



What is a managed fund?



A managed fund pools together investors' money into a professionally managed investment portfolio that is built and run by a specialist fund manager.

The fund's strategy can be based around different asset classes, such as shares, property or fixed interest, or around a particular objective, such as growth or income.

When investors buy into a managed fund, they are allocated a number of 'units'. The value of units will change as the market value of the assets in the fund rise and fall.

Who would be interested in managed funds?

Managed funds can be a valuable wealth-building tool, particularly for investors who prefer to start by dipping their toe in the water with relatively small amounts of money. They also appeal to investors who may not have the time, or confidence, to watch the market and make investment decisions on a day-to-day basis.

Returns

The returns you get from a managed fund usually come in two forms:

1. income, which is paid to investors as a 'distribution'
2. capital growth, which only occurs when the unit price increases in value.

Risks

There are risks and benefits associated with all types of investments and you should be aware of what they are before making any decisions.

- Market risk - investors may experience losses if the market value of the assets in the managed fund decline
- Liquidity risk – this relates to the investor's ability to buy or sell their units in the managed fund. Some managed funds may have clauses that enable the fund manager to freeze redemptions
- Currency risk - unfavourable currency movements could have a negative impact on the returns for international investments made by the fund.

Questions to consider when weighing up your options

- What is my investment goal and timeframe?
- How comfortable am I with sharp rises and falls in the investment's value?
- How will I buy and sell my managed funds?



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