

## **BIG BOOM REPORT, February 6, 2010 :**

### **Members in Attendance :**

Adam Michael  
Ahmed El Kottby  
Al-Rahim Merali  
Allison Ikeda  
Andrew Lee  
Chapman Strong  
Devin Stone  
Jordan Estes  
Maryn Juergens  
Matt Soloman  
Nick Chow  
Nick Souby  
Sarah Deming  
Shanglun Wang  
Siri Smith  
Staten Hudson  
Advisor: Dr. R. Pete Parcels

### **9-9:30: Breakfast and “Get to Know You Bingo”**

### **9:30-10:30: Jim McCarthy, Investing Principles**

Mr. McCarthy, a 1963 Whitman alumni and former investment portfolio manager at Baker Boyer Bank spend an hour with the group discussing basic investing principles. He spoke to the group about basic investing designations, including ‘Large cap’ defined as \$5-10 billion, ‘Mid Cap’ as \$5-10 billion and ‘Small Cap’ as less than \$1billion. He also evaluated our current WIC portfolio and shared advice regarding where to go with future investments.

He spoke highly about companies that pay dividends as they will continue to deliver money in the upcoming, unknown future. Also, with inflation in the forecast for the next 3-5 years, he advised that stocks will hold value whereas bonds will lose value.

Other areas that he touched on included the idea that you should know the companies in which one invests, he explained beta, P/E, and the usefulness of forward P/E. He also explained the difference between loaded and non-loaded mutual funds. Within in the discussion of no-load mutual funds he advised the group to look at the fund ‘Dodge and Cox’ for international exposure.

### **10:30-11:30am: Justin Rodegerdts, Research Reports and Selling Principles**

Justin Rodegerdts, a financial analyst for Whitman gave the group a thorough presentation of how to give a research report while using an example of Domino’s Pizza to demonstrate a good report. In addition to his **PowerPoint (included)**, he emphasized how to read financial figures and ratios. The company’s website’s annual report will contain many important figures, and these figures do not lie as they have been audited. It is necessary to read multiple

figures and also to compare these figures to other companies within the given industry. If a certain figure is 'N/A' for a company, there is a reason. A good report will find the reason behind all information.

Other good questions to keep in mind include how the company makes its money, how earnings growth compares between quarters, if a company gives dividends (or if they have recently stopped giving dividends), as well as the amount of debt of the company, particularly compared to its equity.

### **11:30-12:00pm: Review of Last Semester's Activity**

**STATEN OR SARAH WILL ADD SUMMARY**

### **12:00-12:30pm: Selling Principles**

Sarah Deming, the CEO of the Whitman Investment Company, presented to the group information on basic selling principles. The need to define or at least be more aware about selling principles came out of feedback from investment professionals including Bill Smead, Polly Sidwell, and Kevin Young who met with members of the WIC during the fall 2009 trip to Seattle. Sarah went through the current selling principles of the Whitman Investment Company which include rebalancing the portfolio, significant change in business practices, and/or declining earnings. Sarah did a quick overview of common reasons to sell a stock but focused on specific policy driven selling principles. The reason for having specific guidelines is so emotions will be less likely to be involved in selling decisions. Sarah defined stop prices and stop orders and how to set these values. She suggested that we apply the principles to the WIC by setting target prices from the criteria used to set stop prices. Sarah then presented selling principles of William O'Neil who is the founder of *Investor's Business Daily*. Some rules that could be applied to the WIC portfolio are re-evaluating after a stock has decreased 7% in a bull market or if a stock has gained 20-50% in a very short period of time. Sarah concluded by stating a few reasons why you should not sell a security which included normal market and business fluctuations.

### **12:30-12:50pm: Group Discussion**

The group discussed considering when to re-evaluate companies. One possibility suggested for growth companies, was a re-evaluation of a company if the stock price decreased 7% in a bull (high performing) market, or 15% in a bear (poorly performing) market.

The need for trustees to prepare for meetings was also expressed. The executive committee rearticulated the need for trustees to e-mail the CEO their report at least 24 hours in advance. Trustees could then research the company prior to the report and be prepared for a good discussion. **A schedule for signing up for the semester's research report will be available at the next WIC meeting.**

Another point discussed was the "Companies to Watch," or, more broadly, how to watch our portfolio given that this is not our full-time job and we only meet once a week. We decided to do a one month trial of sending a small summary of the activity of our holdings to the CEO by Sunday midnight before Tuesday's meeting. Each trustee will send the CEO a summary of their

company from the “Companies to Watch” list. The summary can include information on recent news headlines, earnings reports, significant changes of the stock price compared to the market, and any other information in the news that might affect the stock. **The CEO will then compile the summaries and send one comprehensive e-mail to the listserve on the Monday before our Tuesday WIC meeting.**

Other ideas suggested included tweeting with one another about our portfolio (Twitter: WhitmanIC) or setting up an online forum or blog to discuss with one another.

The last item discussed was our priorities in the upcoming weeks:

- Trimming our share in Aegean
- Re-evaluating our positions in our core companies. We either want to hold a significant position in our core companies, or no position at all. We currently have 16 stocks in core which is a large number for our core portfolio.
- We have \$40,000 in cash. We need to invest in new growth companies.

### **12:50-1:00pm: Tour of Website and Learning Resources**

WIC CEO Sarah Deming went through the WIC website showing the useful resources that are on the site. There is general information about the WIC, historical agendas and meeting minutes, past company reports and quarterly reports, educational presentations, research report templates, links to educational websites, the company’s mission, constitution, and by-laws, and a list of current trustees. She encourages WIC members to explore the site and utilize its resources.

Sarah then talked about other ways students could learn about investing. The first site she presented as a good resource for learning is Investopedia which has great tutorials on various topics and experiences related to investing. She went through a few of these tutorials and showed how to use the dictionary. The next resource presented was the website smartmoney.com. Smartmoney as well as many other investing websites have a wealth of information and you are encouraged to explore. One tool that was particularly helpful in company valuation is the stock comparisons under the tools section of smartmoney.com. One can easily compare companies by providing their ticker symbols and then getting a quick snapshot of their financials. The final website she presented is The Motley Fool (fool.com). This website has many interesting articles, news and commentary, and educational information. Sarah also reminded us to think critically about all articles and generally all information about investing from the media. Each article has its own biases because the author has their own opinion, thorough research is necessary to make good investment decisions not just advice from one author. Sarah finally recommended a few books to read if wanting to learn more about investing. A book about Warren Buffet style investing is a must-read for any savvy investor two suggestions are *The Warren Buffet Way* by Robert G. Hagstrom, Ken Fisher, and Bill Miller and *The Snowball* by Alice Schroede. Another classic that influenced Warren Buffet’s investment policy is *The Intelligent Investor* by Benjamin Graham which is also considered a must-read. Two other good books are *Competitive Strategy* by Michael Porter and *Money Masters of Our Time* by John Train. Sarah encouraged everyone to seek out educational resources that are right for them and emphasized that education had to occur outside of WIC meetings as well as during the meetings.