

# Investing in mutual funds

Many investors wonder whether it is better to invest in securities, such as stocks and bonds, or mutual funds instead. The following information about mutual funds can help you make a more informed decision.

## Professional management and diversification

To trade stocks and bonds on your own, you need specialized knowledge in investing and financial analysis. Investors often have trouble choosing securities and diversifying their portfolio effectively. One of the main advantages of mutual funds therefore is that they are tracked full time by professional managers, who decide which securities to buy or sell depending on market and economic conditions. Investors are thus relieved of many headaches.

What's more, if you wanted to buy four or five bonds with different maturities, for example, it would cost as much as \$20,000 to \$30,000. By comparison, most mutual funds are made up of 30 to 60 securities... and the minimum investment is often only \$500!

## Management fees

One of the questions most frequently asked about mutual funds concerns the cost of the investment. All the fees an investor has to pay to hold mutual fund units (excluding purchase and redemption fees) are indicated in the prospectus under the heading "Management fees." These fees represent all the costs assumed by the fund and include compensation paid to the portfolio manager and the fund promoter.

The management fees payable by a fund can be less than the amount an individual investor would have to pay a broker. In fact, fund managers have the advantage of being able to buy and sell in large volumes, which means that they can trade on the institutional market and negotiate very good deals with brokers. Moreover, fund managers have access to very lucrative types of investments that are not normally available to individuals. The compensation paid to fund managers for the type of work they do is therefore well justified.

## Different categories of mutual funds

There are many categories of mutual funds: money market, institutional, balanced, Canadian growth, international growth, specialized, Canadian bond, etc. Each fund has its very own asset mix and can include a combination of cash, fixed-income securities, Canadian equities and international equities.

To learn more about mutual funds or to determine which investment solution would best meet your needs, please speak with an investment advisor at a National Bank branch or call a representative at National Bank Investment Advisory Services, from Monday to Friday, between 8 a.m. and 8 p.m. at 1-888-270-3941 or (514) 871-2082.