

## MANAGED INVESTMENTS

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## ASX LISTED MANAGED INVESTMENTS

By Scott McKenzie

There is quite a number of different types of managed investments listed on the ASX. They include: Listed Investment Companies (LICs) & Trusts; Real Estate Investment Trusts (A-REITs); Infrastructure Funds; Pooled Development Funds (PDFs); Exchange Traded Funds (ETFs); Exchange Traded Commodities (ETCs) and Absolute Return Funds.

This edition of the Managed Investments Bulletin will focus on LICs and LITs.

To see the complete range of managed investments listed have a look [here](#).

*Scott McKenzie is the Vice President of the AIA.*

### Some examples of LICs

Best known LIC is probably AFIC (AFI): <http://www.afi.com.au>

Another is Argo Investments (ARG): <http://www.argoinvestments.com.au>

And another is Clime Capital (CAM): <http://www.clime.com.au/IRM/content/home.html>

By clicking on the name of the company you can quickly get to their website and begin an exploration of them as a potential investment.

Notice that there are some that specialize in international e.g. Hunter Hall Global Value and Templeton Global Growth while other funds focus on private equity e.g. Souls Private Equity and more - quite a variety.

### More about LICs and LITs

Listed Investment Companies (LICs) and Listed Investment Trusts (LITs) operate in a similar way as they both provide exposure to a diversified portfolio of investments on behalf of their investors.

These investments may include Australian shares, international shares, private equity and specialist sectors such as wine and resources.

LICs and LITs can therefore be classified into four broad categories:

- Australian Shares - investing principally in shares listed on ASX
- International Shares - investing principally in shares listed on international stock exchanges
- Private equity - investing in Australian or international unlisted private companies
- Specialist - investing in special assets or investment sectors such as wineries, technology companies, resources, and telecommunications

Their investment techniques and operational characteristics differ substantially from one entity to the next, and their investment approach can range from very conservative to aggressive. The investment manager may either be internal, as part of the company, or external where a separate organisation is managing the portfolio under contract from the company.

When selecting an LIC or an LIT, investors should consider whether the manager's attributes, investment style and underlying investment portfolio suits their own investment objectives. Read more [here](#).

## Keeping track of LICs

The ASX in conjunction with Listed Investment Companies (LICs) have established a composite LIC Index which comprises of LICs listed on ASX that invest directly in Australian and International Equities.

Two sub-indices have also been created to allow for better tracking against either the domestic or internationally focussed LICs. The index includes historical data back to December 30, 2005. Check this index out [here](#).

## LICs – trading at a premium or discount?

One thing that worries investors is that LICs can trade at a discount or a premium to the underlying share prices of their constituent companies. This is tracked [here](#).

## Understanding and measuring Listed Investment Company Performance

Whitefield Limited have a short paper that looks into the complexities of the financial performance of LICs, something that will help us to make investment decisions. Have a look [here](#).

## Outperforming and misunderstood

White Funds have recently prepared a **paper**

[http://www.investors.asn.au/downloads/bulletins/MI/2010/201004\\_LICSWhiteFunds.pdf](http://www.investors.asn.au/downloads/bulletins/MI/2010/201004_LICSWhiteFunds.pdf) in which they go to some trouble to explain features of LICs that investors often misunderstand and to demonstrate the strength of their investment performance.

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This bulletin is produced by the:

Australian Investors Association  
PO Box 7439, Gold Coast MC Qld 9726  
Tel: 1300 555 061 Fax: 07 5538 8376  
Email: [aia@investors.asn.au](mailto:aia@investors.asn.au) Web: [www.investors.asn.au](http://www.investors.asn.au)

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