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 your money with that of other investors and then invest that money on behalf of the group.

Depending on the particular managed investment, it 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're 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 fund does well and the value rises to $2 then your investment will be worth $20,000 ($2 x 10,000 units). Conversely, if the unit price drops to 90 cents, your investment would then be worth $9,000 (90 cents x 10,000 units).

Benefits of 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 give you access to many retail fund managers and consolidate all the investment reporting and administration for you, sending you regular portfolio valuations and tax statements.

Why should you invest in a managed investment?

Managed investments have become popular with investors for four main reasons:

1. Expert management

Investment managers employ teams of investment analysts and portfolio managers. Their job is to constantly research investment markets to determine which assets should have the best performance. Then they buy those assets on your behalf, and monitor them closely to ensure they perform as expected.

Investment managers also conduct regular reviews to determine which assets should be sold and replaced with assets with more potential.

2. Broad diversification

Diversification is a proven strategy 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 don't have enough money to spread their investments enough to minimise these risks. That's where managed investments come in. For as little as $2,000 (or even less in some cases), you can access a diversified portfolio which contains hundreds of well-researched investments.

Some managed investments are asset-specific, which means that they only invest in one asset type - shares, property, cash or fixed interest. However, in each case the managed investment would still diversify. For example, a managed investment specialising in shares 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 investment manager does all the research and buying and selling the underlying investments on your behalf. All your administration issues are taken care of as well – from dealing with brokers and sending you regular reports to providing you with information relevant to your tax return.

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.

In which type of managed investment should you invest?

There are a number of different types of managed investments:

- **Cash** – invests in highly secure bank and government short-term securities and wholesale money markets. You'll receive 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 commercial, 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 generally paid on a regular basis.
- **Shares** – focuses on shares in Australia and/or internationally. 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. Income which is paid to you will be 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.

Things you should consider

Your financial adviser can give you a copy of the relevant Product Disclosure Statement for any financial product you are considering and you should read this document carefully before acquiring any financial product.

Diversification is a proven strategy 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.'

Contact Salt Financial Group Pty Ltd for further information on 03 9088 4777 or visit www.saltfinancialgroup.com.au