

Activity Sheet 1: What are Mutual Funds?

Part 1: Novice and Apprentice Levels

Note: The SMG website is also an information source on mutual funds. When you sign into your account, click on “Mutual Funds” at the top right.

1. Look at the stocks your team has purchased or plans to purchase. Do the stocks represent a broad range of industries? What industries do they represent?

2. Use the Internet to research different mutual fund companies. You can use a search engine and type in mutual fund, use the newspaper, and/or use **morningstar.com**. List three mutual fund companies.

Types of Mutual Funds

There are more than 17,000 mutual funds for investors to choose from, including balanced funds, stock funds, bond funds, sector funds, money market funds, etc.

Most are **open-end funds**, that is, they sell as many shares as investors want to buy. (*Sometimes, open-end funds will stop selling new shares when they grow too large to be managed effectively.*) If you want to sell shares of your open-end fund, you sell them back to the fund.

Closed-end funds are collections of securities managed by a professional investment advisor, but unlike open-end mutual funds they offer a fixed number of shares that are traded on a stock exchange like ordinary stock.

Exchange-Traded Funds are funds whose shares, like closed-end funds, are traded on a stock exchange. These invest in stocks or bonds that closely follow an index.

3. Using the Internet, find three funds that hold shares in industries that interest your team.

4. A number of funds that have been created to support particular ideas or causes such as support for women's issues, or to encourage investment in companies with socially responsible business practices, or support family-friendly companies. Locate two funds that fall into this category.

A mutual fund investor can make money in several ways:

- The fund earns income from interest or dividends on its investments, and distributes it to fund holders in an *income distribution*; the frequency of distribution depends on the fund;
- The fund produces *capital gains* by selling securities at a profit and distributes them to fund holders, usually at year end;
- You *sell your shares* of the mutual fund at a higher price than you paid for them.

Part 2: Master and Grand Master Levels

Mutual Fund Families

There are many funds with the same name, i.e., Putnam funds, Schwab funds, Vanguard funds, etc. A family of mutual funds is a group of funds offered by the same investment company. A fund family can use different distributors for different funds. The family of funds will often include many different types of stock funds, bond funds, international funds, etc.

Mutual fund ticker symbols are five letters long and end in an "X" (e.g., FBGRX, SNXFX, etc.) Many commercial web sites provide a fund index and list mutual funds in family indices. The **Investor Research** link of your SMG portfolio also allows you to research mutual funds.

Name three mutual fund families that you would like to research further:

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Answers may vary

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1. Look at the stocks your team has purchased or plan to purchase. Do the stocks represent a broad range of industries? What industries do they represent? *We mainly have stocks in communications and oil & gas.*

2. Use the Internet to research different mutual fund companies. You can use a search engine and type in mutual fund, use the newspaper and/or use **morningstar.com**. List three mutual fund companies.

Fidelity Advisor Cyclical Indst Instl

Hancock Horizon Value A

Merrill Lynch Large Cap Value I

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U.S. Global Investors Global Res, BlackRock Global Resources Inv A, and Jennison Natural Resources A-these all invest in natural resources.



4. A number of funds that have been created to support particular ideas or causes such as support for women's issues, to encourage investment in companies with socially responsible business practices, or support family-friendly companies. Locate two funds that fall into this category. *Calvert Funds Inc. and Green Century Balanced Fund*

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<i>Wasatch Micro Cap Value</i>	<i>WAMVX</i>	<i>31.29%</i>
<i>Royce Value Plus Service</i>	<i>RYVPX</i>	<i>30.00%</i>
<i>Royce Select III Inv</i>	<i>RSFTX</i>	<i>29.40%</i>