



CREATING PROSPERITY BY CONNECTING INVESTMENT OPPORTUNITIES TO INVESTORS

INVESTORS' CORNER

Let us Share in the Fun... I mean Fund!

Part 1

“If investing is entertaining, if you’re having fun,
you’re probably not making any money. Good investing is boring.”

George Soros

You are excited about investing, as you should! And you think you have the appetite to gouge down on some stocks. The buffet is spread with the likes of Google stocks and Amazon shares... Your appetite is piqued, you are ready to dive in.... Hold up... Just hold on a second! Have you ever gone to a restaurant and not check out the menu prices, especially if you know you are the one paying! Let’s back up a bit and scan through the prices of some of these shares. I am talking about the good ones, at least! Some of them can be quite expensive, Amazon can run you US\$1,130 per share! Yes, you saw right! A Louis Vuitton bag or a Bvlgari watch has nothing on some of these stocks!

Disappointed? Disheartened? Think you cannot afford this and you wish to give up now? Don’t be! I am not trying to scare you away from investing at all. Bear with me and I will show you, how you can have the best of this world! The answer is... Investment Funds. They are most times the go to investment option for beginners in investments! What are they? What are their importance? Let’s find out.

Investment Funds, such as a Mutual Fund is a way of investing money with other people, by pooling everyone’s money together to be collectively used to purchase securities such as stocks, bonds, etc.

In essence, if you are an investor who can only invest fls500 a month, it is quite likely that you may not be able to afford a US \$1,047 Google share by yourself, well not at least after a few months putting monies aside, approximately 4 months to be exact and that is just to only buy 1 measly Google share! Yes! But what if 1,000 more people were able to pool their monthly investment income together. As you can imagine, on a month basis some persons will have more than fls500 for investment and some may have less. Instead of your fls500, the pooled monies of the 1,000 investors now has about fls500,000. This pooled money is called a Fund, and it can now be used to buy not just one Google share but a lot more units and perhaps other stocks too, like shares of Apple and Facebook.

The Fund therefore owns the Google, Apple and Facebook shares, and you the investor would own a portion of the Fund represented by your fls500 that you had invested. It is quite similar to ownership in a company through shares, because a Fund is actually a special type of company. Your fls500 would represent your shares in this company that makes you own percentages of Google, Apple and Facebook shares. It is absolutely awesome and it opens the door for small investors to join in at the party despite how expensive the menu items are!

The types of securities that the Fund purchase defines what type of Fund it is. So if the pooled monies is used to buy stocks, then the Fund is an Equity Fund, and if the monies are used to buy bonds, then it's a Bond Fund, if the monies are used to buy both, then it's a Balanced Fund. Funds can get even more specific or specialised, for instances you can have a Tech Stock Fund, where the monies are used to buy only stocks of Technology companies. As you can imagine, the creativity of investment professionals have led to an extensive list of Funds available for you to buy.

The great news for you is that Fund Shares are one of the security type available on the local exchange and soon, investors will have more options to pick from!

Join us for the next publication where we will share some tips for trading in Funds.

Follow Investor's Corner for everything you need to know about Wealth Creation!

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