



TIME HORIZON LESSONS
Recommended for Grades 6–8

**MONEY
CONFIDENT Kids**

Presented by **T.Rowe Price**

Diversification

LESSON 10

Mutual funds offer some built-in diversification because they have more than one stock in them; however, there are many different types of mutual funds, and it's important to understand what types of investments they hold.

Objective

To help kids evaluate how the concept of diversification can reduce investment risk when economic or other events hurt a particular industry or company

1 Complete the “Can This Portfolio Be Saved?” Activity Sheet and review the different scenarios. Consider how each portfolio can be more diversified among various industries to help minimize risk.



Diversification Mix



Industries

Stocks from different industry sectors

Sometimes events happen that help or hurt almost all of the companies in a specific industry. For example, if the price of oil declines, many stocks in the oil industry could suffer.



International and Domestic

International stocks and domestic stocks

Consider a mix of companies based in the U.S. and other countries.



Different-Sized Companies

Stocks of different-sized companies

It's good to have a mix of funds with the stocks of small, medium-sized, and large companies.

All investments are subject to market risk, including the possible loss of principal. Diversification cannot assure a profit against loss in a declining market.

Company names included for illustrative purposes only and do not represent a specific investment.

Name _____

Can This Portfolio Be Saved?

Diversified Portfolio

As an investor, you want to make sure that your stock portfolio is adequately diversified.



The stock portion of three different portfolios is presented on the right.

The stocks in the companies they own are not spread out among different industries and don't have a good mix of domestic and international companies or a mix of small, medium-sized, and large companies.

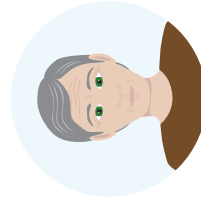


Directions: Review the portfolios and consider how they can be more diversified among different industries. Now go to the next page and find a list of recommended stocks to pick from.



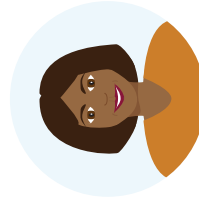
Ms. Mehta

Company	Industry	Size	Domestic or International
LMN Pharmaceutical	Health Care	Small	Domestic
NVM Bank	Financials	Large	International
JL Therapeutics	Health Care	Small	Domestic
Magnum Bank	Financials	Large	Domestic
GR Biomedical	Health Care	Medium	Domestic



Mr. O'Connell

Company	Industry	Size	Domestic or International
Magnum Bank	Financials	Large	Domestic
Gilmore Systems	Technology	Large	Domestic
Ledman Applications	Technology	Large	Domestic
TLT Dynamics	Technology	Large	Domestic
GR Biomedical	Health Care	Medium	Domestic



Ms. Jackson

Company	Industry	Size	Domestic or International
LLL Electric and Gas	Utilities	Medium	Domestic
TLT Dynamics	Technology	Large	Domestic
Giant Manufacturing	Manufacturing	Large	International
YY Products	Consumer Goods	Small	International
Northwest Gas	Utilities	Large	Domestic

Name _____

Can This Portfolio Be Saved?



Diversified Portfolio

Directions: Use the Recommended Stock List to help diversify the portfolios on the previous page. Consider substituting up to three stocks in each portfolio to make sure that their investments contain stocks in different industries.



Remember, having a mix of stocks helps minimize the risk of losing money because your investments are spread over several industries.

(Continues on next page)

RECOMMENDED STOCK LIST

Company	Industry	Size	Domestic or International
NVM Bank	Financials	Large	International
Overlord Exploration	Energy	Small	Domestic
LLL Electric and Gas	Utilities	Medium	Domestic
Samson Development	Real Estate	Small	Domestic
Giant Manufacturing	Manufacturing	Large	International
Peter Networks	Telecommunications	Medium	Domestic
GR Biomedical	Health Care	Medium	Domestic
Crown Mining	Materials	Large	Domestic
TLT Dynamics	Technology	Large	Domestic
YY Products	Consumer Goods	Small	International



These are the changes I would make to each person's portfolio (explain your thinking):



Ms. Mehta
