



Managed funds

Investing in a managed fund allows you to pool your money with other investors. This will often enable you to invest in assets that may not ordinarily be available (for instance, international government bonds and shares).

When investing in a managed fund you purchase “units” in the fund. The number of “units” allocated to you is based on the amount of funds you invest and the entity unit price at the time of your investment.

Managed funds are also known as managed investments or unit trusts.

Advantages of managed funds

Diversification – If you wish to invest across a range of investment types, asset classes, countries or investment managers, or specifically into shares or property, a managed fund offers greater diversification than an individual investment. Diversification helps to reduce the risk and improve the consistency of returns. Different investment options will generally provide good returns at different times so by diversifying your portfolio, the higher returns received from one investment can often offset lower returns from another.

Professional management – Fund managers are experienced and qualified professionals who specialise in the selection and maintenance of investments. Fund managers have expert knowledge of the markets they invest in, and provide a particular advantage for investors wanting to invest in markets or sectors in which they have little or no experience.

Buying strength/economies of scale – Buying strength comes from the ability to buy in bulk. Managed funds provide private investors with access to markets and strategies that rely on economies of scale. They are also buying and selling large amounts of investments on a regular basis and can usually negotiate much lower transaction costs than you could as a private investor.

Access to international markets and investments – Managed funds provide the personal investor with the opportunity to invest their money across the world. For example, there are funds that invest directly into established markets such as Europe, Japan and the United States, funds that invest into specific regions such as Europe and Asia, and funds that invest into emerging markets, such as Western Asia and Latin America.

Liquidity – You can usually withdraw your investment from a managed fund whenever you want (waiting periods may apply to some funds).

Convenience – Fund managers will look after all the paperwork for you, the buying and the selling, the collection of income, rent and dividends and so on. On a regular basis, the fund manager will report to you on the performance of the fund and, at the end of the financial year, provide consolidated tax information about the fund.



Disadvantages of managed funds

No guarantees – Investing in a managed fund provides no guarantee that the investments will always increase in value. While investment professionals manage your investment, they may make investment decisions which adversely affect the value of the fund.

Potentially high costs – Managed funds can be a cost-effective way to buy a variety of securities. In some cases however, the efficiencies of fund ownership can be offset by a combination of higher sales commissions, exit or entry fees and high operating expenses (management expense ratios). It is important to compare the costs of funds you are considering.

Investing through FuturePlus however could save you from entry and/or exit fees and higher commissions - to find out more you should speak to a FuturePlus Financial Planner.

Investment returns

Investment returns depend on the type of managed fund, but generally consist of interest, share dividends, other income and realised capital gains. These returns are paid to investors through fund distributions, usually on a quarterly basis. Investors have the option of receiving the distributions or reinvesting them back into the fund. Investment growth from a managed fund occurs when the value of the fund's unit price increases. This is achieved when the fund's underlying investments increase in value. Daily unit pricing of most managed funds are provided by the fund manager and the unit price can be regarded as being similar to a share price.

Choosing the right fund

You can invest in a variety of funds. Each Fund is designed to meet a specific need, whether you are looking for income or growth. You would select your investment based on your investment needs and attitude to risk.

You need to be aware that different funds have different levels of risk and this will affect the potential for growth and income.

Need further information?

FuturePlus Financial Services Pty Limited (AFSL No. 238445) can provide information on a range of managed funds.

If you would like to receive more information on managed funds, please contact FuturePlus Financial Services on 1300 883 788.

Please note that the information contained herein is of a general nature only. It has not been prepared taking into account your particular investment objectives, financial situation and particular needs. You should assess whether any advice is appropriate to your individual investment objectives, financial situation and particular needs before making any investment decision. You should also consider seeking the assistance of a professional adviser.

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0000-PPFS-08/09