

Lesson 5

Questionnaire

An **investment vehicle** is a product that an individual can invest in to help grow their _____. There are two types of investment vehicles: _____ and _____.

Direct investment vehicles

Direct investment vehicles involve directly _____ and _____ assets like stocks, bonds and real estate.

Private securities usually require _____ sums of money and are often limited to institutional investors or _____ individuals.

Public securities, like _____ and _____, are more accessible to everyday investors.

Stocks

A **stock** represents a _____ of ownership in a company. When the company does well:

- The value of your shares may _____
- You might receive _____

Bonds

A **bond** is a _____ you give to a company or the government. When you buy a bond, the issuer agrees to:

- _____ your money
- With added _____

Challenges of direct investing

Building your own investment portfolio can be:

- _____-consuming
- Requires _____ of markets and research

You also need to think about:

- _____
- _____ allocation
- Exposure to geographies, sectors and different investment styles

Indirect investment vehicles

These are called "indirect" because investment _____ manage the portfolio for you.

They can be:

1. _____ indirect vehicles (open to the public)
2. _____ indirect vehicles (more private and exclusive)

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Public indirect vehicles:

Examples:

- _____
- _____
- _____

These are accessible and help with portfolio _____.

Mutual funds vs. ETFs

MUTUAL FUNDS:

- Priced once daily at the _____ of the day = net _____ value (NAV)
- Often _____ managed
- Incurs _____ costs

ETFs:

- Traded _____ the day (price changes in _____ - _____)
- Usually _____ managed
- Incurs _____ costs

Segregated funds

Offered by _____ companies in Canada

They combine features of _____ and _____

Suited for more conservative investors or those nearing _____

They often come with a _____ that protects 75% to 100% of your original investment after a set period (usually ____ years)

Private indirect vehicles: Hedge funds

Hedge funds are more _____ and use strategies like:

- Short selling
- Leverage
- Derivatives

They are only available to _____ investors due to high income or asset requirements.

Choosing your investment vehicle

Three things to consider:

1. Your financial _____ (short-term or long-term)
2. Your _____ tolerance
3. How well _____ your portfolio is

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Answer key

An investment vehicle is a product that an individual can invest in to help grow their **money**.

There are two types of investment vehicles: **direct** and **indirect**.

Direct investment vehicles

Direct investment vehicles involve directly **owning** and **controlling** assets like stocks, bonds and real estate.

Private securities usually require **large** sums of money and are often limited to institutional investors or **wealthy** individuals.

Public securities, like **stocks** and **bonds**, are more accessible to everyday investors.

Stocks

A stock represents a **share** of ownership in a company. When the company does well:

The value of your shares may **increase**

You might receive **dividends**

Bonds

A bond is a **loan** you give to a company or the government. When you buy a bond, the issuer agrees to:

Repay your money

With added **interest**

Challenges of direct investing

Building your own investment portfolio can be:

Time-consuming

Requires **knowledge** of markets and research

You also need to think about:

Diversification

Asset allocation

Exposure to geographies, sectors and different investment styles

Indirect investment vehicles

These are called "indirect" because investment **professionals** manage the portfolio for you.

They can be:

Public indirect vehicles (open to the public)

Private indirect vehicles (more private and exclusive)

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Public indirect vehicles:

Examples:

Mutual funds

ETFs

Segregated funds

These are accessible and help with portfolio diversification.

Mutual funds vs. ETFs

MUTUAL FUNDS:

Priced once daily at the **end** of the day = net **asset** value (NAV)

Often **actively** managed

Incurs **higher** costs

ETFs:

Traded **throughout** the day (price changes in **real time**)

Usually **passively** managed

Incurs **lower** costs

Segregated funds

Offered by **insurance** companies in Canada

They combine features of **insurance** and **investment**

Suited for more conservative investors or those nearing **retirement**

They often come with a **guarantee** that protects 75% to 100% of your original investment after a set period (usually **10** years)

Private indirect vehicles: Hedge funds

Hedge funds are more **exclusive** and use strategies like:

- Short selling
- Leverage
- Derivatives

They are only available to **accredited** investors due to high income or asset requirements.

Choosing your investment vehicle

Three things to consider:

Your financial **goals** (short-term or long-term)

Your **risk** tolerance

How well **diversified** your portfolio is