

Managed Investments

Once an appropriate investment strategy has been determined, there are usually a number of possible implementation options. Depending on the strategy, the options may include managed investments, bank products, direct investments such as shares, and direct property. All of these investments could have a place in a portfolio. However, there are some unique advantages with managed investments.

Benefits of Managed Investments

The benefits of managed investments include:

- **Diversification** - The large pool of investors' assets available to fund managers allows them to diversify the spread of investments and provide access to investments which may not be readily available to individual investors. For example, large retail property complexes and international shares.
- **Cost Efficiency** - Most stockbroking firms charge between 1.5% - 2.5% for every transaction made by a client, e.g. buying, selling or switching. The buy and sell price, transaction fees and stamp duty charges of a professionally managed direct share portfolio may easily exceed the total costs of an average managed investment. Similarly, with property, the total costs to buy, sell, hold and manage, may exceed total unit trust costs.
- **Professional Management and Expertise** - Fund managers have the expertise to review and research investment opportunities and apply their experience to actively manage investment portfolios.
- **Liquidity** - Investors in managed investments can usually access funds within 5-30 days (excluding superannuation investments) and are usually able to access a part of their funds without needing to redeem the whole investment.
- **Regular Reporting and Information** - Managed investments take care of the administrative requirements and expenses that often accompany direct ownership of investments. Fund managers provide regular information to investors regarding investment performance and also provide tax summaries at the end of the financial year.
- **Protection** - Managed investments are regulated by the Australian Prudential Regulation Authority and Australian Securities and Investment Commission. Requirements provide for minimum levels of disclosure by the fund manager, and regulate the level of financial resources of the manager.

Types of Managed Investments

Different types of managed investments are used to achieve different investment sector allocations and varying investor goals. Managed investments can be categorised according to four main criteria:

- **Investment Tax Structure** - Superannuation (including rollover funds), trusts, insurance bonds, friendly society bonds and allocated pensions or annuities.
- **Asset Classification**

- Income Fund - Cash, fixed interest, mortgages.
- Equity Fund - Industrial and resource shares, direct, listed and unlisted property, other equity related securities.
- Multi Sector Funds - funds which do not fit into the other categories of Income or Equity.
- Geographical Location - Australia, United States, Japan, European Economic Community, South East Asia, Global.
- Product Type - Retail, Wholesale or Corporate.