

Invest Ed[®]

Students Tracking and Researching the Stock Market

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Preparing for college is an eminent task hanging over every high school senior's head. Money is usually the deciding factor, whether we like to admit it or not, on determining what colleges we can attend. Throughout my senior year, I visited different colleges to see what ones suited me best. I had fallen in love with a school that has small class sizes and personable teachers, and many of my friends would be attending there. I would even have been able to play soccer! It also happened to be one of the most expensive schools in the state. Sure, there were different scholarships, loans, and grants. But coming out of college being in thousands of dollars of debt is not the way I envision starting my adult life. After thinking it over, I decided to attend the college in my hometown and start saving money by doing so. I also decided to take a Personal Finance class to better my chances of coming out ahead after college, and start making money immediately. By making me more aware of investing, the stock market, and the economy in general, this class was very helpful. Looking back on all the dinnertime conversations that my parents would have about their stocks, 401K's, and college savings, I always felt they were speaking another language. Preparing for college has really opened my eyes to the great significance good investing and saving skills have on life.

When the class first began, I heard words like price-earnings ratio, beta, capital gain yield, and asset allocation. My head was immediately spinning, and I wanted out of this class! After having a little time to digest all the new information that we had recently learned, we began to explore the stock market. Researching a wide array of different companies was the first thing we started doing. With a large portfolio, the chances of making money are higher. I started out by using Yahoo Finance and

searching for the companies that I knew very well. Maybe I knew of a new line of product coming out, or an increasing demand for a certain product, and that would most likely increase the price of those companies' stocks. Searching for different companies really opened my eyes to the broad range of companies and the many industries that have stock available for purchase! After making a list of some products or businesses that I frequently use, I began looking up their price-earnings ratio, beta, their one-year estimates, any possible dividends, and their possible gain. The companies that I purchased had to have a beta below 2.00, so they weren't extremely volatile. The price-earnings ratio (P/E) of most of my companies was between ten and twenty-five, with a few companies exceeding twenty-five. Using these numbers as criteria for selecting my stocks, I chose stocks in large cap companies with low betas that paid dividends often. After completing my research on most of the widely known companies, I started poring over different articles from *The Oklahoman*, www.motleyfool.com, and other various stock market or financial sources to find upcoming companies or companies that some of the best investors thought would make a profit. Some of the articles I read were "These Stocks Will Beat the Market" by Anand Chokkavelu from fool.com, and "Can Apple Thrive Without Steve Jobs?" from the Associated Press found in *The Oklahoman*. The small cap companies I bought were ones I discovered in my research or had read in an article, and that is where I took my risks. With these companies, there may be not only high reward but also very high risk. The variety of companies I researched includes Boeing, TransAtlantic Petroleum, Silver Wheaton, and Coinstar.

The company from my portfolio I chose to highlight was TransAtlantic Petroleum Ltd. TransAtlantic is an international energy company engaged in the acquisition,

development, exploration, and production of crude oil and natural gas. The company holds interests in developed and undeveloped oil and gas properties in Turkey, Morocco, and Romania. TransAtlantic grows as it acquires smaller oil companies in the countries they are exploring. Established in 1985 in Alberta, Canada, its North American headquarters is now located in Dallas, Texas. After about a week of failed attempts, finally I was able to contact TransAtlantic's head of investor relations, Joe DeSimon. I asked Mr. DeSimon how the global economy was affecting TransAtlantic, and he answered due to worldwide governmental unrest and Japan's crisis, it was helping their company by increasing oil and gas prices and also by increasing demand. On the TransAtlantic Petroleum website, the company states that it tries to maximize returns by reducing drilling and operating costs, and I found that one way they do this is by being an integrated company. That is, instead of renting their equipment, they own all the equipment they use to research, drill, and refine. Like some different commercials on TV say, they are "cutting out the middle man." The last question I asked Mr. DeSimon was what drove them to invest in Europe over the United States. His answer was that the economies are very different, and that the pricing for gas and oil royalties were better, and that there were fewer taxes. As a consequence of larger profits, I expect as a stockholder to benefit from a larger dividend yield. The reasons I chose to highlight TransAtlantic were not because they were making the most money or because they were a popular company. One reason I chose them was that my family and I have money invested in their stock. I remember hearing my dad and his bosses talk about this company quite often, and when I started this report I knew immediately what company I would highlight. They are not a very well-known company at all, but the

fact that they invested their time and money in places like Europe, like Romania, that I hadn't heard of any other oil and gas companies exploring drove me to research this company further. I feel confident that TransAtlantic Petroleum is an upcoming company that will turn out to be very profitable.

One important part of this program was learning about different types of fraud. Watching "The Anatomy of a Fraud" videos helped us to understand the major problems associated with fraud in Oklahoma. "The Rogue Broker" was over a major Ponzi scheme that took place in Crescent, Oklahoma, in 2004. Marsha Schubert was a well-respected broker and a native to the Crescent area. She told investors she would take their money and make them a large profit in return by buying securities. Marsha was involved in a ten million dollar fraud. She had both state and federal charges filed against her. The video taught us about the "red flags" of investing with a broker. These included never writing a check to anyone other than a registered brokerage firm, investigating when the broker leaves his or her firm, making sure to receive formal statements, and only accepting checks from registered brokerage firms. The second video, "Catching a Con in Pottawatomie County," was about an insurance agent in Shawnee. Bill Hickman offered an eighty percent return on investment and a no tax income. This video taught us what a Viatical investment was: buying a life insurance policy for a fraction of what it costs and paying the owner immediately. Hickman ran a classic Ponzi scheme, and by 2003, he owed his clients a total of \$300,000 a month. Hickman was in over his head, and this is when he was caught. Hickman was arrested and federally charged with money laundering and securities fraud. These videos taught us many different things, including how to spot and stop a fraud. This was an eight-step

process that everyone should know. The first step in spotting a fraud was realizing that it could be someone who is very involved and well-liked in the community. Knowing a con's words and expressions can give him away is also another way to stop a fraud. Watch for sales people who talk down and try to act smarter than others; also do not invest in anything confusing. One of the most important ways to spot and stop a fraud is questioning the broker about every aspect of the investment: how much money is being invested, how much profit will the seller make, what is the seller's business history, and who are some previous investors? All these steps and questions are keys to preventing fraud. By watching these videos, and by listening to the Investment Minute Podcast on www.investedok.org, I learned that I should never rush into investing. Also, I learned always to research and know thoroughly what I was investing and buying. Also, I now know that if I ever suspect fraud I can contact the Oklahoma Securities Commission, or the Securities and Exchange Commission.

Risk factor is something that every investor must consider. Keeping a diversified portfolio plays into what kind of risk is being taken. With a well-rounded portfolio, when one industry drops, then stocks from other industries will carry the portfolio. After taking the risk assessment quiz, I found that I was a moderate risk taker, with a score of twenty-five. This was somewhat reflected in my portfolio, as I invested in a few small cap companies. The only stocks that I bought more of were Buffalo Wild Wings and TransAtlantic Petroleum. Both were increasing at a steady rate so I decided I would invest more of the money I had saved in them. I had to sell a few stocks, including PepsiCo, J.P. Morgan, and United Continental Holdings. The reason I sold these was

because they had stayed generally idle since my original purchase, and I sold these to invest in the companies that were growing.

I have many investment goals, both short and long term, for this project and real life. My portfolio needed to be diverse, protecting me from losing too much money at one time. Thankfully this worked out; when gas and oil prices rose due to the unrest in the Middle East, most of my other companies dropped. Due to the current state of the global economy, I wanted my portfolio to make around 5%, or \$20,000. My long-term goals after this class are to be smarter with my investments and to start making money and saving immediately for retirement. I believe this class will help me focus on saving money through college and investing what money I do have wisely.

My future goals will start right away in college; saving money will be very important to me. After graduating college, I would like to attend law school. Coming out with my four-year degree ahead financially will prevent me from struggling through three years in law school. By the end of this class, I will have become aware of investments and the stock market enough that I no longer have to shudder when they are brought up in conversation. From this project, I learned what steps to take in researching before I invest, and most of the basics of investing. Thanks to this class, I won't be blindly putting money into random investments but taking time to be sure about where I spend my money. True, my portfolio wasn't the most successful in the class, but I was able to learn the risk and rewards of the stock market, and see how any global event can affect the stock market for better, or for worse. This class, along with all the material from Invest Ed[®], is the start of a lifetime of reward due to smart investing!