

1. Why do corporations issue stocks? Why do investors buy that stock?

Corporations issue stock due to many reasons, mainly, the corporation is raising fund for the company which may not have enough budget on new projects or expanding their company. By issuing stocks the company do not have an obligation to pay back the money or interest like bonds or borrowing loans from banks, even paying dividend is also not an obligation it depends on each corporation decision. Thus, the company can use their fund liberally. However, by issuing stocks the firm will have to give some rights or voting rights to their investors or shareholders. That is to say, the investor who buys the share will have the right to vote some actions, which affect the company's growth. The investors have a claim on a company and basically get returns from buying a particular stock. Returns can be both dividends and capital gain, that is to say, if the company makes profit in that particular year it may pay out some part of it profit to shareholder as a dividend or if the company is growing in value term which will push up the price of the stock, the investors can get benefit from speculating by selling their share when the price rises and make a capital gain from it.

2. How do interest rates in the economy affect the price of a corporate bond?

Since the basic knowledge of bond is that an inverse relationship between markets interest rates and the prices of corporate bonds. When interest rates move up, bond prices go down, vice versa. Thus, interest rate in the economy is one of factors that can influence the market interest rate. So, when the interest rates in the economy change, a bond's coupon rate, which is fixed, becomes more or less attractive to investors. If interest rates rise, the yields bonds provide at a given price become less attractive, demand for the bonds decline and creating a drop in prices. Bond prices tend to price to the amount that it would make the investor feel indifferent between buying the new issued bond which offer higher coupon, or buying our old bond which offer a lower coupon. The investors will mainly compare their returns from many investments, if a current one is going bad and there is a channel to move to more beneficial one then they would go for it and this will create a drop of a current one's demand and vice versa.

3. How important is the investment objective as stated in the fund's prospectus?

The investment objective, which is stated in the fund's prospectus, is the goal of each particular fund. It tells you that this fund suits you or not. Before buying or investing in some mutual funds you as an investor must know your style and goal from this investment first, whether you want long-term capital appreciation, growth and income, income and preservation of capital, or a current income. Thus, investor must clearly decide what they really want for. The investment objective will help an investor choosing the types, which is depending on a stage and status or current situation of one's life.