

## Fees

- Entry fees vary from 0- 5%.
- Management fees are charged as a percentage of the value of the assets of the fund and usually range between 0.7% and 2.5%.

## Fixed Level of Income

Some trusts allow investors to receive a nominated level of income eg. \$100 per month. If the investor's share of earnings does not equal or exceed the nominated amount some capital will be returned to make up the agreed payment. Continued capital reductions may result in a reduced or zero balance of your investment.

## Listed Investment Companies (LICs)

Listed Investment Companies offer similar types of investments as equity trusts. LICs are listed on the stock exchange with investors purchasing shares through a stockbroker.

The market value of the LICs shares will vary with the value of the investments that it holds and with the sharemarket's opinion of the value of the company.

## Investing With Safety

Due to the volatility of the underlying assets in Equity Trusts they are considered to be high risk investments. Withdrawing from the investment when the market has fallen can result in a loss. Being aware of the purchase price and the current unit price can minimise the possibility of a loss being incurred.

Performance in these products takes into account positive or negative capital growth and income distribution. A satisfactory distribution can be received even in a low market.

Equity trusts should be viewed as medium to long term investments and should not be used to place money that needs to be accessed in the short term. Investment details are included in the Product Disclosure Statement (PDS). This document should be read with understanding before investing.

Equity trusts should only form part of an investment portfolio. Investments with exposure to other asset classes should also be made.

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THIS PUBLICATION IS INTENDED AS A GUIDE ONLY AND IS NOT IN ANY WAY AN ENDORSEMENT OF ANY PRODUCT MENTIONED. READERS SHOULD NOT RELY ON THIS INFORMATION ALONE AS A BASIS FOR MAKING AN INVESTMENT. LAST REVIEWED 04/12/09



National Information Centre on  
Retirement Investments Inc.

# Equity Trusts



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Investment Product Series

INFORMATION CURRENT FROM 04/12/09



## What are Equity Trusts?

Equity trusts (also known as share trusts) offer the ability to invest in a wide range of shares listed on a stock exchange.

Equity trusts usually aim to provide a medium level of income and long term growth.

Many equity trusts are available and their names often indicate the types of shares they purchase and trade eg. Dividend Imputation Trust, Gold Trust, Resources Trust etc. The name may indicate a specific overseas country or region in which the trust invests, eg. US or European Share Trust. Many fund managers provide a list of the companies whose shares may be held or traded which investors can research.

Trust investors buy units in the fund at the 'issue or buy price' and may sell them back to the fund manager at the 'redemption or sell price' on the day when a requested withdrawal is paid. The buy price is usually a little greater than the sell price. The unit price is determined by dividing the total value of the assets of the fund by the number of units held allowing for costs such as brokerage and management fees. As the value of the shares change so do the unit prices. The price of overseas trust units are determined by both the value of the underlying shares and movement in currency exchange rates.

The fund manager is responsible for the research and selection of shares, derivatives, management and administration of the trust.

## Features

- Minimum initial investment may be as low as \$1000. Many funds allow regular monthly contributions from \$100 per month.
- Equity trusts give investors an opportunity for exposure to a wide range of companies and/or markets with a small amount of money.
- Some income payments may be tax advantaged (refer Taxation).
- Use of options contracts and other derivatives by the fund can protect investors against loss while benefiting from favourable price movements.
- Money is usually available within one week from a redemption request but can take significantly longer.

## But Remember...

- The value of individual investments in equity trusts are affected by the volatility of share markets and currencies which may experience substantial falls or rises.
- Equity trusts are not capital guaranteed nor are their future returns.
- Although futures and options are used for investment protection, adverse conditions may affect the volatility of the investment.
- Investors have no direct participation in the selection of shares or timing of traders.
- Some equity trusts borrow funds (gear) to try to increase their return. The use of borrowings can substantially increase the investment risk.

## Taxation

Tax implications can be complex. It may be necessary to seek further information from a qualified tax adviser.

The income payments (distributions) may include:

- taxable income which is fully assessable;
- realised capital gains from trading;
- tax free income - the tax treatment varies and is detailed on the distribution notice;
- franked dividends which are paid under the dividend imputation system and provide a tax credit (see NICRI leaflet - Shares).

Capital gains tax may be payable on withdrawals from investments purchased after 19 September 1985 or on income distributions as detailed on the distribution notice.

The fund will provide a tax statement each year to assist with completion of tax returns.

## Government Income Support

The unit prices of equity trusts are automatically updated each March and September and stated holdings reviewed.

The full value of equity trusts is subject to deeming under the income test. The asset value may be reduced by borrowings under the Assets test.

For further details contact a Centrelink Financial Information Service Officer or the Department of Veterans' Affairs.