



對外經濟貿易大學
UNIVERSITY OF INTERNATIONAL BUSINESS AND ECONOMICS

Chapter 10

Assessing Investment Systems



I. 教学目的

By the end of the chapter, students should be able to know about:

- the way in which investment systems work
- problems with some of the investment systems



II. 教学计划

This chapter will cover 3 hours:

- 2 hours for the introduction of background information and explanations of terms and the text
- 1 hour for discussion and practice




III. 教学方法

- Translation: key sentences
- Paraphrasing: key words and expressions
- Summarizing: key passages
- Discussion: important issues
- Questions and answers: interaction between teachers and students

IV. 背景知识


Investment system is a kind of software which offers portfolio analysis and evaluates the performance of various securities. It collects real-time information and data of all kinds of investment instruments , such as bonds, stocks, futures, options, funds, etc.

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- ▶ These data cover prices, sales volumes, other news about the company, and the outside investment climate.
 - ▶ The investment assessing software would provide a system to draw an overall conclusion based upon the above mentioned indices - data and information.
 - ▶ Then users or clients of the system could make their investment decision according to the conclusion of the system.



◆ Price-earning ratio

"P/E" for short, is a commonly used way to simplistically value a company (determine what a company's stock should be worth). It is simply a company's stock price divided by a company's earnings per share. The price to earnings ratio, also known as "P/E", is calculated by dividing the company's stock price by the company's earnings per share, or "EPS". The P/E ratio gives you an indication of how many times you are paying for a company's stock verse a company's earnings.

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- ◆ The reason why some companies have a high P/E is because investors believe that the company's earnings will be higher in the future. P/E ratios can not be applied to companies without any earnings.
 - ◆ To calculate its P/E ratio, you simply divide the current stock price by the annual earnings per share (EPS). If its current annual EPS is \$3 and the stock is trading for \$111 per share, the P/E is \$111 divided by \$3, or 37.



◆ Blue chip stock:

the stocks of well-established and stable companies. Blue chip stocks are typically from financially-sound companies that have a good record of producing earnings and paying dividends. Blue chip stocks are sometimes referred to as bellwether issues. The term blue chip stock is derived from poker since the poker chip with the highest value is blue. For example, the 30 companies that make up Dow Jones Industrial Average are some of the bluest of blue chip stocks.

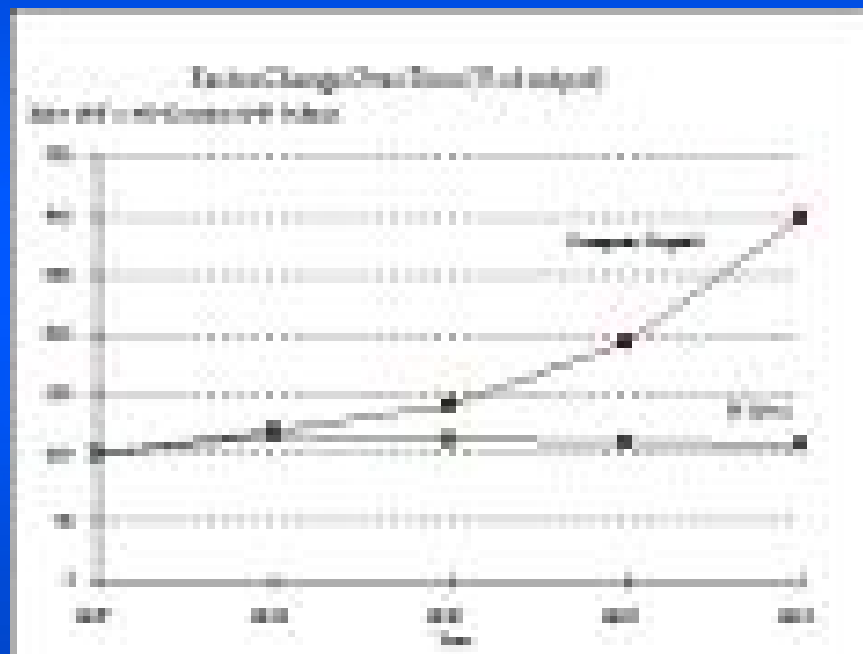


A "blue chip" is the nickname for a stock that is thought to be safe, in excellent financial shape and firmly entrenched as a leader in its field. Blue chips generally pay dividends and are favorably regarded by investors. A few examples of blue chips are Wal-Mart, Coca-Cola, Gillette, Berkshire Hathaway and Exxon-Mobile.

V. 重点讲解

1. 概念讲解

- ◆ **Gross return**: the total sales revenue of an organization less the cost of the goods sold



◆ **Bid-ask spread**: the difference between the prices at which securities are wanted and at which they are offered for sale






◆ Discount: the selling price of a bond, a price below its par value





◆ Premium:

1. Amount paid for a bond above the par value
2. The price of an option contract; also, in futures trading, the amount the futures price exceeds the price of the spot commodity



◆ Stamp duty: a tax on specific transactions collected by stamping the legal documents giving rise to the transactions. The most common in the UK is the stamp duty on the transfer of land.



◆ Earnings yield:

The earnings yield is just one of many investor tools. Many investors use the earnings yield in the form of the PE ratio to determine if a stock or the stock market as a whole is expensive or not. For example, the average PE ratio for the S&P 500 index from 1950-2000 was 15.4. When the market peaked in early 2000 the PE ratio of the S&P 500 was a relatively high 30 suggesting that stocks were expensive. It shouldn't dictate any decision for you, but it can be a helpful factor when evaluating a company.

❖ Earnings yield is equal to the annual earnings per share divided by the stock price. For example, if the price of a stock is \$20 per share and that particular company earned \$2 per share over the past 12 months, then the trailing twelve month earnings yield would be $\$2 / \20 or 10%.



Portfolio:

- ◆ A term used to describe all of the investments and assets a person or company owns. It can include such things as stocks, bonds, baseball cards, real estate, fine art, etc...
- ◆ When you hear an investor talk about their portfolio, they are referring to all of the stocks, bonds, mutual funds, and other investments they own.
- ◆ If you owned 20 shares of McDonalds and 10 shares of Wal-Mart, your entire portfolio would consist of those thirty shares of stock.

◆ **Gearing**: concerned with the relationship between the long terms liabilities that a business has and its capital employed. The idea is that this relationship ought to be in balance, with the shareholders' funds being significantly larger than the long term liabilities.

Long Term Liabilities


Gearing = $\frac{\text{Long Term Liabilities}}{\text{Equity Shareholders' Funds}}$

Equity Shareholders' Funds

2. 句子讲解


1) Who needs reminding that they have bought one of the worst performing shares in the market? But when you look at the list you find that the worst performing share has lost “only” 92% of its value, or some such number.

译文：谁也不需要别人来提醒他们买了市场中表现最差的股票中的一支，但你看名单时会发现其实那支表现最差的股票价值“仅仅”缩水了92%，或是个别的什么数字。



2. In general, it is changes that are of interest in forecasting returns and many graphs of levels should be converted to graphs of changes to see the value of the relationship for timing or selection purposes.

译文：总体而言，变化对预测收益更为重要，而许多表示程度的图表应当转换成表示变化的图表以考察这种相关性的内在价值，用以测定时间或作出选择。



3) This means there only a one in hundred or a one in twenty chance of the findings being the result of chance rather than being true findings.

译文：这意味着仅有1%或1/20的可能性，这只是偶然结果而非真实可靠的发现。