Investing in Mutual Funds in the Philippines

Saving vs Investing

SAVING

Fixed Interest
Accumulation of wealth

INVESTING

Higher Income Potential
Money grows faster

What is a **Mutual Fund?**

A **Mutual Fund** is an investment company that **pools the funds of many individual and institutional investors** to form a massive asset base.

The assets are then **entrusted to a full time professional fund manage**r who develops and maintains a diversified portfolio of security investments.

People who buy shares of a mutual fund are its owners or **shareholders**. Their purchases provide the money for a mutual fund to buy securities such as stocks and bonds.

A mutual can make money from its securities investments in two ways: **(1) a security can pay dividends and interest to the fund**, or **(2) a security can rise in value**.

INDEX FUND

providing investors with a return that **replicates or is linked to securities indices**

BOND OR FIXED INCOME FUND

Invests in **fixed income instruments** such as bonds, treasury bills, and etc.

MONEY MARET FUND

invests in **short-term fixed income securities** with a portfolio duration of one (1) year or less

FEEDER FUND

invests at least ninety percent (90%) of its net assets in a **single CIS established by another Fund Manager**, asset management company or fund operator, which shall not be a feeder fund.

STOCK OR EQUITY FUND

To invest predominantly in or hold **equity instruments**.

BALANCED FUND

invests in **both equity and fixed income instruments**.

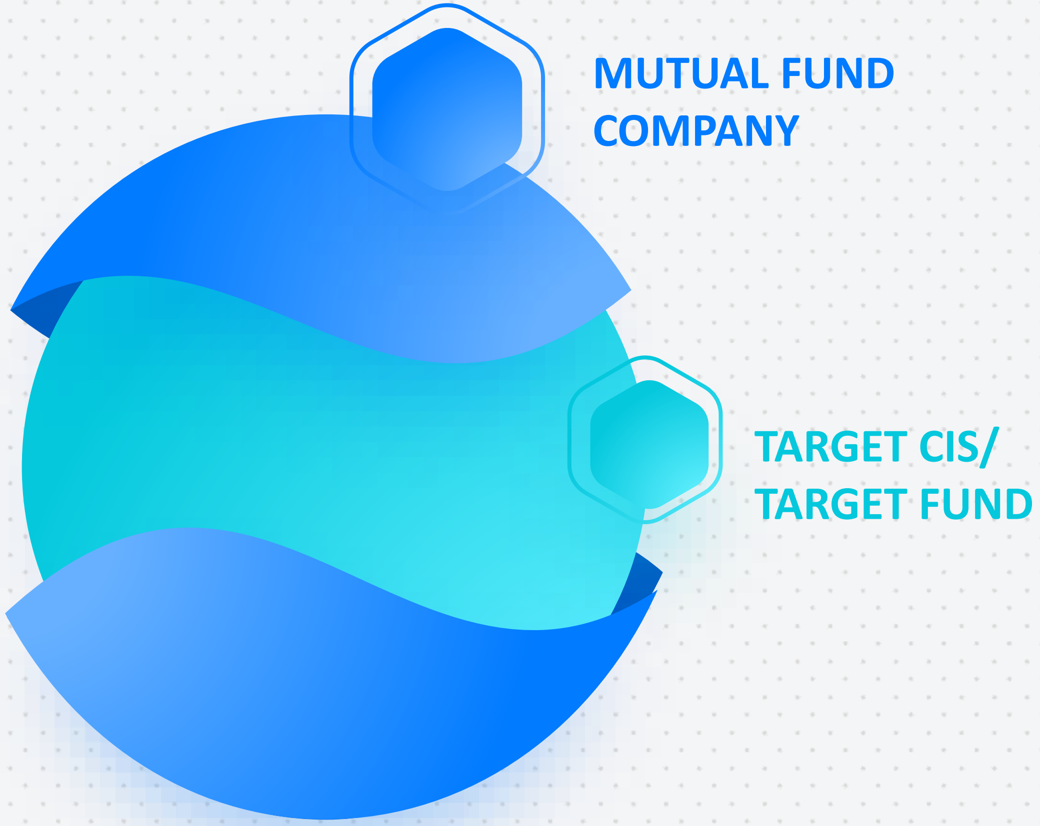
MULTI-ASSET FUND

invests in a **fixed or variable mix** of both equity and fixed income instruments, as well as cash and cash-equivalents

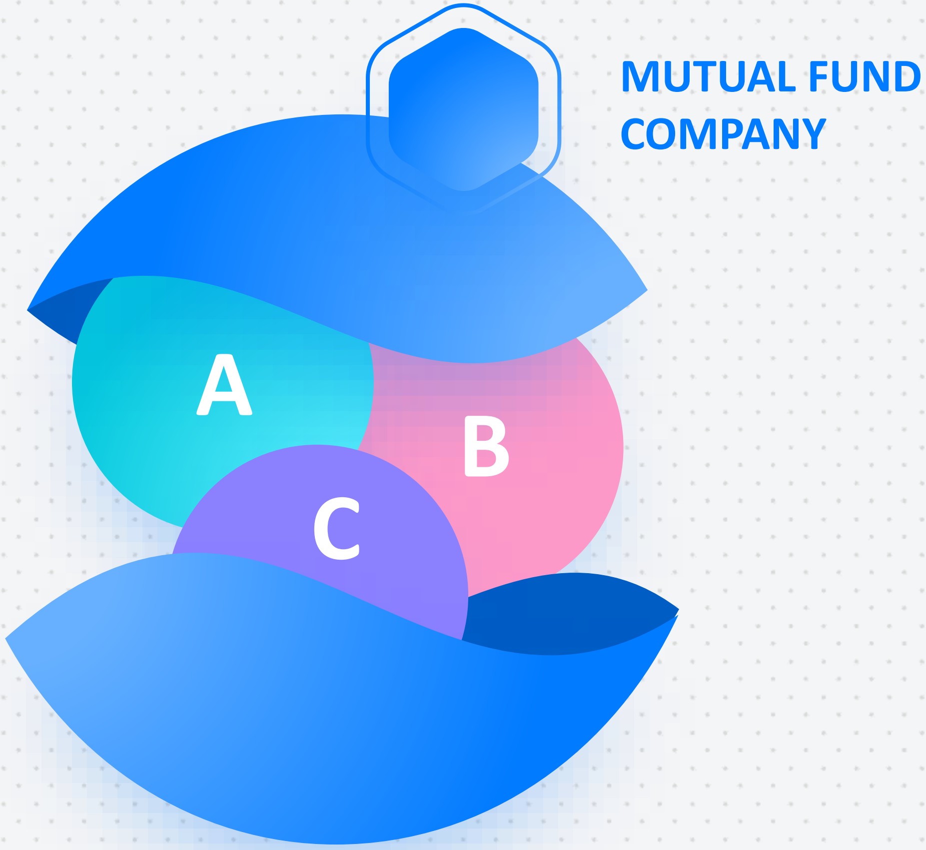
FUND-OF-FUNDS

invests at least fifty percent (50%) of its net assets in **more than one (1) CIS established by another Fund Manager/s**, asset management company/ies or fund operator/s.

Feeder Fund vs Fund-of-Funds



Feeder Fund



Fund-of-Funds

Mutual Funds
in the Philippines

In the new ICA-IRR, Mutual Fund companies are already allowed to issue Shares and Units. As of February 20, 2024, **PIFA has a total of 70 member-funds**, broken down as follows

Equity Funds (Php)	16
Equity Funds (USD)	2
Exchange Traded Fund (Php)	1
Index Funds (Php)	6
Balanced Funds (Php)	13
Balanced Funds (USD)	4
Bond Funds (Php)	11
Bond Funds (USD)	8
Money Market Funds (Php)	4
Money Market Funds (USD)	1
Feeder Funds (Php)	2
Feeder Funds (USD)	1
Total	**69**

Source: https://pifa.com.ph/

How do Mutual Funds work?

Group of investors pools their money/ funds together

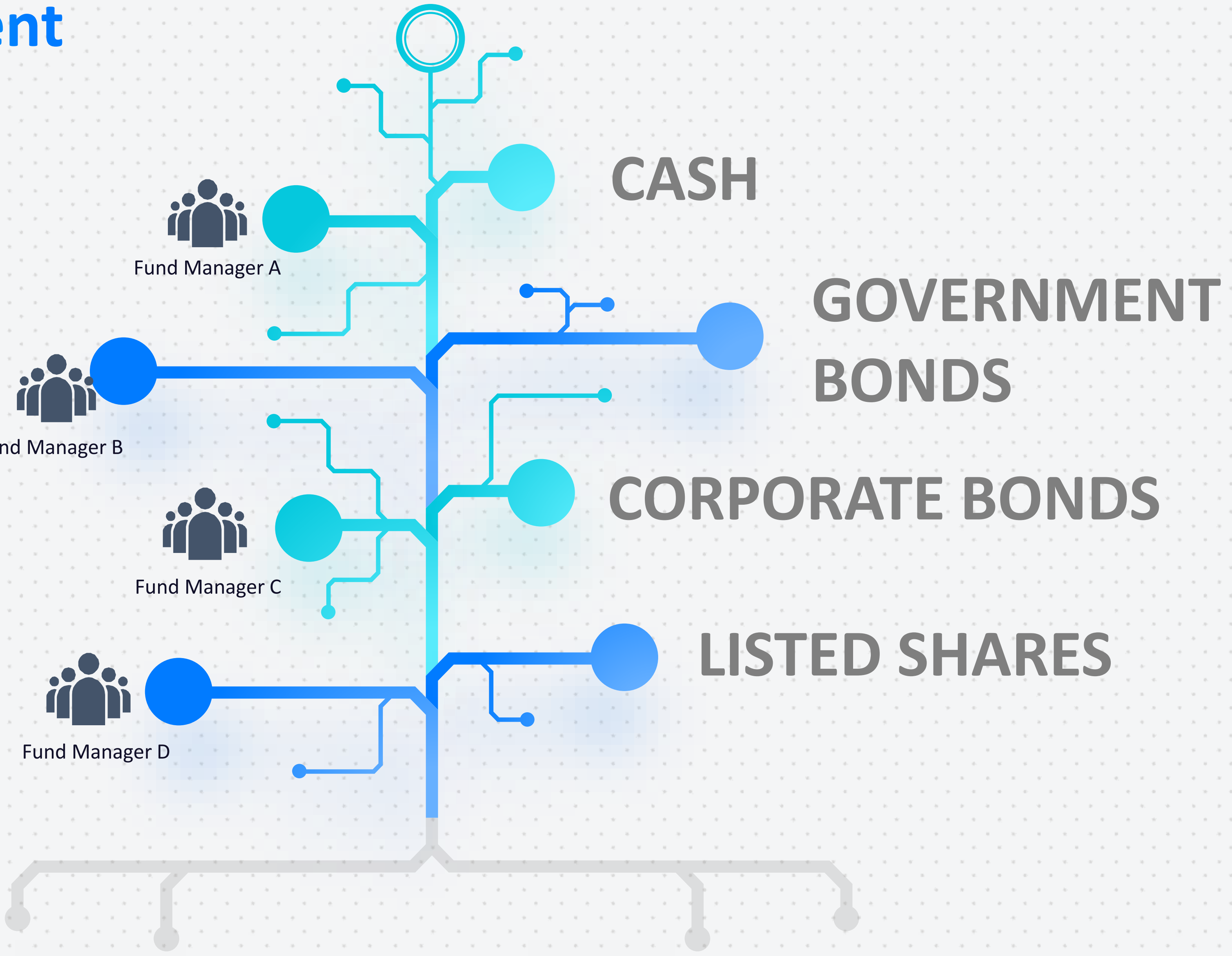
Entrust the pooled funds to a Fund Manager

Fund Manager invest the investors’ funds to either equities, bonds or both (securities) based on the investment objective of the investment fund

Fund Manager, through time, will actively/ passively manage the investment fund and aims to generate returns for the investors.

Investors would experience unrealized gains/losses of their investment

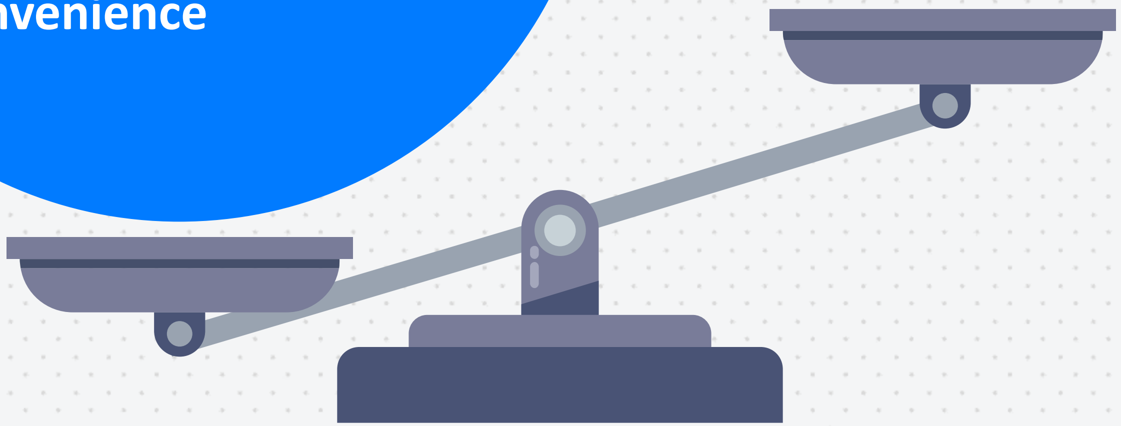
How do **Investment Funds** work?



Benefits and Risks of investing in Mutual Funds

- Professional Management
- Low Capital Requirement
- Diversification
- Liquidity
- Safety (Highly regulated)
- Potential Higher returns
- Convenience

- Returns are not guaranteed
- Not insured by PDIC

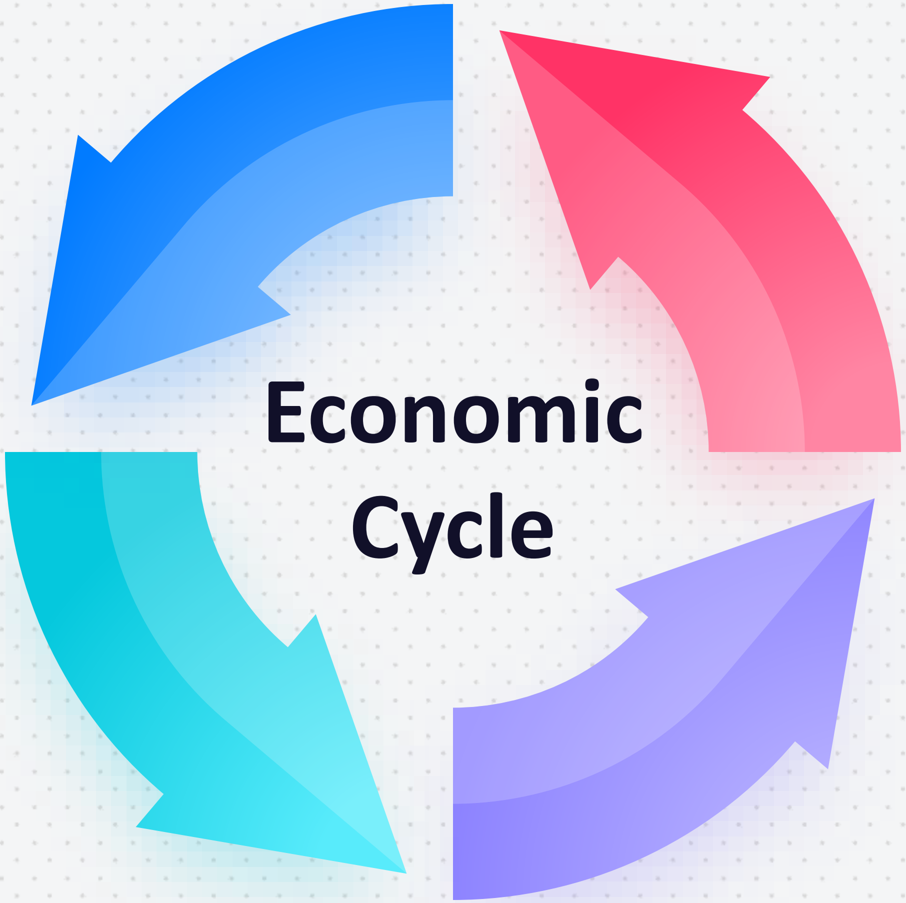


RECOVERY

- ✓ Profitability starts rising
- ✓ Bottoming inflation

EXPANSION

- ✓ Profitability still rising
- ✓ Stable to rising inflation
- ✓ Rate hikes on monetary policy



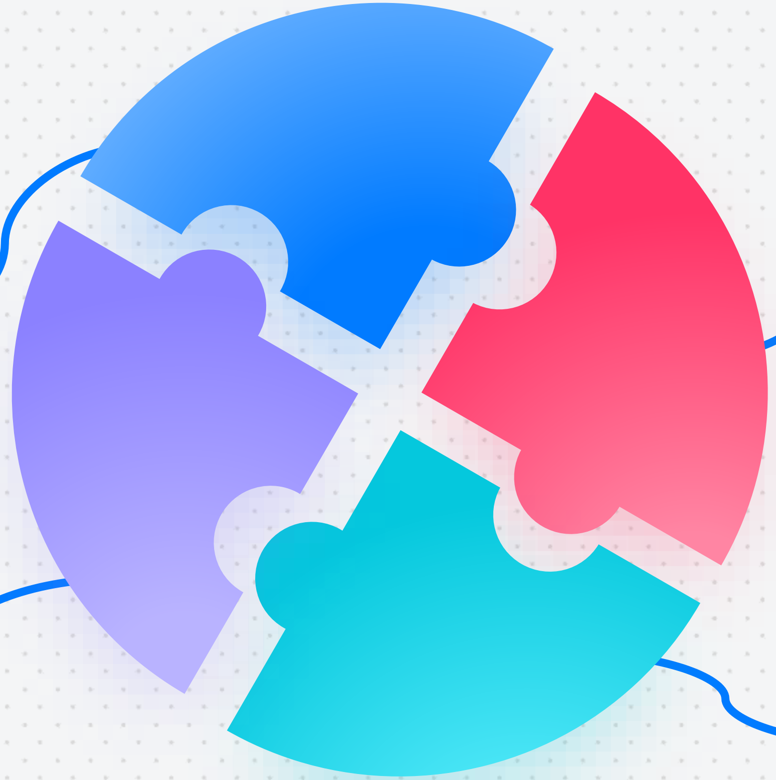
RECESSION

- ✓ Production decline
- ✓ Slowing inflation

SLOWDOWN

- ✓ Profitability slowing down
- ✓ Peaking inflation
- ✓ Rate cuts on monetary policy

Portfolio Investing Strategy



MONEY MARKET

- ✓ *Liquidity*

EQUITY

- ✓ *Dividend income*
- ✓ *Portfolio driver*

FIXED INCOME

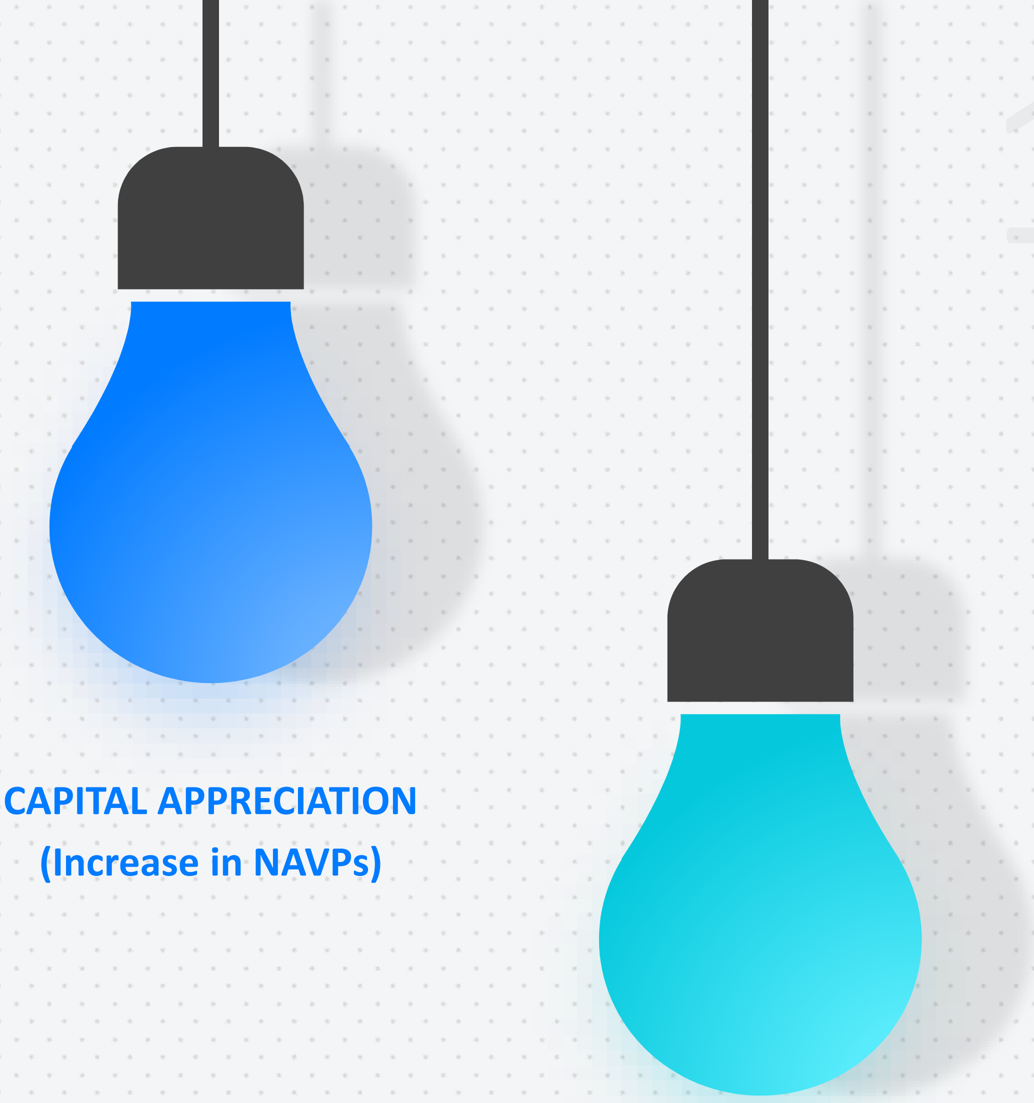
- ✓ *Steady coupon income*
- ✓ *Capital at maturity*

ALTERNATIVE

- ✓ *Diversifiers*

"Do not put your eggs in one basket"

How do I earn from Mutual Fund?

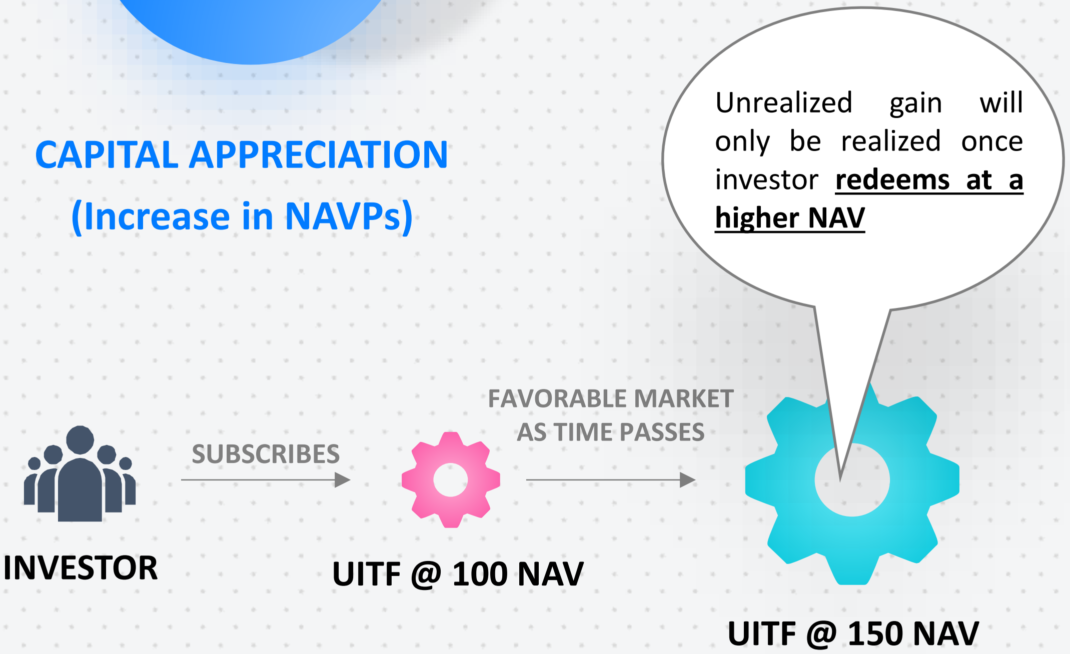


CAPITAL APPRECIATION
(Increase in NAVPs)

INCOME DISTIRBUTION

How do I earn from Mutual Funds?

CAPITAL APPRECIATION (Increase in NAVPs)



UNIT INCOME DISTIRBUTION

Participants shall be entitled to their pro-rate share in the income based on their outstanding shares of participation on distribution date

Where can I invest
Mutual Funds?

- pifa.com.ph
- YouTube: PIFAMutualFundsOfficial
- Facebook: PIFAMutualFunds
- Instagram: PIFAMutualFunds

AIB asia asset MANAGEMENT INC.

COCOLIFE Asset Management

ATRAM

PhilEquity MANAGEMENT INC.

MBG Investment Management

BPI WEALTH A TRUST CORPORATION

FAMI FIRST METRO ASSET MANAGEMENT, INC. Metrobank Group

CMI COL Investment Management, Inc.

CIMAC SINCE 2017 CLIMBS INVESTMENT MANAGEMENT AND ADVISORY CORPORATION

Sun Life Asset Management

Investment Tips

FIRST POINT

Investor behavior: Staying invested, there's no such thing as market timing

The power of staying invested refers to the benefits of holding an investment for an extended period of time. One of the primary advantages of staying invested is the compounding effect. Compounding is the process of earning interest or returns on your initial investment and then reinvesting those earnings to earn even more interest or returns. Over time, this compounding effect can lead to exponential growth in the value of your investment. The longer you stay invested, the more powerful the compounding effect becomes. This is why long-term investments can be so beneficial. If you stay invested for several decades, the growth in your investment can be truly remarkable.

SECOND POINT

Volatility is Normal

Volatility is a natural and normal characteristic of financial markets. It refers to the degree of variation in the price of an asset over time. All financial markets experience some level of volatility, and this volatility can be driven by a range of factors, such as changes in interest rates, economic data releases, political developments, and investor sentiment. These market volatilities downturns can represent opportunity to acquire more shares at a better price from a long-term view.

THIRD POINT

Overcoming volatility and biases through diversification

In uncertain times where market volatility can be unnerving, it is important for investors to maintain a well-diversified portfolio with exposure to different asset classes, consistent with their risk profile. Though stocks can and will experience volatility, over time they play an important role in achieving long-term growth in a diversified portfolio. Having a long-term view and staying invested in equities, especially during times of economic expansion, has historically rewarded investors with positive returns. it is also important for investors to own high-quality bonds in their portfolio in order to provide diversification as well as a hedge against deflation.

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ASSET MANAGEMENT COMPANIES

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Questions?

Thank You