

Assessing your understanding

Principles for successful investing – Mutual funds

1. Define a mutual fund.
2. List 5 advantages of mutual fund investing.
3. List at least 10 different mutual fund categories and investment objectives.
4. Describe the difference between an index fund and a managed fund.
5. What expenses can mutual funds charge shareholders? In a managed fund, what expense ratio do you consider reasonable?
6. What costs may be incurred when purchasing or selling a mutual fund?
7. What does 'open-end' fund mean?
8. How is the net asset value of one share of a mutual fund calculated?
9. Describe how mutual fund shares are purchased and redeemed.
10. How does buying/selling a mutual fund differ from buying/selling an Exchange Traded Fund?