Investment Concepts – Managed funds

Managed funds allow investors to pool their money with an investment manager who has extensive research facilities and experience.

How it works

Managed funds can be purchased in individual names or within your superannuation fund. The investment manager may be called a 'fund manager' or 'responsible entity'. An investment manager then buys and sells shares or other assets on your behalf. You are usually paid income or 'distributions' periodically. The value of your investment will rise or fall with the value of the underlying assets. Depending on the assets invested, they may provide a combination of income (including realised capital gains) and the potential for capital growth over the medium to long term. Generally, income distributions can be either reinvested or paid to a nominated bank account.

Benefits

Some of the advantages of managed fund investments may include:

- **Diversification** - The large pool of funds available enables fund managers to diversify the spread of investments across numerous asset classes as well as providing access to investments which may not be readily available to individual investors, such as large retail property complexes and international shares.
- **Professional management and expertise** - Fund managers have the expertise to monitor and research investment opportunities and apply their investment experience in managing investment portfolios across various asset classes.
- **Economies of scale** - Investors in managed funds can access economies of scale in areas such as volume discounts on brokerage and other fees.
- **Liquidity** - Investors in managed funds can usually access their funds within 5-30 days (excluding superannuation investments), and are usually able to access a part of their funds without needing to cash in the whole investment.
- **Regular reporting and information** - Managed funds can take care of the administrative hassles and expenses which would normally accompany direct ownership of investments. Fund managers also provide regular information to investors regarding investment performance and year-end tax summaries, and
- **Tax advantages** - Income distributions may be tax advantaged through imputation credits for investments with underlying Australian share assets.

Risks, consequences and other important things to consider

These include:

- The capital value of managed funds may fluctuate, particularly in the short-term.
- Capital Gains Tax may be payable on any growth in the value of your investments when you eventually redeem or sell them.
- Income distributions are not guaranteed and may fluctuate over time.
- Re-invested income will still form part of assessable income for tax purposes.
- Internal management fees are charged to invest into managed funds.
- Loss of immediate access to your funds.

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