

Commonly Asked Questions about Managed Funds

Commonly Used Terms

Unit price	The price of a Unit in a Fund. It is calculated using the Net Asset Value of the fund divided by the number of units in the fund. The unit price for applications and withdrawals into or out of the fund may vary by a 'spread' which covers the cost of the transaction.
Net Asset Value	The total assets of a Fund less the total liabilities of the Fund, calculated in accordance with the Fund's Constitution
Management Fee	The total fees and costs incurred in managing the Funds and your investment. They include costs such as Investment Management fees, Responsible Entity fees, administration expenses and other expenses. Management Costs are deducted from the Fund assets as a whole.
Management Expense Ratio (MER)	This is usually expressed as an annual percentage figure as a proportion of the Net Asset Value of the Fund. It is the amount the Fund Manager takes each year to pay for the costs of operating and marketing the Fund.
Indirect Cost Ratio (ICR)	A useful measure of the ongoing fees and costs you can expect to pay if you invest in the Funds. It is the total of Management Costs (that is, ongoing fees and costs) of each Fund during a financial year represented as a percentage. It is not deducted directly from an Investor
Trustee	The person or company that has the legal responsibility to ensure that the trust or superannuation fund is operated in accordance with the trust deed.
Annual report	A yearly report or statement of a company's financial health. It generally includes a balance sheet and profit and loss statement. Trustees of funds must issue annual reports each year.
Asset allocation	The percentage of assets held in each asset class (shares, fixed interest, etc.) in an investment portfolio
Asset class	A category of financial assets. The major asset classes are shares, property, fixed interest and cash, which in turn can be broken down further to include domestic or international shares, domestic or international fixed interest, direct or indirect property
Distribution	An income payment made to unit trust investors. Under a trust deed, any income earned by the investments held in the trust may have to be distributed to the investors. The term may also be used to describe a return of capital.
Capital	The value of your investment, represented by total assets (what you own) less total liabilities (debts or monies owed). Also refers to the initial amount you invested

All Fund disclosure documents have their own commonly used terms, which can generally be found in the back of the PDS.

Commonly Asked Questions

1. How does a Managed Fund work?

In a managed fund, your money is pooled with money from other investors. A professional investment manager uses the money to buy and sell assets on your behalf. Some funds invest most of their money in a traditional asset class, such as cash, fixed interest securities, property securities or shares (Australian or international). Others invest in a mix of these. A roughly equal mix will result in a 'balanced' fund. After taking fees and costs into account, you will receive the benefit of any income earned in the fund, paid to you as a distribution. The capital value of your investment rises or falls with the value of the underlying assets.

2. How does a Unit Price work?

Most managed funds are unit trusts. When you invest, your money buys units in the trust. How many units you get depends on how much you invest and the unit price at the time.

Say you had \$10,000 to invest and the application (entry) unit price was \$2.00; you would get 5,000 units in the fund. (Assuming no establishment fees are charged)

Although your unit balance in a fund will stay constant (unless there is a transaction on your account), the unit price will change according to changes in the market value of the investment portfolio, or the total number of units issued for the fund. We determine the market value of each fund based on the information we have most recently available. Daily unit prices are available over the phone or from the fund's website.

You can check the value of your investment in a unit trust at any time by multiplying the number of units you hold by the daily (exit) unit price.

3. What is the difference between MER and ICR?

The MER & ICR are measures of the funds annual ongoing expenses expressed as a percentage per unit, which is deducted directly from a members holdings.

ICR is the replacement standard over MER for management fee reporting. The ICR includes all of the MER plus all other indirect costs, for example performance fees. Managed Funds may include both the MER and ICR, only one is charged with the ICR the more conclusive figure.

4. How are Entry (application) and Exit (withdrawal) prices calculated?

The Application Price (also described as the issue price) is the price at which units are issued when an investor invests in a fund. This is generally calculated by using the Net Asset Value unit price plus the transaction cost factor.

However units issued under a distribution reinvestment plan are issued at the Net Asset Value unit price applicable at the date of reinvestment in accordance with each Funds' constitution.

The Withdrawal Price (also described as the redemption price) is the price at which units are redeemed when an investor withdraws from a Fund. This is generally calculated by using the Net Asset Value unit price minus the transaction cost factor

5. Why are managed funds becoming so popular?

- > It's easy to diversify your investments
- > You benefit from the skills and knowledge of investment professionals who make the investment decisions
- > It's easy to reinvest your earnings letting you maximise the benefits of compound returns
- > It's easy to set up a regular investment plan
- > You get access to hard-to get asset classes such as property or infrastructure and different investment styles
- > You can choose between funds that return income, growth or both
- > You can start investing with as little as \$2,000
- > You can grow your wealth and save for the future

6. Apart from management fees, what are some of the other fees associated with Managed Funds?

Some Fund managers may charge other types of fees including but not limited to Establishment fees, Contribution fees, withdrawal fees, terminations fees & switching fees. The types of fees charged can be found in the Fund's PDS. Make sure you compare the fees associated with your Fund prior to investing. The fees may vary depending on the underlying investment.

7. Is it a lengthy process to invest in a Managed Fund?

It's easy to start investing and it can be done with as little as \$2,000. Firstly, you will need to read the Funds PDS and complete an application form. If you are a new customer, sufficient identification is needed to meet "know Your Customer" (KYC) guidelines. All of this information can be found in the back of the Funds' PDS or alternatively via our website. If you need help with your investment, please [contact](#) a Bendigo Financial Planner.

8. How do I keep track of the Funds performance?

You can find information regarding your Funds' performance via our website or upon request. Each Fund will produce an Annual Report which can be accessed via our website or by calling us. Unit prices are available via our website and updated daily.

9. How do I keep track of my portfolio?

Depending on your type of investment, you will receive a statement either monthly, quarterly or bi-annually. Your statement will show any changes to your investment value and all activity that has been performed on your account for that period.

10. What if I change my mind, and no longer want to invest after applying?

Subject to applicable law, retail Investors have access to a cooling-off period relating to their investment except for investments made under distribution reinvestment plans or as additional investments.

Please check the Governments website www.moneysmart.gov.au for further information on your rights for cooling off.