

2014 Stock Game Instructions

2014 C.A.S.H. Program

HOW THE STOCK MARKET WORKS COMPETITION

This will be the 11th year that we will be using a stock competition to teach the students how the stock market works first-hand. This competition will be the culmination of the Financial Literacy sessions that you have been learning so far. We have and will continue to actively discuss the stock market's performance throughout the program and how it impacts YOU and your family and the financial decisions you make in life!

The website that the game will occur is located at

HYPERLINK "<http://www.howthemarketworks.com>"
www.howthemarketworks.com

Please register on the site and read the rules to get familiar with how it works before you start making trades. AND READ THIS ENTIRE DOCUMENT AND ASK YOUR MENTORS QUESTIONS IF YOU DO NOT UNDERSTAND A CONCEPT.

Some important information for students to know about the competition include:

START DATE: FRIDAY, JANUARY 24th 2014, 9:00 A.M. (Market Opening)

END DATE: FRIDAY, JUNE 6th 2014, 4:00 P.M. (Market Closing)

Game Name: **CASH Program**

Competition Password: **benjamins**

Each student will be competing as an individual (as opposed to doing this with your team). This is your chance to shine! This will help you understand the impact of the financial markets and how they will impact your present and future. You will learn how to choose a sound investment strategy. The persons who win will receive prizes **To Be Determined** at a later time. The goal is to facilitate the learning experience by making this a **FUN and "RISK FREE"** way to learn how to invest.

Each student will begin with...

\$500,000

.... with which to invest.

There will be several components that will determine your score. The least of which will be who finishes with the highest value—so don't get caught up in that as it is NOT what this is about. We have expanded this year's contest to run for almost 5 full months.

We want to maximize each student's opportunity to learn and there are more important things to learn about the stock market besides how much money you end up with in this game. With that said, each student who plays in the game will be graded accordingly:

To even qualify for the 1st, 2nd, or 3rd place prizes, you absolutely need to turn in a **Stock Game Report** at the end of the program. This report can be submitted either in person or electronically up until midnight on the day they are due, which happens to be the day of the Case Competition presentations, Friday, June 5th. I will not even consider students who play the game online but DO NOT turn in a report at the end. This report may be due at the end but does not have to be 'started' at the end. **You have 19 weeks to play this game, thus 19 weeks to write your report.** You can do it and submit at any time during that time period. Those that procrastinate usually do not turn in quality work. So don't start it two days before it's due, it WILL be obvious to me as I have graded countless amounts of these.

For the first time, students will be graded on their **Research Capabilities**. With 100% certainty, I can always tell which students have done a great amount of research and put a lot of thought (with actual facts they have found) into their investments in this game and in how they have written their reports. That will absolutely be rewarded this year. It would be wise for you to include a page on all of the sources you used throughout the whole game (i.e., WSJ, virtualstockexchange.com site, Yahoo, CBS News, your math teacher, whatever or whomever it is—demonstrate you did some research before picking.

This year students are **restricted to investing ALL of their money with a particular industry and sector**. And in addition, they must demonstrate and write about why they chose that sector. For example, you must "clearly" identify through your trades as well as in your report that you chose the Basic Materials sector and within that, you chose the Oil and Gas industry, thus leading you to only buy stocks in companies

like Exxon-Mobil Chevron, ConocoPhillips, Hess, Sunoco, etc. Then for your ending report you must eloquently discuss what made you choose that industry. **KEEP IN MIND** – your industry does NOT have to make money over the next 6 weeks, that would be nice, but you have to be able to defend your investment strategy in a sound and logical manner.

Finishing the end of the game with \$500,000 or more. Even though the final count is not the main objective, students will still be rewarded for finishing plus \$500,000. And since that is the amount you are starting with this year, it shouldn't be that hard.

Communicating either with myself and/or your mentors by either asking questions or getting our thoughts on your strategies and/or reports. You DO NOT have to go it alone on this. That is why we are your mentors in the CASH Program, to help you succeed. I for example will be holding “office hours”—times TBD, where I will make myself available either through conference calls, online chats, after session Q&A's or via email. All of this will be to avail myself to help the students who are serious about wanting to learn how to be successful at thinking about this topic. Communicating will not be a specific requirement but if you are making an attempt to do it, this will be obvious to me and your mentors and will be rewarded, not only in the quality of what you get out of this game, but literally in your final score.

SCORING SYSTEM

The highest score you can attain is **500 points**, broken down as follows:

Stock Game Report

Maximum of 250 points (50% of the score)

This is to recognize bringing all of your learning together. This written report must

be a minimum of one full written page + the completed grid which is attached here. You must take into consideration some of the questions asked below in the report example as well as everything you have read above here. Your writing must be clear and concise. Tell us what you learned; how you went about the decisions you made and how does that industry impact your daily life. In addition, your “Grid” must be filled out impeccably. In other words, you should not have gaps in the data. If you don’t know an answer, simple research and/or asking someone for help will get you to the answer, but you must take the initiative. Incomplete, incoherent, sloppy and poorly written reports and grids will not be graded or reduced in total score.

DEFINITION: Diversified Portfolio – Spreading investments among multiple vehicles such as stocks, bonds, mutual funds, cash, commodities, etc. This allows the investor to vary the risk in the various securities as well as spread the geography to minimize risk.

Research Capabilities

Maximum of 150 points (30% of the score)

If you do your research it will be evident. History has shown this in student after student over the years. This will be evident by the industries you choose; the trades you make online; and the way you write your report and fill out your grid. If you are scoring well on this component of the score, there is no doubt in my mind you are getting most of the points for the Report as well.

DEFINITION: Common Stock (or Shares) – Is a form of corporation equity ownership. It is a stock whose dividends are based on market fluctuations. Holders of this type of stock influence the corporation through votes on policies, corporate objectives, stock splits and the election of board members. Common shares typically perform better than preferred shares but do NOT take precedence over them in the case of bankruptcy. Preferred stock holders, bond holder and creditors get paid first.

DEFINITION: Preferred Stock (or Shares) – A higher ranking stock than common shares. Its terms are negotiated between the corporation and the investor. They usually carry no voting rights but dividends are paid out on these prior to common shares. They

also can be converted into common shares.

DEFINITION: **Bonds – A debt security in which the authorized issuer owes the holder a debt, and may also have to pay debt and/or repay the principal at a later maturity date. Examples include U.S. Treasury bonds and municipal bonds.**

Sector/Industry Investment Strategy

Maximum of 50 points (10% of the score)

All you have to do to get ALL of these points is stick to the script and follow the instructions. Using my Basic Materials example from above is perfect example of doing this. In that scenario you would not therefore buy stocks in McDonalds or Nike for example—they have nothing to do with that sector and that would demonstrate an incoherent investment strategy. Those that score low on this will be all over the board in the trades they make and their ending report will not make any sense and they will be graded accordingly for not following instructions.

DEFINITION: **Commodities – Something for which there is a demand. It is a product that is the same no matter who produces it such as petroleum, copper, gold, rice, wheat, sugar, coffee beans. Price is determined as a function of its market as a whole.**

DEFINITION: **EPS (Earnings Per Share) – Earnings returned on the initial investment amount. Publicly traded companies are required to report this measurement.
EPS is the company's profit divided by the weighted average of common shares.**

DEFINITION: **P/E (Price Earnings) Ratio – A measure of the price paid for a share divided by the annual profit earned by the firm per share. It is a financial formula used for valuation of a company.**

**Ending Value of \$500,000 or more
25 points (5% of the score) or 0 points**

Simply end the game with \$500,000 that you started out with or more and receive the bonus 25 points. If you finish with \$499,999 or less, you will get zero. The caveat to finishing with +\$500K is that you **MUST** also actively make trades (no minimums or maximums) but you can't just let the portfolio sit there with zero activity and get rewarded.

Communication

Maximum of 25 points (5% of the score)

As described above, simply demonstrate that you are curious about learning. I will be asking mentors questions about which students are doing this. Plus I will monitor who is attending my “office hours” or simply asking me questions.

This is to recognize you for bringing it all together via a report whereby you demonstrate that you conducted your research properly and demonstrated a sound and logical reason for the decisions you made. This report will not only include your written analysis but your ability to research financial numbers that the grid asks you to complete—**your attention to detail here will impact your score in this category.**

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Final Report Scoring System

Impeccable strategy, well thought out and researched, excellent writing style with an impeccably completed Stock Grid.

200 - 250 pts.

Great strategy, but financial analysis on grid not complete or grid is completed accurately but report is not written very well.

175 – 199 pts.

Good strategy but has some issues, or holes in reasoning on the investment decisions made; writing style is average and/or Stock

Grid has major gaps in the data.

100 - 174 pts.

No logical method displayed in written report or research strategy; not well thought out, no major questions answered; Grid is missing significant data and it is obvious the report was thrown together at the last moment.

<100 pts.

Research Scoring System

Evidence of doing online, offline and other research is evident via industries chosen, trades made, and report completed; sources are cited. This student demonstrates being a research guru!

100 - 150 pts.

This student has done moderate to average amount of research; His/her sources may not be cited or they may be missing pieces of data that demonstrate additional research could have produced a better outcome; This student probably didn't answer the questions or didn't ask the right questions thus hurting their investment strategy.

50 – 99 pts.

A student receiving a score in this range perhaps did not put much research or thought into their investment decisions. This category demonstrates evidence of “winging it” and/or procrastination.

<50 pts.

Sector/Industry Scoring System

Correctly choose only **ONE** of the 9 U.S. Sectors to invest in:

Basic Materials
Conglomerates
Consumer Goods
Financial
Healthcare
Industrial Goods
Services
Technology
Utilities

Furthermore, invest in **ONE** of the multiple industries within that sector, unless the student can concisely demonstrate why he/she chose to invest in multiple industries within the same sector (for example, Disney and American Airlines, both within Services sector).

50 pts. for following exact instructions

25-49 pts for going off-script but with good reason

<25 pts for completely not following instructions

Final Value Scoring System

End game with \$500,000+ portfolio value ** 25 pts.

End game with \$499,999 or less in portfolio value 0 pts.

****In order to qualify for the 25 points, the student must have been active making trades, whether its 5 or 10 in total or whatever. You simply cannot let your money sit there and call it a day and still get this 25 point bonus.**

Communication Scoring System

Ask questions with game facilitator and/or mentor; attend office hours and Q&A sessions, send emails and or join chats discussing the stock market; overall demonstrate your inquisitive mind in wanting to learn. 25 pts.

Only ask a few questions or make random attempts to communicate to find answers to your questions, thus potentially missing out on improving your final results. 10 - 24 pts.

Go it alone approach by not reaching out or touching base with anyone despite having questions to ask or simply guessing wrong answers without doing so. <10 pts.