

What is a Mutual Fund?

THE WORLD OF MUTUAL FUNDS

If you're thinking about purchasing a mutual fund, you're making a wise move. As a mutual fund investor, you'll receive important benefits, including diversification, professional money management and affordability.

Millions of Americans have discovered how mutual funds can help them achieve their financial goals.

MUTUAL FUNDS DEFINED

Technically, a mutual fund is a collection of stocks, bonds or other securities owned by a pool of investors. Each mutual fund has a professional manager, a specific investment objective — such as “growth” or “income” — and an investment plan that it follows in building and maintaining a portfolio. When you put money into a mutual fund, you're actually buying a share of this pool of different investments. Because your money is combined with that of many other investors, you'll have much more buying power than you'd get by investing on your own.

MUTUAL FUNDS OFFER BIG BENEFITS

When you invest in mutual funds, you receive several key benefits, including diversification, professional management, and liquidity.

Diversification

If you were to own just one stock, or bond, or any security, your investment performance would be tied to the performance of that one security. By owning a variety of investments, you help protect yourself against potential downturns that may affect a particular company's securities or general type of asset. Although diversification can help minimize potential downturns, mutual fund shares do fluctuate in value and may be worth more or less than original cost.

Professional Management

When you buy shares in a mutual fund, you access professional money managers — people who spend their careers researching companies and securities and watching the market. These managers monitor and adjust your mutual fund's portfolio according to the performance and outlook of the securities in the fund, as well as the general economy.

Liquidity

Mutual funds are among the most liquid investments you can own. You buy or sell as many shares as you want provided that a fund is not closed to accepting new purchases. When it's time to sell, you never have to worry about finding a buyer, because the fund will always buy back your shares.

UNIQUE TAX FEATURE

Mutual funds must distribute their capital gains each year to shareholders to fulfill regulatory requirements. Funds also distribute their net income to shareholders regularly, according to the schedule published in the fund's prospectus. Talk to your RBC Wealth Management® Financial Advisor or tax advisor on how this may affect your investment plans.

SUCCESSFUL INVESTING TAKES TIME — NOT TIMING

Instead of trying to outguess the market, take a long-term approach in buying mutual funds to help you meet your long-term goals. One of the best ways to implement a long-term approach is to make regular contributions to your funds. By investing the same amount at a fixed interval — such as once a month — you'll buy more shares when the price of your mutual fund is down and fewer shares when the price is up.



RBC Wealth Management®

What is a Mutual Fund?, continued

WE'LL HELP YOU CHOOSE THE FUNDS THAT FIT YOUR NEEDS

Mutual funds can offer you a number of important benefits. But you still might be asking yourself: With thousands of mutual funds available, how can I choose the funds that are right for me?

We can help. Your Financial Advisor can work with you to select those mutual funds that best fit your investment objectives and help in achieving your life goals.

Furthermore, your Financial Advisor has access to RBC Wealth Management's comprehensive research reports, written by dedicated investment analysts. Armed with this knowledge, you'll be able to make intelligent, informed mutual fund choices.

Once you've selected the right funds, your Financial Advisor can tailor a portfolio that reflects your investment goals. You have the option of paying for our services on a per-transaction basis or through several of our fee-based programs, like RBC Advisor, Portfolio Focus, and Total Portfolio. By paying a quarterly fee for your transactions, these services can help simplify the management of your portfolio, while making it potentially more effective.

GIVE US A CALL

Mutual funds can be an important part of your overall portfolio. To find out more about investing in mutual funds, please call your RBC Wealth Management Financial Advisor.

ADDITIONAL CONSIDERATIONS

Historical fund performance does not guarantee the same results in the future. Principal value, share prices and investment returns fluctuate with market conditions. Your investment may be worth more or less than your original cost when you redeem your shares.

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