



Fisher Funds

Investor Education Centre

*Making investing enjoyable, understandable
and profitable...*

Units or shares – which are better?

28/06/09

There are a number of ways that you can invest – you can do it yourself, you can use an adviser, or you can invest through a managed fund. Each approach has its merits and your choice will largely depend on your personality and how much time and effort you can devote to investing.

A managed fund can be a great way to invest because it offers professional management and access to a range of investments for a relatively small outlay.

While do-it-yourself investing is enjoyable because you can choose investments that really appeal to you; there is something comforting about having your money pooled with thousands of others, with a manager who is watching your investments every day, even when you are busy doing something else.

Managed funds have recently been criticised for being expensive and lacking transparency. There are costs associated with managed funds. You pay an annual management fee for the fund manager to visit companies and dig around the market to find the best investments. The fund also pays for auditors, who audit the fund each year to make sure it is above board; and trustees, who make sure the fund manager follows the rules laid down by the Trust Deed. Both the auditor and trustee offer a degree of protection and oversight that a do-it-yourself investor does not have.

As for transparency, a managed fund can be just as transparent as your own portfolio of shares. It is easy with your own share portfolio to know exactly how much of every stock you own at any time. It is slightly harder to see at a glance exactly how many shares you own in a managed fund, because your investment in a fund gives you *units* rather than shares in individual companies.

Your \$1,000 invested directly in the share market might buy you 75 Fletcher Building shares and 85 Contact Energy shares. Your \$1,000 invested in a managed fund might buy you 1,000 units, with each unit representing the Fletcher Building, Contact Energy and other shares held in the fund. While you can't ask your fund manager to sell some of your Fletcher Building shares, as you can with a share broker, you can ask for some of your units to be sold any time you want some money out.

Your fund manager can tell you, whenever you like, which shares and how much of each you effectively own. They can also tell you why they bought those shares and what they like about the company.

Over the years, investors have often commented that they like hearing their fund manager's rationale for buying and selling shares. One of the best ways to learn about investing is to invest in a managed fund and watch what the fund manager is buying and selling, and the logic behind their investment decisions – what encouraged them to buy or sell an investment? What do they do when markets rise? Or fall? This knowledge might help when you come to choose your own investments.

Making investing enjoyable, understandable and profitable...

All information contained in this document is the property of Fisher Funds Management Ltd or its information providers and is protected by applicable copyright and intellectual property laws. All rights reserved. You may not reproduce, retransmit, disseminate, sell, publish, broadcast, or circulate the information without the express written consent of Fisher Funds. You are entitled to use the Information on this Site for your personal, non-commercial use only.