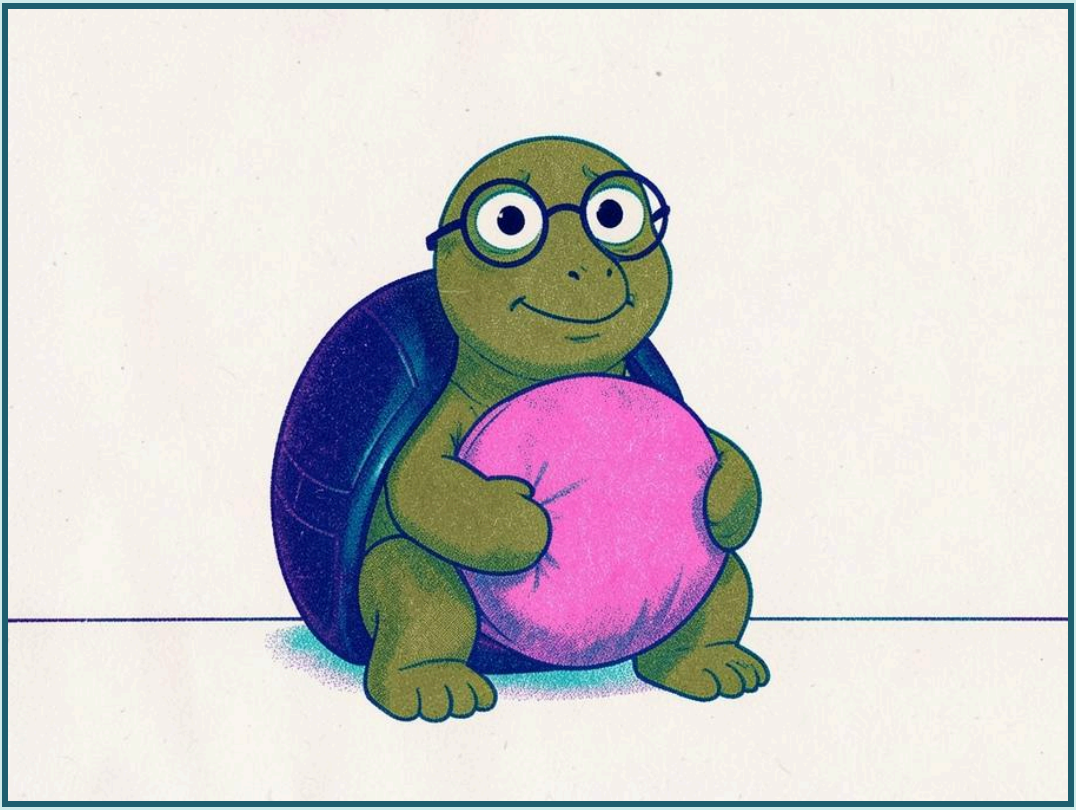
AGNES AND THE SHRINKING WHOLE



FundOpsHQ

A story about the denominator effect



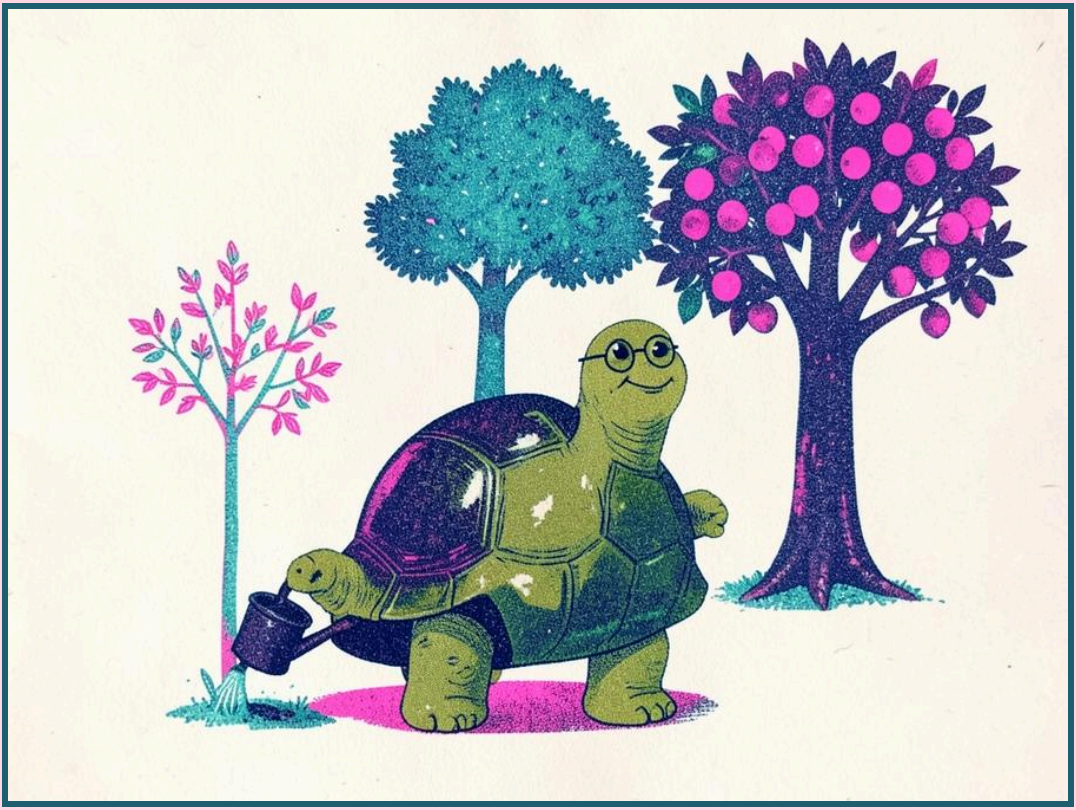
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Agnes the tortoise looked after the savings of the valley's ferry crews, so there would be coins for them when they grew old. She cared for 100 coins.



She kept 80 coins in shares of big companies, traded every day, and 20 in private funds that owned farms and mills for years. Her plan said private should be a fifth.



Each year she promised coins to a few new private funds, so some were always starting, some growing and some paying back. That was her pacing plan.



Then one autumn, share prices fell hard. Her 80 coins of shares were now worth only 60.



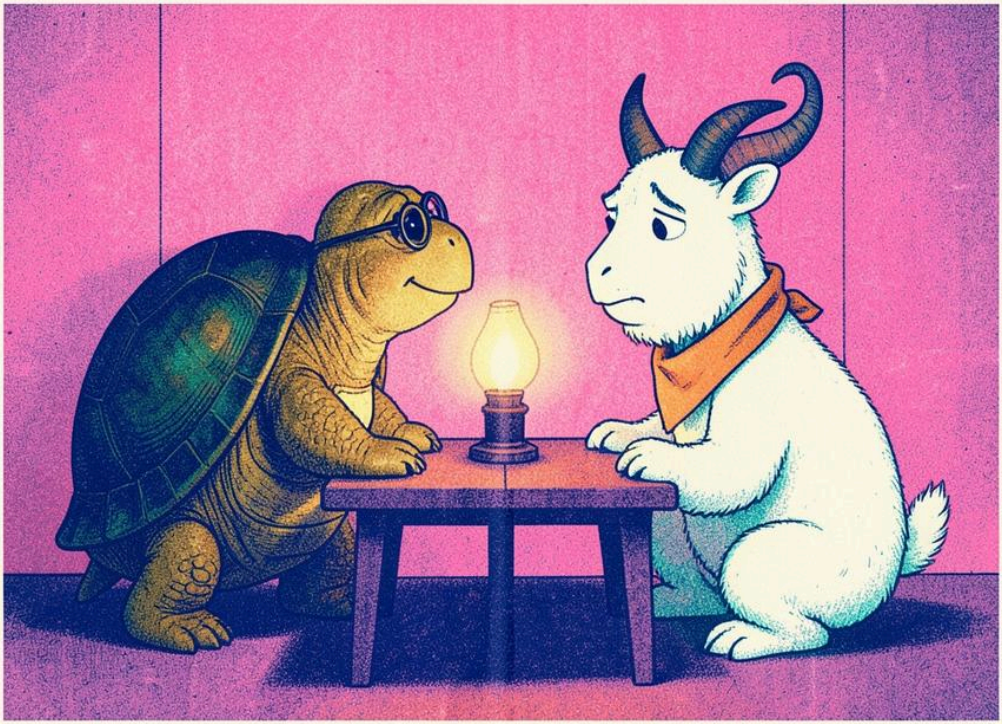
Her private funds still said 20. Their worth was counted only every few months, and the counts came in late, long after share prices had moved.



Now she had 80 coins in all, and 20 of them were private. That was a quarter, not a fifth. Nothing in the funds had changed, but their part of the whole had grown.



This is called the denominator effect. The whole is the bottom number of the fraction. When the whole shrinks, the same part looks bigger.



Cedric the goat, who sat on her committee, was worried. "We are over our plan," he said. "Should we sell some of our private funds?"



Agnes thought slowly, as she always did. A part of a private fund sold in a hurry, in a falling market, usually goes for less than it is worth.



"Let us not sell in a hurry," she said. "This year we will promise less to new funds, and we will keep every promise we have already made."



She kept coins ready, because the funds she had already promised would still call for them, in good years and bad.



In two years, share prices came back. The late private counts dipped a little, the whole grew, and the private part slipped back close to a fifth, with nothing sold.



"We kept our promises, and we sold nothing in a hurry," said Cedric. Agnes smiled. "Steady," she said, "is how savings last."



A NOTE

The words in this book are real ones, explained simply. The animals and examples are made up, and real terms vary from fund to fund. It is not advice. The pictures were drawn with an AI image model and checked by hand.

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