

ALWAYS FREE

INTRODUCTORY ISSUE

# THE LION'S SHARE

LITTLE LION FUND NEWSLETTER

STATE COLLEGE AREA HIGH SCHOOL

## Welcome to the Little Lion Investment Club

The Little Lion Investment Club is an Investment Club made up of investors interested in the financial education of State High students.

### INVESTORS

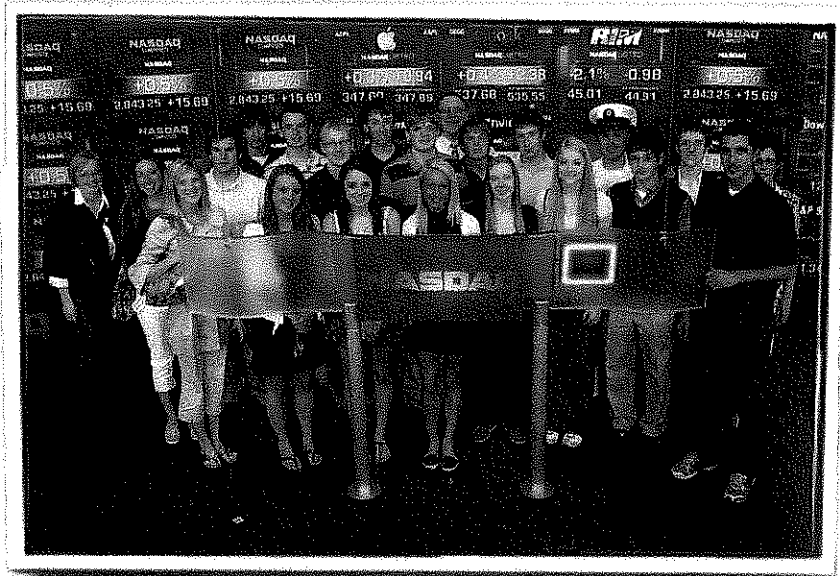
Investors make up the "Club", and are general partners in the Little Lion Investment club. Members allow the students in the Little Lion Fund to do the "work" of stock analysis, and have final say in all buys and sells within the fund.

### STUDENTS

Students make up the "Fund", and use fundamental analysis to evaluate stocks. Students pitch stocks to the class, and vote on the final recommendations that will be made to the Club investors.

### MANY THANKS!

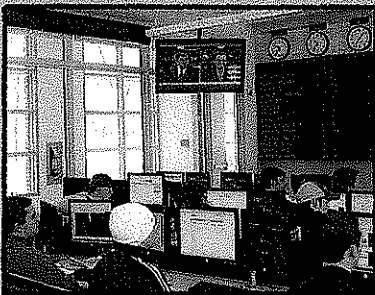
....to Dr. Randy Woolridge and several members of the Penn State Nittany Lion Fund for inspiring and assisting us in the implementation of the Fund.



## LLF students visit Nasdaq

Students enjoy a day in New York every spring. A walking tour of the financial district begins the day, where students see the New York Stock Exchange, Wall Street, the Federal Building, and more.

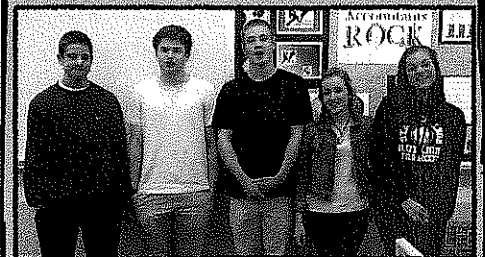
Students then participate the closing bell ceremony at the Nasdaq Market Site. Last spring they cheered Rangold Resources (GOLD) as they listed on the Nasdaq exchange.



**PSU SMEAL TRADING ROOM** Little Lion Fund students visit the Penn State Trading Room to observe fund managers pitching stocks to the class.



**SEBASTIAN HOLLER**, a senior Rotary exchange student from Austria, and a member of the Little Lion Fund, presented a history of the Euro, and European markets in December.



**MIDDLE SCHOOL AREAS.** Students in the Little Lion Fund will be teaching middle-schoolers about the stock market in February and March. Middle school students will compete against each other with mock portfolios of \$100,000.

# LLF EQUITY PORTFOLIO: JUNE 30, 2012

	# Shares	Cost		Market Value		Gain or (Loss)		
		Purchase Price	Cost	6/30/12 Share Price	6/30/12 Market Value	\$ Gain or (Loss)	% Gain or (Loss)	% Holdings
<b>Information Technology</b>								
Apple	7.27	\$577.88	\$ 4,200.00	\$ 584.00	\$ 4,244.51	\$ 44.51	1.06%	13.11%
IBM	21.57	194.75	4,200.00	195.58	4,217.89	17.89	0.43%	13.03%
Baidu	23.90	117.14	2,800.00	114.98	2,748.31	(51.69)	-1.85%	8.49%
<b>Consumer Staples</b>								
Proctor & Gambi	69.56	62.10	4,320.00	61.25	4,260.82	(59.18)	-1.37%	13.16%
Kraft	100.02	38.39	3,840.00	38.62	3,862.74	22.74	0.59%	11.93%
Green Mtn Coffe	59.39	24.25	1,440.00	21.78	1,293.58	(146.42)	-10.17%	4.00%
<b>Consumer Discretionary</b>								
Priceline	6.93	646.68	4,480.00	664.52	4,603.56	123.56	2.76%	14.22%
Time Warner	127.91	35.02	4,480.00	38.50	4,924.72	444.72	9.93%	15.21%
Tim Hortons	42.16	53.14	2,240.00	52.64	2,219.06	(20.94)	-0.93%	6.85%
<b>TOTAL Equities</b>			<b>\$32,000.00</b>		<b>\$32,375.19</b>	<b>\$ 375.19</b>	<b>1.17%</b>	<b>100.00%</b>

LLF Members visit NYC financial district in May



Tim Scholly & Anthony Petrine



Jill Holdercroft & Katie Wall

## Stocks to Watch:

Coca-Cola

CVS

Energizer Holdings

Whole Foods Markets

Wal-Mart

## BOBBY LEAHEY:

NATIONAL DECA COMPETITION



Bobby Leahey, Vice President of the Little Lion Fund won first place in "Financial Decision Making" at the PA State DECA competition March. In May, Bobby place third at the national DECA competition in Utah.

# THE LION'S SHARE

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STATE COLLEGE AREA HIGH SCHOOL

## The Little Lion Investment Club goes Live!

On May 8 Little Lion Fund members held the first Investment Club Meeting, with about 80 community members and parents in attendance.

Students presented all aspects of Club membership and LLF portfolio management.

### PORTFOLIO DEVELOPMENT

Students explained the parameters or "rules" by which the fund will be managed, including sector selection, growth expectations, fundamental measurements, and other analysis techniques.

### FUND ADMINISTRATION

LLF members explained the "units" that are used in fund accounting, the selection of a brokerage firm, and our budget.

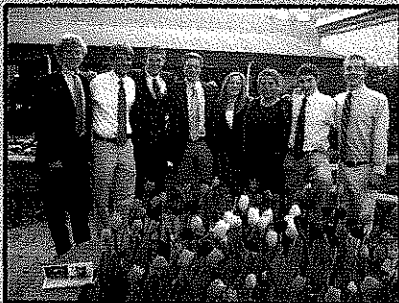
### THANKS.....

....to everyone who attended the meeting!



### SUMMER LLF MANAGEMENT.

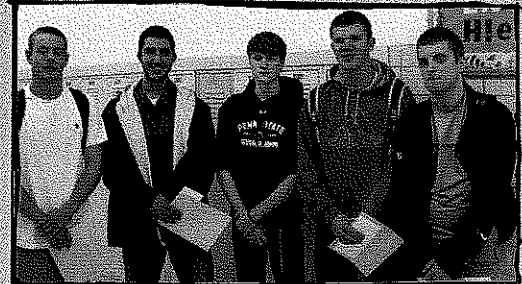
Students continue to manage the LLF through the summer months. We meet every other week, and correspond almost every day about the Fund's performance.



**LLF STUDENTS COMPETE!** In April, students competed at the FBLA State Competition in Hershey, PA, and the DECA National Competition in Salt Lake City, UT

### LLF students take first place in regional Economics PA Competition

This spring, five LLF students competed in the "Economics PA Regional Stock Challenge", a six week \$100,000 mock portfolio management competition.



Andrew Bachman, Ed Goodall, Zico Khayat, Connor Paul, and Craig Saube competed against six other regional teams, and placed first! Way to go!

# Frequently Asked Questions

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## **What is the purpose of the Little Lion Investment Club?**

The purpose of the LLIC is the financial education of State College Area High School students.

## **What is the legal structure of the Little Lion Investment Club?**

The Little Lion Investment Club is a general partnership. Partners will be required to sign a partnership agreement and become general partners in the Club. The partnership agreement is based on the prototype partnership agreement for investment clubs, with modifications made to indicate that the purpose of the fund is education, and that the State College Area School District is not liable in any way.

## **Is the Club associated with State College Area School District?**

Absolutely not. Legally, the club is completely independent of State College Area High School and the State College Area School District. The activities and transactions of the club will result in no liability to the district whatsoever. The club allows students in the "Stocks and Investments 2" class at State High to research and analyze stocks, and make recommendations to the club. However, the club must vote and approve all financial transactions made in the fund.

## **Does the Investment Club have officers?**

The President of the Club will be Jennifer Miller, who is also the teacher of the Stocks and Investments 2 class. She will be a member of the club, with a diminimus investment of \$50. Jennifer will not profit from the club investments in any way, or be financially involved in the Club beyond the \$50 initial investment to open accounts.

## **How will an investor vote on a stock recommendation?**

Once a recommendation has been determined by the students, all investors will be notified by e-mail. Investors should respond within 24 hours, indicating approval or disapproval of the recommendation. No response by a investor will be assumed to be an "abstained" vote.

## **Who will execute the transactions?**

All transactions will be executed by the President of the Investment Club, Jennifer Miller. Students will not have access to the Little Lion Investment Club bank or brokerage accounts.

## **How will you handle the accounting and tax reporting for the club?**

Better Investing provides accounting software for investment clubs. The accounting is done in "units" according to typical accounting procedures for investment clubs. After year end, an external review will be completed by an independent accountant. A Form 1065 U.S. Return of Partnership Income will be prepared and filed, and each investor will receive a Form K-1. The K-1 will report the investor's portion of gain or loss in the fund, and he/she will be responsible to report this income or loss on his/her personal tax return.

## **What is the "Better Investing community of investment clubs"?**

Better Investing's mission is to educate and empower investors to research and analyze stocks. Investment clubs join Better Investing, and receive support for administration, accounting, and investment research. They provide on-line investment tools, webinars, a monthly magazine and more. For more information, go to [www.betterinvesting.org](http://www.betterinvesting.org)



# Frequently Asked Questions

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## **Is there a minimum contribution?**

Yes, the minimum contribution is \$500.

## **When can I make a contribution or withdrawal from the Fund?**

You can make contributions anytime. However, distributions can only be the first week of each calendar quarter. A withdrawal transaction may take several days to initiate and complete, before funds will be available for distribution to an investor.

## **What is your monetary goal for the Fund?**

Initially, \$10,000. However, we will seek additional investors in the Spring Semester, 2013 to grow the fund.

## **Can you describe how the class will analyze stocks?**

We employ the concepts of fundamental analysis both quantitative and qualitative.

**Quantitative** analysis includes detailed ratio analysis and understanding of financial statements. Students evaluate EPS, PE, PEG, Price-Sales Ratio, Price-Book Ratio, Return on Sales, Return on Equity, Profit Margin, Operating Margin, Debt to Equity, and more. Comparisons are made historically, and with competitors in the same industry. Quantitative analysis also includes the completion of the Better Investing Stock Selection Guide, which is a on-line investment analysis tool that facilitates the projection of stock price.

Quantitative analysis also includes a complete review of the Value-Line report for a stock

Students compare their analysis to analysts' expectations and comments regarding stock performance, including Yahoo Finance, Zacks, and other on-line resources.

In Stocks & Investments 2, students learn to use the Discounted Cash Flow (DCF) model, and gain an understanding of Weighted Average Cost of Capital (WACC).

**Qualitative** Analysis is also performed, including a review of the company's business model, competitive advantage, industry analysis, management, and news. This includes a look at earnings announcements. Special attention is given to Porter's competitive forces and industry analysis.

## **What about diversification?**

The fund will choose stocks from 3 sectors - Consumer Staples, Consumer Discretionary, and Information Technology. It is our expectation to purchase 6-10 company's stocks when we go "live" with the fund.

## **How can a State High student get involved in the Fund?**

A State High student must enroll and successfully complete the Stocks and Investments 1 class. This class introduces students to stocks and the markets, and teaches the basics of fundamental analysis. Students then must enroll in the Stocks and Investments 2 - Little Lion Fund class.

## **How can I get more information?**

Contact Jennifer Miller:

e-mail: [jsm23@scasd.org](mailto:jsm23@scasd.org)

phone: 814-360-5225

website: <http://www.scasd.org/littlelionfund>

## Operating Procedures of the Little Lion Investment Club

- 1. New Members.** A new member may initially contribute any amount to the club, and may make subsequent contributions if they choose. There is no limit to the number of members in the club.
- 2. Accounting Method.** Partners' shares are traced as investment credit units. The amount is ten dollars (\$10) for one unit. Accounting records are available to members at any time.
- 3. Delegation of Fund Management.** The Little Lion Investment Club delegates investment decisions to the State College Area High School Stocks and Investments class. The Stocks and Investments class will hold weekly Fund meetings to manage the fund. Fund management includes making decisions based on principles of fundamental analysis.
- 4. Parental Consent.** All parents of students in the class must read the Operating Procedures of the Little Lion Investment Club, and provide written authorization allowing their child to vote in the management of the fund.
- 5. Fund Management.** The management of the fund will be based on fundamental analysis. Students will be divided into 3 sectors: Consumer Discretionary, Consumer Staples and Information Technology. Students initially must choose a "top ten" stock in their sector based on the benchmarks provided (XLY, XLP, XLK).

All stocks must be analyzed based on a template that will be provided. The analysis will include ratios and other measurements based on investment methods used by the National Association of Investors Corporation, and the Penn State Nittany Lion Fund.

Students will present their recommendations at the weekly fund meeting. Presentations must include all components of a proper stock analysis, based on the template provided, before the class will be allowed to vote.

- 6. Voting.** The A 2/3 majority by the class members present at a fund meeting indicates a decision by the class. The individual club members or the Stocks and Investments teacher have the right to veto any decisions made by the class.
- 7. Account Management.** The teacher and one other designated individual (back-up) will have authorization to execute trades on behalf of the Little Lion Investment Club. The teacher and one other designated individual will also have check-signing and other banking authority.
- 8. Fund Liquidation.** The teacher of the Stocks and Investments class may elect to sell any or all stocks held by the fund at the end of the school year, thereby converting the fund to cash while school is not in session. More likely, stocks will be held over the summer, and monitored by students in the Fund.
- 9. Fund Expenses.** The fund may incur periodic expenses, such as the annual audit, and other legal or filing fees. In addition, the profits of the fund may be used to pay for the

expenses of the annual Stocks and Investments class tour of Wall Street's Financial District and the closing of the Nasdaq stock market in New York City.

**10. Officers – Little Lion Investment Club.** The Little Lion Investment Club delegates the election of officers to the teacher of the Stocks and Investments class. The teacher will select all officers. The teacher will serve as Club President. In this role, the President will be responsible for placing buy and sell orders, and will have check-signing and other banking authority. The President will see that the needed tax information is compiled and file all necessary reports. The President will be responsible for overseeing the preparation of federal and state tax returns, including the issuance of Form K-1 to club members.

**Officers – Little Lion Investment Fund (Class).** Officer's terms will be for a one-semester period. Note: These officers are NOT officers in the Little Lion Investment Club. They are only officers of the Stocks & Investments class.

**11. Duties of Officers in Little Lion Investment Fund (Class).** The following offices have responsibility to the Stocks & Investments class. They are NOT officers of the Little Lion Investment Club. The duties of the officers are:

A. President: The President will be responsible for running all Fund meetings, and overseeing the officers and committees of the Fund.

B. Vice-President: The Vice-President will assist the President in all duties, and assume the role of President in the event of the President's absence or in-ability to carry out his/her duties.

C. Secretary: The Secretary shall prepare and maintain fund meeting minutes, including keeping record of the actions authorized during the fund meetings. All meeting minutes must be submitted to the President.

D. Treasurer: The Treasurer's duty is to keep a record of the Club's receipts and disbursements and partners' interests in the Club. The Treasurer will prepare the Club's monthly valuation statement. The Treasurer must have completed the Advanced Accounting 1 or Accounting 1 course.

E. Communications Manager: The Communications Manager is responsible for providing monthly updates to the members of the Little Lion Investment Club. This could be in the form of a newsletter or website, and will provide current financial information to club members.

**12. Annual Audit.** The financial records of the Little Lion Investment club will be audited each year. The audit will be completed within sixty (60) days of year-end. The audit will provide assurance that the activities of the Little Lion Investment Club properly reflect the decisions made by the Stocks and Investments class, or club members. The audit will also provide assurance that the financial records accurately reflect the financial condition of the fund.