

Outline for the Stock Case write-up

Your write-up should not exceed 2 pages. You can attach as many supporting materials to your write-up as you like, but they should be relevant and you should explicitly refer to them in your write-up. The write-up should take the form of a memo to me addressing the issues below. Hand-in only one memo per group. List the group members' names in alphabetical order on the memo.

By November 25th, you will have collected 13 weeks of prices, starting with the closing prices for Thursday, September 2nd. From these 13 price sets, you can calculate 12 weekly portfolio returns:

Return Week 1 = (Value of Portfolio on Sept 9 - Value of Portfolio on Sept 2)/ Value on Sept 2,
Return Week 2 = (Value of Portfolio on Sept 16 - Value of Portfolio on Sept 9)/ Value on Sept 9,
and so forth. You will do this for your portfolio and for your \$100,000 investments in the Vanguard S&P 500 Index fund, Vanguard Global Equity Fund, and QQQQ.

While you can put anything you like in the supporting materials for your case, **you must have the following table:**

Value of Stock 1	Value of Stock 2	Value of Stock 3	Value of Stock 4	Portfolio Value	Portfolio Return	VFINX Value	VFINX Return	QQQQ Value	QQQQ Return	VHGEX Value	VHGEX Return	Date
				Starting value	N/A	Starting value	N/A	Starting value	N/A	Starting value	N/A	9/2
												9/9
												9/16
												9/23
												9/30
												10/7
												10/14
												10/21
												10/28
												11/4
												11/11
												11/18
												11/25
N/A	N/A	N/A	N/A	N/A		N/A		N/A		N/A		Mean
N/A	N/A	N/A	N/A	N/A		N/A		N/A		N/A		Std. Dev.

N/A means Not Applicable--don't calculate it.

The "mean" is the average return over the 12 returns that you have calculated.

The standard deviation is calculated as in class and in the book:

1. Calculate the mean value.
2. Calculate each return's squared difference from the mean.
3. Sum those squared differences
4. Divide by 11 ($= 12-1$). This gives you the variance.
5. Take the square root of the variance to get the standard deviation.

If you use an Excel function to check your answers, make sure you use the standard deviation function that is based on a sample "STDEV" (instead of the population "STDEV").

Your write-up should include an analysis of your four stocks and a brief discussion of any firm-specific or market-wide events that affected your stock's performance. You should also compare your portfolio with the three index funds on a risk and return basis. The Vanguard S&P index is a good proxy for the overall market, the Global Equity Fund captures all equity markets, not just the U.S., and QQQQ captures what happened to the average Technology Stock. You may want to answer questions such as: Was your portfolio riskier than the market? Does that make sense given the stocks that you picked? Did it do better or worse than the market? What do you think causes volatility in a stock or the overall market? What was the main thing you learned from this exercise (there is no right answer here--this can be anything)?

DO NOT worry about things like correlation coefficients or betas in your write-up. They are not necessary to complete the required elements of this exercise.