

## Managed Fund Overview

August 2008

### What is a managed fund?

There is far too much jargon and confusion about investment products, but it doesn't need to be that complicated! You might have heard about unit trusts, managed funds, mutual funds, PIE's, super schemes, etc. These are all just ways of describing similar investment vehicles (let's call them all managed funds).

A managed fund is an investment that pools money from many investors. For example, the Fisher Funds NZ Growth Fund invests in growing New Zealand companies, and manages over \$100 million for more than 6,000 investors.

Apart from you as the investor there are two key parties involved in managed funds:

- The fund manager (manages the money)
- The trustee (holds the assets and monitors the fund manager)

You will only deal with the fund manager, and their job is to talk to investors, answer your questions and invest your money.

All managed funds must have an independent trustee to look after the interests of investors. The trustee monitors the investments made by the fund manager to check they are consistent with what investors should expect and holds the funds assets in their name (on behalf of the investor). Trustees Executors is the Trustee for Fisher Funds.

### What is a unit?

When you invest in a managed fund you will receive a certain number of 'units' which represent your investment in the fund. Units are a bit like shares. The value of the units can change every day (just like shares), depending on the value of the underlying assets.

To calculate the value of your investment at any time you multiply the number of units you own by the current unit price. For example, if you invested \$10,000 when the unit price of the fund was \$1.00 you would receive 10,000 units. If, one year later, the unit price lifted to \$1.20 then your investment would be worth \$12,000 (10,000 units x \$1.20).

### What are the benefits of a managed fund?

#### 1 Professional Investment Management

An individual investor using a managed fund has access to full-time, expert professional management. We are paid to look after your money, everyday and achieve better returns than you could get on your own.

#### 2 Diversification

Pooling the investments of hundreds or thousands of investors means that investors can access a diversified investment portfolio through a single fund. For example, it would be difficult for a share investor with \$5,000 to build a portfolio of shares; they are most likely to end up with only 2 or 3 different shares in their portfolio. Managed funds can invest in a broad range of shares. This limits investment risk by reducing the effect of a possible decline in the value of any single investment in the portfolio.

### **3 Low Cost**

A managed fund gives an investor a range of shares with an investment as low as \$2,000. Large investors can often negotiate lower fees than small investors. By pooling the investments of many investors, administration and brokerage costs can be much lower than what investors would pay individually.

The total cost of running the fund can also be very low – the NZ Growth Fund has an after tax Management Expense Ratio of just 1.17% per annum after tax (year ended 31/3/2008). This includes the cost of running the fund, excluding any performance fee earned.

### **4 Convenience and Flexibility**

With one fund you can enjoy the benefits of a diversified portfolio and a wide range of services. The fund manager will do the research, meet the companies, decide when to invest, collect dividends, exercise rights, vote at AGMs, etc. There is nothing that you have to do once you invest; the fund manager takes care of everything. It is also very easy to purchase and sell a managed fund, and your funds are readily available to you if circumstances change. You do not have to commit for a fixed term of investment.

### **5 Personalised Service**

Fisher Funds has a client service team who can provide information on our funds, and tell you how to invest, or sell our funds. One phone call or email puts you in direct touch with someone who wants to answer your questions.

### **6 Ease of Investing**

When you first invest, you simply need to complete the application form at the back of the investment statement and send it in with a personal cheque. You can add to your investments with a regular direct debit, posting a cheque, or making a transfer via the Internet.

### **7 Easy Withdrawal**

You can redeem your investment and normally have the proceeds credited to your bank account within a week. There are no fixed or minimum investment periods with Fisher Funds – the period of investment is up to each individual investor.

### **8 Investor Information**

All Fisher Funds investors receive a monthly newsletter – by mail or email, our website is updated every day with latest prices, performance and news on the companies we invest in. Unit prices will also be published regularly in the major newspapers.

And of course you can give us a call at any time. We always like to talk with our investors.

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