

Topic 9. Investment company Printable Reader Workshops Presentation Tutors Tests

Goal to examine the role of investment companies in the investment process. Tasks Print Prestamohipotecario Presentation Investment company is a type of financial intermediary. They attract investors ' funds and acquire financial assets such as stocks and bonds. In turn, the investors receive certain rights with respect to acquired financial assets and receive profits. In the simplest and most common form of investment company only has one type of investors shareholders. These shareholders own the company directly and indirectly hold financial assets owned by the company. For individual investors, there are two benefits of investing in such companies instead of investing directly in financial assets owned by the company's data. First, the savings in costs in connection with the presence of economies of a large organization or in other words economies of scale and secondly professional asset management. Considering these advantages imagine a person with modest financial resources wishing to invest in the stock market. With regard to economies of scale that an individual investor can buy stock in partial lots, and thus to obtain a diversified portfolio. However, in less than a lot of the brokerage company charges relatively high commissions. On the contrary, the individual investor can buy securities full lots but then it gets just a few different securities. In this case, unfortunately, the individual investor is deprived of the benefits of owning a well-diversified portfolio. To simultaneously take advantage of diversification and significantly reduce the broker's Commission individual investor may purchase shares of investment companies. Economies of scale allows investment companies compared to the small individual investor to diversify with lower costs for every dollar invested. From the point of view of professional management of individual investor engaged in direct investments in the stock market should deal with all significant aspects of investing, including making decisions on buying and selling and accounting of all transactions for tax purposes. The individual investor will have to constantly search for incorrectly priced securities is to find undervalued to buy and overvalued for sale. At the same time he will have to monitor the overall risk level of the portfolio to maintain the desired level of risk. While buying shares of an investment company

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