

# Mutual Funds Explained

## **MUTUAL FUNDS EXPLAINED**

A Mutual Fund is a type of a financial vehicle or a financial product that investors use to gain positive returns. The Mutual Fund is made up of a pool of money collected by the unitholders or investors and that money is used to invest in investment securities like shares, money market instruments, bonds, real estate and many varied other asset types. A Mutual Fund is usually managed by a professional money manager. The money manager's responsibility is to allocate the Fund's assets and attempt to produce positive returns through capital gains and income. A Mutual Fund's portfolio is organized and maintained to meet the investment objectives stated in the prospectus.

## **There are two types of Mutual Funds:**

### **Open Ended Funds**

An open-ended mutual Fund will issue new shares and accept new subscriptions at any time. Therefore, the total number of shares in issue would never be fixed and would change depending on new subscriptions and redemptions.

### **Closed Ended Funds**

A closed-ended mutual Fund will not issue new shares and accept new subscriptions. Instead, an existing investor would have to sell their shares to the potential new investor. Therefore, the total number of shares in issue is fixed at all times.

## **Types of Mutual Funds**

- Money Market Funds- A Fund that is invested in liquid short-term securities like deposits, CDs etc. These funds are very liquid.
- Fixed Income Mutual Funds- A Fund that is mainly comprised of bonds and other forms of debt securities. The securities are longer and less liquid than a money market fund
- Equity Mutual Funds- A Fund that is mainly comprised of common shares. They can be shares invested locally, regionally and internationally
- Hybrid/ Balanced Funds- A Fund that is invested in both bonds and equities.