Mutual Funds Word Search

Answer Key

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10 Terms & Definitions

FUND A mutual fund is a pooled investment vehicle that collects money from many investors and invests it in a diversified portfolio of stocks, bonds, or other securities. Professional fund managers make investment decisions on behalf of shareholders. Mutual funds offer diversification	**MANAGER** A fund manager is the investment professional responsible for making buy and sell decisions within a mutual fund. Active fund managers research securities and attempt to outperform the market. Passive managers simply track an index. Manager skill, experience, and strategy signifi
ACTIVE Active fund management involves a fund manager making specific investment decisions to try to outperform a market benchmark. Active managers research companies, time the market, and adjust holdings based on their analysis. Active funds typically charge higher fees (expense ratios	**NAV** Net Asset Value (NAV) is the per-share value of a mutual fund, calculated by dividing the total value of the fund's assets minus liabilities by the number of outstanding shares. Mutual fund NAV is calculated once per day after market close. Unlike stocks, mutual funds can only be
LOAD A mutual fund load is a sales commission charged when you buy (front-end load) or sell (back-end load) fund shares. Front-end loads are deducted from your investment upfront — a 5% load on a $10,000 investment means only $9,500 actually gets invested. No-load funds charge no sale	**EXPENSE** The expense ratio is the annual fee that mutual funds and ETFs charge investors, expressed as a percentage of assets under management. It covers management fees, administrative costs, and other operating expenses. Lower expense ratios mean more of your returns stay in your pocket
DIVERSIFICATION Diversification is the investment strategy of spreading money across many different assets, sectors, and geographies to reduce risk. When one investment falls, others may rise or hold steady. Mutual funds provide instant diversification since a single fund can hold hundreds or th	**REDEMPTION** Redemption refers to selling mutual fund shares back to the fund company at the current NAV. Most mutual funds allow daily redemptions. Some funds impose redemption fees (typically 1-2%) on shares held for short periods to discourage market timing and protect long-term shareholde
PROSPECTUS A mutual fund prospectus is the official legal document that describes the fund's investment objectives, strategies, risks, fees, and past performance. The SEC requires all funds to provide investors with a prospectus before purchase. The summary prospectus provides key facts in	**ALLOCATION** Asset allocation refers to how a portfolio is divided among different asset classes — stocks, bonds, cash, real estate — based on investment goals, time horizon, and risk tolerance. Many mutual funds follow specific allocation strategies. Target-date funds automatically shift all