



## **8 THINGS TO LOOK FOR IN A PRODUCT DISCLOSURE STATEMENT?**

A Product Disclosure Statement (PDS) describes the product features, together with a summary of the significant benefits, risks and the costs associated with that product. The purpose of the Product Disclosure Statement is to provide you with information to help you decide if the product will meet your needs. It also helps you to compare the product with other similar offerings you may be considering.

Listed below are some of the key pieces of information to consider in any PDS.

### **What the investment objective of the fund ?**

There will always be general statements like 'Outperforming the ASX 200 by x percent' or 'achieving long term

If the manager is going to invest in international shares take time to investigate the hedging policy. This is how the fund manager attempts to manage the effects of movements in the value of the Australian dollar on the fund. Fund managers may change their currency hedging policies and strategies from time to time, read carefully any supplementary PDS and reports.

### **What are the investment strategy's risks**

Every investment has risks associated with it, and the PDS must explain those risks. Usually the risks are presented in broad terms but it is important that you assess what they are in terms of your personal investment objective. For example funds which borrow to invest (gearing) in an attempt to increase returns - should have a section which explains clearly how the gearing works, and the maximum gearing level.

### **What are the costs involved in investing in this fund ?**

Look for ;

- Management Expense Ratio – the amount the manager charges each year for their services. This will usually be presented as a percentage of the amount invested.
- Entry fee – Is there an upfront cost to invest in the fund ?
- Exit fee – Is there a fee to exit the fund
- Performance fee – A bonus to fund managers if they achieve higher returns.

### **Does the fund distribute income ?**

These are usually monthly or quarterly for income-oriented funds such as fixed income, mortgage, and conservative balanced funds, or quarterly, half-yearly, or yearly. This is a particularly important issue to consider if the reason for

## **What is the cooling off period ?**

This is the time allowed after you have made an investment in which you can change your mind and withdraw your money without incurring any of the usual charges, such as exit fees. Most fund managers have a cooling off period of two weeks.

## **How to make a complaint**

The PDS should also tell you how to complain, and to whom. The fund manager should have specified policies for handling both verbal and written complaints, and procedures in place for notifying you of how your complaint is being handled, and avoiding unreasonable delays.

While we have outlined some key things to look for in a product disclosure statement it should not be your sole source of information about a fund. Always contact us to discuss your choice of investment or any questions you may have about a PDS.