*What is a mutual fund?*

A mutual fund is a pooled investment account. In a mutual fund many investors \_\_\_\_\_\_\_\_\_\_\_ their money in an investment account and allow a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to make the investment decisions. The investors can add more money or withdraw their money at any time. Of course the value of their holdings in the mutual fund changes \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

*Mutual fund basics*

Instead of owning a portfolio or collection of stocks directly, an investor can purchase \_\_\_\_\_\_\_\_\_\_\_\_ in a mutual fund.

In order to put money into a mutual fund an investor purchases \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the fund in exchange for cash. Selling the shares, or redeeming the shares, is done by receiving \_\_\_\_\_\_\_\_\_\_\_ in exchange for shares of the fund.

All mutual funds have a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ symbol (like stocks). For example, the Fidelity Contrafund mutual fund has the symbol FCNTX. You can look up information about the fund by using this symbol.

This video focuses on \_\_\_\_\_\_\_\_\_\_-ended mutual funds which are funds that have to limit to the amount of shares they can issue. These funds are priced \_\_\_\_\_\_\_\_\_\_\_ a day, at the end of the trading day. So you can buy or sell at one price per day.

A specific category of mutual funds (exchange traded funds, or ETF) are traded throughout the day; these will be discussed in a separate video.

*Advantages of owning mutual funds*

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (you can own many stocks with one purchase)

Professional management: funds are managed by experienced professionals

Ability to invest in \_\_\_\_\_\_\_\_\_\_\_\_ amounts: many funds allow monthly investments

Convenience and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ : easy to purchase and sell shares

*Disadvantages to Owning Mutual funds*

Costs: fees can eat away of your returns; look out for high management fees, \_\_\_\_\_\_\_\_\_\_\_\_, and 12b-1 fees

Professional manager: experienced managers often have trouble beating the market; \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is the norm

Good funds can often lose the manager

*Types of Funds*

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Managed Funds: a manager makes the buy and sell decisions.

Index funds: Also known as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ managed funds, because the manager has to track an index with the fund assets. So if you put your money in an index fund that tracks the S&P 500, the manager just has to buy the same stocks as the index.

*Load vs. No-Load*

A “load” fund charges a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (or sales charge). A “no-load” fund does not charge a sales commission. That means if you buy a no-load fund, \_\_\_\_\_\_\_\_\_ of your money is invested. Please do not buy load funds!

*Mutual Fund Fees*

Of course no-load fund companies don’t work for free. Both kinds of funds (load, no-load) charge fees. \_\_\_\_\_\_\_\_\_\_\_\_\_ fee covers operating costs of fund company (not all fund companies charge this fee). \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ fees are usually a percentage of total funds under management (under 1% is best). You can shop around for the lowest fees.

*Researching a mutual fund*

How do you go about researching a fund?

For example, let’s go back to FCNTX (Fidelity Contrafund).

Visit the fund company website and look up the basic information. This website is typical of mutual fund homepages. You can search on Google or other search engine to get to a page like this.

What basic information do you want to see?

* Fund Overview : describes the type of fund and what are the manager’s objectives
* Summary (which includes fees): This page is the summary; all the basic information
* Performance and Risk : How the fund has performed over the years, and the highs and lows each quarter.
* Composition (Holdings): the names of the largest positions in the fund
* Fund Manager: the name and background of the manager
* Fees and Distributions (which includes dividends and other payouts to shareholders): what are the annual fees and cash flows paid out (which are taxed).