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To: File

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Subj: Recommended Purchases of Shares, Given an Asset Allocation Objective

An investor has \$10,000 to invest. He wants to invest 40.0% of his cash in one issue and the remaining 60.0% in a second issue. How many shares should he buy?

The investor would prefer to purchase quantities of shares that are divisible by 5.

|   | Trading Symbols |           | Total     |
|---|-----------------|-----------|-----------|
|   | AA              | BB        |           |
| If this is the allocation percentage for the first issue, then the remaining allocation percentage is | 40.0%           | 60.0%     |           |
| Cash Available  | 10,000.00       |           |           |
| Cash to be invested   | 4,000.00        | 6,000.00  |           |
| Market Price  | 27.50           | 23.75     |           |
| Max shares that could be bought   | 145.45455       | 252.63158 |           |
| Shares rounded down   | 145 **          | 250       |           |
| Available Cash, from above  |                 |           | 10,000.00 |
| Cost of rounded down shares before commission   | 3,987.50        | 5,937.50  | 9,925.00  |
| Remaining Cash  |                 |           | 75.00     |
| Commissions   | 4.95            | 4.95      | 9.90      |
| Total Cost  | 3,992.45        | 5,942.45  | 9,934.90  |
| Allocation  | 40.2%           | 59.8%     | 100.0%    |
| Cost per share  | 27.53           | 23.77     |           |
| Cash Remaining  |                 |           | 65.10     |

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\*\* Formula for rounding down to nearest number of shares divisible by 5:  

$$=IF((F24/10)-INT(F24/10)<0.5,((INT(F24/10)*10)),(((INT(F24/10))*10)+5))$$

Assume the market prices of the two issues change before the investor acts. The investor can input the new market prices to obtain revised share quantities to buy.

|   | AA          | BB          | Total       |
|---|-------------|-------------|-------------|
| If this is the allocation percentage for the first issue, then the remaining allocation percentage is | 40.0%       | 60.0%       |             |
| Cash Available  | 10,000.00   |             |             |
| Cash to be invested   | 4,000.00    | 6,000.00    |             |
| Market Price  | 26.50       | 25.25       |             |
| Max shares that could be bought   | 150.9434    | 237.62376   |             |
| Shares rounded down   | 150         | 235         |             |
| Available Cash, from above  |             |             | 10,000.00   |
| Cost of rounded down shares before commission   | 3,975.00    | 5,933.75    | 9,908.75    |
| Remaining Cash  |             |             | 91.25       |
| Commissions   | <u>4.95</u> | <u>4.95</u> | <u>9.90</u> |
| Total Cost  | 3,979.95    | 5,938.70    | 9,918.65    |
| Allocation  | 40.1%       | 59.9%       | 100.0%      |
| Cost per share  | 26.53       | 25.27       |             |
| Cash Remaining  |             |             | 81.35       |

The investor can also change the original 40/60 allocation objective by replacing the 40.0% above with some other percentage.

The investor can also change the amount that should be invested.

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