

# MoneyMATTERS

## **Mutual funds can serve useful function**

*But look at the contents, not the wrapping*

WILFRED HAHN

Should you buy a mutual fund? Many people have done so in recent years. As such, the funds business has boomed. The number of mutuals on offer has skyrocketed as has the average size. What I considered to be good size fund ten years ago would hardly amount to a month's worth of fund inflows today. When it comes to mutual investing there's little question that the "wide road" these days invariably leads to a wealth management company, a financial planner or a stockbroker.

Recently a close relative reacted with surprise to a recommendation I had made. "I thought you didn't like mutual funds, she said. I had suggested that a mutual fund might be an appropriate savings vehicle to consider. Apparently, to her, I was contradicting myself. I've been "up front and center" in recent years expressing my deep concern for the many investors who have been caught up in what I see as a financial mania. Mutual funds have played a key role in this phenomenon. As well, I have been uncomfortable with the developments both within the mutual fund industry itself as well as the misguided expectations that have been promoted to the investing public at large. The fund business has become no different than the detergent industry. It's all about marketers selling the product of easy gains ... lots of it ... and less about real investment and promoting a savings ethic. Knowing my concerns, my relative had assumed that I didn't like any mutual funds. That's not the case. I do think that mutual funds can serve a useful function.

My relative had confused content for wrapping. To say that I am against mutual funds is like saying that I disapprove of all magazines in brown paper wrapping. That wouldn't make sense. My National Geographic subscription and some Christian publications — quality publications — are mailed in a brown wrapper.

### **Check the Contents**

When considering mutual funds, Christian stewards should be looking at what's inside the wrapper. Good stewards will care about the content of the funds that they buy. For example:

- When considering a stock or bond fund, just how cheap or expensive are the securities that will be owned mutually? Good stewards apply the principle of value to the content of their grocery bags. The same should apply to savings.
- What is the portfolio manager doing with our money? Just what types of companies, industries or government is this professional choosing to finance with our money?

For example, most Christians would feel that an investment in the stock of a media company that promotes immorality wouldn't be inappropriate.

- How is the money manager investing? Is he or she simply gambling ... serving the gods of chance? Stewards instead pursue a life of industry and thoughtfulness. The use of their money should reflect these character traits.

In short, it's the responsibility of stewards that they know the answers to these questions. Here's how you can begin to find answers.

Before buying a fund, read its prospectus and investment guidelines. If possible, view a recent statement of the fund's portfolio holdings. Some companies also regularly publish comments from their portfolio managers.

Of course, more information is needed to make a thorough assessment. Yet, these materials will at least provide you with a sense of the suitability of a mutual fund's content. Beyond that, an investment professional, if asked the right questions, can provide further help.

As concluded in a previous column, we are our money's keeper .. no matter how it's wrapped.

*Wilfred J. Hahn is a global portfolio manager and publisher of Eternal Value Review. Contact him by email: [mullpress@aol.com](mailto:mullpress@aol.com)*

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**If not otherwise noted, all scripture references are taken from the New International Version (NIV) of the Bible.**