

Investing in Mutual Funds

A man and a woman stand in front of a blackboard-like screen with Mutual Funds written on it.

Man: “Are you invested in a mutual fund?”

Woman: “Mutual funds are one of the easiest and most popular ways for individuals to invest.”

Man: “And if you participate in your company’s retirement plan, you probably already own shares in a mutual fund.”

Woman: “But what are mutual funds, and how do they work?”

The man and woman disappear. The words Pooled Investments appear in front of a screen displaying investment prices. **Narrator:** “A mutual fund is an investment company that brings together money from many people and invests in a group of investments like stocks, bonds, or other securities.”

The words Professionally Managed appear in front of a screen displaying a line-and-bar chart. **Narrator:** “A mutual fund is run by paid professionals who buy and sell individual securities according to the fund’s investment objective and management style, which are described in the fund’s prospectus and periodic reports.”

An office building appears with a street sign in front of it that says Wall Street. The words Ownership Shares are at the bottom of the screen. **Narrator:** “When you invest in a mutual fund, you buy shares of the company that runs the fund. Each of those shares entitles you to a portion of that fund’s net investment gains or losses.”

Electronic ticker tapes and the words Targeted Holdings appear. The ticker tape image changes to a technician holding a microchip and then to a train traveling down a track. **Narrator:** “Many funds tend to invest in a single asset class, such as stocks or bonds. They may further focus on subcategories, such as a particular type of company or a specific kind of bond. Alternatively, there are funds that blend classes in various combinations.”

The scene changes to oil-drilling pumps, then a crop harvester, then a robotic assembly line. The words Performance and Price appear at the bottom of the screen. **Narrator:** “A mutual fund’s performance, and thus the price at which its shares trade, is determined by two key factors. One is the cumulative performance of the securities it owns. The other is the cost that the fund incurs to create and manage that performance.”

The man and woman from earlier in the video reappear.

Man: “When it comes to investing in mutual funds, investors have literally thousands of choices. Each mutual fund -- no matter what its asset class or investment strategy -- represents a unique package of potential risks and rewards.”

Woman: “Whatever the funds you choose, you’ll want to make sure they meet your specific priorities and investing goals.”

Man: “Talk to a financial professional to find out more about how mutual funds can be used in your portfolio.”

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