NEWEALTH

AUSTRALIAN FINANCIAL SERVICES LICENSEE

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Information Guide Booklet

Professional Managers

This Information Guide booklet provides you with general information only.

It will also help you to better understand any recommendations we have made for you.

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Information Guide
Professionally Managed Funds

January 2013

About Us

Newealth is an independently owned Australian private company. Not being owned by any banks, life insurance companies or fund managers has permitted Newealth to better service clients, identify strategies and recommend solutions that meet their needs.

This Information Guide provides you with general information only about professionally managed funds. It will also to help you to better understand any recommendations we have made for you in this regard.

Managed Funds

Investing using professionally managed funds is more expensive in terms of the management and administration fees compared to just buying the individual assets directly.

However, professionally managed funds provide the following advantages:

Diversification – The large pool of assets available to professional fund managers enables them to diversify the spread of investments within and across asset classes and provide access to investments which may not be readily available to individual investors. For example, large retail property complexes and international shares.

Cost Efficiency – The scale of assets in a professionally managed fund facilitates lower fees for every transaction. Economies of scale also extend to managing tax affairs and monitoring portfolio holdings for funds.

Professional Management & Expertise – Top professional fund managers have the expertise and resources to research, select, monitor and manage investment opportunities and generate superior returns.

Liquidity – Investors in professionally managed funds can usually access funds quickly and can usually sell assets as part of their portfolio without needing to withdraw their whole investment.

Time Saving with Regular Reporting & Information – Professional fund managers take care of the administrative hassles and expenses which often accompany direct ownership of investments. Professional fund managers provide regular information to investors regarding investment performance and market activity and also provide tax summaries at the end of the financial year.

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Protection – Professionally managed funds are regulated by the Australian Prudential Regulation Authority and Australian Securities and Investment Commission through legislation which provides safeguards to protect investors.

The disadvantages of investing into managed fund are as follows:

- Most professional fund managers strive to increase the before tax value of the fund rather than focus on the after tax results for each investor. For example, they will sell when they believe that the assets have reached their peak value, even if they have been held for less than 12 months. This might not be ideal for some investors because of the higher capital gains tax resulting.
- You have no control over which assets the professional fund manager holds although you can choose between different asset classes depending on the type of professionally managed fund chosen.
- Costs can be higher compared to direct investment but the diversification and superior performance that can be generated by a good professional fund manager will far outweigh this over direct ownership.

All investments are subject to risk and their value will go up and down due to the performance of financial markets and the activities of the professional fund mangers with whom you invest.

Your return from a managed investment is measured by its change in capital value over time and the income distributions you receive. Sometimes investments may not generate any income and capital losses can occur.

Review

All professionally managed funds should be reviewed at a minimum of once per annum.