What is a portfolio?

A portfolio is a collection of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ with different risks and potential payoffs.

Think of a portfolio as a bucket where you hold different investments.

For example a portfolio could hold $2000 in a stock mutual fund, $1500 in a bond mutual fund, $1000 in Microsoft stock and $500 in a certificate of deposit at a bank. So the portfolio is worth $5000.

Each of these investments has different \_\_\_\_\_\_\_\_\_\_\_ and expected \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

In the STARS program, you will have the opportunity to build your own portfolio of stocks based on your own research and strategy.

Diversification

Diversification means “\_\_\_\_\_\_\_\_\_\_\_ put all your eggs in one basket”. An investor should spread out the \_\_\_\_\_\_\_\_\_ of the portfolio’s securities. In a portfolio you should hold different companies, different types of assets, and maybe even investments from different countries, rather than putting \_\_\_\_\_\_\_ your capital in one or two securities.

Why diversify? If you choose an investment that doesn’t work out, it won’t \_\_\_\_\_\_\_\_\_ your portfolio.

How many stocks make up a diversified portfolio?

Research has shown that \_\_\_\_\_ to \_\_\_\_\_\_ stocks allow an investor to be properly diversified. Or you can own one mutual fund that gets you \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ diversification since the fund owns dozens of stocks and securities. However, the more stocks you own in a portfolio, the \_\_\_\_\_\_\_\_\_\_\_ you will get to performing like the overall market. So if you want to own hundreds of stocks in one account, you might as well own an \_\_\_\_\_\_\_\_\_\_\_ mutual fund.

How do you build a diversified portfolio?

It is up to you to choose \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ companies in \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ industries. For example you might select a company in the energy industry, another from the tech industry, and another from the restaurant industry.