

Answers

Chapter 10 – Mutual Fund Investments

1. Three years.
2. Management's abilities, including the depth and stability of the sponsor organization and the fund management team; the style, experience and expertise of the fund manager; and the track record of the fund's style and construction.
3. No. Only funds that rank in the top 10% are considered.
4. No. The fund must maintain a disciplined investment process and consistent investment style.
5. Funds are analyzed by sector (small cap growth, large cap value, etc.) and only the top 10% from each sector are candidates for the SelectFunds designation.
6. The analysis is based on historical data as well as interviews with fund managers and an evaluation of management's strengths.

Teaching Tips

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1. Divide the students into groups of four. Ask them to choose five mutual funds and evaluate them using the Standard & Poor's Web site. Have them rank the funds based on the evaluation. Then, have them find the risk rating of each.
2. Ask the students to analyze the Web sites for Standard & Poor's, Morningstar, and Lipper Analytical Services. Ask them to look for the following on the sites:
 - Type of research available
 - Current business news provided
 - Trends/issues in the mutual fund world
 - Educational tools available
 - Contact information – phone numbers, addresses, office locations, etc.
 - User friendly site
 - Layout and design of site

Then, ask the students to divide into groups and discuss what they found. Have them choose the site they think would be the most beneficial for the average investor.