

What is a Mutual Fund?

Lesson Summary

What Is a Mutual Fund? teaches students how to use newspapers and the Internet to find and research various mutual funds.

Mathematical Strands

Thinking Algebraically

Students calculate percentages as a result of analyzing mutual funds.

Interpreting Statistics

Students interpret information on mutual funds' assets by calculating percentages from pie charts.

Communicating Quantitative Information

Students construct an ownership zone graph using information on different companies.

Tackling Complex Problems

Students hypothesize on the type of mutual fund that would best suit an investor based on information from a profile. Students also sketch a histogram demonstrating the allocation of assets.



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Thinking Algebraically

Percentages are a very important part of analyzing financial information. In this exercise, you will find the percentage of the total mutual fund's worth invested in different stock types.

Remember,

$$\frac{\text{part_of_investment}}{\text{total_investment}} \cdot 100\% = \text{percent of mutual fund's worth}$$

1. Mutual Fund A

\$50 million invested in growth stocks _____% invested in growth stocks
\$15 million invested in value stocks _____% invested in value stocks
\$35 million invested in blend stocks _____% invested in blend stocks

2. Mutual Fund B

\$36 million invested in small cap stocks _____% invested in small cap
\$9 million invested in madcap stocks _____% invested in mid cap
\$5 million invested in large cap stocks _____% invested in large cap

3. Mutual Fund C

\$46 million invested in utilities _____% invested in utilities
\$81 million invested in services _____% invested in services
\$52 million invested in consumer goods _____% invested in consumer goods
\$21 million invested in basic materials _____% invested in basic materials

4. Mutual Fund D

\$120 million invested in health care _____% invested in health care
\$57 million invested in technology _____% invested in technology
\$12 million invested in financial services _____% invested in financial services
\$38 million invested in consumer goods _____% invested in consumer good

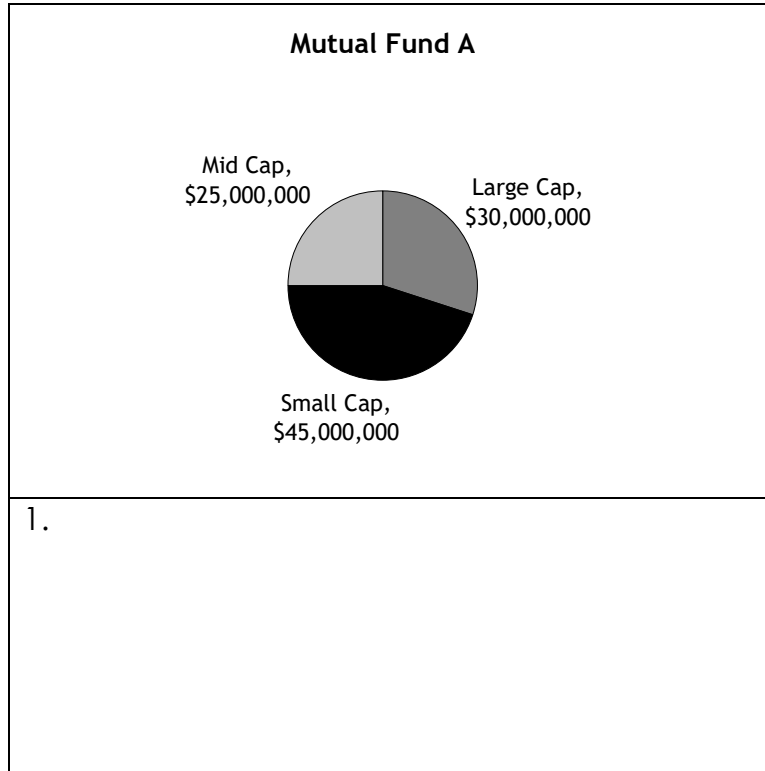


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Interpreting Statistics

Investors often turn to graphs for a depiction of the kinds of stocks that comprise a specific mutual fund. The following pie charts represent the assets of different mutual funds. For each mutual fund, calculate what percentage of assets is invested in each category presented in the pie chart.

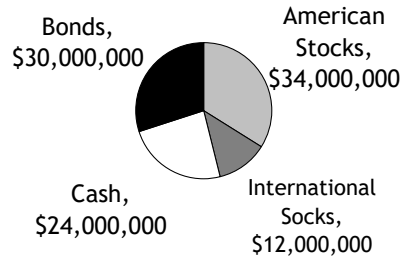


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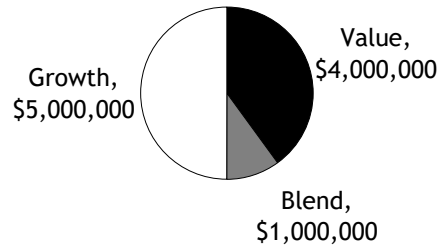
invest it
FORWARD

Mutual Fund B



2.

Mutual Fund C

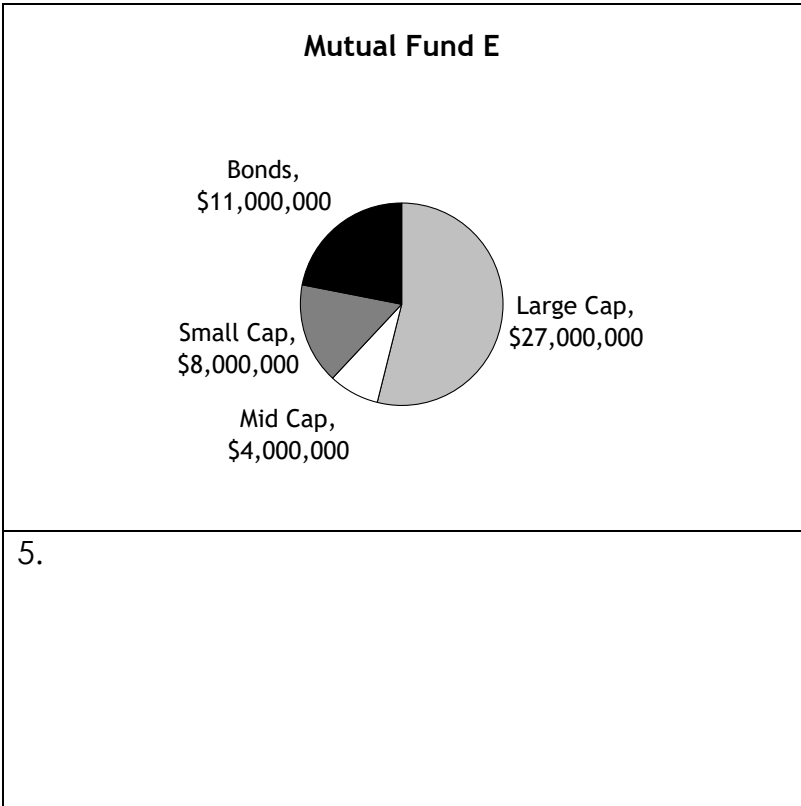
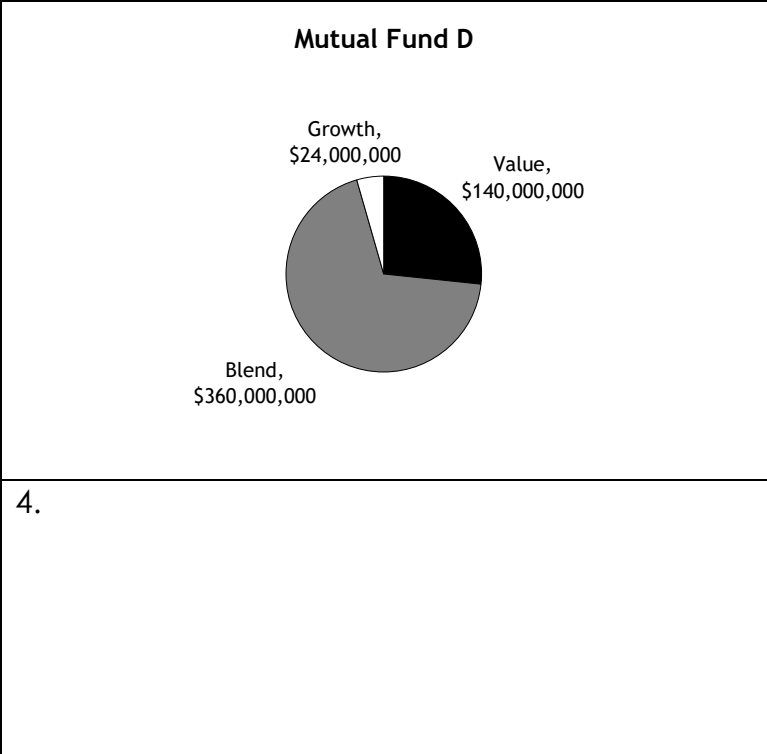


3.



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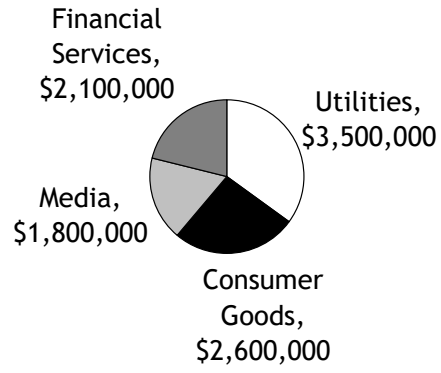




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Mutual Fund F



5.

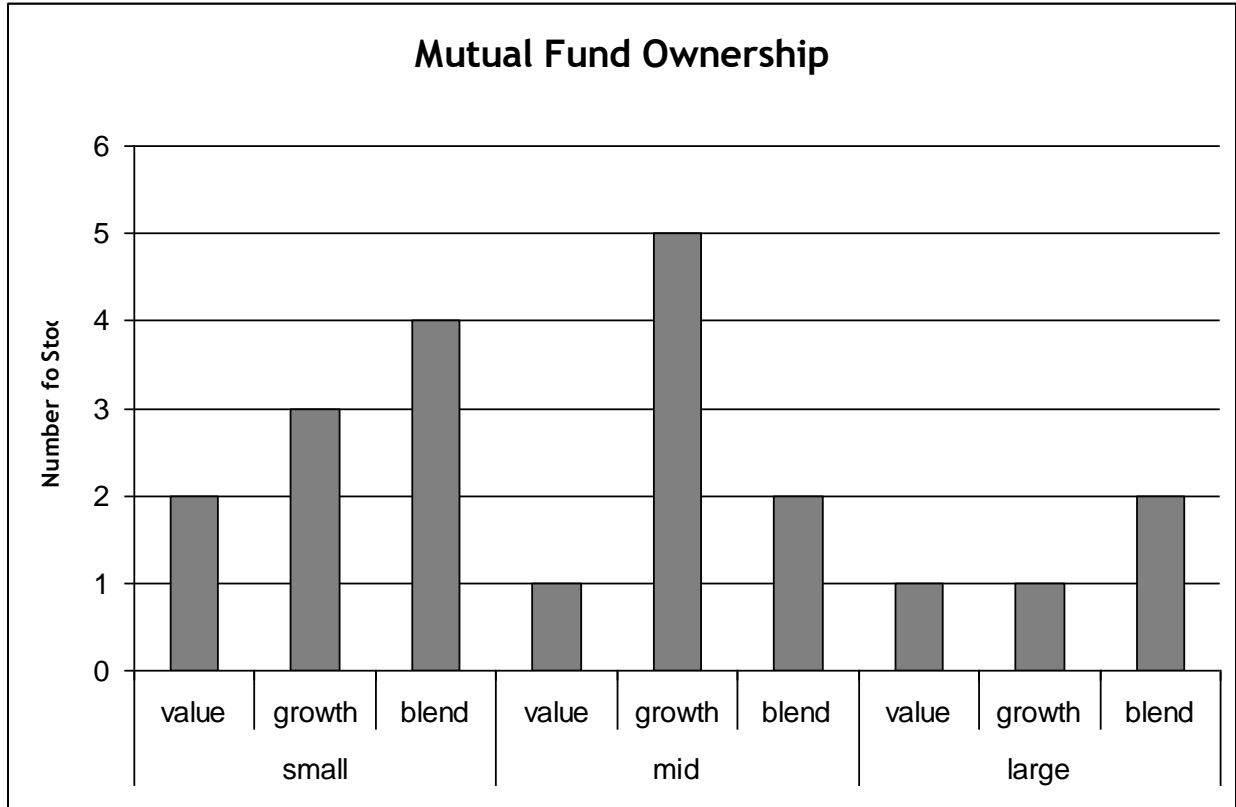


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Communicating Quantitative Information

One way to show how a mutual fund is invested is to use a histogram, as shown below.



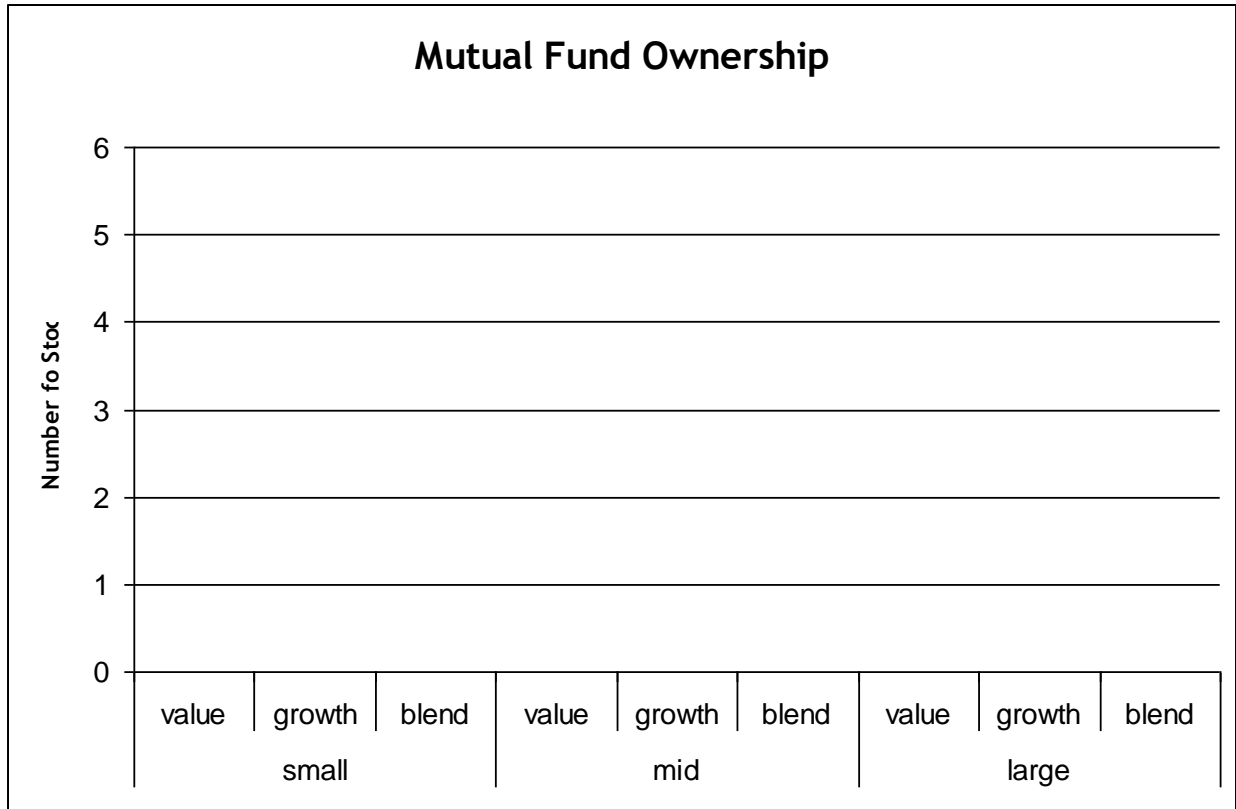
To construct a histogram, add one unit to the appropriate column for each company listed. Use the companies' profiles below.

Company	Growth Rating	Cap	Company	Growth Rating	Cap
1	Value	Small	11	Blend	Mid
2	Blend	Small	12	Blend	Large
3	Growth	Mid	13	Growth	Small
4	Value	Small	14	Growth	Large
5	Blend	Large	15	Blend	Large
6	Growth	Mid	16	Growth	Large
7	Value	Large	17	Blend	Mid
8	Value	Mid	18	Growth	Mid
9	Value	Mid	19	Growth	Mid
10	Growth	Mid	20	Blend	Small



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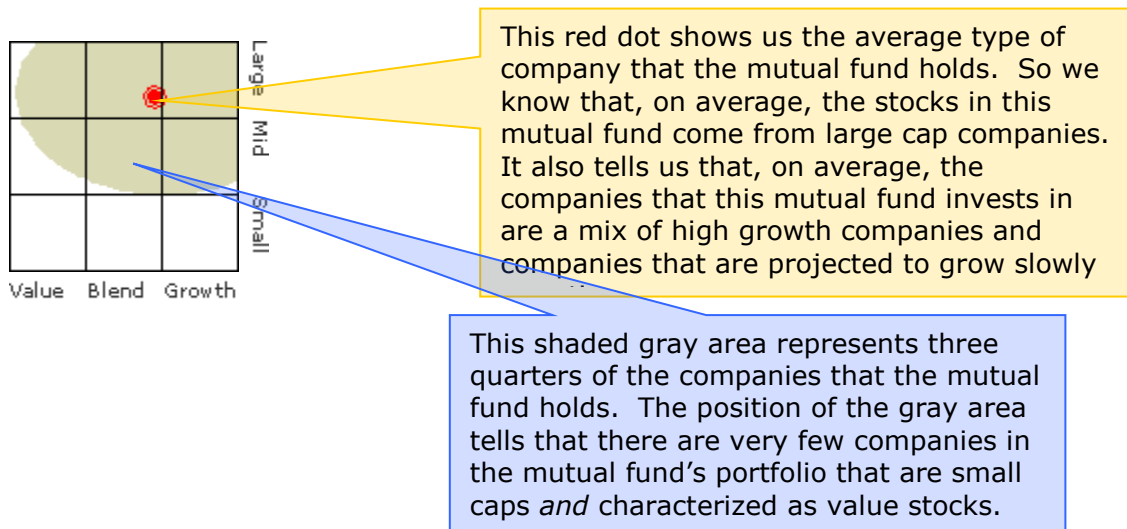
On average, what type of stocks does this mutual fund invest in?



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One way to show how diversified your portfolio is to use an Ownership Graph, as shown below.



To construct an ownership graph, plot one point for each company listed.¹

¹ This is a simplified version of an ownership graph. Usually ownership zone graphs incorporate information on how much money is invested in each company stock, and weighted averages are used to calculate the centroid of the data.



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Use the companies' profiles below to create an ownership graph.

Company	Growth Rating	Cap	Company	Growth Rating	Cap
1	Value	Small	16	Growth	Large
2	Blend	Small	17	Blend	Mid
3	Growth	Mid	18	Growth	Mid
4	Value	Small	19	Growth	Mid
5	Blend	Large	20	Blend	Small
6	Growth	Mid	21	Growth	Large
7	Value	Large	22	Blend	Large
8	Value	Mid	23	Blend	Mid
9	Value	Mid	24	Blend	Large
10	Growth	Mid	25	Blend	Mid
12	Blend	Mid	26	Growth	Large
12	Blend	Large	27	Growth	Mid
13	Growth	Small	28	Blend	Large
14	Growth	Large	29	Value	Large
15	Blend	Large			

	Value	Blend	Growth	
				Large
				Mid
				Small

On average, what type of stocks does this mutual fund invest in?



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2. Juan is a shrewd investor who has extensive experience trading stocks and acting as a financial advisor to other people. He has enough money that his portfolio can with some volatility; in fact, he is looking to invest in risky stocks in hopes that they will provide big payoffs.

value	growth	blend	value	growth	blend	value	growth	blend
	small			mid			large	



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3. Xu has been investing money for a few years. She knows some things about the stock market, but she knows she still has a lot more to learn. She can tolerate some risk in her portfolio, but not much. She is much more interested having a broad, diversified portfolio that represents many different types of companies.

value	growth	blend	value	growth	blend	value	growth	blend
	small			mid			large	



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