



MITCHELL SNEDDON  
HEAD OF PORTFOLIO SERVICES

# Managed Investment Structures

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# Agenda

- Four investment structures
  - Managed Funds
  - Separately Managed Accounts
  - Exchange Traded Funds
  - Listed Investment Companies
- How they work
- The pro's and con's
- What you need to know



If you are attempting to pick your own  
stocks you are saying to yourself – with  
or without knowing – you can  
outperform the market







**9,317** managed funds

**151** exchange traded funds

**93** listed investment companies



# Managed funds– how do they work?

- Operated as unit trusts
- Open ended structure
- Can be listed but predominantly unlisted
- Typically valued daily
- Will report monthly usually disclosing top ten holdings







# Managed Fund Investing

## Pro's

- Instant diversification
- Benefit of a professional manager
- A large variety of investment strategies
- Always trades at the underlying value of the portfolio
- Simplicity when it comes to tax reporting

## Con's

- It is a pooled investment
- Open ended structure allows for money to flow in & out
- You own units & not stocks
- You cannot transfer stocks in or out
- Not as tax efficient



# What to consider when investing

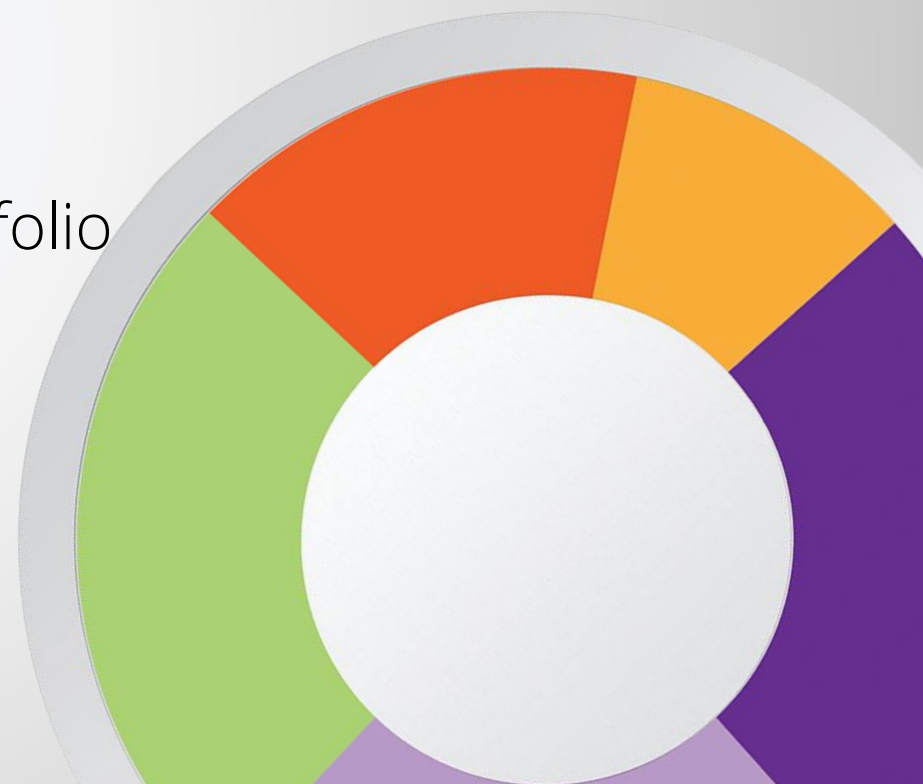
- Check for a “highwater mark” with performance fees
- Understand the investment strategy
- Be aware of your income requirements
- Be comfortable with the level of visibility of the portfolio





# Separately managed accounts – how do they work?

- Managed by a professional fund manager
- Your shares are held in your name in your own account
- You own shares not units
- Transactions based on your selected model portfolio





# Separately Managed Accounts

## Pro's

- 100% transparency – see all trades all stocks
- Flexible ways to receive income
- Full beneficial share ownership
- Greater tax efficiency
- Cost effective

## Con's

- You cannot exclude specific stocks – if it is in the model it is in your portfolio
- Less paperwork for tax than direct shares but more than a managed fund



# What to consider when investing

- Does your SMA allow you to invest in multiple models in the one account?
- Are you paying platform fees?
- What are the management fees?
- If performance fees associated is there a “high water mark”?



# Exchange traded funds – how do they work?

- Index Tracking – an already existing index or one of the issuers creation
- Similar to a standard managed fund
- Can use different investment strategies
- Market makers buy & sell units to create liquidity







# ETF Investing

## Pro's

- Instant diversification
- Low cost access to global markets
- Invest in specific themes
- Create low cost, multi-asset class portfolios

## Con's

- Will always underperform by cost of fees
- You will hold the good, the bad & the ugly



# What to consider when buying?

- Focus on fees and size
- Be wary of tracking error
- Be mindful of “smart beta”





# Listed Investment Companies – how do they work?

- Closed end structure
- Bought & sold on the stock market
- Can trade above or below the real value
- Internally managed vs externally managed
- Focus on total shareholder return





# Listed Investment Companies

## Pro's

- Portfolio can be positioned with true long term view
- Numerous investment strategies
- Can trade at a discount & premium to underlying value
- Company structure allows LICs to smooth out dividend payments

## Con's

- Closed ended structure can act as a disincentive
- Fees can be high & not transparent
- Small market caps & low levels of liquidity





# What to consider when investing

- Select an investment approach you understand
- Buy at a discount to the net tangible assets – this will vary depending on fees
- Be mindful of options
- Are the investment managers invested alongside you?
- Dividend reserves – how deep are they?

