

The number of investment funds has blossomed over the past two decades. Investors have flocked to them in droves – for good reasons. They offer a number of advantages – convenience, professional management, and the potential for higher returns, to name a few. Here's a more complete list of the pros and some cons of common investments available through group plans, to help you better understand your options.

**Convenience** – An investment fund is a collection of stocks and/or bonds (holdings). These holdings vary depending on the type of fund and a fund's investment objective. It's far easier for you to review and research an investment fund than each individual holding that makes up the fund.

**Professional management** – It takes time and know-how to carefully research holdings and package them into a viable fund. Despite our best intentions, most of us simply don't have the time or expertise to do it right. Investment funds are assembled and monitored by seasoned investment managers. That means you don't have to worry about day-to-day investment decisions.

**Diversification** – With an investment fund, you can get a lot for a little cash. If you were an individual investor with \$1,000, you might be able to buy a few shares in one or two companies, or maybe a bond. But with that same \$1,000, you could buy units in a variety of investment funds – each with holdings in a wide range of securities, industries and even countries. In short, investment funds offer a level of diversity that's hard to achieve on your own, unless you've got big bucks to invest.

**You can start small** – You don't need a large amount of money to start investing. Depending on your plan and your present investment level, you may be able to invest as little or as much as you want each month. The secret is to simply get started on a contribution plan.

# Diving into the investment POOL

Investment funds  
offer you many  
advantages



**Contribution flexibility** – As well as choosing how much you contribute, payments are made easy through payroll deduction. Alternatively, you can make a lump sum payment. How you contribute is up to you.

**Many levels of risk** – Your plan will offer a variety of investment funds from which to choose. Some may be low-risk like money market and some high-risk growth stock funds. This gives you the flexibility to pick investments that best fit your investment personality.

**Low cost** – Few things in life are free. There are investment management fees associated with these funds, however, you have the advantage of a professional investment manager handling your investments. These fees are also calculated using the combined power of your whole plan,

so they're likely lower than the cost of retail funds available to you as an individual. Dare to compare!

As you can see, investment funds do offer advantages. You should also be aware that diving in does involve some potential issues:

**There are no guarantees** – Even the experts don't have a crystal ball, so no one can predict how investment funds will fluctuate in value. The more aggressive a fund is, the more ups and downs it's likely to experience. As an investor you must remember to look to the long term and not to jump ship if the fund experiences a downturn.

**Less chance for the "big score"** – Investment funds offer benefits such as dollar cost averaging and the diversification of assets, which both aid in reducing risk. Diversification

protects you from experiencing a significant loss should one security fail, but it also prevents you from experiencing the "big score" of a hot stock's rapid rise in value. Attempting to time the market often results in a "big loss." The diversification offered by an investment fund may help to soften the blow of any decline in the market. Investing in just a few individual stocks likely won't offer this protection.

**The choices are still yours** – Doing your homework, choosing wisely, monitoring your progress, re-working your plan, ramping up contributions – in the end, your comfortable retirement's in your hands.

**Investment funds offer a great way to get – and stay – invested** ■

## It's all about style – investment style

**W**hen someone asks about the style of an investment manager, they're probably not asking about their fashion sense.

Investment style refers to the approach an investment manager takes to achieve their investment objectives. Two basic styles are "value investing" and "growth investing." But there are many other styles, such as investing with a focus on a particular industry (i.e. manufacturing, healthcare).

Growth investing means buying shares in companies whose total earnings are expected to grow at an above-average rate. This could include, for example, companies entering a period of vigorous and rapid expansion.

Growth stocks typically have a high price/earnings (P/E) ratio. In other words, you're paying more for a stock that has a history of, and potential for, strong earnings growth. At the same time, however, their very nature makes them more susceptible to volatility.

Value investing means buying shares in companies that are considered attractive because they are undervalued. Simply stated, it means picking up quality investments at a discounted price.

Value stocks typically have a low P/E ratio. In other words, the price of the stock is low, relative to the earnings it generates. Quite often, these are companies that are either being overlooked or have fallen out of vogue with investors. Value investors buy a stock with the hope that other investors will recognize the true potential of the company, buy more stock and, in doing so, drive up the stock price.

There are times when one style of investing will out-perform the other and vice versa. Based on this fact, some experts recommend holding a mix of value and growth stocks or investment funds in your portfolio. Incorporating both styles may allow you to pursue opportunities during market upswings and downturns. It can also help to reduce portfolio volatility.