RETIREWELL
WEALTH MANAGEMENT SOLUTIONS

PROFESSIONAL PRACTICE
FINANCIAL PLANNING ASSOCIATION of AUSTRALIA

MACQUARIE

Why invest in managed funds?

How managed funds may help diversify your portfolio

When you invest in a managed fund, your investment dollars are pooled with those of other investors. A professional fund manager holds and manages this portfolio according to the fund's investment objectives, which are described in the fund's Product Disclosure Statement (PDS). Investors hold units (or shares) in the overall fund. The value of these units move up and down, following the movements of the investments in the portfolio.

Managed funds can provide access to different Australian and international asset classes, combinations of asset classes and various styles of investment. Most Australian investors have exposure to managed funds through their superannuation plans.

The concept of a managed fund is relatively straightforward and offers investors a great way to dip a toe into the investment market. Investing in a managed fund also gives you access to the expertise of professional fund managers, who should have better research and deeper knowledge of the markets in which they specialise.

Many investment managers also provide investors with a regular flow of information on fund performance and investment information. This information can help you and your adviser further develop your investment strategies.

Active vs. passive fund management

A managed fund can be actively managed, which means a fund manager is making decisions on which investments to buy and sell and how many or what weight a particular investment will have in a portfolio. An active fund manager will usually attempt to structure the fund's portfolio in specific ways, such as:

- outperforming a benchmark
- achieving a specific aim, such as earning high yield
- targeting a specific theme, such as emerging markets.

Managed funds can also adopt a passive or index strategy. This means that the investment manager tries to replicate the performance of a specific index, e.g. ASX 200. This can be done by holding all of the securities in the underlying index in the same proportion or by using computer models to closely match the performance of an index without necessarily holding all the securities in the underlying index.

Diversification

One of the attractions of managed funds is diversification. As an individual investor the number of companies or securities in which you can invest may be limited due to minimum investment amounts/parcel sizes and transaction costs, leaving you overly exposed to the fortunes of those businesses. By effectively pooling your funds with other investors via a managed share fund (as an example), you'll be investing in range of Australian or international companies.

You won't have control over where your money is invested – those decisions are made by the fund manager. But with thousands of managed funds to choose from, you should be able to find one that reflects your own investment requirements. Talk to your financial adviser about whether managed fund investing could be right for you.

Retirewell Financial Planning Pty Ltd   ABN 29 070 985 509
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Level 24, 141 Queen Street (Cnr Albert St), Brisbane QLD 4000   **Phone: (07) 3221 1122**   Email: *retirewell@retirewell.com.au*