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MAJOR INVESTMENT VEHICLES

Investing is a broad term, but the financial instruments that you can tangibly put capital into to seek positive returns can be done via a number of major investment vehicles. They can be broken down by Direct and Indirect Investments, but the major importance lies in how you receive returns, either via capital appreciation, income or a combination thereof.

DIRECT INVESTMENTS

The investor buys directly into these assets and there is no intermediary that is required to manage them for the investor, complete control lies with the investor themselves to purchase/sell/hold.

Stocks - This is often the most common investment consumers think of, buying ownership of an individual company. Returns are garnered from capital appreciation and income in the form of dividends (if offered).

Bonds - These debt instruments are fixed income securities where the investor provides capital for the issuer to utilize and in return the issuer dishes out income in the form of interest payments to the holder while promising the principle. Returns are seen in income and capital appreciation via the secondary market.

Real Estate - Directly purchasing land/property is a common transaction done to garner returns via capital appreciation, and rental income both long-term and ultra short-term with the introduction of AirBnB like players.

INDIRECT INVESTMENTS

These investment vehicles still hold direct investments, however, a professional third-party manager selects, manages and monitors these investments for the investor for a fee. Two types of indirect:

PRIVATE

Generally unavailable to the public, and only open to accredited and qualified investors due to the risks, liquidity and complexity of the investments. Investors are typically: HNWIs, Pension Funds, Financial Institutions and Wealth Managers.

Hedge Funds - pooled investment funds with complex trading and risk management techniques often times utilizing derivative trading to 'hedge' out certain areas of risk or look for opportunity.

Venture Capital - pooled investment funds that take stake in start ups and early-stage emerging companies with little operational track record but explosive growth potential.

Private REITs - investment trusts that invest in the real estate sector, not traded on major exchanges.

Leveraged Buyouts (LBOs)/ Private Equity - usually limited partnerships that invest in mature, late stage businesses with heavy debt financing, typically looking to gain controlling interest of said companies.

PUBLIC

Open to the general public and traded on an exchange, usually utilizing a brokerage firm to act as the intermediary between investor and investment vehicle to facilitate the trade.

ETFs - pooled investment securities that are viewed as easily tradeable and cost efficient ways to gain exposure to a large array of assets, from equities and fixed income securities, to commodities and more.

Open-End Mutual Funds - pooled investment funds that track baskets of assets like an ETF, but can only be traded once per day and trading takes place directly between the investor and fund company.

Public REITs - investment trusts that invest in the real estate sector, easily traded on major exchanges.

Closed-End Funds - similar structure to mutual funds but trade intraday and have a fixed number of shares, generally more actively managed and often utilize leverage for higher potential risk/rewards.