

\$414bn of Australia's hard earned cash is invested in underperforming funds: InvestSMART research

Research shining a light on the fund management industry has shown many fund managers are charging 'fees for no performance'

SYDNEY, September 24 2018: Research* from digital wealth provider InvestSMART has shown many of the country's biggest fund managers are charging fees for no, or underwhelming, performance.

InvestSMART modelling of Morningstar data shows over \$414 billion of everyday Australians' hard-earned cash is invested in underperforming funds. Analysing over 9,300 managed funds in Australia, the research revealed that out of the 5,297 funds with a 10-year track record, 78% have underperformed their respective benchmark indices by an average of 1.88%, with average fees at 1.74%.

Commenting on the findings, InvestSMART CEO Ron Hodge said fees were the most important part of any performance equation.

"It is pretty well known in the industry that over the longer term, most fund managers will underperform their benchmark by the cost of their fees. This is largely because a benchmark does not have any transaction costs - it is an hypothetical calculation.

"So why are benchmarks important? Benchmarks are a comparison metric, allowing investors to compare apples with apples when they are looking at a number of investment options. For example, there is not much use comparing an International fund to an Australian Equities fund or a property fund with a bond fund," he said.

To help investors more easily compare their fund's performance against its peers, including fees, InvestSMART recently launched an industry-first online tool, [Compare Your Fund](#). The tool allows investors to compare a range of managed funds (including super and pensions).

You can't control performance but you can control costs

InvestSMART Chairman Paul Clitheroe said while historically it had been difficult for investors to compare fund fees and costs, Compare Your Fund allows investors to really do their homework before investing.

"While you can't control the performance of your fund, you can control fees and we believe this tool will help investors truly understand the fees and costs involved in investing," he said.

"There are plenty of low-cost investment products out there, if you're paying too high a fee, you're giving away too much of your share of investment returns."

Technology as an enabler

Mr Hodge said technological innovation was gradually levelling the playing field for investors.

“Fund manager fees have fallen globally over the past decade and we believe advances in technology, along with regulatory change, will continue to put pressure on traditional fee models,” he said.

“InvestSMART is currently investing heavily in new technology-based products and tools, with the goal of continuing to help lower the total costs of investing to help Australians grow and protect their wealth.”

In addition to the Compare Your Fund tool, InvestSMART also offers stock research and analysis to over 630,000 members, and a popular free online Portfolio Manager, which allows investors to track all their investments in one place and conduct regular portfolio health checks.

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Notes to editors

*InvestSMART analysed 9,346 funds performance to of 30 June 2018 using Morningstar data.

Over 10 Years – Out of 9,346 funds 5,297 with more than \$868b in FUM had a 10-year track record

Out of these funds 4,136 or 78% underperformed their respective benchmark indices by an average of 1.88% with average fees of 1.74% Total underperforming FUM was \$414billion.

Over 3 Years – Out of 9,346 funds 7,327 with more than \$1.13t in FUM had a 3-year track record

Out of these funds 5,892 or 80% underperformed their respective benchmark indices by an average of 2.00% with average fees of 1.67%. Total underperforming FUM was \$533billion.

About InvestSMART

InvestSMART Group Ltd (ASX:INV), was founded in 1999 and is a leading Australian digital wealth advisor which has over 32,000 clients and over \$1.4B in assets under advice. It owns Intelligent Investor, Eureka Report and has launched a number of its own funds.

Paul Clitheroe AM was appointed Director and Chairman in 2014, and is Chair of the Investment Committee. Paul has 37 years of experience and is regarded as one of Australia's leading "money" experts, is Chairman of The Australian Government Financial Literacy Board and holds the Chair of Financial Literacy at Macquarie University.