Financial Game 2:
Explanation

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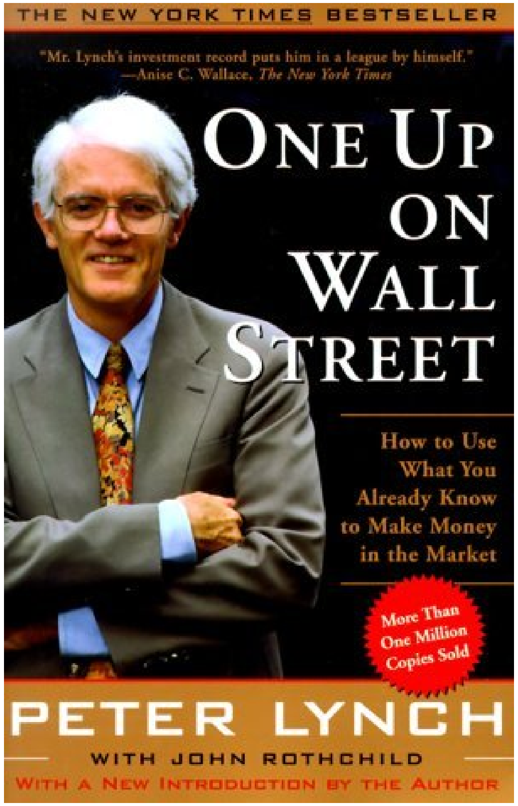
Value Investor

- Each group is required to pick up a stock from the Stock Exchange of Thailand, which is best for long-term investment. Explain your reasons, including financial ratios.

Investment in Stocks

- There are various ways.
- An interesting way is recommended by Peter Lynch
- "I've said before that an amateur who devotes a small amount of study to companies in an industry he or she knows something about can outperform 95 percent of the paid experts who manage the mutual funds, plus have fun in doing it." (Lynch and Rothchild, 1993)



The St. Agnes Portfolio

- Ms. Joan Morrissey, a seventh-grade teacher, divide her class into teams of four every year. Each team is funded with a theoretical $250,000 and then competes to see who can make the most of it.
- During 1990 – 1991, St. Agnes portfolio produced a 70 percent gain.
- The gain outperformed the S&P 500 composite, which gained 26 percent in the same time frame, and also outperformed 99 percent of all equity mutual funds.

Table 1-1. ST. AGNES PORTFOLIO

Company	1990–91 Performance (%)
Wal-Mart	164.7
Nike	178.5
Walt Disney	3.4
Limited	68.8
L.A. Gear	− 64.3
Pentech	53.1
Gap	320.3
PepsiCo	63.8
Food Lion	146.9
Topps	55.7
Savannah Foods	− 38.5
IBM	3.6
NYNEX	− .22
Mobil	19.1
Total Return for Portfolio	69.6
S&P 500	26.08

Total return performance January 1, 1990–December 31, 1991

Source: Lynch, P. and J. Rothchild (1993), Ch.1

The Secrets of St.Agnes

- The students learn to read the financial newspaper Investor's Business Daily. They come up with a list of potentially attractive companies, research each one, checking the earnings and the relative strength.
- Then they sit down and review the data and decide which stocks to choose.

Ms. Morrissey's Conditions

- "… a portfolio should have at least ten companies, with one or two providing a fairly good dividend,"
- "But before my students can put any stock in the portfolio, they have to explain exactly what the company does. If they can't tell the class the service it provides or the products it makes, then they aren't allowed to buy."

Portfolio of the Winner Group in 1990

100 shares of Disney ("Every kid can explain this one.")
100 shares of Kellogg ("They liked the product.")
300 shares of Topps ("Who doesn't trade baseball cards?")
200 shares of McDonald's ("People have to eat.")
100 shares of Wal-Mart ("A remarkable growth spurt.")
100 shares of Savannah Foods ("They got it from *Investor's Daily*.")

5,000 shares of Jiffy Lube ("Cheap at the time.")
600 shares of Hasbro ("It's a toy company, isn't it?")
1,000 shares of Tyco Toys (Ditto.)
100 shares of IBM ("Premature adulthood.")
600 shares of National Pizza ("Nobody can turn down a pizza.")
1,000 shares of Bank of New England ("How low could it go?")

The St. Agnes Chorus

- A good company usually increases its dividend every year.
- You can lose money in a very short time but it takes a long time to make money.
- The stock market really isn’t a gamble, as long as you pick good companies that you think will do well, and not just because of the stock price.
- You can make a lot of money from the stock market, but then again you can also lost money, as we proved.
- You have to research the company before you put your money into it.
- When you invest in the stock market you should always diversify.

The St. Agnes Chorus

- You should invest in several stocks because out of every five you pick, one will be very great, one will be really bad, and three will be OK.
- Never fall in love with the stock; always have an open mind.
- You shouldn't just pick a stock – you should do your homework.
- Buying stocks in utility companies is good because it gives you a higher dividend, but you'll make money in growth stocks.
- Just because a stock goes down doesn't mean it can't go lower.
- Over the long term, it's better to buy stocks in small companies.
- You should not buy a stock because it's cheap but because you know a lot about it.

Financial Game 2

What to tell?

- Each group pick one stock, from SET or MAI.
- You must be able to tell the service the company provides or the products the company makes.
- You must check financial strength of the company e.g. earnings, dividends, financial ratios, debts, other interesting features etc.
- Other interesting factors.

Information

- Form 56_1
  - http://market.sec.or.th/public/idisc/FinancialStatement.aspx?lang=en&reportcode=PP06
- Opportunity Day
  - http://www.set.or.th/set/oppdaybyperiod.do?language=en&country=US
- บทวิเคราะห์บริษัทหลักทรัพย์
  - http://portal.settrade.com/C17_ResearchList.jsp?select_category=all&select_security_type=SETmai