

Stock and Bond Funds



What is a “Fund”?

“A ... fund is a pooled collection of assets that invests in stocks, bonds, and other securities.”

Vanguard Website

A collection of stocks.

- *company stocks*
- *US & International*

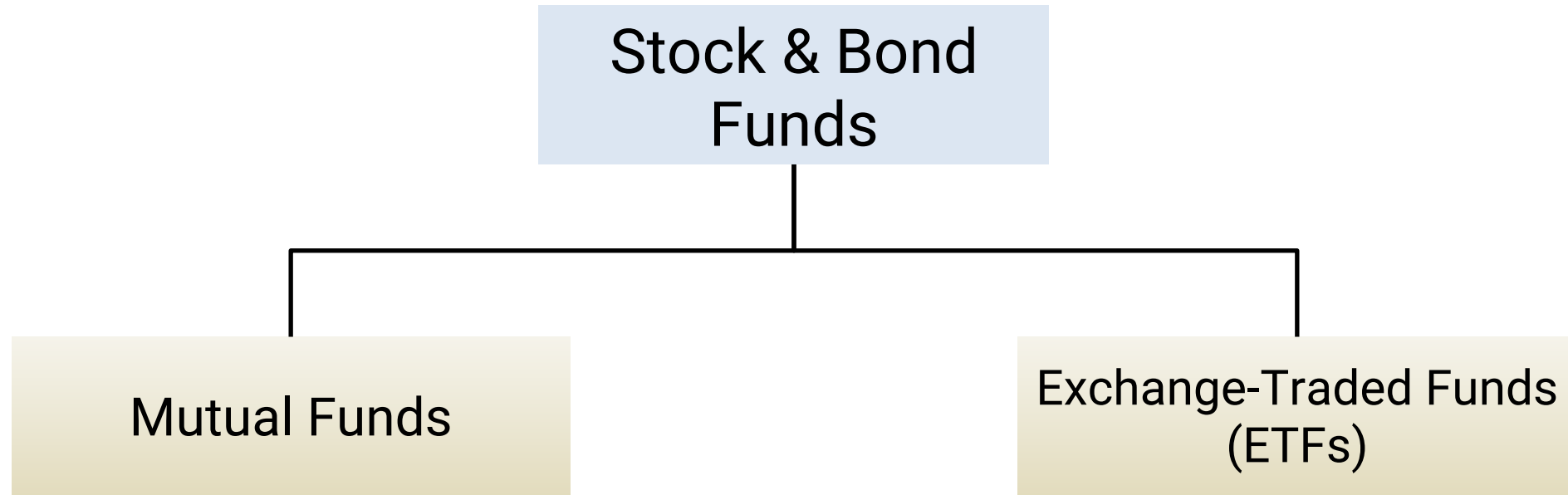
A collection of bonds.

- *government bonds*
- *corporate bonds*
- *combination of both*

A collection of
stocks and bonds.

*Often a fund is designed to achieve some financial objective:
e.g., growth (higher risk) or stability (lower risk).*

Type of Stock & Bond Funds



Both are “baskets” of stocks and/or bonds, purchased by the company (e.g., Vanguard) and selling them to you as a fund.

What's the difference?

More Terminology...

What is the difference between a mutual fund and an ETF?

Mutual Funds

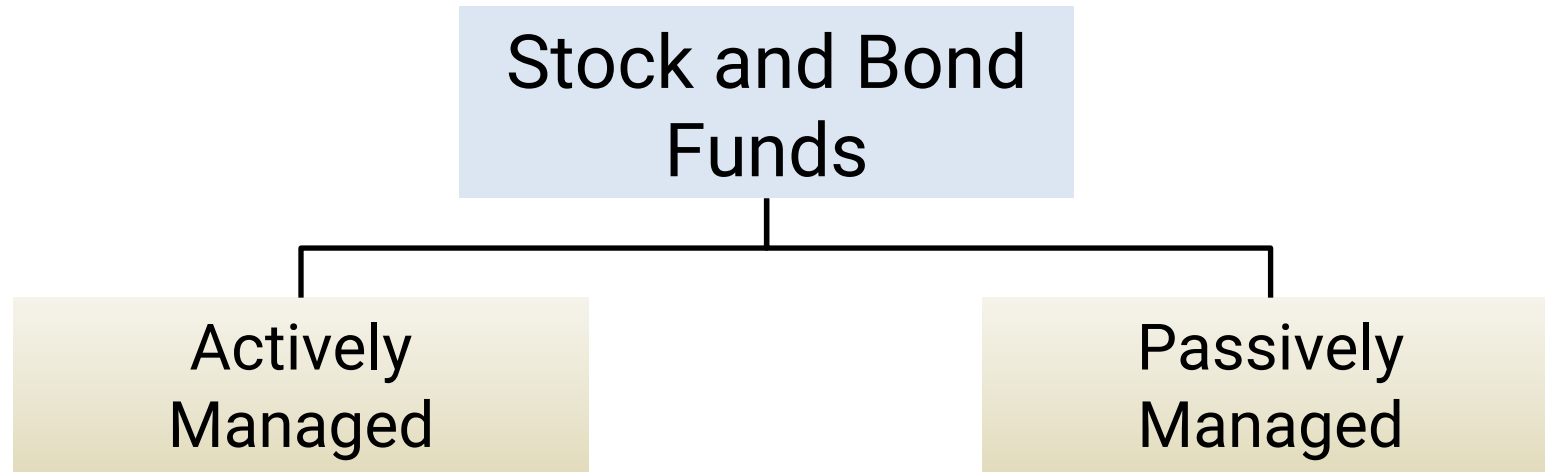
- a basket of stocks and/or bonds
- are bought and sold through the fund company
- are bought / sold at the average price during the day, determined at the close of the day
- might have minimums (e.g., \$1000, \$3000)

ETF: Exchange Traded Funds

- a basket of stocks and/or bonds
- trades on the major exchanges (NYSE / NASDAQ)
- are bought / sold at the market price at the time their bought / sold (much like a stock)
- don't have any minimums (you can buy 1 ETF)

ETFs and Mutual Funds are very similar. The only real difference is how they're bought and sold.

Actively vs. Passively Managed Funds



Actively Managed Funds:

- A fund “manager” and their team selects which stocks go into the fund, and how much of them to own.
- Cost is higher to own these funds (expense ratio), because you pay for the team and all their expertise.

Index Funds (Passively Managed Funds):

- The fund is made up of stocks that fit some index (S&P500).
- Not too much thinking here – fund managers just match the index.
- Much – much lower cost to own.

Investment Strategies

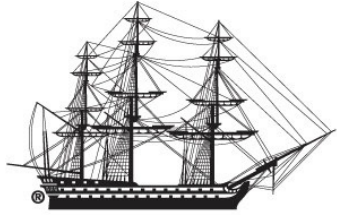
Let's say you believe more in the "Random Walk" or "Simple Path" approach to investing:

- Match the returns of market index – like the S&P500 Index.
- Work the system to minimize risk while maximizing your return.

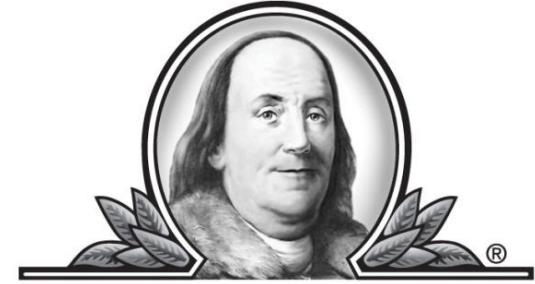
What is your next step?

Investigate fund companies to see what works for you...

Mutual Fund Companies



Vanguard INVESTMENTS®



**FRANKLIN TEMPLETON
INVESTMENTS**



Prudential

And many, many, many more...

Let's take a break first...



Credits & References

Slide 1: Focus on mutual fund investing by JohnKwan, Adobe Stock (19295319.jpeg).

Slide 7: Vanguard Image Source, KaramTM, CC BY-SA 4.0 <<https://creativecommons.org/licenses/by-sa/4.0/>>, via Wikimedia Commons, https://commons.wikimedia.org/wiki/File:Logo_Vanguard.jpg (accessed May 1, 2022). Franklin Templeton Image Source, Frank Ben, CC BY-SA 3.0 <<https://creativecommons.org/licenses/by-sa/3.0/>>, via Wikimedia Commons, https://commons.wikimedia.org/wiki/File:Logo_Ben_Head.jpg (accessed May 1, 2022). Prudential Image Source: Prudential do Brasil Seguros de Vida S.A., CC BY-SA 3.0 <<https://creativecommons.org/licenses/by-sa/3.0/>>, via Wikimedia Commons, <https://commons.wikimedia.org/wiki/File:Logo-prudential-do-brasil.png> (accessed May 1, 2022).

Slide 8: Vanguard image source: screenshot of homepage, <https://investor.vanguard.com/corporate-portal/> (accessed May 1, 2022).

Slide 9: Coffee break napkin concept by MarekPhotoDesign.com, Adobe Stock (129813869.jpeg).