STOCK MARKET GAME

NEWPORT INVESTMENT & TRADING GROUP

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NEWPORT DECA

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NITG

INVESTMENTS

I. EXECUTIVE SUMMARY

"The stock market is a wonderfully efficient mechanism for transferring wealth from the impatient to the patient." - Warren Buffett

On an initial investment of $100,000, Newport Investment & Trading Group (NITG) accumulated **$21,382.41 in profit** reflecting a **total return of 21.38%** over a trading period of approximately three months. Our portfolio consisted of stocks, bonds, mutual funds, and ETFs.

PORTFOLIO PERFORMANCE COMPARED TO BENCHMARK

During the period from September 5 to December 15, NITG had a total return of 21.38% compared to the S&P 500 benchmark return of 5.84%. The NITG fund's performance reflects a 15.54% return over the S&P 500.

INVESTMENT STRATEGY & RISK MANAGEMENT

RESEARCH Through the use of fundamental analysis and extensive market research, NITG was able to maximize profits while minimizing risk

ALLOCATION All securities in the NITG fund are limited to 15% of the principle investment amount, hence limiting high amounts of potential loss

DIVERSIFICATION NITG held investments in a variety of industries with low interdependence between sectors to ensure losses in one industry would not significantly impact the fund

VOLATILITY By examining a security's financial history and looking at the underlying asset's beta, I was able to for control volatility as well as potential risk and reward

STRATEGY FOR FUTURE INVESTMENTS

Throughout the three month trading period, a significant portion of the NITG portfolio was left in cash. In the future, I plan on substantially increasing the fund's asset exposure by allocating unmanaged funds into ETFs that roughly follow the S&P 500 sector weightings until appropriate investment opportunities are discovered. (See page 9)

II. ANALYSIS OF PORTFOLIO PERFORMANCE

Over the span of approximately three months (from September 5 to December 15) the Newport Investment & Trading Group portfolio—which consisted of stocks, bonds, mutual funds, and ETFs—accumulated **$21,382.41 in profits** on an initial investment of $100,000 reflecting an **overall return of 21.38%**. The NITG fund also showed a 15.54% return over the S&P 500 which had a 5.84% return during the same three and a half month time frame. The table below shows the total profit of each security held during the time of the competition.

SECURITY	SECTOR	TICKER SYMBOL	GAIN/LOSS ($)	GAIN/LOSS (%)
Stock	Health Care	FLXN	$5,164.83	33.76%
Stock	Real Estate	Z	$2,205.39	14.70%
ETF	Technology	PNQI	$2,465.02	16.43%
Stock	Technology	SHOP	$921.55	6.14%
Mutual Fund	Financials	VBINX	$864.28	3.76%
Stock	Energy	ETP	$2,446.38	14.04%
Stock	Health Care	BLUE	$5,415.48	34.10%
ETF	Energy	XLE	$3,198.68	10.66%
Bond	N/A	MU_495098XT7	($33.17)	(1.11%)
ETF	Materials	DBA	($169.91)	(1.13%)

All of the NITG holdings are limited to 15% of the principle investment amount ($15,000)

As seen above, the pharmaceutical stocks Flexion Therapeutics (NASDAQ: FLXN) and Bluebird Bio (NASDAQ: BLUE) had the strongest performances, both providing returns of over 30%. Both the energy and tech ETFs (XLE and PNQI respectively) I invested in were also bullish while my short position on PowerShares DB Agriculture ETF (DBA) had a net loss of 1.13%. During the 3.5 month trading period, I also found value in two controversial companies (see pages 4 to 6) that most traditional investors would have steered clear from: Energy Transfer Partners (NYSE: ETP) and Shopify Inc (NYSE: SHOP) which provided returns of 14.04% and 6.14%

respectively. Also among the gainers of the NITG fund include online real estate database company Zillow (NASDAQ: Z) and Vanguard Balanced Index Fund (MUTF: VBINX) with returns of 14.70% and 3.76% respectively. The portfolio's only other loss, aside from the short play on agriculture, was the bond (MU_495098XT7) which returned a net loss of only 1.11%.

All in all, the NITG portfolio's success and limited loss came from not only a detailed environmental analysis of industries, but also an extensive research process that focused on understanding the quality of a business rather than just its market value. It goes to say that often times when companies look cheap on a strictly quantitative basis, they deserve to be cheap. Hence, my investing strategy focused on taking long positions in good businesses with strong competitive advantages.

III. RATIONALE

A. EXPLANATION OF RESEARCH CONDUCTED PRIOR TO SELECTION OF STOCKS AND/OR FUNDS

Nowadays, successful short-term quality investing requires an unparalleled amount of creativity. We have long passed the days where attentive investors could find quality companies trading at a fraction of their net asset value. Yet, value investing (investing in companies that quantitatively look cheap) poses high amounts of risk and often little to no upside in the long haul, especially when those companies lack a sustainable competitive advantage. While I poured a portion of my investments into a few exceptionally attractive value investments, such as ETP (see pages 5 and 6), due to the stock market competition's short time frame, my investing strategy focused on finding good businesses trading at reasonable prices. Hence, the majority of my research and security selection process was based on the fundamental quality of the company or fund rather than just its valuation. Just as Charlie Munger, one of history's greatest investors and vice chairman of Berkshire Hathaway, once said, *"a great business at a fair price is superior to a fair business at a great price."*

The following pages outline a few of NITG's investment analyses on notable stocks and/or funds