

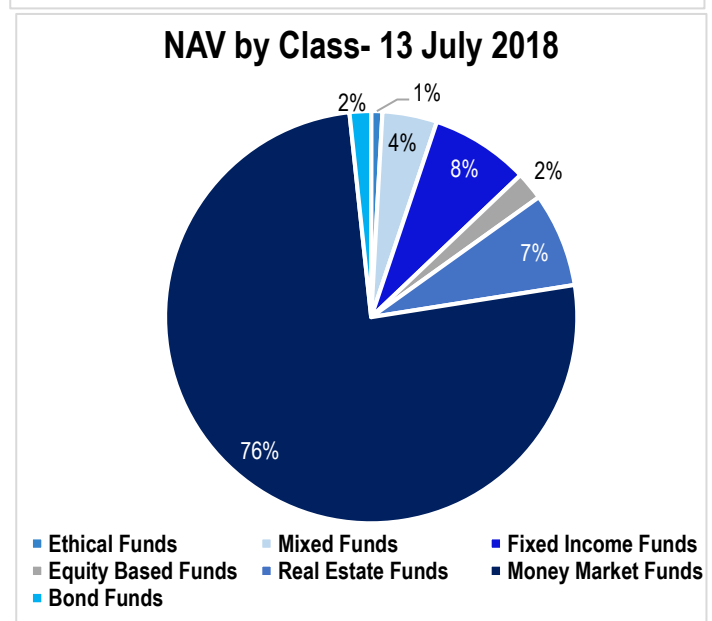
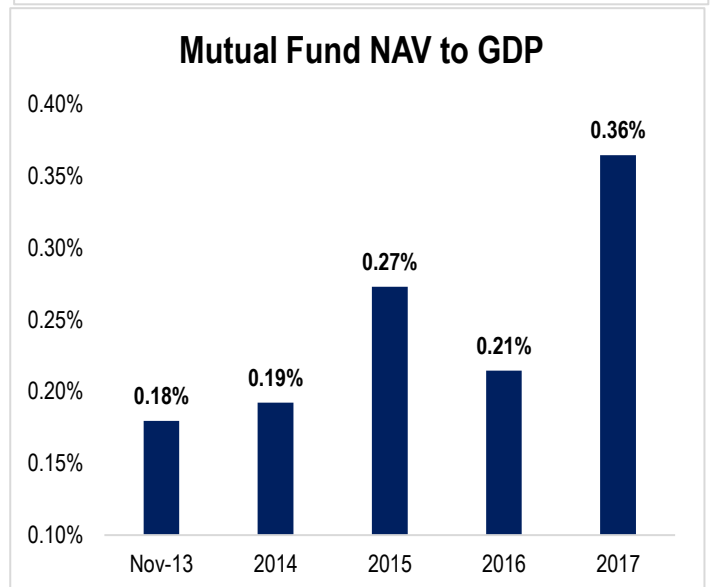
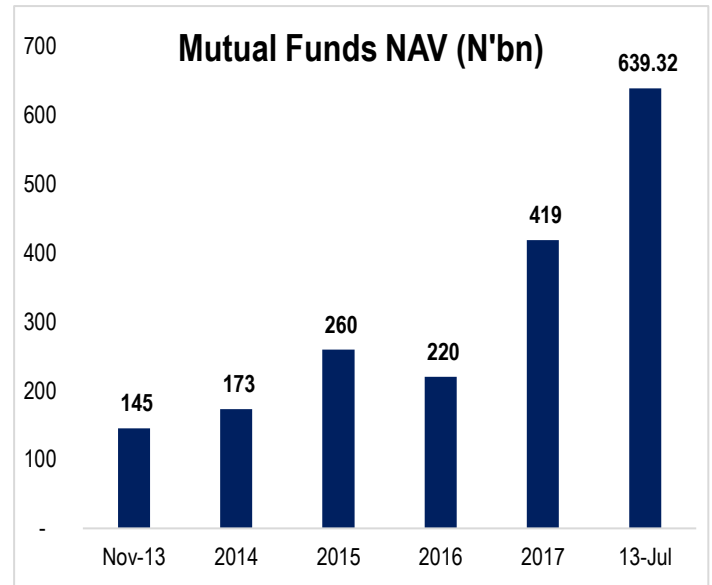
## Make Your Money Work for You

One of the ways to create wealth is to make your money work for you through regular saving and investment. One investment vehicle to achieve this is through a mutual fund: this is a pool of funds brought together by a professional fund manager from several investors to invest in selected underlying securities. The underlying securities can be one or a combination of the following: stocks, fixed income securities, real estate, and commodities. A mutual fund portfolio is structured and maintained to match different investment objectives. The type of mutual fund an individual invests in depends therefore on their financial objectives and appetite for risk.

Most mutual funds are open-ended investment schemes. This means that the Fund Manager can create additional units for new investors on demand. The Fund Manager is also able to provide active liquidity by redeeming units from existing investors who want to sell units for cash.

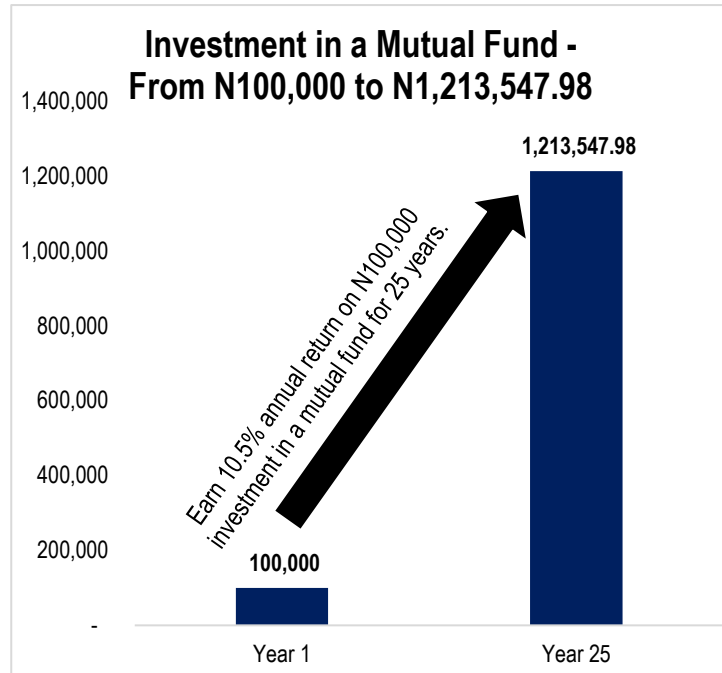
In addition to liquidity, mutual funds offer a range of benefits to investors including portfolio diversification and lower transaction costs. The existence of a Trustee and Custodian of mutual funds ensures the safety of investments, as the Trustee ensures that the fund is managed in line with approved investment guidelines, and the Custodian holds the fund assets. Mutual fund investments are also affordable for low-income investors, as some funds only require an initial investment of N5,000.

The mutual fund assets in Nigeria have grown significantly in the last five years. This is an indication of the growing interest in this class of investment. Data from the Securities and Exchange Commission (SEC) on the Net Asset Value



(NAV) of all registered mutual funds in Nigeria shows that the collective NAV grew by 188% between 2013 and 2017. There is still significant room for growth in mutual fund assets as its ratio to the country's Gross Domestic Product (GDP) is low at 0.36% in 2017.

The simple way to start mutual fund investment is to identify a SEC-registered investment management firm. Open an investment account with the firm and start a long-term investment plan that matches your objectives and risk tolerance level. Our illustration shows that an investment of N100,000 in a mutual fund could easily grow to N1,213,547.98 in 25 years. This is possible if the mutual fund earns 10.5% return consistently on a yearly basis.



Sources: National Bureau of Statistics (NBS), Securities and Exchange Commission and FSDH Research Analysis

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