

INDIVIDUALLY OWNED STOCKS & BONDS VS MUTUAL FUNDS	STOCKS & BONDS	MUTUAL FUNDS
<i>Conflict of Interest</i>	NO	YES
<i>Control Capital Gains or Losses</i>	YES	NO
<i>Embedded Unrealized Capital Gains</i>	NO	YES
<i>Restrictions</i>	NO	YES
<i>Transparency</i>	YES	NO
<i>Uncertain Maturities and Yields</i>	NO	YES
<i>Underperform Benchmarks Consistently</i>	?	YES
<i>Unfavorable for U.S. Non-Residents / G4 Visa Holders</i>	NO	YES



Conflict of Interest

Mutual funds can come with different shares classes. Advisers could recommend the share class that gives them the highest commission. This is not acting in the best interest of the client.

Control Capital Gains or Losses

Mutual funds are exposed to liquidation of securities to meet redemptions. This increases the risk of unwanted capital gain distributions. For example, if a mutual fund does not have adequate cash to meet shareholder redemptions; the fund manager is forced to sell securities within the mutual fund.

Embedded Unrealized Capital Gains

Mutual funds utilize a HI-FO (Highest In - First Out) pooled tax treatment strategy for managing most portfolios. This method typically creates embedded unrealized capital gain exposure and eventual taxable distributions. These distributions are declared and distributed annually and can occur regardless of whether the investor has made or lost money in the fund.

Restrictions

Most mutual funds have restrictive investment rules. For example, some mutual funds must be invested at all times, or are limited to how much can be in cash (sometimes cash is king.) Some mutual funds can only be invested in specific asset classes, styles, regions, or sectors (at times, these specific investments could be out of favor and underperform.)

Transparency

Mutual funds are required by law to list their portfolio holdings only twice a year. With individual security ownership, you always know exactly what securities are in your portfolio. Knowing what securities are actually in your portfolio provides additional comfort when investing.

Uncertain Maturities and Yields

Bond mutual funds' maturities and yields are uncertain. They can change at the fund manager's discretion; or even worse, at the other shareholders discretion through forced liquidation from redemption. Through individual security ownership, you always know the maturity and yield of the underlying investment.

Underperform Benchmarks Consistently

Studies have shown that less than 10% of mutual fund managers have outperformed their benchmarks over a consistent period of time.

Unfavorable for U.S. Non-Residents / G4 Visa Holders

If you are a U.S. non-resident, capital gain distributions from mutual funds are treated as dividends. Taxes withheld for capital gain distributions could be as much as 30%. Although interest from bonds is tax-exempt for U.S. non-residents; interest from bonds through a mutual fund, are treated as dividends (again, taxes withheld could be as much as 30%.)