Unit 11 Making money – making investments

Teacher's notes

Preparation

Before you use this lesson plan:
- make one copy of each worksheet per student.
- Visit the Nasdaq website and familiarise yourself with the proposed procedure in task 1.

Warmers

Short (5 minutes)
Write NASDAQ on the board. Ask the students if they know what the Nasdaq stock market is. If nobody does, explain that it is an American electronic equity market for trading in shares. If there is time, move on to the long warmer.

Long (10 – 15 minutes)
Ask the students if they have a share portfolio. Ask what type of information they use to pick shares and what they would currently recommend and why. For example:
- the current price
- recent performance
- forecasts for the future
- analysts opinions
- facts about the company
- news about the company

Give everyone a chance to contribute but keep discussion brief at this stage.

Set the scene

(10 minutes)
Distribute the worksheet. Ask the students to read the *Situation*. Go though the steps described in *Task 1*. If you have access to a data projector and computer or printed visuals, these can be used here. Emphasise that, while the students should try and collect the information requested, they do not need to be limited by it if they have the knowledge, experience and time to research deeper.

Present the tasks

(5 minutes)
Explain the procedure:
1 The group divides into small groups or pairs.
2 They use the website to research and collect information and fill in the tables.
3 They prepare and give short presentations making and justifying their recommendations.

Do the tasks

Research (20 minutes)
- If computers are available, allocate one to each small group or pair and let the students do their research.
- If computers are not available, set the research as homework to be performed at home or during free time at work. Emphasise to the students that they do not need to spend more than about 20 – 30 minutes collecting information.

Presentations (preparation: 10 minutes, presentations: 5 minutes each)
Tell the students their presentations should be brief and informal. If the students are working in pairs, they should give a joint presentation. The preparation can also be done as homework if there is limited classroom time. If there is time, the other students can ask questions at the end of each presentation. Monitor and give language feedback after all the presentations have been completed.

Follow-up task

For long-term groups it could be interesting to return to the Nasdaq website at regular intervals, such as quarterly, to see how the shares they selected are performing. At the end of the year, the students with the best return from the $100,000 investment could be awarded a prize.

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Aims

- **Talk about share prices**
- **Present recommendations**

Situation

Your client wants to invest $100,000 in shares on the NASDAQ stock exchange in New York. Their target is a 20% ($20,000) return on this investment in 12 months. You will recommend they invest in two companies in order to spread the risk.

Tasks

1. You are going to use the Web to research companies on the NASDAQ 100 index.
2. You are going to recommend two companies; explain why you think they are good investments; and show how this investment will achieve the client's target.

Task 1:

This website will give you information about shares traded on the NASDAQ stock exchange. Record the information in the research data table on the next page.

NASDAQ
http://www.nasdaq.com

1. **Chose a company**: Click on *Flashquotes* in the *Quotes+* menu on the left. On the next page, click on the *NASDAQ-100* link. Choose a company from the list of 100 companies. Right-click on the four-letter symbol for that company and select *Open in New Window*. This allows you to research the company in a separate browser window from the 100 list.
2. **Recent performance**: On the *InfoQuotes* pages you can find the *Last sale* price for the company's shares and the *Net change* since the previous day. Note the direction and the percentage. This tells you about the current performance of the shares. Now click on *Charts* in the *Quotes+* menu on the left. Make a note of how the shares have performed in the last twelve months. Notice whether they have risen steadily or suffered any sudden drops and fluctuations.
3. **Forecast performance**: Next, click on *Analyst Info* in the menu on the left. Scroll down to the *12 Month Price Target Range*. The red arrow indicates the current price. The arrows at each end of the scale show the most pessimistic and most optimistic forecast for the performance of these shares. The yellow arrow indicates the *Consensus price target* for the next twelve months. If the consensus number is higher than the current price then the shares will probably increase in value. After you have collected the information for the risk assessment, use these figures to calculate the possible profit from buying now and selling in one year.
4. **Risk assessment**: On the same page look at the *Detailed Analyst Recommendation*. Make a note of how many experts think investors should buy, hold or sell the shares of this company. Further down the page, look at the *Earnings Surprises*. These compare previous forecasts with the actual results. If the green reported earnings columns are much lower than the yellow estimate then the company has had unexpected bad results and could be a bad investment risk.
5. **Company description**: Click on *SummaryQuotes* in the Quotes+ menu on the left and scroll down to find the *Company description* at the bottom of the page. Make notes about the company and its activities.
6. Now return to the browser window with the NASDAQ 100 list and select a another company to research.
7. Select two companies to recommend to the client. Decide how you are going to divide up the investment of $100,000 and use the consensus price target to calculate the possible return after 12 months.

Research data table		Company 1	Company 2
Name			
Recent performance	Last sale		
	Net charge		
	Performance in the last 12 months		
Forecast performance	12 month price range		
	Consensus price target		
Risk assessment	Detailed analysis recommendation		
	Earning surprises		
Company description			
Number of shares to be purchased			
Investment (total $100,000)			
Projected sale price in 12 months			
Estimated return after 12 months			

Task 2 – making your recommendations

Language box

You are going to recommend the two companies you have researched and show how the client can achieve a 20% return on their investment of £100,000. Use some of the phrases in the box.

Making recommendations:

I recommend that you … }
I think it's clear that you should … } buy shares in this company
I think it's a good idea to … }

{… out of … analysts strongly recommend investing in this company.
because { my risk assessment show that …
{ the 12 month price range shows …

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