

## **List of Assignments**

### Assignment

1. Finding information about a stock.
2. Finding information about interest rates
3. Examine an actively managed stock fund
4. Examine a bond fund
5. Investing goals and risk tolerance
6. Asset allocation: The allocation
7. Asset allocation: Choosing mutual funds
8. Finding information about stock indexes
9. Finding information about a company
10. Financial ratio analysis
11. Valuation using PE ratios
12. Finding the current term structure

**Assignments must be submitted by midnight on their due date.** Assignments that need to be redone should be submitted by two weeks from the due date.

## **Assignment 1. Finding information about a stock**

### *Objective:*

Learn how to find information about stock prices online.

### *Assignment:*

You are given a company on your assignments sheet. Go to a popular website for financial information (such as money.cnn.com or finance.yahoo.com or bloomberg.com) and find the information requested below.

### *Report:*

Your report may be written as a list, but be sure to use complete sentences. You should include the following information

1. Your Assignment ID number (this is on the top of your *individual* assignments sheet)
2. Your company's name and ticker symbol.
3. The quoted price along with the day and time of quote
4. The previous day's closing price and the percent change.
5. The percent change year-to-date and the closing value at the start of the year.
6. The market capitalization of the company.
7. How would you describe the behavior of the stock price over the last two years?

**WARNING:** A goal of this class is to practice getting financial information online by having you go to real websites. However, many of the websites you visit will offer advertisements for financial projects and many of these advertisements are basically scams. Nothing in this class is meant to be an endorsement of any company or any offer. Throughout your investing life you will be exposed to many kinds of financial offers and you need to do your research and be suspicious about anything you read.

## **Assignment 2. Finding information about interest rates**

*Objective:*

Learn how to find information about interest rates online.

*Assignment:*

Go to money.cnn.com or another financial website and find current market yields.

*Report:*

Your report may be written as a list, but be sure to use complete sentences. You should include the following information

1. Your Assignment ID.
2. The day you collected the information.
3. Find two money market yields; for example, the Fed Funds rate and the 3-month T-bill rate
4. Compare the 5-year Treasury Note rate with the 5-year TIPS rate. What does this suggest the people are expecting for inflation over the next five years?
5. Compare the 10-year Treasury Bond rate with the Investment Grade Corporate rate. What is the risk premium?

### **Assignment 3: Examine an actively managed stock fund**

#### *Objective:*

Learn how to get information about a mutual fund.

#### *Assignment:*

Find an actively managed stock mutual fund (that is, a fund that is trying to “beat the market” and *not* a passively managed fund such as an index fund). Any actively managed stock fund is fine. Look up the description of the fund online and report key information.

#### *Report:*

Your report may be written as a list, but be sure to use complete sentences. You should include the following information

1. Your Assignment ID.
2. The name of the fund and the mutual fund company.
3. According to the fund, what is its strategy?
4. What is its style?
5. Is it very diversified in terms of industries or countries invested in?
6. What index is used as a benchmark? How has it performed compared with its benchmark over the last year? Over the last five years (or the life of the fund if it hasn’t been in existence for five years)?
7. Does it have a Morningstar rating? How has it performed?
8. Is there a load? What is the expense ratio?
9. Give one other fact about the fund.

## **Assignment 4: Examine a bond mutual fund**

### *Objective:*

Learn how to get information about a bond mutual fund.

### *Assignment:*

Find any bond mutual fund. Look up the description of the fund online and report key information.

### *Report:*

Your report may be written as a list, but be sure to use complete sentences. You should include the following information

1. Your Assignment ID.
2. The name of the fund and the mutual fund company.
3. According to the fund, what is its strategy?
4. Is it an active or passive fund?
5. For a bond fund, would you consider this relatively high risk or low risk? Why?
6. Is it very diversified in terms of countries invested in?
7. What index is used as a benchmark? How has it performed compared with its benchmark over the last year? Over the last five years? (or the life of the fund if it hasn't been in existence for five years)
8. Is there a load? What is the expense ratio?
9. Give one other fact about the fund.

## **Assignment 5. Investing goals and risk tolerance**

*Objective:*

Understand the concepts of investing goals and risk tolerance.

*Assignment:*

Go to: <https://www.wellsfargo.com/retirement/tools/assetallocation/generic> and take the quiz. Find your risk tolerance.

*Report:*

Your report may be written as a list, but be sure to use complete sentences. You should include the following information

1. Your Assignment ID.
2. What is your risk tolerance (where are you on the risk tolerance bar that goes from lower to higher)?
3. According to the website, if you became less risk tolerant, how should that influence your asset allocation?

## **Assignment 6. Asset allocation: The allocation**

### *Objective:*

The asset allocation assignments (6 and 7) are designed to show you how to get information about mutual funds online and to implement a simple investment strategy using mutual funds.

### *Assignment:*

A family has received \$120,000 that they want to invest towards retirement. You will determine how much they should invest in each asset class.

Information about the family is given to you on your assignments sheet. You should go to <http://cgi.money.cnn.com/tools/assetallocwizard/assetallocwizard.html> and use the asset allocator there to determine the fraction of wealth allocated to each asset class. From this you can determine the dollar amount.

### *Notes:*

There are many different asset allocators available online and they vary according to how much information you need to input and how many categories of assets they include. When doing this for real, you may want to consult several different sources. Information about asset allocation can be found in Jones *Investments* (12<sup>th</sup> ed.) chapter 8, pages 220-221.

### *Report:*

1. Your Assignment ID.
2. Write a short paragraph indicating the amount that should be invested in each type of fund.
3. Write a second paragraph discussing some other things you think might affect the appropriate asset allocation for the family, i.e., if you were their investment advisor, what other information would you like to know?

## **Assignment 7. Asset Allocation: Choosing Mutual Funds**

### *Objective:*

The asset allocation assignments (6 and 7) are designed to show you how to get information about mutual funds online and to implement a simple investment strategy using mutual funds.

### *Assignment:*

You are going to use mutual funds to implement the asset allocation calculated in assignment 6. Go to any mutual fund company and choose one fund for each of the asset categories. Use index funds to the extent they are offered by your mutual fund company.

### *Report:*

Your report may be written as a list, but be sure to use complete sentences. You should include the following information

1. Your Assignment ID.
2. For each asset class, list the name of the company and fund and then a short description of the fund. For the descriptions, you can use your own words or take the description used by the fund. If you use the fund's words, be sure to put them in quotes.
3. Discuss how well diversified the funds are.

### *Notes:*

There are a number of different mutual fund companies including Vanguard or Fidelity. You are free to use any company you wish or to use funds from more than one company.

## **Assignment 8. Finding information about stock indexes**

### *Objective:*

Learn how to find information about stock indexes online.

### *Assignment:*

Go to money.cnn.com or another financial website and find current stock market indexes.

### *Report:*

Your report may be written as a list, but be sure to use complete sentences. You should include the following information

1. Your Assignment ID.
2. The day you collected the information.
3. Find the closing values of the S&P500, DJIA and the Nasdaq.
4. For the S&P 500, show how to find the previous day's close using both the point change and the percentage change.
5. Of Japan, England, Germany and Hong Kong, which country did the best and which did the worst?
6. How did the performances of the foreign stock markets compare with the domestic stock markets?

## **Assignment 9. Finding information about a company**

### *Objective:*

Learn how to find financial information about a company from various online sources.

### *Assignment:*

You will be assigned a company on your individual assignments sheet. Go to the investor relations page of the company website. Using the most recent annual report, find the CEO and CFO of the company.

Go to a financial website (e.g., finance.yahoo.com, money.cnn.com, reuters.com) and find the most recent values for your company's earnings, the total amount of debt and equity, and the debt to equity ratio.

Go to the SEC's website (<http://www.sec.gov/edgar.shtml>) and find your company. What is the CIK number and the SIC code and name for the industry (take a look at who are considered to be in the same industry). From the most recent 10Q, report the total amount of debt and equity and the debt to equity ratio.

### *Report:*

Your report may be written as a list, but be sure to use complete sentences. You should include the following information:

1. Your Assignment ID, company name and ticker symbol.
2. The CEO and CFO of the company.
3. From the financial website, report the company's earnings, the total amount of debt and equity and the debt-to-equity ratio.
4. From Edgar, the CIK number and the SIC code and name and the date of the most recent 10Q. From the 10Q, the total amount of debt and equity and the debt- to-equity ratio.

### *Notes:*

Edgar is the SEC's database of financial filings. They have a tutorial, but most of it will be obvious if you click around a bit. The one thing to watch for is that the same company name may bring up a number of related (or unrelated) companies. You want the filings for the main company. A good indicator that you have the right company will be that it will have the SEC. (industry) code for the right industry. For example, there are eight listings for "Boeing" but the one you would want is "Boeing Co. SIC: 3721 – Aircraft".

The various financial websites will differ in the kind and amount of information offered. If you can't find what you want, try a different site. If you still can't find what you need for this assignment, report that it is unavailable.

## **Assignment 10. Financial ratio analysis**

### *Objective:*

Learn to interpret basic financial ratios.

### *Assignment:*

Compare the financial ratios of your company with the industry average.

You will be assigned a company on your individual assignment sheet. Go to the stocks page of [www.reuters.com](http://www.reuters.com). Find your company using the ticker symbol and look at the financials.

Pick **one** financial ratio in **each** of the following categories: Valuation Ratios, Growth Rates, Financial Strength, Profitability Ratios, Efficiency and Management Effectiveness. For each ratio you picked, explain how each ratio is calculated and what it measures. Report the value of the ratio and the industry average and whether the company is doing better or worse than the industry.

### *Report:*

Your report may be written as a list, but be sure to use complete sentences. You should include the following information:

1. Your Assignment ID number, company name and ticker symbol.
2. For each ratio, explain how it is calculated and what it measures. Report the value of the ratio and the industry average and whether the company doing better or worse than the industry.

## **Assignment 11: Valuation using PE ratios**

### **Objective:**

Learn how to value a stock using PE ratios.

### **Assignment:**

Go to reuters.com and use information about your company's earnings and competitor's PE ratios to value its stock.

### **Report:**

Your report may be written as a list, but be sure to use complete sentences. You should include the following information:

1. Your Assignment ID.
2. Report what the stock price should be if company had the same P/E ratio as the industry or the sector. To calculate this, use the analysts' estimates of year-end earnings. If there is no earnings estimate, or the earnings estimate is negative, use earnings for a previous year. If that's also negative, pick another company for this assignment.
3. What is the actual stock price? Provide one reason the price might rationally be different from the values you estimated in part 2.

## **Assignment 12. Finding the current term structure.**

### *Objective:*

Learn how to interpret information about the term structure of interest rates.

### *Assignment:*

From an online source of information about interest rates, find the term structure and discuss what it might mean.

### *Report:*

Your report may be written as a list, but be sure to use complete sentences. You should include the following information:

1. Your Assignment ID.
2. The source and day of your information.
3. The following yields:
  - a. 3 month
  - b. 6 month
  - c. 12 month
  - d. 2 year
  - e. 5 year
  - f. 10 year
  - g. 30 year
4. How would you describe this yield curve?
5. Provide possible explanations for its shape.
6. According to the expectations hypothesis, what is the expected one-year interest rate next year? Calculate this using the 2 year and 12 month rates – show your work.

### *Notes:*

Yield curves are covered in Jones *Investments* (12<sup>th</sup> ed.) chapter 18, pages 449-451. There are a variety of online sources for interest rate data including [www.bloomberg.com](http://www.bloomberg.com) and [finance.yahoo.com](http://finance.yahoo.com).