Step Ten (C) - A look at a home-grown company Your personal investment review

C. Overview Introduction to the First Bermuda Investment Primer - Series Two

The Hypothetical Zina's Pizzarina™ (ZZEE) Bermuda Business Venture.

Let's focus on the most familiar basics – stocks in private and publicly traded companies, by tracking the raw beginnings of a start-up Bermuda business using our very own illustrative hypothetical Ber-mudian family - the Smiths and their matriarch - Zinnia Smith.

See Appendix B for the Full Narrative.

A Bermuda Islander Start-up Business - in Their Home Kitchen

Why Invest?

And in what?

How does an investment arise?

Our Hypothetical Bermuda Island family story will illustrate how they home-grew a business creation, that ultimately was for-malised legally as a private corporation with each family member owning a percentage of the stock issued. Their ultimate goal is to take their Bermuda company "public," offer-ing shares for sale to all Bermuda Islanders - a chance to own a "Piece of De Rock!"

See Appendix A for their story and Intro-duction to Series Two of the Bermuda Islander Fundamental Financial Planning Primer - The New Bermuda Investment Primer, published date estimates late spring 2021.

Read on.

We introduce the one and only famous Zin-nia and her Pizzarina Business Plan. We will tie in her finan-cial planning with textbook investments concepts because as we know from much experience, the more we can personalise difficult topics, the easier they become to understand.

As we progress through the New Bermuda Investing Primer Series Two, the family will be featured in further parallel articles, load-ed with information that look at finances in Bermuda, our economy, in-vesting for the future, money, credit, and relationships, risk management, retirement, estate planning and related items.

All these financial topics (that are integral to financial planning) are intertwined with, and influence everyone's lifestyle, whether we realise it or not.

It is in our very DNA to work, become suc-cessful, enjoy our lives, love our families, and build relation-ships with our communi-ty. You may not think so, but dear readers, it is ordained in the stars.

THE ORIGINAL IDEA TO START A BUSINESS. The Illustrative Zinnia Pizzarina Business Venture. Meet the Smith Family.

Rose Zinnia (known mostly as Zina) and her husband, George, have three adult children: Sonny (George Jr.), Julie and Calvin – all employed in various segments of Bermuda's economy. Zinnia met George years ago when she came to Bermuda as a work permit employee in the Italian restaurant businesses.

The Smiths are an exuberant, energetic family who love to have a good time with friends, relatives, and grandchildren. Gatherings on holidays or just for fun are routine events at the family household. The large kitchen that Zinnia insisted on, when George and she built their home themselves, is con-stantly in motion. Everyone pitches in to produce traditional family favourites: mac n' cheese, cassava, peas n' rice, chorizo soup, bread & rice pudding, cheese biscuits, paw-paw montespan, papaya chut-ney, hot ginger / loquat jam, homemade pizza, you name it.

Zina and her family are fabulous cooks. So good, everyone says they should open a business. So, re-cently, and restless, the family quite dissatisfied with the rate of savings for retirement, heed the challenging advice provided in a recent Bermuda Back-to-Basics Financial Review plan to increase their income.

They have decided to start up a take-out / home-produced pizza business. They will put this plan into action, working at night after their day jobs!

They come up with a name. ZINA'S PIZZARINA™ (ZZEE).

Then, the five family members pool their cash to start up. And just like that, they are in business!

Five individuals working as partners;

- no corporate papers,
- no trademark,
- no advertising,
- no forward planning,
- nothing, except the minimum licenses required to prepare and market pizza and the deter-mined drive to succeed!

Word spreads rapidly; popularity is immediate, gratifying, and quickly moves toward financially stabil-ity. But, the whole family is working non-stop at day-jobs, night time with the home business. Exhaustion is setting in; a coherent, co-ordinated business plan going forward needs to be implemented.

The Business Momentum has to be managed.

The informal highlights of the Famous Zina's Pizzarina's business plan is put-together by Zina, who is ambitious, shrewd, calculating and instinctively very good at marketing, visibility and selling products — any product.

She has had a serious long-term plan for years and has been waiting for this opportunity forever, it seems.

Now is the time for implementation.

The Zina Pizzarina Business Plan.

1. Start up a business by investing in herself and family first. George has not been in the best of health for a long time. She worries constantly about what will happen to her and the family if he passes prematurely. Their current savings are simply not going to carry them through their old age. They need another income source.
2. Make it profitable, so she can leave her day job.
3. Become completely legitimate by incorporating, then issuing company stock to all family members involved.
4. Borrow additional financing for the business, but paydown as soon as possible.
5. Grow the business to a self-sustaining, enviable production level.
6. When business viability reaches maximum saturation with just the family ownership,
   a. take it public or
   b. sell the business off — but she will not sell it to her children unless they obtain bank fi-nancing.
7. Celebrate all the way to the bank.
8. Use the profits along the way to set up retirement plans for herself and her children.
9. Learn about other companies, invest in them and develop an investment portfolio.
10. Fund the family's life insurance.
11. Pay off the family home mortgage, to protect all their assets for their grandchildren.
12. Acquire other Bermuda assets to help her children with their future personal lifestyles.
13. Become a business mentor and guiding light for younger family members and other interested upwardly mobile employees.
14. Retire on her dividends, rents and savings. You know, the familiar Bermudian financial story.

See Appendix B for the Full Narrative.

D. What Is in Your Personal Investment Portfolio?

As Introductory Investment Review Encompasses the Following:

Overall, what are your investment goals, e.g. suggestions:

- Short-term, appreciation better than savings accounts
- Medium term, home ownership, university and other large goals
- Long term, retirement, eldercare

What type of investor do you think you are?

- Aggressive, moderate, conservative, completely out of capital market investing?
- What age category are you in?
- In what industry are you employed?
- Is your job and company position economically strong?

Do You Understand Risk, Particularly Capital Market Risks?

There is lots of risk in this world, oh Bermuda. Take your pick of examples:

Plane trips, automobile excursions, bathtubs, boats, politics, hurricanes, pandemics, electrical shorts, fear of losing a job, being embarrassed, relationships, public speaking, and so on.

Trying to make it through the funnel at Crow Lane in one piece at the end of each workday is a risk to those who don't want to end up in a limestone and metal sandwich.

Revealing your true feelings to a cherished friend is a risk some just will never allow themselves.

Crossing borders can be a very risky business, as many have discovered through lack of appropriate documentation, rights to residence, expired passports, unknown taxation hurdles, and the wrong kind of associates. See Pondstraddlers Crossing Border Step Eighteen below.

What is the risk of working with relatives? You hire your brother-in-law's friend to subcontract with you on a renovation project. Sometimes, he shows up, sometimes not. Adding insult to injury you've given him an advance for equipment. In the way of human nature, i.e. for every really responsible per-son there seems to be another individual just as irresponsible; he abdicates the job. You think that re-lationship will ever be the same? He has placed your business investment at risk and demolished your trust.

Investment risk is in a different category altogether. There are so many moving parts to investment risk, so many types of securities, currencies, markets, capital, shareholders, debt, custody, layering and leveraging, advisory, credit, stability, business, managerial, electronic, behavioural risk, emotional risk, and many more.

Yet, without fail, whenever investments are mentioned in the context of planning, advising, and de-termining investment choices, the emphasis is focused on risk.

This is as it should be. Investing is not an exact science.

Nothing is guaranteed, but is there anything truly guaranteed in life? The much difficult piece of the equation is to understand what investment risk means to each individual investor.

Over the years, the feedback from beginner (and even more savvy) small investors is that they don't really understand the whole risk equation, as spelled out in the following statement: "Every investor needs to determine what kinds of investment strategies are appropriate given their risk tolerance lev-el."

An all too common refrain is "I've taken those risk profile tests, said one individual, and I still don't know what I'm supposed to be doing, or what I ended up with for investments. I hope they will be ok. "

Do we honestly think okay is ok? The risk tolerance mantra is repeated endlessly in the investment world, with almost parrot-like insistency. If you don't understand the real investment risk in a stable environment, your level of comfort certainly won't increase when capital markets become volatile.

So, the basic question will be explored. Should you be invested in capital markets? And how will you know the answer?

- Have you calculated the temporary probability (you hope) of what is the risk of loss (on paper) is to your overall finances? See below as we proceed.
- And can you recoup those losses?
- Do you have the employment time in the workforce and good earnings capacity to withstand investing long-term cycles? Generally, younger individuals fully employed can better withstand a market downturn than individuals retired living on a fixed income can. This is an important assessment, especially for beginner investors.
- Do you have an emergency fund and other savings to draw from, if your investments do hit a bad patch? You never want to be forced to sell out in a short downturn if ordinarily, your in-vestments are considered good risks in the longer-term.
- What securities are you currently invested in:
  - o single security stocks, both local and global?
  - o sovereign bonds, corporate, or high-yield bond debt?
  - o currency trades? Hedge funds? Mutual funds?
  - o Exchange traded funds, aka ETFs?

Single positions or a few stocks or bonds may represent a higher concentration of risk as these positions are not as diversified as a mutual fund. Exchange Traded-Funds ETFs can also be concentrated in one sector.

How Much Time Do You Have to Monitor Your Investments?

- How often do you review their performance?
- Do you perform your own research, or rely upon an internet investment guru?
- Are you a buy and hold, conservative investor?
- Are you a frequent trader, but, do you find yourself missing crucial trades?

Emotions and Investment Market volatility & Dalbar Quantitative Analysis of Investor Behaviour

How much do your emotions play on seeing market volatility in your investment account? The recent coronavirus global severe disruption of global market rapid downturns after so many years of market uptrends can affect personal psyches. You may start to lose confidence in your investment choices, at some point capitulating and selling good investments at losses.

Time Period (ending Dec. 31, 2014)	Average Equity Fund Investor Return	S&P 500 Average Return	Difference	Average Fixed-Income Fund Investor	Barclays Aggregate Bond Index	Difference
1 year	5.50%	13.69%	(8.19%)	1.16%	5.97%	(4.81%)
3 years	14.82%	20.41%	(5.59%)	0.72%	2.66%	(1.94%)
5 years	10.19%	15.45%	(5.26%)	1.21%	4.45%	(3.24%)
10 years	5.26%	7.67%	(2.41%)	0.69%	4.71%	(4.02%)
20 years	5.19%	9.85%	(4.66%)	0.80%	6.20%	(5.40%)
30 years	3.79%	11.06%	(7.27%)	0.72%	7.36%	(6.64%)

This is a classic average investor emotional reaction in following herd mentality. Chasing the market rather than going back to reason you invested in the first place - to participate in the growth of good companies, with long track records of stability, profitability and consistent dividend distributions.

Dalbar Quantitative Analysis of Investor Behaviour has tracked the investment returns of average in-vestors in the United States versus the equity S&P 500 and Barclays Aggregate Bond Index for 30 years. Chart Year 2014 courtesy of Matthew Frankel, CFP (TMFMathGuy) 2018Oct02 "The Average American's Investment Returns —and How You Can Do Better." The Fool.com

You can see the difference in the average investor's performance versus the comparable indexes. Much of this difference may be attributed to emotional decisions.

Your decision to invest boils down to How Much Risk You Are most comfortable Taking.

There is no right or wrong answer, but thinking about these questions may help you define the volatili-ty tolerance and total rate of return that you are most comfortable accepting - compared to the risk-free rate of return, while helping you with waiting out extreme market volatility.

Which of these statements do you think reflects your investment attitude?

- I can tolerate short term volatile markets.
- I find longer term uncertainty, especially from outside influences, very unsettling.
- In extreme markets, I have to hold down the panic button that just wants to end the stress, by selling out of all capital market positions.
- I feel that I have picked good investments, good companies, and can wait out market upheav-als. Good companies just don't go out of business, suddenly, and for no reason.

Market Swings and Attitude/ Anxiety Examples.

Know how much you can afford to lose - on paper if the market drops precipitously and unexpectedly - not that it won't go up again and end up recovering nicely. We saw this example again in 2020 as global markets recovered from the initial COVID pandemic reactional sell-off.

- Plus/minus 5-10% swing. Market volatility seems to be an everyday thing, so I take the wait and see attitude;
- Plus/minus 10-15% swing. Not happy, but ok - have other savings;
- Plus/minus 15-20% swing. Will hurt quite a bit, on paper, but not enough to make me sell off;
- Plus/minus 20-30% swing. Absolutely devastating, all my spare cash is in the market.

Comparing Your Investment Returns to The Risk-free Rate.

What exactly does the risk-free rate of return mean? In business valuation the long-term yield on the US Treasury coupon bonds is generally accepted as the risk-free rate of return. Generally, the current risk-free rate on US 10-year Treasury is around 2%. Thus, depending upon your risk tolerance and re-maining finances, any-thing above the risk-free rate will provide higher returns, but at a higher risk of loss of investment.

Risk Return reward chart by Investopedia, Julie Bang.

Stocks return averages means that some years will be good, very good, or just plain awful. But, in general, an average stock return is around 7-9%, assuming you are invested for the longer-term. Simply using that as an illustrative benchmark, you can assume that some stocks will be below aver-age and others far higher.

According to the chart here and investment history, very large capitalised companies tend to have smaller returns on investments than small companies.

Why?

Because smaller new companies tend to be far more volatile, grow quickly, show higher returns, but can almost as quickly, 'die on the vine.' Conservative or emerging market bonds also have different degrees of risk and return.

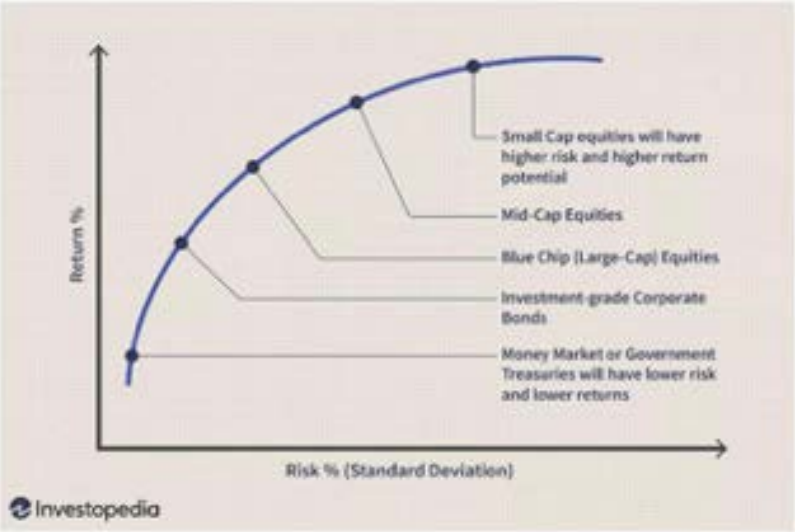


Image by Julie Bang © Investopedia 2019

Mutual Fund Structures and Choices

What do you do if you want to invest, but don't have confidence in picking individual securities? Not a problem, consider purchasing a mutual fund. While another popular choice are exchange-traded funds (ETFs) they should not be an initial choice for a beginning investor as they are structured quite differ-ently.

A beginning investor may feel more confident purchasing a fully diversified mutual fund, either active-ly managed or a passive index fund. There are many choices at local financial institutions. A balanced mutual fund option may be a good first choice.

Hedge funds are also not appropriate for beginning investors as hedge funds employ the use of loan leverage - that can exaggerate losses - as well, hedge funds may not actually own any of the underly-ing securities.

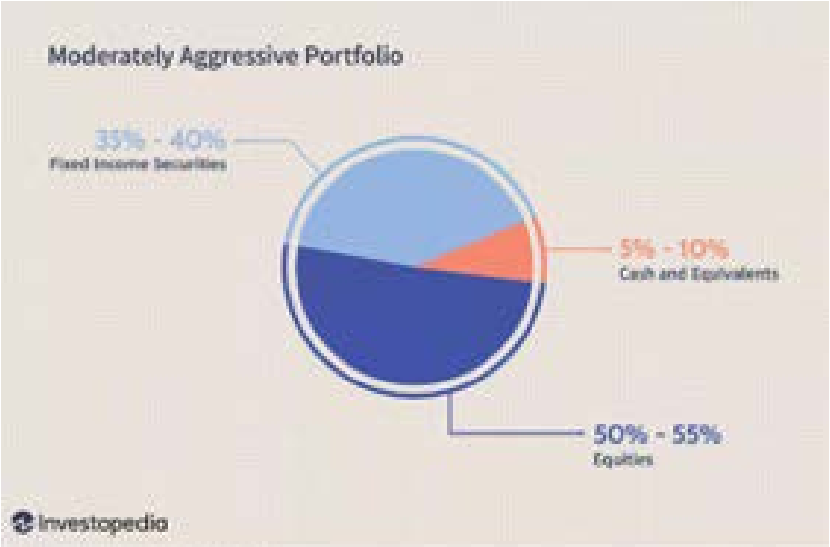


Image by Julie Bang © Investopedia 2019

Currency trading, options, futures, foreign exchange/ digital currency trading, private equity, volatility indexes, short and margin positions are generally not recommended for beginner investors.

E. Characteristics of a Mutual Fund.

If you, as a small investor are more comfortable with the broad asset allocation provided by mutual funds, here is a simple example diagram of a typical balanced mutual fund asset allocation, courtesy of Investopedia.

Keep in mind that each mutual fund is a separated incorporated entity with all of the requisites that come into a corporate structure, including a portfolio management team, a board of directors and an Investment Policy Prospectus that details the actual operation and guidelines of the management of the fund. This is an incredibly important document running to more than one hundred pages. Every investor purchasing any mutual fund should read this document from cover to cover.

The reference section below has links to a Vanguard balanced fund and its accompanying prospectus.

Balanced mutual funds (actually a pool of investor monies) tend to be just that with relatively equal weightings between stocks and bonds. These funds appeal to the middle of the road investor who would like a decent return on cash invested, but not at the risk of extreme volatility.

Individuals closer to retirement, who have previously invested more aggressively will often opt for a scale down to the more comfortable balanced fund approach.

Average return on a 50%-50% balanced portfolio over the very long term is around 5%-8%%, but keep in mind that average - is not median - and will include high return years and loss return years.

The charts below indicate two things:

- how a balanced mutual fund works
- Growth of a balanced mutual fund compared to a stock fund and bond fund - 1998-2018

Here's proof below in the second chart that an all-stock portfolio doesn't really pay off, an opinion by Mark Hulbert, Oct. 21, 2016 in MarketWatch.

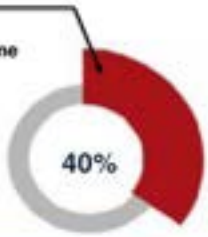
It turns out based upon his analysis that all-equity portfolios barely outperform a mix of stocks and bonds - over the long term.

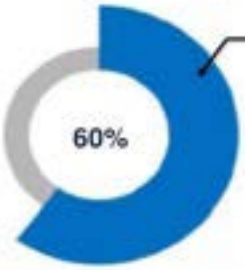
How do Balanced Funds work?

- Balance Funds provide diversification by investing in a diligent mix
- Aim to achieve returns greater than debt scheme, while taking risk than equity scheme.

DEBT

- Consistent income
- Lower risk





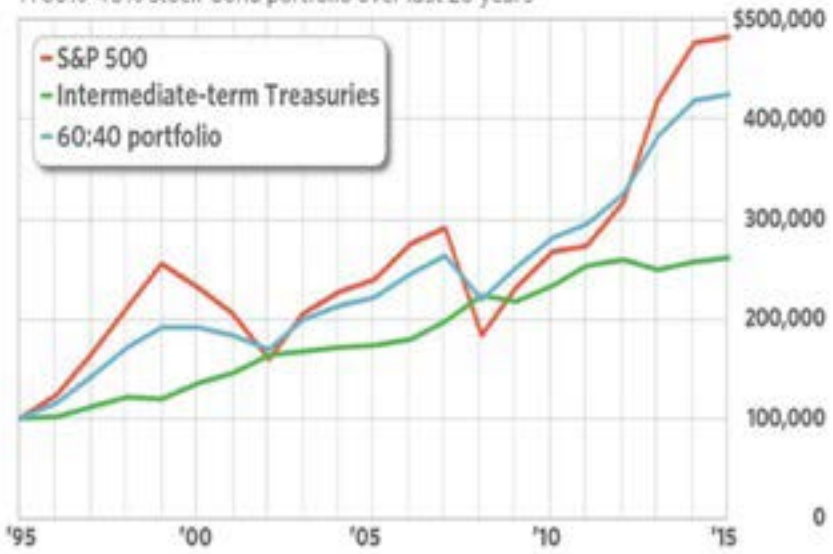
EQUITIES

- Long term growth
- Favorable Taxation

STATIC ASSET ALLOCATION	PERIODIC REBALANCING	REASONABLE DOWNSIDE PROTECTION :
Balanced Funds maintain a largely static asset allocation (60% equity & 40% debt)	Fund Manager generally books profits when the equity markets rise and inve sts more in equity as equity markets fall.	The debt component acts as a permanent cushion that provides the portfolio with a reasonable downside protection.

Why take the risk?

A 60%-40% stock-bond portfolio over last 20 years



Source: www.HulbertRatings.com

References & Resources

Investor.gov US Securities and Exchange Commission: Introduction to Investing; Financial Tools & Cal-culators, Protect Your Investments, and more. One of the absolute unbiased best informational in-vestment websites!!

https://www.investor.gov/introduction-investing/investing-basics/investment-products/stocks

Starting up a business: The Pizza Delivery Business Plan

http://www.bplans.com/pizza_delivery_business_plan/executive_summary_fc.php

Investing 101: http://finance.yahoo.com/education/begin_investing

Investopedia: one of the absolutely best investment knowledge website anywhere and free http://www.investopedia.com/university/beginner/

Real Investment Advice Survival Guides

https://realinvestmentadvice.com/financial-survival-guides/

See more on Financial samurai.com historical returns of different stock and bond portfolio weightings.

Learn to Earn: A Beginner's Guide to the Basics of Investing and Business.

Free download the entire book http://www.learnmarket.in/2018/06/learn-to-earn-peter-lynch-pdf.html

Peter Lynch Published: January 25, 1996 Pages: 272 ISBN: 0684811634

One of the most famous investors of all time, Peter Lynch (still active at age 76) explains in a style accessible to anyone who is high-school age or older how to read a stock table in the daily newspaper (now online), how to understand a company annual report, etc.

He explains not only how to invest, but also how to think like an investor. This is an old book, but well worth your time.

The Lightbulb Press Guides and Booklets

https://lightbulb-press.myshopify.com/collections/miniguides

Courtesy of NEFE National Endowment for Financial Education

Investing: How It Works

Determine Your Risk Tolerance

https://www.smartaboutmoney.org/Courses/Money-Basics/Investing/Determining-Your-Risk-Tolerance

Investopedia: How to Achieve Optimal Asset Allocation By Shauna Carther Heyford, Updated Oct 9, 2019 An absolutely excellent article describing how asset allocation compositions based on risk, age, time factor and so on actually work.

https://www.investopedia.com/managing-wealth/achieve-optimal-asset-allocation/

Investopedia: Six Asset Allocation Strategies that Work. Updated August 15, 2019

https://www.investopedia.com/investing/6-asset-allocation-strategies-work/

Vanguard VBIAX Balanced Index Fund

Admiral Shares

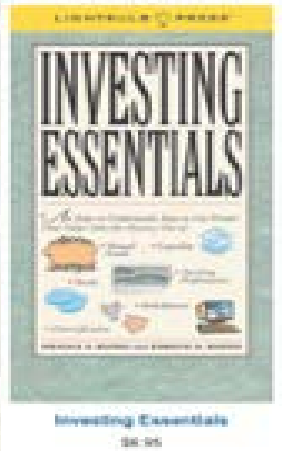
Link to the Fact Sheet, Summary Prospectus and a Comparison to other funds

https://advisors.vanguard.com/investments/products/vbiax/vanguard-balanced-index-fund-admiral-shares

The Investing Educator https://investingeducator.com/

Focused on improving your investment knowledge

Excellent website to learn about investments



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INDIVIDUAL STOCK SELECTION CHECKLIST

	CRITERIA	WHAT TO LOOK FOR
	Revenue	Has revenue steadily increased or decreased each year? Positive trend - increased business indicator
	Net Profit (Loss)	Revenue is great, but net profit after all expenses, taxes, and adjustments is far more important.
	EPS - Earnings per share	Amount of profit per share showing steady growth through each reporting quarter is a good sign
	Stock Sector Group Performance	Just how well did this company's stock perform against its peers in its sectors such as auto, media, utilities, finance institutions, etc.
	Debt-equity ratio	Company total liability by shareholder equity from reviewing balance sheet. Ideal ratio is less than .1 meaning more equity than debt carry.
	Size in market capitalisation	Market cap size means a lot. Very large cap companies with long organisation history are generally more stable, less volatile than
	Beta rating	This indicator is a measure of the stock's risk volatility where the market risk beta is 1(one). A stock with lower beta than 1 is less risky, but may also generate lower returns. The converse is true for high-beta stocks.
	Dividend yield	How many years consistent dividend payments?
	Dividend payout ratio	Percentage of annual profits paid out of retained earnings. 35%-55% considered acceptable with retention of remainder internally for future growth. Very high dividend payout percentages, while great for the stockholder are considered unsustainable
	Corporate governance rating	Very important. A well-managed responsible company implies stability and reliability.
	Analyst recommendations	Periodic in-depth reports from various investment analysts rating the stock and financial performances.
	Forward Guidance	Indicates future expectations for growth and profit, often disclosed in company outlook releases.
	Do you know the company or use its products?	If you are familiar with the company and use their products or services, do the research to ascertain its investable qualities!

You don't need a specific website for these answers, just type the name the stock and question into a SEARCH ENGINE for numerous informational websites.

INDIVIDUAL BOND SELECTION CHECKLIST

	CRITERIA	WHAT TO LOOK FOR
	Entity Issuing Bond	Identify as country sovereign, municipality, state, agency, or company, etc.
	Size of entity issuer	Large country, multinational company, small state, small business. Size, stability, and financial success matter.
	Size of bond offering	Millions, billions. Amount of offering once placed in secondary bond market can mean difference between instant buy/sell, or significantly wait for securities that are thinly traded.
	Entity's other balance sheet debt	This discovery necessitates additional research. Multiple bond offerings, and debts on an entity's balance liability sheet are meaningful to balance sheet ratios.
	Entity (and underlying bond) credit rating	How is this entity rated? Risk, liquidity, and performance indicators that demonstrate a stable, successful, cash positive entity. Country ratings focus on sovereign credit worthiness, economic, financial and tax management, political risk influences, debt service ratio, compliance with international tax and fiscal policies.
	Original issuance, or secondary market	Bonds purchased at inception launch are at full maturity, then can trade on demand in secondary markets where, e.g. a ten-year note for sale or purchase may have only five years to maturity.
	Bond terms, prospectus (offering statement) disclosures	Review additional bond terms for agreement terms, underlying entity qualities, maturity dating, the issuer's other conditions, e.g. callable, or call protection provisions, puttable, convertible-to-stock, bond insurance, detailed plans to raise capital to repay bond holders, etc.
	Coupon interest rate and market price	Check the predetermined coupon interest rate, generally, payable in two tranches - semi-annually. Market price at time of research will provide the bond yield.
	Entity governance	Very important. A well-managed, responsible government/agency/ entity implies stability, reliability, and positive earnings trends.
	How is bond repayment financed?	Companies from business and other earning profits. Countries from tax assessments, fees, and business investments. Municipalities and states from individual and business taxations and fees.
	Analyst recommendations	Periodic in-depth reports from various investment analysts rating the bond security and entity financial performances.
	Forward Guidance	Indicates entity future expectations for growth and profit, often disclosed in company outlook releases.
	Do you know the company or use its products?	If you are familiar with the company and use their products or services, do the research to ascertain its investable bond and/or stock qualities!

You don't need a specific website for these answers, just type the name of then bond and questions into a SEARCH ENGINE for numerous informational websites.

MUTUAL FUND CRITERIA CHECKLIST	
Fund Name	legal registered name, not say generic "aggressive fund"
Security identifier ISIN	absolutely necessary for identification across the globe
Country of Origin and Registration	important information for international tax purposes
Prospectus provided	mutual funds are legal entities. The prospectus spells out all terms, conditions, investment policy, leverage, debt, directors, portfolio managers, tax implications, fees, purchase and redemption terms, auditor, custodian, risks of investing, and much more
Annual audited financial statement provided	financial statement presents the financial condition of the company and the composition of every asset acquired, held, sold. A must to understand what the fund's asset allocation is, and whether it represents your risk factors - or not.
Fund composition	basic asset allocation percentages: e.g. 40% stocks, 30% high grade corporate bonds, 15% real estate, 10% emerging market debt, 5% cash
Open or closed-end fund	quite a difference between open-end and closed end funds where open end funds are offered for sale to the public by a mutual fund company. Closed-funds have a fixed number of shares, place for sale in an initial public offering (IPO) and trade on a securities exchange through a brokerage, among other characteristic differences.
Style category	declaration of style, say 90% US large cap stocks means portfolio manager legally must stick to that allocation, otherwise owning a group of mutual that the buyer thought were diversified may instead be almost the same.
Style drift	when the fund does not adhere to its investment policy declaration - pumping up returns by picking high flying securities outside the asset allocation mandate
- individual securities	denotes kind of assets held in the fund but all individual security positions, stocks, bonds, etc.
- fund of underlying funds	a mutual fund holding mutual funds, these have more layered fees, but also represent huge diversification for the small investor
- proprietary or brand name	denotes funds sold by a financial institution under their own label, as compared to a mutual fund company with a global brand name, e.g. Blackrock, Vanguard
Number of security holdings	funds may hold as little as twenty positions, hundreds, or thousands (in a fund of funds)
Total shares outstanding	numbers of shares held by owners, generally this is stated as total shares and their total cumulative market value, millions, billions, possibly trillions
Portfolio Turnover Rate, annually	amount of buying and selling of positions, high turnover rate often means higher fees and more volatility
Asset Allocation	Denotes the specific risk allocation with the composition of various securities, e.g. capital appreciation might be 80% stocks, 10% bonds, 10% cash.
Currency	self-explanatory, but know the same fund can be carried in different currencies, while some funds purchase foreign assets and convert with FX to home currency currency values can be hedged to protect against FX market fluctuations.
Fund Manager Tenure	Turnover in fund manager is not recommended for stable consistent return on investments. Fund management long tenure very often denotes a highly successful fund.
Performance	What is the NET rate of return AFTER FEES? How does it compare to its peers (say large cap stock funds) and to its index in the market?
Current year	Return On Investment - current year
Annualized Return since inception	Self-explanatory, see your MF fact sheet
Cumulative return since launch	Self-explanatory, see your MF fact sheet
Return calculated gross or net of fees	Return on investment shown at gross values without the deduction of all fees, can be misleading. Return on investment, net of fees is true indicator of performance.
-performance, gross or net of fees	These numbers are shown for many reasons
-three years	Look for consistency in returns
-five years	You don't want a one hit wonder where it a a terrific
-ten years	return one year, and six years of losses - remember how average return math works!
Fund Launch date	Important. Moneywise does not like young funds. Three years is the minimum time of operation for an investor to consider investing in. Why, well three years might be fabulous, but the next few years could be mediocre or worse. Historical performance is important.
Fund Size	Size, liquidity, cashing out, gates and bars - all very important. Small funds may not achieve cost efficiency or large runs, and lower ability to withstand withdrawal runs.
Performance against benchmark	How does your fund choice compare to the performance of the benchmark it is rated against. This information is provided on MF fact sheets.
Performance against peer group	How does your fund choice compare to the performance of other like-type funds in same category. This information is provided on MF fact sheets.
Fees	Fees add up, you want to know exactly what the fund (and underlying funds) is charging.
Front end load (commissions)	This is a mutual fund sales commission charged upfront at purchase - fee ranges anywhere from 1% to 5% of more of cost to purchase.
Back end loads (commissions)	This commission is deducted over time. The full cost of the fund is invested at purchase, and each year, say for five years, 1% is commission deduction.
Management fee, annual	The portfolio management fee charged by active mutual fund management.
Custody fee, annual	The fee charged by the custodian who actually holds the mutual fund assets. US securities law dictates that the custodian must be independent of the mutual fund company. Think Madoff - who custodies all assets for his clients, thereby escaping the scrutiny of securities' compliance.
Underlying fund fees, annual	Fees for auditors, board of directors, and the like who run, monitor the mutual fund company.
Trailers paid to salespersons	Self-explanatory. Some MF's pay trailers, others do not.
Redemption fees	Mutual fund company management have a right to charge redemption fees (as well as placing gates and bars on redeeming during volatile periods) under the stated mandate of the fund prospectus. Be sure you understand your rights to withdraw from the fund. Read the prospectus from beginning to end.
Risk statistics	
Consistency of performance	
Volatility	
Rebalancing frequency	
Leverage used	
Beta of market of 1 - comparison	
Standard Deviation	
Top Ten Holdings	This is a very important component. Review these allocations and be sure to compare them against other mutual funds you own. You may find that many or all of the top ten securities are held in all your mutual funds. This is not diversification. Each mutual fund that you own, should demonstrate different securities.
1-	
2-	
3-	
4-	
5-	
6-	
7-	
8-	
9-	
10-	