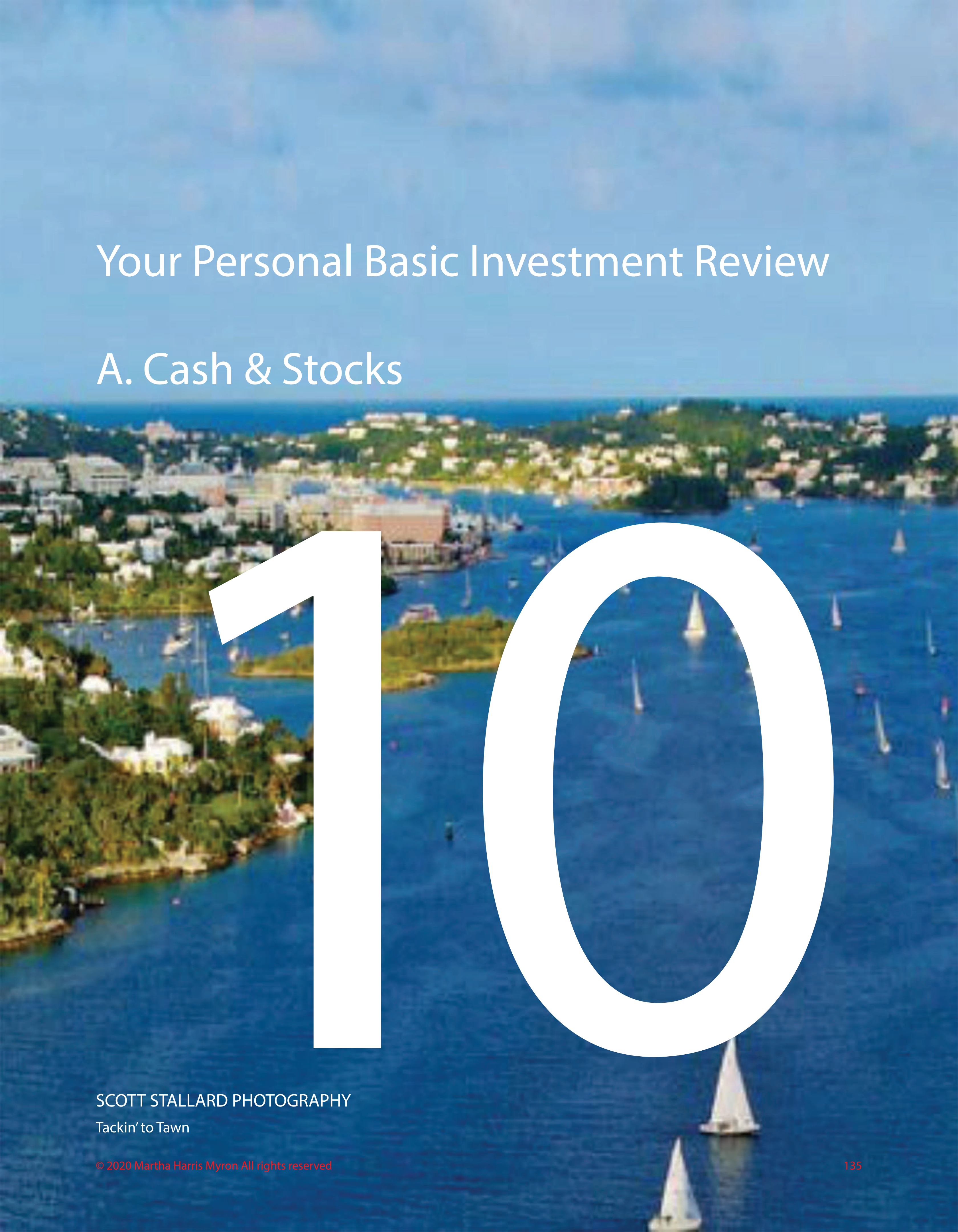


Your Personal Basic Investment Review

A. Cash & Stocks

10

SCOTT STALLARD PHOTOGRAPHY

Tackin' to Tawn

Step Ten (A) - Your Personal Basic Investment Review

Your Personal Investment Review Process

This phase of your financial review may be bit more tedious for some, but it is also the most important, so we will cover it in steps Ten - Thirteen.

We will review

A. Why invest at all in capital markets?

B. Investment basics - just a few (a much more complete review will be featured in Book Two, the First Bermuda Every-Day Investment Primer coming soon;

C. A quick look at a hypothetical small Bermuda business start-up relating to stock ownership (a more complete picture leading to Book Two is featured in the Appendix A);

D. Assess, in general, your personal investment holdings and asset allocations, if you own any;

E. Show the characteristics of a balanced portfolio if you want to own investments outside of your pension.

And in Steps Eleven and Twelve, review your pension plan accumulations and performance, and how it all relates to your future financial planning.

We are reviewing the basic investing concepts as well as relating them to your personal investment planning goals and as you can correlate them with Your Bermuda National Pension Scheme (BNPS). Note: the BNPS section may not be as applicable to civil servants with the Bermuda Government Superannuation Pension Plan.

My simply suggesting a brief review of investments may assume an understanding that many individuals have neither the time, or the energy to initiate.

Over the years, numerous comments from individuals have been similar as the following, "Well, the investment people met us. While they were very professional, they tended to talk too much jargon about markets, risk tolerance, volatility, some things that I really couldn't follow, so I just picked a fund. I have no idea how well it will work for me!"

Plus, the thought of investing and investments can be unnecessarily intimidating!

But, if you are pretty comfortable with investment concepts, you may want to skip to the section on reviewing your personal investments.

But, consider this, whether we like it or not.

We, in Bermuda, are part of the global investment environment.

The simple concepts of local Bermuda shares that were most often (in the good old days) held in paper certificates because there was little access to a local trading platform (BSX), and possibly a bond or two, (you may not remember the municipal bond floated to the Bermuda public to finance Hamilton City Hall) are now fully integrated within the global investment theatre.

Further, capital trading markets are not the same as they used to be as we have learned from the terrible global Coronavirus catastrophe impact.

But what in our life is the same as it used to be?

Change is inevitable.

Over the last century alone, the dominant United States investment industry has experienced monumental change as well as enormous growth from:

- the close-to-obsolescence of physically situated stock markets where original paper transactions, runner trade deliveries with brokers on an exchange floor have gradually been replaced by electronic multi-millisecond high-speed anonymous trades direct between the parties, with no middleman;
- artificial intelligence has overtaken human interaction, but as Market Watch stated, "AI (Artificial Intelligence) will change stock-market trading, but when a trade is complex, there is no substitute for human judgment;"
- computer-generated mathematical algorithms in quantitative analyses trigger thousands of specific set point trades, on a daily basis;
- traditional business day trading hours replaced with after-hours market trading, literally, 24-hours a day interchanges across the globe;
- virtual interaction between world trading markets where significant events can trigger cascading correlated results in different time zone markets;
- investor research via internet search engines generating almost instantaneous results means less obscurity for investment decisions, but greater care must be taken to weed out "fake news/reports" and unscrupulous schemes such as "pump n' dump" type websites before any credence can be given;
- changes in numbers and kinds of investors from all spectrums and classes;
- the corporate insider share buy-back phenomenon that has dominated investment sentiment for a number of years;
- economies other than the US have grown, too, taking examples from and emulating the US investment success story. The power race is on to affect more diversification choices in world-wide trading markets, and foreign exchanges;
- the empirical, possible popularity contest, decision as to who will remain or become the country to dominate the world's reserve currency, given that Russia, China and other European countries (INSTEX founded January 31, 2019) are actively working to sideline the US dollar out of global trade to avoid sanctions, while oil is now traded in other currencies, backed by gold in lieu of US dollars;
- the ever-shifting interplay of oil commodities on capital markets, trade, war, and country economic dominance;
- blockchain and its derivatives of digital currencies, an innovative anonymous force that clearly defines and delivers complete, irrefutable transactions between consenting parties;
- the relentless regulatory enforcement of Know Your Client, economic substance transparency and international tax compliance in cooperation amongst almost all OECD countries participating and those beyond;
- and the tragic, material, virulent COVID pandemic that individuals, families, communities and countries across the globe are still heavily impacted by financially, emotionally and physically.

The number of investment products has grown existentially as well. Where the ordinary stock, bond, mutual fund, or option trade may still be basic staple for many investors, new, or more complex investment products, some more esoteric than others, abound:

- exchange-traded funds, structured notes;
- synthetic (or what I call real versus ethereal) investment products built upon or dependent upon values of other underlying products, debt, or indexes, e.g. leveraged loan funds, CDO's, CMO's, even risk itself is an investment product, e.g. volatility (VIX) funds and related simulators;
- mortgage-backed securities, commodities, indexed-annuities, initial coin offerings, cryptocurrencies, credit default swaps, securities futures;
- alternative investments: hedge funds, reverse convertibles, leveraged inverse ETFs, event-linked securities;
- viatical settlement funds, catastrophe bonds and more.

> How did we ever end up with the entire concept of investing in intangible assets that today – for the overwhelming part – cannot be realised fundamentally by touch, sight, or stored on a personal basis?

We are focused here on digital investments, not physical assets such as precious earth-derived elements: land and real estate properties, diamonds, golf, silver, other stones, metals, oil, shale, crops, livestock, the munificent sea (and salt), water, and the like. We know these physical properties; we've been surrounded by them, in one form or another, all of our lives.

The concept of virtue world investing via intangible investments is daunting. Now almost completely processed by modern technology – less hands on, stored electronically (and hopefully, rigorously secured) on remote server custodians, heavily-reliant upon reputationally-compliant financial institutions, with the only real evidence of ownership composed of front-facing numbers on a smart phone, a computer screen or down-loaded paper documents, is overwhelming.

Think about it – owning digital assets in our social media age represents a strong belief in the fiduciary oversight and implied safety of financial institutions because that is where your invested assets are electronically (not physically) held.

Bermuda has not escaped this tremendous amount of complexity, volatility and commerce in global motion. We, in Bermuda, are impacted by everything that occurs within and without our precious island. And the more we understand these influences, the better we can take advantage of them, anticipate opportunities, and protect our financial assets.

A. So yes, investments influence you and Investments surround you.

Indirectly, and directly from cradle to grave - every single day. As an infant at birth, you have no understanding of such an impact, nor are you much more aware on your exit day that consumerism choices made by you, or for you, shape your life, and influence the success - or failure - of thousands of businesses world-wide!

> Every Bermuda business is an investment.

Yet, the easy access to these businesses in one format or another - has almost generated indifference to their roles in our lives - because we are so very comfortable having products, services, and ideas right at hand. Imagine if we did not?

Take a look at the list of an ordinary Bermuda islander's stock (company) exposures on an average day in the chart below. Recognise these company stock symbols? Who can you identify? You know them because you contribute every day to their profits!

Most of our Bermuda BSX Listed publicly traded companies are included, along with numerous international names. Since, this is a partial list, you can only imagine how many more could be included.

All of the esoteric descriptions above regarding the changes in global investing do not take away from the basic premise - that the basics of investing are still there, still very relevant, and still can achieve great results – for the small investor, too.

Investing should not be intimidating at all.

Because…. Guess what! You are already invested, indirectly and directly.

You already are consuming and purchasing:

- Real estate
- Savings accounts, particularly foreign term deposits, subject to currency fluctuations
- A pension invested on your behalf
- Other appreciating asset acquisitions, e.g. your personal investment account(s)
- Acquiring education and skill sets. The greatest investment of all, YOU. Are you taking advantage of every opportunity to invest in you: gaining knowledge, increasing skills?

Just Some of The Every Day Stocks That Impact Our Lifestyles			
Activity	**Company**	**Symbol**	**Exchange**
morning arrives, lights on	Ascendant	AGL.BH	BSX
special coffee or tea prepared	Starbucks	SBUX	NASDAQ
shower	Watlington Waterworks	WWW.BH	BSX
toothpaste, cleansing lotions	Proctor & Gamble	PG	NYSE
breakfast cereal or toast	Kellog Company	K	NYSE
makeup	Estee Lauder owner of MAC	EL	NYSE
briefcase, purse	Moet Hennessey Louis Vuitton	LVMH	OTC
vehicle	Honda Motors	HMC	NYSE
gas	EXXON	XOM	NYSE
text colleagues, check in at office	ONE Communications	ONE.BH	BSX
charge phone	APPLE	AAPL	NASDAQGS
winding down from work, Internet social media	Facebook	FB	NASDAQGS
park and walk	NIKE	NKE	NYSE
pick up daily newspaper	Bermuda Press Holdings	BPH.BH	BSX
car insurance	Argus Group Holdings	AGH.BH	BSX
ATM withdrawal	Bank of NT Butterfield	NTB.BH	BSX
doctor visit for allergies	BF&M	BFM.BH	BSX
pension review	Coralisle	a private company	
call to investment advisor	LOM Financial	LOM.BH	BSX
end of day, shopping for weekend	Bacardi	a private company	
rebuilding patio	CEMEX	CX	NYSE
airport departure	Bermuda Aviation Services	BAS.BH	BSX

B. Investment Basics - Just a Few of Them

Some basic reasons to invest:

- liquidity,
- long-term appreciation greater than bank savings rates,
- for achieving goals and time frames,
- global diversification of assets,
- owning hard currency, Bermuda dollar being a soft currency, is not legal tender outside our reefs, thus, worth nothing to the rest of the world,
- outpace inflation, here in Bermuda, personal purchasing erosion never goes away in an island economy,
- building investor confidence,
- unlimited upside potential success, ownership and profit participation in businesses you already financially support as a consumer are all good reasons to broaden your investment outlook,
- there are downsides, too, such as no investing guarantees, volatility, systemic/ unsystematic risk, under performance against savings vehicles and losses in recessionary markets (if you sell at a low).

Nevertheless, we make a few additional points to contrast saving and investing.

Everyone is familiar with checking, savings, and term deposits (or certificates of deposit). You deposit an amount of money and based upon

- the interest rate controlled by your bank,
- the number of compounding periods, e.g. daily, monthly, quarterly,
- the time to maturity, including lock-up periods, and
- the amount saved,

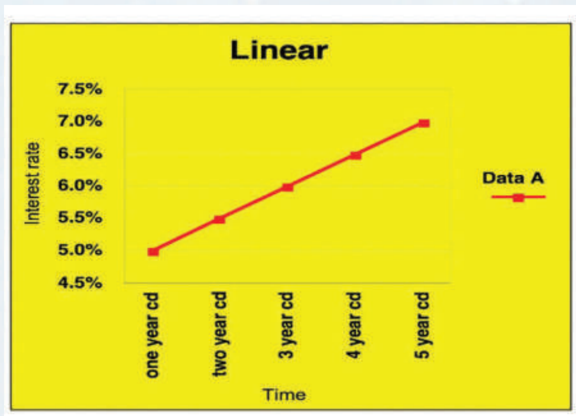
What you receive after one year, two years, five years, etc. is based upon pure mathematics.

Cash in Fixed deposits are Linear.

What you see is what you get - no more, no less. We say that term deposit savings are linear, increasing at the same rate of interest each year - assuming of course, your interest rate is fixed for the term of the deposit.

Of course, you will notice immediately that your term deposits are not earning anywhere near 5%, this chart was created during higher interest rates! But hopefully, you get the picture!

There is no capital market appreciation or depreciation in fixed, term savings deposits as your monies are not invested therein, nor would you ordinarily be subject to investing volatility and market risk. However, there are other not so readily known risks.



Several term(fixed) deposit factors that come into play:

Your monies are listed as part of the bank's balance sheet as a liability: meaning that cash, savings, term, fixed, accounts (yours) are not held in segregated accounts.

The responsibility to return your capital to you with interest rests upon your bank operating in a healthy financial environment.

If a bank's future is undetermined, your deposits may be subject to the demands of bank creditors.

Bermuda banks offer term deposits in other currencies, sometimes with more appealing interest rates. The value of that currency will fluctuate against the Bermuda dollar (pegged to the US dollar). You may profit or not, depending upon those values (compared against the foreign country currency price at inception) when your term deposit matures.

Deposit insurance offered in Bermuda is minimal. Bermuda banks mutually support a small Bermuda government-sponsored deposit insurance fund. The maximum balance insured is $25,000 per only one individual account, some comfort, but nowhere near enough if you have significant savings.

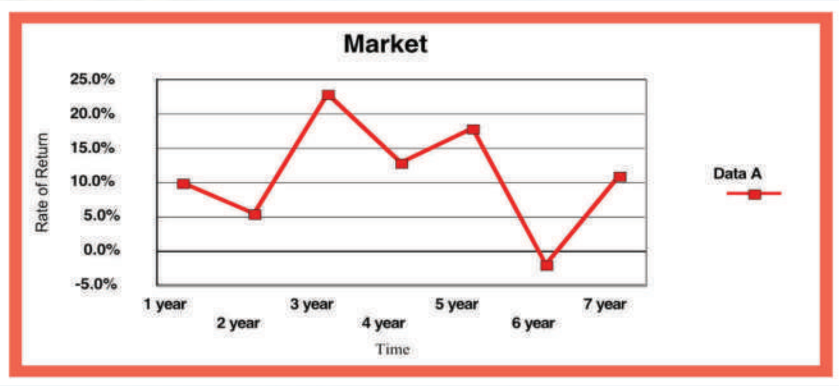
Bermuda islanders have always diversified by having monies in various currencies and financial institutions, both locally and abroad.

Investments in Capital Markets Fluctuate in Value

Security investments, on the other hand, are launched into capital markets, and are subject to many and varying investment market influences, trends, economic news, pressures of trade wars, company profit forecasts, and so on.

A beginning investor may purchase a security, a stock for instance, at one valuation only to see it fluctuate on a constant basis - in the short term, but over the longer term, the chosen stock of a stable, profitable company generally appreciates far more than having cash in term deposits.

Diversification is accomplished by investing in both savings accounts and capital markets - being sure, of course, that you and the family first set up an emergency fund with no restrictions - that can be accessed if needed.



Building Wealth, a Beginner's Guide to Securing Your Financial Future US Federal Reserve of Dallas

Cash is still king.

You never want to have to sell investments in a down market, having regrets when the market recovers. This is the classic example of buying investments at a high value and selling at low values. Full access to liquid cash in uncertain times is always a prudent idea. It can be a financing problem for over-leveraged, and cash short global companies during the uncertain and recessionary conditions .

Never invest your contingency cash in risky investments; keep it safe and accessible.

Basic Investment Asset Classes.

There are really only four asset classes:

- cash - near cash, money market accounts (not funds), etc. may not always keep pace with your purchasing power;
- stocks can appreciate exponentially in value, and lose the same in a down market, over the long-term stocks in successful companies will appreciate more than cash, and generally bonds;
- bonds and fixed income are a resource of safety (high-grade sovereign debt) and fixed interest income;
- commodities derived from natural resources and agriculture, are far more volatile than the above, but opportunities to capitalise are there.

There are many, many more securities originating from these four underlying classes: derivatives, hedge and mutual funds, futures, options, collateralised mortgage obligations, structured notes, real estate investment trusts, etc., all developed in different combinations.

Digital currency. It has been stated that digital currency is another asset class, but the point is still debated as cryptocurrency is not yet readily embraced as a mainstream stable alternative currency. Generally, as well, most investors still need cash to purchase the initial digital currency and will also be evident when the investor sells digital cash for use in ordinary transactions. Digital currency markets are evolving to be completely separate from conventional fiat currency but have arrived at the transparency accountability era to be enforced by governmental agencies. The future of digital currency has yet to be fully developed; while it continues to grow in popularity; however, there is little regularity guidelines for the ordinary person as yet. Fiat (regular) currency is issued by governments, but not backed by a physical commodity such as gold; instead, the currency value is backed by reputation and stability of the government issuer.

Cash (near cash) can be held in many formats: We just discussed holding cash in fixed/term deposits and savings accounts above.

Cash (and near cash) is used extensively in capital markets:

- in the Forex currency markets, where participants can buy, sell, exchange, and speculate on currencies in the largest financial markets in the world, more than $5 trillion in daily transactions. Forex in- vesting carries substantial risk - as a form of derivatives trading;
- to purchase very short-term maturity sovereign debt securities (stand-alone individual securities, not funds), such as US Treasuries bills, a medium that the world over uses as liquidity, to stash cash between trades, during investment market volatility and when economic uncertainty is high, note the so-called slang term "flight to safety;"
- to fund daily trading activities for primary dealers, brokerage and institutional investment firms.
- for ultra-short-term overnight lending in repo markets, reverse repos and
- utilised by central banks to manage funds flow, interest rates and the like.

Warning of Changes in Money Market Mutual Fund Asset Allocations

Cash can also be held in money-market mutual funds invested in government securities, tax exempt municipal securities, and corporate debt securities. The small investors must be aware of the differences in investment asset allocation issued by fund managers.

Why? The investing world assumed (until the 2007-2008 US/global market crash) that money market funds were safe, in fact, some investors noted that they were guaranteed, which was never the case.

During that financial crises, there were breaking-the-buck events that occurred in some US (and global) money market mutual funds, where the ability to hold the NAV(net asset value) at $1.00 per failed due to liquidation runs on the funds - generating severe losses. Some money market mutual funds were forced to close their doors, including the first money market mutual fund established in 1971, The Reserve Primary Fund.

The result.

After the 2007-2008 financial crisis, the United States Securities and Exchange Commission amended regulations relative to the composition of money market mutual funds to make them more resilient to credit, interest and liquidity risks:

- Funds of government securities would endeavour to maintain the $1.00 net asset value. Such money market mutual funds are comprised solely of say, US federal government treasuries, called Government and Treasury money funds, more than 99% invested in same and fully collateralised.
- So-called prime institutional money market mutual funds (composed of various types of corporate debt securities, such as short-term unsecured commercial paper, less than nine months in maturity.) would now have a floating NAV, no longer maintaining a stable price value. The fund management would be allowed to assess liquidity fees and apply redemption gates - to stall future investor cash-out runs.

If you are purchasing money market funds, be very sure to read the entire prospectus as well as obtaining the most recent financial statements of the fund to ascertain that you are comfortable with the underlying asset allocations. Your financial representative should be able to assist you with this concern. If you are more conservative in nature, stick with US federal government treasury money market mutual funds.

Be careful of the terminology; do not confuse money market mutual funds with money market accounts.

Money market accounts are actually bank deposit accounts, not a collection of debt securities in Money Market Mutual Funds.

US Money market accounts are insured by FDIC in the United States.

Cross border caution. Money market mutual funds will generally, come under SPIC protection, but if you are an offshore investor with assets held in a nominee account, you may not have that protection.

Stocks. When and Where did stocks (shares) originate?

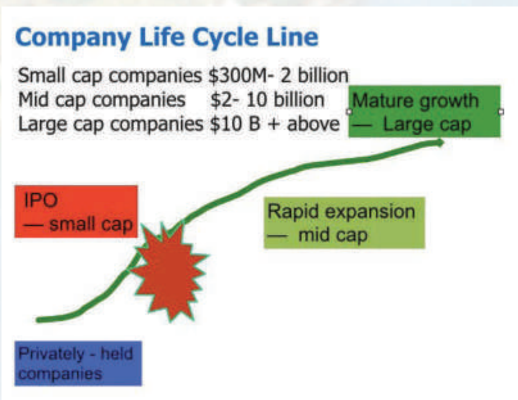
In the early modern 1700's period (after the so-called dark ages), the Dutch developed several financial instruments that helped lay the foundations of our modern financial system. The Dutch East India Company (VOC) became the first company in history to issue bonds and shares of stock to the general public, officially the first publicly-traded company to ever be actually listed on an official stock exchange. Source: Wikipedia: Public Company.

Stock ownership starts with the incorporation of company.

From tiny seedlings to giant oak trees, so it goes with the growth of a publicly traded companies. See our illustrative hypothetical Zina Pizzarina story below.

Millions of tiny private businesses, often with only one owner, start in someone's garage, home office every day. Once such a business incorporates, grows exponentially successful over time, the limited group of private owners/shareholders will elect to "open the doors" to the general public raising much needed capital for expansion, innovation, and infrastructure.

The upshot, the celebration of a growing industry is to "take the business public" in an IPO - Initial Public Offering - where shares held by a few private shareholders are expanded in numbers and offered for sale



to the public. And from that initial public launch, companies continue to grow!

Most of us know that a stock (share) is a percentage ownership (equity) of a company. Internationally, think company stocks like Toyota or Apple; domestically, we know Argus, BF&M, NTB, Ascendant (Belco), etc.

Yes, I know it is Ascendant (and recently sold), but we'll always remember the Bermuda Electric Light Company. 200 hundred shares of Toyota (out of more than 1.5 billion shares in circulation) means you have a tiny, tiny equity position; 200 equity shares of Ascendant, while still small, represents a larger ownership percentage out of 21+ million shares outstanding.

Stock ownership gives every shareholder common stock equity and certain company rights.

Stocks present in two formats:

- common stock having unlimited upside growth potential, while
- preference shares trade in a narrow value band and act more like bonds.

Stocks are classified by category / sector / country / industry / capitalisation and market valuation, growth, value, defensive, income producing, large cap, mid cap, small cap, penny and more.

Companies issue stocks for varying reasons.

First and foremost.

Stock ownership (in a micro company start-up) is aligned in proportions of original capital contributed by the first shareholders who decide to incorporate an unincorporated sole proprietorship or partnership business. An unincorporated business is not a stand-alone legal entity, completely detached from an owner, meaning that personal assets and responsibilities for liabilities can be claimed against the unincorporated owners. Additionally, if an unincorporated business owner dies, the company has to be wound up or sold to a new owner, difficult when the original owner has passed. Incorporation offers liability coverage, protection from creditors, and continued existence detached from primary or other shareholders.

Second and more: Companies issue stock in public offerings to

- Enhance cash liquidity at certain times
- Reduce outstanding debt
- Launch new products
- Expand into new markets, and countries
- Manage and grow infrastructure for future demand

Investing in stocks in a massive, voluminous global market is heavily dependent on investors and the companies' issuing stock, both large and small, participation. The largest players (owners) are financial institutions, retirement pension plan portfolio managers, hedge funds, mutual funds, and activist investors according to Zacks Stock Research.

Additional help - See also Individual Stock Selection Criteria Checklist in STEP TEN references section below.

Example of a paper stock certificate issued on December 30, 1903 to Goldsmith, Wolf Inc. for 10 shares @ $100 per share. The Baltimore and Ohio Railroad Company was the first common carrier and the oldest operating railway in the United States (1828-1987).
It merged with the CSX Transportation network that is still in operation today.

[Listen to thinking About stocks differently](https://tinyurl.com/yjg2oofe)

https://tinyurl.com/yjg2oofe

Step Ten (B) - Your Personal Investment Review
Bonds & Commodities

Bonds Are Debt, Not Equities

Bonds are debt, a much more sophisticated form of a loan legalised into a security that can be publicly traded.

Par value.

A bond, issued generally in $1,000 increments, is a promise at maturity to pay back the principal (and interest) as listed on the offering certificate (namely, 100% - in this case ($1,000 bond) regardless of the purchase price or trading prices thereafter. You, as a creditor, with your purchase, have loaned cash to a company, a state, a municipality, or a country in return for the interest consideration and repayment of principal.

Bond investors (you) have no ownership stake, no long-term appreciation, but generally, purchasing a high-grade credit rated bond of a country, say United States (or any G7 country: Canada, France, Germany, Italy, Japan, the United Kingdom), means safety and assurance that your principal invested will be returned to you.

Purchase price and non-correlation with par value

of a bond at issue may be exactly $1,000 (100%), but generally, is determined by market interest rates, fiscal strength and credit rating of the country or company issuing the bond. Note: Regardless of the purchase price, at bond maturity, you will receive the par value stated on the bond ($1,000) back - if, the country is considered a safe haven, high grade credit rating, and low investment risk.

A United States Treasury 30-year bond, or an Austrian government bond or an Argentinian government bond, regardless of the original issuance value or coupon interest rate listed, will command very different prices in secondary trading markets.

At February 2020, for instance, a US 30-year bond or the Austrian bond price (the premium) will be significantly higher than par value due to very high credit ratings and country fiscal strength. The Argentinian government bond on the other hand is selling at an enormous discount to the par value of 100% as there is significant doubt that any investor will receive their entire principal, if any, returned to them.

See Chart comparison between Austrian (high grade) and Argentinian bonds (almost junk) below.

Bond Coupon Rate

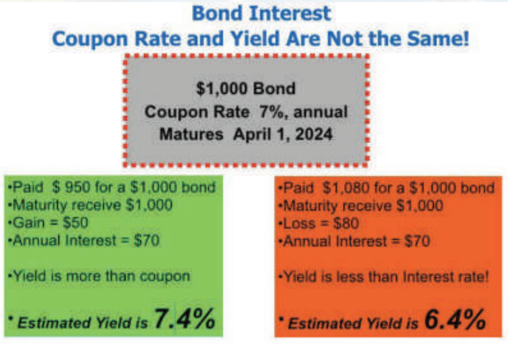
is the annual rate of interest to be paid, generally, in two semi-annual payments. The coupon rate does not change, but the yield on the bond will. See the example of a US 30-year Treasury bond below.

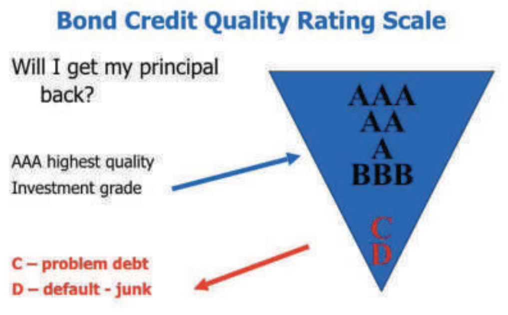
Bond Credit Ratings

Bonds are given credit ratings by rating agencies - actually, the issuer of the bond receives the rating. Great sovereign debt and fiscally sound companies will receive "investment grade" ratings from Triple AAA to Triple BBB, anything below that is considered higher risk downward to CCC to D - default. See chart below.

Bonds have An Inverse Relationship of Price to Yield

Bonds prices have an inverse relationship to capital market interest rates. When overall market interest rates climb, current bond prices decrease while yield increases. Conversely, when interest market rates decrease, bond prices climb, and existing bond yields drop.





In times of severe market stress as during the first and second quarter of 2020, safety and liquidity were the highest concerns. Triple AAA bond prices climbed astronomically in investor flight to safety while those below Triple BBB did not fare well, losing credit quality - some reclassified to CCC and D- junk.

Bond investors (you) never own any part of a company - you are just a creditor. You have no ownership stake, no long-term appreciation, but if you hold a high-grade bond to maturity, while not guaranteed, you will receive the principal back.

Ex above: United States 30-year bond certificate issued November 16, 1981 at 14% coupon interest rate and $1000 Face Value with a maturity date of November 15, 2011.

Imagine! this interest rate of 14% covered the total cost of the bond in 5.14 years using the Rule of 72 - a terrific investment during a time of high inflation in the US.

Today's environment - 30 year - bond interest rates are in the 2.5%-3% range with even lower yield!

Ah, the good old days….

Bonds have a definitive redemption date and may be called before maturity.

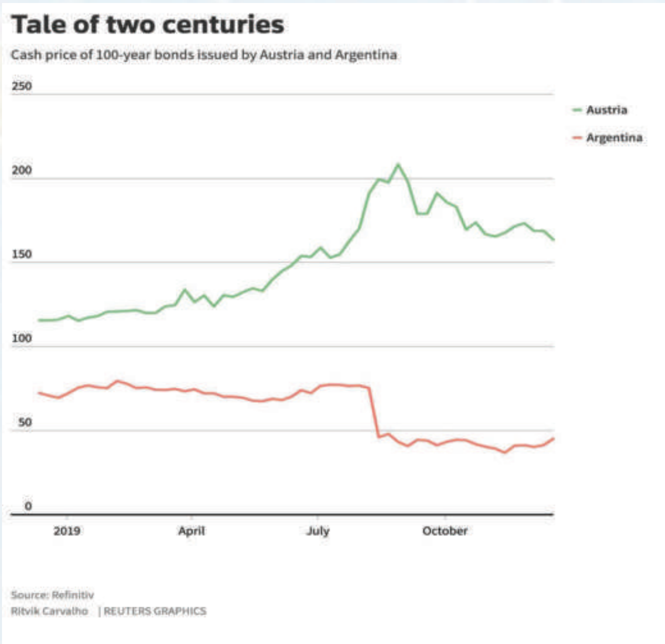
- Bonds may offer a convertible-to-stock feature, as well as a built-in put strategy. These are more complex strategies to be explored fully in The Bermuda Islander New Investment Primer - Book Two.
- High-grade bonds are considered less risky than stocks and are considered a portfolio diversification with a smoothing effect as bonds values, generally, are non-correlated with equity prices. When equities across the board tank, bond prices (high grade) generally, rise.
- High Credit Grade bonds (AAA) are considered a safety net in tumultuous market conditions, political uncertainty, defensive investing, and so on. Then, investors sell out of more risky assets and buy high grade (US Treasuries considered the safest) driving up the prices (way up at times) - the bond yields drop in this case, too. Interest rates have little influence in frothy investment markets; it becomes a flight to safety - where in the most basic sense, the investor knows that he/she will reduce risk and get all (or most) of his investment back.
- Low Credit Grade bonds (CCC) trend exactly the opposite. The more concern investors have about the ability of a country (or other entity) to repay the bond principal, the lower the asking price of the bond and the higher the yield.

Comparing High-Grade Bond versus Low-Grade Bond High-Yield pricing.

Let's look at the example of the price differences between a 100-year bond of the Austrian government and the Argentina government as trading in secondary bond markets.

The Austrian bond is selling at more than 50% above its issuance price est. 150%, while the Argentina bond could not command close to 100% at original issuance and is now selling (if anyone will buy it) at a discount of around 60% of original value.

By the way, the Argentina bond has a much higher interest rate, than the Austrian bond, but the price is significantly below par, and is worth far less.



This chart is a perfect example of why investors flee to low risk, low interest rates, high grade bonds - for safety and the assurance that they will get their interest and principal back.

Argentina has defaulted on their government debt more than eight times in the last 100 years - not a good track record especially for beginning investors. And yet, investors will continue to purchase such bonds because of the lure of high interest rates.

See also Bond Characteristics Checklist in STEP 10 references section below.

Bermuda Government Bond Offerings (one example)

Our Bermuda government has issued numerous bonds listed in capital market exchanges (including the Bermuda Stock Exchange). We, the people resident in Bermuda, through our taxes are responsible to pay the interest on these bonds and at maturity (or before) return the original principal to the foreign investor creditors.

One Bermuda Government bond offering listed on the Bermuda Stock Exchange, and the Luxembourg SE is shown below. The listing notes that a US$665million long 10-year bond offering was oversubscribed - with the proceeds reducing higher bond interest offerings and a 200million guarantee to Butterfield Bank. Net debt was increased by USD189Million. http://cbonds.com/emissions/issue/268017

Government of Bermuda - 3.717% Senior Notes - Due 25 January 2027 - RegS

Listed Since: 2016/10/19.

Currency: BMD

CUSIP: G10367AD5.

ISIN: USG10367AD52

Offered in $200,000 increments

The net proceeds will be used by the Government of Bermuda ("the Government") to

i. fund the deficit for the current fiscal year (assumes 2016-2017),

ii. to repay US$200,000,000 of obligations under the credit facility with Bank of N.T. Butter-field & Son Limited and

iii. to pay the purchase price to holders of 5.603% Notes due 2020 and 4.138% Notes due 2023 that are validly tendered and accepted to be purchased by the Government pursuant to the terms of a partial cash tender offer being conducted by the Government concurrently herewith.

The notes will mature on January 25, 2027, unless earlier redeemed. The Government may redeem the notes, in whole or in part, at any time by paying the greater of the outstanding principal amount of the notes and a "makewhole" amount calculated by the Government. In addition, the Government may redeem the notes, in whole or in part, at any time on or after October 25, 2026 (three months prior to the maturity date of the notes) at a redemption price equal to 100% of the principal amount of notes to be redeemed, plus accrued and unpaid interest.

The notes have not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any other jurisdiction.

The notes will be offered only to qualified institutional buyers in the United States under Rule 144A of the Securities Act and to persons out-side

the United States under Regulation S of the Securities Act.

The Notes will also be listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market.

Commodities.: Economic Soft and Hard Goods

Commodities (gold, silver, crops, metals, livestock, oil, property, land, etc.) available on futures market trading platforms are more complicated, more volatile, often hedged or leveraged, and not as easy to understand, manage and obtain.

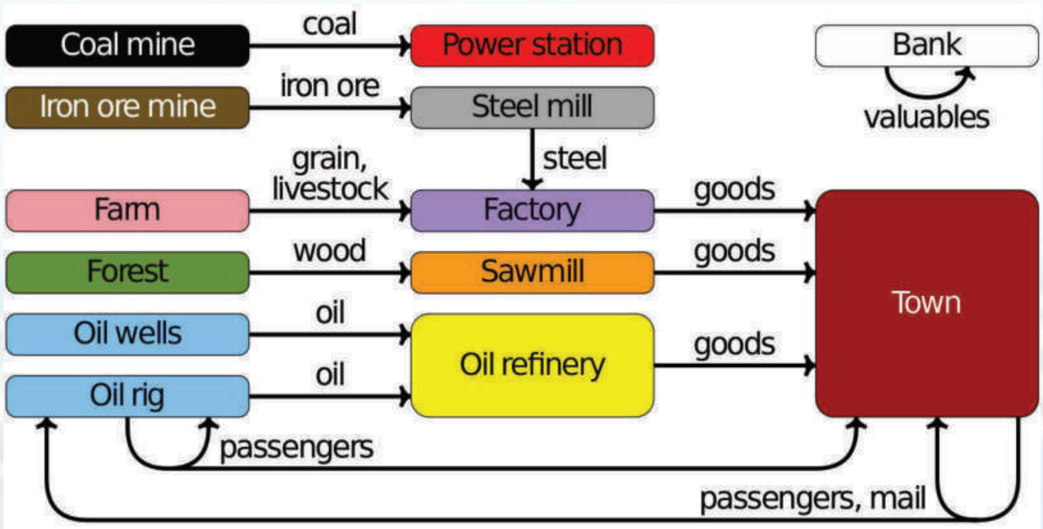
Interestingly, commodities were routinely traded thousands of years (witness the gold present in ancient civilisations) before stock and bonds markets - a fact that makes sense when you consider the types of commodities and their essential functions in everyday life: energy, food, metals, and so on.

Commodities can be found supplied by companies, e.g. Exxon, DeBeers, and are also traded heavily with the use of futures and options contracts, ETFs, mutual funds (mining companies) and index funds. Commodities are usually considered a hedge against inflation, volatility, currency devaluation and the like. However, commodities themselves can be volatile: oil production down due to geographical conflicts and trade wars (currently in March 2020), agriculture products affected by natural calamities and unpredictable weather patterns and so on.

A beginning investor may wish to avoid these products until the individual is comfortable with investing concepts, including the many investment risks.

That, of course, does not translate when one has the ultimate goal of owning property, one’s own home! A personal investment, to be sure, rather than a capital market choice, but very, very important to an individual and family’s wellbeing.

List



Simple Commodities Flowchart commons.wikimedia.org

The Balance: Why Are Commodities More Volatile Than Other Assets? Andrew Hecht, Updated December 12, 2019

Commodities: Basics, Research, Metals, Energy, Grains, and Others

How Commodities Trading Affect Food Prices

All articles available at www.thebalance.com

Listen to Bonds and credit quality

https://tinyurl.com/yhjljjor

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

C. Overview Introduction to the First Bermuda Investment Primer - Book Three

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 Bermudian family - the Smiths and their matriarch -

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 formalised legally as a private corporation with each family member owning a percentage of the stock issued.

Their ultimate long-term goal is to take their Bermuda company "public," offering shares for sale to all Bermuda Islanders - a chance to own a "Piece of De Rock!"

Their full story and Introduction to Book Three of the Bermuda Islander Fundamental Financial Planning Primer - The New Bermuda Investment Primer, published date estimates late summer 2022.

Read on.

We introduce the one and only famous Zinnia and her Pizzarina Business Plan. We will tie in her financial 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 Book Three, the family will be featured in further parallel articles, loaded with information that look at finances in Bermuda, our economy, investing 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 successful, enjoy our lives, love our families, and build relationships with our community. You may not think so, but dear readers, it is ordained in the stars.

THE ORIGINAL IDEA TO START A BUSINESS.

The Illustrative Zina 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 constantly in motion. Everyone pitches in to produce traditional family favourites: mac n' cheese, cassava pie, peas n' rice, chorizo soup, bread & rice pudding, cheese biscuits, paw-paw montespan, papaya chutney, hot ginger / loquat jam, homemade pizza, you name it.

Zinnia and her family are fabulous cooks. So good, everyone says they should open a business. So, recently, 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.

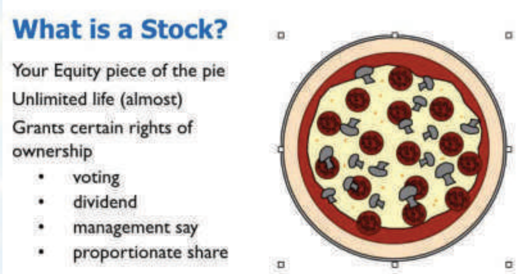
They have decided to start up a take-out / home-produced pizza business. They will put this plan into action, working at night after their day jobs!

They come up with a name. ZINA'S PIZZA- RINA™ (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 determined drive to succeed!



Word spreads rapidly; popularity is immediate, gratifying, and quickly moves them toward financially stability. But, the whole family is working non-stop at day-jobs, night time with the home business. Exhaustion is setting in; a coherent, coordinated 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 Zinnia, 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 financing.
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 grand-children.
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.

D. What Is in Your Personal Investment Portfolio?

An 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, pandemics, and so on.

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

> 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.

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 Borders Step Eighteen below.

What is the risk of working with relatives? You hire your brother-in-law's friend to sub-contract 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 person there seems to be another individual just as irresponsible; he abdicates the job. You think that relationship 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 determining 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 level."

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 investments 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

See the Dalbar Quantitative Analysis of Investor Behaviour December 2020 CHART below. from the 2021 QAIB Report

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 up-trends can affect personal psyches. You may start to lose confidence in your investment choices, at some point capitulating and selling good investments at losses.

The chart below - Dalbar Quantitative Analysis of Investor Behaviour has tracked the investment returns of average investors in the United States versus the equity S&P 500 and Barclays Aggregate Bond Index for 30 years.

You can see the difference in the average investor's performance versus the comparable indexes where consistently the average investor has underperformed the market as much of this difference may be attributed to emotional decisions.

Much of this difference may be attributed to emotional decisions.

	Average Equity Fund Investor (%)	Average Fixed Income Fund Investor (%)	Average Asset Allocation Fund Investor (%)	S&P 500 (%)	Bloomberg-Barclays Aggregate Bond Index (%)	Inflation (%)
30 Year	6.24	0.45	2.62	10.70	5.86	2.25
20 Year	5.96	0.57	2.89	7.47	4.83	2.05
10 Year	10.23	0.73	4.90	13.88	3.84	1.77
5 Year	12.31	1.40	6.12	15.22	4.44	1.95
3 Year	10.37	1.61	4.48	14.18	5.34	1.86
12 Month	17.09	3.09	6.13	18.40	7.51	1.36

 Past performance is no guarantee of future results. 7

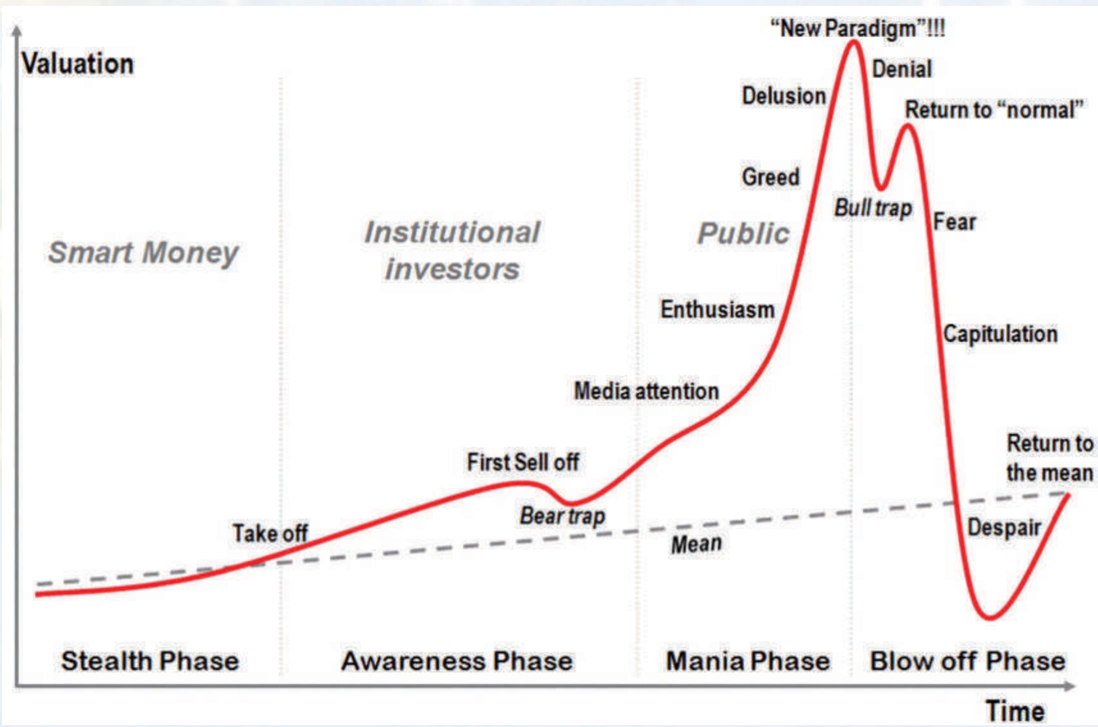
Emotions in Uncertainty are Hard to Control

The Fives States of (an Investment) Bubble is a telling picture of average investors' range of emotions in times of market volatility and uncertain, giving meaning again to the observation, "chasing performance, buying at the high valuation and selling at the low."

In 2008, Rodrigue achieved notability with his model of economic bubbles, charting four "phases of a bubble". While the "smart money" has purchased during the earlier "stealth phase", institutional investors begin to buy during "take off". Following media coverage, the general public begins to invest leading to steep rise in prices as "enthusiasm" and then "greed" kick in.

"Delusion" precedes the peak."

The chart was widely syndicated during the late-2000s financial crisis.
Jean-Paul Rodrigue (born July 20, 1967) is a Canadian scholar of transportation geography. He has a PhD in transport geography from the Université de Montréal (1994) and has been part of the Department of Global Studies and Geography[1] at Hofstra University in Hempstead, New York, since 1999



2008 Jean-Paul Rodrigue permission at Wikimedia Commons

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.

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 volatility 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 below 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 upheavals.
- 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.

How do you feel emotionally when market valuations are all over the place in a downturn?

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

 # 4 - is NOT a good market strategy

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 yield on US 10-year Treasury is around 1.5%. Thus, depending upon your risk tolerance and remaining finances, anything above the risk-free rate will provide higher returns, but at a higher risk of loss of investment.

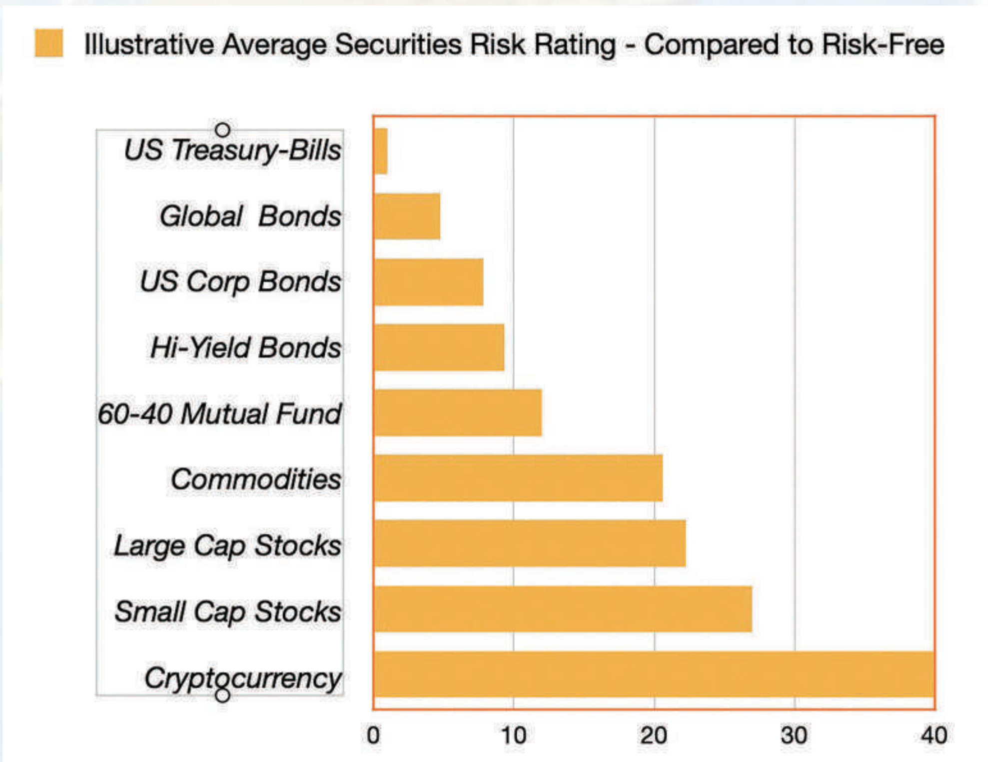
Risk Return reward chart by Martha Harris Myron.

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 average 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.



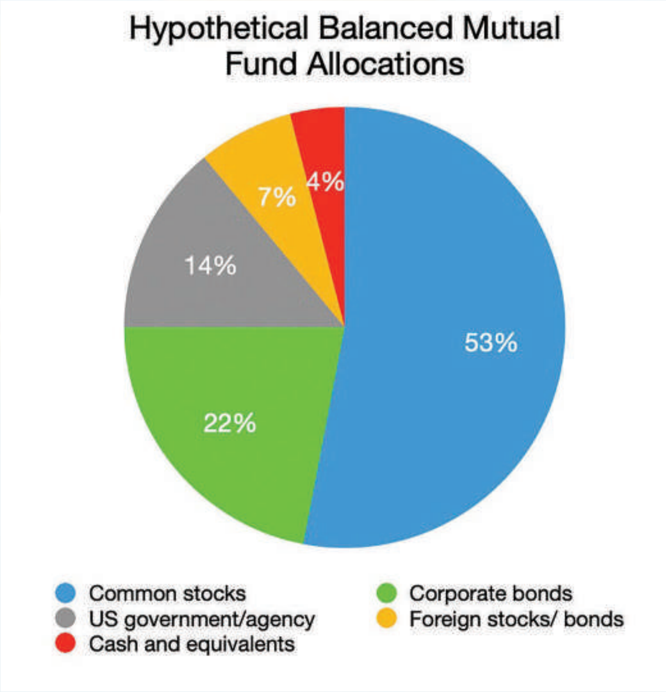
Mutual Fund Structures and Choices

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 differently.

A beginning investor may feel more confident purchasing a fully diversified mutual fund, either actively 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 underlying securities.

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, THE ABOVE CHART is a simple example diagram of a typical balanced mutual fund asset allocation, ASSEMBLED by the author, for illustrative purposes only.

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.

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.

References & Resources

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

Starting up a business: The Pizza Delivery Business Plan

http://www.bplans.com/

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

Real Investment Advice Survival Guides

See more on FinancialSamurai historical returns of different stock and bond portfolio weightings.

Learn to Earn: A Beginner's Guide to the Basics of Investing and Business by legendary 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 77) 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 on-line), 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

Courtesy of NEFE National Endowment for Financial Education

Investing: How It Works

Determine 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

Kiplinger: The Psychology Behind Your Worst Investment Decisions by: Katherine Reynolds Lewis July 22, 2021

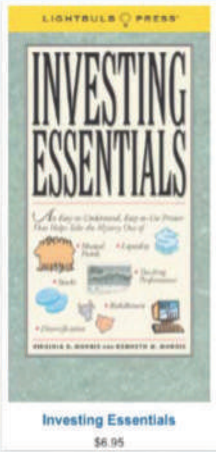
Listen to your personal investment review

https://tinyurl.com/yh394ehz

The Investing Educator

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 statement - 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
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, high fees can affect performance
-three years	Look for consistency in returns
-five years	You don't want a one hit wonder where it only had one good year, the rest poor
-ten years	return one year, and 9 years of losses - remember how average return math works!

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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 on cashing out, 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.
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, generally on a quarterly basis, e.g. annual/four
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 custodied in-house 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	Generally, stated alongside beta, standard deviation, and compared to other like-type funds.
Consistency of performance	How stable the performance over time, somewhat in line with peers, or volatility high - when fund is stated as conservative, for instance
Volatility	Fund fact sheet should list volatility - Beta - compared to the market.
Rebalancing frequency	How often does portfolio manager rebalance securities in line with the investment policy, e.g. conservative, balanced, etc.
Leverage used	Some funds employ leverage by borrowing against the security values to enhance performance. High leverage increases losses in a down market.
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 and investment risk profiles.
1-	The top ten holdings are used in various ways:
2-	- see the percentages of each position relative to concentration of risk
3-	- compare to investment policy to ascertain any style drift
4-	- compare against other mutual funds - if the same or different holdings
5-	- positions are ranked by their market value to the rest of the fund
6-	- top ten can be equities, other funds, ETFs, bonds, etc.
7-	- heavily concentrated top ten holdings can outperform in a up-market
8-	but may show greater losses in a down-volatile capital market
9-	
10-	