

October 2011

Types of Investment Funds

We recently outlined the process for selecting investments for your retirement portfolio through measuring your risk tolerance to determine your investment approach (asset allocation, self-directed portfolios, or, default investment option).

Investors who design their own portfolios may select from the following types of funds:

Money Market

This type of fund invests in short-term money market securities guaranteed by the Government of Canada, its provinces or municipalities, corporations and chartered banks. It is suited to investors seeking to preserve capital and provide liquidity. However, due to the short-term nature of the fund's investments and limited rate of return potential, it may not be the most appropriate investment for a long-term retirement portfolio.

Fixed Income/Bond

These funds invest in debt securities issued by federal, provincial and municipal governments and corporations. They earn a rate of interest based on the interest rate of the bond held in the fund. Investors with a lower tolerance for risk and those seeking to preserve their capital typically select this type of fund.

Balanced

Balanced funds aim to provide a combination of growth of capital and income by investing in a mix of equity and fixed income securities. The fund manager sets the ratio of bond and equity holdings in the fund and may make slight changes to the combination of funds to maintain this asset mix. They are appropriate for investors seeking a diversified portfolio with a medium level of volatility.

Equity

The objective of Equity Funds is to achieve long-term capital growth. These funds invest in a diversified portfolio of shares issued by companies. A share represents an ownership stake in a company. As a result, the performance of the fund is determined by the success of the company holdings within the fund.

International and Global Equity

International Equity funds invest in shares of companies outside of North America. Global Equity Funds invest in shares of companies in Asia, Europe and the Americas. These funds are suitable for investors with a long-term focus and/or who are comfortable with a higher degree of volatility. These funds vary depending on the countries and regions invested in, the size and type of companies, and the manager's selection criteria.

To discuss these investment options further you may contact our office toll-free at 1-800-666-0142 or via email at retire@reuterbenefits.com.