Name________________________________

DIVERSIFICATION ASSESSMENT

MONEY CONFIDENT Kids™

Presented by T. Rowe Price®

Show What You Know

5

You don't want your financial future to be dependent on a single investment. You've learned the concept of diversification as a strategy to reduce the risk of your investments losing value when negative events hurt a particular industry or company.

1. You have worked for a popular social media company for 15 years. During that time, you participated in the company's **share ownership plan** and the value of your account now totals $600,000. This represents 80% of the value of your total investments. The company is doing very well and expects to do well in the future. Are your investments diversified? Explain the risk in this scenario.

____

____

____

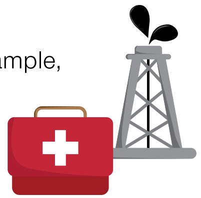
2. What types of shares should you consider owning to help you diversify your investments?

   a.) Large, medium-sized and small companies

   b.) Domestic and international companies

   c.) Companies in a variety of industries; for example, health care, energy, technology, etc.

   d.) All of the above



3. Why might an investor want to own shares in companies located outside Australia?

____

____

Answer Key: See next page.

Name________________________

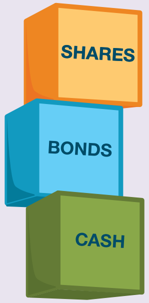
DIVERSIFICATION ASSESSMENT

MONEY CONFIDENT Kids™

Presented by T. Rowe Price®

Show What You Know

5



4. Why is it important to diversify your investments?

____

____

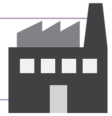
____

5. Why should an investor consider buying a managed share fund rather than buying the share of a single company?

____

____

____



Answer Key: (1) The portfolio is not diversified, hence some of the shares should be sold so that managed funds in many types of companies can be purchased; (2) d; (3) To diversify. If the Australian economy slows, economies of other countries might be picking up and the shares of companies based overseas might be better performers; (4) To reduce risk. (5) If someone invests in one or even just a few shares, then if those companies go bankrupt or lose value, the investor can lose a tremendous amount of money.