



## Maryland State InvestWrite Winner - High School

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**Describe your Stock Market Game portfolio. Discuss how you could diversify your portfolio for success in 10 years. Explain what stocks, bonds, and/or mutual funds you would add or remove and why.**

The Stock Market Game taught me many things. From the time I played this game I invested in many different stocks, each stock presented a positive or negative outcome. Of all the stocks I traded, I liked investing in Fair Isaac Corp (FICO) most, and I disliked investing in MicroStrategy Inc (MSTR). I have learned about how to evaluate market trends and how to manage your risk and also how important it is to do your homework. As I continue to grow in my knowledge and skills, I will be able to develop a diversified portfolio for my family and me.

### **What Made FICO Such a Great Choice?**

As my favorite choice, FICO was amazing for my group. We were attracted to the fact that the company has been very consistent in its performance and volatility, which allows us to benefit from the fluctuations in the price. Also, I discovered that FICO has beat its projected earnings per share (EPS) for the past two quarters, and that indicated a solid base and a lot of room for growth.

When we thought the price was going to drop, we would sell FICO short; and once the price began to rise again, we would cover our short and purchase more FICO at the lower price point. This process of short selling, covering the short, purchasing, and selling provided a profit of approximately \$200 per transaction. The key was timing and research. I found FICO while researching the worst performing stocks one night and spent weeks researching its patterns. That research paid off and proved to me that if you make informed decisions, even volatility can become opportunity.

### **Why MSTR Was My Worst Performing Stock**

On the other hand, MicroStrategy Inc (MSTR), was a failure for our group. We purchased MSTR when the price dropped significantly, thinking that we would get back what we lost when the price increased again. Unfortunately, the price continued to fall, and we lost money on the trade (approximately \$1,015). We were wrong in thinking that a large drop in price automatically indicated that the price would increase soon. We did not account for the risks associated with MSTR's dependence on the volatile and speculative nature of cryptocurrencies.

One thing I learned from the loss of MSTR is that not every down trend is a good place to invest. Sometimes when prices drop, they indicate serious problems, whether it be bad earnings or some other type of risk. In the case of MSTR, it was its reliance on cryptocurrency, making the stock extremely difficult to predict. Going forward, I will try to stay away from stocks that have speculative products as a component of their business model, unless I am willing to take a great amount of risk.

From both my successes and failures in the Stock Market Game, I have learned how to construct a long-term portfolio. I want to create a stable, diversified portfolio that focuses on stability, growth, and risk management.

**Here is how I would do it:**

Diversify your investments to prevent exposure to a decline in any particular sector. I would distribute investments throughout technology, health care, consumer goods, and energy.

For example:

Technology: Companies with strong analytical and AI solutions like FICO.

Health Care: Firms with steady demand and continuous development of pharmaceuticals.

Consumer Goods: Well-known reliable brands with a consistent source of cash.

Energy: A combination of traditional and renewable energy stocks for long-term sustainability.

**Blend of Growth and Value Stocks**

Growth stocks tend to offer higher returns than value stocks, but they often are more unstable. A blend of growth and value stocks in my portfolio would allow me to capture the potential for growth without sacrificing too much in terms of stability.

**Using ETFs and Index Funds**

I would incorporate ETFs and index funds into my portfolio to minimize risk and to make managing my portfolio easier. These types of funds typically track a broad-based index, such as the S&P 500 and historically produce good returns.

**An Emergency Fund and Bonds**

A portion of my portfolio would consist of bonds and an emergency fund. These act as a safety net during a downturn in the market and provide immediate access to liquid funds for unplanned expenditures.

**Periodic Review and Rebalancing**

Just as markets evolve, so does a portfolio. I would review my portfolio every quarter to assess changes in the market and rebalance my allocations accordingly.

**Conclusion**

The Stock Market Game was far more than just a competition to see who could earn the most money - it was a learning experience. FICO showed me the rewards of doing research and developing a strategic trading plan, while MSTR showed me the dangers of speculation. Those lessons will help form how I will invest in the future - with a focus on diversifying my portfolio, managing my risk, and growing my wealth over the long term. By developing a thoughtful portfolio, I hope to establish financial success.