

INVESTSMART

How to Assess your Managed fund

And how to choose
your next one

2 August 2023

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The big numbers... and problem

74%

the percentage of funds that return less than the industry standard benchmark

-2.53%

the average underperformance

1.54%

the average fee charged by these funds



Why does this happen?

- **Fees**

Benchmarks don't have fees – therefore managed funds are starting behind the 8 ball
- **Career risk**

To get a different return from the market you must be prepared to do something different. Being wrong with everyone else is fine, but being wrong on your own...
- **Size**

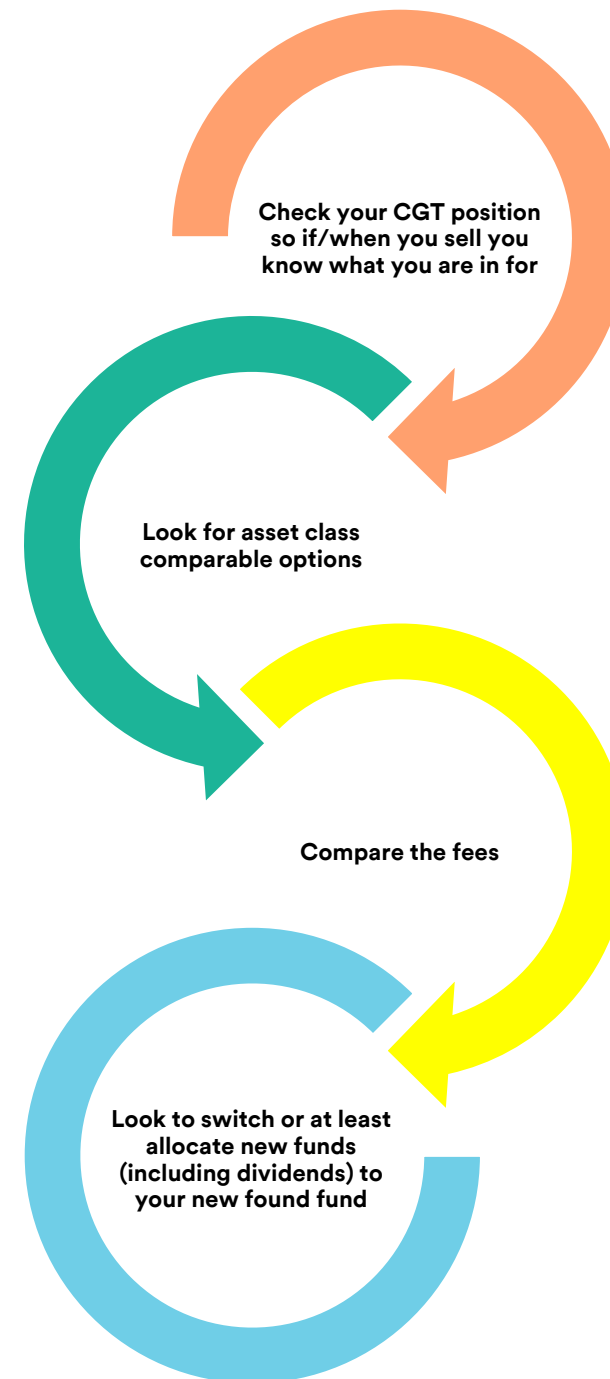
The bigger a funds gets the harder it is to invest and it will gravitate towards the average return
- **Investing is hard**

Picking individual stocks is incredibly difficult and even the best in the world will tell you if you're winning 60% of the time you're doing very well

Does your comparison graph look like this?



What to do with an underperformer



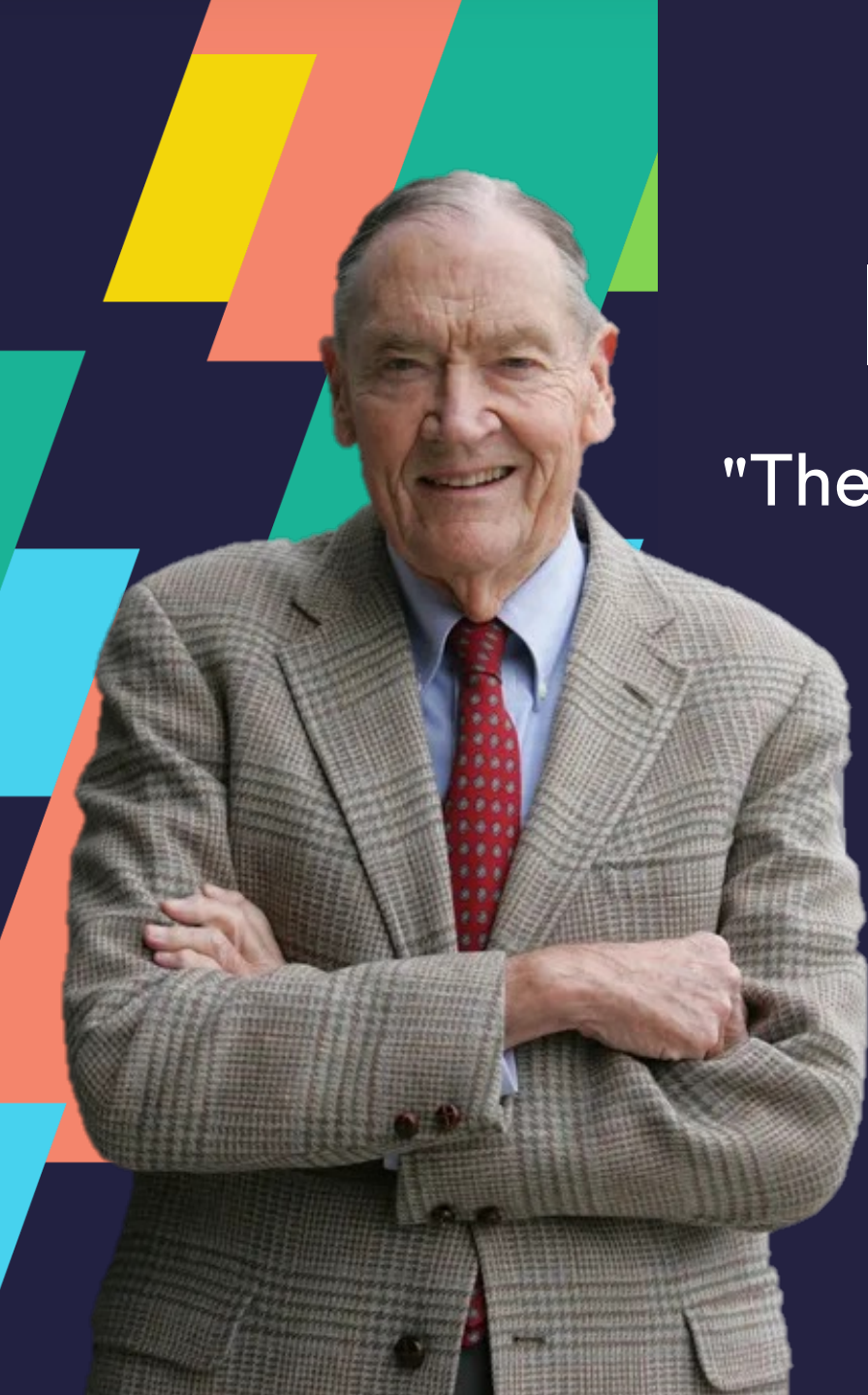
The #1 thing **not to do** when selecting a fund

Do not select the highest performers

"The greatest enemy of a good plan is the dream of a perfect plan. Stick to the good plan"

Fund Category	Fund Count at Start (December 2020)	Percentage Remaining in Top Quartile	
		December 2021	December 2022
Top Quartile			
Australian Equity General	80	37.50	6.25
Australian Equity Mid- and Small-Cap	35	22.86	2.86
International Equity General	66	10.61	0.00
Australian Bonds	16	18.75	6.25
Australian Equity A-REIT	15	46.67	0.00

"Past performance is no indicator of future performance" SPIVA Persistence Scorecard proves this <https://www.spglobal.com/spdji/en/documents/spiva/persistence-scorecard-australia-year-end-2022.pdf>



Instead, focus on **costs**

"The miracle of compounding returns is overwhelmed
by the tyranny of compounding costs"

- John Bogle

When would you use **managed funds**?

- Illiquid markets/assets
- ETFs do not hold small caps
 - Therefore, an allocation of global and ASX small cap funds could help your diversification





How do you select a fund?

Aim to be average

"I can afford not to be the best investor in the world but I can't afford to be the worst"

Morgan Housel

The Psychology of Money

You can outperform most professional investors by simply focusing on fees and getting the index return.

Assessing an **ETF**

Asset Class

"Does this give me the exposure I am looking for?"

Fees

What is the total cost to you as an investor?

Size/ Liquidity

Am I easily able to transact?

Performance

How closely does this ETF track its index?

Location

Where is the fund domiciled?

Tax

Will I have to pay foreign tax?

InvestSMART Bootcamp

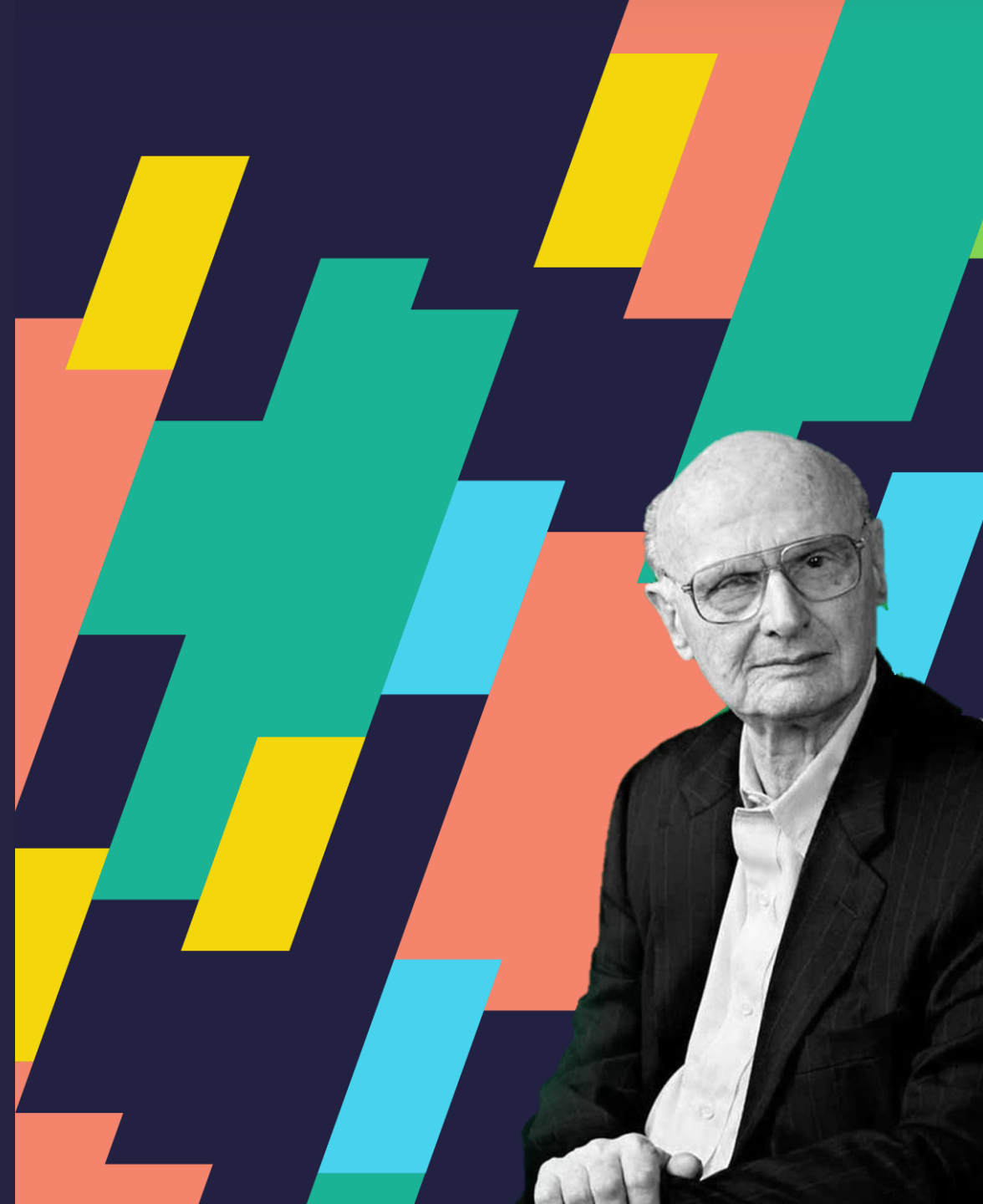
For a deeper understanding of these topics and more, consider our [InvestSMART Bootcamp](#) for Beginners' course, priced at \$49.50. It covers key concepts of investment planning, asset classes, and strategies.



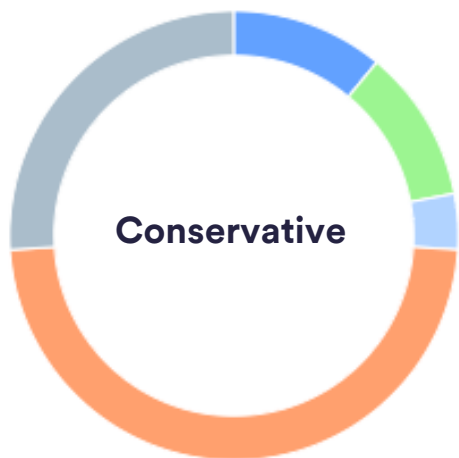
Planning for the unknown

"A good portfolio is more than a long list of good stocks and bonds. It is a balanced whole, providing the investor with protections and opportunities with respect to a wide range of contingencies."

Harry Markowitz



"The efficient frontier is the set of portfolios that offer the highest expected return for a given level of risk." - Harry Markowitz



● Australian Equities

● International Equities

● Property & Infrastructure

● Fixed Interest

● Cash

**Your
performance
also comes
down to you**

68% of investors
underperform the funds they're
actually invested in – DALBAR
study

"Your success in investing will depend in part on your character and guts, and in part on your ability to realize at the height of ebullience and the depth of despair alike that this too shall pass."

- John Bogle

Building a service on **fundamental principles**

Why choose InvestSMART?

Low fees starting from
0.55%pa capped at \$550

Passive investments

Diversification across and
within asset classes

Automate
contributions/withdrawals
to avoid market timing

Next step

Book a call with **the team**



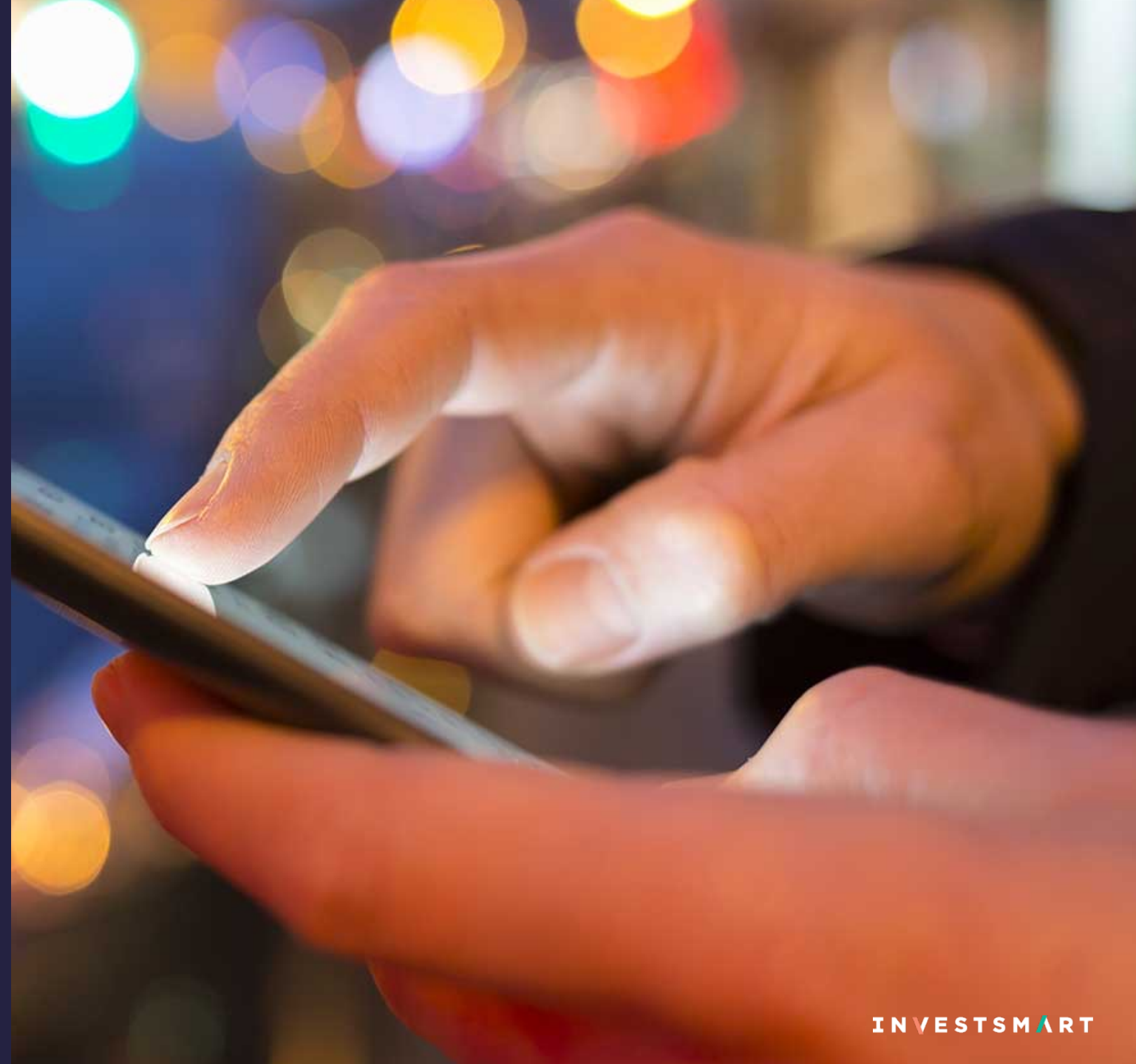
Schedule a call with
[Mitchell Sneddon](#)

- For
- InvestSMART Professionally Managed Accounts
 - Intelligent Investor managed funds



Schedule a call with
[Tom Wilson](#)

- For
- Bootcamp for business corporate licenses



Thank you

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