Equity Investment Vehicles

Mutual Funds

A professionally managed investment fund with pooled funds from many investors

48,000 mutual funds in over 23 countries with a total of approximately $20 trillion
Source: CFA Institute

Must be registered under the '40 Act

Mostly shares are priced daily to Net Asset Value (NAV)

Mostly shares are redeemed by the investment company and not traded

Exception: "Closed ended Mutual Funds"

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Mutual Funds

Open Ended	Closed Ended
Advantages	**Advantages**
Easy to grow in size	No daily cash flow to manage
Price = NAV	Trades intra-day
Disadvantages	**Disadvantages**
Need to manage cash in/outflows	Limited ability to grow
Keeps some cash to fill redemptions	Potentially less liquidity

ETFS

ETF stands for "Exchange Trade Funds" that combine features of closed-end and open-end mutual funds

Nearly 1,800 ETFs available in the US with a total net asset value of over US$3 trillion
Source: CFA Institute

- Trade intraday like closed end mutual funds
- Investors buy the shares from other investors
- Tracks NAV closing (but not exact) due to redemption procedure
- Have typically been index funds

ETFs

Other Key differences between ETFs and Mutual Funds

Transaction Costs	ETFs tend to have lower expenses, but ETFs do incur brokerage costs
Trading	ETFs shares can be shorted and in many cases exchange traded options are available
Tax Implications	Less taxable gain distributions for ETFs given the redemption process

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Other Equity Investment Vehicles - SMAs

SMA stands for "Separately Managed Account". "Individually Managed" investment account managed by professional money manager

Can be very similar or even mirror the strategy as a mutual fund, but the assets are segregated and not in a pool.

- For institutions or individual investors with substantial assets
- Different from Mutual Fund assets are owned directly by the individual – not the fund
- High minimum (between $100k and $500k)
- More tax efficient

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Other Equity Investment Vehicles - REITs

REIT stands for "Real Estate Investment Trust". A company that owns or finances income-producing real estate.

Individual REITs can be private, or trade on a major stock exchange.

Avoids corporate tax by passing on 90% or greater of its taxable income to shareholders

Typically a high yielding investment

Equity REIT: generally own and operate real estate

Mortgage REITs: acquire real estate-related debt or mortgage-backed securities

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Other Equity Investment Vehicles - MLPs

MLP stands for "Master Limited Partnership". An investment in energy industry infrastructure (pipelines, storage tanks, and processing facilities)

Public companies and their shares (called units) trade on the major stock exchanges

Similar to REITs tax structure allows MLPs, them, to pay no taxes at the company level

In theory, do not have direct exposure to commodity price fluctuations. "Toll booth"

High-yield investment and therefore interest rates.

Four Categories: Transportation, Processing, Storage and Production

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