MUTUAL FUNDS – INVESTING FOR LIFE

"An investment in knowledge pays the best interest."

Sagicor
MUTUAL FUNDS

WHAT YOU NEED TO KNOW ABOUT MUTUAL FUNDS.

Many of us, young and old, dream the same dream; a future filled with success, security and happiness. Fortunately, it doesn't have to be a dream. With proper investing, wise advice and an eye on the long term, we can all achieve our goals.

The following is a simple explanation to what many find a complicated subject—Mutual Funds.

THE MUTUAL FUND

Mutual funds are not only useful for short-term tax benefits, they are also essential to achieving long-term financial goals. And contrary to popular belief, 'last year's performance' isn't the main reason to choose a mutual fund— it's the balance between performance over the long term and your personal risk tolerance that is most important.

MUTUAL FUND TERMS DEFINED

Mutual Fund – *an investment where you 'pool' your money with other individuals and investors. You become part owners of the fund itself, and thereby the assets of the fund. The fund, in turn, uses the investor's cash to purchase securities such as stocks and bonds either locally, regionally, or internationally. The most common type of mutual fund, called an open-ended fund, allows investors to buy and sell stock in it on an ongoing basis.*

A fund's objective is described in its prospectus. It discloses important details about the fund that prospective investors should be aware of including: allowable investments, expenses, and risks. Investors should always read the prospectus carefully before investing in the fund.

The net asset value in an open-ended mutual fund is the value of each share and is the price at which investors buy and sell shares from the fund, excluding any sales or redemption charges.

ARE MUTUAL FUNDS GOOD FOR ME?

A mutual fund is a healthy addition to most investment plans. But keep in mind, every investment has its advantages and disadvantages. It's also important to remember that features that matter to one investor may not be important to another. Here are a few important considerations when thinking about investing in a mutual fund.

1. PROFESSIONAL MANAGEMENT

A financial plan is nothing without good people. Most investors don't have the time or the expertise to properly manage their own investment portfolios to achieve their financial objectives. That's why a professional, knowledgeable mutual fund manager is so important. These managers research, select, and monitor the performance of the securities the fund purchases and sells. And mutual funds provide you with the opportunity to benefit from their professional skill and focus on achieving the objectives of the fund.

2. DIVERSIFY YOUR RISK

In other words, “Don’t put all your eggs in one basket.” Spreading your investments across a wide range of companies and industry sectors can help lower your risk if a particular company or sector doesn’t perform well. Most investors will find it easier to achieve diversification through ownership of mutual funds rather than through ownership of individual stocks or bonds.

With a low minimum investment, an investor can own hundreds or thousands of securities through their mutual fund, spreading their risk over a very large base – something that was previously impossible for the average investor.

3. CONVENIENT INVESTING

Another advantage of a mutual fund is the ability to buy and sell investments with ease. When buying a mutual fund, it is easy as completing the application form and writing a cheque. The fund manager will then purchase as many shares as your money allows. Selling shares is just as easy. The major benefit over many other investments is that you don’t need to find a buyer or a seller, the mutual fund itself provides that convenience.

4. A LITTLE TODAY. A LOT TOMORROW

Mutual funds accommodate investors who don't have a lot of money to invest. By setting relatively low dollar amounts for initial purchases and subsequent monthly purchases, you can add as little or as much as you want. Remember, mutual funds should not be seen as a short-term investment because, with time, they can provide long-term returns and the assurance that a little can go a long way.

5. TAX SAVINGS

Presently, when you invest in a mutual fund, you can reduce your taxable income by up to $17,500. And, if you take this tax refund and reinvest it, you can really see your investment will grow.

For example, if you had invested $10,000 in the Mutual Global Balanced Fund in June 1997, and had reinvested only the tax savings from the previous year's investment every June since then, at the end of October 2004, you would have over $30,156.49, from your initial $10,000 investment. This assumes that your marginal tax rate is 40%.

WHERE DO I GO FROM HERE?

Where you go depends on whom you're with. The quality of a mutual fund investment is a combination of the investments that make up the fund, and the financial strength and expertise that supports it. Sagicor has an exceptional range of mutual fund investment products that are backed by the expertise and resources of the Caribbean's leading indigenous financial services group. Whatever your financial goals, we can provide a solution that's right for you.

The objective of a fund is to determine the category into which a fund will be assigned. Here are some of the major investment objectives of mutual funds:

Balanced – *achieved by investing in bonds and stocks*

Growth – *achieved by investing in other growth funds – funds which invest in a diversified portfolio of other mutual funds*

Income – *achieved by investing in bonds*

And the various investment solutions include:

Sagicor Global Balanced Fund _ a fund that invests in a diverse mix of international stocks and bonds to achieve income and long-term capital growth appreciation. But what makes this fund a good investment is its balance of performance and risk.

Or you can try one of our two new funds:

Sagicor Select Growth Fund – a 'fund of funds' mutual fund, which allows you to have the benefits of investing in a range of mutual funds instead of a single mutual fund.

The growth mutual fund is suitable for investors who are seeking long-term growth but are concerned about moderating the risk associated with being invested in stocks at all times. They are also seeking to diversify their portfolio and are willing to accept a higher degree of short-term risks and a moderate degree of price fluctuation.

Sagicor Preferred Income Fund – mix of regional and international fixed income securities and preferred shares. The diversity of the holdings make it safer and the regional and global opportunities give it the potential for higher returns.

Sagicor Preferred Income Fund is suited to investors who are seeking a total return by investing for a high level of current income and are concerned about moderating the risk of being invested in stocks at all times. It's also geared to those who are seeking to invest for the medium to long term, and want to diversify their portfolio.

THE NEXT STEP.

If you made it this far, you're probably ready to start your journey. For more information, contact your Sagicor Advisor, or call us directly at 467-7500.

The Mutual funds IS ONE OF THE SOLUTIONS OFFERED BY SAGICOR TO HELP YOU REACH YOUR FINANCIAL GOALS. PLEASE ASK YOUR **SAGICOR ADVISOR HOW THIS PRODUCT CAN BE PART OF A WISE APPROACH TO YOUR COMPLETE FINANCIAL WELL-BEING.**

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and 15 other countries