue was less than the expected \$6.58 billion at \$6.3 billion.

On the last day of our simulation, Nokia closed at \$19.61 up 12% from July 16. We did end up losing \$1,706.87 but it could have been worse. We purchased some shares at the right time to help make a recovery. Nokia had a very rough six weeks. It is a high-risk stock that must be watched closely.



**Table 4: Day by day portfolio for Nokia Corp. \*numbers in italic in the overall gain column represent only the gain for the remaining shares.**

### Nokia Corp

| Date   | Change   | Percent Change | Close   | # of Shares | Value       | Day's Gain  | Overall Gain |
|--------|----------|----------------|---------|-------------|-------------|-------------|--------------|
| 13-Jun | -        | -              | \$23.59 | 529         | \$12,479.11 | -           | -            |
| 14-Jun | (\$1.49) | -6.32%         | \$22.10 | 529         | \$11,690.90 | -\$788.21   | -\$788.21    |
| 15-Jun | \$0.36   | 1.63%          | \$22.46 | 529         | \$11,881.34 | \$190.44    | -\$597.77    |
| 18-Jun | (\$0.31) | -1.38%         | \$22.15 | 529         | \$11,881.34 | \$0.00      | -\$597.77    |
| 19-Jun | \$0.20   | 0.90%          | \$22.35 | 529         | \$11,717.35 | -\$163.99   | -\$761.76    |
| 20-Jun | \$0.27   | 1.21%          | \$22.62 | 529         | \$11,965.98 | \$248.63    | -\$513.13    |
| 21-Jun | \$0.18   | 0.80%          | \$22.80 | 529         | \$12,061.20 | \$95.22     | -\$417.91    |
| 22-Jun | \$0.50   | 2.19%          | \$23.30 | 529         | \$12,325.70 | \$264.50    | -\$153.41    |
| 25-Jun | (\$0.90) | -3.86%         | \$22.40 | 529         | \$11,849.60 | -\$476.10   | -\$629.51    |
| 26-Jun | (\$0.45) | -2.01%         | \$21.95 | 529         | \$11,611.55 | -\$238.05   | -\$867.56    |
| 27-Jun | (\$0.50) | -2.28%         | \$21.45 | 529         | \$11,347.05 | -\$264.50   | -\$1,132.06  |
| 28-Jun | \$0.11   | 0.51%          | \$21.56 | 700         | \$15,092.00 | \$58.19     | -\$1,073.87  |
| 29-Jun | \$0.63   | 2.92%          | \$22.19 | 700         | \$15,533.00 | \$441.00    | -\$632.87    |
| 2-Jul  | \$0.21   | 0.95%          | \$22.40 | 700         | \$15,680.00 | \$147.00    | -\$485.87    |
| 3-Jul  | (\$0.20) | -0.89%         | \$22.20 | 700         | \$15,540.00 | -\$140.00   | -\$625.87    |
| 5-Jul  | (\$1.85) | -8.33%         | \$20.35 | 700         | \$14,245.00 | -\$1,295.00 | -\$1,920.87  |
| 6-Jul  | (\$1.35) | -6.63%         | \$19.00 | 700         | \$13,300.00 | -\$945.00   | -\$2,865.87  |
| 9-Jul  | (\$0.50) | -2.63%         | \$18.50 | 700         | \$12,950.00 | -\$350.00   | -\$3,215.87  |
| 10-Jul | (\$0.02) | -0.11%         | \$18.48 | 700         | \$12,936.00 | -\$14.00    | -\$3,229.87  |
| 11-Jul | (\$0.48) | -2.60%         | \$18.00 | 700         | \$12,600.00 | -\$336.00   | -\$3,565.87  |
| 12-Jul | \$1.13   | 6.28%          | \$19.13 | 700         | \$13,391.00 | \$791.00    | -\$2,774.87  |
| 13-Jul | (\$0.83) | -4.34%         | \$18.30 | 700         | \$12,810.00 | -\$581.00   | -\$3,355.87  |
| 16-Jul | (\$1.13) | -6.17%         | \$17.17 | 1000        | \$17,170.00 | -\$791.00   | -\$4,146.87  |
| 17-Jul | \$0.29   | 1.69%          | \$17.46 | 1000        | \$17,460.00 | \$290.00    | -\$3,856.87  |
| 18-Jul | (\$0.46) | -2.63%         | \$17.00 | 1000        | \$17,000.00 | -\$460.00   | -\$4,316.87  |
| 19-Jul | \$2.51   | 14.76%         | \$19.51 | 1000        | \$19,510.00 | \$2,510.00  | -\$1,806.87  |
| 20-Jul | (\$0.31) | -1.59%         | \$19.20 | 1000        | \$19,200.00 | -\$310.00   | -\$2,116.87  |
| 23-Jul | (\$0.20) | -1.04%         | \$19.00 | 1000        | \$19,000.00 | -\$200.00   | -\$2,316.87  |
| 24-Jul | \$0.20   | 1.05%          | \$19.20 | 1000        | \$19,200.00 | \$200.00    | -\$2,116.87  |
| 25-Jul | \$0.41   | 2.14%          | \$19.61 | 1000        | \$19,610.00 | \$410.00    | -\$1,706.87  |

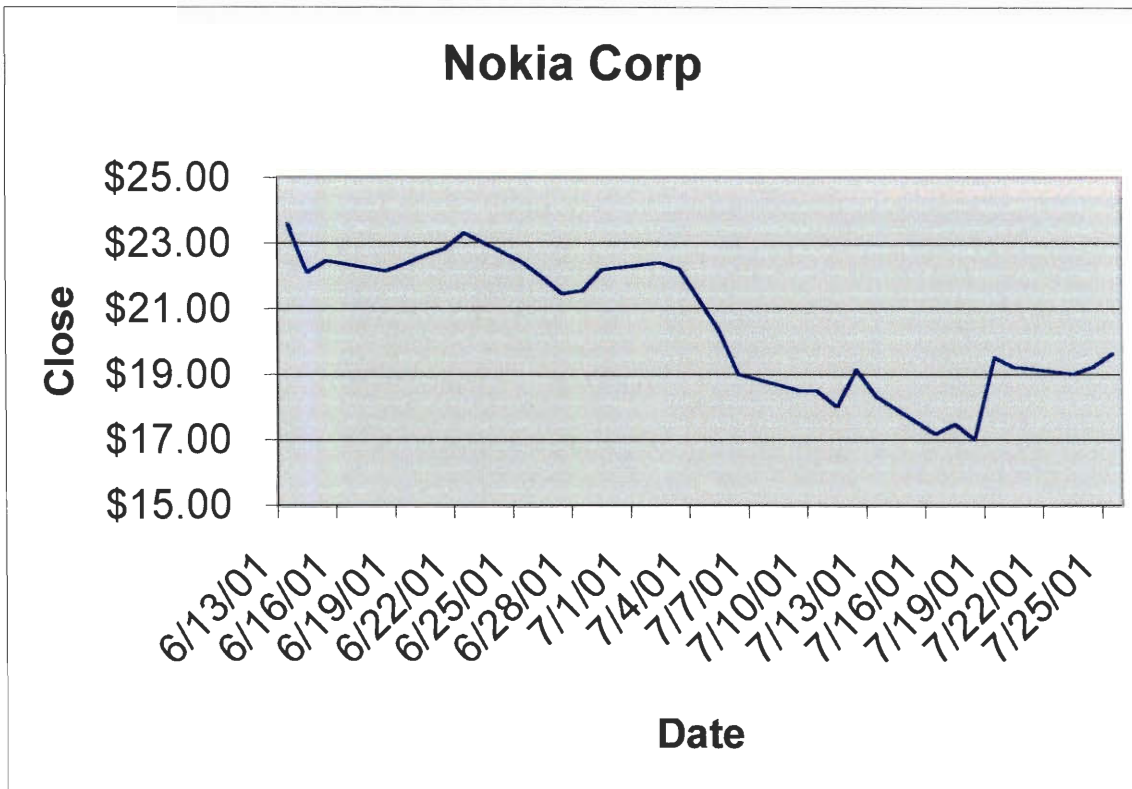


Figure 20: A chart of the closing price for Nokia Corp.

## 5.5 Groupe Danone

We purchased 480 shares of Groupe Danone at \$26.00 a share for a total cost of \$12,480.00. Similar to Kraft Foods and Boston Scientific, Groupe Danone did not vary greatly during the simulation. The stock price mainly varied less than 1% from day to day. As a result of the so we looked to take advantage of larger changes when the opportunity arose. We also looked for trends that indicated the stock price was on its way up or down.

At the beginning of the simulation, the stock began an upward trend. It increased in small amounts for eight straight days. On June 25 the price reached \$27.32. We decided to sell 180 shares for a profit of 4.9%. After a drop of 1.9% on July 26, the stock price began to head back up over \$27. We were looking for a price below \$27 to

purchase more shares. On July 3 the price closed at \$26.90. We decided to wait another day to see if the price would drop lower. On July 5 the Groupe Danone closed at \$26.75. We decided to purchase 300 shares for a cost of \$8025.00.

Unfortunately, Group Danone's stock price did not rise back up \$27 for the rest of the simulation. It varied more than 1%, from one day to the next, only two times until the final days of the simulation. On July 24 (the second to last day of the simulation) stock price of Groupe Danone dropped 2.35%. It was the largest single day change of the entire simulation. There was no significant news surrounding Groupe Danone to cause this change.

Even after positive second-half earnings announcement Groupe Danone closed at \$25.75 on the final day of our simulation. The drop on July 24 caused us to lose \$375.00 on our remaining shares. Groupe Danone was a stable stock that with a low risk factor. In the end, we ended up losing \$137.40 on our total investment.

**Table 5: Day by day portfolio for Groupe Danone \*numbers in italic in the overall gain column represent only the gain for the remaining shares.**

| Groupe Danone |          |                |         |             |             |            |              |
|---------------|----------|----------------|---------|-------------|-------------|------------|--------------|
| Date          | Change   | Percent Change | Close   | # of Shares | Value       | Day's Gain | Overall Gain |
| 13-Jun        | -        | -              | \$26.00 | 480         | \$12,480.00 | -          | -            |
| 14-Jun        | \$0.04   | 0.15%          | \$26.04 | 480         | \$12,499.20 | \$19.20    | \$19.20      |
| 15-Jun        | \$0.00   | 0.00%          | \$26.04 | 480         | \$12,499.20 | \$0.00     | \$19.20      |
| 18-Jun        | \$0.12   | 0.46%          | \$26.16 | 480         | \$12,556.80 | \$57.60    | \$76.80      |
| 19-Jun        | \$0.14   | 0.54%          | \$26.30 | 480         | \$12,556.80 | \$0.00     | \$76.80      |
| 20-Jun        | \$0.55   | 2.09%          | \$26.85 | 480         | \$12,888.00 | \$331.20   | \$408.00     |
| 21-Jun        | \$0.12   | 0.45%          | \$26.97 | 480         | \$12,945.60 | \$57.60    | \$465.60     |
| 22-Jun        | \$0.11   | 0.41%          | \$27.08 | 480         | \$12,998.40 | \$52.80    | \$518.40     |
| 25-Jun        | \$0.24   | 0.89%          | \$27.32 | 300         | \$8,196.00  | \$72.00    | \$396.00     |
| 26-Jun        | (\$0.52) | -1.90%         | \$26.80 | 300         | \$8,040.00  | -\$156.00  | \$240.00     |
| 27-Jun        | \$0.23   | 0.86%          | \$27.03 | 300         | \$8,109.00  | \$69.00    | \$309.00     |
| 28-Jun        | \$0.20   | 0.74%          | \$27.23 | 300         | \$8,169.00  | \$60.00    | \$369.00     |
| 29-Jun        | \$0.12   | 0.44%          | \$27.35 | 300         | \$8,205.00  | \$36.00    | \$405.00     |
| 2-Jul         | \$0.03   | 0.11%          | \$27.38 | 300         | \$8,214.00  | \$9.00     | \$414.00     |



## Groupe Danone

| Date   | Change   | Percent Change | Close   | # of Shares | Value       | Day's Gain | Overall Gain |
|--------|----------|----------------|---------|-------------|-------------|------------|--------------|
| 3-Jul  | (\$0.48) | -1.75%         | \$26.90 | 300         | \$8,070.00  | -\$144.00  | \$270.00     |
| 5-Jul  | (\$0.15) | -0.56%         | \$26.75 | 600         | \$16,050.00 | -\$45.00   | \$225.00     |
| 6-Jul  | (\$0.07) | -0.26%         | \$26.68 | 600         | \$16,008.00 | -\$42.00   | \$183.00     |
| 9-Jul  | (\$0.05) | -0.19%         | \$26.63 | 600         | \$15,978.00 | -\$30.00   | \$153.00     |
| 10-Jul | \$0.06   | 0.23%          | \$26.69 | 600         | \$16,014.00 | \$36.00    | \$189.00     |
| 11-Jul | (\$0.27) | -1.01%         | \$26.42 | 600         | \$15,852.00 | -\$162.00  | \$27.00      |
| 12-Jul | (\$0.07) | -0.26%         | \$26.35 | 600         | \$15,810.00 | -\$42.00   | -\$15.00     |
| 12-Jul | \$0.00   | 0.00%          | \$26.35 | 600         | \$15,810.00 | \$0.00     | -\$15.00     |
| 16-Jul | \$0.35   | 1.33%          | \$26.70 | 600         | \$16,020.00 | \$210.00   | \$195.00     |
| 17-Jul | (\$0.26) | -0.97%         | \$26.44 | 600         | \$15,864.00 | -\$156.00  | \$39.00      |
| 18-Jul | (\$0.04) | -0.15%         | \$26.40 | 600         | \$15,840.00 | -\$24.00   | \$15.00      |
| 19-Jul | \$0.00   | 0.00%          | \$26.40 | 600         | \$15,840.00 | \$0.00     | \$15.00      |
| 20-Jul | \$0.03   | 0.11%          | \$26.43 | 600         | \$15,858.00 | \$18.00    | \$33.00      |
| 23-Jul | (\$0.05) | -0.19%         | \$26.38 | 600         | \$15,828.00 | -\$30.00   | \$3.00       |
| 24-Jul | (\$0.62) | -2.35%         | \$25.76 | 600         | \$15,456.00 | -\$372.00  | -\$369.00    |
| 25-Jul | (\$0.01) | -0.04%         | \$25.75 | 600         | \$15,450.00 | -\$6.00    | -\$375.00    |

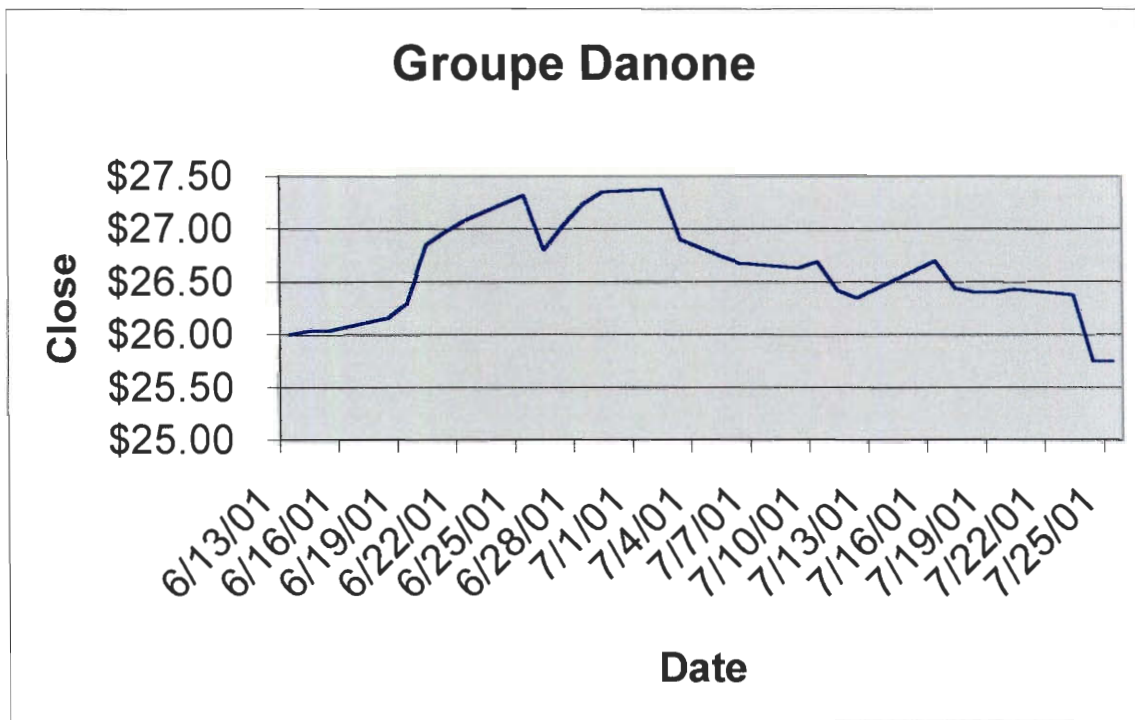


Figure 21: A chart of the closing price for Groupe Danone.

## **5.6 Coca Cola Co.**

We purchased 272 shares of Coca Cola stock at a price of \$45.85 for a total cost of \$12,471.20. Coca Cola has a rather high price compared to other stocks purchased. A considerable change in percent from day to day would require a major unexpected announcement. We looked for trends to help us decide when to trade.

During the first seven days of our simulation the price of Coca Cola dropped 6.5% to \$42.85. We began to look for an upward trend so that we could purchase more shares. Coca Cola began to rise from June 25 to June 28. On June 28 we purchased 128 shares for \$45.35 a share. Unfortunately, the increasing trend did not continue steadily upward as we had hoped. It began to vary up and down 1-2%.

On July 11 the variation from day to day began to stop and another upward trend began with the announcement of an earnings release for July 18. We were looking for Coca Cola to reach \$47 a share so that we could sell. On July 17, Coca Cola Closed at \$47.13. We sold 200 shares and received a profit of \$288.00.

Although Coca Cola showed positive signs in its earnings report on July 18, the stock price fell. Coca Cola announced a 22% increase in earnings per share from the previous year and an increase in cash flow from the first two quarters from \$1.2 billion in 2000 to \$2 billion in 2001. The 4% decline in revenue from the previous year kept Coca Cola from having a completely positive report.

The remaining five days of our simulation after the earnings report on July 18 followed a downtrend. On the final day of our simulation Coca Cola closed at \$44.89. We lost \$92.00 on the remaining shares. However, we gained \$128.00 on our total

investment. Coca Cola was positive for us in the end. It is a rather high priced stock that tends to move in trends. It takes a long time to have significant change in a higher priced stock.

**Table 6: Day by day portfolio for Coca Cola Co. \*numbers in italic in the overall gain column represent only the gain for the remaining shares.**

| Coca Cola Co |          |                |         |             |             |            |              |
|--------------|----------|----------------|---------|-------------|-------------|------------|--------------|
| Date         | Change   | Percent Change | Close   | # of Shares | Value       | Day's Gain | Overall Gain |
| 13-Jun       | -        | -              | \$45.85 | 272         | \$12,471.20 | -          | -            |
| 14-Jun       | (\$0.83) | -1.81%         | \$45.02 | 272         | \$12,245.44 | -\$225.76  | -\$225.76    |
| 15-Jun       | (\$0.76) | -1.69%         | \$44.26 | 272         | \$12,038.72 | -\$206.72  | -\$432.48    |
| 18-Jun       | (\$0.49) | -1.11%         | \$43.77 | 272         | \$12,038.72 | \$0.00     | -\$432.48    |
| 19-Jun       | (\$0.03) | -0.07%         | \$43.74 | 272         | \$11,905.44 | -\$133.28  | -\$565.76    |
| 20-Jun       | \$0.19   | 0.43%          | \$43.93 | 272         | \$11,948.96 | \$43.52    | -\$522.24    |
| 21-Jun       | (\$0.34) | -0.77%         | \$43.59 | 272         | \$11,856.48 | -\$92.48   | -\$614.72    |
| 22-Jun       | (\$0.74) | -1.70%         | \$42.85 | 272         | \$11,655.20 | -\$201.28  | -\$816.00    |
| 25-Jun       | \$0.74   | 1.73%          | \$43.59 | 272         | \$11,856.48 | \$201.28   | -\$614.72    |
| 26-Jun       | \$0.36   | 0.83%          | \$43.95 | 272         | \$11,954.40 | \$97.92    | -\$516.80    |
| 27-Jun       | \$0.23   | 0.52%          | \$44.18 | 272         | \$12,016.96 | \$62.56    | -\$454.24    |
| 28-Jun       | \$1.17   | 2.65%          | \$45.35 | 400         | \$18,140.00 | \$318.24   | -\$136.00    |
| 29-Jun       | (\$0.35) | -0.77%         | \$45.00 | 400         | \$18,000.00 | -\$140.00  | -\$276.00    |
| 2-Jul        | \$0.60   | 1.33%          | \$45.60 | 400         | \$18,240.00 | \$240.00   | -\$36.00     |
| 3-Jul        | \$0.00   | 0.00%          | \$45.60 | 400         | \$18,240.00 | \$0.00     | -\$36.00     |
| 5-Jul        | (\$0.36) | -0.79%         | \$45.24 | 400         | \$18,096.00 | -\$144.00  | -\$180.00    |
| 6-Jul        | (\$0.64) | -1.41%         | \$44.60 | 400         | \$17,840.00 | -\$256.00  | -\$436.00    |
| 9-Jul        | \$0.62   | 1.39%          | \$45.22 | 400         | \$18,088.00 | \$248.00   | -\$188.00    |
| 10-Jul       | (\$0.55) | -1.22%         | \$44.67 | 400         | \$17,868.00 | -\$220.00  | -\$408.00    |
| 11-Jul       | \$0.84   | 1.88%          | \$45.51 | 400         | \$18,204.00 | \$336.00   | -\$72.00     |
| 12-Jul       | (\$0.02) | -0.04%         | \$45.49 | 400         | \$18,196.00 | -\$8.00    | -\$80.00     |
| 13-Jul       | \$0.52   | 1.14%          | \$46.01 | 400         | \$18,404.00 | \$208.00   | \$128.00     |
| 16-Jul       | \$0.88   | 1.91%          | \$46.89 | 400         | \$18,756.00 | \$352.00   | \$480.00     |
| 17-Jul       | \$0.24   | 0.51%          | \$47.13 | 200         | \$9,426.00  | \$48.00    | \$356.00     |
| 18-Jul       | (\$0.91) | -1.93%         | \$46.22 | 200         | \$9,244.00  | -\$182.00  | \$174.00     |
| 19-Jul       | \$0.48   | 1.04%          | \$46.70 | 200         | \$9,340.00  | \$96.00    | \$270.00     |
| 20-Jul       | (\$0.59) | -1.26%         | \$46.11 | 200         | \$9,222.00  | -\$118.00  | \$152.00     |
| 23-Jul       | (\$1.63) | -3.54%         | \$44.48 | 200         | \$8,896.00  | -\$326.00  | -\$174.00    |
| 24-Jul       | (\$0.28) | -0.63%         | \$44.20 | 200         | \$8,840.00  | -\$56.00   | -\$230.00    |
| 25-Jul       | \$0.69   | 1.56%          | \$44.89 | 200         | \$8,978.00  | \$138.00   | -\$92.00     |

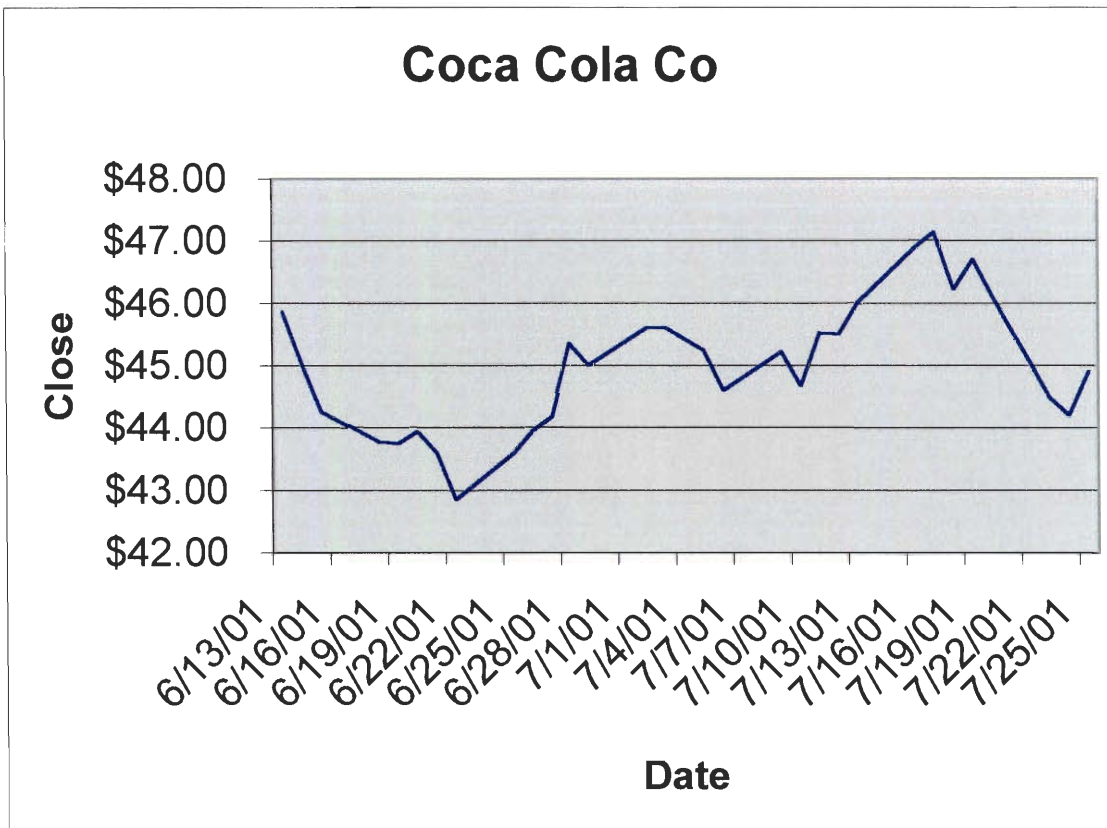


Figure 22: A chart of the closing price for Coca Cola Co.

## 5.7 Fidelity National Financial

We purchased 515 shares of Fidelity National Financial at \$24.23 for a total cost of \$12,478.45. Similar to Coca Cola, Fidelity seemed to move on trends. Again we looked for trends to help us decide when to trade. Unlike Coca Cola, Fidelity is not as high priced so a small change in price would result in a larger change in percent than it would with Coca Cola.

Our simulation began with Fidelity moving on an upward trend. It gained 4.1% in the first six days of the simulation. We decided to sell 115 shares on June 21 giving us a \$416.00 profit. It looked as if after a slight two-day down trend Fidelity was going to continue its upward movement. After another three days of upwards movement, Fidelity



began to fall. We were now looking for a good time to buy. It dropped to \$22.45 on July 9. We decided that breaking below the \$23 mark was a good point to purchase more shares. We purchased 400 shares for a total cost of \$8980.00 on July 9.

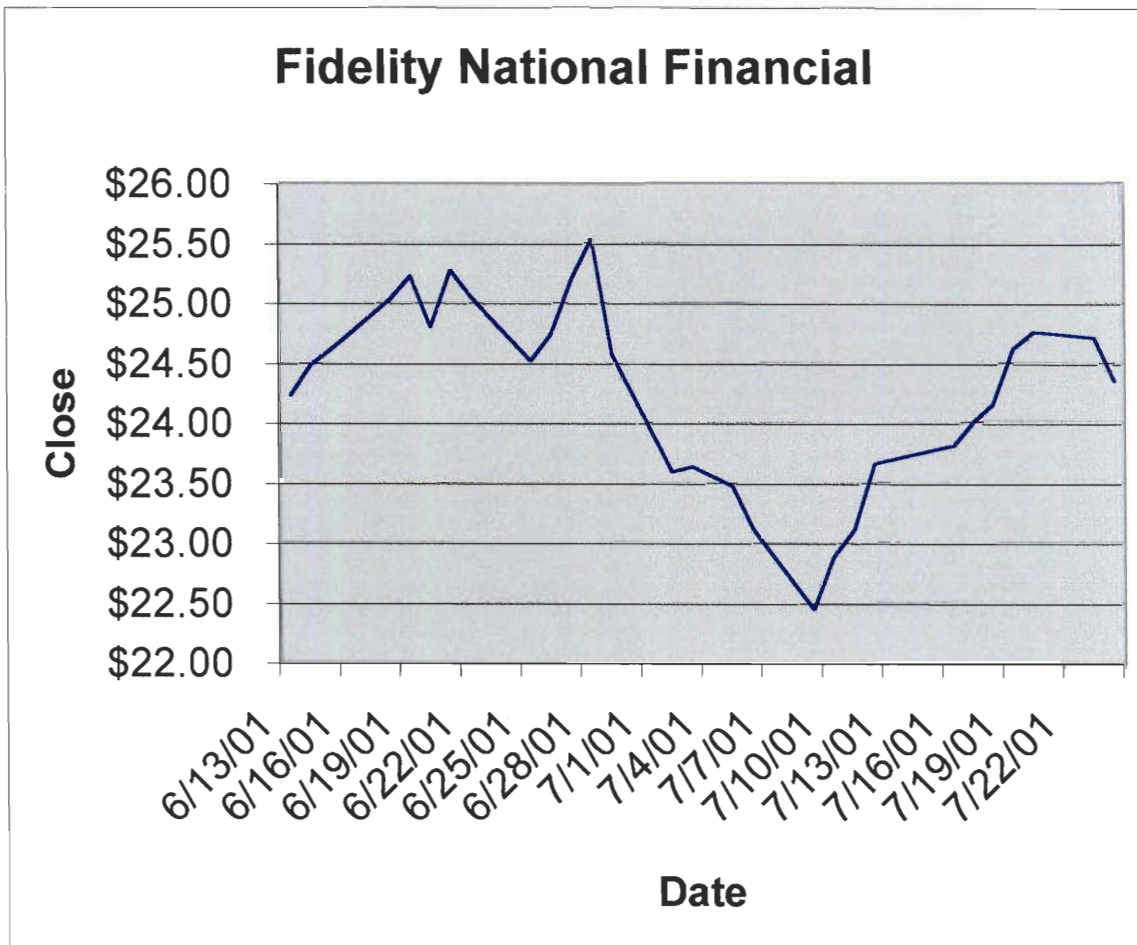
Fidelity soon began to climb back up above the \$24 mark with another upward trend. On the final day of our simulation July 25, Fidelity closed at \$24.84. We had a profit of \$1,200.00 on our remaining shares and an overall profit of \$1,319.60 on our total investment. Fidelity National Financial did not possess high risk. It does move in trends and should be watched carefully for the best times to buy.

**Table 7: Day by day portfolio for Fidelity National Financial Corp. \*numbers in italic in the overall gain column represent only the gain for the remaining shares.**

| Fidelity National Financial Corp |                 |                |         |             |             |            |                  |
|----------------------------------|-----------------|----------------|---------|-------------|-------------|------------|------------------|
| Date                             | Change          | Percent Change | Close   | # of Shares | Value       | Day's Gain | Overall Gain     |
| 13-Jun                           | -               | -              | \$24.23 | 515         | \$12,478.45 | -          | -                |
| 14-Jun                           | \$0.25          | 1.03%          | \$24.48 | 515         | \$12,607.20 | \$128.75   | \$128.75         |
| 15-Jun                           | \$0.13          | 0.53%          | \$24.61 | 515         | \$12,674.15 | \$66.95    | \$195.70         |
| 18-Jun                           | \$0.42          | 1.71%          | \$25.03 | 515         | \$12,674.15 | \$0.00     | \$195.70         |
| 19-Jun                           | \$0.19          | 0.76%          | \$25.22 | 515         | \$12,890.45 | \$216.30   | \$412.00         |
| 20-Jun                           | <i>(\$0.42)</i> | -1.67%         | \$24.80 | 515         | \$12,772.00 | -\$118.45  | \$293.55         |
| 21-Jun                           | \$0.47          | 1.90%          | \$25.27 | 400         | \$10,108.00 | \$188.00   | <i>\$416.00</i>  |
| 22-Jun                           | <i>(\$0.22)</i> | -0.87%         | \$25.05 | 400         | \$10,020.00 | -\$88.00   | <i>\$328.00</i>  |
| 25-Jun                           | <i>(\$0.53)</i> | -2.12%         | \$24.52 | 400         | \$9,808.00  | -\$212.00  | <i>\$116.00</i>  |
| 26-Jun                           | \$0.22          | 0.90%          | \$24.74 | 400         | \$9,896.00  | \$88.00    | \$204.00         |
| 27-Jun                           | \$0.45          | 1.82%          | \$25.19 | 400         | \$10,076.00 | \$180.00   | \$384.00         |
| 28-Jun                           | \$0.34          | 1.35%          | \$25.53 | 400         | \$10,212.00 | \$136.00   | \$520.00         |
| 29-Jun                           | <i>(\$0.96)</i> | -3.76%         | \$24.57 | 400         | \$9,828.00  | -\$384.00  | <i>\$136.00</i>  |
| 2-Jul                            | <i>(\$0.98)</i> | -3.99%         | \$23.59 | 400         | \$9,436.00  | -\$392.00  | <i>-\$256.00</i> |
| 3-Jul                            | \$0.04          | 0.17%          | \$23.63 | 400         | \$9,452.00  | \$16.00    | <i>-\$240.00</i> |
| 5-Jul                            | <i>(\$0.16)</i> | -0.68%         | \$23.47 | 400         | \$9,388.00  | -\$64.00   | <i>-\$304.00</i> |
| 6-Jul                            | <i>(\$0.36)</i> | -1.53%         | \$23.11 | 400         | \$9,244.00  | -\$144.00  | <i>-\$448.00</i> |
| 9-Jul                            | <i>(\$0.66)</i> | -2.86%         | \$22.45 | 800         | \$17,960.00 | -\$264.00  | <i>-\$712.00</i> |
| 10-Jul                           | \$0.44          | 1.96%          | \$22.89 | 800         | \$18,312.00 | \$352.00   | <i>-\$360.00</i> |
| 11-Jul                           | \$0.22          | 0.96%          | \$23.11 | 800         | \$18,488.00 | \$176.00   | <i>-\$184.00</i> |
| 12-Jul                           | \$0.54          | 2.34%          | \$23.65 | 800         | \$18,920.00 | \$432.00   | \$248.00         |
| 13-Jul                           | \$0.04          | 0.17%          | \$23.69 | 800         | \$18,952.00 | \$32.00    | \$280.00         |
| 16-Jul                           | \$0.11          | 0.46%          | \$23.80 | 800         | \$19,040.00 | \$88.00    | \$368.00         |

### Fidelity National Financial Corp

| Date   | Change   | Percent Change | Close   | # of Shares | Value       | Day's Gain | Overall Gain |
|--------|----------|----------------|---------|-------------|-------------|------------|--------------|
| 17-Jul | \$0.20   | 0.84%          | \$24.00 | 800         | \$19,200.00 | \$160.00   | \$528.00     |
| 18-Jul | \$0.15   | 0.62%          | \$24.15 | 800         | \$19,320.00 | \$120.00   | \$648.00     |
| 19-Jul | \$0.46   | 1.90%          | \$24.61 | 800         | \$19,688.00 | \$368.00   | \$1,016.00   |
| 20-Jul | \$0.14   | 0.57%          | \$24.75 | 800         | \$19,800.00 | \$112.00   | \$1,128.00   |
| 23-Jul | (\$0.05) | -0.20%         | \$24.70 | 800         | \$19,760.00 | -\$40.00   | \$1,088.00   |
| 24-Jul | (\$0.36) | -1.46%         | \$24.34 | 800         | \$19,472.00 | -\$288.00  | \$800.00     |
| 25-Jul | \$0.50   | -1.46%         | \$24.84 | 800         | \$19,872.00 | \$400.00   | \$1,200.00   |



### 5.8 Hewlett Packard Co.

We initially purchased 448 shares of Hewlett Packard Co. for a total cost of \$12,499.20. Hewlett Packard was difficult to decipher. The price varied from day to day

with no significant trends. We were looked for overall percentage changes to help us determine when to trade.

The first weeks of our simulation were very tough to decide whether or not to make a trade. The price varied unpredictably sometimes as much as 3% in a day. After over a week of indecision, we decided to make a buy when the price dropped 5% from our original purchase price. On June 26 the price dipped to \$26.51, 4.98% below purchase price. We decided to purchase 352 shares. The price continued it's unpredictable pattern. From June 28 to July 2, the price increased over 8%. We were looking to for a trend but the price quickly dropped back again over the next three days.

After the sudden rise and fall we looked to sell if the stock reached the \$28 range again. On July 13 Hewlett Packard reached \$27.98 after another three-day rise. Although it was less than our desired range we decided to sell and not make the same mistake we had made before. We sold 400 shares and received a profit of \$532.16.

Hewlett Packard had gone into a bit of a downtrend near the end of our simulation. We could not take advantage of this low price because it was too close to the end of the simulation. We ended up loosing \$332.00 on our remaining 400 shares. We ended up loosing \$267.72 on our overall investment. Hewlett Packard was a not success for us because it was very difficult to determine when to change in this high-risk company.

**Table 8: Day by day portfolio for Hewlett Packard Co. \*numbers in italic in the overall gain column represent only the gain for the remaining shares.**

| Hewlett Packard Co |          |                |         |             |             |            |              |
|--------------------|----------|----------------|---------|-------------|-------------|------------|--------------|
| Date               | Change   | Percent Change | Close   | # of Shares | Value       | Day's Gain | Overall Gain |
| 13-Jun             | -        | -              | \$27.90 | 448         | \$12,499.20 | -          | -            |
| 14-Jun             | (\$1.10) | -3.94%         | \$26.80 | 448         | \$12,006.40 | -\$492.80  | -\$492.80    |
| 15-Jun             | \$0.20   | 0.75%          | \$27.00 | 448         | \$12,096.00 | \$89.60    | -\$403.20    |

## Hewlett Packard Co

| Date   | Change   | Percent Change | Close   | # of Shares | Value       | Day's Gain | Overall Gain |
|--------|----------|----------------|---------|-------------|-------------|------------|--------------|
| 18-Jun | (\$0.79) | -2.93%         | \$26.21 | 448         | \$12,096.00 | \$0.00     | -\$403.20    |
| 19-Jun | (\$0.21) | -0.80%         | \$26.00 | 448         | \$11,742.08 | -\$353.92  | -\$757.12    |
| 20-Jun | \$0.93   | 3.58%          | \$26.93 | 448         | \$12,064.64 | \$322.56   | -\$434.56    |
| 21-Jun | (\$0.28) | -1.04%         | \$26.65 | 448         | \$11,939.20 | -\$125.44  | -\$560.00    |
| 22-Jun | (\$0.28) | -1.05%         | \$26.37 | 448         | \$11,813.76 | -\$125.44  | -\$685.44    |
| 25-Jun | \$0.49   | 1.86%          | \$26.86 | 448         | \$12,033.28 | \$219.52   | -\$465.92    |
| 26-Jun | (\$0.35) | -1.30%         | \$26.51 | 800         | \$21,208.00 | -\$156.80  | -\$622.72    |
| 27-Jun | (\$0.06) | -0.23%         | \$26.45 | 800         | \$21,160.00 | -\$48.00   | -\$670.72    |
| 28-Jun | \$0.80   | 3.02%          | \$27.25 | 800         | \$21,800.00 | \$640.00   | -\$30.72     |
| 29-Jun | \$1.35   | 4.95%          | \$28.60 | 800         | \$22,880.00 | \$1,080.00 | \$1,049.28   |
| 2-Jul  | \$0.10   | 0.35%          | \$28.70 | 800         | \$22,960.00 | \$80.00    | \$1,129.28   |
| 3-Jul  | (\$0.30) | -1.05%         | \$28.40 | 800         | \$22,720.00 | -\$240.00  | \$889.28     |
| 5-Jul  | (\$0.80) | -2.82%         | \$27.60 | 800         | \$22,080.00 | -\$640.00  | \$249.28     |
| 6-Jul  | (\$1.17) | -4.24%         | \$26.43 | 800         | \$21,144.00 | -\$936.00  | -\$686.72    |
| 9-Jul  | \$0.27   | 1.02%          | \$26.70 | 800         | \$21,360.00 | \$216.00   | -\$470.72    |
| 10-Jul | (\$1.25) | -4.68%         | \$25.45 | 800         | \$20,360.00 | \$216.00   | -\$254.72    |
| 11-Jul | \$0.34   | 1.34%          | \$25.79 | 800         | \$20,632.00 | \$272.00   | \$17.28      |
| 12-Jul | \$1.23   | 4.77%          | \$27.02 | 800         | \$21,616.00 | \$984.00   | \$1,001.28   |
| 13-Jul | \$0.96   | 3.55%          | \$27.98 | 400         | \$11,192.00 | \$384.00   | \$588.00     |
| 16-Jul | (\$1.58) | -5.65%         | \$26.40 | 400         | \$10,560.00 | -\$632.00  | -\$44.00     |
| 17-Jul | \$0.00   | 0.00%          | \$26.40 | 400         | \$10,560.00 | \$0.00     | -\$44.00     |
| 18-Jul | (\$0.16) | -0.61%         | \$26.24 | 400         | \$10,496.00 | -\$64.00   | -\$108.00    |
| 19-Jul | \$0.30   | 1.14%          | \$26.54 | 400         | \$10,616.00 | \$120.00   | \$12.00      |
| 20-Jul | (\$0.12) | -0.45%         | \$26.42 | 400         | \$10,568.00 | -\$48.00   | -\$36.00     |
| 23-Jul | (\$0.22) | -0.83%         | \$26.20 | 400         | \$10,480.00 | -\$88.00   | -\$124.00    |
| 24-Jul | (\$0.45) | -1.72%         | \$25.75 | 400         | \$10,300.00 | -\$180.00  | -\$304.00    |
| 25-Jul | (\$0.07) | -0.27%         | \$25.68 | 400         | \$10,272.00 | -\$28.00   | -\$332.00    |



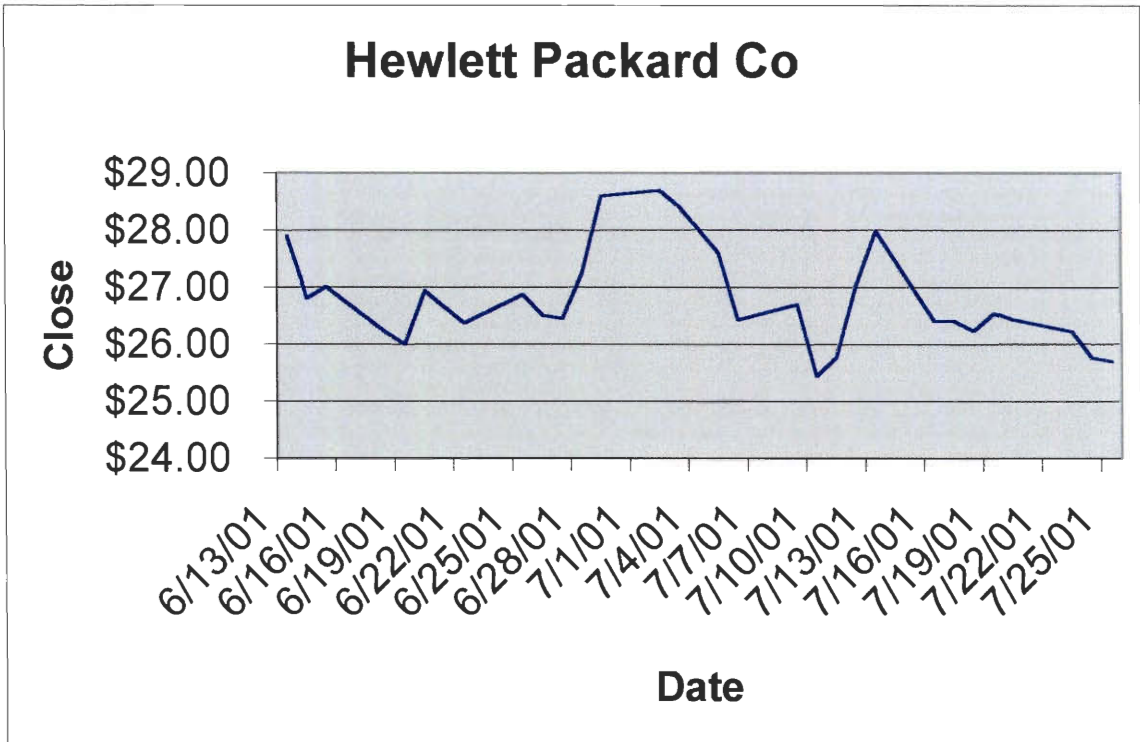


Figure 23: A chart of the closing price for Hewlett Packard Co.

## Chapter 6: Conclusion

We began our simulation with \$200,000. In the end, we finished with \$195,401.14, a loss of \$4,598.86. It was a loss of 2.86% from our total investment of \$160,363.31. Although we did not reach our goal of making a profit, the simulation was not a total failure. There were many positive aspects to the simulation.

From June 13 to July 25, the entire market declined. The Dow Jones Industrial Average went from 10948.38 to 10405.67, a decline of 3.1%. The NASDAQ Composite Index dropped from 2121.66 to 1984.32, a decline of 6.4%. The S&P 500 Index dropped from 1241.6 to 1190.49, a decline of 4.1%. The major indices declined during our six-week simulation. Our portfolio declined less than all of them. We essentially beat the market because we did not lose as much as the rest of the market.

On the whole, our portfolio did not perform very poorly. Three of the eight companies, Kraft Foods, Groupe Danone and Hewlett Packard lost less than \$300. Another three, Boston Scientific, Coca Cola and Fidelity National Financial made us a profit. There were two companies that really hurt us during the simulation. Nokia and EMC both had very large losses. They were in struggling sectors of the market. Both companies are leaders in their sector and when the sectors recover it is expected that they will thrive once again.

This was only a six-week simulation. By market standards six-weeks is very short term. With more time we could have taken advantage of some of the lower prices that arose throughout the simulation. We made some moves knowing the simulation was coming to an end and we should try and benefit before it is too late. We knew we would end trading on the last day of the simulation. In the longer term, one could continue

trading until a specific goal is met if he/she is not satisfied with the results. To understand the market with more accuracy a much longer-term simulation would be more helpful.

In the end, we learned some important lessons about the stock market. We learned the importance of having a diverse portfolio. We could have benefited more from having a more diverse portfolio. Technology and food and drink were major players in our portfolio. High-risk stocks are all right to invest in but it is important to have some low risk stocks in case of a large loss. Had we only invested in high-risk technology stocks we may have lost a lot more.

We benefited greatly from our experience. When we began this project we did not know much about how the stock market worked. The terms used by investors meant little to us. Now we have an understanding of what how the stock market works and how to evaluate companies. No one will ever predict exactly how the stock market is going to behave. There are just too many factors. Learning about some of these factors affect the market may help understand why. Having an idea why a stock behaved the way it did when will help in making decisions in the future.

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# Appendix

## Method 1: Motley's Fool's Foolish 8

Since 1929, small caps have as a group well exceeded the overall returns of larger stocks. Despite this, many people resist investing in small caps because of the risk associated with them. You can make a lot of money in these stocks, and you can lose a lot too. That's because little stocks often react to dramatic news like gnats in the wind (whether the wind is blowing for or against them). But is that reason enough to avoid some of the best bets on the market? Nay.

The primary reason for buying small-cap growth stocks—aside from their superior historical performance—is that mutual funds and institutions cannot buy them...yet. Or even if they can, mutual funds and institutions cannot build up any meaningful holding. The idea is that the small investor can buy these stocks, getting in early on some of the great emerging growth stories of American business.

Enter our eight-item checklist, known as the "Foolish 8," for identifying the most promising small-cap growth opportunities. These eight metrics are made a snap to calculate, thanks to Quicken.com's One-Click Scorecard. Our goal with this tool is to help you evaluate potential investment candidates and eliminate those equities that aren't up to snuff. One-Click Scorecard won't do all the homework necessary for you to reach a buy decision, but it will help you develop a list of quality stocks to watch and study further. Here is an example of what Motley's Fool's Foolish 8 looks like.

1. [Is this stock winning the race?](#) ■
2. [Is the price safely above penny stock territory?](#) ✓
3. [Is the company still relatively undiscovered?](#) ✗
4. [Is the company's growth dynamic?](#) ■
5. [Is this a monster or an uncut gem?](#) ■
6. [Does the company have high-quality earnings?](#) ■
7. [Does the management team have a financial stake in the stock?](#) ✓
8. [Does the company generate cash rather than consume it?](#) ■

## Method 2: NAIC's Established Growth

The National Association of Investors Corporation (NAIC) was founded in 1951 by four Michigan investment clubs. The organization was set up to develop tools to assist long-term investors and to promote investment education. While originally established for investment clubs, the non-profit organization now provides investment education for both investment clubs and individual investors and has a total membership in excess of 500,000.

Your best financial advisor should be the person you see when you look into a mirror. Your goal should be to double the value of your investment every five years. To do so will require an average 15% compounded annual gain in every five-year period.

You do not have to make 15% every year. But following NAIC's basic investment principles, you should be able to achieve this goal.

The NAIC has developed a long-term approach to investing which has proven very successful. This approach is founded on a fundamental analysis of companies, rather than just a technical analysis of stock performances. It revolves around NAIC's four basic investment principles.

These principles are:

1. Invest on a regular basis over a long period of time
2. Reinvest all earnings (dividends, interest, capital gains).
3. Invest only in good quality companies with proven track records of growth.
4. Diversify your portfolio to reduce overall risk.

The NAIC's guidelines represent a systematic approach to decision-making and evaluating common stock. They are **NOT** intended for every situation. Rather, they were developed for growth-oriented stocks that have a minimum of five (5) years of public operating history. Also, as P/E ratios are used in this model, a company must have EARNINGS.

Working together with Quicken.com, the NAIC has developed investing guidelines similar to those used by its member investment clubs. However, the guidelines developed for Quicken.com rely less on judgment and more heavily on strict numerical criteria. Thus the Quicken.com model requires that human judgment be applied when analyzing data.

Additional information on stock selection can be found in the NAIC's Official Guide, *Starting and Running a Profitable Investment Club*. Here is what NAIC's Established Growth methods looks like.

- |   |   |
|---|---|
| 1. <a href="#">Has the company exhibited strong historical growth?</a>              | ✓ |
| 2. <a href="#">Will the company have strong earnings growth going forward?</a>      | ✓ |
| 3. <a href="#">Is management controlling costs and revenues?</a>                    | ✓ |
| 4. <a href="#">Can management operate the business efficiently?</a>                 | ■ |
| 5. <a href="#">Is the stock's price in a buy zone?</a>                              | ✓ |
| 6. <a href="#">Is your potential gain at least three times your potential loss?</a> | ✗ |
| 7. <a href="#">Can the stock double in price in the next five years?</a>            | ✓ |

### Method 3: Robert Hagstrom's The Warren Buffett Way

Robert Hagstrom believes The Warren Buffett Way describes a simple approach. There are no computer programs to learn, no two-inch thick investment banking manuals to decipher. Whether you are financially able to purchase 10 percent of a company or merely one hundred shares, The Warren Buffett Way can help you achieve profitable investment returns.



Warren Buffett's approach to picking stocks has changed very little over the past 20 years. He thinks about the company, the management, the financials and the asking price--in that order. This approach is reflected in the strategy I designed for Quicken.com's One-Click Scorecard. But I want to emphasize that even if you use the tenets outlined in One-Click Scorecard and you do the follow-up research necessary before buying a stock, it is not likely that you will generate 23 percent average annual gain over the next 30 years. Even Mr. Buffett admits that the possibility of repeating this long-term performance is remote. However, I do believe that if you follow these tenets you will stand a better chance of outperforming the market. Since writing *The Warren Buffett Way*, all of my investments have been made according to the tenets outlined in my book. Indeed, the Legg Mason Focus Trust, the mutual fund that I manage, is a laboratory example of the book's recommendations. To date, I am happy to report, the results have been very encouraging. Here is an example of the Robert Hagstrom's The Warren Buffett Way.

- |   |   |
|---|---|
| 1. <a href="#">Has the company performed well consistently?</a>               | x |
| 2. <a href="#">Has the company avoided excess debt?</a>                       | x |
| 3. <a href="#">Can managers convert sales to profits?</a>                     | x |
| 4. <a href="#">Are managers handling shareholders' money rationally?</a>      | x |
| 5. <a href="#">Has management actually increased shareholder value?</a>       | ✓ |
| 6. <a href="#">Has the company consistently increased owner earnings?</a>     | x |
| 7. <a href="#">Is the stock selling at a 25% discount to intrinsic value?</a> | x |

#### Method 4: Geraldine Weiss' Blue-Chip Value

The investing strategy outlined in the Quicken.com One-Click Scorecard has been used in Geraldine Weiss' investment advisory letter, *Investment Quality Trends*, for over 30 years. National banks, investment advisors and insurance companies have followed the recommendations made by Geraldine and her son Gregory. Numerous individual and institutional investors subscribe to their strategy.

Both Geraldine and Gregory focus on quality and value in the stock market. Their service identifies both undervalued buying opportunities and overvalued areas where stocks should be sold. Geraldine has outlined her approach in two books, "Dividends Don't Lie" with Janet Lowe (Longman Publishing, 1988) and "The Dividend Connection" (Dearborn Financial Publishing, 1995) written with Gregory. Here is an example of what the Geraldine Weiss' Blue-Chip Value method looks like.

- |   |   |
|---|---|
| 1. <a href="#">Does the company pay a cash dividend?</a>              | ✓ |
| 2. <a href="#">Is there room to increase dividends in the future?</a> | ✓ |
| 3. <a href="#">Has the company increased earnings over time?</a>      | ✓ |

4. Has the company kept borrowing within reasonable limits?
5. Is the stock currently undervalued?
6. Have investors already caught on to this stock?

x

✓

✓