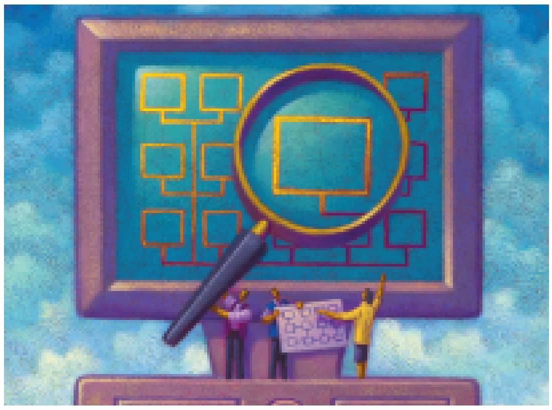
A guide to managed investments

You'd like to invest in shares, property, bonds and cash but you don't have unlimited time or money. The solution? Managed investments.



Managed investments pool the money of many individual investors and then invest that money on behalf of those people.

Depending on the particular managed investment, they might invest in shares, property, fixed interest or cash – or a specific combination of those assets.

When you invest in a managed investment (often called a managed fund), you are typically allocated a number of units based on how much you invest and the current price of each unit. If you invest $10,000 and the unit price at the time is $1, you would own 10,000 units.

If the investment does well and the unit price rises to $2, then your investment will be worth $20,000 (ie $2 × 10,000 units). Conversely, if the unit price drops to 90 cents, your investment would then be worth $9,000 (ie 90 cents × 10,000 units). Some investments also charge an entry fee, ongoing management fee and/or exit fee.

Why should you invest in a managed investment?

Managed investments have become very popular with Australian investors because of four main reasons:

1. Expert management

Fund managers employ teams of investment analysts and portfolio managers. Their job is to constantly research investment markets in order to determine which assets should outperform. They then buy those assets on your behalf, and monitor them closely to ensure they perform as expected. Under-performing assets are sold and replaced with assets with superior potential.

2. Broad diversification

Diversification is the proven strategy investors use to minimise the risk of losing capital and the risk of fluctuating investment returns. It's another way of saying 'don't put all your eggs in one basket'.

The problem for most people is that they do not have enough capital to obtain sufficient diversification.

That's where managed investments come in. For as little as $2,000 (or even less through some platforms), you can access a diversified portfolio with hundreds of well-researched investments from around the world including investments which would normally not be available to you as a retail investor.

Some managed investments are asset specific, which means that they can only invest in either shares, property, cash or fixed interest. However, in each case, the fund would diversify extensively. For example, a share fund will typically invest in a range of shares across many different sectors such as banks, retail, building materials, media, and telecommunications.

3. Convenience

Using managed investments will save you time and effort as the fund

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manager does all the research for you. They buy and sell the underlying investments on your behalf. They ensure that you get adequate diversification. And then they look after the paperwork and send you regular reports.

In addition, you can usually withdraw some or all of your money from a managed fund at relatively short notice.

4. Performance

The constant research conducted by managed funds, as well as their broad diversification, mean that they generally outperform do-it-yourself investors who lack access to expert research and diversification opportunities.

Which type of managed fund should you invest in?

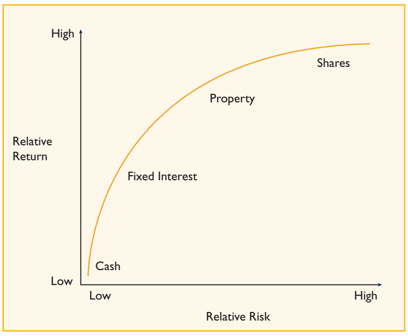
In broad terms there are a number of different types of managed funds:

- **Cash** – will invest in highly secure bank and government short-term securities and wholesale money markets. Pays you interest on a regular basis.
- **Fixed interest** – invests primarily in bonds issued by governments and corporations. The investment will pay you interest, and there is also the possibility of a small amount of capital growth and loss.
- **Property** – typically invests in office buildings as well as retail and industrial properties. The value of these managed investments will fluctuate according to market movements, but over time should deliver an increase in value greater than inflation. Income is paid to you on a regular basis.
- **Shares** – focuses on shares either in Australia and/or around the world. These investments will generally deliver the highest return of all managed funds over the medium- to long-term, however they also exhibit the highest fluctuations in values in the short term. The income which is paid to you will generally be more tax-effective if it is from Australian shares.
- **Multi-sector** – invests in a broad range of asset classes. Typically, some of the money is invested in shares and property, with the balance in cash and fixed interest.

Benefits of using an investment platform

Many investors choose to invest through a platform to gain efficient access to a range of managed investments.

Platforms are administration facilities for investment and superannuation money. They simplify the investment process because they provide access to many retail fund managers and consolidate all the investment reporting and administration for you, sending you regular portfolio valuations and tax statements.



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Specialising in technical excellence and recognising the complex legislation that governs investment, tax and superannuation, your SECURITOR financial adviser is able to work within this regulatory framework to develop innovative financial planning solutions for you, especially in the areas of wealth accumulation, superannuation and retirement planning. Using a combination of the right technical advice and the right investment strategies, SECURITOR financial advisers can add significant value to your financial affairs over the long-term.

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