INTRODUCTION TO MUTUAL FUNDS.

WHAT ARE MUTUAL FUNDS?

Mutual Fund (also known as a unit fund) is made up of money pooled from multiple investors and is managed by professional investment managers to meet an investment objective. Investors own units (or shares) which represent a part of the mutual fund’s portfolio holdings. Mutual funds invest in stocks, bonds, or other securities according to each fund’s objective.

WHO MANAGES THE MUTUAL FUND?

Mutual Fund is managed by a group of professional fund managers guided by an investment philosophy laid out in the fund prospectus. The fund manager makes the decisions on what and when to buy and sell assets.

WHY INVEST IN MUTUAL FUNDS?

Professionally Managed

While diversification is important in your investments, individual investors sometimes face the challenge of high minimum investment amounts when trying to do so across multiple asset classes. Buying units in a mutual fund is an easy way to diversify your investments across various asset classes, geographies, and strategies. This way you will not have ‘all your eggs in one basket’.

Affordability

Mutual Funds invest money pooled together from multiple investors. This allows each investor to achieve diversification with lower investment amounts. With very small amounts, you can buy into a very large Mutual Fund.

Liquidity

Most Mutual Funds offer daily subscriptions and redemptions, thereby providing regular access to your funds.

Wider Range of Solutions

Different investors have different goals. Mutual Funds offer a wide array of strategies that can cater to different investors allowing them to achieve their personal financial goals.

TYPES OF MUTUAL FUNDS

Fixed Income (Bond) Funds

A Fixed Income fund is one that invests primarily in debt instruments such as government bonds or corporate bonds that aim to provide a regular rate of return. Fixed Income funds generally pay a return on a fixed schedule, though the amount of the payments can vary. Investors may consider this type of fund due to their potential for income generation and capital preservation.

Equity Fund

An equity fund is a fund that invests primarily in stocks. The objective of an equity fund is generally to seek long term capital appreciation. These types of funds may focus on certain sectors of the market or may have a specific investment style such as investing in value or growth stocks.

Balanced/Multi Asset Funds

A multi asset fund generally invests in a mix of equity and fixed income securities. These funds can offer investors instant diversification across asset classes and a balanced approach to investing.

Alternative Funds

Alternative Funds offer greater sophisticated investment instruments. As these strategies are complex in nature, they are not available to our Retail and Priority customers.

RISKS

Knowing the investment risks associated with each investment is important. When you invest in a Mutual Fund, you should receive a factsheet and prospectus which details the risks involved. Some examples (non-exhaustive) are:

Investment Risk – As with any investment, your investment value and dividends may go up or down.
Foreign Exchange Risk – You should be aware that your investments can be negatively affected by foreign exchange risk if you hold unit trusts/funds that invest in assets denominated in foreign currencies.