

Activity 1



ASSET MANAGEMENT

PART 1: NET ASSET VALUE

You are looking to invest in a mutual fund and want to know the net asset value for today. This is what you learn: The fund has 20 million shares and the total market value of its assets today is \$300 million. The expense ratio for the fund is 0.004% daily.

1. What is the net asset value of one share of this mutual fund? Use a calculator to find the answer.

Total Market Value	- (Expense Ratio x Total Market Value)	= Net Market Value	÷ Number of Shares	= Net Asset Value
\$	- \$	= \$	÷	= \$

2. How much would it cost you to buy 100 shares if this was a no-load fund? \$_____

3. If you had \$5,000 to invest, and this fund had a 4.75% sales load, how much would your net investment be? Use a calculator to find the answer.

Investment Amount	- (Sales Load x Investment Amount)	= Net Investment
\$	- \$	= \$

PART 2: BUILDING A MUTUAL FUND PORTFOLIO

Imagine you have \$20,000 to invest in mutual funds. Spend some time researching different funds that might fit your needs and then select at least five to invest your money. You must include at least one stock fund, one bond fund, and one hybrid in your selection. Use this chart to create a profile of your mutual fund portfolio, including the pros and cons for each of your choices. (We provide a sample to get you started.) Then answer the questions on the next page.

Fund Name	Symbol	Asset Type	Net Assets	Expense Ratio	Pros	Cons
Baron Partners Retail	BPTRX	Stocks	\$2.2 billion	1.34%	High year-to-date return of 15.34%	High risk, borrows money for investment opportunities

1. What is your asset allocation?

By Individual Funds:

- Fund 1: _____%
- Fund 2: _____%
- Fund 3: _____%
- Fund 4: _____%
- Fund 5: _____%

By Asset Type:

- Stock Funds: _____%
- Bond Funds: _____%
- Hybrid Funds: _____%

2. Create a journal to track your funds' expenses and total market value over a 30-day period. (You can modify the Daily Stock Tracker chart you used in Chapter 3.) Describe any returns or changes in your mutual funds over the 30-day tracking period.

3. Thirty days is not a long time in the life of a mutual fund, but did you notice anything about how your funds changed value that made you confident/concerned about your investments?

4. Which of your investments was the most risky? Least risky?

5. Do you think you allocated your assets correctly when you developed your portfolio? Why or why not?

6. Do you think any of the costs associated with your mutual funds were too high or too low? Explain.

7. What changes, if any, would you make to your portfolio or asset allocations if you could re-do the assignment? Explain.

8. Exchange-traded funds (ETFs) are more cost-efficient to buy and sell frequently. Do you think, based on this project, that they'd be a good choice for you? Why or why not?