



### 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
- ✓ Not subject to taxes if purchased by resident
  - Most suitable for high tax brackets
  - Not suitable for low tax brackets or retirement plans



### Investment companies

- ✓ Classifications
  - Management companies
  - Unit investment trusts (UITs) (open and closed-end)
  - Face amount certificates
- ✓ 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



### Investment companies

- ✓ 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 2× or 3× 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
  - Attempting 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 / FGLMC funds
    - Money market funds — \$1.00 NAV at all times
- ✓ 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