Understanding
Wraps & Master Trusts

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Master trusts and wraps allow you to 'wrap' your investments into one package or portfolio of investments. There are important differences between the two. We explain how each of these structures work, their benefits and things you should know.

Master trusts

- A master trust is an investment structure that allows an investor to hold a portfolio of managed funds under the one umbrella. It provides centralised reporting and is an easy way to manage your portfolio.
- Master trusts typically have the following features:
- Investments are held by a trustee in its name, on behalf of the investor;
- The value of an investor's account is determined by the trustee based on the value of the underlying investments;
- All fees and some taxes are bundled into the unit price for each investment and allocated to the investor;
- Income from the underlying assets is paid to the master trust and then distributed to the investor
- Franking credits are incorporated into the unit price of the underlying investment;
- The underlying wholesale funds are usually specific to that master trust which means they are not portable. If you want to change to a different master trust you will need to sell your current investment and buy a new one, which may result in a capital gain, which will be taxed at your marginal tax rate.

Wraps

- A wrap is similar to a master trust but it allows an investor to hold investments, such as managed funds and direct shares, under the one umbrella. It also provides centralised reporting and flexibility which may allow the investor to save costs.
- Wraps typically have the following features:
- They are operated by a trustee but the investor holds the underlying assets in their own name;
- The value of a member's investment is determined by the underlying assets;
- A wrap service uses a cash account for each member that income and expenses are passed through;
- All fees and taxes are unbundled from the unit price and disclosed separately;
- Any income from the underlying investments is paid into a member's cash account;
- Franking credits are distributed to individual investors through the cash account;

- Members' assets are portable, making it easy for an investor to change wrap services.

Benefits

- **Access to wholesale funds** - You can access a wide range of wholesale funds that you may not be able to access individually;
- **Cost** - Having all your investments under the one umbrella may reduce your investment costs as the administration service makes buying, selling, and reporting much simpler;
- **Online access** - You can usually check your investments online at any time. A master trust or wrap may offer you statements every 3, 6 or 12;
- **Portability** - With a wrap service you own the underlying investments which gives you the flexibility to move them into or out of a wrap service.

Master trusts and wraps are good for those who want the convenience of one report for multiple investments. A wrap or master trust may be a convenient way to reduce costs and simplify reporting.