



BUILDING SOUND FINANCIAL MANAGEMENT SKILLS

Type of Fund	Investment Holdings	Risk	Income	Final Thought
Money Market	Short-term fixed income securities	Low	Interest	The fund invests in various government bonds and T-bills, and other short-term commercial paper, usually maturing in under 1 year. They are generally considered safer investments, but have a much lower potential return.
Fixed Income	Fixed income securities in both government and corporate bonds	Low to High	Interest and some Capital Gains	Due to the nature of the investments held, the fund aims to have a consistent stream of interest income to distribute. However, with higher risk bonds, the fund has the opportunity to generate capital gains.
Balanced	A mix of fixed income and equities	Medium	Interest, Dividends, and Capital Gains	The funds aim is to achieve higher returns while reducing the risk of losing money. They tend to be more risky than fixed income but safer than pure equity funds.
Equity	Equity securities and income trusts	Medium to Very High	Dividends and Capital Gains	They have a higher risk than fixed income and balanced funds, but try to grow the value of the funds at a higher level. They are broken up into different investment styles, like growth, value or income to name a few.
Global	Foreign equities and fixed income securities	Medium to Very High	Interest, Dividends, and Capital Gains	They invest in securities outside of Canada. Depending on the region they are invested in, they can range from fairly stable markets, like the US and Europe, to highly volatile markets, like the China and India.
Specialty	Equities and fixed income securities of a specific sector.	High to Very High	Interest, Dividends, and Capital Gains	The fund would focus on a specific mandate such as real estate, or financials. Some funds may have a mandate to avoid certain sectors, like tobacco or gambling, or invest in companies that support environmental or social development.
Index	Usually mimic a specific index.	Low to Very High	Interest, Dividends, and Capital Gains	The fund would usually try to maintain the same investment holdings as an index, such as S&P/TSX Composite, and will mimic its return. They tend to have lower costs as the investment manager isn't expected to do as much research or trading.
Fund of Funds	Various mutual funds	Medium to Very High	Interest, Dividends, and Capital Gains	The fund of funds invests in a combination of funds to reach a specific asset allocation based on the investors needs. It simplifies the process to diversify; however, they tend to have higher cost than just purchasing the funds separately.

The different approaches to choosing what to invest in:

Top-Down Approach: Looks at the big economic picture, and then which countries or sectors are doing well. Then invest in companies within those countries or sectors.

Bottom-Up Approach: Starts with a focus on a specific companies that are doing well regardless of what the sector, country or economy is doing

Hybrid Approach: It is a combination of the above two approaches, finding which countries or sectors to invest in with a top-down approach, but choosing the companies within the sector with a bottom-up approach.

Technical Analysis: Attempts to forecast the direction of the market prices by analyzing the past results.