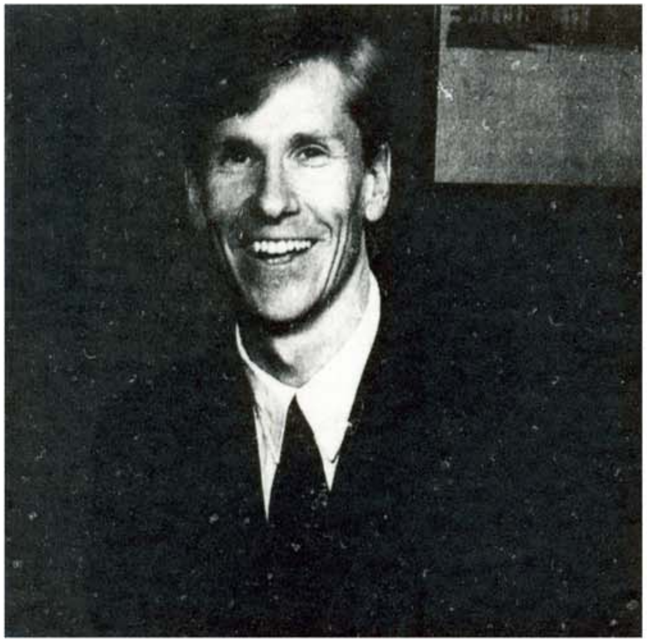

FundNet president Jonathan Hunt hopes to expand the service to other provinces soon.

INNOVATIONS / *Saskatchewan investors can obtain fund advice along with Internet trades.*

On-line service gives counsel, does the deal

BY GORDON POWERS
Special to The Globe and Mail

As a busy oil scientist in Saskatoon, 39-year-old Nick Boguski doesn't have a lot of time to fuss over his mutual fund investments. But, with little faith in the buy-and-hold tale spun by most fund companies, he's also unwilling to leave them just sitting there until he retires.

So, when Jonathan Hunt, president of year-old FundNet Investment Corp., a Saskatoon-based affiliate of Balanced Planning Investments Corp., of Waterloo, Ont., offered to both advise him on his mutual fund choices and help him trade them on-line, he was hooked. "I'd like to be a more active investor," Mr. Boguski says. "But, until now, I've not had much luck finding the sort of proactive advice that could really help me do that."

While both E-Trade Canada (www.canada.etrade.com) and discount brokerage TD Greenline (www.tdbank.ca/greenline) have been offering Internet-based trading of Canadian mutual funds for a few months now, tiny FundNet (www.cutloss.com) is the only one of the three on-line services that provides any actual investment advice, Mr. Hunt claims.

"Not only does this technology allow us to deliver timely advice," he says. "But it also allows us to customize it to reflect each client's particular circumstances."

However, other vendors may be able to produce a more detailed menu of fund information right now, Mr. Hunt admits. E-Trade Canada clients, for instance, have access to mutual fund pricing and performance data from Fundata Canada Inc. as well as more comprehensive corporate reports from a variety of suppliers. And they're likely cheaper when it comes to trading costs — at least for certain funds.

If they're willing to draw from eight preferred fund families — AGF Management Ltd., BPI Capital Management Corp., C.I. Mutual Funds, Dynamic Mutual Funds, Fidelity Investments Canada, Mackenzie Financial Corp., Templeton Management Ltd., and Trimark Investment Management Inc. — E-Trade Canada investors pay a flat fee of $38.88 a fund, regardless of the amount of the purchase. Other funds are also available with charges scaling down, depending on the purchase amount, from 1.5 per cent.

FundNet clients, on the other hand, pay 1 per cent across the board for both initial purchases and switches, Mr. Hunt says.

Although all visitors to FundNet's site can read its daily research reports, only clients with a password can access more detailed commentaries. Individual buy and sell recommendations, driven in part by Mr. Hunt's take on market momentum — in which investors buy a specific fund largely because it's been rising in price — and the prospects for different regions and market sectors are delivered by E-mail. Clients can then trade funds within the same family seamlessly, as well as track their portfolio's progress in the light of posted market reports, he adds.

"The final decision is always mine — which I like," Mr. Boguski says. "So far, the suggested trades have been right more often than not. I get a real sense of the market's pulse this way and can act accordingly."

But, while there's no denying the Internet's instant-access appeal to some, most mutual fund dealers still remain leery of just how to harness its power. Only last month, Toronto-based Fundserv Inc., the order-taking network controlled by the major broker-sold fund companies, pulled back from a major initiative that would have allowed advisers to call up client information from the Internet. Member firms were worried that they would have too little control over the flow of information.

"Frankly, I don't see the problem," Mr. Hunt argues. "The system we're using would actually allow dealers to keep even closer tabs on what's going on." For now, FundNet can only deal with Saskatchewan-based clients. However, Mr. Hunt hopes to align himself with like-minded advisers to expand the service in other provinces quite soon.

However, persuading investors to sign may be another thing altogether, suggests a recent study conducted by Toronto-based research firm Marketing Solutions. It found that most mutual fund investors are still not ready to fully embrace the Internet, preferring instead to use it more as a source of information rather than trading.

"Our research suggests that the wave of fund-related Web sites is probably well ahead of shareholder demand for on-line services," says Marketing Solutions consultant Shelley Kirkbride. The study, conducted earlier this year to determine fund investors' on-line habits, tried to measure both investors' knowledge and worries about investing on-line. It concluded that only 23 per cent of mutual fund buyers actually have Internet access to begin with. Of those, 26 per cent have visited a fund-related Web site recently.

Not surprisingly, those who do log on in some fashion are likely to be younger and more affluent than the general population, Ms. Kirkbride says.

The most popular Internet activity for fund investors is to verify fund prices. Other activities include reading or downloading prospectuses and checking account balances. Currently, very few investors are buying or selling fund shares on-line. Nor are they likely to do so any time soon, the study found.

But, "as sites improve and investors begin to understand the advantages the Web has to offer, usage will likely increase," Ms. Kirkbride says. "Right now though, investors are still quite uncomfortable with the technology."

Still, Mr. Hunt remains undaunted. "Unless you're a totally committed buy-and-hold-it-forever investor, you need current information and advice. This isn't the only way to get it — but I really think it's the best way."