In order to promote the use of portfolios that use stocks, mutual funds, and bonds to build diversified portfolios suitable for long-run investing, the following rules are used to govern the Portfolio Competition in the NMSU Stock Market Game. The Portfolio Competition rules are in addition to the national rules that can be found in the Teacher Support Center on the SMG web site at www.stockmarketgame.org.

**DETERMINING ELIGIBILITY FOR AWARDS:**

- **Deadline for initial trades, Minimum dollar investment, and Minimum number of securities**
  - Teams must have made their initial investments by the end of **Week 5, Friday, February 26, 2010.**
  - Teams must have invested at least **$50,000** in either long or short positions at the end of **Week 5.** This rule is intended to force teams to have a substantial portion of their equity invested in risky assets during most of the game period. Before declaring winners at the end of the game, teams’ Account Summary pages and Transaction History pages will be checked to verify compliance at the end of **Week 5.**
  - Teams must have positions in at least **5 different** securities (any combination of stocks, mutual funds, or bonds) at the end of **Week 5.**

**DETERMINING WINNING PORTFOLIOS**

- There are two categories in which winning portfolios are determined.
  - **Total Equity Category:** Portfolios meeting the initial trade, minimum dollar investment, and minimum number of securities benchmarks above will be ranked by Total Equity within their respective region. The team with the highest total equity will be declared the winner in its region.
  - **Best Diversified Portfolio Category:** In addition to meeting the criteria above, teams will be tracked on a daily basis so as to measure their riskiness. Risk is measured as the annualized standard deviation of daily returns over the calendar time period of the game. Standard deviation is a measure of portfolio volatility. To be eligible for the Best Diversified Portfolio Category, the portfolio standard deviation must not exceed the standard deviation of the daily total returns on the Russell 2000 small-capitalization index over the calendar time period of the game. You can learn more about the Russell indexes at [http://www.russell.com/Indexes/](http://www.russell.com/Indexes/). Portfolios that meet the riskiness criterion then will be ranked by total equity. The portfolio with the highest total equity will be declared the winner in its region.

- Please note that it is possible for a team to win both categories in its region.
- The Team Rankings on the SMG web site only show Total Equity, they are not the official rankings for the portfolio competition in New Mexico. Final rankings of all teams will be posted on the NMSU SMG web site (http://business.nmsu.edu/academics/smg/) at the conclusion of the game.

Please note that there is not a mandatory writing assignment in order to be eligible for awards in the Portfolio Competition. Instead, we encourage all teachers to use InvestWrite, the national SMG essay competition. See [www.investwrite.info](http://www.investwrite.info) for more details.
HOW SHOULD TEAMS STRUCTURE THEIR PORTFOLIOS?  There are many ways teams can structure their portfolio and many sources you can use to learn about diversification. Some of them are listed below.

- Visit the Stock Market Game’s Teacher Support Center and read the “In the News” publication titled “Own or Loan” published on December 8, 2009. To get to it follow these links:
  - In the Classroom → Publications → Select “Show all publications listed by name” and click “Next” → Click on “In the News”
- To learn about diversification and mutual funds, visit the Teacher Support Center and review the lessons on Diversification and Mutual Funds. Follow these links:
  - In the Classroom → Lesson Sequence → Display a Complete Outline of All Lessons. Then, pick the lessons for your appropriate grade level.
- Visit the web sites of any major mutual fund family, such as Vanguard (www.vanguard.com), Fidelity (www.fidelity.com), or T. Rowe Price (www.troweprice.com) and investigate their recommendations for long-run asset allocations.
- Browse your local library for investment books and magazines. Look for topics related to “asset allocation”.

GENERAL RULES APPLYING TO ALL TEAMS:

- ALL student teams must be registered under the name of the advisor/teacher guiding them in the classroom.
- MAXIMUM EQUITY RULE: We employ an automatic feature of the SMG called the Maximum Equity Rule. This rule prevents teams from spending more than 30% of their total equity (times two to account for the ability to buy on margin) on the initial purchase of any one stock or mutual fund. The value of the stock or fund may rise above the initial purchase amount once the initial trade has been accepted on the SMG web site, however the team will not be able to purchase additional shares. This rule does not apply to adult, teacher, or college teams.
- MINIMUM PURCHASE RULE: The initial purchase of any stock or mutual fund must be for a minimum of 100 shares. The impact of this rule, combined with the Maximum Equity Rule above, is that teams are unable to buy high-priced stocks, such as Berkshire Hathaway. As of this writing, the Class “A” stock (BRK-A) is priced at $100,000.00 per share, and the Class “B” (BRK-B) is priced at $3,322.95 per share.
- TEAM ROSTER: In order for student names to appear on the award plaques, we must receive a team roster from the winning teams. Please see the bright orange flyer, Team Rosters, for more information. Prizes include the certificates we award every teacher’s top team.
- DEADLINE FOR DELETING TEAMS: Although the New Mexico Stock Market Game is provided to you at no cost, we still incur a processing fee for all registered teams, including those with no transactions. We will delete all teams with no activity by the end of the 7th week. Therefore, we would greatly appreciate your notifying us right away if you register more teams than will be used.

If you have any questions about these rules, please contact Dr. Ken Martin, SMG Program Director at kjmartin@nmsu.edu, or Yvonne Mendoza, SMG Coordinator (575) 646-3690 or ymendoza@nmsu.edu.