Benefits of investing in Mutual Funds

Mutual Funds, also known as Collective Investment Schemes, are unique investment vehicles that have various benefits. In our earlier message to you, we provided basic information on how mutual funds work. Our second email in this series will provide you with information on the benefits of investing in mutual funds. Please find below our second article in the series:

1. **Professional Management**

One of the primary benefits of mutual funds is that, with relatively small investments, an investor enjoys the services of a professional fund manager. Managing investments require commitment of time, resources and expertise and by investing in a mutual fund; you are employing a professional manager to bear this burden.

You will be relieved of the day-to-day administrative burden of making investment decisions as this is passed on to the fund manager. The fund manager is entrusted with researching and analysing investments in order to make informed investment decisions that will generate positive returns to investors.

2. **Diversification**

I am sure you may have heard the saying “do not put all your eggs in one basket”. Also in investment, we always advise that you do not invest all your money in one security. Diversifying your portfolio means investing in various securities such as Bonds, Treasury Bills, Shares and Real Estate in order to reduce your risk exposure in any of these securities.

In order to have an individual diversified portfolio, you will require a large amount of money to purchase different securities. However, with mutual funds, you will have access to a diversified portfolio with little amount.

3. **Low Transaction cost**

One of the frequently asked questions by prospective investors is “How does investing in mutual funds lower my transaction cost?

Due to the large amount of money usually gathered in the pool, it is easier for Fund Managers to execute their transactions at cheaper costs. This is because with the large volumes of funds, Fund Managers are able to negotiate better pricing for all their transactions. This implies that the transactions costs borne by mutual funds are usually low, which enhances their returns.

4. **Liquidity and Flexibility of Investments**

In Nigeria, managers of open ended mutual funds, which is also known as collective investment schemes, are obligated to ensure that investors are repaid the current value of their investments within 5 working days of requesting for it. For example, if an investor invests with the aim of leaving an investment for a period of 1 year but an urgent need for the money arises within 6 months of the investment, that investor will have access to the money within 5 working days of notifying the fund manager.

5. **Affordability**

Investments in mutual funds usually do not require a huge amount of capital. Most mutual funds usually require a minimum initial investment of N50,000.00 or less while subsequent additional investment is usually a minimum of N10,000.00 or less.

Should you have questions on mutual funds or require further clarification on the above, please do not hesitate to contact Tolu, Chinenye or Damola on 01-2704884 -5 or via email at coralfunds@fsdhgroup.com. To view our previous emails in this series, please click here.