

Municipal securities

- ✓ General obligation bonds
 - Non-self-supporting debt
 - Funds public parks, schools, roads, etc.
 - Backed by property (ad valorem) taxes
 - Subject to debt limits and voter approval
- ✓ Revenue bonds
 - Self-supporting debt
 - Funds toll roads, stadiums, airports, etc.
 - Backed by user charges
 - Not subject to debt limits or voter approval
- ✓ Interest exempt from federal tax, and from state tax for residents
 - Most suitable for high tax brackets
 - Not suitable for low tax brackets or retirement plans

Investment companies

- ✓ Classifications
 - Management companies (open and closed-end)
 - Face amount certificates
 - Unit investment trusts (UITs)
- ✓ Offer pooled investment opportunities
- ✓ Most suitable for investors seeking:
 - Instant diversification
 - Professional management (except fixed UITs)

Closed-end management companies (publicly traded funds)

- ✓ Negotiable pooled portfolios of managed securities
- ✓ NAV reports "book value" of shares
- ✓ Shares traded in market at the going market price
 - May be purchased above, below, or at NAV
 - May be sold short or bought on margin

Exchange-traded funds (ETFs)

- ✓ Structured as open-end management companies
- ✓ Typically are passively managed (match index)
- ✓ May be sold short or bought on margin
- ✓ Leveraged & inverse ETFs
 - Leveraged = track index at 2x or 3x rate
 - Inverse = tracks opposite index returns
 - Only suitable for aggressive and risk-tolerant investors

Open-end management companies (mutual funds)

- ✓ Redeemable pooled portfolios of managed securities
- ✓ Active management
 - Attempts to "beat the market"
 - Intends to beat benchmark (e.g., S&P 500)
 - Higher expense ratios
- ✓ Passive management
 - Attempts to "match the market"
 - Intends to provide returns of benchmark, lower expense ratios
- ✓ Offered to investors at POP if front-end sales charge exists
- ✓ Offered to investors at NAV if no-load (no sales charge)
 - NAV is minimum price
- ✓ NAV influenced by:
 - Value of securities in portfolio
 - Distributions to investors (dividends or capital gains)
- ✓ NAV not influenced by demand for mutual fund shares
- ✓ May not be sold short or bought on margin

Types of funds

- ✓ Growth funds
 - Invest in growth common stocks, seek growth
- ✓ Value funds
 - Invest in value common stocks, seek growth and income
- ✓ Balanced funds
 - Invest in common & preferred stocks + bonds
 - Seek growth and income
- ✓ Growth & income funds
 - Invest in common & preferred stocks (equity only)
 - Seek growth and income
- ✓ Income funds
 - Invest in various securities seeking income
 - Types
 - Equity income funds
 - Corporate debt funds
 - Government debt funds
 - Municipal debt funds
 - High yield (junk) bond funds
 - GNMA / FNMA / FHLMC funds
 - Money market funds — aim for a stable \$1.00 NAV
- ✓ Asset allocation funds — seek fixed or variable asset allocation mix
- ✓ Life cycle funds — adjust risk tolerance over time
- ✓ Sector / specialized funds — invest in specific sectors or regions of world
- ✓ Index funds — track a specified index