Market Related Funds - Transcript

Market-related funds — cover a broad range of investments.

These funds pool your money with those of other investors.

(Money rotates in a circle.)

Professional managers then invest this pooled money in a variety of securities, including Treasury bills, bonds and company stock.

(The single bills turn into a stack and a woman appears on the screen. There is an arrow pointing from the money to the woman and a second arrow from the woman pointing to the words "Treasury bills", "bonds" and "company stock".)

You benefit from convenience and simplicity as well as the training, experience and resources of the investment manager and the fund's staff not to mention the instant diversification of being invested in many varied securities with a single investment.

(A woman is shown on the screen, holding a coffee mug and sitting in front of a computer. She is then replaced with an image of a man wearing a tie, sitting in an office setting.)

Participation in a market-related fund is measured in units.

(Several circles with the word "unit" inside them quickly move across the screen.)

When you invest, the number of units you are credited with is based on the unit value at that time.

(Zooms in on one circle, the rest disappear and a picture of money replaces the word "unit".)

The value of the units will rise and fall based on the performance of the fund's holdings.

(Animated arrows point up and down. The money turns into a graph.)

Investments in market-related funds are not guaranteed.

(The picture of money turns into a question mark.)

Broadly speaking, market-related funds can be broken down into three categories or asset classes: fixed-income funds, balanced funds and equity funds.

(A pie chart now appears on the screen with three different shades of green. The two largest section are fixed-income funds and equity funds. Balanced funds is shown as the smallest section.)

Fixed-income funds primarily invest in corporate and government bonds as well as money market instruments. Equity funds invest primarily in the stock of publicly traded companies in Canada, the US and other countries.

(Zooms in on the fixed-income section of the pie chart and a map is shown within the section.)

Balanced funds invest in a mix of fixed-income, equities and short-term investments.

(Zooms in on balanced funds section of the pie chart.)

A balance fund’s mix will shift between asset classes within a prescribed range over time based on the fund’s objective and the fund manager’s assessment of market conditions and investment opportunities at any given time.

(A new pie chart appears on the screen. “Equities” is the smallest section, “fixed income” is the second smallest and “short-term investments” is the largest. There’s a timeline at the bottom of the screen and the different sections continuously change sizes. The pie chart then turns into a graph that moves up and down.”)

As with investing in general, market-related funds are exposed to a variety of risks.

(An exclamation mark inside a triangle pops up on the screen.)

These include market risk, or the risk that broad economic, political and financial events could adversely affect the financial markets. An example might be a global recession or a financial crisis.

(A newspaper with the headline “financial crisis” appears.)

Another risk is interest rate risk. Interest rate movement can affect many types of investments in a variety of ways, but it affects bonds in particular.

(The newspaper disappears and a percentage simple with exclamation marks around it appears.)

As interest rates rise, the return on bonds falls and vice versa.

(The percentage symbol moves to the left hand side of the screen and an arrow appears. The arrow points at the word “bonds”.)