



## Aquarian Womxn's Leadership Society

# Entering the World of Investing

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- **About Carol**
- **What are the financial markets?**
- **What types of securities can I buy?**
- **How do I express my values in my investing?**
- **What makes the markets go up and down?**
- **How do I find financial information online?**
- **How do I use Yahoo Finance?**
- **How do I practice with a virtual portfolio?**





## About Carol Pepper



- ✓ Carol acts as an External Chief Investment Officer to select single family offices.
- ✓ Carol was named **one of the Top 50 CEOs** in Wealth Management by Citywealth.
- ✓ Pepper International was named **Best Boutique Firm by STEP** (Society of Trust and Estate Planners).
- ✓ Carol was named **one of the 50 Most Influential Women in Private Wealth**.



# About Pepper International



- ✓ Pepper International celebrates **20 years young in 2021!**
- ✓ *Barron's* named Pepper International **one of the top family offices in the U.S.**
- ✓ Carol speaks at conferences around the world and **appears as an expert on CNBC and Bloomberg TV.**
- ✓ She is the **Best-Selling Author** of *The Seven Pearls of Financial Wisdom*.
- ✓ Carol created the **Family Office Bootcamp** in 2019.





## What are the Financial Markets?

# What are the Financial Markets?

- The Financial markets are a group of stores that give customers the chance to buy and sell money and investments around the globe.
- Major Markets are called Exchanges. They used to be physical marketplaces. Major ones include the New York Stock Exchange, the London Stock Exchange, and the Hong Kong Stock Exchange, for example.



# What are the Financial Stores?

- The Financial stores are companies that let investors buy and sell securities.
- There are different types of stores:
  - ✓ **Banks (Chase, Wells Fargo)**
  - ✓ **Brokerage Firms (Merrill Lynch, Charles Schwab)**
  - ✓ Online Brokerage Firms (E\*TRADE, Robin Hood).
  - ✓ **Registered Investment Advisors (Legacy Advisors)**
  - ✓ **Trust Companies (Bessemer Trust)**
  - ✓ Insurance Companies (AIG)





## What are the Financial Products?

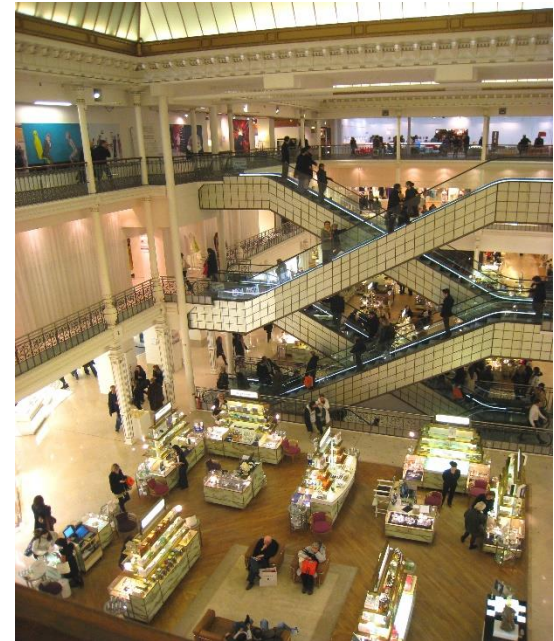
## What are my choices?

There are many ways to invest your money!

AMOUNT OF RISK	TYPE OF INVESTMENT	PUBLICLY TRADED	PRIVATE MARKET
Low	Cash	Money Market Fund	Bank Account
Low	Debt	Bonds	Private Debt
Medium	Equity	Stocks	Shares in a Private Company
Medium	Real Estate	Real Estate Investment Trust REIT	Owning a building
Medium/High	Art	None	Owning a painting
High	Alternative Investments	Hedge Fund ETF	Hedge Fund Investment

# What Departments are the major departments in the Financial stores?

- There are **TWO LARGE DEPARTMENTS** in the Store:
- **Publicly Traded Securities: REGULATED**
- **Privately Traded Securities: UNREGULATED**



# What Aisles are in the Financial Stores?

- In each Department there are **Aisles**:
- **Publicly Traded:** Cash Equivalents, Fixed Income, Equities
- **Privately Traded:** Cash Equivalents, Fixed Income, Equities, Alternatives



# Public vs. Private Investments

	Public Investments	Private Investments
<b>PROS</b>	<ul style="list-style-type: none"><li>• Known Price</li><li>• Easy to Trade</li><li>• Very Liquid</li><li>• Good Financial Regulation</li></ul>	<ul style="list-style-type: none"><li>• Not affected by the Movements of Public Markets</li><li>• Potential better financial returns over long periods of time</li></ul>
<b>CONS</b>	<ul style="list-style-type: none"><li>• Price moves a lot based on the market</li><li>• Less control over the investment</li></ul>	<ul style="list-style-type: none"><li>• Very hard to sell</li><li>• No Financial Regulation</li><li>• Must be a Qualified Investor to invest in many cases</li><li>• Higher risk of loss</li></ul>

## Who regulates the public investment markets?

- The Government has many rules to make sure that investments are traded fairly and that companies give accurate information to their shareholders and bondholders.
- The main regulator is the **Securities and Exchange Commission**, called the SEC. The website is: [www.sec.gov](http://www.sec.gov)
- Firms who sell securities are also regulated to make sure they give accurate information to investors. Another big regulator is **FINRA**, [www.finra.org](http://www.finra.org), a non-profit authorized by Congress.

# What are the major Aisles are in the Publicly Traded Department?

## CASH

- Cash Equivalents

## DEBT

- US Fixed Income
- Non-US Fixed Income

## EQUITY

- US Equities
- Non-US Equities

## REAL ESTATE

- Real Estate Investment Trusts, known as REITs



## What products can I buy?

There are many packages for the investment products!

- **An individual security**: a single stock or bond... the word security can be used as another name for either a stock or a bond.
- **A Mutual Fund**: A group of stocks or bonds managed by a money manager. Mutual funds are regulated to protect investors.
- **An ETF**: An Exchange Traded Fund: A Basket of Stocks or Bonds or an account that mimics an index like the S&P 500, not actively managed by a money manager.
- **A Separately Managed Account**: A portfolio of securities just for you.
- **A REIT**: A Real Estate Investment Trust: a Specialized type of Fund to hold large Real Estate Investments (they can be public or private).
- You can buy **ONE COMPANY** by buying a single stock or bond, or **MANY COMPANIES** through a Mutual Fund, Separately Managed Account, ETF or REIT.



## Cash Equivalent Securities

# What Products are in the Cash Equivalent Aisle?

- Money Market Accounts (earn a little interest).
- Treasury Bills (very short-term Government Debt).
- Investments that are invested for less than one year, such as short-term debt.
- Investment products can be ETFs, Mutual Funds or Separately Managed Accounts.





## Fixed Income Securities

## What is investing in debt?

- Debt investing is lending your money to someone. You expect them to pay back the money **plus interest**, which is the name for the amount of money they are willing to pay you to use your money.
- In the financial stores, debt is usually called **Fixed Income Securities**

Example: Joan wants to open an online business. She borrows \$1,000 from Sally. Joan agrees to pay Sally back the \$1,000 plus 5% interest in one year.

$\$1,000 \times 0.05 = \$50.00$  interest for one year.

Sally will earn \$50.00 on her investment of \$1,000.00. In one year, she will have \$1050.00, **if Joan repays her.**

## Pros and Cons of investing in debt

**Pros:** Your borrower promises to repay all of your money (your principal) plus interest... you expect them to repay.

**Cons:** Your borrower does not repay you! You don't get interest or principal back!

How to improve the odds of getting your money back:

Collateral! Something worth the amount you are investing is pledged or committed to you **in case the borrower cannot repay** you. In case that happens, you can legally take the collateral that was pledged to you.

Example: A Mortgage is a loan secured by collateral (the home). The bank lends you money to buy a house, but the bank **has a lien on the house** until you repay.

If you cannot repay, the bank can take the house.



# What Products are in the Fixed Income Aisle?

- **Tax Exempt Products:** You don't pay tax on the interest income you earn from lending money to state and local governments and their agencies, but the interest you earn is generally lower rate interest, because it is received tax-free and there is lower risk.
  - State, County or Local Municipal Bonds
- **Taxable Products:** You pay tax on the income you earn lending money to companies.
- Can be held in ETFs, Mutual Funds or Separately Managed Accounts



## Bond risk factors

There are three main risks to consider when investing in Bonds or Bond Funds:

**Credit Risk:** How strong is the borrower? Can they repay the debt?

**Interest Rate Risk:** What type of interest rate environment do we have and how will this environment affect the price of the bonds?

**Duration Risk:** How long will the borrower take to repay the loan?



# Credit Risk

- All Publicly Traded Bonds are Graded for Risk. **The higher the risk, the more interest you earn, but the more chances you take.**
- **Bonds are rated by special agencies who study the bonds and rate them. The main rating agencies are Moody's, Standard and Poor's and Fitch.**
- Investment Grade Ratings:
  - AAA Rating = US Government (highest rating available)
  - AA
  - A
  - BBB
  - BB

## High Yield/Junk Ratings:

- B
- CCC
- D = Default





## Equity Securities

## What is investing in equity?

You can **buy a part of the ownership** of a company. You win if the company makes money and you lose if the company loses money.

### Example:

- Joey decides to open a vegan pizza restaurant. He needs \$50,000 to open the restaurant. He talks to his sister Elaine.
- Elaine decides to purchase 25% of Joey's company for \$50,000.
- In five years, the company has six restaurants and is now worth \$400,000.00 Elaine's investment of \$50,000 is now worth  $400,000 \times .25 = \$100,000$ .



# Pros and cons of buying company stock

## Pros:

- You own the company —if the value goes up, you benefit.
- Historically, equities have outperformed bonds.
- Since 1926, US Large Cap stocks have returned an average of 10%, versus 3.5% for US Bonds.
- Over 196 years (1815-2011), **if you had invested \$10,000 in US stocks, you would have \$5.6 billion**, versus \$8,000,000 for bonds, or \$26,000 for gold!

## Cons:

- If the company loses money, you don't get your principal back.
- Stock can be **very volatile** and there can be market crashes.

# Stocks are great long-term but risky short-term

- If you have an investment time horizon (the amount of time you can leave money in an investment) of **less than five years**, watch out for stocks.
- In 2008, the stock market went down 34% from September 29, 2008 to December 31, 2008. In total, the stock market went down 50% before it recovered.
  - Read about the crash here:  
<https://www.thebalance.com/stock-market-crash-of-2008-3305535>
- If you needed your money in Fall 2008, you may be in trouble, because your original investment lost value. If you waited, the market started to recover in July 2009. However, it took **six years for the market to fully** recover from the crash, until 2014.
- Lesson learned: **The stock market can be risky, so don't invest if you have a short time horizon.**

## There are Important Differences Between Stocks

For example, Tech stocks over the last 10 years have been going up faster than other stocks because the whole world is using more technology.

- The internet only became available to consumers in 2000.
- S&P 500 over 10 years (2010-2020): **13.6%** annualized return
- S&P Tech Stocks over 10 years (2010-2020): **19.76%** annualized return.
  - Annualized return means that if we look at the price of the S&P on Jan 1, 2010 and looked at it again on Dec 1, 2020, we could imagine that “smoothed out” return that would get us from one point to the other... imagining the market went up equally every year... this is a way to compare two different investment returns.

## Growth companies vs. value companies

**Growth Companies are growing fast**, but may have **no dividends**, like: Amazon (AMZN), Google (GOOG), GoPro (GPRO)

**Value Companies are more mature**, growing slower but **paying dividends**, like: Exxon Mobil (XOM), Con Edison (ED)

When the economy is growing, growth does better.

When the economy is slowing, value does better.

**But why choose? Invest in both.**

# What is happening in Growth vs. Value stocks in the US for the last 10 years?

Growth stocks and tech stocks are booming, and habits are changing due to the Pandemic.

As of November 24, 2020:

S&P Growth YTD:	24.1%
S&P Value YTD:	-4.5%
S&P Tech YTD:	38.7%
Amazon.com YTD:	67.73%



# What Products are in the Equities Aisle?

US Growth	US Value	International Growth	International Value
Mega Cap	Mega Cap	Mega Cap	Mega Cap
Large Cap	Large Cap	Large Cap	Large Cap
Mid Cap	Mid Cap	Mid Cap	Mid Cap
Small Cap	Small Cap	Small Cap	Small Cap

**Cap means the total Capitalization**, or the total Equity Value of a company. Calculate this by multiplying the stock price times the number of shares outstanding. It changes as the value of shares changes.



# What is the Difference in Cap Sizes?

**Cap Sizes are similar to Yacht Sizes:**

**Mega Cap: HUGE, mega yachts:**  
Companies with an equity valuation of \$200 billion or more.



**Large Cap: Large Yachts:**  
Companies with an equity valuation of \$200 billion to \$10 billion.



**Mid Cap: Medium Yachts:**  
Companies with an equity valuation of \$10 billion to \$2 billion.



**Small Cap: Small Yachts:**  
Companies with an equity valuation of \$2 billion to \$300 million.



# What International Equities are available?

Developed Growth	Developed Value	Emerging Growth
Mega Cap	Mega Cap	Mega Cap (China)
Large Cap	Large Cap	Large Cap
Mid Cap	Mid Cap	Mid Cap
Small Cap	Small Cap	Small Cap

- Developed = Most of Europe and Japan
- Emerging = Latin America, most of Asia, Africa, Eastern Europe



# Developed versus Emerging Markets

- Developed markets focus on Western Europe, the US and other large, longstanding economies (like Japan).
- Emerging markets refer to Latin America, India, Eastern Europe, parts of Asia and Africa.





## Alternative Investments



# What are Hedge Funds?

- Hedge Funds try to “hedge” or manage risk, like in the expression, “hedge your bets.”
- Hedge funds focus on certain technical trading opportunities. Most are not publicly traded, and therefore not regulated, and have a higher risk of fraud.
- They don't have a reporting obligation to any governmental bodies.
- Hedge funds charge high fees and if they are not publicly traded, they are hard to exit. Often the fee is 2% of the Assets Under Management and 20% of the Profit. They should earn high returns or very steady income to justify these fees.
- In general, there is a higher risk of loss.



# What is Private Equity?

- Private Equity invests in non-publicly traded companies with cash flows and income.
- Investments can be in a fund of companies, or a “direct” investment, which means an investment in just one company.
- They are not regulated, have no obligation to report to anyone, have a higher risk of fraud and a higher risk of loss.
- Private Equity funds charge high fees and are very hard to exit. Often the fee is 2% of the Assets Under Management and 20% of the Profit. They should earn high returns or very steady income to justify these fees.
- Usually investments are “locked up” for 10 years.



# What is Venture Capital?

- Venture Capital invests in non-publicly traded companies typically before there is cash flow and income. Investments can be in a fund of companies, or a “direct” investment, which means an investment in just one company.
- They are not regulated and have a higher risk of failure.
- Venture funds charge high fees and are very hard to exit. Often the fee is 2% of the Assets Under Management and 20% of the Profit. They should earn high returns or very steady income to justify these fees.
- The companies in venture funds either get sold, go public or fail.
- “Seed Stage” means very early investing.





## Real Estate Investing

## What is real estate investing?



Real Estate investing is investing in buildings —which could include houses, apartment buildings, office buildings or warehouses, student housing or nursing homes.

### Example:

The Jones Family decides to invest in an apartment building. They receive **rents** from the tenants in the building. They are responsible to maintain the apartments and the grounds and to **pay the taxes** due on the building. If they get a mortgage to buy the building, they have to pay the **mortgage payment** as well, and they earn the cash from rents after paying expenses, taxes and mortgage payments.

# What are real estate investment choices?

Real Estate investing is investing in buildings or land.

## Private Markets:

Buy a Building, Flip a House

## Public Markets:

Buy REITs: Example: SPG

Buy a Mutual Fund: Example: FSREX

Buy a Real Estate ETF: Example: FREL



Mutual funds and ETFs combine multiple REITs

# Pros & Cons of Real Estate Investing

## Pros:

- Real Estate is a stable, tangible asset... you can see and touch a building and the land under the building. Real estate generally has **good long-term returns**.
- Many investors buy Real Estate **privately**, rather than through public markets.

## Cons:

- Real estate is a very **illiquid** investment, and you have to hold sometimes over 10 years to realize a return.
- Real estate investing has a **long time horizon**. You have to be patient to realize your return.



## Collectibles

## What about Art & Collectible investing?

- Many investors enjoy collectibles as well as securities and real estate for investing.
- Collectibles include:
  - Art
  - Watches
  - Wine
  - Cars
  - Jewelry
  - Baseball Cards
  - Comic Books



**Pros:** Collectibles can be enjoyed while they grow in values.

**Cons:** They are highly illiquid, and the markets may take a long time to move. Usually they are bought and sold via professional dealers.



## Impact Investing

# What is Impact Investing?

Definition from The Global Impact Investing Network [www.giin.org](http://www.giin.org):

- **Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.**
- **The growing impact investment market provides capital to address the world's most pressing challenges in sectors such as sustainable agriculture, renewable energy, conservation, microfinance, and affordable and accessible basic services including housing, healthcare, and education.**
- **Impact investing is focused on fulfilling the Sustainable Development Goals of the United Nations.**

# SUSTAINABLE DEVELOPMENT GOALS





## Impact Choices

Public Securities	Private Securities	Other Assets
Community Bank CDs	Venture Capital Funds	Solar Energy
Green Bonds	PE Funds	Timber
Individual Stocks	REG A Plus Offering (USA)	Sustainable Agriculture
Mutual Funds	Crowd Funding Sites	Wind Energy
Separately Managed Accounts	Direct Investments	Clean Water
Sector Investments	Co-Investments	Waste Disposal

## How do I find good impact companies?

- The top 400 Positive Social Impact companies are tracked by the **MSCI KLD Social Index since 1990.**
- Two ETFs that holds the same stocks as the Index are: **DSI or KLD.**

The top 5 holdings are:

- |                   |              |
|-------------------|--------------|
| • Microsoft       | <b>MSFT</b>  |
| • Facebook        | <b>FB</b>    |
| • Alphabet ClassA | <b>GOOGL</b> |
| • Alphabet ClassC | <b>GOOG</b>  |
| • Tesla           | <b>TSLA</b>  |



Visit <https://www.msci.com/msci-kld-400-social-index> for more information.

## Other good impact choices

You can:

- Buy Social Impact Mutual Fund Neuberger Berman Social Impact Equities **NBSRX**
- Buy a Social Choice Bond Fund, **TSBRX**





**What makes the markets go up and down?**

## Why do the markets go up and down?

- The stock and bond markets move based on **what investors think about the future!**
- If they are **optimistic**, they think prices in the future will be **higher** than now, so this is a good time to **buy**. People start buying because they think securities will be more expensive in the future. People then sell safer investments and buy more risky investments that could make more money.
- If they are **pessimistic**, they think prices in the future will be lower, so they want to **sell**, and prices go **down**. People then sell riskier investments and buy safer investments.

The market swings between optimism and pessimism!

# Glass half full or half empty?

- **Nobody** knows the future!
- Some investors interpret the same facts as positive that others interpret as negative...
- Is the glass half empty or half full?





**Great Ways to Learn More Online  
and  
Create a Virtual Portfolio**

## Where can I learn more online?

- [www.bloomberg.com](http://www.bloomberg.com) **Bloomberg** offers 24 Hour Global Financial News relied upon by professionals.
- [www.cnbc.com](http://www.cnbc.com) **CNBC** offers great financial markets news used by professional traders.
- [www.wsj.com](http://www.wsj.com) **The Wall Street Journal** offers in-depth analysis.
- [www.barrons.com](http://www.barrons.com) **Barron's** offers weekly analytical articles.
- [www.ft.com](http://www.ft.com) London-based **Financial Times** gives good international perspective.



# How do I use Yahoo Finance to look up information on publicly traded investments?

- Go to [www.yahoo.com](http://www.yahoo.com)
- Click on the **FINANCE** Tab
- Or download the Yahoo Finance App
- Look for the Quote Box-Type in the Ticker, or short name for the investment to see information.
- Click on **Watchlists**, and download watchlists of the Stocks Owned by Warren Buffet, Best Tech Stocks, etc.



## Practice with a Virtual Portfolio

- **Go to Yahoo.com**
- **Click on the FINANCE Tab**
- **Or download the Yahoo Finance App**
- **Click on My Portfolio**
- **Create a New Portfolio**
- **Add stocks to the portfolio by adding tickers**
- **Click on My Holdings**
- **Click on Add Lots**
- **Put in the date, number of shares and share price**





## Summary



Remember....



**We can understand the world of finance**



**We can express our values in our investments**



**We deserve to enjoy our wealth and power**



Thank you and Sat Nam!



To learn more please visit:

Pepper International

Website: [www.pepperinternational.com](http://www.pepperinternational.com)

Twitter: @PepperIntl

The Seven Pearls of Financial Wisdom

[www.thesevenpearls.com](http://www.thesevenpearls.com)

