



Mutual funds

Invest in stocks, bonds, and other securities.

Connect with an advisor to see if mutual funds are right for you.

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What is a mutual fund?

A mutual fund is a pool of money and investments (e.g. stocks, bonds and other types of investments) that are managed by a professional fund manager.

A mutual fund typically focuses on specific types of investments. For example, a fund may invest in:

- high-quality government and corporate bonds,
- stocks from large companies,
- stocks from certain countries,
- stocks in certain industries, or
- a mix of stocks and bonds.

How does a mutual fund work in Canada?

When you put money into a mutual fund, it becomes part of an investment pool managed by professionals who buy stocks, bonds or other assets on behalf of the fund. As assets in the fund rise in value, your share of the fund (typically measured in “units”) will also increase in value. If the value of the fund’s assets decreases, so will the value of your units.

You can own mutual funds in registered accounts like [RRSPs](#), [RRIFs](#), [RESPs](#), [TFSA](#)s and some pension plans. You can also own corporate class mutual funds, which may offer certain tax advantages for non-registered accounts. [Connect with an advisor for more detailed information.](#)

What are the benefits of mutual funds?

Investments chosen by professional fund managers

When you purchase units in a mutual fund, a professional manager will buy and sell stocks and bonds on your behalf. They'll manage all the buy-and-sell decisions, so you won't have to.

Fund managers have extensive experience and deep research capabilities in selecting investments.

Diversify your investment portfolio

Mutual funds are an easy way to help diversify your portfolio. Diversification means spreading your investments over several kinds of asset categories, geographic markets and investment styles. This means a negative performance in any single investment or country likely won't significantly hurt your entire portfolio.

When you buy units of a mutual fund, you're pooling your money with other investors. So, if you're a small investor, you can own a wider mix of investments than you might be able to afford by yourself.

Diversification [➤](#)

What is a mutual fund?

∨ Video transcript

Types of mutual funds

Equity mutual funds

Equity mutual funds primarily hold shares issued by individual companies. The manager typically specializes in investing within different locations (Canada and globally), different industries, and different company sizes, including large, mid-size or small companies.

Ideal for: Investors who can accept the ups and downs of the stock market in return for potentially higher long-term growth on their investments compared to non-equity investments.

[Learn more about equity mutual funds](#)

Fixed-income mutual funds

Fixed-income mutual funds primarily invest in bonds and other debt securities. They have the potential for growth while providing a source of income.

Ideal for: Investors with a lower risk tolerance.

[Learn more about fixed-income mutual funds](#)

Balanced mutual funds

Balanced mutual funds hold a mixture of equities and fixed-income investments. These funds can help you diversify your investment portfolio by investing in asset classes such as stocks, bonds and cash.

Ideal for: Investors who want a broader mix of investments.

[Learn more about balanced mutual funds](#)

Diversified income funds

Diversified income funds aim to generate income by investing across various asset classes, sectors and parts of the world.

Ideal for: Investors who prioritize income generation over capital appreciation, which refers to a rise in their investment's market price.

[Learn more about diversified income funds](#)

Corporate class funds

Corporate class funds hold stocks, bonds and other investments within a mutual fund corporation, instead of a mutual fund trust. This allows you to invest in shares of the corporation instead of units of a mutual fund trust.

Ideal for: Investors who are looking for a tax-efficient vehicle for their non-registered assets.

[Learn more about corporate class funds](#)

Specialty mutual funds

Specialty mutual funds hold equities or fixed-income securities in a specific geographic region (such as Asia or Europe) or sector (such as information technology or infrastructure).

Index mutual funds

Index mutual funds hold equities or fixed-income securities chosen to match the returns of a specific index, such as the S&P/TSX Composite Index.

Managed solutions

Managed solutions often include multiple funds in a single portfolio. This allows the manager to diversify across multiple sectors to build portfolios reflecting an investor's risk profile: from conservative to aggressive.

Find an advisor

Speak to your advisor to find out if mutual funds are right for you.

If you don't already have an advisor, a Sun Life advisor can help. They can also answer other questions you have.

Enter your postal code to connect with an advisor near you.

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Frequently Asked Questions

Do mutual funds pay dividends?

Mutual funds pay distributions, not dividends. A dividend is a payment (in cash or assets) from a corporation, whereas a distribution is a cash payment from a mutual fund.

How do I know if mutual funds are right for me?

Mutual funds may be ideal for long-term investors, as the value of securities held by the fund can change over time.

[Connect with an advisor to help you find out if mutual funds are right for you](#) ➤

Are mutual funds a good investment in Canada?

Since mutual funds are managed by professionals, they can be a great option for people who don't want to supervise their investments by themselves. They're also great for investors who want to reduce risk by [diversifying their portfolio](#) ➤

Are mutual funds taxable in Canada?

Yes. Any income that a non-registered mutual fund earns is flowed through to the fund owner and taxed in the owner's hands as if the owner had personally owned the investments that had produced the income. Funds that are registered ([RRSPs](#), [RRIFs](#), [RESPs](#), RDSPs, ALDAs and [FHSAs](#)) receive the same tax treatment accorded to their registration type. Generally, any type of income generated from a mutual fund registered as a tax-free savings account (such as interest, dividends, foreign income and realized capital gains) is tax-free.

[Connect with an advisor for more detailed information](#) ➤

Are returns from mutual funds guaranteed?

Unlike a product such as [guaranteed investment certificate](#) a guaranteed investment certificate, the returns on mutual funds are not guaranteed. Past performance is no guarantee of future performance, and the value of a fund can change over time.

Got more questions?

A Sun Life advisor can answer your questions.

Enter your postal code to connect with an advisor near you.

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Life’s brighter under the sun

We acknowledge that Sun Life operates in many Territories and Treaties across Canada. Our Canadian headquarters in Waterloo are on the traditional territory of the Anishnaabeg, Haudenosaunee Confederacy and the Mississaugas of the Credit First Nations.

Today, Canada is still the home to many Indigenous, First Nations, Inuit, and Metis peoples from all across Turtle Island. We are grateful to have the opportunity to work in this territory. We offer this acknowledgment as a stepping stone towards honouring the original occupants, as a testimony to the oppression faced by Indigenous peoples, and our commitment to Indigenous communities and employees of Sun Life.

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