



Practical Wealth Creation Ideas

...for Simplified Financial Success™

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Net Asset VALUES

*How to determine the
value of mutual fund
shares*

The net asset value (NAV) is the total value of the fund's portfolio of securities (including cash), less the total of the fund's liabilities.

NAV = total fund assets - total liabilities

A fund's net asset value per share (NAVPS) is the value, or price, of a single unit or share. The NAVPS is determined by subtracting the fund's liabilities from its total assets, then dividing the resultant net assets by the number of shares outstanding. The price that you pay when purchasing shares or the proceeds you receive when redeeming them are based on their NAVPS.

NAVPS = NAV ÷ outstanding shares

The above calculations are done every day that the stock exchanges are open. Reports that you find in the newspapers, or offered by your advisor, are based on the NAV and NAVPS and provide a snapshot of the fund's performance.

Small-cap funds OFFER POTENTIAL FOR GROWTH

Mutual funds holding stocks in smaller companies (capitalization under \$250 million) offer potential for growth. Some of the small-cap stocks held by such a fund may grow well over ten times their current value. They also carry a higher risk of being affected by economic down-shifts such as higher interest rates. Small caps are not better than mid or large caps. They simply offer different strengths that could be right for certain investors who enjoy taking a little more risk. Larger companies, in most cases, offer higher dividends and better price stability. Even a youngster can recognize the powerful brand names such as Coca-Cola. Large cap stocks are not only predictable; they prove that the omni-big-brands are the fittest to survive over the long haul. Smaller companies are riskier in nature because they are still proving that they offer viable products and services. Who would have thought that the start-in-the-garage business of Excite (an Internet search engine) would sell to Rogers for \$7.5 billion? Unlike most Canadians who can relate to the Coca-Cola or McDonald's logo, our smaller capitalized companies are hardly known. That is why you will need to rely on a small cap mutual fund manager to invest in the correct Little League stocks.