



# Introducing managed funds: The importance of low costs

Like any other investment, there are fees involved when investing in a managed fund. Managed funds fees may vary and must be disclosed in the fund's PDS.

The types of fees you may pay when investing in managed funds include:

- **Entry fee:** An upfront fee that may be deducted from your initial investment. This can be up to 5% and will reduce the amount of your initial investment. If you deal directly through the fund you may not have to pay this fee. If you are using an adviser you may be able to negotiate this fee.
- **Management fees:** An ongoing fee to cover the cost of managing your investment.
- **Switching fee:** A fee for switching between funds or investment options.
- **Buy/sell spread:** The difference between the entry unit price (buy price) and exit unit price (sell price). This can include brokerage, custody costs, government taxes and bank charges and are

expressed as a percentage of the funds net asset value (fund size).

Not all funds charge all of these fees, and may charge others, so check the PDS for information on fees before you invest.

Vanguard does not charge entry, contribution or switching fees (apart from the usual buy-sell spreads that apply to all transactions) and does not pay commissions to advisers.

## Lower costs can translate into better long-term performance

The table below shows how cost differences between funds can affect your total return over time. This example assumes an average return for a \$20,000 investment over a 5 to 30 year period.

### Fund A has a higher management cost than Fund B

Number of years invested as at 30 September 2017	S&P/ASX 300 Accum. Index return % p.a. as at 30 September 2017	Fund A Investment value with expense ratio of 1.95% p.a.	Fund B Investment value with expense ratio of 0.75% p.a.	Difference
5	9.40%	\$29,146.97	\$30,947.23	\$1,800.26
10	2.95%	\$22,002.97	\$24,804.93	\$2,801.96
20	8.03%	\$63,536.39	\$80,748.80	\$17,212.41
30	7.58%	\$99,710.60	\$142,860.34	\$43,149.74

Assumptions: Initial investment of \$20,000. MER paid at 30 September each year. Past performance is not an indication of future performance. Source: Vanguard using market data.

## Tax – the hidden opportunity cost

Like direct share investors, unitholders in managed funds may also have to pay capital gains tax. Capital gains are generally only taxable once realised, that is, when the asset is sold for a profit. For investments held for more than a year, discounts may apply to the taxable amount:

- For an individual investor only half of the capital gain will be taxable
- For a superannuation fund investor, only two thirds of the capital gain will be taxable.

## Low-cost investing with Vanguard

We know we can't control the markets, but we can control the costs of investing. To that end, providing low-cost investments isn't a pricing strategy for Vanguard. It's how we do business.

We can keep our costs low because of our unique ownership structure (we're owned by our investors), which allows us to return profits to investors through lower costs so investors can earn more over time.

## Our range of managed funds and ETFs

Vanguard offers a complete range of low-cost funds across all asset classes.

To see our complete product offerings, visit [vanguard.com.au](http://vanguard.com.au).



**Connect with Vanguard™** > [vanguard.com.au](http://vanguard.com.au)

This material contains general information and is intended to assist you. Vanguard Investments Australia Ltd (ABN 72 072 881 086 / AFS Licence 227263) is the product issuer. We have not taken your circumstances into account when preparing this material so it may not be applicable to your circumstances. You should consider your circumstances and our Product Disclosure Statements ("PDSs") before making any investment decision. You can access our PDSs at [vanguard.com.au](http://vanguard.com.au) or by calling 1300 655 101. Past performance is not an indication of future performance. This material was prepared in good faith and we accept no liability for any errors or omissions. © 2019 Vanguard Investments Australia Ltd. All rights reserved. ACEC1-1\_122019