

Following the Money

What actually happens to your money when you invest in a mutual fund?

How does the
money get to the
fund?

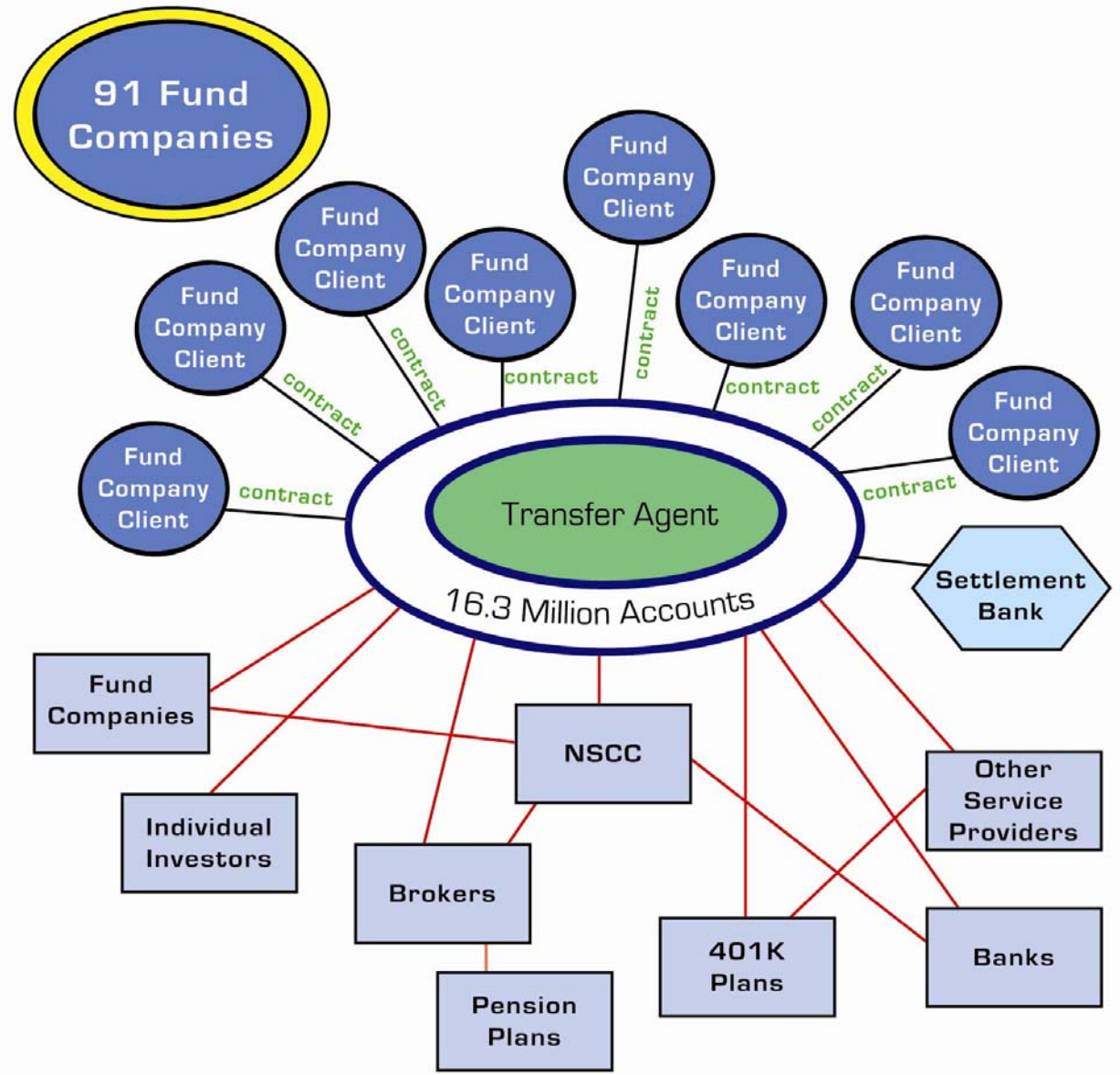
What happens
once it arrives?

How do you get
your investments
(and earnings)
back?

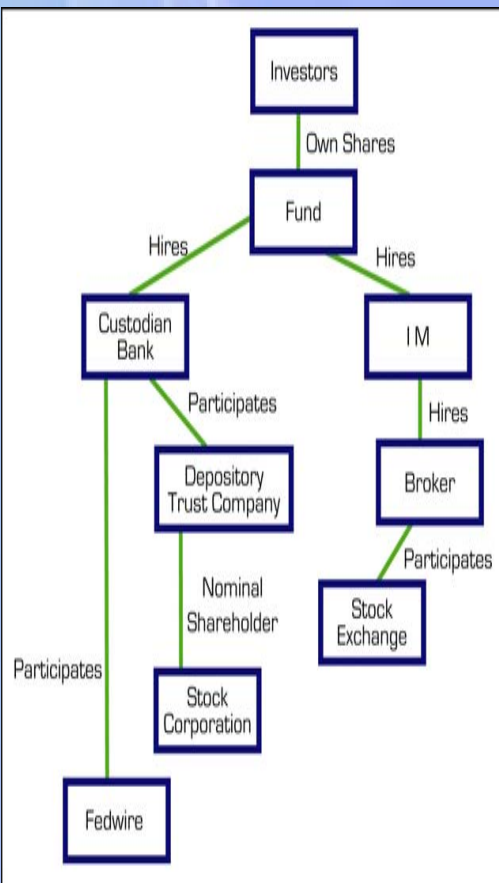
How does the money get to the fund?

- ▶ For the investor to buy fund shares, the money and the purchase order have to reach the fund's transfer agent.
- ▶ Process depends on
 - ▶ Fund distribution method
 - ▶ Source of money

Transfer Agent Relationships



Example of Transaction Execution



- ▶ Fund IM instructs broker to buy 100 shares of GM stock
- ▶ Broker identifies source of shares (via NYSE often) and sets terms of transaction with seller's broker
- ▶ IM instructs broker to finalize the trade (execute the transaction)
- ▶ IM instructs the custodian on the terms of the trade and how and when to deliver purchase price plus fee to seller's agent (often via DTC)