## Learning Objectives

In this unit, you will learn:

1. How to make and answer a phone call politely in the working place
2. How to talk about investment in funds with a client

## Introduction

A mutual fund is a professionally managed type of collective investment scheme that pools money from many investors and invests typically in investment securities (stocks, bonds, short-term money market instruments, other mutual funds, other securities, and/or commodities such as precious metals). The mutual fund has a fund manager that trades (buys and sells) the fund's investments in accordance with the fund's investment objective.

There are many types of funds. The following types are based on investment targets.

1. Stock Fund: A stock fund or equity fund is a fund that invests in equities more commonly known as stocks. Specific equity funds may focus on a certain sector of the market or may be geared toward a certain level of risk.
2. Bond Fund: These funds specialize in the fixed-income

sector.

3. Balance Fund: A balance fund buys a combination common stock, preferred stock, bonds, and short-term bonds, to provide both income and capital appreciation while avoiding excessive risk.
4. Money Market Fund: This type of fund invests only in money markets. These funds invest in short term (one day to one year) debt obligations such as Treasury bills, certificates of deposit, and commercial paper. Money market funds are very liquid investments, and therefore are often used by financial institutions to store money that is not currently invested.
5. Hedge Fund: Hedge funds are vehicles that allow private investors to pool assets to be invested by a fund manager. They typically are open only to wealthy or institutional investors. It is allowed to use aggressive strategies that are unavailable to mutual funds, including selling short, leverage, program trading, swaps, arbitrage, and derivatives. Hedge funds are exempt from many of the rules and regulations governing other mutual funds, which allows them to accomplish aggressive investing goals.
6. Exchange-Traded Fund: ETF is a fund that tracks and indexes, but can be traded like a stock. ETFs always bundle together the securities that are in an index; they never track actively managed mutual fund portfolios

(because most actively managed funds only disclose their holdings a few times a year, so the ETF would not know when to adjust its holdings most of the time).

7. Sector Fund: A mutual fund which invests entirely or predominantly in a single sector. Sector funds tend to be riskier and more volatile than the broad market because they are less diversified, although the risk level depends on the specific sector. Some investors choose sector funds when they believe that a specific sector will outperform the overall market, while others choose sector funds to hedge against other holdings in a portfolio. Some common sector funds include financial services funds, gold and precious metals funds, health care funds, and real estate funds, but sector funds exist for just about every sector.
8. Funds of Funds: Funds of funds (FoF) are mutual funds which invest in other mutual funds (i.e., they are funds composed of other funds).
9. Capital Guarantee Fund: It is an investment vehicle offered by certain institutions that guarantees the investor's initial capital investment from any losses. Even though these products prevent investors from losing their invested capital, they also limit the amount of return that investors can obtain if the investments appreciate. This is how the offering institutions can afford to guarantee the principal of investment.

There are other types of fund categorized according to the invested regions:

1. Domestic Fund: Domestic funds invest in all kinds of securities issued in Taiwan.
2. Global Fund: Global funds invest in all kinds of securities issues around the world such as global stock funds and global bond funds.
3. Regional Fund: There are funds that focus on specific regions such as emerging markets, Greater China, and BRICs (Brazil, Russia, India, China).

People can invest in funds in two ways: purchasing in one go or following a systematic investment plan (SIP). A Systematic Investment Plan is a vehicle offered by mutual funds to help people save regularly. It is just like a recurring deposit with the post office or bank where people put in a small amount every month. The difference here is that the amount is invested in a mutual fund. The minimum amount to be invested can be as small as NT$3,000 and the frequency of investment is usually monthly or quarterly.

## Conversation

Lily is a financial associate working in a bank. She tries to help a potential client, Steve, to plan his investment.

### Task 1

### Initial Contact by Making a Telephone Call

Lily answers a phone call from Steve who enquiries about investing in funds. They make an appointment to meet at the end of the call. Listen to the dialogue and fill in the blanks.

**Topics**

Mutual Fund Definition; Investment Risk

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| Lily: | Good morning ! This is Lily Wong at ABC Personal Banking Service. How may I help you? |
| Steve: | Good morning, Ms. Wong. My name is Steve White. I am calling to enquire about investment in mutual funds. |
| Lily: | I see. Mr. White. It'll be my pleasure to provide you any |