

Investing Association

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Contents

1 Investment Vehicles Introduction	3
1.1 Bank Accounts	3
1.2 Stocks	3
1.2.1 Stock Market Structure	3
1.3 Funds	3
1.4 Bonds	3
1.5 Cryptocurrencies	3
1.6 Additional Investment Vehicles	4
2 Stock Pitch: AMD	4
2.1 Drawbacks	4
2.2 Why Invest?	5
2.3 Outcome	5
3 Current Events - 9/14	5
3.1 Apple iPhone Event	5
3.2 Equifax	5
4 Cryptocurrency	5
4.1 Bitcoin	5
4.2 Silk Road	6
4.3 ICOs	6
4.4 Losing Anonymity	6
4.5 The Blockchain - The Tech Behind Bitcoin	6
4.6 Concerns	6
5 Stock Pitch: PepsiCo (NYSE:PEP)	6
5.1 Stats	6
5.2 Why invest?	6
5.3 Why not invest?	7
5.4 Outcome	7
6 Current Events - 9/21	7
6.1 Apple's Stock Following its Event	7
6.2 SEC Hack	7
6.3 Google's Purchase of HTC Mobile Division	7
7 Stock Pitch - Hudson (NYSE:HDSN)	7
8 ETFs	7
9 How to Analyze a Stock - Fundamental Analysis	8
9.1 SEC EDGAR	8
10 Shorting After IPOs	8
11 Bonds	8
11.1 Corporate Bonds	8
11.2 Government Bonds	8
11.3 Catastrophe Bonds	9
11.3.1 Triggers	9
11.3.2 How to Invest	9

1 Investment Vehicles Introduction

1.1 Bank Accounts

Bank accounts are very safe, extremely liquid, flexible, but have very low interest rates. 1.2 is best interest rate

1.2 Stocks

Stocks are ownership in a company, represent a share. Dividends are a part of the profit ins of the company. Released in an IPO.

1.2.1 Stock Market Structure

- Order types
 - Buy and sell
 - Market (current) vs limit(specified price)
 - Long (buy) vs short (bet against)

Shorts have unlimited downside risk if company grows.

1.3 Funds

- Mutual funds
 - Pooled investment managed by an investment manager
 - valued at end of day
- ETF
 - Traded on stock exchange, constant value
 - Track passive market indices
- Hedge funds
 - Seeks returns ind. of market, less regulated than mutual funds
 - high fees must be a certain net worth to invest

1.4 Bonds

- Loan to an organization in exchange for interest payments
- Maturity date where bond must be payed back at face value
- Fixed income on regular intervals

1.5 Cryptocurrencies

- Decentralized alternatives but are extremely volatile
- Potential to lose your money if software or hardware failure (or virus)

Examples of cryptocurrencies include bitcoin, ethereum, litecoin.

China had banned ICOs, stopping cryptocurrency transfers. They are trying to ban them to stop money from leaving the country. Be wary of companies using ICOs unless the coins are necessary.

Bitcoin split into Bitcoin Cash, which is gaining traction.

1.6 Additional Investment Vehicles

- Derivatives
 - Options - buy/sell stock before date
 - Obligations - buy/sell on date
- Forex - foreign exchange - currencies
- Commodities - oil, silver, gold, food
- Real estate

You can also buy on margin to make more money by borrowing.

2 Stock Pitch: AMD

AMD is a digital electronics company - 2nd largest producer of processors for PCs. Also produce other low level computer parts.

Idea: AMD's comeback has yet to be realized and it is a worthwhile buy as it has been doing a lot better.

P/E Ratio: Compare price of stock to the earnings per shares - profit / earnings per shares. AMD's trailing is negative because they had to take a lot of liabilities up. Forward is positive, looking to make profit.

Market cap: AMD was able to create chip set for less than Intel's R&D

Price targets: Gives target price to buy.

Analyst's opinion: Shows what analysts think of the stock and its future projections.

Percent upside: 30%, making it a good buy

Read through quarterly reports to see how company thinks they will do.

AMD is looking to expand into mobile with their Ryzen processor.

2.1 Drawbacks

- They have a negative operating margin of -6.49%, due to the liabilities (R&D)
- Only have an operating cash flow of 164M, majority of the non-production expenses are in R&D
- Liabilities represent a long term burden for AMD (debt)
- Their position in the high-end CPU market is fragile due to the competition with Intel. Gamers trust Intel, and AMD is new to the scene.
- Incoming drop in GPU using for crypto mining as the value of mining decreases - graphics cards are being reported to be selling at higher markets, showing an incoming drop in income
- The beta of the stock is high, meaning it has the potential to fluctuate with the market harshly. This could be due to it going bankrupt, but it also presents a high risk.
- P/E could be overvalued
- May be hard for it to increase its market share.

Beta: How quickly the stock is to respond to changes in the market - high beta (>1) are higher risk, because they jump quickly - volatile. Low beta are more stable, meaning lower risk.

2.2 Why Invest?

- Entering into high end processor market - Xbox and PlayStation
- Developing x86 server chips (Epyc) - Intel holds monopoly over this field
 - Microsoft is partnering with AMD to help stop Intel from holding all of the market share
- Intel is moving away from the x86 space to diversify
 - Intel is moving a lot of money into the server space, 5G, IoT, AI
 - This gives AMD a chance to jump into the processor market

Some of the new Intel chips look to be a disappointment due to lack of architecture improvement.

2.3 Outcome

We decided that we would buy 500 shares of AMD due to its potential to grow as a limit order when it hit \$11.50. As our first purchase, this will put us into the technology/electronics field. We decided on a somewhat low amount of shares because we wanted to have other options to invest into in the electronics field.

It is important to diversify between industries. You should also diversify within each industry to hold different companies.

3 Current Events - 9/14

3.1 Apple iPhone Event

The iPhone X was a disappointment as nothing new was released, and the leaks exactly matched the phone. Apple also released two iPhones, possibly to appeal to their entire customer base, as the X is really expensive. But that may not be entirely true, as many Apple customers are more than willing to pay the premium for that phone.

3.2 Equifax

The Equifax hack presents a good opportunity to short the company. As more information comes out, the company's stock price may continue to drop.

This was due to negligence on their part. They have also been directing people to the wrong website, created by fraudsters.

A lot of the execs had sold a ton of their stock, which shows insider trading. They also seemed to know that the hack had happened about 2 months in advanced.

4 Cryptocurrency

Cryptocurrency is a digital currency which uses cryptography for the security of transactions. It is decentralized and anonymous.

A lot of people first heard about it because of the illegal activities that Bitcoin was being used for.

4.1 Bitcoin

Bitcoin is the largest cryptocurrency. The person (or group) who invented it is unknown, and they hold a large amount of the coin. Bitcoin's status is not well defined, and it depends on what country you are in as to whether it is legal and valid.

4.2 Silk Road

Bitcoin was used on the online black market. The FBI shut down the website and confiscated about 144,000 bitcoins. The seized cash has been sold. Most people first heard about it through this, hurting its public imagery. A lot of people see bitcoin as "fake", most people also seem to buy it because they are afraid of missing out rather than to use it. This causes a large inflation in its cost.

4.3 ICOs

ICO stands for initial coin offering. This is basically crowdfunding, you pay in a certain type of coin and they pay you back in another type, representing a share in their company. China has banned the ICO. They can be used for bad, as scams: the "company" will offer shares, take the money and run. One of the scams that is well known is sosnovkino. Trump coin is another scam.

4.4 Losing Anonymity

If you withdraw bitcoin, the anonymity is gone.

4.5 The Blockchain - The Tech Behind Bitcoin

Bitcoin is just a file called the ledger. Every participant has a copy of the ledger which is maintained. You can see everyone's balance. The ledger is updated once a transaction is made - it is broadcasted. Everyone is represented by an account number. The wallet holds the private key which acts as a signature. The signatures are unique to each transaction. The order of transactions is hard to determine. Transactions are sorted into a queue based on a cryptographic hash - this prevents transactions from going through twice. Each vote in the cryptographic hash costs compute time, preventing voting "fraud". When someone does this math for the vote, they are given more money - called bitcoin mining. This helps keep the ledger up to date. Mining pools have a large control over bitcoin because they have the computing power. They gain "control" over the chain.

Quantum computers represent a security vulnerability to blockchain.

A lot of companies are investing in blockchain - they believe it is the future, rather than bitcoin.

4.6 Concerns

Bitcoin is currently in a bubble - it is increasing faster than any other speculative vehicle; this means it could be risky. A crash may be imminent - don't buy into it.

5 Stock Pitch: PepsiCo (NYSE:PEP)

Pepsi is much more than soda - they merged with Frito Lay, representing a large business. They could be a better buy than coke. They own most of the popular brands.

5.1 Stats

Their revenue has been decreasing over the years - this was because of the "health trend". They are putting more money into research to stay trendy. Their net income seems to be bouncing up.

The P/E ratio is 24.27 which means you pay \$24.24 for every dollar of earnings. The PEG ratio is 3.52 which is a modified P/E ratio. They payout is 62.4% - which means they pay a decent dividend.

5.2 Why invest?

The dividends are very high and are increasing. This may be good for long term holding.

Pepsi is also outperforming other companies in the consumable industry.

Analysts think pepsi is a buy right now. The OVERWEIGHT recommendation means that analysts think it is outperforming other companies.

They released organic Doritos, meaning they are trying to get into the whole food market (Whole Foods was purchased by Amazon).

Bollinger Bands indicate when you should buy. Buy when the MA crosses the bottom, sell when it hits the top.

5.3 Why not invest?

Coke is way outperforming Pepsi, and Coke has a bigger market cap. It is only in the drink industry though.

Coca-cola won out Arby's, one of their biggest partners, Pepsi also won out subway though.

5.4 Outcome

Wait until earnings, but it looks like it may be a decent buy. The club, however, will not invest.

6 Current Events - 9/21

6.1 Apple's Stock Following its Event

Apple's stock seems to be dropping. The preorder sales may be the reason why, but it also seems to happen every year. Phone prices keep going up, we can compare this to some of the Android phones coming out. We can probably expect a bit of higher prices.

6.2 SEC Hack

SEC has been hacked, and the hackers were able to read reports which were not yet released to game the system. This potentially could have allowed the hackers to make a good deal of money. The SEC EDGAR site is still safe to use, it was just that the hackers got early access to some of the reports.

6.3 Google's Purchase of HTC Mobile Division

On September 21st, Google announced that it would be purchasing a part of HTC's mobile division for \$1.1 billion. This was a very large purchase, and it seems that Google is taking the hardware industry seriously now with its Pixel line. The previous Pixel phones were made by HTC as a collaborative effort, but now Google will be able to produce it's own phones. The question is: will Google turn the HTC mobile division around, and sell it to another company in the future, as it did with Motorola?

Google makes most of it's money from ads, HTC has too small of a market share to do well in the mobile division by itself.

7 Stock Pitch - Hudson (NYSE:HDSN)

This company plans to distribute a chemical for A/Cs once it is banned. It is a risky market, but it may prove to be a company with good potential.

8 ETFs

This is a composite of a certain sector. It can be multiplied (ex. 3x), which will make it move by a certain factor up or down. You can also get a fraction multiple, which will shield you more from volatility.

9 How to Analyze a Stock - Fundamental Analysis

9.1 SEC EDGAR

The SEC EDGAR will allow you to find out information about stocks. This will allow you to see some reports. There are quarterly and annual reports available freely. MD&A will be included in annual reports.

10K This is the annual report. It contains a comprehensive analysis, overview of business segments, risks, financials, and MD&As.

10Q This is the quarterly report. It has the latest developments, unaudited financial statements, and reports which are not as detailed as the 10K.

8K This is for whenever the company needs to announce something. This can include execs changing, bankruptcy or anything that they believe investors should know.

Competition It is nice to see how a company analyzes its competition and how it believes it will perform.

Risk Factors You can see what the company identifies as a risk factor. They are legally required to identify and release their risk factor. It is good to know in an interview as well.

Auditor's Comments There is a section on the form which an outside auditor will analyze the company and make comments on it. They will tell you if the financial statements are accurate.

10 Shorting After IPOs

Some stocks may be good to short after their IPO. An example would be Snapchat, because it jumped up high during the IPO, then fell drastically after.

11 Bonds

A bond is something to fund a company or government which does not have the money on hand - it is a contract that will pay you back in certain conditions with more money than you invested. The bond's face value is what the investor buys. The bond coupon (what you receive) will gain interest over time, and once it matures the investor can pull out and get an increase of money. There are many types of bonds, but the higher the interest rate the higher the risk. Bonds are less risk than the stock market, don't invest heavily in bonds until you are closing in on retirement age. A balanced portfolio typically has 80% stocks and 20% bonds. $100 - \text{your age}$ is a good percentage of stocks to be in.

11.1 Corporate Bonds

Corporate bonds are much like stocks, analyze the company to be sure that they will be able to pay off their debt so you can make money. If a company defaults, the coupon grade will determine who gets paid first. The higher the grade, the less you will make normally, but you will get more of your money back if it defaults. There are several big companies which assess the bonds, their ratings are generally trustworthy, and the companies have to have multiple of these credit agencies assess them.

11.2 Government Bonds

The bonds are lower interest, but also lower risk.

11.3 Catastrophe Bonds

Catastrophe bonds are a bet against catastrophe's. The insurance companies are insuring much more money than what they have. They have to buy bonds to ensure they can pay up when a catastrophe happens. Buying them allows you to make money if a catastrophe does not happen. They are not related to the market, just the weather. They are a good way for investors to diversify their portfolios. These bonds are not open to private investors. The percent yield of a catastrophe bond is much higher than a standard government bond.

Pension Funds A lot of pension funds invest in catastrophe bonds. When a catastrophe happens, the pensions funds can be wiped out.

11.3.1 Triggers

Indemnity Triggers If the payout exceeds a certain amount of money, it triggers and you lose money.

Parametric Triggers If a certain catastrophe happens in a certain region, it will trigger.

11.3.2 How to Invest

You can invest through the index, but not directly. They are high risk, try to stay away from them unless you know what you are doing.